Vishay Precision Group, Inc.
Form 10-Q
May 06, 2015

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 March 28, 2015
¨ 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", and "smaller reporting 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 ¨

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 May 6, 2015, the registrant had 12,596,340 shares of its common stock and 1,025,158 shares of its Class B convertible common stock outstanding.

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

	March 28, 2015	December 31, 2014
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$70,212	$79,642
Accounts receivable, net	36,707	37,514
Inventories:		
Raw materials	14,737	15,017
Work in process	21,710	20,498
Finished goods	19,196	18,798
Inventories, net	55,643	54,313
Deferred income taxes	5,024	5,003
Prepaid expenses and other current assets	11,239	10,566
Total current assets	178,825	187,038
Property and equipment, at cost:		
Land	1,845	1,893
Buildings and improvements	49,813	50,266
Machinery and equipment	79,797	79,109
Software	6,855	6,837
Construction in progress	2,536	3,786
Accumulated depreciation	(90,911)	(89,909)
Property and equipment, net	49,935	51,982
Goodwill	11,890	12,788
Intangible assets, net	15,856	17,489
Other assets	20,659	20,590
Total assets	$277,165	$289,887

Continues on the following page.

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

	March 28, 2015	December 31, 2014
	(Unaudited)	
Liabilities and equity		
Current liabilities:		
Trade accounts payable	$10,298	$10,371
Payroll and related expenses	14,302	14,252
Other accrued expenses	13,338	16,590
Income taxes	387	2,197
Current portion of long-term debt	5,370	5,120
Total current liabilities	43,695	48,530
Long-term debt, less current portion	16,185	17,713
Deferred income taxes	643	1,756
Other liabilities	7,288	7,658
Accrued pension and other postretirement costs	12,727	13,072
Total liabilities	80,538	88,729
Commitments and contingencies		
Equity:		
Common stock	1,275	1,273
Class B convertible common stock	103	103
Treasury stock	(1,263)	(32)
Capital in excess of par value	189,621	189,532
Retained earnings	37,196	36,500
Accumulated other comprehensive loss	(30,510)	(26,452)
Total Vishay Precision Group, Inc. stockholders' equity	196,422	200,924
Noncontrolling interests	205	234
Total equity	196,627	201,158
Total liabilities and equity	$277,165	$289,887

See accompanying notes.

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Net revenues	$56,608	$61,041
Costs of products sold	35,829	38,994
Gross profit	20,779	22,047
Selling, general, and administrative expenses	18,733	18,700
Restructuring costs	78	324
Operating income	1,968	3,023
Other income (expense):		
Interest expense	(184)	(212)
Other	(958)	(542)
Other income (expense) - net	(1,142)	(754)
Income before taxes	826	2,269
Income tax expense	143	496
Net earnings	683	1,773
Less: net (loss) earnings attributable to noncontrolling interests	(13)	67
Net earnings attributable to VPG stockholders	$696	$1,706
Basic earnings per share attributable to VPG stockholders	$0.05	$0.12
Diluted earnings per share attributable to VPG stockholders	$0.05	$0.12
Weighted average shares outstanding - basic	13,746	13,752
Weighted average shares outstanding - diluted	13,960	13,958

See accompanying notes.

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Net earnings	$683	$1,773
Other comprehensive income (loss):		
Foreign currency translation adjustment	(4,287)	(224)
Pension and other postretirement actuarial items, net of tax	229	5
Other comprehensive loss	(4,058)	(219)
Total comprehensive (loss) income	(3,375)	1,554
Less: comprehensive (loss) income attributable to noncontrolling interests	(13)	67
Comprehensive (loss) income attributable to VPG stockholders	$(3,362)	$1,487

See accompanying notes.

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

	Three fiscal months ended	
	March 28, 2015	March 29, 2014
Operating activities		
Net earnings	$683	$1,773
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,756	2,849
Loss (gain) on disposal of property and equipment	2	(3)
Share-based compensation expense	267	222
Inventory write-offs for obsolescence	480	438
Other	(291)	486
Net changes in operating assets and liabilities:		
Accounts receivable	(459)	(1,506)
Inventories	(2,684)	(286)
Prepaid expenses and other current assets	(706)	(316)
Trade accounts payable	121	237
Other current liabilities	(3,566)	(1,855)
Net cash (used in) provided by operating activities	(3,397)	2,039
Investing activities		
Capital expenditures	(1,782)	(1,878)
Proceeds from sale of property and equipment	—	3
Net cash used in investing activities	(1,782)	(1,875)
Financing activities		
Principal payments on long-term debt and capital leases	(1,280)	(1,035)
Purchase of treasury stock	(1,231)	—
Distributions to noncontrolling interests	(16)	(18)
Net cash used in financing activities	(2,527)	(1,053)
Effect of exchange rate changes on cash and cash equivalents	(1,724)	145
Decrease in cash and cash equivalents	(9,430)	(744)
Cash and cash equivalents at beginning of period	79,642	72,785
Cash and cash equivalents at end of period	$70,212	$72,041

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, 2014	$1,273	$ 103	$(32)	$189,532	$36,500	$ (26,452)	$ 200,924	$ 234	$201,158
Net earnings (loss)	—	—	—	—	696	—	696	(13)	683
Other comprehensive loss	—	—	—	—	—	(4,058)	(4,058)	—	(4,058)
Share-based compensation expense	—	—	—	267	—	—	267	—	267
Restricted stock issuances (21,062 shares)	2	—	—	(178)	—	—	(176)	—	(176)
Purchase of treasury stock (80,429 shares)	—	—	(1,231)	—	—	—	(1,231)	—	(1,231)
Conversion from Class B to common stock (18 shares)	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(16)	(16)
Balance at March 28, 2015	$1,275	$ 103	$(1,263)	$189,621	$37,196	$ (30,510)	$ 196,422	$ 205	$196,627

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 Securities and Exchange Commission (“SEC”) for interim financial statements and therefore do not include all information and footnotes necessary for the presentation of financial position, results of operations, and cash flows required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair summary of the financial position, results of operations, and cash flows for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in VPG’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the SEC on March 11, 2015. The results of operations for the fiscal quarter ended March 28, 2015 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 2015 and 2014 end on the following dates:

	2015	2014
Quarter 1	March 28,	March 29,
Quarter 2	June 27,	June 28,
Quarter 3	September 26,	September 27,
Quarter 4	December 31,	December 31,

Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and 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, 2016. Early adoption is not permitted under GAAP, and either full or modified retrospective application is required. The Company has not yet selected a transition method and the effects of this standard on the Company's financial position, results of operations and cash flows are not yet known.
In April 2015, the FASB issued ASU 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." This standard update requires an entity to present debt issuance costs on the balance sheet as a direct deduction from the related debt liability as opposed to an asset. Amortization of the costs will continue to be reported as interest expense. The update is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued, and the new guidance would be applied retrospectively to all prior periods presented. The adoption of this standard update is not expected to have a material impact on our consolidated financial statements.

Note 2 – Restructuring Costs

Restructuring costs reflect the cost reduction programs implemented 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.

2015 Program

The Company recorded restructuring costs of $0.1 million during the fiscal quarter ended March 28, 2015. These costs were comprised of employee termination costs, including severance, at one of the Company's subsidiaries in the United Kingdom, and were incurred in connection with a cost reduction program. The restructuring costs were fully paid in the first quarter of 2015.

2014 Programs

The Company recorded restructuring costs of $0.7 million during the year ended December 31, 2014. This included two cost reduction programs implemented by the Company.

Restructuring costs of $0.5 million were comprised of employee termination costs, including severance and a statutory retirement allowance, at the Company's subsidiary in Canada, and were incurred in connection with a cost reduction program. The restructuring costs were fully paid in the first quarter of 2015.

Restructuring costs of $0.2 million were comprised of employee termination costs, including severance, at one of the Company’s subsidiaries in the United States, and were incurred in connection with a cost reduction program. As of March 28, 2015, $0.1 million of the restructuring costs have been paid. The remaining costs are recorded within other accrued expenses on the accompanying consolidated condensed balance sheet, and are expected to be paid during the third quarter of 2015.

Note 3 – Income Taxes

VPG calculates the tax provision for interim periods using an estimated annual effective tax rate methodology which is based on a current projection of full-year earnings before taxes amongst different taxing jurisdictions and adjusted for the impact of discrete quarterly items. The effective tax rate for the fiscal quarter ended March 28, 2015 was 17.3% versus 21.9% for the fiscal quarter ended March 29, 2014. The primary change in the effective tax rate for both periods presented is the result of changes in the geographic mix of pretax earnings, and the recording of net tax benefits associated with foreign exchange variations.

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The effective tax rates for the fiscal quarters ended March 28, 2015 and March 29, 2014 reflect VPG’s expected tax rate on reported income before income tax and tax adjustments. VPG operates in an international environment with significant operations in various locations outside the United States. Accordingly, the consolidated income tax rate is a composite rate reflecting VPG’s earnings and the applicable tax rates in the various locations in which VPG operates.

The Company and its subsidiaries are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company’s tax positions and determining the provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. VPG establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when VPG believes that certain positions might be challenged despite its belief that the tax return positions are supportable. VPG adjusts these reserves in light of changing facts and circumstances and the provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. Penalties and tax-related interest expense are reported as a component of income tax expense. The Company anticipates $0.5 million to $0.8 million of unrecognized tax benefits to be reversed within the next twelve months of the balance sheet date, due to the expiration of statutes of limitation and a cash payment in certain jurisdictions.

Note 4 – Long-Term Debt

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

	March 28, 2015	December 31, 2014
2013 Credit Agreement - U.S. term facility	$5,500	$6,000
2013 Credit Agreement - Canadian term facility	11,250	12,000
Exchangeable unsecured notes, due 2102	4,097	4,097
Other debt	708	736
	21,555	22,833
Less: current portion	5,370	5,120
	$16,185	$17,713

Note 5 – 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, 2015	$(21,648)	$(4,804)	$(26,452)
Other comprehensive loss before reclassifications	(4,287)	—	(4,287)
Amounts reclassified from accumulated other comprehensive income (loss)	—	229	229
Balance at March 28, 2015	$(25,935)	$(4,575)	$(30,510)

	Foreign Currency Translation Adjustment	Pension and Other Postretirement Actuarial Items	Total
Balance at January 1, 2014	$(16,761)	$(2,266)	$(19,027)
Other comprehensive loss before reclassifications	(224)	—	(224)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5	5
Balance at March 29, 2014	$(16,985)	$(2,261)	$(19,246)

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 6).

Note 6 – 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 March 28, 2015		Fiscal quarter ended March 29, 2014	
	Pension Plans	OPEB Plans	Pension Plans	OPEB Plans
Net service cost	$103	$19	$105	$21
Interest cost	213	30	235	31
Expected return on plan assets	(163)	—	(198)	—
Amortization of actuarial losses	58	19	7	9
Net periodic benefit cost	$211	$68	$149	$61

Note 7 – 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 March 28, 2015, the Company had reserved 519,809 shares of common stock for future grant 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 regrant to others.

On January 20, 2015, VPG’s three executive officers were granted annual equity awards in the form of RSUs, of which 75% are performance-based. The awards have an aggregate grant-date fair value of $1.0 million and were comprised of 59,325 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, 2015. Twenty-five percent of these awards will vest on January 1, 2018, subject to the executives’ continued employment. The performance-based portion of the RSUs will also vest on January 1, 2018, subject to the satisfaction of certain performance objectives relating to three-year cumulative “free cash” and net earnings goals and their continued employment.

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	
	March 28, 2015	March 29, 2014
Restricted stock units	$267	$222

Note 8 – 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 8 – Segment Information (continued)

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Net third-party revenues:		
Foil Technology Products	$25,061	$26,007
Force Sensors	15,237	16,432
Weighing and Control Systems	16,310	18,602
Total	$56,608	$61,041
Gross profit:		
Foil Technology Products	$10,164	$9,856
Force Sensors	3,335	3,507
Weighing and Control Systems	7,280	8,684
Total	$20,779	$22,047
Reconciliation of segment operating income to consolidated results:		
Foil Technology Products	$5,943	$5,200
Force Sensors	914	1,141
Weighing and Control Systems	1,981	3,025
Unallocated G&A expenses	(6,792)	(6,019)
Restructuring costs	(78)	(324)
Consolidated condensed operating income	$1,968	$3,023
Restructuring costs:		
Weighing and Control Systems	$78	$324

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 $1.0 million and $0.5 million during the fiscal quarters ended March 28, 2015 and March 29, 2014, 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 $0.4 million during the fiscal quarters ended March 28, 2015 and March 29, 2014, 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 March 28, 2015 and March 29, 2014, respectively.

Note 9 – 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	
	March 28, 2015	March 29, 2014
Numerator:		
Numerator for basic earnings per share:		
Net earnings attributable to VPG stockholders	$696	$1,706
Adjustment to the numerator for net earnings:		
Interest savings assuming conversion of dilutive exchangeable notes, net of tax	2	2
Numerator for diluted earnings per share:		
Net earnings attributable to VPG stockholders	$698	$1,708
Denominator:		
Denominator for basic earnings per share:		
Weighted average shares	13,746	13,752
Effect of dilutive securities:		
Exchangeable notes	181	181
Employee stock options	—	1
Restricted stock units	33	24
Dilutive potential common shares	214	206
Denominator for diluted earnings per share:		
Adjusted weighted average shares	13,960	13,958
Basic earnings per share attributable to VPG stockholders	$0.05	$0.12
Diluted earnings per share attributable to VPG stockholders	$0.05	$0.12

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	
	March 28, 2015	March 29, 2014
Weighted average employee stock options	18	23

Note 10 – Additional Financial Statement Information

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Foreign exchange loss	$(988)	$(531)
Interest income	55	38
Other	(25)	(49)
	$(958)	$(542)

Note 11 – 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
March 28, 2015				
Assets				
Assets held in rabbi trusts	$4,643	$776	$3,867	$—
December 31, 2014				
Assets				
Assets held in rabbi trusts	$4,725	$915	$3,810	$—

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 March 28, 2015 and December 31, 2014, 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 at March 28, 2015 and December 31, 2014 is approximately $20.1 million and $21.7 million, respectively, compared to its carrying value of $21.6 million and $22.8 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.

Note 11 – Fair Value Measurements (continued)

The Company’s financial instruments include cash and cash equivalents whose carrying amounts reported in the consolidated condensed balance sheets approximate their fair values.

Note 12 – Subsequent Events

RSU grant

On March 30, 2015, 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 $0.3 million and were comprised of 21,743 RSUs. Twenty-five percent of these awards will vest on January 1, 2018 subject to the employees' continued employment. The performance-based portion of the RSUs will also vest on January 1, 2018, subject to the satisfaction of certain performance objectives relating to three-year cumulative earnings goals and cash flow goals and their continued employment.

Stock Repurchase

In accordance with its stock repurchase plan, the Company has repurchased an additional 74,148 shares of its common stock from March 29, 2015 through May 6, 2015.

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. 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. Our products are not typically used in the consumer 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 March 28, 2015 were $56.6 million versus $61.0 million for the comparable prior year period. Net earnings attributable to VPG stockholders for the fiscal quarter ended March 28, 2015 were $0.7 million, or $0.05 per diluted share, versus $1.7 million, or $0.12 per diluted share, for the comparable prior year period.

The results of operations for the fiscal quarters ended March 28, 2015 and March 29, 2014 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 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):

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Gross profit	$20,779	$22,047
Gross profit margin	36.7 %	36.1 %
Reconciling items affecting gross profit margin		
Acquisition purchase accounting adjustments (a)	—	39
Adjusted gross profit	$20,779	$22,086
Adjusted gross profit margin	36.7 %	36.2 %

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Net earnings attributable to VPG stockholders	$696	$1,706
Reconciling items affecting operating margin		
Acquisition purchase accounting adjustments (a)	—	39
Restructuring costs	78	324
Reconciling items affecting income tax expense		
Tax effect of adjustments for purchase accounting and restructuring costs	16	92
Adjusted net earnings attributable to VPG stockholders	$758	$1,977
Weighted average shares outstanding - diluted	13,960	13,958
Adjusted net earnings per diluted share	$0.05	$0.14

(a) Acquisition purchase accounting adjustments, recorded in connection with the acquisition of the KELK business, include fair market value adjustments associated with inventory and advance customer payments.

Financial Metrics

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

Gross profit margin is computed as gross profit as a percentage of net revenues. Gross profit is generally net revenues less costs of products sold, but could also include certain other period costs. Gross profit margin is clearly a function of net revenues, but also reflects our cost-cutting programs and our ability to contain fixed costs.

End-of-period backlog is one indicator of potential future sales. We include in our backlog only open orders that have been released by the customer for shipment in the next twelve months. If demand falls below customers' forecasts, or if customers do not control their inventory effectively, they may cancel or reschedule the shipments that are included in our backlog, in many instances without the payment of any penalty. Therefore, the backlog is not necessarily indicative of the results to be expected for future periods.

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

We focus on our inventory turnover as a measure of how well we are managing our inventory. We define inventory turnover for a financial reporting period as our costs of products sold for the four fiscal quarters ending on the last day of the reporting period divided by our average inventory (computed using each quarter-end balance) for this same period. A higher level of inventory turnover reflects more efficient use of our capital.

The quarter-to-quarter trends in these financial metrics can also be an important indicator of the likely direction of our business. The following tables shows net revenues, gross profit margin, the end-of-period backlog, the book-to-bill ratio, and the inventory turnover for our business as a whole and by segment during the five quarters beginning with the first quarter of 2014 and through the first quarter of 2015 (dollars in thousands):

	1st Quarter 2014	2nd Quarter 2014	3rd Quarter 2014	4th Quarter 2014	1st Quarter 2015
Net revenues	$61,041	$65,162	$63,402	$61,218	$56,608
Gross profit margin	36.1 %	37.9 %	37.5 %	35.3 %	36.7 %
End-of-period backlog	$65,800	$65,200	$60,200	$58,500	$59,200
Book-to-bill ratio	1.09	0.98	0.95	1.00	1.05
Inventory turnover	2.84	2.95	2.90	2.94	2.59

	1st Quarter 2014	2nd Quarter 2014	3rd Quarter 2014	4th Quarter 2014	1st Quarter 2015
Foil Technology Products					
Net revenues	$26,007	$28,028	$27,327	$26,639	$25,061
Gross profit margin	37.9 %	40.2 %	41.4 %	37.6 %	40.6 %
End-of-period backlog	$29,000	$29,200	$26,600	$26,300	$28,500
Book-to-bill ratio	1.12	1.01	0.94	1.02	1.12
Inventory turnover	3.40	3.51	3.34	3.36	2.91
Force Sensors					
Net revenues	$16,432	$16,981	$17,480	$17,408	$15,237
Gross profit margin	21.3 %	21.9 %	22.5 %	22.8 %	21.9 %
End-of-period backlog	$13,500	$12,700	$12,800	$12,100	$11,600
Book-to-bill ratio	1.04	0.95	1.02	0.97	0.98
Inventory turnover	2.06	2.14	2.21	2.27	1.94
Weighing and Control Systems					
Net revenues	$18,602	$20,153	$18,595	$17,171	$16,310
Gross profit margin	46.7 %	48.2 %	45.9 %	44.3 %	44.6 %
End-of-period backlog	$23,300	$23,300	$20,800	$20,100	$19,100
Book-to-bill ratio	1.09	0.98	0.89	1.01	1.00
Inventory turnover	3.63	3.80	3.69	3.80	3.90

Our reported annual revenues for 2014 were the highest in our history, although there were fluctuations including a downward trend in the last two quarters of 2014 in both the Foil Technology Products segment and the Weighing and Control Systems segments. For our steel industry business, excess capacity in steel plants, particularly in China, significantly impacted our revenues

in the fourth quarter of 2014, and continues to impact revenues in the first quarter of 2015. Exchange rates negatively impacted 2014 revenues beginning in the second quarter and the negative impact has continued into the first quarter of 2015, accounting for approximately half of the total decline in revenues from the fourth quarter of 2014 to the first quarter of 2015. Volume decreases in both the Foil Technology Products and Force Sensors segments accounted for the remaining decline in revenues from the fourth quarter of 2014 to the first quarter of 2015. Macroeconomics conditions in certain industries such as steel, oil and gas, and agriculture contributed to the overall volume decrease. The fluctuations in gross profit margin during 2014 reflected the impacts of volume and manufacturing costs across all of the segments. The decline in the gross profit margin from the third quarter to the fourth quarter of 2014 was primarily due to inventory adjustments and incurring additional costs as we expand our advanced sensor platform in the Foil Technology Products segment, as well as the impacts of lower revenues from our steel industry business and process weighing end user business in the Weighing and Control Systems segment. Overall gross profit margin in the first quarter of 2015 improved when compared to the fourth quarter of 2014. The negative impacts of the inventory adjustments in the Foil Technology Products segment during the fourth quarter of 2014 did not repeat in the first quarter of 2015, thereby improving gross profit margin for that segment in the first quarter of 2015.

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. While these competencies form a solid basis for our products, we believe there are several areas that can be optimized, including: increasing our technical sales efforts; continuing to innovate in product performance and design; and refining our manufacturing processes.

Our foil technology research group continues to provide innovations that enhance the capability and performance of our strain gages, while simultaneously reducing their size and power consumption 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. This advanced sensors’ manufacturing technology offers us the capability to produce high-quality foil strain gages in a highly automated environment, which should convert into reduced manufacturing costs, reduce lead times and increase margins.

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

We also seek to achieve significant production cost savings through the transfer, expansion, and construction of manufacturing operations in countries such as Costa Rica, India, Israel and Taiwan, where we can benefit from lower labor costs, improved efficiencies, or available tax and other government-sponsored incentives.

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. While the acquisition of the George Kelk Corporation ("KELK") business in January 2013 continued that trend, it also resulted in the acquisition of certain optical sensor technology. Along with our recent success in microelectromechanical ("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-labor-cost countries to lower-labor-cost countries. This will enable us to become more efficient and cost competitive, and also maintain tighter controls of the operation.

Production transfers, facility consolidations, and other long-term cost-cutting measures require us to initially incur significant severance and other exit costs. We 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 on March 11, 2015.

The Company recorded restructuring costs of $0.1 million during the fiscal quarter ended March 28, 2015. These costs were comprised of employee termination costs, including severance, at one of the Company's subsidiaries in the United Kingdom, and were incurred in connection with a cost reduction program. The restructuring costs were fully paid in the first quarter of 2015.

We are presently executing plans to further reduce our costs by consolidating additional manufacturing operations. These plans will 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.

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 year. While the translation of revenues and expenses into U.S. dollars does not directly impact the consolidated statement of operations, the translation effectively increases or decreases the U.S. dollar equivalent of revenues generated and expenses incurred in those foreign currencies.

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

Our operations in Israel and certain locations in Asia 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 March 28, 2015, exchange rates reduced net revenues by $4.4 million, and costs of products sold and selling, general, and administrative expenses by $4.4 million, when compared to the comparable prior year period.

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Results of Operations

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Costs of products sold	63.3 %	63.9 %
Gross profit	36.7 %	36.1 %
Selling, general, and administrative expenses	33.1 %	30.6 %
Operating income	3.5 %	5.0 %
Income before taxes	1.5 %	3.7 %
Net earnings	1.2 %	2.9 %
Net earnings attributable to VPG stockholders	1.2 %	2.8 %
Effective tax rate	17.3 %	21.9 %

Net Revenues

Net revenues were as follows (dollars in thousands):

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Net revenues	$56,608	$61,041
Change versus comparable prior year period	$(4,433)	
Percentage change versus prior year period	(7.3)%	

Changes in net revenues were attributable to the following:

	vs. prior year quarter
Change attributable to:	
Change in volume	-0.1 %
Change in average selling prices	0.1 %
Foreign currency effects	-7.3 %
Net change	-7.3 %

During the fiscal quarter ended March 28, 2015, the decrease in revenues, as compared to the prior year period, is due primarily to exchange rate effects, which impacted all reporting segments. The primary currencies contributing to this impact were the Euro, the British pound, and the Canadian dollar.

Gross Profit and Margins

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Gross profit margin	36.7 %	36.1 %

The gross profit margin for the fiscal quarter ended March 28, 2015 increased slightly compared to the comparable prior year period. This is mainly due to higher gross profit margins in the Foil Technology Products and Force Sensors segments, partially offset by lower gross profit margins in the Weighing and Control Systems segment.

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	
	March 28, 2015	March 29, 2014
Net revenues	$25,061	$26,007
Change versus comparable prior year period	$(946)	
Percentage change versus prior year period	-3.6%	

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

	vs. prior year quarter
Change attributable to:	
Change in volume	2.5%
Change in average selling prices	0.4%
Foreign currency effects	-6.5%
Net change	-3.6%

Net revenues decreased for the fiscal quarter ended March 28, 2015, as compared to the comparable prior year period. The improvement in volume was offset by the negative foreign currency effects, primarily relating to the Euro and the British pound.

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Gross profit margin	40.6%	37.9%

Despite the decline in revenues for the fiscal quarter ended March 28, 2015, mainly due to negative exchange rate effects, gross profit margin improved over the comparable prior year period. This was mainly due to lower variable costs, including improved labor efficiencies and improved manufacturing yields.

Force Sensors

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Net revenues	$15,237	$16,432
Change versus comparable prior year period	$(1,195)	
Percentage change versus prior year period	-7.3%	

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

	vs. prior year quarter
Change attributable to:	
Change in volume	-2.3 %
Change in average selling prices	0.0 %
Foreign currency effects	-5.0 %
Net change	-7.3 %

Net revenues decreased for the fiscal quarter ended March 28, 2015, as compared to the comparable prior year period. Negative foreign currency effects, primarily relating to the Euro and the British pound, and volume decreases were the primary drivers of the decline. The reduction in volume is primarily due to weakness in the precision weighing market in Europe.

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Gross profit margin	21.9 %	21.3 %

Despite the decline in revenues, the gross profit margin for the fiscal quarter ended March 28, 2015 increased from the comparable prior year period due to lower variable costs, including improved labor efficiencies and lower operating costs associated with the movement of production to India.

Weighing and Control Systems

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Net revenues	$16,310	$18,602
Change versus comparable prior year period	$(2,292)	
Percentage change versus prior year period	-12.3 %	

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

	vs. prior year quarter
Change attributable to:	
Change in volume	-1.7 %
Change in average selling prices	-0.3 %
Foreign currency effects	-10.3 %
Net change	-12.3 %

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Net revenues decreased for the fiscal quarter ended March 28, 2015, as compared to the comparable prior year period. This is primarily due to negative foreign currency effects, primarily relating to the Euro, the British pound, Swedish krone, and the Canadian dollar.

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Gross profit margin	44.6 %	46.7 %

The gross profit margin for the fiscal quarter ended March 28, 2015 decreased compared to the comparable prior year period, mainly due to foreign currency effects and unfavorable product mix.

Selling, General, and Administrative Expenses

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

	Fiscal quarter ended	
	March 28, 2015	March 29, 2014
Total SG&A expenses	$18,733	$18,700
as a percentage of net revenues	33.1 %	30.6 %

Given the specialized nature of our products and our direct sales approach, we incur significant selling, general, and administrative costs. SG&A expenses for the fiscal quarter ended March 28, 2015 as compared to the comparable prior year period were favorably impacted by $1.6 million in foreign currency effects offset by $1.6 million of increases in personnel costs, professional fees and other costs.

Restructuring Costs

Restructuring costs reflect the cost reduction programs implemented 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 restructuring costs of $0.1 million during the fiscal quarter ended March 28, 2015. These costs were comprised of employee termination costs, including severance, at one of the Company's subsidiaries in the United Kingdom, and were incurred in connection with a cost reduction program. The restructuring costs were fully paid in the first quarter of 2015.

The Company recorded restructuring costs of $0.3 million during the fiscal quarter ended March 29, 2014. These costs were comprised of employee termination costs, including severance and a statutory retirement allowance, at the Company's subsidiary in Canada, and were incurred in connection with a cost reduction program. The restructuring costs were fully paid in the first quarter of 2015.

Other Income (Expense)

Total interest expense for the fiscal quarter ended March 28, 2015 was consistent with interest expense in the comparable prior year period.

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

	Fiscal quarter ended		
	March 28, 2015	March 29, 2014	Change
Foreign exchange loss	$(988)	$(531)	$(457)
Interest income	55	38	17
Other	(25)	(49)	24
	$(958)	$(542)	$(416)

Foreign currency exchange gains and losses represent the impact of changes in foreign currency exchange rates. The change in foreign exchange loss during the period, as compared to the prior year period, is largely due to exposure to currency fluctuations with the Euro, the Canadian dollar, and the British pound.

Income Taxes

For the current quarter, fluctuations in the effective tax rate have generally been caused by the geographical earnings mix and the impact of discrete items that are required to be recognized within the respective interim reporting period. The effective tax rate for the fiscal quarter ended March 28, 2015 was 17.3% versus 21.9% for the fiscal quarter ended March 29, 2014. The primary change in the effective tax rate for both periods presented is the result of changes in the geographic mix of pretax earnings, and the recording of net tax benefits associated with foreign exchange variations. The effective tax rates reflect the fact that we could not recognize, for accounting purposes, the tax benefit of losses incurred in certain jurisdictions, although these losses may be available to offset future taxable income. We evaluate our deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted. We give consideration to whether valuation allowances should be established against deferred tax assets based on all available evidence, both positive and negative, using a “more likely than not” standard. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with loss carryforwards not expiring and tax planning alternatives, as we operate and derive income across multiple jurisdictions. We may not recognize deferred tax assets for loss carryforwards in jurisdictions where there is a recent history of cumulative losses, where there is no taxable income in the carryback period, where there is insufficient evidence of future earnings to overcome the loss history and where there is no other positive evidence, such as the likely reversal of taxable temporary differences, that would result in the utilization of loss carryforwards for tax purposes.

Financial Condition, Liquidity, and Capital Resources

We focus on our ability to generate cash flows from operations. The cash generated from operations is used to fund our capital expenditure plans, and cash in excess of capital expenditure needs is available to fund our acquisition strategy and to reduce debt levels.

At March 28, 2015 and December 31, 2014, we had significant cash balances and limited third-party debt. We believe that our current cash and cash equivalents, credit facilities and projected cash from operations will be sufficient to meet our liquidity needs for at least the next 12 months.

In January 2013 we entered into an amended and restated credit agreement. The terms of our credit agreement provide for the following facilities: (1) a secured revolving facility of $15.0 million (which may be increased by a maximum of $10.0 million at our request), the proceeds of which can be used for general corporate purposes, with sublimits of $10.0 million for letters of credit and $5.0 million for swing loans outstanding for up to 5 business days; (2) a secured term facility of $10.0 million for the Company; and (3) a secured term facility of $15.0 million for Vishay Precision Group Canada ULC ("VPG Canada"), our Canadian subsidiary. The credit agreement terminates on January 29, 2018. The term loans are being repaid in quarterly installments.

Per our credit agreement, borrowings under all facilities (excluding swing loans) 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 by 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 March 28, 2015. 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.

We have outstanding exchangeable unsecured notes with a principal amount of approximately $4.1 million, which are exchangeable for an aggregate of 181,537 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 $0.7 million at March 28, 2015 and $0.7 million at December 31, 2014, respectively.

Due to our strong product portfolio and market position, our business has historically generated operating cash flow. This is evident in the three fiscal months ended March 29, 2014, with cash provided by operating activities of $2.0 million. However, our cash used in operating activities for the three fiscal months ended March 28, 2015 was $3.4 million, which primarily resulted from lower net earnings, estimated tax payments and increases in working capital accounts.

We refer to the amount of cash provided by operating activities in excess of our capital expenditure needs and net of proceeds from the sale of assets as “free cash,” a measure which management uses to evaluate our ability to fund acquisitions and repay debt. We historically have generated positive free cash. However, the estimated tax payments and increases in working capital accounts during the three fiscal months ended March 28, 2015 caused us to use cash in, rather than generate cash from, operating activities. As a result, we did not generate free cash in the period presented. It is anticipated that we will generate free cash by the end of 2015.

The following table summarizes the components of net cash (debt) at March 28, 2015 and December 31, 2014 (in thousands):

	March 28, 2015	December 31, 2014
Cash and cash equivalents	$70,212	$79,642
Third-party debt, including current and long-term:		
Revolving credit facilities	—	—
Term loans	16,750	18,000
Third-party debt held by Japanese subsidiary	708	736
Exchangeable notes due 2102	4,097	4,097
Total third-party debt	21,555	22,833
Net cash	$48,657	$56,809

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 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 78% and 73% of our cash and cash equivalents balance at March 28, 2015 and December 31, 2014, respectively, was held by our non-U.S. subsidiaries. If cash is repatriated to the United States, we would be subject to additional U.S. income taxes (adjusted for foreign tax credits), state income taxes, incremental foreign income taxes, and withholding taxes payable to various foreign countries. See the following table for the percentage of cash and cash equivalents, by region, at March 28, 2015 and December 31, 2014:

	March 28, 2015		December 31, 2014	
Israel	25	%	23	%
Asia	20	%	18	%
Europe	14	%	14	%
United States	23	%	27	%
United Kingdom	11	%	10	%
Canada	7	%	8	%
	100	%	100	%

Our financial condition as of March 28, 2015 remains strong, with a current ratio (current assets to current liabilities) of 4.1 to 1.0, as compared to a ratio of 3.9 to 1.0 at December 31, 2014.

Cash paid for property and equipment for the three fiscal months ended March 28, 2015 was $1.8 million as compared to $1.9 million in the comparable prior year period. Capital expenditures for the three fiscal months ended March 28, 2015 are comprised of projects related to the normal maintenance of business and expansion related to the production of a certain product line.

On September 23, 2014, the Board of Directors approved a stock repurchase plan, authorizing the Company to repurchase, in the aggregate, up to 500,000 shares of its outstanding common stock. We repurchased 80,429 shares of common stock during the three fiscal months ended March 28, 2015, for a total cost of $1.2 million. We have repurchased a total of 82,429 shares, at a total cost of $1.3 million, since the inception of the stock repurchase plan.

Safe Harbor Statement

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

Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, expected, estimated, or projected. Among the factors that could cause actual results to materially differ include: general business and economic conditions, changes in the current pace of economic recovery, including if such recovery stalls or does not continue as expected; difficulties or delays in completing acquisitions and integrating acquired companies, 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 ERP system and the associated impact on manufacturing efficiencies and customer satisfaction; 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 lower-labor-cost countries; and other factors affecting our operations, markets, products, services, and prices that are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. 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, 2014, filed with the SEC on March 11, 2015.

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”). As described below, management has identified a material weakness in our internal control over financial reporting which is an integral component of our disclosure controls and procedures. As a result of the material weakness that existed as of December 31, 2014 and continued to exist as of March 28, 2015, our CEO and CFO concluded that our disclosure controls and procedures were not 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

As previously disclosed in Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, management concluded that there was a material weakness in internal controls as of December 31, 2014 related to our review controls over the calculation of the 2014 fourth quarter goodwill impairment charge. Our review controls were not designed to detect a material error in the calculation of the implied value of goodwill due to a mathematical error in the underlying calculation. The resulting error was corrected and reflected in the impairment charge recorded in the Company’s consolidated financial statements for the fiscal year ended December 31, 2014. The Company is in the process of developing a revised approach to calculating the implied value of goodwill to be used whenever such a calculation is required to be performed in accordance with U.S. generally accepted accounting principles, and is also enhancing its review processes over such calculations, including involving additional individuals with the appropriate technical expertise to perform the review. We believe such actions will remediate the identified material weakness and strengthen our internal control over financial reporting overall. Our remediation efforts were not complete as of March 28, 2015, but the Company expects to complete the required remedial actions during 2015. Once all remedial actions have been implemented, these actions will be tested to determine whether the applicable controls are operating effectively.

Except as noted in the preceding paragraphs, during our last fiscal quarter ended March 28, 2015, 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

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 11, 2015.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about repurchases of the Company's common stock during the three-month period ended March 28, 2015:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans (a)
January	—	$—	—	498,000
February	7,595	$15.70	7,595	490,405
March	72,834	$15.26	72,834	417,571
Total	80,429		80,429	417,571

(a) On September 23, 2014, the Board of Directors approved a stock repurchase plan, authorizing the Company to repurchase, in the aggregate, up to 500,000 shares of its outstanding common stock.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS

31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Ziv Shoshani, Chief Executive Officer.
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – William M. Clancy, Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Ziv Shoshani, Chief Executive Officer.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – William M. Clancy, Chief Financial Officer.
101	Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly period ended March 28, 2015, furnished in XBRL (eXtensible Business Reporting Language).

SIGNATURES

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

VISHAY PRECISION GROUP, INC.

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

Date: May 6, 2015