VISHAY PRECISION GROUP

2010

VISHAY PRECISION GROUP
2010 Annual Report

www.vishaypg.com

VISHAY PRECISION GROUP

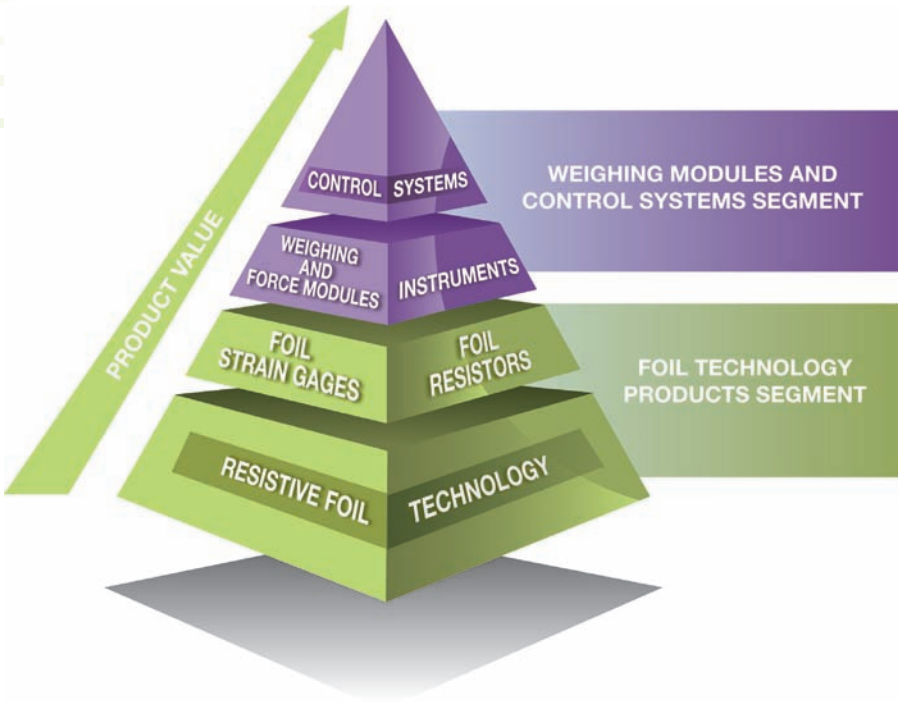
A New Company in 2010... Vishay Precision Group

July 6, 2010: New Terms and Definitions are Added to the Business Dictionary

Vi·shay Pre·ci·sion Group (vee-shay' prĭ-sĭzh'-ən grüp) *n.* ***Symbol: VPG;*** **1.** A Company created in 2010 that utilizes unique, proprietary resistive foil technology and manufacturing processes to produce extremely accurate resistors, sensors and vertically integrated products/solutions for multiple growing markets in the areas of stress, force, weight, pressure, and torque measurements.

Name Origins: Vishay– The Company's shares were originally issued as a tax-free dividend by Vishay Intertechnology (NYSE: VSH). Dr. Felix Zandman, with the financial support of the late Alfred P. Slaner, founded Vishay in 1962 to develop and manufacture Bulk Metal® foil resistors. The Company was named after the village in Lithuania where relatives of Dr. Zandman and Mr. Slaner had perished during the Holocaust. The Company's initial product portfolio consisted of foil resistors and foil resistance strain gages. ***Precision–*** the degree to which repeated measurements produce the same results (syn. EXACTNESS, VPG PRODUCTS); ***Group–*** a number of product lines/companies all controlled by a single management team. **2.** The Group consists of two foil technology product lines along with several vertically integrated sensors, modules, sub-systems and systems companies that were acquired in 2002–2008. VPG's business is categorized into two reporting segments: Foil Technology Products; and Weighing Modules and Control Systems. **3.** ***Future: a.*** VPG is expected to organically grow by designing standard and custom sensors/systems for OEM customers, as well as end-users, during the design phase of their products. This activity (slang: "design-in wins") generates initial, low-volume demand often followed by a high-volume annuity stream during the life of the customer's product. ***b.*** VPG is also expected to engage in acquisition activities that would: increase revenues; expand addressable markets; increase net profits; and add shareholder value. * ***Products:*** PRECISION FOIL RESISTORS; CURRENT SENSORS; STRAIN GAGES; TRANSDUCERS; LOAD CELLS; WEIGHING MODULES; WEIGHING INDICATORS; DATA ACQUISITION SYSTEMS; PROCESS CONTROL SYSTEMS; ON-BOARD TRUCK/VAN WEIGHING SYSTEMS.

VPG Spin-Off (v-p-g spĭn-ŏff) *adj.* + *n.* **1.** Event that divested Vishay Intertechnology of a non-core business subsidiary manufacturing precision sensors, instrumentation, and systems measuring stress, force, and pressure. Vishay Intertechnology is one of the world's largest manufacturers of discrete semiconductors and passive electronic components. The VPG Spin-Off was accomplished by distributing the VPG shares to stockholders of Vishay Intertechnology, which created a second Company, Vishay Precision Group (VPG). ***Syn.*** GREATER MARKET CAP/SHAREHOLDER VALUE FOR BOTH COMPANIES.



Vertically Integrated Products

Ver·ti·cal In·te·gra·tion (ver-ti-kal in-tuh-gray-shun) *adj. + n.* **1.** A strategy of growing from a manufacturer of foil strain gages and resistors, to a producer of transducers that incorporate these strain gages, to a designer of complete weighing and process control systems that integrate transducers, software, and electronics.

Target Markets: Original equipment manufacturers (OEMs) and end users involved in avionics-military-space (AMS), medical, transportation, agriculture, and industrial weighing applications, that require precise measurement for weight, force, pressure, and torque.

Defining Our Corporate Structure

This pyramid represents the bottom-up, vertically integrated structure of Vishay Precision Group. VPG's products are deeply rooted in the proprietary manufacturing processes and intellectual property for resistive foil. The Company has spent years perfecting the basic core technology that enables us to produce leading-edge resistors, current sensors, and strain gages. The precision, accuracy, stability, and performance over a wide variety of temperatures are all a result of the research and development that we call our **Resistive Foil Technology**.

Precision Foil Resistors and Strain Gages are our core product lines with a long-standing legacy that has achieved a prominent market status across diverse end-markets.

Weighing Modules, Transducers, Load Cells, and Weighing Indicators utilize our strain gages and foil resistors as precision components to accurately sense and convert mechanical inputs into an electronic output. These products are experiencing growing demand from a wide variety of equipment that needs to utilize precise force, weight, and pressure information.

Process Control Systems, On-Board Weighing Systems, and Force Measurement Web Tension Systems are developed at VPG by integrating our transducers, our instrumentation, and software in order to provide a complete solution for commercial weighing and force applications.

A Message from the Chairman

The Board of Directors of Vishay Intertechnology made the decision in 2009 to form a new company comprised of Vishay Intertechnology's "measurements group" and "foil" product lines. While the Board unanimously agreed to create a separate enterprise, it also wanted to retain its heritage, naming the new company: Vishay Precision Group (VPG). It is interesting to note that the foil businesses that now make up the Foil Technology Products segment of VPG were also the original product lines of Vishay Intertechnology.

Allow me to provide a brief background—Vishay Intertechnology began its business as a manufacturer of foil resistors, current sensors, and foil strain gages. Through a series of acquisitions over the course of 40 years, Vishay Intertechnology transformed itself into a leading manufacturer and supplier of discrete semiconductors and passive electronic components. In 2002, Vishay Intertechnology expanded its measurements business through acquisitions, moving the business from its initial focus on precision foil resistors, current sensors, and foil strain gages, and following a strategy of vertical integration, to include load cells, instrumentation and integrated measurement systems.

This vertical integration approach differed significantly from the horizontal strategy of Vishay Intertechnology's discrete semiconductor and passive component businesses, which is to offer a broad product line of components to original equipment manufacturers. Along with the divergence in strategy, management began to realize the Measurements Group and Foil businesses (MGF) were no longer core components of Vishay Intertechnology's operations in terms of products, technology, manufacturing processes, markets, or customers. In March 2009, the Board of Directors agreed with management's assessment to divest these businesses.

The Board announced its intention to spin-off the MGF businesses on October 27, 2009 after months of meetings to review and consider all recommendations, including the possible sale of the businesses. After that date, the Board continued to monitor the progress of the spin-off. Based on the various economic and financial circumstances, the Board continued to believe that a spin-off was the best opportunity for Vishay's shareholders to realize value for the MGF businesses as well as enhance the focus of its remaining core business.

On July 6, 2010, each shareholder of Vishay Intertechnology stock received one share of VPG stock for every 14 shares of Vishay Intertechnology stock held. As Vice Chairman of the Board for Vishay Intertechnology and Chairman of the Board for Vishay Precision Group, I am pleased to report that from the spin-off date to December 31, 2010 Vishay Intertechnology stock increased its value by 115% while VPG increased its value by 88%.

On behalf of the Board of Directors of Vishay Precision Group, I would like to express our confidence that the VPG management team, under the leadership of Ziv Shoshani, will grow the Company's businesses within its served markets, while optimizing profit margins. At the same time, we are confident this team will continue to pursue complementary acquisitions of new products in adjacent markets, while managing the balance sheet and enhancing VPG's income statement. The entire Board is looking forward to 2011, and beyond, as we participate in the first full year of operating as an independent company.

Marc Zandman
Chairman

A Letter from the CEO

We are frequently asked two questions about Vishay Precision Group (VPG). Investors want to understand: How do we define VPG? What direction will we take VPG as a new, separate company? We hope the definitions and illustrations in this annual report will help to clarify what we do and where we are going. Our goal is to provide clear answers to these questions in this first annual report to shareholders.

Let me start with the company basics. VPG is a global resistive sensor technology company providing components, sensors, and sensor based systems, which are vertically integrated products and solutions for multiple growing markets in stress and force measurement, weighing, and process control systems. We have been at the forefront of foil technology development and product leadership since the founding of Vishay, which was augmented and strengthened by a series of acquisitions between 2002 and 2008.

We are operating in two segments: Foil Technology Products (FTP) and Weighing Modules and Control Systems (WMCS). Our foil resistors and current sensors are insensitive to temperature changes, which makes them the most accurate resistors available in the market with extremely tight tolerances, long-term stability, and precision. Our strain gage elements are resistive sensors that become force sensors/transducers once they are bonded to a metallic structure and configured to electronic circuitry. Strain gages measure stress/strain by changing their resistance when mechanical force is being applied. Transducers measure the direction and magnitude of the force and turn it into electronic (analog and digital) signals.

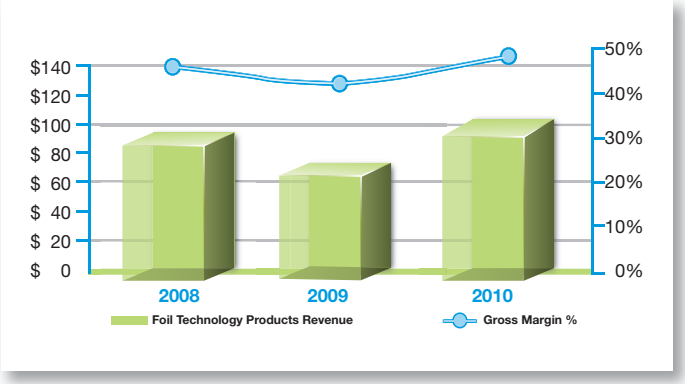
Our customer base and end-markets are extremely broad and we are serving the following market segments: precision instruments, avionics-military-space (AMS), medical, on-board weighing, process control systems, approved scale manufacturers, and other industrial applications that require precision measurement of force, pressure, and torque. The requirements for precision industrial measurements arise from the fact that precise test and measurement within production processes provide higher technology, new/better products and services, and cost savings for our customers.

The medical field is a good example of how precision measurements increase hospital efficiencies and patient care. The integration of load cells into patient beds provides the accurate weight of the hospitalized person. Knowing the weight helps determine precise dosages of medication, especially when combined with our infusion pump measurement transducers, to provide the highest level of feedback to medical personnel. By designing our load cells into the patient bed, the original equipment manufacturer (OEM) can provide ongoing data about each patient directly to the hospital care givers. After adding this important patient data source to the hospital's telemetry system, it is easy to envision adding more sensors and systems in the near future.

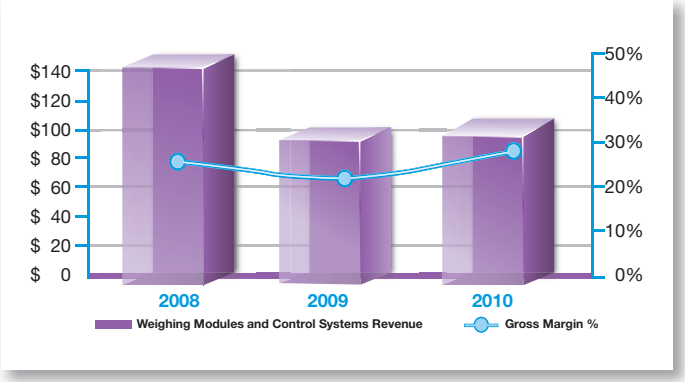
2010

The spin-off activities in 2010 consumed much of our corporate time and effort, and generated most of the headlines about the Company. However, our sales and applications engineers, production teams, and all the support groups that work behind the scenes were truly outstanding in 2010. As our customers' businesses improved, we were able to track their various levels of ramping-up from 2009. In addition, some of our previous design efforts began to realize a return on those investments as customers began ordering production quantities. We believe that VPG retained its pre-recession market share by meeting existing customers' delivery and quality demands and gaining some new design wins, which produced a 20% year-over-year growth in revenues.

Our Foil Technology Products (FTP) segment recovered and surpassed its pre-recession revenues in 2010. This segment utilizes a number of distributors for our foil resistors, current sensors, and strain gages, with various inventory stocking requirements for each product type. We worked through the re-stocking demands for distributors while meeting the OEMs' needs and developing new applications in adjacent markets. The end result was 2010 segment revenues of approximately $101 million for FTP, compared to $72 million in 2009, and $93 million in 2008.



The Weighing Modules and Control Systems (WMCS) segment produced respectable results in 2010, with revenues of $106 million, compared to $100 million in 2009, and $149 million in 2008. This segment has been slower to recover for several reasons. The on-board weighing market is depressed due to reduced housing construction in the US, while lower sales to large industrial scale manufacturers are related to reduced CAPEX spending and a lower US industrial production index. The control systems products in our WMCS segment are generally capitalized by our customers and CAPEX spending has been lagging in Europe for retrofits and capacity expansion. However, this segment continues to increase revenues as macro-economic conditions gradually improve. For example, the WMCS segment grew nearly 9% in the fourth quarter of 2010, with higher revenues from the process weighing and on-board weighing markets. In addition, we are actively pursuing new design projects in markets that are growing, in order to out-perform the intrinsic growth of our end-markets.



Other financial highlights for fiscal 2010:

- We reported revenues of $207.5 million, 20.7% higher than the twelve months of 2009.
- Our consolidated gross margins for the twelve months of 2010 were 37.2% as compared to 30.6% for the twelve months of 2009.
- Diluted earnings per share for the year ended December 31, 2010 were $0.85 compared to $0.13 per share for the year ended December 31, 2009.

Looking at the total year for 2011 we have key strategies and plans to be implemented, which will set the foundation for future improvements on reduction of our manufacturing cost, as well as enhancing organic growth by the introduction of new product lines and new design wins.

The anticipated CAPEX required to accomplish these goals will clearly exceed our normal CAPEX budget in 2011. We estimate the total cost to be in the range of $16 to $20 million, with the majority of the cash being committed in the first half of the year. However, our target is to generate positive free cash flow for the full year of 2011.

Our plans for the WMCS segment in 2011 are as follows: First, we have started construction of a large manufacturing facility in Asia during the first quarter. We expect the construction to be completed and commence manufacturing in the fourth quarter of 2011. The new facility will give us room to expand our capacity based on future market demand and also allow further consolidation of manufacturing locations. Second, additional engineering resources will be added to the WMCS segment to enhance design win activity for OEM customers.

Our FTP segment plans include the introduction of a new sensor product platform in 2011 that provides a smaller product size with higher resistance value, which requires lower power for its operation, and allows customers to develop smaller applications. A few customers have already sampled these new products and responded very

favorably. In addition, we will establish a new manufacturing line to produce these new products. Finally, the new technology will also be applied to our existing production lines.

Our second priority is growth by acquisition. However, we will remain diligent at looking for opportunities that fit into our overall growth strategy. Potential acquisitions would be companies that expand our product portfolio within our vertical integration framework using our core technology. We believe that our strong balance sheet and cash position, combined with our existing line of credit can support acquisitions.

VPG sincerely thanks its many employees, customers, vendors, strategic business partners, and shareholders for their support during our very successful year 2010. We look forward to ongoing success and continued support in 2011 and future years.

Ziv Shoshani
President and Chief Executive Officer

Financial Highlights

As of and for the Years Ended December 31st (in thousands, except per share amounts)	2010	2009	2008
Net revenues	$ 207,524	$ 171,991	$ 241,700
Gross profit	77,128	52,705	79,896
Impairment of goodwill	-	-	93,465
Operating income (loss)	19,831	7,301	(71,632)
Net earnings (loss) attributable to stockholders	11,706	1,704	(74,130)
Basic earnings (loss) per share	$ 0.88	$ 0.13	$ (5.56)
Diluted earnings (loss) per share	$ 0.85	$ 0.13	$ (5.56)
Weighted average shares outstanding – basic	13,332	13,332	13,332
Weighted average shares outstanding – diluted	13,787	13,332	13,332
Net cash provided by operating activities	$ 21,695	$ 29,236	$ 22,461
Cash and cash equivalents	82,245	63,192	70,381
Total assets	248,713	209,779	254,863
Long-term debt, less current portion	11,692	1,551	1,761
Total stockholders' or parent equity	$ 176,785	$ 148,090	$ 150,158

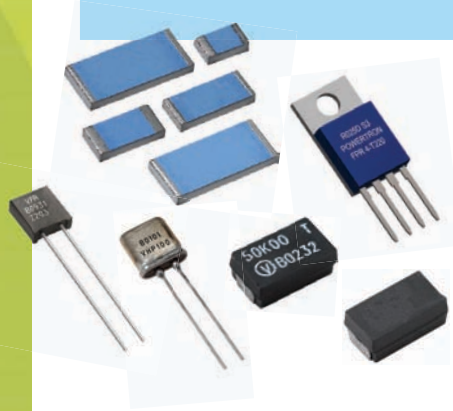
Notes:
The financial data presented above should be read in conjunction with the consolidated financial statements, related notes, and other financial information included and incorporated by reference herein. See Item 7. "Management's Analysis of Financial Condition and Results of Operations" and Item 8. "Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 included herein.

In addition to historical information, this report, including the chief executive officer's letter to shareholders on the previous pages, contains statements relating to future events or our future results. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are subject to the safe harbor provisions created by these statutes. See Item 1A. "Risk Factors" and Item 7. "Management's Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 for a discussion of important factors that could cause actual results to differ significantly from those expressed or implied by forward-looking statements contained in this report.

Reporting Segments

Foil Tech•nol•o•gy Pro•ducts (foyl tek-noll-a-jee pro-dukts) *adj. + n.* **1. *General:*** VPG Operating Segment that utilizes resistive foil technology to manufacture two product lines: foil resistors, current sensors, and foil strain gages. **2. *Foil Technology:*** VPG's foil technology encompasses leading-edge, proprietary methods, patents, and know-how to produce its precision components and sensors with unique properties. **3. *Products:*** **3a.** BULK METAL® FOIL RESISTORS, CURRENT SENSORS, *Brand Name: Vishay Foil Resistors,* are the most precise and stable type of resistors available. Resistors are basic components used in all forms of electronic circuitry to adjust and regulate levels of voltage and current. VPG's foil resistors and current sensors are used in applications requiring a high degree of precision and stability, and applications that undergo the harsh or extreme conditions found in aerospace and military applications. **3b.** FOIL STRAIN GAGES are resistive sensors used to measure a metal structure's stress and strain. They are widely used for structural stress analysis in aircraft and automotive products, and in transducers for weighing and pressure, force, and torque measurements.

Bulk Metal® Foil Resistive Products



Bulk Metal Foil technology, first introduced in 1962, outperforms other resistor technologies for applications that require precision and stability. Vishay Precision Group's proprietary, ultra precision Bulk Metal Foil resistors and current sensing products provide exceptional temperature coefficient of resistance (TCR) characteristics and long-term stability through temperature extremes. Our products are used in medical equipment, industrial testing equipment, high-performance audio equipment, semiconductor wafer test equipment, and aerospace and military applications.

Foil Strain Gages and Instruments

VPG offers a full complement of strain gages, data acquisition systems, and supplies necessary to obtain accurate, reliable stress data. Our products are used throughout the industrialized world—both in the practice of stress analysis and as the sensing elements in a wide variety of transducers.

Strain gages are the sensing elements in a wide variety of transducers including load cells for measuring physical variables other than strain (weight, force, torque, pressure, etc.).

For stress measurements testing, VPG is a supplier of electrical resistance strain gages and strain gage accessories. Our products are used by automotive and aircraft manufacturers, as well as other structural analysis customers, and universities.

Weigh•ing Mod•ules and Con•trol Sys•tems (way-ing moj-ools and kon-trol sis-tems) *adj. + n.* **1**. ***General:*** VPG Operating Segment that utilizes foil technology products to manufacture transducers, on-board weighing systems, and control systems. **2a**. ***Weighing Modules:*** These products include transducers, load cells, weighing modules, data acquisition systems, instruments, and weight indicators. **2b.** ***Control Systems:*** A configuration of transducers, instruments, cables, software, etc., that provides real-time data and enables precision process weighing control, force measurement and web tension, on-board overload protection, and on-board legal-for-trade weighing. This segment's precision sensors and instruments products are essential to the accuracy required by approved scale manufacturers (meeting US Weights and Measures, OIML, and NTEP Standards) and other industrial customers in a wide variety of markets.

Load Cell Modules and Instruments

VPG's transducers and load cells, in combination with our foil technology know-how, use the most advanced strain gage technology available. Our experience and design capabilities make it possible for us to provide a wide range of standard and custom-made products and solutions. Our product portfolio ranges from a very broad line of load cells to weight instruments and digital weighing solutions.

Our extensive transducer product offering includes solutions for the industrial and retail scale industry, process and high-speed weighing, construction and agriculture vehicles, and numerous medical products such as infusion pumps and hospital beds.

Process Weighing Systems

We design and manufacture systems, which include load cells, web tension blocks, instruments, hardware and software for weighing and force measurement. VPG's systems are used by a broad range of industries, including paper, steel, chemical, food, pharmaceutical, and petrochemical manufacturers, where our capabilities range from standard level measurements to the most complex applications. Our design teams work closely with customers to provide customized load cells and instrumentation that meet their requirements.

On-Board Weighing Systems

The on-board systems group provides weighing (direct weighing of trucks and vans as you load and drive) and overload protection systems. Our systems configure strain gages, foil resistors, and load cell technology, advanced electronic hardware and software, back-office software, and wireless capabilities into weighing solutions for fleet operators. VPG's experience, combined with our design and production capabilities, make it possible for us to provide a wide range of standard and custom made solutions. Our on-board weighing systems are used by the forestry, waste management, aircraft, and aggregate markets.

VISHAY PRECISION GROUP

BRANDS

Foil Technology Products

Bulk Metal® Foil Resistors and Current-Sensing Products

- **Alpha Electronics**
- **Powertron**
- **Vishay Foil Resistors**

Strain Gages and Instrumentation

- **Micro-Measurements**

Weighing Modules and Control Systems

Load Cells and Weighing Modules

- **Celtron**
- **Revere**
- **Sensortronics**
- **Tedea-Huntleigh**

Systems for Industrial Weighing and Force Control

- **BLH**
- **Nobel Weighing Systems**

Systems for On-Board Weighing and Overload Protection

- **PM Onboard**
- **SI Onboard**

TRANSPORTATION

MEDICAL

APPLICATIONS

STEEL

AUTOMATIC TEST EQUIPMENT

DOWN-**HOLE**

FOOD AND PHARMACEUTICAL **PROCESSING**

AGRICULTURE

OIL AND **GAS**

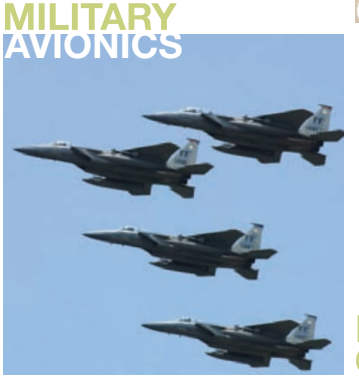
SILO WEIGHING

WASTE MANAGEMENT

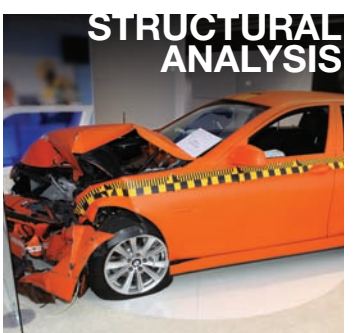
PULP AND **PAPER**

CONSTRUCTION

MILITARY AVIONICS



MINING AND **QUARRYING**



STRUCTURAL ANALYSIS

PROCESS **CONTROL**

AEROSPACE

Board of Directors

Marc Zandman
Chairman of the Board

Vice Chairman of the Board
Chief Administrative Officer
Vishay Intertechnology, Inc.

Ziv Shoshani
President
Chief Executive Officer

Dr. Samuel Broydo
Retired Managing Director of Technology
Applied Materials, Inc.

Saul Reibstein
Executive Managing Director
CBIZ, Inc.

Timothy V. Talbert
President
Lease Corporation of America Bank

Executive Officers

Ziv Shoshani
President
Chief Executive Officer

William M. Clancy
Executive Vice President
Chief Financial Officer

Thomas P. Kieffer
Senior Vice President
Chief Technology Officer
Micro-Measurements Division Head

Corporate Vice Presidents

Yaron Kadim
Vice President
Foil Resistors Division Head

Steven Klausner
Vice President
Treasurer

Rafi Uzan
Vice President
Load Cells Division Head

Dubi Zandman
Vice President
Systems Division Head

Corporate Information

Corporate Office

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Malvern, PA 19355

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Independent Auditors

Ernst & Young LLP
2001 Market Street
Philadelphia, PA 19103

Counsel

Pepper Hamilton LLP
3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia, PA 19103

Shareholder Information

Annual Meeting

June 2, 2011 at 10:00 a.m.
The Desmond Hotel, Ballroom
1 Liberty Boulevard
Malvern, PA 19355

Shareholder Assistance

For information about stock transfers, address changes, account consolidation, registration changes, and Form 1099, contact the Company's Transfer Agent and Registrar.

Transfer Agent and Registrar

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038

Phone: 800-937-5449
Fax: 718-921-8331
Email: info@amstock.com

Common Stock

Ticker Symbol: VPG

The Company's common stock is listed and principally traded on the New York Stock Exchange.

The Company's class B common stock is not traded publicly.

VPG
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NYSE

Additional Information

The Company's Form 10-K annual report to the Securities and Exchange Commision is part of this annual report to shareholders.

An electronic copy of the 2010 Annual Report, the 2011 Proxy statement and other filings are available online at **http://ir.vishaypg.com**

Copies of the Company's news releases and other investor information may be obtained by contacting:

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Investor Relations
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VISHAY PRECISION GROUP

2010

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