Vishay Precision Group, Inc.
Form 10-Q
November 06, 2012

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

FORM 10-Q

(Mark One)

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended September 29, 2012
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from _______ to _______

Commission File Number 1-34679

VISHAY PRECISION GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**27-0986328**
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification Number)
3 Great Valley Parkway, Suite 150 **Malvern, PA 19355**	**484-321-5300**
(Address of Principal Executive Offices)	(Registrant s Area Code and Telephone Number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

As of November 6, 2012, the registrant had 12,345,722 shares of its common stock and 1,025,176 shares of its Class B common stock outstanding.

VISHAY PRECISION GROUP, INC.

FORM 10-Q
September 29, 2012
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Balance Sheets
(In thousands)

	September 29, 2012 *(Unaudited)*	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	**$ 89,250**	$ 80,828
Accounts receivable, net	**33,421**	34,214
Inventories:		
Raw materials	**14,644**	15,196
Work in process	**15,376**	14,343
Finished goods	**19,393**	19,559
Inventories, net	**49,413**	49,098
Deferred income taxes	**4,570**	4,638
Prepaid expenses and other current assets	**10,142**	8,964
Total current assets	**186,796**	177,742
Property and equipment, at cost:		
Land	**2,053**	2,020
Buildings and improvements	**48,885**	43,043
Machinery and equipment	**75,893**	73,597
Software	**5,698**	4,956
Construction in progress	**1,095**	7,146
Accumulated depreciation	**(80,754)**	(77,024)
Property and equipment, net	**52,870**	53,738
Intangible assets, net	**9,008**	11,102
Other assets	**13,830**	14,023
Total assets	**$ 262,504**	$ 256,605

Continues on the following page.

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

	September 29, 2012 *(Unaudited)*	December 31, 2011
Liabilities and equity		
Current liabilities:		
Trade accounts payable	**$ 10,150**	$ 11,458
Payroll and related expenses	**12,390**	12,741
Other accrued expenses	**9,150**	9,538
Income taxes	**1,682**	2,842
Current portion of long-term debt	**185**	185
Total current liabilities	**33,557**	36,764
Long-term debt, less current portion	**11,325**	11,463
Deferred income taxes	**2,892**	2,873
Other liabilities	**8,033**	7,769
Accrued pension and other postretirement costs	**12,840**	12,798
Total liabilities	**68,647**	71,667
Commitments and contingencies		
Equity:		
Common stock	**1,235**	1,232
Class B convertible common stock	**103**	103
Capital in excess of par value	**181,553**	180,758
Retained earnings	**23,191**	16,665
Accumulated other comprehensive income (loss)	**(12,352)**	(13,973)
Total Vishay Precision Group, Inc. stockholders' equity	**193,730**	184,785
Noncontrolling interests	**127**	153
Total equity	**193,857**	184,938
Total liabilities and equity	**$ 262,504**	$ 256,605

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Fiscal quarter ended	
	September 29, 2012	**October 1, 2011**
Net revenues	**$ 55,430**	$ 60,037
Costs of products sold	**36,691**	38,845
Gross profit	**18,739**	21,192
Selling, general, and administrative expenses	**15,646**	16,482
Operating income	**3,093**	4,710
Other income (expense):		
Interest expense	**(75)**	(70)
Other	**(295)**	(763)
Other income (expense) - net	**(370)**	(833)
Income before taxes	**2,723**	3,877
Income tax expense	**811**	639
Net earnings	**1,912**	3,238
Less: net loss attributable to noncontrolling interests	**(30)**	(62)
Net earnings attributable to VPG stockholders	**$ 1,942**	$ 3,300
Basic earnings per share attributable to VPG stockholders	**$ 0.15**	$ 0.25
Diluted earnings per share attributable to VPG stockholders	**$ 0.14**	$ 0.24
Weighted average shares outstanding - basic	**13,371**	13,346
Weighted average shares outstanding - diluted	**13,893**	13,831

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Operations
(Unaudited - In thousands, except per share amounts)

	Nine fiscal months ended September 29, 2012	October 1, 2011
Net revenues	**$ 166,606**	$ 181,695
Costs of products sold	**109,136**	117,403
Gross profit	**57,470**	64,292
Selling, general, and administrative expenses	**47,923**	49,898
Operating income	**9,547**	14,394
Other income (expense):		
Interest expense	**(216)**	(227)
Other	**15**	(629)
Other income (expense) - net	**(201)**	(856)
Income before taxes	**9,346**	13,538
Income tax expense	**2,796**	3,911
Net earnings	**6,550**	9,627
Less: net earnings attributable to noncontrolling interests	**24**	51
Net earnings attributable to VPG stockholders	**$ 6,526**	$ 9,576
Basic earnings per share attributable to VPG stockholders	**$ 0.49**	$ 0.72
Diluted earnings per share attributable to VPG stockholders	**$ 0.47**	$ 0.69
Weighted average shares outstanding - basic	**13,366**	13,342
Weighted average shares outstanding - diluted	**13,881**	13,820

See accompanying notes.

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

	Fiscal quarter ended	
	September 29, 2012	**October 1, 2011**
Net earnings	**$ 1,912**	$ 3,238
Other comprehensive income (loss):		
Foreign currency translation adjustment	**3,505**	(1,674)
Pension and other postretirement actuarial items, net of tax	**(55)**	33
Other comprehensive income (loss)	**3,450**	(1,641)
Comprehensive income	**5,362**	1,597
Less comprehensive loss attributable to noncontrolling interests	**(30)**	(62)
Comprehensive income attributable to VPG stockholders	**$ 5,392**	$ 1,659

See accompanying notes.

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

	Nine fiscal months ended September 29, 2012	October 1, 2011
Net earnings	**$ 6,550**	$ 9,627
Other comprehensive income:		
Foreign currency translation adjustment	**1,603**	1,316
Pension and other postretirement actuarial items, net of tax	**18**	31
Other comprehensive income	**1,621**	1,347
Comprehensive income	**8,171**	10,974
Less comprehensive income attributable to noncontrolling interests	**24**	51
Comprehensive income attributable to VPG stockholders	**$ 8,147**	$ 10,923

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statements of Cash Flows
(Unaudited - In thousands)

	Nine fiscal months ended September 29, 2012	October 1, 2011
Operating activities		
Net earnings	**$ 6,550**	$ 9,627
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**8,727**	8,425
Loss on disposal of property and equipment	**219**	20
Share-based compensation expense	**866**	718
Inventory write-offs for obsolescence	**996**	1,149
Other	**(537)**	(3,084)
Net changes in operating assets and liabilities:		
Accounts receivable	**991**	(2,940)
Inventories	**(945)**	(2,793)
Prepaid expenses and other current assets	**(1,126)**	(4,816)
Trade accounts payable	**(1,345)**	2,464
Other current liabilities	**(878)**	930
Net cash provided by operating activities	**13,518**	9,700
Investing activities		
Capital expenditures	**(5,805)**	(10,347)
Proceeds from sale of property and equipment	**271**	143
Net cash used in investing activities	**(5,534)**	(10,204)
Financing activities		
Principal payments on long-term debt and capital leases	**(136)**	(90)
Net changes in short-term borrowings	**-**	1,326
Distributions to noncontrolling interests	**(50)**	(15)
Net cash (used in) provided by financing activities	**(186)**	1,221
Effect of exchange rate changes on cash and cash equivalents	**624**	356
Increase in cash and cash equivalents	**8,422**	1,073
Cash and cash equivalents at beginning of period	**80,828**	82,245
Cash and cash equivalents at end of period	**$ 89,250**	$ 83,318

See accompanying notes.

VISHAY PRECISION GROUP, INC.
Consolidated Condensed Statement of Equity
(Unaudited - In thousands, except share amounts)

	Common Stock	Class B Convertible Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total VPG Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	$ 1,232	$ 103	$ 180,758	$ 16,665	$ (13,973)	$ 184,785	$ 153	$ 184,938
Net earnings	-	-	-	6,526	-	6,526	24	6,550
Foreign currency translation adjustment	-	-	-	-	1,603	1,603	-	1,603
Pension and other postretirement actuarial items (net of tax)	-	-	-	-	18	18	-	18
Share-based compensation expense	-	-	401	-	-	401	-	401
Restricted stock issuances (25,104 shares)	3	-	394	-	-	397	-	397
Distribution to noncontrolling interests	-	-	-	-	-	-	(50)	(50)
Balance at September 29, 2012	$ 1,235	$ 103	$ 181,553	$ 23,191	$ (12,352)	$ 193,730	$ 127	$ 193,857

See accompanying notes.

Vishay Precision Group, Inc.
Notes to Unaudited Consolidated Condensed Financial Statements

Note 1 Basis of Presentation

Background

Vishay Precision Group, Inc. (VPG or the Company) is an internationally recognized designer, manufacturer and marketer of components based on resistive foil technology, sensors, and sensor-based systems specializing in the growing markets of stress, force, weight, pressure, and current measurements. The Company provides vertically integrated products and solutions that are primarily based upon its proprietary foil technology. These products are marketed under a variety of brand names that the Company believes are characterized as having a very high level of precision and quality. VPG s global operations enable it to produce a wide variety of products in strategically effective geographical locations that also optimize its resources for specific technologies, sensors, assemblies and systems. On July 6, 2010, VPG was spun-off from Vishay Intertechnology, Inc. (Vishay Intertechnology) through a tax-free stock dividend to Vishay Intertechnology s stockholders.

Interim Financial Statements

These unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial statements and therefore do not include all information and footnotes necessary for the presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States 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. These financial statements should be read in conjunction with the combined and consolidated financial statements and notes thereto as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in VPG s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on March 12, 2012. The results of operations for the fiscal quarter and nine fiscal months ended September 29, 2012 are not necessarily indicative of the results to be expected for the full year.

VPG reports interim financial information for 13-week periods beginning on a Sunday and ending on a Saturday, except for the first quarter, which always begins on January 1, and the fourth quarter, which always ends on December 31. The four fiscal quarters in 2012 and 2011 end on the following dates:

	2012	**2011**
Quarter 1	March 31st	April 2nd
Quarter 2	June 30th	July 2nd
Quarter 3	September 29th	October 1st
Quarter 4	December 31st	December 31st

Reclassifications

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

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-05 *Comprehensive Income (Topic 220), Presentation of Comprehensive Income.* The Accounting Standards Update (ASU) requires that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. The ASU is effective for the Company for interim and annual periods beginning after December 15, 2011. The Company adopted this ASU beginning with its quarterly period ending March 31, 2012. The adoption of the ASU had no effect on the Company s financial position, results of operations, or liquidity. A separate statement of comprehensive income has been included in the consolidated condensed financial statements as a result of the adoption of this update.

Note 1 Basis of Presentation (continued)

Recent Accounting Pronouncements (continued)

In December 2011, the FASB issued ASU No. 2011-12, Deferral of the Effective Date for Amendments to the *Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-005*. The ASU defers the requirement in ASU No. 2011-5 to present on the face of the financial statement the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. The ASU is effective for the Company for interim and annual periods beginning after December 15, 2011. The Company has adopted this ASU beginning with its quarterly period ending March 31, 2012. The adoption of the ASU had no effect on the Company s financial statement presentation, financial position, results of operations, or liquidity.

Note 2 Related Party Transactions

Until July 6, 2010, VPG was part of Vishay Intertechnology, and the assets and liabilities consisted of those that Vishay Intertechnology attributed to its precision measurement and foil resistor businesses. Following the spin-off on July 6, 2010, VPG is an independent, publicly traded company, and Vishay Intertechnology does not retain any ownership interest in VPG.

Shared Facilities

VPG and Vishay Intertechnology shared certain manufacturing and administrative sites. Costs were allocated based on relative usage of the respective facilities.

Subsequent to the spin-off, VPG and Vishay Intertechnology continue to share certain manufacturing locations. VPG owns one location in Japan at which it leases space to Vishay Intertechnology. Vishay Intertechnology owns one location in Israel and one location in the United States, at each of which it leases space to VPG.

Commitments, Contingencies, and Concentrations

Relationships with Vishay Intertechnology after Spin-Off

In connection with the spin-off on July 6, 2010, the Company and its subsidiaries entered into several agreements with Vishay Intertechnology and its subsidiaries that govern the relationship of the parties following the spin-off.

Transition Services Agreement

Pursuant to the Transition Services Agreement, Vishay Intertechnology provided VPG with certain information technology support services for its foil resistor business. The Transition Services Agreement terminated on March 1, 2012, therefore Vishay Intertechnology no longer provides the Company with information technology support services. Since inception, $0.6 million was paid to Vishay Intertechnology for transition services.

Lease Agreements

Subsequent to the spin-off, VPG and Vishay Intertechnology continue to share certain manufacturing locations.

Future minimum lease payments by VPG for these facilities are estimated as follows *(in thousands)*:

Remainder of 2012	$	32
2013		129
2014		129
2015		65
Thereafter		-

Note 2 Related Party Transactions (continued)

Lease Agreements (continued)

Future minimum lease receipts from Vishay Intertechnology for these shared facilities are estimated as follows *(in thousands)*:

Remainder of 2012	$	10
2013		39
2014		39
2015		19
Thereafter		-

Supply Agreements

After the spin-off, VPG and Vishay Intertechnology each require certain products manufactured by the other for manufacture and sale of its respective products. VPG and Vishay Intertechnology entered into multiple supply agreements pursuant to which one party will be obligated to supply to the other certain products described in the supply agreements, up to a maximum aggregate quantity for each product, at pricing set forth in the supply agreements. The term of each supply agreement is perpetual unless sooner terminated. Either party may terminate the supply agreement at any time upon written notice to the other party at least one year prior to the requested date of termination. The parties will negotiate in good faith as to the pricing for each product on an annual basis taking into account ascertainable market inputs. The aggregate purchase price of products purchased from Vishay Intertechnology is not considered material.

Note 3 Income Taxes

VPG calculates the tax provision for interim periods using an estimated annual effective tax rate methodology which is based on a current projection of full-year earnings before taxes amongst different taxing jurisdictions and adjusted for the impact of discrete quarterly items. The effective tax rate for the fiscal quarter ended September 29, 2012 was 29.8% versus 16.5% for the fiscal quarter ended October 1, 2011. The effective tax rate for the nine fiscal months ended September 29, 2012 was 29.9% versus 28.9% for the nine fiscal months ended October 1, 2011. The primary change in the effective tax rate for both periods presented is the result of a shift in the geographic mix of pretax earnings, offset by the inability to record a deferred tax benefit due to losses in certain foreign jurisdictions.

Income taxes for VPG for the fiscal quarters and nine fiscal months ended September 29, 2012 and October 1, 2011, as presented in these consolidated condensed financial statements, are calculated on a separate tax return basis.

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The effective tax rates for the fiscal quarter and nine fiscal months ended September 29, 2012 and October 1, 2011 reflect VPG s expected tax rate on reported income before income tax and tax adjustments. VPG operates in an international environment with significant operations in various locations outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting VPG s earnings and the applicable tax rates in the various locations in which VPG operates.

Note 3 Income Taxes (continued)

The Company and its subsidiaries are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company s tax positions and determining the provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. VPG establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when VPG believes that certain positions might be challenged despite its belief that the tax return positions are supportable. VPG adjusts these reserves in light of changing facts and circumstances and the provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. The Company has joint and several liability with Vishay Intertechnology to multiple tax authorities up through the spin-off date. However, under the terms of the Tax Matters Agreement, Vishay Intertechnology has agreed to assume this liability and any similar liability for U.S. federal, state or local and foreign income taxes that are determined on a separate company, consolidated, combined, unitary or similar basis for each taxable period in which VPG was a part of Vishay Intertechnology s affiliated group prior to July 6, 2010. Penalties and tax-related interest expense are reported as a component of income tax expense. The Company anticipates $0.6 million to $0.8 million of unrecognized tax benefits to be reversed within the next twelve months of the reporting date due to the expiration of statute of limitations in certain jurisdictions.

Note 4 Long-Term Debt

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

	September 29, 2012	**December 31, 2011**
U.S. Credit facility - revolving debt *(1)*	**$ -**	$ -
Israeli Credit facility - revolving debt *(2)*	**-**	-
Exchangeable unsecured notes, due 2102	**9,958**	9,958
Other debt	**1,552**	1,690
	11,510	11,648
Less current portion	**185**	185
	$ 11,325	$ 11,463

(1) Multi-currency revolving facility with interest payable at agent's prime rate, the Federal Funds rate or LIBOR, adjusted by an interest rate margin of 0.00% to 2.75% per annum, depending on the Company's leverage ratio.

(2) Multi-currency revolving facility with interest payable at LIBOR plus an interest rate margin of 2.15% per annum.

Exchangeable Unsecured Notes, due 2102

By reason of the spin-off, Vishay Intertechnology was required to take action so that the existing exchangeable notes of Vishay Intertechnology were deemed exchanged as of the date of the spin-off, for a combination of new notes of Vishay Intertechnology and notes issued by VPG.

VPG assumed the liability for an aggregate $10.0 million principal amount of exchangeable notes effective July 6, 2010. The maturity date of the notes is December 13, 2102.

The notes are subject to a put and call agreement under which the holders may at any time put the notes to the Company in exchange for 441,176 shares of the Company s common stock in the aggregate, and the Company may call the notes in exchange for cash or for shares of its common stock at any time after January 1, 2018. The put/call rate of the VPG notes is $22.57 per share of common stock.

The notes bear interest at LIBOR. Interest is payable quarterly on March 31, June 30, September 30, and December 31 of each calendar year.

Note 4 Long-Term Debt (continued)

Other Debt

Other debt consists of debt held by VPG s Japanese subsidiary. In April 2011, the subsidiary had a revision in the payment terms on this debt. This debt is payable monthly over the next 10 years at zero interest.

Note 5 Pension and Other Postretirement Benefits

Defined Benefit Plans

Employees of VPG participate in various defined benefit pension and other postretirement benefit plans.

Prior to July 6, 2010, certain employees of VPG in the United States and the United Kingdom participated in defined benefit pension and other postretirement plans sponsored by Vishay Intertechnology.

VPG assumed most of the obligations for employees in the United States and the United Kingdom that were employed by VPG after the spin-off, and accordingly, those obligations are included in VPG s consolidated condensed balance sheets. Plan assets were transferred to VPG as of the spin-off and invested in money market funds and company-owned life insurance policies.

Employees who participated in the Vishay Nonqualified Retirement Plan who became employees of VPG at the spin-off transferred into the newly created Vishay Precision Group Nonqualified Retirement Plan. The Vishay Precision Group Nonqualified Retirement Plan is frozen and participants do not continue to accrue benefits.

The Vishay Precision Group Nonqualified Retirement Plan, like all nonqualified plans, is considered to be unfunded. VPG maintains a nonqualified trust, referred to as a rabbi trust, to fund benefits under this plan. Rabbi trust assets are subject to creditor claims under certain conditions and are not the property of employees. Therefore, they are accounted for as other noncurrent assets. Effective July 6, 2010, Vishay Intertechnology deposited an allocation of assets into the VPG rabbi trust. The consolidated condensed balance sheets include these rabbi trust assets of $1.7 million at September 29, 2012 and $1.6 million at December 31, 2011, which approximate the pension liability at those dates.

Note 5 Pension and Other Postretirement Benefits (continued)

The following table sets forth the components of net periodic cost of pension and other postretirement benefit plans (in thousands):

	Fiscal quarter ended September 29, 2012		Fiscal quarter ended October 1, 2011	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	**$ 116**	**$ 11**	$ 126	$ 9
Interest cost	**212**	**28**	225	34
Expected return on plan assets	**(146)**	**-**	(153)	-
Amortization of actuarial losses	**24**	**18**	1	11
Net periodic benefit cost	**$ 206**	**$ 57**	$ 199	$ 54

	Nine fiscal months ended September 29, 2012		Nine fiscal months ended October 1, 2011	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	**$ 346**	**$ 33**	$ 374	$ 29
Interest cost	**637**	**84**	675	104
Expected return on plan assets	**(439)**	**-**	(459)	-
Amortization of actuarial losses	**72**	**54**	2	35
Net periodic benefit cost	**$ 616**	**$ 171**	$ 592	$ 168

Other Retirement Obligations

Prior to July 6, 2010, certain key employees of VPG participated in a nonqualified deferred compensation plan sponsored by Vishay Intertechnology. These employees transferred to a newly created nonqualified deferred compensation plan of VPG. The accompanying consolidated condensed balance sheets include a liability within other noncurrent liabilities related to these deferrals. VPG maintains a nonqualified trust, referred to as a rabbi trust, to fund payments under this plan. Rabbi trust assets are subject to creditor claims under certain conditions and are not the property of employees. Therefore, they are accounted for as other noncurrent assets. Effective July 6, 2010, Vishay Intertechnology deposited an allocation of assets into the VPG rabbi trust. The consolidated condensed balance sheets include these rabbi trust assets of $2.6 million and $2.5 million at September 29, 2012 and December 31, 2011, respectively, and the related liabilities of $3.1 million and $2.9 million at September 29, 2012 and December 31, 2011, respectively.

Note 6 Share-Based Compensation

Effective July 6, 2010, the Company s Board of Directors and Vishay Intertechnology (as the Company s sole stockholder prior to the spin-off) approved the adoption of the Vishay Precision Group, Inc. 2010 Stock Incentive Program (as amended, the 2010 Program). The 2010 Program permits the grant of up to 500,000 shares of restricted stock, unrestricted stock, restricted stock units (RSUs), and stock options to officers, employees and non-employee directors. At September 29, 2012, the Company had reserved 231,717 shares of common stock for future grant of equity awards, pursuant to the 2010 Program. If any outstanding awards are forfeited by the holder or cancelled by the Company, the underlying shares would be available for regrant to others.

Stock Options

In connection with the spin-off, VPG agreed to issue certain replacement awards to VPG employees holding equity-based awards of Vishay Intertechnology based on VPG s common stock. The vesting schedule, expiration date, and other terms of these awards are generally the same as those of the Vishay Intertechnology equity-based awards they replaced.

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

	2012		
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**
Outstanding:			
Balance at January 1, 2012	**32**	**$ 18.03**	
Granted	**-**	**-**	
Exercised	**-**	**-**	
Cancelled/expired	**-**	**-**	
Balance at September 29, 2012	**32**	**$ 18.03**	**3.73**
Vested and expected to vest	**32**	**$ 18.03**	
Exercisable:			
End of period	**28**	**$ 18.26**	

The pretax intrinsic value (the difference between the closing stock price of VPG s common stock on the last trading day of the fiscal quarter of $13.98 per share and the exercise price, multiplied by the number of in-the-money options) that would have been received by the options holders had all option holders exercised their options on September 29, 2012 is not material. No options were exercised during the fiscal quarter and nine fiscal months ended September 29, 2012.

Note 6 Share-Based Compensation (continued)

Restricted Stock Units

The Board of Directors agreed to grant founders equity awards pursuant to the 2010 Program to directors and executive officers. The awards to directors vest ratably over a three year period. The awards to the executive officers vest on July 6, 2013. Each RSU entitles the recipient to receive a share of common stock when the RSU vests. The amount of compensation cost related to share-based payment transactions is measured based on the grant-date fair value of the equity instruments issued. VPG determines compensation cost for RSUs based on the grant-date fair value of the underlying common stock. Compensation cost is recognized over the period that the participant provides service in exchange for the award.

The chief executive officer was granted 3,765 RSUs on March 15, 2011 at a grant-date fair value of $11.53. These awards vest in equal amounts on May 28, 2011, May 28, 2012, and May 28, 2013. These RSUs were granted in replacement of corresponding restricted stock units of Vishay Intertechnology that were cancelled in connection with the spin-off from Vishay Intertechnology.

On June 2, 2011, the Board of Directors approved the issuance of 3,036 restricted stock units to the three independent board members and to the non-executive Chairman of the Board. The amount of compensation cost related to share-based payment transactions is measured based on the grant-date fair value of the equity instruments issued. The compensation cost with respect to the awards is recognized ratably over the one year vesting period of such awards.

VPG s three executive officers are entitled to annual performance-based equity awards in the form of RSUs. For 2010 and 2011, performance criteria included measures of operating margin and EBITDA of the Company. In addition, for 2011, the chief technical officer had a number of personal objectives that were required to be achieved in order to receive his full award. If performance criteria are met and the RSUs are granted, the RSUs vest 25% on the date of grant and the balance in annual installments over the three subsequent years.

The awards relating to 2010 performance had an aggregate target grant-date fair value of $0.6 million. All performance goals were met for the 2010 awards, resulting in the granting of 35,949 RSUs on March 15, 2011. One quarter of the awards vested on that date. The remaining RSUs vest ratably over the next three years.

The awards with respect to 2011 performance had an aggregate target grant-date fair value of $0.7 million. Some, but not all, of the performance goals were met for the 2011 awards, resulting in the granting of 37,815 RSUs on March 20, 2012. One quarter of the awards vested on that date. The remaining RSUs vest ratably over the next three years.

For 2012, VPG s executive officers are entitled to annual equity awards in the form of RSUs, of which 75% are performance-based. The awards were granted on January 1, 2012 and have an aggregate target grant-date fair value of $0.8 million and were comprised of 50,931 RSUs, as determined using the average of the closing stock price of the last 5 days preceding January 1, 2012. Twenty-five percent of these awards will vest on the third year following their grant, or January 1, 2015. The performance-based portion of the RSU s will also vest on the third year following their grant, subject to the satisfaction of certain performance objectives relating to three year cumulative free cash and net earnings goals.

On May 22, 2012, the Board of Directors approved the issuance of 3,900 restricted stock units to the three independent board members and to the non-executive Chairman of the Board. The amount of compensation cost related to share-based payment transactions is measured based on the grant-date fair value of the equity instruments issued. The compensation cost with respect to the awards is recognized ratably over the one year vesting period of such awards.

The Company recognizes compensation cost for RSUs that are expected to vest and for which performance criteria are expected to be met.

Note 6 Share-Based Compensation (continued)

Restricted Stock Units (continued)

RSU activity as of September 29, 2012 is presented below *(number of RSUs in thousands)*:

	Number of RSUs	Weighted Average Grant-date Fair Value
Outstanding:		
Balance at January 1, 2012	**129**	**$ 16.03**
Granted	**92**	**15.88**
Vested & issued	**(27)**	**15.85**
Balance at September 29, 2012	**194**	**$ 15.98**

The amount of compensation cost related to share-based payment transactions is measured based on the grant-date fair value of the equity instruments issued. VPG determines compensation cost for RSUs based on the grant-date fair value of the underlying common stock. Compensation cost is recognized over the period that the participant provides service in exchange for the award.

Share-Based Compensation Expense

The following table summarizes share-based compensation expense recognized *(in thousands):*

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Stock options	**$ 3**	$ 5	**$ 8**	$ 15
Restricted stock units	**176**	159	**529**	464
Restricted stock units (performance-based)	**125**	78	**329**	239
Total	**$ 304**	$ 242	**$ 866**	$ 718

Note 7 Segment Information

Prior to the fourth quarter of 2011, VPG had two reporting segments: Foil Technology Products (the aggregation of its foil resistors and strain gage operating segments); and Weighing Modules and Control Systems (the aggregation of its transducers/load cells and weighing systems operating segments). As of December 31, 2011, based on its current expectations and in order to improve the reporting transparency of its financial information, VPG began disclosing the results of its operations based on three reporting segments: Foil Technology Products; Force Sensors (operating segment formerly referred to as transducers/load cells); and Weighing and Control Systems (operating segment formerly referred to as weighing systems). This presentation is consistent with management s approach to reviewing the Company s financial performance and making operating decisions. The Foil Technology Products reporting segment includes precision foil resistors and strain gages. The Force Sensors reporting segment is comprised of transducers, load cells and modules. The Weighing and Control Systems reporting segment is comprised of instruments, complete systems for process control and on-board weighing applications.

VPG evaluates reporting segment performance based on multiple performance measures including gross margins, revenues and operating income, exclusive of certain items. Management believes that evaluating segment performance, excluding items such as restructuring and severance costs, and other items is meaningful because it provides insight with respect to the intrinsic operating results of VPG.

Note 7 Segment Information (continued)

The following table sets forth reporting segment information *(in thousands):*

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	**October 1, 2011**	**September 29, 2012**	**October 1, 2011**
Net third-party revenues:				
Foil Technology Products	**$ 26,307**	$ 28,407	**$ 80,698**	$ 85,614
Force Sensors	**16,502**	18,029	**50,285**	54,318
Weighing & Control Systems	**12,621**	13,601	**35,623**	41,763
Total	**$ 55,430**	$ 60,037	**$ 166,606**	$ 181,695
Gross profit:				
Foil Technology Products	**$ 10,247**	$ 12,238	**$ 32,908**	$ 38,066
Force Sensors	**3,326**	3,886	**10,000**	10,530
Weighing & Control Systems	**5,166**	5,068	**14,562**	15,696
Total	**$ 18,739**	$ 21,192	**$ 57,470**	$ 64,292
Reconciliation of segment operating income to consolidated results:				
Foil Technology Products	**$ 5,960**	$ 7,926	**$ 19,745**	$ 24,654
Force Sensors	**1,161**	1,612	**3,242**	3,288
Weighing & Control Systems	**1,966**	2,071	**4,918**	6,242
Unallocated G&A expenses	**(5,994)**	(6,899)	**(18,358)**	(19,790)
Consolidated condensed operating income	**$ 3,093**	$ 4,710	**$ 9,547**	$ 14,394

Products are transferred between segments on a basis intended to reflect, as nearly as practicable, the market value of the products. Intersegment sales from the Foil Technology Products segment to the Force Sensors segment and Weighing and Control Systems segment were $0.3 million and $0.5 million during the fiscal quarters ended September 29, 2012 and October 1, 2011, respectively, and $1.1 million and $1.6 million for the nine fiscal months ended September 29, 2012 and October 1, 2011, respectively. Intersegment sales from the Force Sensors segment to the Foil Technology Products segment and Weighing and Control Systems segment were $0.6 million and $0.5 million during the fiscal quarters ended September 29, 2012 and October 1, 2011, respectively, and $1.8 million and $1.9 million for the nine fiscal months ended September 29, 2012 and October 1, 2011, respectively. Intersegment sales from the Weighing and Control Systems segment to the Force Sensors segment were $0.6 million and $1.0 million during the fiscal quarters ended September 29, 2012 and October 1, 2011, respectively, and $1.9 million and $2.8 million for the nine fiscal months ended September 29, 2012 and October 1, 2011, respectively.

Note 8 Earnings Per Share

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

	Fiscal quarter ended September 29, 2012	October 1, 2011	Nine fiscal months ended September 29, 2012	October 1, 2011
Numerator:				
Numerator for basic earnings per share:				
Net earnings attributable to VPG stockholders	**$ 1,942**	$ 3,300	**$ 6,526**	$ 9,576
Adjustment to the numerator for net earnings:				
Interest savings assuming conversion of dilutive exchangeable notes, net of tax	**7**	4	**24**	14
Numerator for diluted earnings per share:				
Net earnings attributable to VPG stockholders	**$ 1,949**	$ 3,304	**$ 6,550**	$ 9,590
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares	**13,371**	13,346	**13,366**	13,342
Effect of dilutive securities:				
Exchangeable notes	**441**	441	**441**	441
Employee stock options	**-**	1	**1**	1
Restricted stock units	**81**	43	**73**	36
Dilutive potential common shares	**522**	485	**515**	478
Denominator for diluted earnings per share:				
Adjusted weighted average shares	**13,893**	13,831	**13,881**	13,820
Basic earnings per share attributable to VPG stockholders	**$ 0.15**	$ 0.25	**$ 0.49**	$ 0.72
Diluted earnings per share attributable to VPG stockholders	**$ 0.14**	$ 0.24	**$ 0.47**	$ 0.69

Diluted earnings per share for the periods presented do not reflect the following weighted average potential common shares, as the effect would be antidilutive *(in thousands)*:

	Fiscal quarter ended September 29, 2012	October 1, 2011	Nine fiscal months ended September 29, 2012	October 1, 2011
Weighted average employee stock options	**28**	28	**28**	28
Weighted average warrants	**630**	630	**630**	630

Note 9 Additional Financial Statement Information

The caption other on the consolidated condensed statements of operations consists of the following *(in thousands)*:

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	**October 1, 2011**	**September 29, 2012**	**October 1, 2011**
Foreign exchange loss	**$ (207)**	$ (686)	**$ (201)**	$ (769)
Interest income	**164**	169	**497**	340
Other	**(252)**	(246)	**(281)**	(200)
	$ (295)	$ (763)	**$ 15**	$ (629)

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

	September 29, 2012	**December 31, 2011**
Goods received, not yet invoiced	**$ 1,773**	$ 2,808
Accrued taxes, other than income taxes	**2,548**	1,576
Accrued professional fees	**1,211**	1,544
Other	**3,618**	3,610
	$ 9,150	$ 9,538

Note 10 Fair Value Measurements

ASC Topic 820 establishes a valuation hierarchy of the inputs used to measure fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the Company s own assumptions.

Note 10 Fair Value Measurements (continued)

An asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following tables provide the financial assets and liabilities carried at fair value measured on a recurring basis *(in thousands)*:

	Total Fair Value	Fair value measurements at reporting date using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
September 29, 2012				
Assets				
Assets held in rabbi trusts	**$ 4,246**	**$ 1,067**	**$ 3,179**	**$ -**
December 31, 2011				
Assets				
Assets held in rabbi trusts	$ 4,123	$ 2,271	$ 1,852	$ -
Liabilities				
Derivative contracts	$ (423)	$ -	$ (423)	$ -

The Company maintains nonqualified trusts, referred to as rabbi trusts, to fund payments under deferred compensation and nonqualified pension plans. Rabbi trust assets consist primarily of marketable securities, classified as available-for-sale money market funds at September 29, 2012 and December 31, 2011 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.

Beginning in 2011, the Company entered into collar options to sell U.S. dollars and purchase Israeli shekels to mitigate exposure to fluctuations in U.S. dollar and Israeli shekel exchange rates. This exposure results from the Company s Israeli operations utilizing the U.S. dollar as their functional currency. The Company does not utilize derivatives or other financial instruments for trading or other speculative purposes. The Company records all derivatives in the balance sheet as either assets or liabilities at fair value. The Company has not designated any derivatives as hedges for accounting purposes, and as such the changes in the fair value of derivatives are recognized in current period earnings as a component of other income (expense). The Company does not offset the fair value of derivative instruments with cash collateral held with or received from the same counterparty under a master netting arrangement. In determining fair value, the Company considers both the counterparty credit risk and its own credit worthiness. To determine the Company s own credit risk, the Company estimates the credit rating by benchmarking the price of outstanding debt to publicly-available comparable data from rating agencies. Using the estimated rating, the credit risk was quantified by reference to publicly-traded debt with a corresponding rating.

Note 10 Fair Value Measurements (continued)

The Company previously entered into two derivative contracts, focusing on the Israeli shekel, through July 2012. The Company has not entered into any new contracts after July 2012. The Company recorded a net gain of $0.1 million during the contract period in 2012. The gain is recorded in the consolidated condensed statement of operations as part of other income (expense). At December 31, 2011, the notional amount of the derivative contracts was approximately 35.6 million shekels and had a fair value of ($0.4) million recorded in the consolidated condensed balance sheet as a part of other accrued expenses. The weighted minimal hedged rate was 3.55 shekels per U.S. dollar and the maximum hedged rate was 3.67 shekels per U.S. dollar. The Company recorded a net loss on these contracts of $0.6 million for the year ended December 31, 2011.

In determining fair value of derivative instruments, the Company considers both the counterparty credit risk and its own credit worthiness. To determine the Company s credit risk, the Company estimated its credit rating by benchmarking the price of outstanding debt to publicly-available comparable data from rating agencies. Using the estimated rating, the Company s credit risk was quantified by reference to publicly-traded debt with a corresponding rating. The Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of September 29, 2012 and December 31, 2011.

The fair value of the long-term debt at September 29, 2012 and December 31, 2011 is approximately $8.2 million and $9.4 million, respectively, compared to its carrying value of $11.5 million and $11.6 million, 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. The fair value of long-term debt is considered a Level 2 measurement within the fair value hierarchy.

The Company s financial instruments include cash and cash equivalents, accounts receivable, long-term notes receivable, short-term notes payable, 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
Overview

VPG is an internationally recognized designer, manufacturer and marketer of components based on resistive foil technology, sensors and sensor-based systems specializing in the growing markets of stress, force, weight, pressure, and current measurements. We provide vertically integrated products and solutions that are primarily based upon our proprietary foil technology. These products are marketed under a variety of brand names that we believe are characterized as having a very high level of precision and quality. Our global operations enable us to produce a wide variety of products in strategically effective geographical locations that also optimize our resources for specific technologies, sensors, assemblies and systems.

The Company s products are precision foil resistors, foil strain gages, and force sensors that convert mechanical force into an electronic signal for display, processing, interpretation, or control by our instrumentation and systems products. Precision sensors are essential to the accurate measurement, resolution and display of force, weight, pressure, torque, tilt, motion or acceleration, especially in the legal-for-trade, commercial, and industrial marketplace in a wide variety of applications. Our products are not typically used in the consumer market. We believe that as original equipment manufacturers (OEMs) strive to make products smarter , they are generally integrating more sensors to link the analog/physical world with digital control and/or response.

Until July 6, 2010, our business was part of Vishay Intertechnology, and our assets and liabilities consisted of those that Vishay Intertechnology attributed to its precision measurement and foil resistor businesses. Since the spin-off on July 6, 2010, we have operated as an independent, publicly traded company, and Vishay Intertechnology does not retain any ownership interest in us.

Prior to the fourth quarter of 2011, we had two reporting segments: Foil Technology Products (the aggregation of our foil resistors and strain gage operating segments); and Weighing Modules and Control Systems (the aggregation of our transducers/load cells and weighing systems operating segments). As of December 31, 2011, based on our current expectations and in order to improve the reporting transparency of our financial information, we began to disclose the results of our operations based on three reporting segments: Foil Technology Products; Force Sensors (operating segment formerly referred to as transducers/load cells); and Weighing and Control Systems (operating segment formerly referred to as weighing systems). This presentation is consistent with management s approach to reviewing our Company s financial performance and making operating decisions. The Foil Technology Products reporting segment includes precision foil resistors and strain gages. The Force Sensors reporting segment is comprised of transducers, load cells and modules. The Weighing and Control Systems reporting segment is comprised of instruments, complete systems for process control and on-board weighing applications.

Net revenues for the fiscal quarter ended September 29, 2012 were $55.4 million versus $60.0 million for the comparable prior year period. Net earnings attributable to VPG stockholders for the fiscal quarter ended September 29, 2012 were $1.9 million, or $0.14 per diluted share, versus $3.3 million, or $0.24 per diluted share, for the comparable prior year period.

Net revenues for the nine fiscal months ended September 29, 2012 were $166.6 million versus $181.7 million for the comparable prior year period. Net earnings attributable to VPG stockholders for the nine fiscal months ended September 29, 2012 were $6.5 million, or $0.47 per diluted share, versus $9.6 million, or $0.69 per diluted share, for the comparable prior year period.

The overall decline in demand in all of our reporting segments for our OEM and end user customers is being validated by macroeconomic data indicators, as the capital/equipment investment, industrial production output and government spending indices declined in North America, Asia, primarily in Japan, and in Europe for the third quarter. We believe that currently our distributors for all our reporting segments are depleting current inventory balance before placing new orders.

Financial Metrics

We utilize several financial measures and metrics to evaluate the performance and assess the future direction of our business. These key financial measures and metrics include net revenues, gross profit margin, end-of-period backlog, book-to-bill ratio, and inventory turnover.

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 could also include certain other period costs. Gross profit margin is primarily a function of net revenues, but also reflects our cost-cutting programs and our ability to contain fixed costs.

End-of-period backlog is one indicator of potential future sales. We include in our backlog only open orders that have been released by the customer for shipment 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.

Another important indicator of demand in our industry is the book-to-bill ratio, which is the ratio of the amount of product ordered during a period compared with the product that we ship during that period. A book-to-bill ratio that is greater than one indicates that demand is higher than current revenues and manufacturing capacities and it indicates that we may generate increasing revenues in future periods. Conversely, a book-to-bill ratio that is less than one is an indicator of lower demand compared to existing revenues and current capacities and may foretell declining sales.

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 quarter-end balance) for this same period. A higher level of inventory turnover reflects more efficient use of our capital.

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, the end-of-period backlog, the book-to-bill ratio, and the inventory turnover for our business as a whole during the five quarters beginning with the third quarter of 2011 and through the third quarter of 2012 *(dollars in thousands)*:

	3rd Quarter 2011	**4th Quarter 2011**	**1st Quarter 2012**	**2nd Quarter 2012**	**3rd Quarter 2012**
Net revenues	$ 60,037	$ 56,412	$ 55,844	$ 55,332	$ 55,430
Gross profit margin	35.3%	33.4%	33.8%	35.9%	33.8%
End-of-period backlog	$ 45,900	$ 42,400	$ 43,300	$ 43,600	$ 40,100
Book-to-bill ratio	0.97	0.95	1.01	1.02	0.92
Inventory turnover	3.11	3.02	2.99	2.85	2.96

See Financial Metrics by Segment below for net revenues, gross profit margin, end-of-period backlog, book-to-bill ratio, and inventory turnover broken out by segment.

There has been a sequential decrease in revenues since the third quarter of 2011, with a slight increase in the third quarter of 2012. The decline from the third quarter to the fourth quarter of 2011 was the result of a significant decrease in demand from our European customer base and manufacturing capacity issues in our Foil Technology Products segment. The capacity issues improved in the Foil Technology Products segment in the first quarter of 2012, and demand from our European customer base also began to stabilize. Revenues for the second and third quarter of 2012 have remained consistent with the first quarter of 2012. However, while the demand from our European customers stabilized in the first quarter of 2012, we have seen a decrease in demand from these customers in the second and third quarters of 2012.

Gross profit margins decreased from the third to the fourth quarter of 2011 as the gross margins in the fourth quarter of 2011 were impacted by capacity issues in our Foil Technology Products segment and lower volume, start-up costs at our new India facility, and product mix in the Force Sensors segment. In the first quarter of 2012, the Foil Technology Products and Weighing and Control Systems segments increased slightly. The second quarter of 2012, showed an improvement in gross margins in all of the segments, with the most significant increase coming from the Force Sensors segment. This was primarily due to volume increases, product mix, and the realization of efficiencies from the movement of production to our new facility in India. In the third quarter of 2012, gross margin dropped to 33.8% with the most significant decrease coming from the Foil Technology Products segment. Plant shutdowns in two of our subsidiaries, in response to economic conditions, led to lower volume and labor inefficiencies.

Financial Metrics by Segment

The following table shows net revenues, gross profit margin, end-of-period backlog, book-to-bill ratio, and inventory turnover broken out by segment for the five quarters beginning with the third quarter of 2011 and through the third quarter of 2012 *(dollars in thousands)*:

	3rd Quarter 2011	4th Quarter 2011	1st Quarter 2012	2nd Quarter 2012	3rd Quarter 2012
Foil Technology Products					
Net revenues	$ 28,407	$ 26,561	$ 27,801	$ 26,590	$ 26,307
Gross profit margin	43.1%	40.5%	40.7%	42.6%	38.9%
End-of-period backlog	$ 24,000	$ 22,500	$ 21,500	$ 22,400	$ 20,800
Book-to-bill ratio	0.97	0.95	0.97	1.04	0.93
Inventory turnover	3.65	3.54	3.68	3.36	3.52
Force Sensors					
Net revenues	$ 18,029	$ 17,216	$ 16,603	$ 17,180	$ 16,502
Gross profit margin	21.6%	18.1%	17.9%	21.5%	20.2%
End-of-period backlog	$ 14,100	$ 13,200	$ 14,600	$ 13,600	$ 13,300
Book-to-bill ratio	0.96	0.96	1.07	0.96	0.97
Inventory turnover	2.26	2.24	2.18	2.18	2.15
Weighing and Control Systems					
Net revenues	$ 13,601	$ 12,635	$ 11,440	$ 11,562	$ 12,621
Gross profit margin	37.3%	39.2%	40.0%	41.7%	40.9%
End-of-period backlog	$ 7,800	$ 6,700	$ 7,200	$ 7,600	$ 6,000
Book-to-bill ratio	0.99	0.93	1.03	1.05	0.85
Inventory turnover	4.74	4.59	4.17	3.93	4.37

Optimize Core Competence

The Company s core products incorporate certain technologies to provide customers with precision foil products, force measurement sensors, and systems. Our foil technology products are recognized as global market leaders of strain gages and resistors that provide high precision and tight tolerance over extreme temperature ranges, and over a long period of time. Our force sensor products and our weighing and control systems products are also certified to meet some of the highest levels of precision measurements of force, weight, pressure, tilt, motion, torque, and acceleration. While these competencies form a solid basis for our products, we believe there are several areas that can be optimized, including: increasing our technical sales efforts; innovations in product performance and design; and refining our manufacturing processes.

Our foil technology research group continues to provide innovations that enhance the capability and performance of our strain gages, while simultaneously reducing their size and power consumption. We believe this new level of foil technology will create new markets as customers design in these next generation products in existing and new applications. Our development engineering team is also responsible for creating new processes to further automate manufacturing and improve productivity and quality.

Our design, research, and product development teams, in partnership with our marketing teams, drive our efforts to bring innovations to market. We intend to leverage our insights into customer demand to continually develop and roll out new, innovative products within our existing lines and to modify our existing core products in ways that make them more appealing, addressing changing customer needs and industry trends in terms of form, fit, and function.

Acquisition Strategy

To date, our growth and acquisition strategy largely focused on vertical product integration, using our foil strain gages in our force sensor products and incorporating our load cells and electronic measurement instrumentation and software into our weighing and control systems. Precision foil resistor products are also used in many of the control systems that we manufacture.

We expect to make strategic acquisitions, particularly where opportunities present themselves to grow our Force Sensors segment and our Weighing and Control Systems segment. Our acquisition strategy is to enhance our existing technology portfolio and add new applications, technology, and markets. Upon completion of acquisitions, we will seek to reduce selling, general, and administrative expenses through the integration or elimination of redundant sales offices and administrative functions at acquired companies. In addition, we believe acquired businesses will benefit from our current global manufacturing operations and distribution channels.

Research and Development

Research and development will continue to play a key role in our efforts to introduce innovative products to generate new sales and to improve profitability. We expect to continue to expand our position as a leading supplier of precision foil technology products. We believe our R&D efforts should provide us with a variety of opportunities to leverage technology, products, and our manufacturing base in order to ultimately improve our financial performance. To that end, we expect to increase our R&D expenditures in order to fill the product development pipeline and lay the foundation for future sales growth.

Cost Management

To be successful, we believe we must seek new strategies for controlling operating costs. Through automation in our plants, we believe we can optimize our capital and labor resources in production, inventory management, quality control, and warehousing. We are in the process of moving some manufacturing from higher-labor-cost countries to lower-labor-cost countries, such as Costa Rica, India, and Israel. This will enable us to become more efficient and cost competitive, and also maintain tighter controls of the operation.

Production transfers, facility consolidations, and other long-term cost-cutting measures require us to initially incur significant severance and other exit costs. We anticipate that we will realize the benefits of our restructuring through lower labor costs and other operating expenses in future periods. However, these programs to improve our profitability also involve certain risks which could materially impact our future operating results, as further detailed in Item 1A Risk Factors of our 2011 Annual Report on Form 10-K.

We did not initiate any new restructuring programs during the fiscal quarter or nine fiscal months ended September 29, 2012 or during 2011, and thus did not record any restructuring expenses during those periods.

We are presently executing plans to further reduce our costs by consolidating additional manufacturing operations with our expansion in India. These plans may require us to incur restructuring and severance costs in future periods. However, after implementing these plans, we do not anticipate significant restructuring and severance costs for our business except in the context of acquisition integration.

While streamlining and reducing fixed overhead, we are exercising caution so that we will not negatively impact our customer service or our ability to further develop products and processes.

Foreign Currency

We are exposed to foreign currency exchange rate risks, particularly due to transactions in currencies other than the functional currencies of certain subsidiaries. U.S. generally accepted accounting principles (GAAP) require that entities identify the functional currency of each of their subsidiaries and measure all elements of the financial statements in that functional currency. A subsidiary s functional currency is the currency of the primary economic environment in which it operates. In cases where a subsidiary is relatively self-contained within a particular country, the local currency is generally deemed to be the functional currency. However, a foreign subsidiary that is a direct and integral component or extension of the parent company s operations generally would have the parent company s currency as its functional currency. We have subsidiaries that fall into each of these categories.

Foreign Subsidiaries which use the Local Currency as the Functional Currency

We finance our operations in Europe and certain locations in Asia using local currencies, and accordingly, these subsidiaries utilize the local currency as their functional currency. For those subsidiaries where the local currency is the functional currency, assets and liabilities in the consolidated condensed balance sheets have been translated at the rate of exchange as of the balance sheet date. Translation adjustments do not impact the results of operations and are reported as a separate component of equity.

For those subsidiaries where the local currency is the functional currency, revenues and expenses are translated at the average exchange rate for the year. While the translation of revenues and expenses into U.S. dollars does not directly impact the consolidated statement of operations, the translation effectively increases or decreases the U.S. dollar equivalent of revenues generated and expenses incurred in those foreign currencies.

Foreign Subsidiaries which use the U.S. Dollar as the Functional Currency

Our operations in Israel and certain locations in Asia are largely financed in U.S. dollars, and accordingly, these subsidiaries utilize the U.S. dollar as their functional currency. For those foreign subsidiaries where the U.S. dollar is the functional currency, all foreign currency financial statement amounts are remeasured into U.S. dollars. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in the results of operations. While these subsidiaries transact most business in U.S. dollars, they may have significant costs, particularly related to payroll, which are incurred in the local currency. For the fiscal quarter ended September 29, 2012, exchange rates negatively impacted net revenues by $2.1 million and positively impacted costs of products sold and selling, general, and administrative expenses by $2.6 million when compared to the comparable prior year period. For the nine fiscal months ended September 29, 2012, exchange rates negatively impacted net revenues by $4.6 million and positively impacted costs of products sold and selling, general, and administrative expenses by $5.1 million when compared to the comparable prior year period.

Results of Operations

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

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Costs of products sold	66.2%	64.7%	65.5%	64.6%
Gross profit	33.8%	35.3%	34.5%	35.4%
Selling, general, and administrative expenses	28.2%	27.5%	28.8%	27.5%
Operating income	5.6%	7.8%	5.7%	7.9%
Income before taxes	4.9%	6.5%	5.6%	7.5%
Net earnings	3.4%	5.4%	3.9%	5.3%
Net earnings attributable to VPG stockholders	3.5%	5.5%	3.9%	5.3%
Effective tax rate	29.8%	16.5%	29.9%	28.9%

Net Revenues

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

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net revenues	$ 55,430	$ 60,037	$ 166,606	$ 181,695
Change versus comparable prior year period	$ (4,607)		$ (15,089)	
Percentage change versus prior year period	-7.7%		-8.3%	

Changes in net revenues were attributable to the following:

	vs. prior year quarter	vs. prior year-to-date
Change attributable to:		
Change in volume	-4.3%	-6.2%
Change in average selling prices	0.0%	0.3%
Foreign currency effects	-3.5%	-2.5%
Other	0.1%	0.1%
Net change	-7.7%	-8.3%

During the fiscal quarter and nine fiscal months ended September 29, 2012, our sales volume decreased in all of our reportable segments, compared to the comparable prior year periods, primarily due to a drop in demand from our European customers.

Gross Profit and Margins

Gross profit as a percentage of net revenues was as follows:

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	**October 1, 2011**	**September 29, 2012**	**October 1, 2011**
Gross margin percentage	33.8%	35.3%	34.5%	35.4%

For the fiscal quarter and nine fiscal months ended September 29, 2012, the gross margin percentage has decreased when compared with the comparable prior year periods. The decrease is due to the reduction in volume discussed above, capacity issues in our Foil Technology Products segment and increased manufacturing fixed costs, such as wages, utilities, and depreciation.

Segments

Analysis of revenues and gross profit margins for our reportable segments is provided below.

Foil Technology Products

Net revenues of the Foil Technology Products segment were as follows *(dollars in thousands):*

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	**October 1, 2011**	**September 29, 2012**	**October 1, 2011**
Net revenues	$ 26,307	$ 28,407	$ 80,698	$ 85,614
Change versus comparable prior year period	$ (2,100)		$ (4,916)	
Percentage change versus prior year period	-7.4%		-5.7%	

Changes in Foil Technology Products segment net revenues were attributable to the following:

	vs. prior year quarter	vs. prior year-to-date
Change attributable to:		
Change in volume	-4.4%	-4.0%
Change in average selling prices	0.3%	0.3%
Foreign currency effects	-3.5%	-2.1%
Other	0.2%	0.1%
Net change	-7.4%	-5.7%

Gross profit as a percentage of net revenues for the Foil Technology Products segment was as follows:

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	**October 1, 2011**	**September 29, 2012**	**October 1, 2011**
Gross margin percentage	38.9%	43.1%	40.8%	44.5%

The gross margin percentages decreased from the comparable prior year periods largely due to a reduction in volume, labor inefficiencies, and increased manufacturing fixed costs, including wages and utilities.

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Force Sensors

Net revenues of the Force Sensors segment were as follows *(dollars in thousands):*

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net revenues	$ 16,502	$ 18,029	$ 50,285	$ 54,318
Change versus comparable prior year period	$ (1,527)		$ (4,033)	
Percentage change versus prior year period	-8.5%		-7.4%	

Changes in Force Sensors segment net revenues were attributable to the following:

	vs. prior year quarter	vs. prior year-to-date
Change attributable to:		
Change in volume	-5.8%	-5.3%
Change in average selling prices	0.2%	0.3%
Foreign currency effects	-2.8%	-2.4%
Other	-0.1%	0.0%
Net change	-8.5%	-7.4%

Gross profit as a percentage of net revenues for the Force Sensors segment was as follows:

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Gross margin percentage	20.2%	21.6%	19.9%	19.4%

For the fiscal quarter ended September 29, 2012, the gross margin percentage decreased from the comparable prior year period. Cost savings from the movement of production to our new facility in India, and improved product mix, were offset by higher manufacturing fixed costs during the quarter. The increase in the gross margin percentages for the nine fiscal months ended September 29, 2012 compared to the comparable prior year period is mainly due to an improved product mix and the realization of cost savings from the movement of production to our new facility in India.

Weighing and Control Systems

Net revenues of the Weighing and Control Systems segment were as follows *(dollars in thousands):*

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net revenues	$ 12,621	$ 13,601	$ 35,623	$ 41,763
Change versus comparable prior year period	$ (980)		$ (6,140)	
Percentage change versus prior year period	-7.2%		-14.7%	

Changes in the Weighing and Control Systems segment net revenues were attributable to the following:

	vs. prior year quarter	vs. prior year-to-date
Change attributable to:		
Change in volume	-2.3%	-11.7%
Change in average selling prices	-0.6%	0.2%
Foreign currency effects	-4.4%	-3.4%
Other	0.1%	0.2%
Net change	-7.2%	-14.7%

The decrease in volume for both the quarter and year-to-date periods is primarily attributable to the reduction in on-board weighing revenues in Europe.

Gross profit as a percentage of net revenues for the Weighing and Control Systems segment were as follows:

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Gross margin percentage	40.9%	37.3%	40.9%	37.6%

The gross margin percentage increased from the comparable prior year periods mainly due to product mix. A portion of our European on-board weighing business, where the significant volume decrease occurred, has relatively low margins compared to the other lines of business in this segment. Therefore, while overall volume was down for the quarter and nine fiscal month periods, gross margins increased compared to the comparable prior year periods.

Selling, General, and Administrative Expenses

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

	Fiscal quarter ended		Nine fiscal months ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Total SG&A expenses	$ 15,646	$ 16,482	$ 47,923	$ 49,898
as a percentage of net revenues	28.2%	27.5%	28.8%	27.5%

Given the specialized nature of our products and our direct sales approach, we incur significant selling, general, and administrative costs. SG&A expenses for the fiscal quarter and nine fiscal months ended September 29, 2012 decreased when compared to the comparable prior year periods mainly due to exchange rates and decreases in professional fees.

Other Income (Expense)

Total interest expense for the fiscal quarter and nine fiscal months ended September 29, 2012 was comparable to the fiscal quarter and nine fiscal months ended October 1, 2011 and consists of interest on the exchangeable notes and the amortization of deferred bank costs associated with securing a revolving credit facility.

Foreign currency exchange gains and losses represent the impact of changes in foreign currency exchange rates with, among other things, the revaluation of balance sheet accounts. The change in foreign exchange gains during the period, as compared to the prior year period is largely due to the revaluation of the non-U.S. dollar-denominated assets at our Israeli facilities.

The following table analyzes the components of the line Other on the consolidated condensed statements of operations *(in thousands):*

	Fiscal quarter ended September 29, 2012		October 1, 2011		Change	
Foreign exchange loss	**$**	**(207)**	$	(686)	$	479
Interest income		**164**		169		(5)
Other		**(252)**		(246)		(6)
	$	**(295)**	$	(763)	$	468

	Nine fiscal months ended September 29, 2012		October 1, 2011		Change	
Foreign exchange loss	**$**	**(201)**	$	(769)	$	568
Interest income		**497**		340		157
Other		**(281)**		(200)		(81)
	$	**15**	$	(629)	$	644

Income Taxes

For the current quarter, fluctuations in the effective tax rate have generally been caused by the geographical earnings mix and the impact of discrete items that are required to be recognized within the respective interim reporting period. The effective tax rate for the fiscal quarter ended September 29, 2012 was 29.8% versus 16.5% for the fiscal quarter ended October 1, 2011. The effective tax rate for the nine fiscal months ended September 29, 2012 was 29.9% versus 28.9% for the nine fiscal months ended October 1, 2011. The change in the effective tax rate for both periods presented is the result of the shift in the geographic mix of pretax earnings, offset by the inability to record a deferred tax benefit due to losses in certain foreign jurisdictions.

In the second quarter ended June 30, 2012, we filed a request for a tax ruling with the Israeli Tax Authority and the Israeli Investment Center (collectively the Israeli Authorities), requesting approval to simplify our Israeli legal structure by reorganizing certain subsidiaries there. Should we receive a favorable ruling from the Israeli Authorities, we anticipate recording a tax benefit in 2012 of between $0.7 million to $0.8 million relating to the release of a valuation allowance against certain Israeli deferred tax assets. An additional impact of a favorable ruling would be that our estimated annual effective tax rate could decrease significantly due to the possibility of utilizing current year projected operating losses. We expect to receive a response from the Israeli Authorities during the fourth quarter of 2012.

The effective tax rates reflect the fact that we could not recognize for accounting purposes the tax benefit of losses incurred in certain jurisdictions, although these losses may be available to offset future taxable income. We evaluate our deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted. We give consideration to whether valuation allowances should be established against deferred tax assets based on all available evidence, both positive and negative, using a more likely than not standard. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with loss carryforwards not expiring and tax planning alternatives, as we operate and derive income across multiple jurisdictions. We may not recognize deferred tax assets for loss carryforwards in jurisdictions where there is a recent history of cumulative losses, where there is no taxable income in the carryback period, where there is insufficient evidence of future earnings to overcome the loss history and where there is no other positive evidence, such as the likely reversal of taxable temporary differences, that would result in the utilization of loss carryforwards for tax purposes.

We operate in an international environment with significant operations in various locations outside the U.S. 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 strategy is to achieve cost savings through the transfer and expansion of manufacturing operations to countries where we can benefit from lower labor costs and available tax and other government-sponsored incentives. Changes in the effective tax rate are largely attributable to changes in the mix of pretax income among our various taxing jurisdictions.

Additional information about income taxes is included in Note 3 to our consolidated condensed financial statements.

Financial Condition, Liquidity, and Capital Resources

At September 29, 2012 and December 31, 2011, we had significant cash balances and limited third-party debt. We believe that our current cash and cash equivalents, credit facilities and projected cash from operations will be sufficient to meet our liquidity needs for at least the next 12 months.

Effective July 6, 2010, we issued approximately $10.0 million aggregate principal amount of exchangeable notes pursuant to agreements entered into in connection with our spin-off from Vishay Intertechnology. The maturity date of these notes is December 13, 2102.

Our other long-term debt is not significant and consists of debt held by our Japanese subsidiary of approximately $1.6 million at September 29, 2012 and $1.7 million at December 31, 2011.

In 2010, we entered into a Credit Agreement among the Company, the lenders, RBS Citizens, National Association as joint book-runner and JPMorgan Chase Bank, National Association as agent for such lenders (the Agent), pursuant to which the lenders have made available to the Company a multi-currency, secured credit facility. The credit facility consists of a secured revolving facility in an aggregate principal amount of $25.0 million (the Revolving Facility) with sublimits of (i) $5.25 million which can be used for letters of credit, and (ii) up to $5.0 million which can be used for loans outstanding for up to 5 business days (Swing Loans). The Revolving Facility terminates on October 14, 2013.

Interest payable on the Revolving Facility is based upon the Agent s prime rate, the Federal Funds Rate, or LIBOR (Base Rate). Depending upon the Company s leverage ratio or the type of advance, an interest rate margin ranging from 0.00% to 2.75% per annum is added to the applicable Base Rate to determine the interest payable on the Revolving Facility. The Company paid a one-time fee on the commitment and is required to pay a quarterly fee of 0.30% per annum to 0.50% per annum on the unused portion of the Revolving Facility which is determined based on the Company s leverage ratio each quarter. Additional customary fees apply with respect to letters of credit.

The obligations under the Revolving Facility are secured by pledges of stock in certain domestic and foreign subsidiaries, as well as guarantees by substantially all of the Company s domestic subsidiaries. The obligations of the Company and the guarantors under the Revolving Facility are secured by substantially all the assets (excluding real estate) of the Company and such guarantors. The Credit Agreement restricts the Company from paying cash dividends and requires the Company to comply with other customary covenants, representations and warranties, including the maintenance of specific financial ratios.

The financial maintenance covenants include (a) a leverage ratio of not more than 2.5 to 1.0; and (b) a fixed charges coverage ratio of not less than 2.5 to 1.0. We were in compliance with all covenants at September 29, 2012 and December 31, 2011. Our leverage ratio at September 29, 2012 and December 31, 2011 was 0.5 to 1.0 and 0.4 to 1.0, respectively. Our fixed charges ratio at September 29, 2012 and December 31, 2011 was 15.9 to 1.0 and 9.9 to 1.0, 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 all amounts outstanding pursuant to the credit facility could become immediately payable.

On November 30, 2011, Vishay Advanced Technologies Ltd. (VAT), an Israeli company and subsidiary of the Company, entered into a Credit Agreement (the VAT Credit Agreement) with HSBC Bank Plc (the Lender), pursuant to which the Lender has made available to VAT a multi-currency, secured revolving facility in an aggregate principal amount of $15.0 million (the VAT Revolving Facility). The VAT Revolving Facility terminates on November 30, 2014.

Interest payable on the VAT Revolving Facility is based upon LIBOR (VAT Base Rate). An interest rate margin of 2.15% per annum is added to the VAT Base Rate to determine the interest payable on the VAT Revolving Facility. VAT paid a one-time fee on the commitment and is required to pay a quarterly fee of 0.35% per annum on the unused portion of the VAT Revolving Facility.

The obligations under the VAT Revolving Facility are secured by guarantees by the Company and certain of its Israeli subsidiaries (such subsidiaries, the Guarantors). The obligations of VAT, the Company and the Guarantors under the VAT Revolving Facility are secured by substantially all the assets of VAT and the Guarantors. The VAT Credit Agreement requires VAT to comply with customary covenants, representations and warranties, including the maintenance of specific financial ratios.

The financial maintenance covenants require VAT to maintain a leverage ratio of not more than 2.5 to 1.0 and a tangible net worth to total assets ratio of not less than 0.75 to 1.0. VAT was in compliance with all covenants at September 29, 2012 and December 31, 2011. The leverage ratio at September 29, 2012 and December 31, 2011 was 0.0 to 1.0 and 0.0 to 1.0, respectively. The tangible net worth to total asset ratio at September 29, 2012 and December 31, 2011 was 0.91 to 1.0 and 0.89 to 1.0, respectively. VAT expects to continue to be in compliance with these covenants based on current projections. If VAT is not in compliance with all of the required financial covenants, the credit facility could be terminated by the lenders, and all amounts outstanding pursuant to the credit facility could become immediately payable.

Due to our strong product portfolio and market position, our business has historically generated significant cash flow. This is evident in the nine fiscal months ended September 29, 2012 with cash generated from operations of $13.5 million. Our cash generated from operating activities for the nine fiscal months ended October 1, 2011, was $9.7 million, which was impacted by approximately $6.4 million in tax payments made during the nine fiscal months ended October 1, 2011.

We refer to the amount of cash generated from operations in excess of our capital expenditure needs and net of proceeds from the sale of assets as free cash, a measure which management uses to evaluate our ability to fund acquisitions. We have generated positive free cash for the period ended September 29, 2012 and historically have generated positive free cash . However, in 2011, significant tax payments made during the quarter ended April 2, 2011 caused us to use cash in, rather than generate cash from, operating activities; cash flow was further reduced by the increase in our capital spending. As a result, we did not generate free cash in the period ended October 1, 2011.

Approximately 85% and 80% of our cash and cash equivalents balance at September 29, 2012 and December 31, 2011, respectively, was held by our non-U.S. subsidiaries. If cash is repatriated to the United States, we would be subject to additional U.S. income taxes (adjusted for foreign tax credits), state income taxes, incremental foreign income taxes, and withholding taxes payable to various foreign countries.

The following table summarizes the components of net cash (debt) *(in thousands)*:

	September 29, 2012	**December 31, 2011**
Cash and cash equivalents	**$ 89,250**	$ 80,828
Third-party debt, including current and long-term:		
Revolving credit facilities	**-**	-
Third-party debt held by Japanese subsidiary	**1,552**	1,690
Exchangeable notes due 2102	**9,958**	9,958
Total third-party debt	**11,510**	11,648
Net cash	**$ 77,740**	$ 69,180

Measurements such as free cash and net cash (debt) do not have uniform definitions and are not recognized in accordance with GAAP. Such measures should not be viewed as alternatives to GAAP measures of performance or liquidity. However, management believes that free cash is a meaningful measure of our ability to fund acquisitions, and that an analysis of net cash (debt) assists investors in understanding aspects of our cash and debt management. These measures, as calculated by us, may not be comparable to similarly titled measures used by other companies.

Our financial condition as of September 29, 2012 is strong, with a current ratio (current assets to current liabilities) of 5.6 to 1.0, as compared to a ratio of 4.8 to 1.0 at December 31, 2011. The increase in the current ratio is primarily due to increases in inventory, and prepaid expenses and decreases in accounts payable, payroll related liabilities, other accrued expenses, and income taxes payable. These changes were partially offset by decreases in accounts receivable and deferred income taxes.

Cash paid for property and equipment for the nine fiscal months ended September 29, 2012 was $5.8 million as compared to $10.3 million in the comparable prior year period. The decrease in capital spending as compared to the prior fiscal period is due to the significant spending which took place in 2011. Capital expenditures for 2011 were primarily required to: (1) construct a new manufacturing facility in India that will consolidate the majority of our existing manufacturing capacity in the Force Sensors segment into a low-labor-rate facility; (2) facilitate a new manufacturing line that will begin producing a new product offering in the Foil Technology Products segment; and (3) maintain our business systems and facilities. The majority of spending took place on these projects during 2011. As of September 29, 2012, approximately $0.5 million of spending remains for these projects.

Safe Harbor Statement

From time to time, information provided by us, including but not limited to statements in this report, or other statements made by or on our behalf, may contain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks, uncertainties, and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from those anticipated.

Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, expected, estimated, or projected. Among the factors that could cause actual results to materially differ include: general business and economic conditions, changes in the current pace of economic recovery, including if such recovery stalls or does not continue as expected; difficulties in integrating acquired companies, the inability to realize anticipated synergies and expansion possibilities, unexpected costs or difficulties related to our spinoff and other unanticipated conditions adversely affecting the operation of these companies; difficulties in new product development; changes in competition and technology in the markets that we serve and the mix of our products required to address these changes; changes in foreign currency exchange rates; difficulties in implementing our cost reduction strategies such as underutilization of production facilities, labor unrest or legal challenges to our layoff or termination plans, operation of redundant facilities due to difficulties in transferring production to lower-labor-cost countries; and other factors affecting our operations, markets, products, services, and prices that are set forth in our Annual Report on Form 10-K for the year ended December 31, 2011. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the market risks previously disclosed in 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, 2011, filed with the SEC on March 12, 2012.

Item 4. CONTROLS AND PROCEDURES

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

Not applicable.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors described in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2011. The notes described in our Form 10-K and quarterly reports are not the only risks we face. Additional risks not presently known to us or that we do not currently consider significant may also have an adverse effect on us. If any of the risks actually occur, our business, results of operations, cash flows or financial condition could suffer.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

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 Ziv Shoshani, 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 William M. Clancy, 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 Ziv Shoshani, 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 William M. Clancy, Chief Financial Officer.
101	Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly period ended September 29, 2012, furnished in XBRL (eXtensible Business Reporting Language).

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 PRECISION GROUP, INC.

/s/ William M. Clancy
William M. Clancy
Executive Vice President and Chief Financial Officer
(as a duly authorized officer and principal financial and accounting officer)

Date: November 6, 2012