LITTELFUSE INC /DE
Form 10-K/A
July 23, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
Amendment No. 1

(Mark One)

þ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended January 2, 2010

Or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from to .

Commission file number 0-20388

LITTELFUSE, INC.

(Exact name of registrant as specified in its charter)

Delaware	36-3795742
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8755 W. Higgins Road, Suite 500, Chicago, Illinois	60631
(Address of principal executive offices)	(Zip Code)

773/628-1000
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $.01 par value	Nasdaq Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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

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). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 small reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a 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 o No þ

The aggregate market value of 21,734,131 shares of voting stock held by non-affiliates of the registrant was approximately $448,809,805 based on the last reported sale price of the registrant s Common Stock as reported on the Nasdaq Global Select Market on June 27, 2009.

As of February 19, 2010, the registrant had outstanding 21,838,250 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Littelfuse, Inc. Proxy Statement for the 2009 Annual Meeting of Stockholders (the Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

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EXPLANATORY NOTE

Littelfuse, Inc. (the Company, we, us or our) is filing this Amendment No. 1 on Form 10-K/A to our Annual Repor on Form 10-K for the year ended January 2, 2010, originally filed with the Securities and Exchange Commission (the SEC) on February 26, 2010 (the Original Form 10-K), in response to a comment received from the SEC regarding the dating of the certifications of our principal executive officer and principal financial officer required by Section 906 of the Sarbanes-Oxley Act. In addition, we are concurrently filing a Form 10-Q/A for the period ended April 3, 2010 for the same purpose.

In response to the SEC s comment, this Form 10-K/A sets forth the Original Form 10-K in its entirety with the exception of the exhibit index set forth in Part IV, Item 15(b), which has been amended and restated in its entirety to contain the currently-dated certifications from our principal executive officer and principal financial officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

Other than the revision discussed above, this Form 10-K/A speaks as of the original filing date of the Original Form 10-K and has not been updated to reflect other events occurring subsequent to the original filing date. This includes forward-looking statements and all other sections of this Form 10-K/A that were not revised, which should be read in their historical context.

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K that are not historical facts are intended to constitute forward-looking statements entitled to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995 (PSRLA). These statements may involve risks and uncertainties, including, but not limited to, risks relating to product demand and market acceptance, economic conditions, the impact of competitive products and pricing, product quality problems or product recalls, capacity and supply difficulties or constraints, coal mining exposures, failure of an indemnification for environmental liability, exchange rate fluctuations, commodity price fluctuations, the effect of our accounting policies, labor disputes, restructuring costs in excess of expectations, pension plan asset returns being less than assumed, integration of acquisitions and other risks that may be detailed in Item 1A. Risk Factors below and in our other Securities and Exchange Commission filings.

PART I

ITEM 1. BUSINESS.

GENERAL

Littelfuse, Inc. and its subsidiaries (the company or Littelfuse) is the world s leading supplier of circuit protection products for the electronics industry, providing the broadest line of circuit protection solutions to worldwide customers. In the electronics market, the company supplies leading manufacturers such as Alcatel-Lucent, Celestica, Delta, Flextronics, Foxconn, Hewlett-Packard, Huawei, IBM, Intel, Jabil, LG, Motorola, Nokia, Panasonic, Quanta, Samsung, Sanmina-SCI, Seagate, Siemens and Sony.

The company is also the leading provider of circuit protection for the automotive industry and the third largest producer of electrical fuses in North America. In the automotive market, the company s end customers include major automotive manufacturers in North America, Europe and Asia such as BMW, Chrysler, Ford Motor Company, General Motors, Hyundai Group, and Volkswagen. The company also supplies wiring harness manufacturers and auto parts suppliers worldwide, including Advance Auto Parts, Continental, Delphi, Lear, Leoni, Pep Boys, Sumitomo, Valeo, Wal-Mart, and Yazaki. In the electrical market, the company supplies representative customers such as Abbott, Acuity Brands, Dow Chemical, DuPont, GE, General Motors, Heinz, International Paper, John Deere, Marconi, Merck, Poland Springs, Procter & Gamble, Rockwell, United Technologies and 3M. Through the company s electrical business, the company supplies industrial ground fault circuit protection in mining and other large industrial operations to customers such as Potash Corporation, Mosaic, Agrium, and Cameco. See Business Environment: Circuit Protection Market .

Net sales by business unit segment for the periods indicated are as follows (in thousands):

	Fiscal Year		
	2009	**2008**	**2007**
Electronics	$ 262,984	$ 342,489	$ 348,957
Automotive	98,530	126,867	135,109
Electrical	68,633	61,513	52,078
Total	$ 430,147	$ 530,869	$ 536,144

The company operates in three geographic territories: the Americas; Europe; and Asia-Pacific. The company manufactures products and sells to customers in all three territories. There has been and continues to be a shift in the company s revenues, and consequently manufacturing, to the Asia-Pacific region.

Net sales in our three geographic territories, based upon the shipped to destination, are as follows (in thousands):

	Fiscal Year		
	2009	**2008**	**2007**
Americas	$ 166,137	$ 201,771	$ 204,305
Europe	83,449	118,559	118,265
Asia-Pacific	180,561	210,539	213,574
Total	$ 430,147	$ 530,869	$ 536,144

The company s products are sold worldwide through a direct sales force and manufacturers representatives. For the year ended January 2, 2010, approximately 67.5% of the company s net sales were to customers outside the United States (exports and foreign operations), including 20.3% in Hong Kong.

The company manufactures many of its products on fully integrated manufacturing and assembly equipment. The company maintains product quality through a Global Quality Management System with all manufacturing sites certified under ISO 9001:2000. In addition, several of the Littelfuse manufacturing sites are also certified under TS 16949 and ISO 14001.

References herein to 2007 or fiscal 2007 refer to the fiscal year ended December 29, 2007. References herein to 2008 or fiscal 2008 refer to the fiscal year ended December 27, 2008. References herein to 2009 or fiscal 2009 refer to the fiscal year ended January 2, 2010. The company operates on a 4-4-5 fiscal calendar that normally keeps the number of weeks constant during the quarter. As a result of using this convention, fiscal year 2009 contains 53 weeks whereas fiscal 2008 and fiscal 2007 contained 52 weeks.

The company s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge through the Investors section of the company s Internet website (http://www.littelfuse.com), as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the SEC), accessible via a link to the website maintained by the SEC. Except as otherwise provided herein, such information is not incorporated by reference into this Annual Report on Form 10-K.

BUSINESS ENVIRONMENT: CIRCUIT PROTECTION MARKET

Electronic Products

Electronic circuit protection products are used to protect circuits in a multitude of electronic systems. The company s product offering includes a complete line of overcurrent and overvoltage solutions, including (i) fuses and protectors, (ii) positive temperature coefficient (PTC) resettable fuses, (iii) varistors, (iv) polymer electrostatic discharge (ESD) suppressors, (v) discrete transient voltage suppression (TVS) diodes, TVS diode arrays and protection thyristors, (vi) gas discharge tubes, (vii) power switching components and (viii) fuseholders, blocks and related accessories.

Electronic fuses and protectors are devices that contain an element that melts in an overcurrent condition. Electronic miniature and subminiature fuses are designed to provide circuit protection in the limited space requirements of electronic equipment. The company s fuses are used in a wide variety of electronic products, including wireless telephones, consumer electronics, computers, modems and telecommunications equipment. The company markets these products under the trademarked brand names PICO(R) II and NANO2(R) SMF.

Resettable fuses are PTC polymer devices that limit the current when an overcurrent condition exists and then reset themselves once the overcurrent condition has cleared. The company s product line offers both radial leaded and surface mount products.

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Varistors are ceramic-based high-energy absorption devices that provide transient overvoltage and surge suppression for automotive, telecommunication, consumer electronics and industrial applications. The company s product line offers both radial leaded and multilayer surface mount products.

Polymer ESD suppressors are polymer-based devices that protect an electronic system from failure due to rapid transfer of electrostatic charge to the circuit. The company s PulseGuard(R) line of ESD suppressors is used in PC and PC peripherals, digital consumer electronics and wireless applications.

Discrete diodes, diode arrays and protection thyristors are fast switching silicon semiconductor structures. Discrete diodes protect a wide variety of applications from overvoltage transients such as ESD, inductive load switching or lightning, while diode arrays are used primarily as ESD suppressors. Protection thyristors are commonly used to protect telecommunications circuits from overvoltage transients such as those resulting from lightning. Applications include telephones, modems, data transmission lines and alarm systems. The company markets these products under the following trademarked brand names: TECCOR(R), SIDACtor(R) and Battrax(R).

Gas discharge tubes are very low capacitance devices designed to suppress any transient voltage event that is greater than the breakover voltage of the device. These devices are primarily used in telecom interface and conversion equipment applications as protection from overvoltage transients such as lightning.

Power switching components are used to regulate energy to various type loads most commonly found in industrial and home equipment. These components are easily activated from simple control circuits or interfaced to computers for more complex load control. Typical applications include heating, cooling, battery chargers and lighting.

In addition to the above products, the company is also a supplier of fuse holders (including OMNI-BLOK(R)), fuse blocks and fuse clips primarily to customers that purchase circuit protection devices from the company.

Automotive Products

Fuses are extensively used in automobiles, trucks, buses and off-road equipment to protect electrical circuits and the wires that supply electrical power to operate lights, heating, air conditioning, radios, windows and other controls. Currently, a typical automobile contains 30 to 100 fuses, depending upon the options installed. The fuse content per vehicle is expected to continue to grow as more electronic features are included in automobiles. The company also supplies fuses for the protection of electric and hybrid vehicles.

The company is a primary supplier of automotive fuses to United States, Asian and European automotive original equipment manufacturers (OEM), automotive component parts manufacturers and automotive parts distributors. The company also sells its fuses in the replacement parts market, with its products being sold through merchandisers, discount stores and service stations, as well as under private label by national firms. The company invented and owns most of the U.S. patents related to the blade-type fuse, which is the standard and most commonly used fuse in the automotive industry. The company s automotive fuse products are marketed under trademarked brand names, including ATO(R), MINI(R), MAXI(TM), MIDI(R), MEGA(TM), MasterFuse(R), JCASE(R) and CablePro(TM).

A majority of the company s automotive fuse sales are made to main-fuse box and wire harness manufacturers that incorporate the fuses into their products. The remaining automotive fuse sales are made directly to automotive manufacturers, retailers who sell automotive parts and accessories and distributors who in turn sell most of their products to wholesalers, service stations and non-automotive OEMs.

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Electrical Products

The company entered the electrical market in 1983 and manufactures and sells a broad range of low-voltage and medium-voltage circuit protection products as well as protection relays to electrical distributors and their customers in the construction, OEM and industrial maintenance, repair and operating supplies (MRO) markets.

Power fuses are used to protect circuits in various types of industrial equipment and in industrial and commercial buildings. They are rated and listed under one of many Underwriters Laboratories fuse classifications. Major applications for power fuses include protection from over-load and short-circuit currents in motor branch circuits, heating and cooling systems, control systems, lighting circuits and electrical distribution networks.

The company s POWR-GARD(R) product line features the Indicator(TM) series power fuse used in both the OEM and MRO markets. The Indicator(TM) technology provides visual blown fuse indication at a glance, reducing maintenance and downtime on production equipment. The Indicator(TM) product offering is widely used in motor protection and industrial control panel applications.

Protection relays are used to protect personnel and equipment in industrial environments and commercial buildings from excessive currents, over voltages and electrical shock hazards called ground-faults. Major applications for protection relays include protection of motor, transformer and power line distribution circuits. Ground fault relays are used to protect personnel and equipment in wet environments such as underground mining or water treatment applications where there is a greater risk for electricity to come in contact with water and create a shock hazard.

PRODUCT DESIGN AND DEVELOPMENT

The company employs scientific, engineering and other personnel to continually improve its existing product lines and to develop new products at its research and engineering facilities in Champaign and Chicago, Illinois, Canada, China, Germany, the Philippines, and Mexico. The Product & Development Technology departments maintain a staff of engineers, chemists, material scientists and technicians whose primary responsibility is to design and develop new products.

Proposals for the development of new products are initiated primarily by sales and marketing personnel with input from customers. The entire product development process usually ranges from a few months to 18 months based on the complexity of development, with continuous efforts to reduce the development cycle. During fiscal years 2009, 2008 and 2007, the company expended $18.1 million, $24.1 million and $21.7 million, respectively, on research, product design and development (R&D). During 2009, the company continued moving R&D operations to lower cost locations closer to its customers. R&D operations are now in Canada, China, Germany, the Philippines, and Mexico as well as the United States.

PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

The company generally relies on patent and trademark laws and license and nondisclosure agreements to protect intellectual property and proprietary products. In cases where it is deemed necessary by management, key employees are required to sign an agreement that they will maintain the confidentiality of the company s proprietary information and trade secrets.

As of January 2, 2010, the company owned 204 patents in North America, 106 patents in the European Union and 59 patents in other foreign countries. The company has also registered trademark protection for certain of its brand names and logos. The 204 North American patents are in the following product categories: 141

electronics; 45 automotive; and 18 electrical. Patents and licenses are amortized over a period of 4-12 years, with a weighted average life of 11.9 years. Distribution networks are amortized over a period of 4-20 years, with a weighted average life of 14.6 years. Trademarks and tradenames are amortized over a period of 5-20 years, with a weighted average life of 14.7 years. The company recorded amortization expense of $5.0 million, $3.9 million, and $3.3 million in 2009, 2008, and 2007, respectively, related to intangible assets.

New products are continually being developed to replace older products. The company regularly applies for patent protection on such new products. Although, in the aggregate, the company s patents are important in the operation of its businesses, the company believes that the loss by expiration or otherwise of any one patent or group of patents would not materially affect its business.

License royalties amounted to $0.1 million, $0.2 million and $0.3 million for fiscal 2009, 2008 and 2007, respectively, and are included in other expense (income), net on the Consolidated Statements of Income.

MANUFACTURING

The company performs the majority of its own fabrication, stamps some of the metal components used in its fuses, holders and switches from raw metal stock and makes its own contacts and springs. In addition, the company fabricates silicon wafers for certain applications and performs its own plating (silver, nickel, zinc, tin and oxides). All thermoplastic molded component requirements used for such products as the ATO(R), MINI(R) and MAXI(TM) fuse product lines are met through the company s in-house molding capabilities.

After components are stamped, molded, plated and readied for assembly, final assembly is accomplished on fully automatic and semi-automatic assembly machines. Quality assurance and operations personnel, using techniques such as statistical process control, perform tests, checks and measurements during the production process to maintain the highest levels of product quality and customer satisfaction.

The principal raw materials for the company s products include copper and copper alloys, heat resistant plastics, zinc, melamine, glass, silver, raw silicon, solder and various gases. The company uses a sole source for several heat resistant plastics and for zinc, but believes that suitable alternative heat resistant plastics and zinc are available from other sources at comparable prices. All of the other raw materials are purchased from a number of readily available outside sources.

A computer-aided design and manufacturing system (CAD/CAM) expedites product development and machine design and our laboratories test new products, prototype concepts and production run samples. The company participates in just-in-time delivery programs with many of its major suppliers and actively promotes the building of strong cooperative relationships with its suppliers by utilizing early supplier involvement techniques and engaging them in pre-engineering product and process development.

MARKETING

The company s domestic sales and marketing staff of over 35 people maintain relationships with major OEMs and distributors. The company s sales, marketing and engineering personnel interact directly with OEM engineers to ensure appropriate circuit protection and reliability within the parameters of the OEM s circuit design. Internationally, the company maintains a sales and marketing staff of over 100 people with sales offices in the Netherlands, the U.K., Germany, Spain, Italy, Singapore, Taiwan, Japan, Brazil, Hong Kong, Korea, China and India. The company also markets its products indirectly through a worldwide organization of over 60 manufacturers representatives and distributes through an extensive network of electronics, automotive and electrical distributors.

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Electronics

The company uses manufacturers representatives to sell its electronics products domestically and to call on major domestic and international OEMs and distributors. The company sells approximately 20 percent of its domestic products directly to OEMs, with the remainder sold through distributors nationwide.

In the Asia-Pacific region, the company maintains a direct sales staff and utilizes distributors in Japan, Singapore, Korea, Taiwan, China, Malaysia, Thailand, Hong Kong, India, Indonesia, Philippines, New Zealand and Australia. In Europe, the company maintains a direct sales force and utilizes manufacturers representatives and distributors to support a wide array of customers.

Automotive

The company maintains a direct sales force to service all the major automotive OEMs and system suppliers domestically. Approximately 23 manufacturers representatives sell the company s products to aftermarket fuse retailers such as O Reilly Auto Parts and Pep Boys. In Europe, the company uses both a direct sales force and manufacturers representatives to distribute its products to OEMs, major system suppliers and aftermarket distributors. In the Asia-Pacific region, the company uses both a direct sales force and distributors to supply to major OEMs and system suppliers.

Electrical

The company markets and sells its power fuses and protection relays through approximately 42 manufacturers representatives across North America. These representatives sell power fuse products through an electrical and industrial distribution network comprised of approximately 2,500 distributor buying locations. These distributors have customers that include electrical contractors, municipalities, utilities and factories (including both MRO and OEM). The company s field sales force (including regional sales managers and application engineers) and manufacturers representatives call on both distributors and end-users (consulting engineers, municipalities, utilities and OEMs) in an effort to educate these customers on the capabilities and characteristics of the company s products.

BUSINESS SEGMENT INFORMATION

The company has three operating business unit segments: Electronics; Automotive; and Electrical. For information with respect to the company s operations in its three reportable business unit segments for the fiscal year ended January 2, 2010, see Business Unit Segment Information included as part of Item 8. Financial Statements and Supplementary Data , which is incorporated herein by reference.

CUSTOMERS

The company sells to approximately 4,000 direct customers worldwide. No single customer accounted for more than 10% of net sales during the last three years. During fiscal 2009, 2008 and 2007, net sales to customers outside the United States (exports and foreign operations) accounted for approximately 67.5%, 62.0% and 61.9%, respectively, of the company s total net sales.

COMPETITION

The company s products compete with similar products of other manufacturers, some of which have substantially greater financial resources than the company. In the electronics market, the company s competitors include AVX, Bel Fuse, Bourns, Cooper Industries, EPCOS, On Semiconductor, STMicroelectronics and Tyco Electronics. In the automotive market, the company s competitors include Cooper Industries, Pacific

Engineering (a private company in Japan) and MTA (a private company in Italy). In the electrical market, the company s major competitors include Cooper Industries and Ferraz Shawmut. The company believes that it competes on the basis of innovative products, the breadth of its product line, the quality and design of its products and the responsiveness of its customer service in addition to price.

BACKLOG

The backlog of unfilled orders at January 2, 2010, was approximately $59.0 million, compared to $53.9 million at December 27, 2008. Substantially all of the orders currently in backlog are scheduled for delivery in 2010.

EMPLOYEES

As of January 2, 2010, the company employed approximately 5,500 employees. Approximately 810 employees in Mexico and 65 employees in Germany are covered by collective bargaining agreements. The Mexico agreements consist of two separate collective bargaining agreements one for approximately 160 employees in Matamoros and one covering approximately 650 in Piedras Negras. The Matamoros agreement expires February 28, 2012. The Piedras Negras agreement expires January 31, 2012.

In Germany the company has two separate collective bargaining agreements, one for 61 associates in Dünsen, expiring Dec 31, 2010, and the second for 4 associates in Essen, expiring March 31, 2012.

Previously in 2009 a collective bargaining agreement covered approximately 30 employees at the company s Des Plaines facility. These expired on March 31, 2009 and currently no U.S. based employees are subject to a collective bargaining agreement.

Overall, the company has historically maintained satisfactory employee relations, and many of its employees have long service with the company.

ENVIRONMENTAL REGULATION

The company is subject to numerous foreign, federal, state and local regulations relating to air and water quality, the disposal of hazardous waste materials, safety and health. Compliance with applicable environmental regulations has not significantly changed the company s competitive position, capital spending or earnings in the past and the company does not presently anticipate that compliance with such regulations will change its competitive position, capital spending or earnings for the foreseeable future.

The company employs an environmental engineer to monitor regulatory matters and believes that it is currently in compliance in all material respects with applicable environmental laws and regulations, except with respect to its facilities located in Ireland and Irving, Texas. The Ireland facility was acquired in October 1999 in connection with the acquisition from Harris Corporation of its suppression products division. Certain containment actions have been ongoing and full disclosure with appropriate agencies in Ireland has been initiated. The company received an indemnity from Harris Corporation with respect to these matters. The Irving, Texas facility lease was assumed in July 2003 in connection with the acquisition of Teccor Electronics, Inc. The company is taking the appropriate measures to bring this facility into compliance with Texas environmental laws, and the company also received an indemnity from Invensys plc with respect to this matter.

Littelfuse GmbH, which was acquired by the company in May 2004, is responsible for maintaining closed coal mines from legacy acquisitions. The company is compliant with German regulations pertaining to the maintenance of the mines and has an accrual related to certain of these coal mine shafts based on an engineering study estimating the cost of remediating the dangers (such as a shaft collapse) of certain of these closed coal

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mine shafts in Germany. The reserve is calculated based upon the cost of remediating the shafts that the study deems most risky. Further information regarding the coal mine liability reserve is provided in Note 10 of the Notes to Consolidated Financial Statements included in this report.

ITEM 1A. RISK FACTORS.

Our business, financial condition and results of operations are subject to various risks and uncertainties, including the risk factors we have identified below. These factors are not necessarily listed in order of importance. We may amend or supplement the risk factors from time to time by other reports that we file with the SEC in the future.

Our industry is subject to intense competitive pressures.

We operate in markets that are highly competitive. We compete on the basis of price, quality, service and/or brand name across the industries and markets we serve. Competitive pressures could affect the prices we are able to charge our customers or the demand for our products.

We may not always be able to compete on price, particularly when compared to manufacturers with lower cost structures. Some of our competitors have substantially greater sales, financial and manufacturing resources and may have greater access to capital than Littelfuse. As other companies enter our markets or develop new products, competition may intensify further. Our failure to compete effectively could materially adversely affect our business, financial condition and results of operations.

We may be unable to manufacture and deliver products in a manner that is responsive to our customers needs.

The end markets for our products are characterized by technological change, frequent new product introductions and enhancements, changes in customer requirements and emerging industry standards. The introduction of products embodying new technologies and the emergence of new industry standards could render our existing products obsolete and unmarketable before we can recover any or all of our research, development and commercialization expenses on capital investments. Furthermore, the life cycles of our products may change and are difficult to estimate. Our future success will depend upon our ability to manufacture and deliver products in a manner that is responsive to our customers needs. We will need to develop and introduce new products and product enhancements on a timely basis that keep pace with technological developments and emerging industry standards and address increasingly sophisticated requirements of our customers. We invest heavily in research and development without knowing that we will recover these costs. Our competitors may develop products or technologies that will render our products non-competitive or obsolete. If we cannot develop and market new products or product enhancements in a timely and cost-effective manner, our business, financial condition and results of operations could be materially adversely affected.

Our business may be interrupted by labor disputes or other interruptions of supplies.

A work stoppage could occur at certain of our facilities, most likely as a result of disputes under collective bargaining agreements or in connection with negotiations of new collective bargaining agreements. In addition, we may experience a shortage of supplies for various reasons, such as financial distress, work stoppages, natural disasters or production difficulties that may affect one of our suppliers. A significant work stoppage, or an interruption or shortage of supplies for any reason, if protracted, could substantially adversely affect our business, financial condition and results of operations. The transfer of our manufacturing operations and changes in our distribution model could disrupt operations for a limited time.

Our revenues may vary significantly from period to period.

Our revenues may vary significantly from one accounting period to another due to a variety of factors including:

- changes in our customers buying decisions;
- changes in demand for our products;
- our product mix;
- our effectiveness in managing manufacturing processes;
- costs and timing of our component purchases;
- the effectiveness of our inventory control;
- the degree to which we are able to utilize our available manufacturing capacity;
- our ability to meet delivery schedules;
- general economic and industry conditions; and
- local conditions and events that may affect our production volumes, such as labor conditions and political instability.

The bankruptcy or insolvency of a major customer could adversely affect us.

Certain of our major customers, such as those in the automotive industry and to a lesser extent the electronics industry, are suffering financial hardships due to current economic conditions. The bankruptcy or insolvency of a major customer could result in lower sales revenue and cause a material adverse effect on our business, financial condition and results of operations. In addition, the bankruptcy or insolvency of a major U.S. auto manufacturer or significant supplier likely could lead to substantial disruptions in the automotive supply base, resulting in lower demand for our products, which likely would cause a decrease in sales revenue and have a substantial adverse impact on our business, financial condition and results of operations.

Our ability to manage currency or commodity price fluctuations or shortages is limited.

As a resource-intensive manufacturing operation, we are exposed to a variety of market and asset risks, including the effects of changes in foreign currency exchange rates, commodity prices and interest rates. We have multiple sources of supply for the majority of our commodity requirements. However, significant shortages that disrupt the supply of raw materials or result in price increases could affect prices we charge our customers, our product costs, and the competitive position of our products and services. We monitor and manage these exposures as an integral part of our overall risk management program, which recognizes the unpredictability of markets and seeks to reduce the potentially adverse effects on our results. Nevertheless, changes in currency exchange rates, commodity prices and interest rates cannot always be predicted. In addition, because of intense price competition and our high level of fixed costs, we may not be able to address such changes even if they are foreseeable. Substantial changes in these rates and prices could have a material adverse effect on our results of operations and financial condition. For additional discussion of interest rate, currency or commodity price risk, see Item 7A. Quantitative and Qualitative Disclosures about Market Risks .

Operations and supply sources located outside the United States, particularly in emerging markets, are subject to greater risks.

Our operating activities outside the United States contribute significantly to our revenues and earnings. Serving a global customer base and remaining competitive in the global market place required the company to place our production in countries outside the United States, including emerging markets, to capitalize on market opportunities and maintain a cost-efficient structure. In addition, we source a significant amount of raw materials and other components from third-party suppliers in low-cost countries. Our international operating

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activities are subject to a number of risks generally associated with international operations, including risks relating to the following:

- general economic conditions;
- currency fluctuations and exchange restrictions;
- import and export duties and restrictions;
- the imposition of tariffs and other import or export barriers;
- compliance with regulations governing import and export activities;
- current and changing regulatory requirements;
- political and economic instability;
- potentially adverse income tax consequences;
- transportation delays and interruptions;
- labor unrest;
- natural disasters;
- terrorist activities;
- public health concerns;
- difficulties in staffing and managing multi-national operations; and
- limitations on our ability to enforce legal rights and remedies.

Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We are in the process of relocating our manufacturing operations and changing our distribution and customer service model.

We are a company that, from time to time, seeks to optimize its manufacturing capabilities and efficiencies through restructurings, consolidations, plant closings or asset sales. We may make further specific determinations to consolidate, close or sell additional facilities. Possible adverse consequences related to such actions may include various charges for such items as idle capacity, disposition costs, severance costs, impairments of goodwill and possibly an immediate loss of revenues, in addition to normal or attendant risks and uncertainties. We may be unsuccessful in any of our current or future efforts to restructure or consolidate our business. Our plans to minimize or eliminate any loss of revenues during restructuring or consolidation may not be achieved. These activities may have a material adverse effect upon our business, financial condition or results of operations.

We engage in acquisitions and may encounter difficulties in integrating these businesses.

We are a company that, from time to time, seeks to grow through strategic acquisitions. We have in the past acquired a number of businesses or companies and additional product lines and assets. We intend to continue to expand and diversify our operations with additional acquisitions. The success of these transactions depends on our ability to integrate the assets and personnel acquired in these acquisitions. We may encounter difficulties in integrating acquisitions with our operations and may not realize the degree or timing of the benefits that we anticipated from an acquisition.

Environmental liabilities could adversely impact our financial position.

Federal, state and local laws and regulations impose various restrictions and controls on the discharge of materials, chemicals and gases used in our manufacturing processes or in our finished goods. These environmental regulations have required us to expend a portion of our resources and capital on relevant compliance programs. Under these laws and regulations, we could be held financially responsible for remedial measures if our current or former properties are contaminated or if we send waste to a landfill or recycling facility that becomes contaminated, even if we did not cause the contamination. We may be subject to additional common law claims if we release substances that damage or harm third parties. In addition, future changes in environmental laws or regulations may require additional investments in capital equipment or the implementation of additional compliance programs. Any failure to comply with new or existing environmental laws or regulations could subject us to significant liabilities and could have material adverse effects on our business, financial condition or results of operations.

In the conduct of our manufacturing operations, we have handled and do handle materials that are considered hazardous, toxic or volatile under federal, state and local laws. The risk of accidental release of such materials cannot be completely eliminated. In addition, we operate or own facilities located on or near real property that was formerly owned and operated by others. Certain of these properties were used in ways that involved hazardous materials. Contaminants may migrate from, within or through these properties. These releases or migrations may give rise to claims. Where third parties are responsible for contamination, the third parties may not have funds, or not make funds available when needed, to pay remediation costs imposed upon us under environmental laws and regulations.

We derive a substantial portion of our revenues from customers in the automotive, consumer electronics and communications industries, and we are susceptible to trends and factors affecting those industries as well as the success of our customers products.

Net sales to the automotive, consumer electronics and communications industries represent a substantial portion of our revenues. Factors negatively affecting these industries and the demand for products also negatively affect our business, financial condition or results of operations. Any adverse occurrence, including industry slowdown, recession, political instability, costly or constraining regulations, armed hostilities, terrorism, excessive inflation, prolonged disruptions in one or more of our customers production schedules or labor disturbances, that results in significant decline in the volume of sales in these industries, or in an overall downturn in the business and operations of our customers in these industries, could materially adversely affect our business, financial condition or results of operations. For example, the automotive industry as well as the consumer electronics market is highly cyclical in nature and sensitive to changes in general economic conditions, consumer preferences and interest rates. In addition, the global automotive and electronic industries have overall manufacturing capacity far exceeding demand. To the extent that demand for certain of our customers products declines, the demand for our products may decline. Reduced demand relating to general economic conditions, consumer preferences, interest rates or industry over-capacity may have a material adverse effect upon our business, financial condition or results of operations.

The inability to maintain access to capital markets may adversely affect our business and financial results.

Our ability to invest in our businesses, make strategic acquisitions and refinance maturing debt obligations may require access to the capital markets and sufficient bank credit lines to support short-term borrowings. If we are unable to access the capital markets or bank credit facilities, we could experience a material adverse affect on our business, financial condition and results of operations.

Fixed costs may reduce operating results if our sales fall below expectations.

Our expense levels are based, in part, on our expectations for future sales. Many of our expenses, particularly those relating to capital equipment and manufacturing overhead, are relatively fixed. We might be unable to reduce spending quickly enough to compensate for reductions in sales. Accordingly, shortfalls in sales could materially and adversely affect our operating results.

The volatility of our stock price could affect the value of an investment in our stock and our future financial position.

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The market price of our stock has fluctuated widely. Between December 28, 2008 and January 2, 2010, the closing sale price of our common stock ranged between a low of $8.87 and a high of $32.94, experiencing greater volatility over that time than the broader markets. The volatility of our stock price may be related to any number of factors, such as general economic conditions, industry conditions, analysts expectations concerning our results of operations, or the volatility of our revenues as discussed above under Our Revenues May Vary Significantly from Period to Period. The historic market price of our common stock may not be indicative of future market prices. We may not be able to sustain or increase the value of our common stock. Declines in the market price of our stock could adversely affect our ability to retain personnel with stock incentives, to acquire businesses or assets in exchange for stock and/or to conduct future financing activities with or involving our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

LITTELFUSE FACILITIES

The company s operations are located in 33 owned or leased facilities worldwide, representing an aggregate of 2,002,468 square feet. The U.S. corporate headquarters was relocated to Chicago, Illinois in 2009. Formerly it was located in Des Plaines, Illinois along with the company s largest manufacturing facility, which was closed in 2009. The company also has North American manufacturing facilities in Saskatoon, Canada, Irving, Texas Piedras Negras, Mexico and Matamoros, Mexico. The European headquarters and primary European distribution center is in the Netherlands, along with a manufacturing plant in Dünsen, Germany. As previously announced, the manufacturing facilities in Irivng, Texas, Matamoros, Mexico and Dünsen, Germany are expected to close in 2010. The Netherlands distribution center is expected to be sold in 2010. The company is currently marketing for sale its Des Plaines, Illinois, Elk Grove Village, Illinois and Dundalk, Ireland facilities, which closed on or before January 2, 2010. Asia-Pacific operations include sales and distribution centers located in Singapore, Taiwan, Japan, China and Korea, with manufacturing plants in China, Taiwan and the Philippines. The company does not believe that it will encounter any difficulty in renewing its existing leases upon the expiration of their current terms. Management believes that the company s facilities are adequate to meet its requirements for the foreseeable future.

The following table provides certain information concerning the company s facilities at January 2, 2010 and the use of these facilities during fiscal 2009:

Location	Use	Size (sq. ft.)	Lease/Own	Lease Expiration Date	Primary Product
Des Plaines, Illinois	Manufacturing	340,000	Owned		Auto, Electronics and Electrical
Chicago, Illinois	Administrative, Engineering, Research and Testing	54,838	Leased	2024	Auto, Electronics and Electrical
Elk Grove Village, Illinois	Engineering and Research	5,000	Leased	2010	Auto and Electronics
Champaign, Illinois	Research and Development	13,503	Leased	2025	Auto and Electronics
Campbell, California	Engineering	1,710	Leased	2011	Electronics

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Location	Use	Size (sq. ft.)	Lease/Own	Lease Expiration Date	Primary Product
Irving, Texas	Engineering, Manufacturing, Research and Testing	101,000	Leased	2010	Electronics
Birmingham, Michigan	Sales	2,076	Leased	2011	Auto
Matamoros, Mexico	Manufacturing	114,558	Leased	2010	Electronics
Arcola, Illinois	Administrative	5,000	Leased	2010	Electrical
Piedras Negras, Mexico	Administrative / Manufacturing	98,822	Leased	2015	Auto
Piedras Negras, Mexico	Manufacturing	68,088	Leased	2012	Electrical
Piedras Negras, Mexico	Manufacturing	22,381	Leased	2012	Electrical
Piedras Negras, Mexico	Manufacturing	164,785	Owned		Auto
Eagle Pass, Texas	Distribution	7,800	Leased	2011	Auto, Electronics and Electrical
Swindon, U.K.	Administrative, Marketing and Sales	5,000	Leased	2012	Electronics
Utrecht, the Netherlands	Administrative, Distribution and Sales	34,642	Owned		Auto and Electronics
Essen, Germany	Administrative	8,374	Leased	2011	Electronics and Auto
Essen, Germany	Leased to third party	37,244	Owned		
Dünsen, Germany	Manufacturing and Sales	43,966	Owned		Auto
Singapore	Sales and Distribution	1,550	Leased	2012	Electronics
Taipei, Taiwan	Sales	4,000	Leased	2010	Electronics
Seoul, Korea	Sales	3,643	Leased	2010	Electronics and Auto
Lipa City, Philippines	Manufacturing	116,046	Owned		Electronics
Lipa City, Philippines	Manufacturing	22,733	Leased	2010	Electronics
Dongguan, China	Manufacturing	124,600	Leased	2013	Electronics
Suzhou, China	Manufacturing	143,458	Owned		Electronics
Yang-Mei, Taiwan	Administrative /Manufacturing, Sales, and Distribution	40,080	Owned		Electronics

Wuxi, China	Manufacturing	220,068	Owned		Electronics
Hong Kong, China	Sales	2,478	Leased	2012	Electronics
Yokohama, Japan	Sales	6,726	Leased	2010	Electronics
Sao Paulo, Brazil	Sales	800	Leased	2010	Electronics and Auto
Dundalk, Ireland	Manufacturing	120,000	Owned		Electronic and Auto
Saskatoon, Canada	Manufacturing	67,500	Owned		Electrical

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Properties with lease expirations in 2010 renew at various times throughout the year. The company does not anticipate any material impact as a result of such expirations.

ITEM 3. LEGAL PROCEEDINGS.

The company is not a party to any legal proceedings that it believes will have a material adverse effect upon the conduct of its business or its financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to the company s stockholders during the fourth quarter of fiscal 2009.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Shares of the company s common stock are traded under the symbol LFUS on the Nasdaq Global Select Market. As of February 19, 2010, there were 136 holders of record of the company s common stock.

Stock Performance Graph

The following stock performance graph and related information shall not be deemed soliciting material or filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or Securities Act of 1934, each as amended, except to the extent that the company specifically incorporates it by reference into such filing.

The following stock performance graph compares the five-year cumulative total return on Littelfuse common stock to the five-year cumulative total returns on the Russell 2000 Index and the Dow Jones Electrical Components and Equipment Industry Group Index. The company believes that the Russell 2000 Index and the Dow Jones Electrical Components and Equipment Industry Group Index represent a broad market index and peer industry group for total return performance comparison. The stock performance shown on the graph below represents historical stock performance and is not necessarily indicative of future stock price performance.

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The Dow Jones Electrical Components and Equipment Industry Group Index includes the common stock of American Superconductor Corp.; Amphenol Corp.; Anaren Microwave, Inc.; Arrow Electronics, Inc.; Avnet, Inc.; AVX Corp.; Benchmark Electronics, Inc.; C&D Technologies, Inc.; Capstone Turbine Corp.; Commscope, Inc.; CTS Corp.; Emerson; Fuelcell Energy, Inc.; General Cable Corp.; Hubbell Inc. Class B; Jabil Circuit, Inc.; KEMET Corp.; Littelfuse, Inc.; Methode Electronics, Inc.; Molex, Inc. and Molex, Inc. Class A; Park Electrochemical Corp.; Plexus Corp.; Plug Power, Inc.; Power-One, Inc.; Powerwave Technologies, Inc.; Regal-Beloit Corp.; Sanmina Corp.; SPX Corp.; Technitrol, Inc.; Thomas & Betts Corp.; Three-Five Systems, Inc.; Valence Technology, Inc.; Vicor Corp.; and Vishay Intertechnology, Inc.

In the case of the Russell 2000 Index and the Dow Jones Electrical Components and Equipment Industry Group Index, a $100 investment made on December 31, 2004 and reinvestment of all dividends is assumed. In the case of the company, a $100 investment made on December 31, 2004 is assumed (the company paid no dividends in 2005, 2006, 2007, 2008, or 2009). Returns are at December 31 of each year, with the exception of 2006, 2007, 2008 and 2009 for the company, which are at December 30, 2006, December 29, 2007, December 27, 2008 and January 2, 2010, respectively, which in each case was the last day of the company s respective fiscal year.

The company has not paid any cash dividends in its history. Future dividend policy will be determined by the Board of Directors based upon its evaluation of earnings, cash availability and general business prospects. Currently, there are restrictions on the payment of dividends contained in the company s credit agreements that relate to the maintenance of a minimum net worth and certain financial ratios.

The company s Board of Directors authorized the repurchase of up to 1,000,000 shares of the company s common stock under a program for the period May 1, 2009 to April 30, 2010. The company did not repurchase any shares of its common stock during the fourth quarter of fiscal 2009.

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The table below provides information with respect to the company s quarterly stock prices during fiscal 2009 and 2008:

	2009				2008			
	4Q	**3Q**	**2Q**	**1Q**	**4Q**	**3Q**	**2Q**	**1Q**
High	$33.19	$28.79	$20.74	$18.11	$31.98	$37.55	$39.21	$34.29
Low	24.37	19.63	10.30	8.82	11.48	29.28	32.89	26.90
Quarter close	32.15	26.71	20.65	10.60	15.54	33.91	32.89	33.58

ITEM 6. SELECTED FINANCIAL DATA.

The information presented below provides selected financial data of the company during the past five fiscal years and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes to Consolidated Financial Statements set forth in Item 7 and Item 8, respectively, for the respective years presented (amounts in thousands, except per share data):

	2009	**2008**	**2007**	**2006***	**2005***
Net sales	$430,147	$530,869	$536,144	$534,859	$467,089
Gross profit	125,361	143,669	171,537	161,263	144,552
Operating income	13,695	8,495	51,309	28,858	26,966
Income from continuing operations	9,411	8,016	36,835	23,236	16,582
Net income	9,411	8,016	36,835	23,824	17,710
Per share of common stock:					
Income from continuing operations					
- Basic	0.43	0.37	1.66	1.04	0.74
- Diluted	0.43	0.37	1.64	1.03	0.73
Cash and cash equivalents	70,354	70,937	64,943	56,704	21,947
Total assets	533,127	538,928	491,365	464,966	403,931
Long-term debt, less current portion	49,000	72,000	1,223	1,785	

* Results reflect Efen GmbH as a discontinued operation.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Littelfuse, Inc. and its subsidiaries (the company or Littelfuse) design, manufacture, and sell circuit protection devices for use in the electronics, automotive and electrical markets throughout the world. The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide the reader with information that will assist in understanding the company s Consolidated Financial Statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect the Consolidated Financial Statements. The discussion also provides information about the financial results of the various business segments to provide a better understanding of how those segments and their results affect the financial condition and results of operations of Littelfuse as a whole.

Business Segment Information

U.S. Generally Accepted Accounting Principals (GAAP) dictates annual and interim reporting standards for an enterprise s operating segments and related disclosures about its products, services, geographic areas and major customers. Within U.S. GAAP, an operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial

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information is regularly evaluated by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources. The CODM is the company s President and Chief Executive Officer.
The company reports its operations by three business unit segments: Electronics; Automotive; and Electrical. The following table is a summary of the company s operating segments net sales by business unit and geography (in thousands):

	Fiscal Year		
	2009	**2008**	**2007**
Business Unit			
Electronics	$ 263.0	$ 342.5	$ 348.9
Automotive	98.5	126.9	135.1
Electrical	68.6	61.5	52.1
Total	$ 430.1	$ 530.9	$ 536.1
Geography*			
Americas	$ 166.1	$ 201.8	$ 204.3
Europe	83.4	118.6	118.2
Asia-Pacific	180.6	210.5	213.6
Total	$ 430.1	$ 530.9	$ 536.1

* Sales are defined based upon shipped to destination.

Business unit segment information is described more fully in Note 15 of the Notes to Consolidated Financial Statements. The following discussion provides an analysis of the information contained in the Consolidated Financial Statements and accompanying notes beginning on page 39 at January 2, 2010 and December 27, 2008, and for the three fiscal years ended January 2, 2010, December 27, 2008 and December 29, 2007.

Results of Operations 2009 Compared with 2008

Net sales decreased in the current year to $430.1 million compared to $530.9 million in 2008. These results reflected sales declines in the Automotive segment of $28.4 million or 22% to $98.5 million, along with a decrease in sales in the Electronics segment of $79.5 million or 23% to $263.0 million, partially offset by an increase in sales in the Electrical segment of $7.1 million or 12% to $68.6 million. The Electrical segment sales included a full year of sales ($23.7 million) in 2009 from the acquisition of Startco Engineering Ltd. (Startco), which was acquired in the fourth quarter of 2008.
The decrease in automotive sales was due primarily to the continued weak passenger car and truck markets across all geographies, resulting in sharp declines in global vehicle production, as OEMs took extended plant shutdowns. The negative impact from declines in volume was further impacted by unfavorable currency effects of $2.6 million in 2009, mainly due to the weaker euro, which experienced a lower annual average translation rate of 1.396 in 2009 compared to 1.475 in 2008.
The decrease in electronics sales primarily reflected continued weak demand as consumers continued to lose confidence in the economy and cut back on spending, particularly in the consumer electronics market. In addition, many customers in Asia, particularly contract manufacturers and original design manufacturers, had extensive plant shutdowns, and electronics distributors reduced inventories in response to weak demand. During the second half of 2009, demand for some consumer electronic items began to improve resulting in increased demand for the company s

products. The negative impact from declines in volume was further impacted by net unfavorable currency effects of $1.5 million largely due to the weakness of the euro and Korean won, partially offset by the favorable impact of a stronger Japanese yen.

The increase in electrical sales was due to incremental sales recorded in 2009 of $23.7 million from Startco, acquired at the beginning of the fourth quarter of 2008, as compared to $3.9 million in sales recorded in 2008. The base electrical business, which excludes Startco, declined 22% in 2009 as compared to 2008 due primarily to weakness in the non-residential construction and MRO markets.

On a geographic basis, sales in the Americas decreased $35.7 million or 18% in 2009 compared to 2008 due to decreased automotive sales of $15.9 million and lower electronics sales of $25.9 million, partially offset by increased electrical sales of $6.1 million, which included Startco. Automotive and electronics sales declined due to the impact of the global recession and inventory de-stocking throughout the supply chain. The electrical sales increase was due to incremental sales from the company s Startco acquisition.

Europe sales decreased $35.2 million or 30% in 2009 compared to 2008 due to decreased automotive sales of $17.5 million and lower electronics sales of $17.7 million due to the impact of the global recession and inventory de-stocking throughout the supply chain. Current year results included unfavorable currency effects of $3.4 million reflecting a weaker euro in 2009.

Asia-Pacific sales decreased $29.9 million or 14% in 2009 compared to the prior year mainly due to lower electronics sales of $36.0 million, which was partially offset by higher automotive sales of $5.1 million and electrical sales $1.0 million, The weaker electronics sales reflected the impact of the global recession and inventory de-stocking throughout the supply chain. The increase in automotive sales reflected strong growth in the China market and gains in market share. Current year results included unfavorable currency translation effects of $0.7 million primarily due to a sharp decline in the Korean won partially offset by a favorable impact of a stronger Japanese Yen.

Gross profit was $125.4 million or 29.1% of sales in 2009, compared to $143.7 million or 27.1% of sales in 2008. The increase in gross profit margin percentage in 2009 primarily resulted from cost savings related to manufacturing plant consolidations and reductions in operating expenses. Higher restructuring and other costs related to plant transfer activities and a pension settlement charge of $5.7 million during 2008 also contributed to the margin improvement change in 2009.

The company recorded approximately $4.2 million of restructuring charges in cost of sales in 2009 due primarily to the reorganization of the company s European and Asian operations. The European restructuring charges included the transfer of its manufacturing operations from Dünsen, Germany to Piedras Negras, Mexico. The Asian restructuring included the planned closure of a manufacturing facility in Taiwan. The 2009 restructuring charges to cost of sales were approximately $4.6 million lower than restructuring charges to cost of sales for 2008.

The company continues to focus heavily on Research and Development (R&D) to develop new solutions for customers and expand product offerings. During 2009, the company continued moving R&D operations to lower cost locations closer to its customers. R&D operations are now in Canada, China, Germany, the Philippines, and Mexico as well as the United States.

Total operating expense was $111.7 million or 26.0% of net sales for 2009 compared to $135.2 million or 25.5% of net sales for 2008. The reduction in operating expenses primarily reflects cost savings initiatives implemented in late 2008 and early 2009 including headcount reductions, consolidation of Asian and European sites and transfer of certain activities to low-cost Asian locations.

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Operating income was $13.7 million or 3.2% of net sales in 2009 compared to $8.5 million or 1.6% of net sales in the prior year. The increase in operating income in the current year was due primarily to the cost reductions and lower restructuring charges described above partially offset by lower sales.

Interest expense decreased to $2.4 million in 2009 compared to $3.4 million for 2008 primarily due to a $1.1 million loss on an interest rate swap transaction recognized in 2008.

Other expense (income), net, consisting of interest income, royalties, non-operating income and foreign currency items, was $0.5 million of expense in 2009 compared to $5.6 million of income in 2008. The decrease primarily reflected an unfavorable net change of approximately $3.8 million in foreign currency translation effects (primarily due to the weakening of the Korean won against the U.S. dollar) and a $1.1 million refund received in 2008 related to a recovery of Japanese output taxes paid in 2007.

Income before income taxes was $10.8 million in 2009 compared to $10.6 million in 2008. Income tax expense was $1.4 million in 2009 compared to $2.6 million in 2008. The 2009 effective income tax rate was 13.2% compared to 24.5% in 2008. The decrease in the 2009 effective tax rate reflects the mix of income earned in lower tax jurisdictions in 2009 as well as the release of $2.6 million of contingent income tax reserves due to the lapsing of statute of limitations and the close-out of open audit years by local tax authorities.

Results of Operations 2008 Compared with 2007

Net sales decreased slightly in 2008 to $530.9 million compared to $536.1 million in 2007. These results reflected sales declines in the Automotive segment of $8.2 million or 6% to $126.9 million, along with a decrease in sales in the Electronics segment of $6.4 million or 2% to $342.5 million, largely offset by an increase in sales in the Electrical segment of $9.4 million or 18% to $61.5 million.

The decrease in automotive sales was due primarily to the weakened passenger car market across all geographies, resulting in sharp declines in global car production, particularly in the fourth quarter of 2008, as OEMs took extended plant shutdowns. The negative impact from declines in volume were partially offset by favorable currency effects of $5.0 million, mainly due to the strong the euro, which experienced a higher annual average translation rate of 1.475 in 2008 compared to 1.369 in 2007.

The decrease in electronics sales primarily reflected weaker demand as consumers continued to lose confidence in the economy and cut back on spending, particularly in the fourth quarter of 2008. In addition, many customers in Asia, particularly contract manufacturers and original design manufacturers, had extensive plant shutdowns, and electronics distributors reduced inventories in response to weak demand and the uncertain outlook for 2009. The negative impact from declines in volume were partially offset by net favorable currency effects of $1.8 million, largely due to the strength of the euro and to a lesser extent the yen, partially offset by the negative impact from sales denominated in Korean won, which experienced a drop of more than 13% in the annual average translation rate in 2008 compared to 2007.

The increase in electrical sales was due in part to new OEM business and price increases over the prior year and improvements in the industrial market. In addition, current year sales include $3.9 million from Startco Engineering Ltd. (Startco), acquired at the beginning of the fourth quarter of 2008, and $1.3 million from Shock Block Corporation (Shock Block), acquired during the first quarter of 2008.

On a geographic basis, sales in the Americas decreased $2.5 million or 1% in 2008 compared to 2007 due to decreased automotive sales of $8.4 million and lower electronics sales of $3.5 million, partially offset by increased electrical sales of $9.4 million. Automotive and electronics sales declined sharply in the fourth quarter of 2008 as economic concerns led to a deterioration in consumer confidence and reduced spending. As a result, the automotive OEMs sharply cut production rates and shut down assembly lines for much of December and electronics distributors reduced inventories. The electrical sales increase was due primarily to price increases over the prior year and sales from newly-acquired companies.

Europe sales remained steady in 2008 compared to 2007, reflecting a modest increase of $0.4 million. 2008 results reflected favorable currency effects of $9.6 million offset by lower automotive sales due to a sharp decline in fourth quarter car production, which was down 22% year-over-year, and lower electronics sales due to decreased demand from electronics distributors.

Asia-Pacific sales decreased $3.1 million or 1% in 2008 compared to the prior year mainly due to lower electronics sales, which reflected weakness across all major end markets, from consumer products to IT infrastructure spending for telecom equipment. This decrease was partially offset by higher automotive sales, which reflected continued share gain in the growing Asian markets outside of Japan. Current year results included unfavorable currency translation effects of $3.1 million primarily due to a sharp decline in the Korean won.

Gross profit was $143.7 million or 27.1% of sales in 2008 compared to $171.5 million or 32.0% of sales in 2007. The decline in gross profit margin percentage in 2008 reflected a $5.7 million non-cash charge related to settlement of the Ireland pension plan. The decrease also reflected a $3.2 million charge related to impairment of certain manufacturing assets in China along with higher costs for transportation, materials and utilities driven primarily by the increase in the price of oil and commodity metals for much of 2008. Higher costs related to plant transfer activities also contributed to the margin decline.

The company also recorded approximately $8.8 million of restructuring charges in cost of sales in the current year, primarily due to the closure of the Matamoros, Mexico manufacturing facility, along with severance and retention expense at the Irving, Texas, Des Plaines, Illinois and Swindon, U.K. facilities, compared to $7.6 million of restructuring charges in the prior year primarily related to the closure of the Des Plaines, Illinois manufacturing facility, along with severance and retention expense in Ireland and Germany.

Total operating expense was $135.2 million or 25.5% of net sales for 2008 compared to $120.2 million or 22.4% of net sales for 2007. Fiscal year 2007 included an $8.0 million gain on the sale of property in Ireland. In addition, selling, general and administrative expenses increased $3.9 million to $107.2 million in 2008 from $103.3 million in 2007 due primarily to currency effects. Research and development costs increased $2.4 million to $24.1 million in 2008 compared to $21.7 million in 2007 due to increased spending on new product development for the electronics and automotive markets.

Operating income was $8.5 million or 1.6% of net sales in 2008 compared to $51.3 million or 9.6% of net sales in the prior year. The decrease in operating income in the current year was due primarily to the special charges described above, reduced operating leverage and higher costs due to transfer-related activities and higher commodity prices.

Interest expense increased to $3.4 million in 2008 compared to $1.6 million for 2007 primarily due to a $1.1 million loss on an interest rate swap transaction recognized in 2008, as well as increased costs due to higher long-term debt resulting from the $80.0 million term loan agreement the company entered into on September 29, 2008. Other expense (income), net, consisting of interest income, royalties, non-operating income and foreign currency items, was $5.6 million in 2008 compared to $1.5 million in the prior year. The increase reflected a net improvement of approximately $3.9 million in foreign currency translation effects (primarily due to the strengthening of the US dollar against the Korean won, Philippine peso and euro) and a $1.1 million refund received in 2008 related to an exemption from Japanese output taxes paid in 2007, partially offset by a

$2.8 million non-cash charge related to marking down the company s available-for-sale investment in Polytronics to its lower market value, as the loss was deemed other than temporary .

Income before income taxes was $10.6 million in 2008 compared to $51.3 million in 2007. Income tax expense was $2.6 million in 2008 compared to $14.5 million in the prior year. The 2008 effective income tax rate was 24.5% compared to 28.2% in 2007. The decrease in the 2008 effective tax rate reflects the mix of income earned in lower tax jurisdictions partially offset by a $1.1 million unfavorable impact from recognizing an other-than-temporary loss on the company s available-for-sale investment in Polytronics, for which no tax benefit is available on the capital loss.

Liquidity and Capital Resources

The company historically has financed capital expenditures through cash flows from operations. Despite the recent adverse changes in market conditions, management expects that cash flows from operations and available lines of credit will be sufficient to support both the company s operations and its debt obligations for the foreseeable future.

Term Loan

On September 29, 2008, the company entered into a Loan Agreement with various lenders that provides the company with a five-year term loan facility of up to $80.0 million for the purposes of (i) refinancing certain existing indebtedness; (ii) funding working capital needs; and (iii) funding capital expenditures and other lawful corporate purposes, including permitted acquisitions. The Loan Agreement also contains an expansion feature, pursuant to which the company may from time to time request incremental loans in an aggregate principal amount not to exceed $40.0 million. The company had $57.0 million outstanding at January 2, 2010. Further information regarding this arrangement is provided in Note 6 of the Notes to Consolidated Financial Statements included in this report.

The Loan Agreement requires the company to meet certain financial tests, including a consolidated leverage ratio and a consolidated interest coverage ratio. The Loan Agreement also contains additional affirmative and negative covenants which, among other things, impose certain limitations on the company s ability to merge with other companies, create liens on its property, incur additional indebtedness, enter into transactions with affiliates except on an arm s length basis, dispose of property, or issue dividends or make distributions. At January 2, 2010, and for the year then ended, the company was in compliance with these covenants. The new Loan Agreement does not impact the existing debt covenants in the revolving credit facility described below.

Revolving Credit Facilities

On January 28, 2009, the company entered into an unsecured financing arrangement with a Canadian bank that provided a CAD 10.0 million (equivalent to approximately $9.5 million at January 2, 2010) revolving credit facility, for capital expenditures and general working capital, which expires on July 21, 2011. This facility consists of prime-based loans and overdrafts, bankers acceptances and U.S. base rate loans and overdrafts, and is guaranteed by the company. At January 2, 2010, the company had approximately CAD 6.5 million (equivalent to approximately $6.2 million) outstanding under the revolving credit facility. As of January 2 2010, the company had approximately CAD 3.5 million (equivalent to approximately $3.3 million) available under the revolving credit facility at an interest rate of bankers acceptance rate plus 1.62% (2.10% as of January 2, 2010).

This agreement contains covenants that, among other matters, impose limitations on future mergers, sales of assets, and changes in control, as defined in the agreement. In addition, the company is required to satisfy certain financial covenants and tests relating to, among other matters, interest coverage, working capital, leverage and net worth. As of the fiscal year ended 2009, the company was in compliance with all covenants.

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The company has an unsecured domestic financing arrangement consisting of a credit agreement with banks that provides a $75.0 million revolving credit facility, with a potential increase of up to $125.0 million upon request of the company and agreement with the lenders, which expires on July 21, 2011. At January 2, 2010, the company had available the full $75.0 million of borrowing capacity under the revolving credit facility at an interest rate of LIBOR plus 0.875% (1.11% as of January 2, 2010).

The domestic bank credit agreement contains covenants that, among other matters, impose limitations on the incurrence of additional indebtedness, future mergers, sales of assets, payment of dividends, and changes in control, as defined in the agreement. In addition, the company is required to satisfy certain financial covenants and tests relating to, among other matters, interest coverage, working capital, leverage and net worth. At January 2, 2010, and for the year then ended, the company was in compliance with these covenants.

Other Obligations

The company had an unsecured bank line of credit in Japan that provided a 700 million yen revolving credit facility at an interest rate of TIBOR plus 0.625%. The revolving line of credit was due on July 21, 2011. The line of credit was closed on July 14, 2009. The company had no outstanding borrowings on the yen facility at the time of the closing.

The company had an unsecured bank line of credit in Taiwan that provided a 35.0 million Taiwanese dollar revolving credit facility at an interest rate of two-years time deposit plus 0.145%. The revolving line of credit was due on August 18, 2009. The company also had a foreign fixed rate mortgage loan outstanding totaling approximately 32.0 million Taiwanese dollars with maturity dates through August 2013. The company chose to repay the outstanding balances on both debt instruments in June 2008, resulting in uses of cash totaling the equivalent of $1.7 million. As a result, the line of credit was closed on June 28, 2008.

The company also had $2.3 million available in letters of credit at January 2, 2010. No amounts were drawn under these letters of credit at January 2, 2010.

The company started 2009 with $70.9 million of cash. Net cash provided by operating activities in 2009 was approximately $29.6 million in the year and included $9.4 million in net income and $41.1 million in non-cash adjustments (primarily $36.6 million in depreciation and amortization), partially offset by $20.9 million of changes in operating assets and liabilities.

Changes in various operating assets and liabilities (including short-term and long-term items) that negatively impacted cash flows in 2009 consisted of decreases in accrued payroll and severance ($9.0 million), net decreases in accounts payable and accrued expenses ($7.9 million), increases in accounts receivable ($15.6 million), decreases in accrued taxes ($3.3 million), and increases in prepaid expenses and other current assets ($0.6 million), partially offset by decreases in inventory ($15.5 million). Days sales outstanding in accounts receivable increased to 61 days at year-end 2009, compared to 53 days at year-end 2008 and 58 days at year-end 2007. DSO in 2008 was unusually low due to the sharp drop-off in sales at the end of the year. The DSO levels for 2007 and 2009 of 59 and 61 days respectively, are more typical of what is expected going forward. Days inventory outstanding was 62 days at year-end 2009, compared to 72 days at year-end 2008 and 58 days at year-end 2007. The decrease in days inventory outstanding in 2009 resulted from lean initiatives and other inventory reduction efforts during 2009.

Net cash used in investing activities in 2009 was approximately $14.8 million and included $15.5 million in purchases of property, plant and equipment (primarily related to the company s plant expansion and new facilities in the Asia-Pacific region, along with manufacturing process improvements, new facilities and product introductions in Mexico) and a $0.9 million payment of a holdback obligation related to the acquisition of

Shock Block, acquired during the first quarter of 2008, partially offset by $1.7 million in cash receipts from the sale of property, plant and equipment and the sale of an investment.

Net cash used in financing activities in 2009 was approximately $16.2 million, which included $17.7 million in net payments of debt and $1.5 million in cash proceeds from the exercise of stock options. The net payments from debt include $48.0 million in gross payments under the company s term loan discussed above. Further information regarding the company s debt is provided in Note 6 of the Notes to Consolidated Financial Statements included in this report.

The effect of exchange rate changes increased cash by $0.8 million in 2009. The net cash provided by operating activities less net cash used in financing and investing activities plus the effect of exchange rate changes, resulted in a $0.6 million decrease in cash and cash equivalents in 2009. This left the company with a cash balance of $70.4 million at the end of 2009.

The ratio of current assets to current liabilities was 3.2 to 1 at year-end 2009, compared to 3.1 to 1 at year-end 2008 and 2.4 to 1 at year-end 2007. The change in the current ratio at the end of the 2009 compared to the prior year reflected increased current assets in 2009, primarily related to higher accounts receivable balances and the reclassification of assets held for sale from property, plant and equipment, offset by a decrease in inventory balances.

The carrying amounts of total debt decreased $16.8 million in 2009, compared to an increase of $66.7 million in 2008 and a decrease of $12.8 million in 2007, due to the $80 million loan agreement the company executed in 2008. The ratio of long-term debt to equity was 0.13 to 1 at year-end 2009, compared to 0.22 to 1 at year-end 2008 and 0.0 to 1 at year-end 2007. Further information regarding the company s debt is provided in Note 6 of the Notes to Consolidated Financial Statements included in this report.

The company started 2008 with $64.9 million of cash. Net cash provided by operating activities in 2008 was approximately $40.6 million in the year and included $8.0 million in net income and $44.8 million in non-cash adjustments (primarily $32.2 million in depreciation and amortization, $6.0 million related to impairment of assets / investments and $5.7 million related to the Ireland pension settlement), partially offset by $12.2 million in changes to operating assets and liabilities. Further information regarding the impairments is provided in Notes 5 and 11, and information regarding the pension settlement is provided in Note 12, of the Notes to Consolidated Financial Statements included in this report.

Changes in various operating assets and liabilities (including short-term and long-term items) that negatively impacted cash flows in 2008 consisted of decreases in accrued payroll and severance ($15.7 million), net decreases in accrued expenses ($6.6 million), increases in inventories ($6.6 million) and increases in prepaid expenses and other current assets ($6.4 million), partially offset by decreases in accounts receivable ($23.1 million).

The company s capital expenditures were $15.5 million in 2009, $51.3 million in 2008 and $40.5 million in 2007. Higher capital expenditures in the prior two years were primarily related to facilities and equipment to support the manufacturing transfers to Asia and Mexico. The company expects capital expenditures in 2010 will be approximately $16 to $19 million with the largest part related to the completion of facility moves, capacity expansion and new product development.

The company s Board of Directors has authorized the company to repurchase up to 1 million shares of its common stock, from time to time, depending on market conditions. The company repurchased 218,000 common shares for $6.6 million in 2008, and 500,000 common shares for $16.4 million in 2007. The company did not repurchase any common shares during 2009. As of January 2, 2010, the company is authorized to purchase up to 1,000,000 shares of its common stock.

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Contractual Obligations and Commitments

The following table summarizes contractual obligations and commitments as of January 2, 2010:

(In thousands)	Total	< 1 Year	> 1 - < 3 Years	> 3 - < 5 Years	> 5 Years
Term loan	$ 57,000	$ 8,000	$ 26,000	$ 23,000	$
Revolving credit facility	6,183	6,183			
Interest payments	2,881	1,095	1,654	132	
Mexican Peso forward contract	3,263	3,263			
Supplemental Executive Retirement Plan	2,229	31	62	62	2,074
Operating lease payments*	41,367	6,493	9,516	4,787	20,571
Purchase obligations	23,646	23,646			
Total	$136,569	$48,711	$ 37,232	$ 27,981	$22,645

* Included in operating lease payments is future rental expense related to office space for the company s new U.S. corporate headquarters located in Chicago, Illinois. The company relocated during the first quarter of 2009. The lease commenced in January 2009 and expires December 2024. Refer to Note 16 of the Notes to Consolidated Financial Statements for more information.

Off-Balance Sheet Arrangements

As of January 2, 2010, the company did not have any off-balance sheet arrangements, as defined under the U.S. Securities and Exchange Commission rules. Specifically, the company was not liable for guarantees of indebtedness owed by third parties; the company was not directly liable for the debt of any unconsolidated entity, and the company did not have any retained or contingent interest in assets; and the company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities. In 2009, the company entered into derivative financial instruments. Further information regarding these arrangements is provided in Note 7 of the Notes to Consolidated Financial Statements included in this report.

Recent Accounting Pronouncements

In February 2007, the FASB issued guidance titled The Fair Value Option for Financial Assets and Financial Liabilities . The guidance permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. The guidance is expected to expand the use of fair value measurement, but does not eliminate disclosure requirements included in other accounting standards. The guidance is effective for fiscal years beginning after November 15, 2007. The adoption of this accounting guidance did not have a material impact on the company s Consolidated Financial Statements.

In December 2007, the FASB issued accounting guidance titled Noncontrolling Interests in Consolidated Financial Statements . The accounting guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, with earlier adoption prohibited. The accounting guidance requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net earnings attributable to the noncontrolling interest will be included in consolidated net income on the face of the Consolidated Statements of Income. The accounting guidance also amends certain other consolidation procedures and includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. As a result of the adoption of the accounting guidance, the company reclassified its immaterial noncontrolling interest from Other long-term liabilities to Total equity as of December 27, 2008 and December 29, 2007, to conform to the presentation at January 2, 2010.

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In December 2007, the FASB revised existing guidance with respect to accounting for business combinations. The new business combination accounting guidance retains the underlying concepts of previous business combination accounting guidance in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting, but the new business combination accounting guidance changed the method of applying the acquisition method in a number of significant aspects. Acquisition costs generally will be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination generally will be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. The new business combination accounting guidance is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. The new business combination guidance amends existing income tax accounting guidance such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of the new business combination accounting guidance would also apply the provisions of the new business combination accounting guidance. The adoption of the new business combination accounting guidance resulted in a change to the company s treatment of certain uncertain tax positions in fiscal 2009.

In March 2008, the FASB issued accounting guidance titled Disclosures about Derivative Instruments and Hedging Activities . The new standard requires enhanced disclosure about a company s derivatives and hedging to help investors understand their impact on a company s financial position, financial performance and cash flows. The new accounting guidance is effective for periods beginning after November 15, 2008. The adoption of the expanded disclosure requirements related to the company s derivative and hedging activities resulted in additional disclosures as reflected in Note 7.

In June 2008, the FASB issued guidance titled Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities . The guidance states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, a company is required to retrospectively adjust its earnings per share data presentation to conform with the guidance provisions. The guidance is effective for fiscal years beginning after December 15, 2008. The company adopted the new guidance on December 28, 2008, which resulted in expanded disclosures as reflected in Note 17.

In April 2009, the FASB issued guidance titled Interim Disclosures about Fair Value of Financial Instruments . The guidance amends existing guidance to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. This statement also amends existing guidance to require those disclosures in all interim financial statements. The new accounting guidance is effective for interim and annual periods ending after June 15, 2009. The adoption of the new accounting guidance resulted in additional disclosures included in the company s quarterly filings.

In May 2009, the FASB issued guidance titled Subsequent Events . The new accounting guidance sets forth the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, circumstances under which an entity should recognize events or transactions that may occur for potential recognition and disclosure in the financial statements, and disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of the new accounting guidance resulted in additional disclosures regarding the date through which management has evaluated subsequent events. The company evaluated subsequent events through February 26, 2010, the date its financial statements were filed with the SEC.

In June 2009, the FASB issued authoritative guidance that eliminates the qualifying special purpose entity concept, changes the requirements for derecognizing financial assets and requires enhanced disclosures about transfers of financial assets. The guidance also revises earlier guidance for determining whether an entity is a variable interest entity, requires a new approach for determining who should consolidate a variable interest entity, changes when it is necessary to reassess who should consolidate a variable interest entity, and requires enhanced disclosures related to an enterprise s involvement in variable interest entities. The guidance is effective for the first annual reporting period that begins after November 15, 2009. The company does not believe the adoption of the new accounting guidance will have a material impact on its Consolidated Financial Statements.

In June 2009, the FASB issued guidance titled The FASB Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the codification standard). The codification standard is effective for fiscal years, and interim periods, ending after September 15, 2009. The codification standard is intended to improve financial reporting by identifying the *FASB Accounting Standards Codification* and rules and interpretive releases of the SEC under authority of federal securities laws as the sole sources of authoritative accounting principles to be used in preparing financial statements that are presented in conformity with accounting principles generally accepted in the United States of America for SEC registrants. The company adopted the codification standard on September 26, 2009. The adoption of the codification standard did not have a material impact on the company s consolidated financial position or results of operations.

In October 2009, the FASB issued authoritative guidance that amends earlier guidance addressing the accounting for contractual arrangements in which an entity provides multiple products or services (deliverables) to a customer. The amendments address the unit of accounting for arrangements involving multiple deliverables and how arrangement consideration should be allocated to the separate units of accounting, when applicable, by establishing a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific nor third-party evidence is available. The amendments also require that arrangement consideration be allocated at the inception of an arrangement to all deliverables using the relative selling price method. The guidance is effective for fiscal years beginning on or after June 15, 2010, with earlier application permitted. The company does not believe the accounting guidance will have a material impact on its Consolidated Financial Statements.

In October 2009, the FASB issued authoritative guidance that amends earlier guidance for revenue arrangements that include both tangible products and software elements. Tangible products containing software components and non-software components that function together to deliver the tangible product s essential functionality are no longer within the scope of guidance for recognizing revenue from the sale of software, but would be accounted for in accordance with other authoritative guidance. The guidance is effective for fiscal years beginning on or after June 15, 2010, with earlier application permitted. The company does not believe the accounting guidance will have a material impact on its Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Certain of the accounting policies as discussed below require the application of significant judgment by management in selecting the appropriate estimates and assumptions for calculating amounts to record in the financial statements. Actual results could differ from those estimates and assumptions, impacting the reported results of operations and financial position. Significant accounting policies are more fully described in the Notes to Consolidated Financial Statements included elsewhere in this Annual Report. Certain accounting policies,

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however, are considered to be critical in that they are most important to the depiction of the company s financial condition and results of operations and their application requires management s subjective judgment in making estimates about the effect of matters that are inherently uncertain. The company believes the following accounting policies are the most critical to aid in fully understanding and evaluating its reported financial results, as they require management s most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The company has reviewed these critical accounting policies and related disclosures with the Audit Committee of its Board of Directors.

Net Sales

Revenue Recognition: The company recognizes revenue on product sales in the period in which the sales process is complete. This generally occurs when products are shipped (FOB origin) to the customer in accordance with the terms of the sale, the risk of loss has been transferred, collectibility is reasonably assured and the pricing is fixed and determinable. At the end of each period, for those shipments where title to the products and the risk of loss and rewards of ownership do not transfer until the product has been received by the customer, the company adjusts revenues and cost of sales for the delay between the time that the products are shipped and when they are received by the customer. The company s distribution channels are primarily through direct sales and independent third party distributors.

Revenue & Billing: The company accepts orders from customers based on long term purchasing contracts and written sales agreements. Contract pricing and selling agreement terms are based on market factors, costs, and competition. Pricing normally is negotiated as an adjustment (premium or discount) from the company s published price lists. The customer is invoiced when the company s products are shipped to them in accordance with the terms of the sales agreement.

Returns & Credits: Some of the terms of the company s sales agreements and normal business conditions provide customers (distributors) the ability to receive price adjustments on products previously shipped and invoiced. This practice is common in the industry and is referred to as a ship and debit program. This program allows the distributor to debit the company for the difference between the distributors contracted price and a lower price for specific transactions. Under certain circumstances (usually in a competitive situation or large volume opportunity), a distributor will request authorization to reduce its price to its buyer. If the company approves such a reduction, the distributor is authorized to debit its account for the difference between the contracted price and the lower approved price. The company establishes reserves for this program based on historic activity and actual authorizations for the debit and recognizes these debits as a reduction of revenue.

The company has a return to stock policy whereby a customer with previous authorization from Littelfuse management can return previously purchased goods for full or partial credit. The company establishes an estimated allowance for these returns based on historic activity. Sales revenue and cost of sales are reduced to anticipate estimated returns.

The company properly meets all of the criteria for recognizing revenue when the right of return exists. Specifically, the company meets those requirements because:

1. The company s selling price is fixed or determinable at the date of the sale.

2. The company has policies and procedures to accept only credit worthy customers with the ability to pay the company.

3. The company s customers are obligated to pay the company under the contract and the obligation is not contingent on the resale of the product. (All ship and debit and returns to stock require specific circumstances and authorization.)

4. The risk ownership transfers to the company s customers upon shipment and is not changed in the event of theft, physical destruction or damage of the product.

5. The company bills at the ship date and establishes a reserve to reduce revenue from the in transit time until the product is delivered for FOB destination sales.

6. The company s customers acquiring the product for resale have economic substance apart from that provided by Littelfuse. All distributors are independent of the company.

7. The company does not have any obligations for future performance to bring about resale of the product by its customers.

8. The company can reasonably estimate the amount of future returns.

Volume Rebates: The company offers incentives to certain customers to achieve specific quarterly or annual sales targets. If customers achieve their sales targets, they are entitled to rebates. The company estimates the future cost of these rebates and recognizes this estimated cost as a reduction to revenue as products are sold.

Allowance for Doubtful Accounts: The company evaluates the collectibility of its trade receivables based on a combination of factors. The company regularly analyzes its significant customer accounts and, when the company becomes aware of a specific customer s inability to meet its financial obligations, the company records a specific reserve for bad debt to reduce the related receivable to the amount the company reasonably believes is collectible. The company also records allowances for all other customers based on a variety of factors including the length of time the receivables are past due, the financial health of the customer, macroeconomic considerations and past experience. Historically, the allowance for doubtful accounts has been adequate to cover bad debts. If circumstances related to specific customers change, the estimates of the recoverability of receivables could be further adjusted.

Inventory

The company performs regular detailed assessments of inventory, which include a review of, among other factors, demand requirements, product life cycle and development plans, component cost trends, product pricing, shelf life and quality issues. Based on the analysis, the company records adjustments to inventory for excess quantities, obsolescence or impairment when appropriate to reflect inventory at net realizable value. Historically, inventory reserves have been adequate to reflect inventory at net realizable values.

Goodwill and Other Intangible Assets

The company annually tests goodwill for impairment on the first day of its fiscal fourth quarter or at an interim date if there is an event or change in circumstances that indicates the asset may be impaired. Management determines the fair value of each of its business unit segments by using a discounted cash flow model (which includes forecasted five-year income statement and working capital projections, a market-based weighted average cost of capital and terminal values after five years) to estimate market value. In addition, the company compares its derived enterprise value on a consolidated basis to the company s market capitalization as of its test date to ensure its derived value approximates the market value of the company when taken as a whole. The company has defined its reportable segments as its reporting units for goodwill accounting.

As of the most recent annual test conducted on September 27, 2009, the company concluded the fair value of each of the reporting units exceeded its carrying value of invested capital and therefore, no goodwill impairment existed. Specifically, the company noted that its headroom, defined as the excess of fair value over the carrying value of invested capital, was 35%, 30% and 38% for its electronics, automotive and electrical reporting units, respectively, at September 27, 2009. Certain key assumptions used in the annual test included a discount rate of 14.5% and a long-term growth rate of 3% for all three business units.

In addition, the company performed a sensitivity test at September 27, 2009 that showed a 100 basis point increase in its discount rate or a 100 basis point decrease in the long-term growth rate for each reporting unit would not have changed the company s conclusion that no goodwill impairment existed at September 27, 2009.

The company will continue to perform a goodwill impairment test as required on an annual basis and on an interim basis, if certain conditions exist. Factors the company considers important, which could result in changes to its estimates, include underperformance relative to historical or projected future operating results and declines in acquisitions and trading multiples. Due to the diverse end user base and non-discretionary product demand, the company does not believe its future operating results will vary significantly relative to its historical and projected future operating results.

Long-Lived Assets

The company evaluates long-lived asset groups on an ongoing basis. Long-lived asset groups are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset group. If it is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value. The company s estimates of future cash flows from such assets could be impacted if it underperforms relative to historical or projected future operating results.

Environmental Liabilities

Environmental liabilities are accrued based on estimates of the probability of potential future environmental exposure. Expenses related to on-going maintenance of environmental sites are expensed as incurred. If actual or estimated probable future losses exceed the company s recorded liability for such claims, it would record additional charges as other expense during the period in which the actual loss or change in estimate occurred.

Pension and Supplemental Executive Retirement Plan

Littelfuse has a number of company-sponsored defined benefit plans primarily in North America, Europe and the Asia-Pacific region. The company recognizes the full unfunded status of the plan on the balance sheet. Actuarial gains and losses and prior service costs and credits are recognized as a component of accumulated other comprehensive income. Accounting for pensions requires estimating the future benefit cost and recognizing the cost over the employee s expected period of employment with the company. Certain assumptions are required in the calculation of pension costs and obligations. These assumptions include the discount rate, salary scales and the expected long-term rate of return on plan assets. The discount rate is intended to represent the rate at which pension benefit obligations could be settled by purchase of an annuity contract. These assumptions are subject to change based on stock and bond market returns and other economic factors. Actual results that differ from the company s assumptions are accumulated and amortized over future periods and therefore, generally affect its recognized expense and accrued liability in such future periods. While the company believes that its assumptions are appropriate given current economic conditions and its actual experience, significant differences in results or significant changes in the company s assumptions may materially affect its pension obligations and related future expense. Further information regarding these plans is provided in Note 12 of the Notes to Consolidated Financial Statements included in this report.

Stock-based Compensation

Stock-based compensation expense is recorded for stock-option grants, restricted stock and performance-based restricted stock awards based upon the fair values of the awards. The fair value of stock option awards is estimated at the grant date using the Black-Scholes option pricing model, which includes assumptions for volatility, expected term, risk-free interest rate and dividend yield. Expected volatility is based on implied volatilities from traded options on Littelfuse stock, historical volatility of Littelfuse stock and other factors. Historical data is used to estimate employee termination experience and the expected term of the options. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The company has not paid any cash dividends in its history.

The performance-based restricted stock awards granted prior to 2008 vest in thirds over a three-year period (following the three-year performance period), and are paid annually as they vest, one half in the company s common stock and one half in cash. The performance-based restricted stock awards granted in 2008 vest after a three-year performance period and are paid completely in the company s common stock at the end of the performance period. The fair value of performance-based restricted stock awards that are paid in common stock is measured at the market price on the grant date, and the fair value of the portion paid in cash is measured at the current market price of a share.

The number of shares issued is based on the company attaining certain financial performance goals relating to return on net tangible assets (RONTA) for performance-based restricted stock awards granted prior to 2008, or return on net assets (RONA) for performance-based restricted stock granted in 2008 and 2009, as well as earnings before interest, taxes, depreciation and amortization (EBITDA) during the three-year performance period after the grant date. Stock-based compensation expense for performance-based restricted stock awards is based on the fair values and the company s current estimate of the probable number of shares to be issued (based on the probable outcome at the end of the performance period). As the company s estimate of the probable outcome changes in future periods, stock-based compensation expense is adjusted accordingly.

Total stock-based compensation expense was $5.5 million, $5.1 million and $5.0 million in 2009, 2008, and 2007, respectively. Further information regarding this expense is provided in Note 13 of the Notes to Consolidated Financial Statements included in this report.

Income Taxes

The company accounts for income taxes using the liability method. Deferred taxes are recognized for the future effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. The company recognizes deferred taxes for temporary differences, operating loss carryforwards and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. Federal and state income taxes are provided on the portion of foreign income that is expected to be remitted to the U.S. and be taxable.

The company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Further information regarding income taxes, including a detailed reconciliation of current year activity, is provided in Note 14 of the Notes to Consolidated Financial Statements included in this report.

Outlook

The company s automotive and electronics markets weakened significantly beginning in the fourth quarter of 2008. The electrical market lagged and began to weaken in 2009. Excluding Startco, acquired in late 2008, electrical sales were down 22% for 2009 in line with automotive and electronics, due to the decline in non-residential construction. During the second half of 2009, the company began to experience an up-tick in demand across all segments. Sales for the fourth quarter of 2009 of $127.9 million represented a 10% sequential increase over the 2009 third quarter.

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The company also began benefiting from its plan initiated in 2005 to reduce and consolidate its manufacturing operations to low cost locations in China, the Philippines and Mexico. This plan is expected to be completed by the end of 2010. In addition to its plant restructuring, the company has also executed a plan to reduce operating expenses year over year.

With the significantly improved expense profile and guarded optimistic expectations for year over year revenue growth, pre tax operating margins should improve significantly in 2010.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The company is exposed to market risk from changes in interest rates, foreign exchange rates and commodities.

Interest Rates

The company had $63.2 million in debt outstanding at January 2, 2010, primarily related to the term loan, which is described above in Item 7 under *Liquidity and Capital Resources*. In order to reduce interest rate risk and effectively manage its exposure to fluctuations in the adjustable interest rate of the loan, the company entered into a one-year interest rate swap transaction with JPMorgan Chase Bank, N.A. on October 29, 2008. The interest rate swap was for a notional amount of $65 million and allowed the company to pay a fixed annual rate of 2.85% on the notional amount and required JPMorgan Chase Bank, N.A. to pay a floating rate tied to the one-month U.S. dollar LIBOR. The interest rate swap expired on October 29, 2009. While the remaining portion of this debt has a variable interest rate, the company s interest expense is not materially sensitive to changes in interest rate levels since debt levels and potential interest expense increases are insignificant relative to earnings.

Foreign Exchange Rates

The majority of the company s operations consist of manufacturing and sales activities in foreign countries. The company has manufacturing facilities in Mexico, Canada, Germany, China, Taiwan and the Philippines. During 2009, sales to customers outside the U.S. were 67.5% of total net sales. Substantially all sales in Europe are denominated in euros and substantially all sales in the Asia-Pacific region are denominated in U.S. dollars, Japanese yen, Korean won, Chinese yuan and Taiwanese dollars.

The company s foreign exchange exposures result primarily from sale of products in foreign currencies, foreign currency denominated purchases, employee-related and other costs of running operations in foreign countries and translation of balance sheet accounts denominated in foreign currencies. The company s most significant long exposure is to the euro, with lesser long exposures to the Canadian dollar, Japanese yen and Korean won. The company s most significant short exposures are to the Mexican peso, Philippine peso and Chinese yuan. Changes in foreign exchange rates could affect the company s sales, costs, balance sheet values and earnings. The company uses netting and offsetting intercompany account management techniques to reduce known foreign currency exposures where possible and also, from time to time, utilizes derivative instruments to hedge certain foreign currency exposures deemed to be material.

During 2009, the company entered into a forward contract to purchases Mexican Peso. The purpose of the contract was to hedge approximately 60% of the company s forecasted Mexican peso exposure included within a U.S. dollar functional currency entity. See Note 7 for additional disclosure.

Commodities

The company uses various metals in the manufacturing of its products, including copper, zinc, tin, gold and silver. Prices of these commodities can and do fluctuate significantly, which can impact the company s earnings. The most significant of these exposures is to copper and zinc, where at current prices and volumes, a

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10% price change in copper would affect pretax profit by approximately $1.4 million. A 10% change in zinc would affect pretax profit by approximately $0.5 million.

The cost of oil fluctuated dramatically over the past several years. Consequently, there is a risk that a return to high prices for oil and electricity in 2010 could have a significant impact on the company s transportation and utility expenses.

While the company is exposed to significant changes in certain commodity prices and foreign currency exchange rates, the company actively monitors these exposures and takes various actions to mitigate any negative impacts of these exposures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Littelfuse, Inc.

We have audited the accompanying consolidated balance sheets of Littelfuse, Inc. and subsidiaries (Company) as of January 2, 2010, and December 27, 2008, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended January 2, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Littelfuse, Inc. and subsidiaries at January 2, 2010 and December 27, 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 2, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As described in Note 1 of the notes to the consolidated financial statements, effective December 28, 2008, the Company adopted new rules regarding the accounting for noncontrolling interests. As described in Note 17 of the notes to the consolidated financial statements, effective December 28, 2008, the Company adopted the two-class method of computing earnings per share.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Littelfuse, Inc. and subsidiaries internal control over financial reporting as of January 2, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2010, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Chicago, Illinois
February 26, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Littelfuse, Inc.

We have audited Littelfuse, Inc. s internal control over financial reporting as of January 2, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Littelfuse, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Form 10-K. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Littelfuse, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 2, 2010, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Littelfuse, Inc. and subsidiaries as of January 2, 2010, and December 27, 2008, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended January 2, 2010, and our report dated February 26, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Chicago, Illinois
February 26, 2010

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CONSOLIDATED BALANCE SHEETS

(In thousands of USD)	January 2, 2010	December 27, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,354	$ 70,937
Accounts receivable, less allowances (2009 - $9,975; 2008 - $12,770)	79,521	62,126
Inventories	52,567	66,679
Deferred income taxes	13,804	11,693
Prepaid expenses and other current assets	18,196	17,968
Assets held for sale	7,343	
Total current assets	241,785	229,403
Property, plant, and equipment:		
Land	7,808	11,089
Buildings	56,916	68,165
Equipment	280,928	301,835
Accumulated depreciation	(207,500)	(220,939)
Net property, plant and equipment	138,152	160,150
Intangible assets, net of amortization:		
Patents, licenses and software	12,451	8,077
Distribution network	10,837	11,577
Customer lists, trademarks and tradenames	13,363	2,954
Goodwill	94,986	106,961
Investments	11,742	3,436
Deferred income taxes	8,460	15,235
Oth		