Vishay Precision Group, Inc.
Form 10-Q
August 08, 2017

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 July 1, 2017
¨ 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) (Zip Code)	(Registrant's Telephone Number, including area code)

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. ý Yes ¨ 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. ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ý
Non-accelerated filer ¨ (Do not check if smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes ý No
As of August 8, 2017, the registrant had 12,266,407 shares of its common stock and 1,025,158 shares of its Class B convertible common stock outstanding.

VISHAY PRECISION GROUP, INC.
FORM 10-Q
July 1, 2017
CONTENTS

		Page Number
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Consolidated Condensed Balance Sheets – July 1, 2017 (Unaudited) and December 31, 2016	3
	Consolidated Condensed Statements of Operations (Unaudited) – Fiscal Quarters Ended July 1, 2017 and July 2, 2016	5
	Consolidated Condensed Statements of Operations (Unaudited) – Six Fiscal Months Ended July 1, 2017 and July 2, 2016	6
	Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited) – Fiscal Quarters Ended July 1, 2017 and July 2, 2016	7
	Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited) – Six Fiscal Months Ended July 1, 2017 and July 2, 2016	8
	Consolidated Condensed Statements of Cash Flows (Unaudited) – Six Fiscal Months Ended July 1, 2017 and July 2, 2016	9
	Consolidated Condensed Statement of Equity (Unaudited)	10
	Notes to Unaudited Consolidated Condensed Financial Statements	11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	33
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 3.	Defaults Upon Senior Securities	34
Item 4.	Mine Safety Disclosures	34

Item 5.	Other Information	34
Item 6.	Exhibits	35
	SIGNATURES	36

PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
VISHAY PRECISION GROUP, INC.
Consolidated Condensed Balance Sheets
(In thousands)

	July 1, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 63,158	$ 58,452
Accounts receivable, net	42,376	34,270
Inventories:		
Raw materials	16,046	15,647
Work in process	20,640	21,115
Finished goods	20,223	19,559
Inventories, net	56,909	56,321
Prepaid expenses and other current assets	8,261	6,831
Total current assets	170,704	155,874
Property and equipment, at cost:		
Land	3,399	3,344
Buildings and improvements	49,958	48,454
Machinery and equipment	91,487	89,080
Software	7,646	7,441
Construction in progress	2,353	4,340
Accumulated depreciation	(100,421)	(97,374)
Property and equipment, net	54,422	55,285
Goodwill	18,934	18,717
Intangible assets, net	21,046	21,585
Other assets	19,949	19,049
Total assets	$ 285,055	$ 270,510

Continues on the following page.

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

	July 1, 2017	December 31, 2016
	(Unaudited)	
Liabilities and equity		
Current liabilities:		
Trade accounts payable	$ 9,447	$ 8,264
Payroll and related expenses	13,296	11,978
Other accrued expenses	14,335	13,285
Income taxes	2,306	772
Current portion of long-term debt	2,853	2,623
Total current liabilities	42,237	36,922
Long-term debt, less current portion	30,763	33,529
Deferred income taxes	813	735
Other liabilities	13,776	13,054
Accrued pension and other postretirement costs	14,999	14,713
Total liabilities	102,588	98,953
Commitments and contingencies		
Equity:		
Common stock	1,288	1,278
Class B convertible common stock	103	103
Treasury stock	(8,765)	(8,765)
Capital in excess of par value	191,897	190,373
Retained earnings	34,345	28,731
Accumulated other comprehensive loss	(36,534)	(40,337)
Total Vishay Precision Group, Inc. stockholders' equity	182,334	171,383
Noncontrolling interests	133	174
Total equity	182,467	171,557
Total liabilities and equity	$ 285,055	$ 270,510

See accompanying notes.

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

	Fiscal quarter ended	
	July 1, 2017	July 2, 2016
Net revenues	$62,319	$57,996
Costs of products sold	37,560	36,501
Gross profit	24,759	21,495
Selling, general, and administrative expenses	18,800	18,444
Acquisition costs	—	352
Restructuring costs	315	1,011
Operating income	5,644	1,688
Other income (expense):		
Interest expense	(468)	(371)
Other	(362)	(30)
Other income (expense) - net	(830)	(401)
Income before taxes	4,814	1,287
Income tax expense (benefit)	1,198	(562)
Net earnings	3,616	1,849
Less: net loss attributable to noncontrolling interests	(3)	(19)
Net earnings attributable to VPG stockholders	$3,619	$1,868
Basic earnings per share attributable to VPG stockholders	$0.27	$0.14
Diluted earnings per share attributable to VPG stockholders	$0.27	$0.14
Weighted average shares outstanding - basic	13,257	13,184
Weighted average shares outstanding - diluted	13,446	13,405

See accompanying notes.

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

	Six fiscal months ended	
	July 1, 2017	July 2, 2016
Net revenues	$122,106	$114,625
Costs of products sold	74,830	73,355
Gross profit	47,276	41,270
Selling, general, and administrative expenses	37,026	36,492
Acquisition costs	—	414
Restructuring costs	869	1,686
Operating income	9,381	2,678
Other income (expense):		
Interest expense	(920)	(699)
Other	(683)	395
Other income (expense) - net	(1,603)	(304)
Income before taxes	7,778	2,374
Income tax expense	2,159	29
Net earnings	5,619	2,345
Less: net earnings (loss) attributable to noncontrolling interests	5	(3)
Net earnings attributable to VPG stockholders	$5,614	$2,348
Basic earnings per share attributable to VPG stockholders	$0.42	$0.18
Diluted earnings per share attributable to VPG stockholders	$0.42	$0.18
Weighted average shares outstanding - basic	13,233	13,181
Weighted average shares outstanding - diluted	13,442	13,402

See accompanying notes.

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

	Fiscal quarter ended	
	July 1, 2017	July 2, 2016
Net earnings	$3,616	$1,849
Other comprehensive income (loss):		
Foreign currency translation adjustment	2,345	(1,208)
Pension and other postretirement actuarial items, net of tax	(67)	241
Other comprehensive income (loss)	2,278	(967)
Total comprehensive income	5,894	882
Less: comprehensive loss attributable to noncontrolling interests	(3)	(19)
Comprehensive income attributable to VPG stockholders	$5,897	$901

See accompanying notes.

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

	Six fiscal months ended	
	July 1, 2017	July 2, 2016
Net earnings	$5,619	$2,345
Other comprehensive income (loss):		
Foreign currency translation adjustment	3,834	663
Pension and other postretirement actuarial items, net of tax	(31)	373
Other comprehensive income	3,803	1,036
Comprehensive income	9,422	3,381
Less: comprehensive income (loss) attributable to noncontrolling interests	5	(3)
Comprehensive income attributable to VPG stockholders	$9,417	$3,384

See accompanying notes.

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

	Six fiscal months ended	
	July 1, 2017	July 2, 2016
Operating activities		
Net earnings	$5,619	$2,345
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	5,318	5,640
Gain on disposal of property and equipment	(141)	(31)
Share-based compensation expense	492	547
Inventory write-offs for obsolescence	982	865
Deferred income taxes	(104)	(1,540)
Other	(445)	(804)
Net changes in operating assets and liabilities:		
Accounts receivable, net	(6,928)	991
Inventories, net	(761)	(1,681)
Prepaid expenses and other current assets	(1,397)	(879)
Trade accounts payable	1,020	91
Other current liabilities	3,676	(5,271)
Net cash provided by operating activities	7,331	273
Investing activities		
Capital expenditures	(3,146)	(4,434)
Proceeds from sale of property and equipment	326	250
Purchase of business	—	(10,727)
Net cash used in investing activities	(2,820)	(14,911)
Financing activities		
Principal payments on long-term debt and capital leases	(1,314)	(1,064)
Proceeds from revolving facility	16,000	11,000
Payments on revolving facility	(16,000)	(6,000)
Distributions to noncontrolling interests	(46)	(8)
Payments of employee taxes on certain share-based arrangements	(303)	(85)
Net cash used in financing activities	(1,663)	3,843
Effect of exchange rate changes on cash and cash equivalents	1,858	377
Increase (decrease) in cash and cash equivalents	4,706	(10,418)
Cash and cash equivalents at beginning of period	58,452	62,641
Cash and cash equivalents at end of period	$63,158	$52,223
Supplemental disclosure of non-cash financing transactions:		
Conversion of exchangeable notes to common stock	$(1,303)	$—

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	Treasury 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, 2016	$ 1,278	$ 103	$ (8,765)	$ 190,373	$ 28,731	$ (40,337)	$ 171,383	$ 174	$ 171,557
Net earnings	—	—	—	—	5,614	—	5,614	5	5,619
Other comprehensive income	—	—	—	—	—	3,803	3,803	—	3,803
Share-based compensation expense	—	—	—	492	—	—	492	—	492
Restricted stock issuances (41,322 shares)	4	—	—	(265)	—	—	(261)	—	(261)
Common stock issuance from conversion of exchangeable notes (57,729 shares)	6	—	—	1,297	—	—	1,303	—	1,303
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(46)	(46)
Balance at July 1, 2017	$ 1,288	$ 103	$ (8,765)	$ 191,897	$ 34,345	$ (36,534)	$ 182,334	$ 133	$ 182,467

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 sensors, and sensor-based measurement systems, as well as specialty resistors and strain gages based upon the Company's proprietary technology. The Company provides precision products and solutions, many of which are “designed-in” by its customers, specializing in the growing markets of stress, force, weight, pressure, and current measurements.
Interim Financial Statements
These unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the 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 consolidated financial statements and notes thereto as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in VPG’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on March 16, 2017. The results of operations for the fiscal quarter ended July 1, 2017 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 2017 and 2016 end on the following dates:

	2017	2016
Quarter 1	April 1,	April 2,
Quarter 2	July 1,	July 2,
Quarter 3	September 30,	October 1,
Quarter 4	December 31,	December 31,

Recent Accounting Pronouncements
In May 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-09, “Scope of Modification Accounting”. This ASU clarifies which changes to the terms or conditions of a share-based payment award will require modification accounting. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

In March 2017, the FASB issued ASU No. 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”. This ASU requires the service cost component of net periodic benefit cost to be presented in the same income statement line item as other employee compensation costs. All other components of the net periodic benefit cost will be presented outside of operating income. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

In January 2017, the FASB issued ASU No. 2017 04, “Simplifying the Test for Goodwill Impairment.” This ASU eliminates the requirement to calculate the implied fair value of goodwill (second step) to measure a goodwill impairment charge. Under the guidance, an impairment charge will be measured based on the excess of the reporting unit’s carrying amount over its fair value (first step). The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2019 and early adoption is permitted. The Company is evaluating the

new standard to determine the impact on the Company’s consolidated condensed financial statements.

Note 1 – Basis of Presentation (continued)

In January 2017, FASB issued ASU No. 2017 01, “Clarifying the Definition of a Business.” This ASU provides a more robust framework to determine when a set of assets and activities constitutes a business. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2017 and will be applied prospectively to any transactions occurring within the period of adoption and early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments.” This ASU is intended to clarify the presentation of certain cash receipts and payments within the statement of cash flows. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

In March 2016, the FASB issued ASU No. 2016-09,"Improvements to Employee Share-Based Payment Accounting." This ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company prospectively adopted this ASU effective January 1, 2017. For the fiscal quarter and six fiscal months ended July 1, 2017, the tax benefit within income tax expense for the tax effect of share-based payment transactions was not material. Prior to adoption, this amount would have been recorded as a component of Capital in excess of par value. The Company elected to change its accounting policy to recognize forfeitures as they occur. As a result of this change, there was no cumulative-effect adjustment to retained earnings. For the fiscal quarter and six fiscal months ended July 1, 2017, the Company excluded excess tax benefits from the assumed proceeds available to repurchase shares in the computation of its diluted earnings per share and the related increase in the Company’s diluted weighted average commons shares outstanding was not significant.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” a comprehensive new lease standard that amends various aspects of existing accounting guidance for leases. The core principle of this ASU will require lessees to present the assets and liabilities that arise from leases on their balance sheets. The ASU is effective for public companies for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the new standard to determine the impact on the Company’s consolidated condensed financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory (Topic 330)," which simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company prospectively adopted this ASU effective January 1, 2017 and the adoption did not have a significant impact on the Company’s consolidated condensed financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," and modified the standard thereafter. The objective of the ASU is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that will supersede most current revenue recognition guidance. The basis of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The ASU is effective for public entities for annual and interim periods beginning after December 15, 2017 and early adoption is permitted for annual and interim periods beginning after December 15, 2016. The guidance permits adoption by retrospectively applying the guidance to disclosures comparing results to previous guidance, with the cumulative effect of initially applying the guidance recognized in beginning retained earnings at the date of initial application (modified retrospective method). The Company is in the process of determining the adoption method.

The Company is in the assessment phase, reviewing a representative sample of contracts, discussions with key stakeholders and cataloging potential impacts on the Company's operations, accounting policies, internal control over financial reporting and financial statements. We have not yet finalized our evaluation of how the new standard impacts our revenue recognition associated with contracts, which may result in changes to the allocation of contract revenues between various products and services, and the timing of when those revenues are recognized. The Company is continuing to determine the impact of the ASU on the consolidated results of operations, financial position, cash flows and financial statement disclosures.

Note 2 – Goodwill

The change in the carrying amount of goodwill by segment is as follows (in thousands):

	Total	Weighing and Control Systems Segment		Foil Technology Products Segment
		KELK Acquisition	Stress-Tek Acquisition	Pacific Acquisition
Balance at December 31, 2016	$18,717	$6,364	$ 6,311	$ 6,042
Foreign currency translation adjustment	217	217	—	—
Balance at July 1, 2017	$18,934	$6,581	$ 6,311	$ 6,042

Note 3 – Restructuring Costs

Restructuring costs represent the cost reduction programs initiated by the Company. Restructuring costs are expensed during the period in which the Company determines it will incur those costs and all requirements for accrual are met. Because these costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates are too low or too high, the Company could be required to either record additional expense in future periods or to reverse part of the previously recorded charges.

The Company recorded aggregate restructuring costs of $0.3 million and $1.0 million during the fiscal quarters ended July 1, 2017 and July 2, 2016, respectively, and $0.9 million and $1.7 million during the six fiscal months ended July 1, 2017 and July 2, 2016, respectively.

Restructuring costs consist mainly of employee termination costs and facility closure costs, which were incurred in connection with various cost reduction programs. The restructuring expenses recorded for the six fiscal months ended July 1, 2017, represent additional costs related to the previously announced cost reduction programs. During the six fiscal months ended July 2, 2016, the Company recorded $1.0 million related to cost reduction plans initiated at locations in Europe, the U.S., and Canada. $0.4 million related to the closure of our Costa Rica facility, and $0.3 million related to the November 2015 global cost reduction plan.

The following table summarizes recent activity related to all restructuring programs. The accrued restructuring liability balance as of July 1, 2017 and December 31, 2016, respectively, is included in other accrued expenses in the accompanying consolidated condensed balance sheets (in thousands):

Balance at December 31, 2016	$1,333
Restructuring costs in 2017	869
Cash payments	(1,704)
Foreign currency translation	1
Balance at July 1, 2017	$499

Note 4 – Income Taxes

VPG calculates the tax provision for interim periods using an estimated annual effective tax rate methodology based on projected full-year pre-tax earnings among the taxing jurisdictions in which we operate with adjustments for discrete items. The effective tax rate for the fiscal quarter ended July 1, 2017 was 24.9% compared to -43.7% for the fiscal quarter ended July 2, 2016. The effective tax rate for the six fiscal months ended July 1, 2017 was 27.8% compared to 1.2% for the six fiscal months ended July 2, 2016. The tax rate in the current fiscal quarter is higher than the prior year fiscal quarter primarily because of a tax benefit recorded last year related to a valuation allowance release of $1.6 million in connection with the acquisition of Pacific. This prior year benefit was partially offset by withholding taxes on the distribution of earnings from certain foreign subsidiaries that did not occur in the current quarter. The current period tax rate is also higher than last year because of changes in the geographic mix of pre-tax earnings and changes in the mix of earnings taxed at different rates within a jurisdiction. This tax rate increase is partially offset in the current quarter by a foreign currency tax benefit at a foreign subsidiary that uses the U.S. dollar as its functional currency. The current year six fiscal month tax rate is higher than the prior year six fiscal month tax rate for the same reasons.

Note 4 – 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 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. Penalties and tax-related interest expense are reported as a component of income tax expense. The Company anticipates a reduction in the liability for unrecognized tax benefits between $0.1 million to $0.3 million within twelve months of the balance sheet date due to cash payments and the potential for the expiration of statutes of limitation in certain jurisdictions.

Note 5 – Long-Term Debt

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

	July 1, 2017	December 31, 2016
2015 Credit Agreement - Revolving Facility	$9,000	$9,000
2015 Credit Agreement - U.S. Closing Date Term Facility	3,896	4,128
2015 Credit Agreement - U.S. Delayed Draw Term Facility	9,524	10,092
2015 Credit Agreement - Canadian Term Facility	8,330	8,780
Exchangeable Unsecured Notes, due 2102	2,794	4,097
Other debt	465	509
Deferred financing costs	(393)	(454)
Total long-term debt	33,616	36,152
Less: current portion	2,853	2,623
Long-term debt, less current portion	$30,763	$33,529

Exchangeable Unsecured Notes, due 2102

Effective May 12, 2017, a holder of the Company's exchangeable notes exercised its option to exchange approximately $1.3 million principal amount of the notes for 57,729 shares of VPG common stock at a contractual put/call rate of $22.57. Following this transaction, VPG has outstanding exchangeable unsecured notes with a principal amount of approximately $2.8 million, which are exchangeable for an aggregate of 123,808 shares of VPG common stock.

Note 6 – Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, consist of the following (in thousands):

	Foreign Currency Translation Adjustment	Pension and Other Postretirement Actuarial Items	Total
Balance at January 1, 2017	$ (33,192)	$ (7,145)	$(40,337)
Other comprehensive income before reclassifications	3,834	—	3,834
Amounts reclassified from accumulated other comprehensive income (loss)	—	(31)	(31)
Balance at July 1, 2017	$ (29,358)	$ (7,176)	$(36,534)

Note 6 – Accumulated Other Comprehensive Income (Loss) (continued)

	Foreign Currency Translation Adjustment	Pension and Other Postretirement Actuarial Items	Total
Balance at January 1, 2016	$ (28,704)	$ (4,417)	$ (33,121)
Other comprehensive loss before reclassifications	663	—	663
Amounts reclassified from accumulated other comprehensive income (loss)	—	373	373
Balance at July 2, 2016	$ (28,041)	$ (4,044)	$ (32,085)

Reclassifications of pension and other postretirement actuarial items out of accumulated other comprehensive income (loss) are included in the computation of net periodic benefit cost (see Note 7).

Note 7 – Pension and Other Postretirement Benefits

Employees of VPG participate in various defined benefit pension and other postretirement benefit ("OPEB") plans. The following table sets forth the components of the net periodic benefit cost for the Company's defined benefit pension and other postretirement benefit plans (in thousands):

	Fiscal quarter ended July 1, 2017		Fiscal quarter ended July 2, 2016	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	$ 119	$ 28	$ 104	$ 25
Interest cost	165	35	205	33
Expected return on plan assets	(132)	—	(166)	—
Amortization of actuarial losses	113	28	52	19
Net periodic benefit cost	$ 265	$ 91	$ 195	$ 77

	Six fiscal months ended July 1, 2017		Six fiscal months ended July 2, 2016	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	$ 236	$ 56	$ 206	$ 50
Interest cost	328	70	410	65
Expected return on plan assets	(262)	—	(333)	—
Amortization of actuarial losses	224	56	103	38
Net periodic benefit cost	$ 526	$ 182	$ 386	$ 153

Note 8 – Share-Based Compensation

The Amended and Restated Vishay Precision Group, Inc. Stock Incentive Program (as amended and restated, the “Plan”) permits the issuance of up to 1,000,000 shares of common stock. At July 1, 2017, the Company had reserved 261,906 shares of common stock for future grants of equity awards (restricted stock, unrestricted stock, restricted stock units ("RSUs"), or stock options) pursuant to the Plan. If any outstanding awards are forfeited by the holder or canceled by the Company, the underlying shares would be available for re-grant to others.

On February 9, 2017, VPG’s three current executive officers were granted annual equity awards in the form of RSUs, of which 75% are performance-based. The awards were comprised of 53,913 RSUs, as determined using the average of the closing stock prices of the Company's common stock for the last five trading days immediately preceding January 1, 2017 and have an aggregate grant-date fair value of $0.9 million. Twenty-five percent of these awards will vest on January 1, 2020, subject to the executives’ continued employment. The performance-based portion of the RSUs

will also vest on January 1, 2020, subject to the satisfaction

Note 8 – Share-Based Compensation (continued)

of certain performance objectives relating to three-year cumulative “free cash” and net earnings goals, each weighted equally, and the executives' continued employment.

On March 23, 2017, certain VPG employees were granted annual equity awards in the form of RSUs, of which 75% are performance-based. The awards have an aggregate target grant-date fair value of $0.4 million and were comprised of 23,921 RSUs. Twenty-five percent of these awards will vest on January 1, 2020 subject to the employees' continued employment. The performance-based portion of the RSUs will also vest on January 1, 2020, subject to the satisfaction of certain performance objectives relating to three-year cumulative earnings and cash flow goals, and the employees' continued employment.

On May 25, 2017, the Board of Directors approved the issuance of an aggregate of 15,495 RSUs to the independent board members of the Board of Directors and to the non-executive Chairman of the Board of Directors. The awards have an aggregate grant-date fair value of $0.3 million and will vest on May 25, 2018, subject to the directors' continued service on the Board of Directors.

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. The Company recognizes compensation cost for RSUs that are expected to vest and for which performance criteria are expected to be met. The following table summarizes share-based compensation expense recognized (in thousands):

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Restricted stock units	$248	$ 191	$492	$ 547

Note 9 – Segment Information

VPG reports in three product segments: the Foil Technology Products segment, the Force Sensors segment, and the Weighing and Control Systems segment. The Foil Technology Products reporting segment is comprised of the foil resistor and strain gage operating segments. 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 revenues, gross profits and operating income, exclusive of certain items. Management believes that evaluating segment performance, excluding items such as restructuring costs, acquisition costs, and other items is meaningful because it provides insight with respect to the intrinsic operating results of VPG. The following table sets forth reporting segment information (in thousands):

Note 9 – Segment Information (continued)

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net third-party revenues:				
Foil Technology Products	$29,306	$25,359	$57,070	$51,678
Force Sensors	15,656	15,396	31,124	30,234
Weighing and Control Systems	17,357	17,241	33,912	32,713
Total	$62,319	$57,996	$122,106	$114,625
Gross profit:				
Foil Technology Products	$12,275	$9,326	$23,774	$20,453
Force Sensors	4,527	4,460	8,218	7,187
Weighing and Control Systems	7,957	7,709	15,284	13,630
Total	$24,759	$21,495	$47,276	$41,270
Reconciliation of segment operating income to consolidated results:				
Foil Technology Products	$6,854	$4,181	$12,917	$10,945
Force Sensors	2,297	2,212	3,678	2,616
Weighing and Control Systems	3,617	2,925	6,699	4,117
Unallocated G&A expenses	(6,809)	(6,267)	(13,044)	(12,900)
Acquisition costs	—	(352)	—	(414)
Restructuring costs	(315)	(1,011)	(869)	(1,686)
Consolidated condensed operating income	$5,644	$1,688	$9,381	$2,678
Acquisition costs:				
Foil Technology Products	$—	$(341)	$—	$(391)
Weighing and Control Systems	—	(11)	—	(23)
	$—	$(352)	$—	$(414)
Restructuring costs:				
Foil Technology Products	$(12)	$(221)	$(138)	$(718)
Force Sensors	(85)	(297)	(262)	(301)
Weighing and Control Systems	(39)	(379)	(287)	(532)
Corporate/Other	(179)	(114)	(182)	(135)
	$(315)	$(1,011)	$(869)	$(1,686)

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 $0.6 million and $0.6 million during the fiscal quarters ended July 1, 2017 and July 2, 2016, respectively and $1.4 million and $1.0 million during the six fiscal months ended July 1, 2017 and July 2, 2016, respectively. Intersegment sales from the Force Sensors segment to the Foil Technology Products segment and Weighing and Control Systems segment were $0.4 million and $0.6 million during the fiscal quarters ended July 1, 2017 and July 2, 2016, respectively, and $0.8 million and $1.0 million during the six fiscal months ended July 1, 2017 and July 2, 2016, respectively. Intersegment sales from the Weighing and Control Systems segment to the Force Sensors segment were $0.2 million and $0.3 million, during the fiscal quarters ended, July 1, 2017 and July 2, 2016 and $0.3 million and $0.5 million during the six fiscal months ended July 1, 2017 and July 2, 2016, respectively.

-17-

Note 10 – 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		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Numerator:				
Numerator for basic earnings per share:				
Net earnings attributable to VPG stockholders	$3,619	$1,868	$5,614	$2,348
Adjustment to the numerator for net earnings:				
Interest savings assuming conversion of dilutive exchangeable notes, net of tax	5	4	12	8
Numerator for diluted earnings per share:				
Net earnings attributable to VPG stockholders	$3,624	$1,872	$5,626	$2,356
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares	13,257	13,184	13,233	13,181
Effect of dilutive securities:				
Exchangeable notes	149	181	165	181
Restricted stock units	40	40	44	40
Dilutive potential common shares	189	221	209	221
Denominator for diluted earnings per share:				
Adjusted weighted average shares	13,446	13,405	13,442	13,402
Basic earnings per share attributable to VPG stockholders	$0.27	$0.14	$0.42	$0.18
Diluted earnings per share attributable to VPG stockholders	$0.27	$0.14	$0.42	$0.18

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		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Weighted average employee stock options	—	18	—	18

-18-

Note 11 – Additional Financial Statement Information

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

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Foreign exchange (loss) gain	$(258)	$67	$(632)	$495
Interest income	18	41	56	103
Other	(122)	(138)	(107)	(203)
	$(362)	$(30)	$(683)	$395

Note 12 – Fair Value Measurements

Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurement, 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.

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 table provides the financial assets and liabilities carried at fair value measured on a recurring basis (in thousands):

		Fair value measurements at reporting date using:		
	Total Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
July 1, 2017				
Assets				
Assets held in rabbi trusts	$4,834	$392	$4,442	$ —
December 31, 2016				
Assets				
Assets held in rabbi trusts	$4,772	$537	$4,235	$ —

The Company maintains non-qualified trusts, referred to as “rabbi” trusts, to fund payments under deferred compensation and non-qualified pension plans. Rabbi trust assets consist primarily of marketable securities, classified as available-for-sale money market funds at July 1, 2017 and December 31, 2016, and company-owned life insurance assets. The marketable securities held in the rabbi trusts are valued using quoted market prices on the last business day of the period. The company-owned life insurance assets are valued in consultation with the Company’s insurance brokers using the value of underlying assets of the insurance contracts. The fair value measurement of the marketable securities held in the rabbi trust is considered a Level 1 measurement and the measurement of the company-owned life insurance assets is considered a Level 2 measurement within the fair value hierarchy.

The fair value of the long-term debt, excluding capitalized deferred financing costs, at July 1, 2017 and December 31, 2016 is approximately $33.5 million and $36.0 million, respectively, compared to its carrying value, excluding capitalized deferred financing costs, of $33.6 million and $36.2 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 whose carrying amounts 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 sensors, and sensor-based measurement systems, as well as specialty resistors and strain gages based upon our proprietary technology. We provide precision products and solutions, many of which are “designed-in” by our customers, specializing in the growing markets of stress, force, weight, pressure, and current measurements. A significant portion of our products and solutions are primarily based upon our proprietary foil technology and are produced as part of our vertically integrated structure. We believe this strategy results in higher quality, more cost effective and focused solutions for our customers. Our 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 geographic locations that also optimize our resources for specific technologies, sensors, assemblies, and systems.

The Company also has a long heritage of innovation in precision foil resistors, foil strain gages, and sensors that convert mechanical inputs into an electronic signal for display, processing, interpretation, or control by our instrumentation and systems products. Our advanced sensor product line continues this heritage by offering high-quality foil strain gages produced in a proprietary, highly automated environment. 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 marketplaces. This expertise served as a foundation for our expansion into strain gage instrumentation, load cells, transducers, weighing modules, and complete systems for process control and on-board weighing. Although our products are typically used in the industrial market, we believe our advanced sensors may find application outside the industrial market.

The precision sensor market is integral to the development of intelligent products across a wide variety of end markets upon which we focus, including medical, agricultural, transportation, industrial, avionics, military, and space applications. We believe that as original equipment manufacturers (“OEMs”) continue a drive to make products “smarter,” they will integrate more sensors and related systems into their solutions to link the mechanical/physical world with digital control and/or response. We believe this offers a substantial growth opportunity for our products and expertise.

VPG reports in three product segments: the Foil Technology Products segment, the Force Sensors segment, and the Weighing and Control Systems segment. The Foil Technology Products reporting segment is comprised of the foil resistor and strain gage operating segments. 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 July 1, 2017 were $62.3 million versus $58.0 million for the comparable prior year period. Net earnings attributable to VPG stockholders for the fiscal quarter ended July 1, 2017 were $3.6 million, or $0.27 per diluted share, versus $1.9 million, or $0.14 per diluted share, for the comparable prior year period.

Net revenues for the six fiscal months ended July 1, 2017 were $122.1 million versus $114.6 million for the comparable prior year period. Net earnings attributable to VPG stockholders for the six fiscal months ended July 1, 2017 were $5.6 million, or $0.42 per diluted share versus $2.3 million, or $0.18 per diluted share, for the comparable prior yeat period.

The results of operations for the fiscal quarters ended July 1, 2017 and July 2, 2016 include items affecting comparability as listed in the reconciliations below. The reconciliations below include certain financial measures which are not recognized in accordance with U.S. generally accepted accounting principles ("GAAP") including adjusted gross profit, adjusted gross profit margin, adjusted operating income, adjusted operating income margin, adjusted net earnings and adjusted net earnings per diluted share. These non-GAAP measures should not be viewed as an alternative to GAAP measures of performance. Non-GAAP measures such as adjusted gross profit, adjusted gross profit margin, adjusted net earnings and adjusted net earnings per diluted share do not have uniform definitions. These measures, as calculated by VPG, may not be comparable to similarly titled measures used by other companies. Management believes that these measures are meaningful because they provide insight with respect to intrinsic operating results. The reconciling items presented below represent significant charges or credits which are important

to understanding our intrinsic operations.
The items affecting comparability are (dollars in thousands, except per share amounts):

-20-

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Gross profit	$24,759	$21,495	$47,276	$41,270
Gross profit margin	39.7 %	37.1 %	38.7 %	36.0 %
Reconciling items affecting gross profit margin				
Acquisition purchase accounting adjustments [a]	—	195	—	491
Adjusted gross profit	$24,759	$21,690	$47,276	$41,761
Adjusted gross profit margin	39.7 %	37.4 %	38.7 %	36.4 %

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Operating income	$5,644	$1,688	$9,381	$2,678
Operating margin	9.1 %	2.9 %	7.7 %	2.3 %
Reconciling items affecting operating margin				
Acquisition purchase accounting adjustments [a]	—	195	—	491
Acquisition costs	—	352	—	414
Restructuring costs	315	1,011	869	1,686
Adjusted operating income	$5,959	$3,246	$10,250	$5,269
Adjusted operating margin	9.6 %	5.6 %	8.4 %	4.6 %

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net earnings attributable to VPG stockholders	$3,619	$1,868	$5,614	$2,348
Reconciling items affecting operating margin				
Acquisition purchase accounting adjustments [a]	—	195	—	491
Acquisition costs	—	352	—	414
Restructuring costs	315	1,011	869	1,686
Less reconciling items affecting income tax expense				
Tax effect of reconciling items and discrete tax items	13	1,469	56	1,290
Adjusted net earnings attributable to VPG stockholders	$3,921	$1,957	$6,427	$3,649
Adjusted net earnings per diluted share	$0.29	$0.15	$0.48	$0.27
Weighted average shares outstanding - diluted	13,446	13,405	13,442	13,402

(a) Acquisition purchase accounting adjustments recorded in connection with the acquisition of Stress-Tek and Pacific include fair market value adjustments associated with inventory.

Financial Metrics

We utilize several financial measures and metrics to evaluate 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 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, backlog is not necessarily indicative of the results 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 amount of product shipped during that period. A book-to-bill ratio that is greater than one indicates that revenues may increase in future periods. Conversely, a book-to-bill ratio that is less than one is an indicator of lower demand and may foretell declining sales.

We focus on inventory turnover as a measure of how well we manage 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 tables show net revenues, gross profit margin, end-of-period backlog, book-to-bill ratio, and inventory turnover for our business as a whole and by segment during the five quarters beginning with the second quarter of 2016 through the second quarter of 2017 (dollars in thousands):

	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016	1st Quarter 2017	2nd Quarter 2017
Net revenues	$57,996	$54,490	$55,814	$59,787	$62,319
Gross profit margin	37.1 %	37.2 %	38.1 %	37.7 %	39.7 %
End-of-period backlog	$51,400	$50,300	$56,800	$61,400	$67,500
Book-to-bill ratio	0.98	0.98	1.16	1.06	1.08
Inventory turnover	2.52	2.36	2.41	2.64	2.64

	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016	1st Quarter 2017	2nd Quarter 2017
Foil Technology Products					
Net revenues	$25,359	$23,852	$25,412	$27,764	$29,306
Gross profit margin	36.8 %	36.2 %	40.6 %	41.4 %	41.9 %
End-of-period backlog	$23,800	$23,600	$28,800	$31,100	$34,300
Book-to-bill ratio	1.01	0.99	1.26	1.06	1.09
Inventory turnover	2.65	2.57	2.57	2.80	2.90
Force Sensors					
Net revenues	$15,396	$15,231	$14,769	$15,468	$15,656
Gross profit margin	29.0 %	31.0 %	25.3 %	23.9 %	28.9 %
End-of-period backlog	$11,700	$12,000	$13,000	$14,100	$14,100
Book-to-bill ratio	0.97	1.02	1.08	1.06	0.99
Inventory turnover	1.97	1.84	1.93	2.11	1.97
Weighing and Control Systems					
Net revenues	$17,241	$15,407	$15,633	$16,555	$17,357
Gross profit margin	44.7 %	44.9 %	46.5 %	44.3 %	45.8 %
End-of-period backlog	$15,900	$14,700	$15,000	$16,200	$19,100
Book-to-bill ratio	0.94	0.92	1.05	1.06	1.14
Inventory turnover	3.27	2.98	3.08	3.36	3.52

Net revenues for the second quarter of 2017 increased 4.2% from the first quarter of 2017 and 7.5% from the second quarter of 2016, due to increased volume in all three reporting segments.

Net revenues in the Foil Technology Products reporting segment increased 5.6% from the first quarter of 2017 and 15.6% from the second quarter of 2016. Sequentially, the higher net revenue is primarily attributable to increased sales from Pacific in the avionics, military and space end markets in the United States. Compared to the second quarter of 2016, net revenues increased due to the improved performance of Pacific, which we acquired in April 2016, and higher revenue related to precision resistors products in the test and measurement market sector in Asia.

Net revenues in the Force Sensors reporting segment increased 1.2% from the first quarter of 2017, mainly due to positive exchange rate impacts and 1.7% from the second quarter of 2016, mainly due to higher volume with OEM customers in the precision agriculture end market, offset by a negative exchange rate impact.

Net revenues in the Weighing and Control Systems reporting segment increased 4.8% from the first quarter of 2017 and 0.7% from the second quarter of 2016. Sequentially, the higher net revenues are primarily related to strength in our steel business in Asia, process weighing in the U.S. offset by a reduction in on-board weighing product lines. Compared to the second quarter of 2016, strong revenues from our steel business in Asia and our process weighing business in Europe were primarily responsible for the improvement in net revenues. This increase was partially offset by negative exchange rate effects.

The gross profit margin in the second quarter of 2017 increased 2.0% as compared to the first quarter of 2017 and 2.6% from the second quarter of 2016.

Sequentially, all of our reporting segments contributed to the higher gross profit margin, aided by volume improvements in both the Foil Technology Products segment and Weighing and Control Systems segment, while the Force Sensors segment improvement was mainly due to an increase in inventory.

Compared to the second quarter of 2016, the Foil Technology Products segment and the Weighing and Control Systems segment had higher gross profit margins while the Force sensors segments gross profit margin remained flat. The higher gross profit margin in the Foil Technology Products segment was primarily due to higher volume and manufacturing efficiencies. Excluding the purchase accounting adjustments in 2016, the gross profit margin in the Weighing and Control Systems segment was flat.

-23-

Optimize Core Competence

The Company’s core competency and key value proposition is providing customers with proprietary foil technology products and precision measurement sensors and sensor-based systems. Our foil technology resistors and strain gages are recognized as global market leading products that provide high precision and high stability over extreme temperature ranges and long life. 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, torque, tilt, motion, and acceleration. We continue to optimize all aspects of our development, manufacturing and sales processes, including by increasing our technical sales efforts; continuing to innovate in product performance and design; and refining our manufacturing processes.

Our foil technology research group developed innovations that enhance the capability and performance of our strain gages, while simultaneously reducing their size and power consumption as part of our advanced sensors product line. We believe this new 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 advanced sensors manufacturing technology offers us the capability to produce high-quality foil strain gages in a highly automated environment, which we expect to result in reduced manufacturing and lead times, and increased margins. The implementation of this innovative manufacturing technology was the basis for a significant portion of the restructuring efforts we undertook in 2015 and 2016.

We also seek to achieve significant production cost savings through the transfer and expansion of manufacturing operations in countries such as India and Israel, where we can benefit from lower labor costs, improved efficiencies, or available tax and other government-sponsored incentives. For example, in 2016 we relocated a significant portion of our force sensor manufacturing from leased locations with higher labor cost to the owned facility we built in India. We closed a facility in Costa Rica and consolidated its functions with existing operations where significant efficiencies were available. This consolidation of operations is part of our global restructuring and cost reduction program announced in November 2015 and substantially completed in 2016.

Acquisition Strategy

We expect to continue to make strategic acquisitions where opportunities present themselves to grow our segments. Historically, our growth and acquisition strategy has been largely focused on vertical product integration, using our foil strain gages in our force sensor products, and incorporating those products into our weighing and control systems. The acquisitions of Stress-Tek and KELK, each of which employ our foil strain gages to manufacture load cells for their systems, continue this strategy. Additionally, the KELK acquisition resulted in the acquisition of certain optical sensor technology. The Pacific Instruments acquisition significantly broadened our existing data acquisition offerings and opened new markets for us. Along with our recent success in microelectromechanical systems ("MEMS") technology for on-board weighing, we expect to expand our expertise, and our acquisition focus, outside our traditional vertical approach to other precision sensor solutions in the fields of measurement of force, weight, pressure, torque, tilt, motion, and acceleration. We believe acquired businesses will benefit from improvements we implement to reduce redundant functions and from our current global manufacturing and distribution footprint.

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.

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-cost countries to lower-cost countries and consolidating to fewer locations. This may enable us to become more efficient and cost competitive, and also maintain tighter controls over 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 have begun to realize the benefits of our restructuring through lower labor costs and other operating expenses, and expect to continue reaping these benefits 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 Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on March 16, 2017.

The Company recorded restructuring costs of $0.3 million and $0.9 million during the fiscal quarter and six fiscal months ended July 1, 2017, respectively. Restructuring costs consist mainly of employee termination costs, including severance and statutory retirement allowances, and facility closure costs, and were incurred in connection with various cost reduction programs.

We are evaluating plans to further reduce our costs by consolidating additional manufacturing operations. These plans may require us to incur restructuring and severance costs in future periods. 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.

Goodwill

We test the goodwill in each of our reporting units for impairment at least annually, and whenever events or changes in circumstances occur indicating that a possible impairment may have been incurred. Determining whether to test goodwill for impairment, and the application of goodwill impairment tests, require significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Changes in these estimates could materially affect the determination of fair value for each reporting unit. A slowdown or deferral of orders for a business, with which we have goodwill associated, could impact our valuation of that goodwill.

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. GAAP requires 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

Our operations in Europe, Canada, and certain locations in Asia primarily generate and expend cash 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 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 period. 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 primarily generate cash 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 July 1, 2017, exchange rates reduced net revenues by $1.3 million, and costs of products sold and selling, general, and administrative expenses by $0.6 million, when compared to the comparable prior year period. For the fiscal six months ended July 1, 2017, exchange rates reduced net revenues by $2.4 million, and costs of products sold and selling, general, and administrative expenses by $1.1 million, when compared to the comparable prior year period.

-25-

Results of Operations

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

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Costs of products sold	60.3 %	62.9 %	61.3 %	64.0 %
Gross profit	39.7 %	37.1 %	38.7 %	36.0 %
Selling, general, and administrative expenses	30.2 %	31.8 %	30.3 %	31.8 %
Operating income	9.1 %	2.9 %	7.7 %	2.3 %
Income before taxes	7.7 %	2.2 %	6.4 %	2.1 %
Net earnings	5.8 %	3.2 %	4.6 %	2.0 %
Net earnings attributable to VPG stockholders	5.8 %	3.2 %	4.6 %	2.0 %
Effective tax rate	24.9 %	(43.7)%	27.8 %	1.2 %

Net Revenues

Net revenues were as follows (dollars in thousands):

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net revenues	$62,319	$57,996	$122,106	$114,625
Change versus comparable prior year period	$4,323		$7,481	
Percentage change versus prior year period	7.5 %		6.5 %	

Changes in net revenues were attributable to the following:

	vs. prior year quarter	vs. prior year-to-date
Change attributable to:		
Change in volume	10.5 %	8.0 %
Change in average selling prices	(0.5)%	(0.2)%
Foreign currency effects	(2.5)%	(2.3)%
Acquisitions	—	1.0 %
Net change	7.5 %	6.5 %

During the fiscal quarter ended July 1, 2017, net revenues increased 7.5% as compared to the comparable prior year period due to volume increases in all three reporting segments. During the fiscal six months ended July 1, 2017, net revenues increased 6.5% as compared to the comparable prior year period. Volume increases from all reporting segments and added revenues from the acquisition of Pacific, which was acquired on April 6, 2016, contributed to this improvement.

Gross Profit Margin

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

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Gross profit margin	39.7 %	37.1 %	38.7 %	36.0 %

The gross profit margin for the fiscal quarter ended July 1, 2017 increased 2.6% compared to the comparable prior year period. The Foil Technology Products segment had an improved gross margin mainly due to higher volume and manufacturing efficiencies.

The Force Sensors segment gross profit margin was flat compared to the prior year period, while the Weighing and Control Systems segment had an improved gross profit margin, primarily due to higher volume.
The gross profit margin for the six fiscal months ended July 1, 2017 increased 2.7% compared to the comparable prior year period, with volume improvements in all reporting segments.
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		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net revenues	$29,306	$25,359	$57,070	$51,678
Change versus comparable prior year period	$3,947		$5,392	
Percentage change versus prior year period	15.6 %		10.4 %	

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	17.5 %	9.7 %
Change in average selling prices	(0.3)%	(0.1)%
Foreign currency effects	(1.6)%	(1.4)%
Acquisitions	—	2.2 %
Net change	15.6 %	10.4 %

Net revenues increased 15.6% for the fiscal quarter ended July 1, 2017, as compared to the comparable prior year period due to higher volume from precision resistor OEM customers in the Asian test and measurement market sector and increased sales from Pacific in the avionics, military and space end markets in the United States. This improvement was slightly offset by negative foreign currency impacts relating to the British pound, the Euro and the Japanese yen.
Net revenues increased 10.4% for the six fiscal months ended July 1, 2017, as compared to the comparable prior year period due to higher volume from precision resistor OEM customers in the Asian test and measurement market sector, and additional revenues from the acquisition of Pacific. This improvement was slightly offset by negative foreign currency impacts relating to the British pound and the Euro.
Gross profit as a percentage of net revenues for the Foil Technology Products segment was as follows:

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Gross profit margin	41.9%	36.8%	41.7%	39.6%

The gross profit margin increased for the fiscal quarter ended July 1, 2017, when compared to the comparable prior year period. Higher volume and labor efficiencies were partially offset by negative foreign currency impacts. The gross profit margin increased for the six fiscal months ended July 1, 2017, when compared to the comparable prior year period. Higher volume and labor efficiencies were partially offset by negative foreign currency impacts and higher fixed manufacturing costs.

Force Sensors

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

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net revenues	$15,656	$15,396	$31,124	$30,234
Change versus comparable prior year period	$260		$890	
Percentage change versus prior year period	1.7 %		2.9 %	

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	4.7 %	5.5 %
Change in average selling prices	(1.6)%	(0.9)%
Foreign currency effects	(1.4)%	(1.7)%
Net change	1.7 %	2.9 %

Net revenues increased 1.7% for the fiscal quarter ended July 1, 2017, as compared to the comparable prior year period, mainly due to higher volume with OEM customers in the precision agriculture end market. Higher volume was partially offset by negative foreign currency impacts relating to the British pound and the Euro.

Net revenues increased 2.9% for the six fiscal months ended July 1, 2017, as compared to the comparable prior year period, mainly due to higher volume, partially offset by negative foreign currency impacts relating to the British pound and the Euro.

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

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Gross profit margin	28.9%	29.0%	26.4%	23.8%

The gross profit margin for the fiscal quarter ended July 1, 2017 was flat compared to the comparable prior year period. The gross profit margin for the six fiscal months ended July 1, 2017 increased from the comparable prior year period mainly due to higher volume and cost savings measures, including headcount reductions through plant closures and relocations.

Weighing and Control Systems

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

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net revenues	$17,357	$17,241	$33,912	$32,713
Change versus comparable prior year period	$116		$1,199	
Percentage change versus prior year period	0.7 %		3.7 %	

Changes in 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	5.2 %	7.8 %

Change in average selling prices	0.4 %	0.4 %
Foreign currency effects	(4.9)%	(4.5)%
Net change	0.7 %	3.7 %

Net revenues increased slightly for the fiscal quarter ended July 1, 2017, as compared to the comparable prior year period. Improvements in the steel business in Asia and process weighing business in Europe were almost entirely offset by negative foreign currency impacts, mainly related to the British pound, the Swedish krone and the Canadian dollar.

Net revenues increased for the six fiscal months ended July 1, 2017, as compared to the comparable prior year period due mainly to improvements in the steel business in Asia. This increase was partially offset by negative foreign currency impacts, mainly related to the British pound and the Swedish krone.

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

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Gross profit margin	45.8%	44.7%	45.1%	41.7%

The gross profit margin for the fiscal quarter ended July 1, 2017 increased 1.1% compared to the comparable prior year period, mainly due to higher volume in the steel business. Excluding the purchase accounting adjustment of $0.2 million in 2016, the gross profit margin was flat. The gross profit margin for the six fiscal months ended July 1, 2017 increased 3.4% compared to the comparable prior year period primarily due to higher volume from our steel business.

Selling, General, and Administrative Expenses

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

	Fiscal quarter ended		Six fiscal months ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Total SG&A expenses	$18,800	$18,444	$37,026	$36,492
as a percentage of net revenues	30.2 %	31.8 %	30.3 %	31.8 %

SG&A expenses for the fiscal quarter ended July 1, 2017 were higher compared to the comparable prior year period mainly due to higher professional fees, travel and commissions. SG&A expenses for the six fiscal months ended July 1, 2017 were higher compared to the comparable prior year period. Additional SG&A expenses of $0.6 million associated with the operations of Pacific, which was acquired on April 6, 2016, were partially offset by reductions in personnel costs, including headcount reductions from the cost reduction programs.

Acquisition Costs

In connection with the acquisitions of Stress-Tek and Pacific, we recorded acquisition costs of $0.4 million in our consolidated condensed financial statements in the fiscal quarter and six fiscal months ended July 2, 2016. No acquisition costs were incurred in the fiscal quarter or six fiscal months ended July 1, 2017.

Restructuring Costs

Restructuring costs represent the cost reduction programs initiated by the Company. Restructuring costs are expensed during the period in which the Company determines it will incur those costs and all requirements for accrual are met. Because these costs are recorded based upon estimates, actual expenditures for the restructuring activities may differ from the initially recorded costs. If the initial estimates are too low or too high, the Company could be required to either record additional expense in future periods or to reverse part of the previously recorded charges.

Restructuring costs consist mainly of employee termination costs and facility closure costs, which were incurred in connection with various cost reduction programs. The restructuring expenses of $0.3 million and $0.9 million recorded for the fiscal quarter and six fiscal months ended July 1, 2017, respectively, represent additional costs related to the previously announced cost reduction programs. During the six fiscal months ended July 2, 2016, the Company recorded $1.0 million related to cost reduction plans initiated at locations in Europe, the U.S., and Canada. $0.4 million related to the closure of our Costa Rica facility, and $0.3 million related to the November 2015 global cost reduction plan.

Other Income (Expense)

Interest expense for the fiscal quarter and six fiscal months ended July 1, 2017 was higher than interest expense in the comparable prior year periods, mainly due to higher debt associated with funding the acquisition of Pacific, which was completed on April 6, 2016.

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

	Fiscal quarter ended		
	July 1, 2017	July 2, 2016	Change
Foreign exchange (loss) gain	$(258)	$67	$(325)
Interest income	18	41	(23)
Other	(122)	(138)	16
	$(362)	$(30)	$(332)

	Six fiscal months ended		
	July 1, 2017	July 2, 2016	Change
Foreign exchange (loss) gain	$(632)	$495	$(1,127)
Interest income	56	103	(47)
Other	(107)	(203)	96
	$(683)	$395	$(1,078)

Foreign currency exchange gains and losses represent the impact of changes in foreign currency exchange rates. For the fiscal quarter ended July 1, 2017, the change in foreign exchange gains and losses during the period, as compared to the prior year period, is largely due to exposure to currency fluctuations with the Israeli shekel and the British pound. For the six fiscal months ended July 1, 2017, the change in foreign exchange gains and losses during the period, as compared to the prior year period, is largely due to exposure to currency fluctuations with the Israeli shekel, the British pound, and the Canadian dollar. A substantial portion of the Canadian dollar currency fluctuation is due to a U.S. dollar denominated term facility maintained by our Canadian subsidiary.

Income Taxes

The effective tax rate for the fiscal quarter ended July 1, 2017 was 24.9% compared to -43.7% for the fiscal quarter ended July 2, 2016. The effective tax rate for the six fiscal months ended July 1, 2017 was 27.8% compared to 1.2% for the six fiscal months ended July 2, 2016. The tax rate in the current fiscal quarter is higher than the prior year fiscal quarter primarily because of a tax benefit recorded last year related to a valuation allowance release of $1.6 million in connection with the acquisition of Pacific. This prior year benefit was partially offset by withholding taxes on the distribution of earnings from certain foreign subsidiaries that did not occur in the current quarter. The current period tax rate is also higher than last year because of changes in the geographic mix of pre-tax earnings and changes in the mix of earnings taxed at different rates within a jurisdiction. This tax rate increase is partially offset in the current quarter by a foreign currency tax benefit at a foreign subsidiary that uses the U.S. dollar as its functional currency. The current year six fiscal month tax rate is higher than the prior year six fiscal month tax rate for the same reasons.

We evaluate our deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted. We consider 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, and our ability to identify feasible tax planning strategies. Deferred tax assets may not be recognized in jurisdictions where there is a history of cumulative losses, where there is

no taxable income in the carryback period, where there is insufficient evidence to support future earnings and where there is no other positive evidence, such as the likely reversal of taxable temporary differences, that would result in the utilization of deferred tax assets.

Financial Condition, Liquidity, and Capital Resources

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.

In December 2015, we entered into a second amended and restated credit agreement. The terms of our credit agreement provide for the following facilities: (1) a secured revolving facility of $30.0 million (which may be increased by a maximum of $15.0 million at our request, subject to terms of the credit agreement), the proceeds of which can be used for working capital and general corporate purposes, with a sublimit of $10.0 million for letters of credit; (2) a secured closing date term facility of $4.5 million for the Company; (3) a secured delayed draw term facility of $11.0 million for the Company; and (4) a secured term facility of $9.5 million for Vishay Precision Group Canada ULC ("VPG Canada"), our Canadian subsidiary. The credit agreement terminates on December 30, 2020. The term loans are being repaid in quarterly installments.
According to our credit agreement, borrowings under all facilities bear interest at either, upon our option, (1) a base rate which is the greater of the agent’s prime rate, the Federal Funds rate, or a LIBOR floor, plus a margin of 0.25% or (2) LIBOR plus, depending upon our leverage ratio, an interest rate margin ranging from 2.00% to 3.00%. We are also required to pay a quarterly fee of 0.30% per annum to 0.50% per annum on the unused portion of the secured revolving facility, which is determined based on our leverage ratio each quarter. Additional customary fees apply with respect to letters of credit.
The obligations of VPG and the guarantors under our credit agreement are secured by substantially all the assets (excluding real estate) of VPG, and by pledges of stock in certain domestic and foreign subsidiaries, as well as guarantees by substantially all of our domestic subsidiaries and the assets (excluding real estate) of the guarantors. The VPG Canada term facility is secured by substantially all the assets of VPG Canada, and by a secured guarantee of VPG and our domestic subsidiaries. The credit agreement restricts us from paying cash dividends, and requires us to comply with other customary covenants, representations, and warranties, including the maintenance of specific financial ratios. The financial maintenance covenants include a tangible net worth ratio, a leverage ratio, and a fixed charges coverage ratio. We were in compliance with these covenants at July 1, 2017. If we are not in compliance with any of these covenant restrictions, the credit agreement could be terminated by the lenders, and all amounts outstanding pursuant to the credit agreement could become immediately payable.
During the second quarter of 2017, a holder of the Company's exchangeable notes exercised its option to exchange approximately $1.3 million principal amount of the notes for 57,729 shares of VPG common stock at a contractual put/call rate of $22.57. At July 1, 2017, we have outstanding exchangeable unsecured notes with a principal amount of approximately $2.8 million, which are exchangeable for an aggregate of 123,808 shares of VPG common stock. The maturity date of these notes is December 13, 2102.
Our other long-term debt is not significant and consists of zero percent interest rate debt held by our Japanese subsidiary of approximately $0.5 million at July 1, 2017 and December 31, 2016.
Due to our strong product portfolio and market position, our business has historically generated operating cash flow. For the six fiscal months ended July 1, 2017, cash provided by operating activities was $7.3 million. This is net of $1.7 million of restructuring payments made during the six month period. Cash provided by operating activities for the six fiscal months ended July 2, 2016 was $0.3 million.
As of July 1, 2017, our free cash was $4.5 million. We refer to the amount of cash provided by operating activities ($7.3 million) in excess of our capital expenditures ($3.1 million) and net of proceeds from the sale of assets ($0.3 million) as “free cash,” a measure which management uses to evaluate our ability to fund acquisitions and repay debt. Free cash is also used as a metric for certain of our performance-based equity compensation awards.
The following table summarizes the components of net cash (debt) at July 1, 2017 and December 31, 2016 (in thousands):

	July 1, 2017	December 31, 2016
Cash and cash equivalents	$63,158	$ 58,452
Third-party debt, including current and long-term:		
Term loans	21,750	23,000
Revolving debt	9,000	9,000
Third-party debt held by Japanese subsidiary	465	509

Exchangeable notes, due 2102	2,794	4,097
Deferred financing costs	(393)	(454)
Total third-party debt	33,616	36,152
Net cash	$29,542	$ 22,300

Measurements such as “free cash” and “net cash (debt)” do not have uniform definitions and are not recognized in accordance with U.S. GAAP. Such measures should not be viewed as alternatives to U.S. GAAP measures of performance or liquidity. However, management believes that “free cash” is a meaningful measure of our ability to fund acquisitions and repay debt, as well as to measure performance under certain of our equity compensation awards. In addition, management believes 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.

Approximately 94% and 83% of our cash and cash equivalents balance at July 1, 2017 and December 31, 2016, respectively, was held by our non-U.S. subsidiaries. If cash is repatriated to the United States, we could be subject to additional U.S. income taxes, state income taxes, incremental foreign income taxes, and withholding taxes payable to various foreign countries. See the following table for the percentage of cash and cash equivalents, by region, at July 1, 2017 and December 31, 2016:

	July 1, 2017	December 31, 2016
Israel	21 %	16 %
Asia	28 %	27 %
Europe	20 %	19 %
United States	6 %	17 %
United Kingdom	14 %	12 %
Canada	11 %	9 %
	100 %	100 %

Our financial condition as of July 1, 2017 remains strong, with a current ratio (current assets to current liabilities) of 4.0 to 1.0, as compared to a ratio of 4.2 to 1.0 at December 31, 2016.

Cash paid for property and equipment for the six fiscal months ended July 1, 2017 was $3.1 million compared to $4.4 million in the comparable prior year period. Capital expenditures for the six fiscal months ended July 1, 2017 are comprised of projects related to the normal maintenance of the business.

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; difficulties or delays in completing acquisitions and integrating acquired companies (including the acquisitions of Stress-Tek and Pacific Instruments); the inability to realize anticipated synergies and expansion possibilities; 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 lay-off or termination plans, operation of redundant facilities due to difficulties in transferring production to achieve efficiencies; 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 fiscal year ended December 31, 2016. 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 fiscal year ended December 31, 2016, filed with the SEC on March 16, 2017.

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

During our last fiscal quarter ended July 1, 2017, there was no change in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, 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 Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on March 16, 2017. The risks described in our Form 10-K are not the only risks that 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

10.1†	Amendment to Employment Agreement, dated August 7, 2017, by and among Vishay Advanced Technologies, Ltd. and Ziv Shoshani.
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 July 1, 2017, furnished in XBRL (eXtensible Business Reporting Language).

† Denotes a management contract or compensatory plan, contract or arrangement.

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: August 8, 2017