

LITTELFUSE INC /DE
Form 10-Q
July 31, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 27, 2015

OR

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 (I.R.S. Employer Identification No.)
of incorporation or organization)

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)

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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 No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer 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 No

As of July 24, 2015, 22,647,323 shares of common stock, \$.01 par value, of the registrant were outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LITTELFUSE, INC.

Condensed Consolidated Balance Sheets

(In thousands of USD, except share amounts)

| | June 27, 2015 (unaudited) | December 27, 2014 |
|---|--|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 311,915 | \$297,571 |
| Short-term investments | 3,954 | 4,302 |
| Accounts receivable, less allowances | 151,283 | 135,356 |
| Inventories | 97,735 | 97,391 |
| Deferred income taxes | 17,378 | 17,481 |
| Prepaid expenses and other current assets | 15,357 | 13,904 |
| Assets held for sale | 5,500 | 5,500 |
| Total current assets | 603,122 | 571,505 |
| Property, plant and equipment: | | |
| Land | 5,542 | 5,697 |
| Buildings | 63,546 | 64,609 |
| Equipment | 389,026 | 370,179 |
| | 458,114 | 440,485 |
| Accumulated depreciation | (291,735) | (281,845) |
| Net property, plant and equipment | 166,379 | 158,640 |
| Intangible assets, net of amortization: | | |
| Patents, licenses and software | 21,449 | 23,640 |
| Distribution network | 17,813 | 19,428 |
| Customer lists, trademarks and tradenames | 58,018 | 60,605 |
| Goodwill | 192,947 | 196,256 |
| Other investments | 14,503 | 12,056 |
| Deferred income taxes | 5,604 | 5,393 |
| Other assets | 19,456 | 23,303 |
| Total assets | \$ 1,099,291 | \$ 1,070,826 |

Liabilities and Equity

| | | |
|---|---------------------|--------------|
| Current liabilities: | | |
| Accounts payable | \$ 53,919 | \$50,793 |
| Accrued payroll | 25,501 | 30,511 |
| Accrued expenses | 19,668 | 13,059 |
| Accrued severance | 2,033 | 790 |
| Accrued income taxes | 8,547 | 9,045 |
| Current portion of accrued post-retirement benefits | 11,768 | 11,768 |
| Current portion of long-term debt | 82,250 | 88,500 |
| Total current liabilities | 203,686 | 204,466 |
| Long-term debt, less current portion | 96,993 | 106,658 |
| Deferred income taxes | 11,173 | 11,076 |
| Accrued post-retirement benefits | 5,247 | 5,147 |
| Other long-term liabilities | 14,900 | 15,814 |
| Total equity | 767,292 | 727,665 |
| Total liabilities and equity | \$ 1,099,291 | \$ 1,070,826 |

Common shares issued and outstanding of 22,725,882 and 22,585,529, at June 27, 2015, and December 27, 2014, respectively.

See accompanying notes.

LITTELFUSE, INC.**Consolidated Statements of Net Income**

(In thousands of USD, except per share amounts, unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|--|-------------------------------|------------------|-----------------------------|------------------|
| | June 27, 2015 | June 28, 2014 | June 27, 2015 | June 28, 2014 |
| Net sales | \$222,021 | \$220,908 | \$432,334 | \$427,767 |
| Cost of sales | 136,740 | 137,913 | 270,723 | 266,278 |
| Gross profit | 85,281 | 82,995 | 161,611 | 161,489 |
| Selling, general and administrative expenses | 38,772 | 38,328 | 75,117 | 72,499 |
| Research and development expenses | 7,361 | 7,810 | 14,745 | 15,384 |
| Amortization of intangibles | 2,977 | 3,138 | 6,030 | 6,297 |
| | 49,110 | 49,276 | 95,892 | 94,180 |
| Operating income | 36,171 | 33,719 | 65,719 | 67,309 |
| Interest expense | 948 | 1,228 | 2,099 | 2,444 |
| Foreign exchange (gain) loss | (1,292) | 2,375 | 1,825 | 2,123 |
| Other (income) expense, net | (1,202) | (1,446) | (2,328) | (2,632) |
| Income before income taxes | 37,717 | 31,562 | 64,123 | 65,374 |
| Income taxes | 9,033 | 6,984 | 15,444 | 15,407 |
| Net income | \$28,684 | \$24,578 | \$48,679 | \$49,967 |
| Net income per share (see Note 7): | | | | |
| Basic | \$1.26 | \$1.09 | \$2.15 | \$2.22 |
| Diluted | \$1.26 | \$1.08 | \$2.13 | \$2.20 |
| Weighted average shares and equivalent shares outstanding: | | | | |
| Basic | 22,691 | 22,579 | 22,645 | 22,536 |
| Diluted | 22,835 | 22,750 | 22,810 | 22,738 |
| Cash dividends paid per common share | \$0.25 | \$0.22 | \$0.50 | \$0.44 |

See accompanying notes.

LITTELFUSE, INC.**Consolidated Statements of Comprehensive Income**

(In thousands of USD, unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|--|-------------------------------|------------------|-----------------------------|------------------|
| | June 27, 2015 | June 28, 2014 | June 27, 2015 | June 28, 2014 |
| Net income | \$28,684 | \$24,578 | \$48,679 | \$49,967 |
| Other comprehensive income (loss): | | | | |
| Pension liability adjustments (net of tax of \$385 and \$67, for the three months ended 2015 and 2014, and \$416 and \$160 for the six months ended 2015 and 2014, respectively) | (198) | 39 | (124) | (5) |
| Reclassification adjustments to expense, (net of tax of (\$249) and \$0, for the three months ended 2015 and 2014, and (\$498) and \$0 for the six months ended 2015 and 2014, respectively) | 985 | — | 1,971 | — |
| Unrealized gain on investments | 1,380 | 2,276 | 3,336 | 3,584 |
| Foreign currency translation adjustments | 3,821 | 6,850 | (10,153) | (311) |
| Comprehensive income | \$34,672 | \$33,743 | \$43,709 | \$53,235 |

See accompanying notes.

LITTELFUSE, INC.**Consolidated Statements of Cash Flows**

(In thousands of USD, unaudited)

| | For the Six Months Ended | |
|---|-----------------------------|------------------|
| | June 27, 2015 | June 28, 2014 |
| Operating activities: | | |
| Net income | \$48,679 | \$49,967 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 14,761 | 14,459 |
| Amortization of intangibles | 6,030 | 6,297 |
| Stock-based compensation | 5,764 | 5,229 |
| Non-cash inventory charge | — | 2,769 |
| Excess tax benefit on share-based compensation | (1,470) | (2,230) |
| Loss on sale of assets | 329 | 141 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (21,266) | (17,871) |
| Inventories | (1,199) | 410 |
| Accounts payable | 3,440 | 2,533 |
| Accrued expenses (including post-retirement) | 11,129 | (7,578) |
| Accrued payroll and severance | (3,652) | (7,323) |
| Accrued taxes | (3,003) | (2,101) |
| Prepaid expenses and other | 2,422 | (2,189) |
| Net cash provided by operating activities | 61,964 | 42,513 |
| Investing activities: | | |
| Acquisition of business, net of cash acquired | — | (52,768) |
| Purchases of property, plant, and equipment | (26,388) | (13,132) |
| Decrease in entrusted loan receivable | 3,519 | — |
| Proceeds from sale of assets | 48 | 37 |
| Net cash used in investing activities | (22,821) | (65,863) |
| FINANCING activities: | | |
| Proceeds from revolving credit facility | 11,000 | 97,500 |
| Payments of revolving credit facility | (21,000) | (19,500) |
| Payments of term loan | (2,500) | (2,500) |
| Payments of entrusted loan | (3,519) | — |
| Debt issuance costs | (42) | (108) |
| Cash dividends paid | (11,296) | (9,921) |
| Purchases of common stock | — | (14,283) |
| Proceeds from exercise of stock options | 6,278 | 11,101 |
| Excess tax benefit on share-based compensation | 1,470 | 2,230 |

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| | | |
|--|------------------|-----------|
| Net cash (used in) provided by financing activities | (19,609) | 64,519 |
| Effect of exchange rate changes on cash and cash equivalents | (5,190) | 45 |
| Increase in cash and cash equivalents | 14,344 | 41,214 |
| Cash and cash equivalents at beginning of period | 297,571 | 305,192 |
| Cash and cash equivalents at end of period | \$311,915 | \$346,406 |

See accompanying notes.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)**1. Basis of Presentation**

The accompanying unaudited Condensed Consolidated Financial Statements of Littelfuse, Inc. and its subsidiaries (the “company”) have been prepared in accordance with U.S. *Generally Accepted Accounting Principles* (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulations S-X. Accordingly, certain information and disclosures normally included in the consolidated balance sheet, statements of net income and comprehensive income and cash flows prepared in conformity with U.S. GAAP have been condensed or omitted as permitted by such rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the period ended June 27, 2015 are not necessarily indicative of the results that may be expected for the year ending January 2, 2016. For further information, refer to the company’s consolidated financial statements and the notes thereto incorporated by reference in the company’s Annual Report on Form 10-K for the year ended December 27, 2014. The company evaluated subsequent events through the date of its financial statements when filed with the Securities and Exchange Commission (“SEC”).

2. Acquisition of Business*SymCom, Inc.*

On January 3, 2014, the company acquired 100% of SymCom, Inc. (“SymCom”) for \$52.8 million net of cash acquired. Located in Rapid City, South Dakota, SymCom provides overload relays and pump controllers primarily to the industrial market. The acquisition allows the company to strengthen its position in the relay products market by adding new products and new customers within its Electrical business unit segment. The company funded the acquisition with available cash and proceeds from credit facilities.

The following table sets forth the final purchase price allocation for SymCom acquisition-date net assets, in accordance with the purchase method of accounting with adjustments to record the acquired net assets at their estimated fair values.

| | |
|--|-------|
| SymCom final purchase price allocation | |
| (in thousands): | |
| Cash | \$325 |

| | |
|-------------------------------|----------|
| Current assets, net | 9,154 |
| Property, plant and equipment | 11,193 |
| Goodwill | 15,018 |
| Trademarks | 17,020 |
| Patents | 1,500 |
| Other non-current assets | 20 |
| Current liabilities | (1,137) |
| | \$53,093 |

All SymCom goodwill and other assets and liabilities were recorded in the Electrical business unit segment and reflected in the Americas geographical area. The trademarks are being amortized over 15 to 20 years. The patents are being amortized over 16 to 17 years. The goodwill resulting from this acquisition consists largely of the company's expected future product sales and synergies from combining SymCom's products with the company's existing electrical product offerings. Goodwill for the above acquisition is expected to be deductible for tax purposes.

As required by purchase accounting rules, the company initially recorded a \$2.6 million step-up of inventory to its fair value as of the acquisition date based on the preliminary valuation. During the first quarter of 2014, as a portion of this inventory was sold, cost of goods sold included a \$1.4 million non-cash charge for this step-up.

Pro forma financial information is not presented for the SymCom acquisition due to amounts not being materially different than actual results.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)**3. Inventories**

The components of inventories at June 27, 2015 and December 27, 2014 are as follows (in thousands):

| | June 27, 2015 | December 27, 2014 |
|-------------------|------------------------------|----------------------|
| Raw material | \$33,193 | \$ 29,756 |
| Work in process | 16,404 | 15,164 |
| Finished goods | 48,138 | 52,471 |
| Total inventories | \$97,735 | \$ 97,391 |

4. Other Investments

The company's other investments represent shares of Polytronics Technology Corporation Ltd. ("Polytronics"), a Taiwanese company. The Polytronics investment was acquired as part of the Heinrich Companies acquisition in 2004. The fair value of the Polytronics investment was €12.9million (approximately \$14.5 million) at June 27, 2015 and €9.9 million (approximately \$12.1 million) at December 27, 2014. Included in 2015 other comprehensive income is an unrealized gain of \$3.4 million, due to the increase in fair market value of the Polytronics investment. The remaining movement was due to the impact of changes in exchange rates.

5. Debt

The carrying amounts of debt at June 27, 2015 and December 27, 2014 are as follows (in thousands):

| | June 27, 2015 | December 27, 2014 |
|---------------------------|--------------------------|----------------------|
| Term loan | \$91,250 | \$93,750 |
| Revolving credit facility | 73,500 | 83,500 |
| Entrusted loan | 14,493 | 17,908 |
| Total debt | 179,243 | 195,158 |

| | | |
|--------------------------|-----------------|------------|
| Less: Current maturities | 82,250 | 88,500 |
| Total long-term debt | \$96,993 | \$ 106,658 |

The company currently has a credit agreement with J.P Morgan Securities LLC for up to \$375.0 million which consists of an unsecured revolving credit facility of \$275.0 million and an unsecured term loan of \$100.0 million. The credit agreement, effective May 31, 2013, is for a five year period. The company incurred debt issuance costs of \$0.1 million which will be amortized over the life of the existing credit agreement. As of June 27, 2015, the company had available \$200.9 million of borrowing capacity under the revolving credit agreement at an interest rate of LIBOR plus 1.0% (1.19% as of June 27, 2015). At June 27, 2015, the company was in compliance with all covenants under the revolving credit facility.

Entrusted Loan

During the fourth quarter of 2014, the company entered into an entrusted loan arrangement (“Entrusted Loan”) of RMB 110.0 million (approximately \$17.9 million) between two of its China legal entities, Littelfuse Semiconductor (Wuxi) Company (the “*Lender*”) and Suzhou Littelfuse OVS Ltd. (the “*Borrower*”), utilizing Bank of America, N.A., Shanghai Branch as agent. Direct borrowing and lending between two commonly owned commercial entities is strictly forbidden under China’s regulations requiring the use of a third party agent to enable loans between Chinese legal entities. As a result, the Entrusted Loan is reflected as both a long-term asset and long-term debt on the company’s Consolidated Balance Sheets and is reflected in the investing and financing activities in its Consolidated Statements of Cash Flows. Interest expense and interest income will be recorded between the lender and borrower with no net impact on the company’s Consolidated Statements of Income since the amounts will be offsetting. The loan interest rate per annum is 5.25%. The Entrusted Loan is used to finance the operation and working capital needs of the borrower and matures in November 2019.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

6. Fair Value of Assets and Liabilities

In determining fair value, the company uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Applicable accounting literature establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Applicable accounting literature defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1—Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2—Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Investment in Polytronics

The company holds an investment in the equity securities of Polytronics as described in Note 4. Equity securities listed on a national market or exchange are valued at the last sales price. Such securities are classified within Level 1 of the valuation hierarchy.

There were no changes during the six months ended June 27, 2015 to the company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of June 27, 2015 and December 27, 2014 the company held no non-financial assets or liabilities that are required to be measured at fair value on a recurring basis.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 27, 2015 (in thousands):

| | Fair Value Measurements Using | | | | |
|---------------------------|--------------------------------------|--------------------|---------------------|--------------|--|
| | Quoted | | | | |
| | Prices | | | | |
| | in | | | | |
| | Active | Significant | Significant | | |
| | Markets | Other | Unobservable | Total | |
| | for | Observable | Inputs | | |
| | Identical | Inputs | (Level 3) | | |
| | Assets | (Level 2) | | | |
| | (Level | | | | |
| | 1) | | | | |
| Investment in Polytronics | \$14,503 | \$ — | \$ — | \$14,503 | |
| Total | \$14,503 | \$ — | \$ — | \$14,503 | |

Notes to CONDENSED Consolidated Financial Statements (Unaudited)**6. Fair Value of Assets and Liabilities, continued**

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 27, 2014 (in thousands):

| | Fair Value Measurements Using | | | |
|---------------------------|-------------------------------|-------------|--------------|----------|
| | Quoted | | | |
| | Prices | | | |
| | in | Significant | Significant | Total |
| | Active | Other | Unobservable | |
| | Markets | Observable | Inputs | |
| | for | Inputs | (Level 3) | |
| | Identical | (Level 2) | | |
| | Assets | | | |
| | (Level | | | |
| | 1) | | | |
| Investment in Polytronics | \$12,056 | \$ — | \$ — | \$12,056 |
| Total | \$12,056 | \$ — | \$ — | \$12,056 |

The company's other financial instruments include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and debt. The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and debt approximate their fair values. The company's debt fair value approximates book value at June 27, 2015 and December 27, 2014, respectively, as the variable interest rates fluctuate along with market interest rates.

7. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share for the periods ended June 27, 2015 and June 28, 2014 (in thousands except per share amounts).

| | |
|---------------|--------------|
| For the Three | For the Six |
| Months Ended | Months Ended |

| | June 27, 2015 | June 28, 2014 | June 27, 2015 | June 28, 2014 |
|---|------------------------------|------------------|------------------------------|------------------|
| Net income | \$28,684 | \$24,578 | \$48,679 | \$49,967 |
| Average shares outstanding - Basic | 22,691 | 22,579 | 22,645 | 22,536 |
| Net effect of dilutive stock options and restricted share units | 144 | 171 | 165 | 202 |
| Average shares - Diluted | 22,835 | 22,750 | 22,810 | 22,738 |
| Net income per share: | | | | |
| Basic | \$1.26 | \$1.09 | \$2.15 | \$2.22 |
| Diluted | \$1.26 | \$1.08 | \$2.13 | \$2.20 |

Potential shares of common stock relating to stock options excluded from the earnings per share calculation because their effect would be anti-dilutive were 113,878 and 46,190 for the three months ended June 27, 2015 and June 28, 2014 and 90,875 and 22,708 for the six months ended June 27, 2015 and June 28, 2014, respectively.

8. Income Taxes

The effective tax rate for the second quarter of 2015 was 23.9% compared to an effective tax rate of 22.1% in the second quarter of 2014. The effective tax rate for the six months ended June 27, 2015 was 24.1% as compared to an effective tax rate of 23.6% for the six months ended June 28, 2014. The effective tax rates for both the second quarter and six month periods of 2015 and 2014 are lower than the U.S. statutory tax rate primarily due to the result of more income earned in low tax jurisdictions.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

8. Income Taxes, continued

The company has restructured the legal ownership of its Mexican manufacturing operations as of June 28, 2015. Although the transaction was completed in the third quarter, the company considered the impact on the effective tax rate for the second quarter and determined such impact was not material.

9. Pensions

The components of net periodic benefit cost for the three and six months ended June 27, 2015, compared with the three and six months ended June 28, 2014, were (in thousands):

| | U.S. Pension Benefits | | | | Foreign Plans | | | |
|---|-----------------------|-----------------|------------------|-----------------|--------------------|---------------|------------------|---------------|
| | Three Months Ended | | Six Months Ended | | Three Months Ended | | Six Months Ended | |
| | June 27, 2015 | June 28, 2014 | June 27, 2015 | June 28, 2014 | June 27, 2015 | June 28, 2014 | June 27, 2015 | June 28, 2014 |
| Service cost | \$250 | \$150 | \$500 | \$300 | \$315 | \$311 | \$630 | \$622 |
| Interest cost | 1,031 | 971 | 2,062 | 1,942 | 513 | 592 | 1,026 | 1,183 |
| Expected return on plan assets | (916) | (1,411) | (1,832) | (2,822) | (601) | (573) | (1,201) | (1,146) |
| Amortization of net loss | 290 | 137 | 580 | 274 | 62 | 47 | 123 | 95 |
| Total cost (credit) of the plan | 655 | (153) | 1,310 | (306) | 289 | 377 | 578 | 754 |
| Expected plan participants' contribution | - | - | - | - | - | - | - | - |
| Net periodic benefit cost (credit) | \$655 | \$(153) | \$1,310 | \$(306) | \$289 | \$377 | \$578 | \$754 |

The expected rate of return assumption on domestic pension assets is 3.90% and 6.75% in 2015 and 2014, respectively. The expected return on foreign pension assets is 5.39% and 5.14% in 2015 and 2014, respectively.

Plan Termination

The company received approval from the IRS on April 14, 2015 on its Application for Determination for Terminating Plan to terminate the U.S. defined benefit pension plan, the Littelfuse Inc. Retirement Plan, effective July 30, 2014. The current liability balance of \$11.8 million at June 27, 2015, represents the projected cost to settle the plan's liability in conjunction with the upcoming plan termination. Settlement is expected to occur during the third quarter of 2015.

10. Business Unit Segment Information

The company and its subsidiaries design, manufacture and sell circuit protection devices throughout the world. The company reports its operations by the following business unit segments: Electronics, Automotive, and Electrical. Each operating segment is directly responsible for sales, marketing and research and development. Manufacturing, purchasing, logistics, customer service, finance, information technology and human resources are shared functions that are allocated back to the three operating segments. The CEO allocates resources to and assesses the performance of each operating segment using information about its revenue and operating income (loss) before interest and taxes, but does not evaluate the operating segments using discrete balance sheet information.

Sales, marketing and research and development expenses are charged directly into each operating segment. All other functions are shared by the operating segments and expenses for these shared functions are allocated to the operating segments and included in the operating results reported below. The company does not report inter-segment revenue because the operating segments do not record it. The company does not allocate interest and other income, interest expense, or taxes to operating segments. Although the CEO uses operating income (loss) to evaluate the segments, operating costs included in one segment may benefit other segments. Except as discussed above, the accounting policies for segment reporting are the same as for the company as a whole.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

10. Business Unit Segment Information, continued

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 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 (“CEO”)

Business unit segment information for the three and six months ended June 27, 2015 and June 28, 2014 are summarized as follows (in thousands):

| | For the Three Months Ended | | For the Six Months Ended | |
|--------------------------------------|-------------------------------|------------------|-----------------------------|------------------|
| | June 27, 2015 | June 28, 2014 | June 27, 2015 | June 28, 2014 |
| Net sales | | | | |
| Electronics | \$105,553 | \$109,947 | \$204,933 | \$205,972 |
| Automotive | 85,918 | 82,042 | 169,989 | 164,444 |
| Electrical | 30,550 | 28,919 | 57,412 | 57,351 |
| Total net sales | \$222,021 | \$220,908 | \$432,334 | \$427,767 |
| Depreciation and amortization | | | | |
| Electronics | \$5,775 | \$5,530 | \$11,573 | \$10,900 |
| Automotive | 3,303 | 3,646 | 6,639 | 7,174 |
| Electrical | 1,295 | 1,414 | 2,579 | 2,682 |
| Total depreciation and amortization | \$10,373 | \$10,590 | \$20,791 | \$20,756 |
| Operating income (loss) | | | | |
| Electronics | \$22,167 | \$25,634 | \$40,832 | \$45,005 |
| Automotive | 12,699 | 11,049 | 23,870 | 22,931 |
| Electrical | 4,709 | 571 | 7,439 | 4,317 |
| Other ⁽¹⁾ | (3,404) | (3,535) | (6,422) | (4,944) |
| Total operating income | 36,171 | 33,719 | 65,719 | 67,309 |
| Interest expense | 948 | 1,228 | 2,099 | 2,444 |
| Foreign exchange (gain) loss | (1,292) | 2,375 | 1,825 | 2,123 |
| Other (income) expense, net | (1,202) | (1,446) | (2,328) | (2,632) |
| Income before income taxes | \$37,717 | \$31,562 | \$64,123 | \$65,374 |

(1) For the three months ended June 27, 2015, “Other” consists of restructuring costs (\$2.5 million), acquisition expenses (\$0.2 million) and pension wind-up costs (\$0.7 million). For the six months ended June 27, 2015, “Other”

consist of restructuring costs (\$4.8 million), acquisition expenses (\$0.3 million) and pension wind-up costs (\$1.3 million).

The company's significant net sales by country for the three and six months ended June 27, 2015 and June 28, 2014 are summarized as follows (in thousands):

| | For the Three Months Ended(a) | | For the Six Months Ended(a) | |
|-----------------|----------------------------------|------------------|--------------------------------|------------------|
| | June 27, 2015 | June 28, 2014 | June 27, 2015 | June 28, 2014 |
| United States | \$89,608 | \$80,492 | \$172,981 | \$152,366 |
| China | 49,920 | 39,987 | 94,349 | 77,200 |
| Other countries | 82,493 | 100,429 | 165,004 | 198,201 |
| Total | \$222,021 | \$220,908 | \$432,334 | \$427,767 |

(a) Sales by country represent sales to customer or distributor locations.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)**10. Business Unit Segment Information, continued**

The company's significant long-lived assets and additions to long-lived assets by country as of June 27, 2015 and December 27, 2014 are summarized as follows (in thousands):

| | Long-lived assets ^(b) | |
|-----------------|----------------------------------|----------------------|
| | June 27, 2015 | December 27, 2014 |
| United States | \$34,129 | \$34,179 |
| Mexico | 46,052 | 47,936 |
| China | 40,416 | 40,981 |
| Other countries | 45,782 | 35,544 |
| Total | \$166,379 | \$158,640 |

(b) Long-lived assets consists of net property, plant and equipment.

The company's additions to long-lived assets for the six months ended June 27, 2015 and June 28, 2014 are summarized as follows (in thousands):

| | Additions to long-lived assets | |
|-----------------|-----------------------------------|------------------|
| | June 27, 2015 | June 28, 2014 |
| United States | \$6,615 | \$3,309 |
| Mexico | 4,190 | 4,694 |
| China | 4,080 | 2,506 |
| Other countries | 11,503 | 2,623 |
| Total | \$26,388 | \$13,132 |

11. Accumulated Other Comprehensive Income (Loss) (AOCI)

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The following table sets forth the changes in the components of AOCI by component (in thousands):

| <u>AOCI component</u> | Balance at December 27, 2014 | Other comprehensive income (loss) activity | Reclassification adjustment for expense included in net income | Balance at June 27, 2015 |
|---|---------------------------------------|---|--|---|
| Pension liability adjustment ^(a) | \$(29,615) | \$ (124) | \$ 1,971 | \$(27,768) |
| Unrealized gain on investments ^(b) | 10,791 | 3,336 | — | 14,127 |
| Foreign currency translation adjustment | (2,302) | (10,153) | — | (12,455) |
| AOCI (loss) income | \$(21,126) | \$ (6,941) | \$ 1,971 | \$(26,096) |

(a) Balances are net of tax of \$12,055 and \$12,857 for 2015 and 2014, respectively.

(b) Balances are net of tax of \$0 and \$0 for 2015 and 2014, respectively.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Littelfuse Overview

Littelfuse, Inc. and its subsidiaries (the “company” or “Littelfuse”) is the worldwide leader in circuit protection offering the industry’s broadest and deepest portfolio of circuit protection products and solutions. The company’s devices protect products in virtually every market that uses electrical energy, from consumer electronics to automobiles to industrial equipment. The company’s worldwide revenue in 2014 was \$852.0 million and net earnings were \$99.4 million. The company conducts its business through three reportable segments, which are defined by markets and consist of Electronics, Automotive, and Electrical. The company’s customer base includes original equipment manufacturers, tier one automotive suppliers and distributors.

In addition to protecting and growing its core circuit protection business, Littelfuse has been investing in power control and sensing technologies. These newer platforms combined with the company’s strong balance sheet and operating cash flow, provide opportunities for increased organic and acquisition growth. In 2012, the company set a five-year strategic plan to grow annual sales at 15% per year; 5% organically and 10% through acquisitions.

To maximize shareholder value, the company’s primary strategic goals are to:

- Grow organically faster than its markets;
- Double the pace of acquisitions;
- Sustain high-teens operating margins;
- Improve return on investment; and
- Return excess cash to shareholders.

The company serves markets that are directly impacted by global economic trends with significant exposures to the consumer electronics, automotive, industrial and mining end markets. The company’s results will be impacted positively or negatively by changes in these end markets.

Electronics Segment

The Electronics segment sells passive and semiconductor components and modules as well as sensors primarily into the global consumer electronics, general industrial and telecommunications markets. The core electronics markets are characterized by significant Asia competition and price erosion. As a result, the company is focusing additional efforts on higher growth, less price sensitive niche markets (such as LED lighting) and higher-power industrial applications.

Automotive Segment

The Automotive segment is comprised of passenger vehicle circuit protection, commercial vehicle products and sensors for vehicle applications. The primary growth drivers for these businesses are increasing global demand for passenger and commercial vehicles and increasing content per vehicle for both circuit protection and sensing products. The move away from internal combustion engines to hybrid and electric drive systems that require more circuit protection is expected to be an additional growth driver.

Electrical Segment

The Electrical segment derives its revenues from power fuses, protection relays and custom products selling primarily into the industrial, mining, solar and oil and gas markets. Custom products sales, after several years of strong growth, have declined due to the completion of several large Canadian potash mining projects. The company has expanded this business by moving into new markets such as non-potash mining and oil and gas. Protection relay sales have also slowed due to the general slowdown in the global mining market.

The following table is a summary of the company's net sales by business unit and geography:

Net Sales by Business Unit and Geography (in thousands, unaudited)

| | Second Quarter | | | Year-to-Date | | |
|--------------------------------|------------------|------------------|-------------|------------------|------------------|-------------|
| | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Business Unit | | | | | | |
| Electronics | \$105,553 | \$109,947 | (4 %) | \$204,933 | \$205,972 | (1 %) |
| Automotive | 85,918 | 82,042 | 5 % | 169,989 | 164,444 | 3 % |
| Electrical | 30,550 | 28,919 | 6 % | 57,412 | 57,351 | 0 % |
| Total | \$222,021 | \$220,908 | 1 % | \$432,334 | \$427,767 | 1 % |
| Geography^(a) | | | | | | |
| Americas | \$103,033 | \$95,874 | 7 % | \$200,087 | \$185,025 | 8 % |
| Europe | 39,125 | 44,296 | (12 %) | 78,093 | 88,223 | (11 %) |
| Asia-Pacific | 79,863 | 80,738 | (1 %) | 154,154 | 154,519 | (0 %) |
| Total | \$222,021 | \$220,908 | 1 % | \$432,334 | \$427,767 | 1 % |

(a) Sales by geography represent sales to customer or distributor locations.

Results of Operations – Second Quarter, 2015 compared to 2014

The following table summarizes the company's consolidated results of operations for the periods presented. During the second quarter of 2015, there was approximately \$3.4 million of special charges (\$6.4 million year-to-date) consisting of \$0.9 million (\$1.9 million year-to-date) related to the company's transfer of its reed sensor manufacturing from the U.S. to the Philippines, \$1.7 million (\$2.9 million year-to-date) related to internal legal restructuring, \$0.2 million (\$0.3 million year-to-date) related to acquisition costs and \$0.7 million (\$1.3 million year-to-date) of expense related to the planned termination of the U.S. pension as described in Note 9.

| (In thousands, unaudited) | Second Quarter | | | Year-to-Date | | |
|---------------------------|----------------|-----------|-------------|--------------|-----------|-------------|
| | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| Sales | \$222,021 | \$220,908 | 1 % | \$432,334 | \$427,767 | 1 % |
| Gross Profit | 85,281 | 82,995 | 3 % | 161,611 | 161,489 | 0 % |
| Operating expense | 49,110 | 49,276 | (0 %) | 95,892 | 94,180 | 2 % |
| Operating income | 36,171 | 33,719 | 7 % | 65,719 | 67,309 | (2 %) |

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| | | | | | | |
|-----------------------------|-----------------|----------|--------|-----------------|----------|--------|
| Other (income) expense, net | (1,202) | (1,446) | (17 %) | (2,328) | (2,632) | (12 %) |
| Income before income taxes | 37,717 | 31,562 | 20 % | 64,123 | 65,374 | (2 %) |
| Net income | \$28,684 | \$24,578 | 17 % | \$48,679 | \$49,967 | (3 %) |

Net sales increased \$1.1 million or 1% to \$222.0 million in the second quarter of 2015 compared to \$220.9 million in the second quarter of 2014 due primarily to growth in automotive and electrical sales, offset by lower electronics sales. The company also experienced \$11.3 million in unfavorable foreign currency effects in the second quarter of 2015 as compared to the second quarter of 2014. The unfavorable foreign currency impact primarily resulted from sales denominated in the euro. Excluding currency effects, net sales increased \$12.4 million or 6% year-over-year.

Electronics sales decreased \$4.4 million or 4% to \$105.6 million in the second quarter of 2015 compared to \$109.9 million in the second quarter of 2014 due primarily to lower sales of semiconductor and sensor products. The electronics segment experienced \$3.6 million in unfavorable currency effects in the second quarter of 2015 primarily from sales denominated in euros. Excluding currency effects, net sales decreased \$0.8 million or 1% year-over-year.

Automotive sales increased \$3.9 million or 5% to \$85.9 million in the second quarter of 2015 compared to \$82.0 million in the second quarter of 2014 due to strong growth for sensors and commercial vehicle products partially offset by lower fuse sales. The automotive segment experienced \$6.6 million in unfavorable currency effects in the second quarter of 2015 primarily due to sales denominated in euros. Excluding currency effects, net sales increased \$10.5 million or 13% year-over-year.

Electrical sales increased \$1.6 million or 6% to \$30.6 million in the second quarter of 2015 compared to \$28.9 million in the second quarter of 2014 as higher fuse and custom sales were offset by weaker relay sales. The electrical segment experienced \$1.0 million in unfavorable currency effects in the second quarter of 2015 primarily from sales denominated in Canadian dollars and the euro. Excluding currency effects, net sales increased \$2.6 million or 9% year-over-year.

On a geographic basis, sales in the Americas increased \$7.2 million or 7% to \$103.0 million in the second quarter of 2015 compared to \$95.9 million in the second quarter of 2014 due primarily to strong growth in auto and electrical sales offset by \$0.6 million in unfavorable currency effects from sales denominated in Canadian dollars. Excluding currency effects, the Americas sales increased \$7.8 million or 8%.

Europe sales decreased \$5.2 million or 12% to \$39.1 million in the second quarter of 2015 compared to \$44.3 million in the second quarter of 2014 mainly due to \$10.3 million in unfavorable currency effects reflecting a decline in the euro during the current year quarter. Excluding currency effects, Europe sales increased \$5.2 million or 12% reflecting strong demand for automotive products.

Asia-Pacific sales decreased \$0.9 million or 1% to \$79.9 million in the second quarter of 2015 compared to \$80.7 million in the second quarter of 2014 due to a decline in electronics and electrical products and \$0.3 million in unfavorable currency effects offset by strong demand for automotive products. Excluding currency effects, Asia-Pacific sales increased \$0.6 million or 1% year-over-year.

Gross profit was \$85.3 million or 38% of net sales for the second quarter of 2015 compared to \$83.0 million or 38% of net sales in the same quarter last year. Gross profit for the second quarter of 2015 included \$0.9 million of charges related to the transfer of the company's reed switch production from the U.S. and China to the Philippines. Gross profit for the second quarter of 2014 included a \$1.4 million non-cash charge to cost of goods sold for inventory that was stepped up to fair value as a result of the SymCom acquisition and \$2.0 million in severance charges resulting from restructuring at the Hamlin-Mexico plant. Excluding the impact of these charges, gross profit was 39% of net sales for both the second quarter of 2015 and 2014.

Total operating expense was \$49.1 million or 22% of net sales for the second quarter of 2015 compared to \$49.3 million or 22% of net sales for the same quarter in 2014. The slight decrease in operating expenses primarily reflects lower research and development costs offset by higher internal legal restructuring costs and costs related to the wind-up of the U.S. pension plan.

Operating income for the second quarter of 2015 was approximately \$36.2 million compared to operating income of \$33.7 million for the same quarter in 2014 primarily as a result of higher sales and slightly lower operating expenses as described above.

Interest expense was \$0.9 million in the second quarter of 2015 and \$1.2 million in the second quarter of 2014 and reflects interest incurred for borrowing on the company's credit agreement.

Foreign exchange loss (gain), reflecting net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, was approximately \$1.3 million of income for the second quarter of 2015 as compared to \$2.4 million of expense for the second quarter of 2014 and primarily reflects fluctuations in the euro and Philippine peso against the U.S. dollar.

Other (income) expense, net, consisting of interest income, royalties and non-operating income items was approximately \$1.2 million of income for second quarter of 2015 and \$1.5 million of income for the second quarter of 2014.

Income before income taxes was \$37.7 million for the second quarter of 2015 compared to \$31.6 million for the second quarter of 2014. Income tax expense was \$9.0 million with an effective tax rate of 23.9% for the second quarter of 2015 compared to income tax expense of \$7.0 million with an effective tax rate of 22.1% in the second quarter of 2014. The effective tax rates for both the second quarter of 2015 and 2014 are lower than the U.S. statutory tax rate primarily due to more income earned in low tax jurisdictions.

Net income for the second quarter of 2015 was \$28.7 million or \$1.26 per diluted share compared to net income of \$24.6 million or \$1.08 per diluted share for the same quarter of 2014.

Results of Operations – Six months, 2015 compared to 2014

Net sales increased \$4.6 million or 1% to \$432.3 million for the first six months of 2015 compared to \$427.8 million in the first six months of 2014 due primarily to strong growth in automotive products, partially offset by lower electronics sales. The company also experienced \$21.2 million in unfavorable foreign currency effects in the first six months of 2015 as compared to 2014 primarily resulting from sales denominated in the euro. Excluding currency effects, net sales increased \$25.7 million or 6% year-over-year.

Electronics sales decreased \$1.0 million or 1% to \$204.9 million for the first six months of 2015 compared to \$206.0 million in the first six months of 2014 due primarily to negative currency effects offset by strong growth for fuse products. The electronics segment experienced \$6.6 million in unfavorable currency effects in the first six months of 2015 primarily from sales denominated in euro. Excluding currency effects, net sales increased \$5.5 million or 3% year-over-year.

Automotive sales increased \$5.5 million or 3% to \$170.0 million in the first six months of 2015 compared to \$164.4 million in the first six months of 2014 due to strong growth for sensors and commercial vehicle products offset by lower fuse sales. The automotive segment experienced \$12.5 million in unfavorable currency effects in the first six months of 2015 primarily due to sales denominated in euros. Excluding currency effects, net sales increased \$18.1 million or 11% year-over-year.

Electrical sales, before currency effects, were flat year-over year at \$57.4 million in the first six months of 2015 compared to \$57.4 million in the first six months of 2014 as higher custom and fuse sales were offset by weaker relay sales. The electrical segment experienced \$2.1 million in unfavorable currency effects in the first six months of 2015 primarily from sales denominated in Canadian dollars and the euro. Excluding currency effects, net sales increased \$2.1 million or 4% year-over-year.

On a geographic basis, sales in the Americas increased \$15.1 million or 8% to \$200.1 million in the first six months of 2015 compared to \$185.0 million in the first six months of 2014 due primarily to strong growth in auto and electronics sales offset by \$1.3 million in unfavorable currency effects from sales denominated in Canadian dollars. Excluding currency effects, the Americas sales increased \$16.4 million or 9%.

Europe sales decreased \$10.1 million or 11% to \$78.1 million in the first six months of 2015 compared to \$88.2 million in the first six months of 2014 mainly due to \$19.2 million in unfavorable currency effects reflecting a decline in the euro during the first six months. Excluding currency effects, Europe sales increased \$9.1 million or 10% reflecting strong demand for automotive products.

Asia-Pacific sales decreased \$0.4 million or less than 1% to \$154.2 million in the first six months of 2015 compared to \$154.5 million in the first six months of 2014 due primarily to strong demand for automotive products offset by lower electronics sales and unfavorable currency effects of \$0.6 million. Excluding currency effects, Asia-Pacific sales increased \$0.3 million or less than 1% year-over-year.

Gross profit was \$161.6 million or 37% of net sales for the first six months of 2015 compared to \$161.5 million or 38% of net sales for the first six months of 2014. Gross profit for the first six months of 2015 included \$1.9 million of charges related to the transfer of the company's reed switch production from the U.S. and China to the Philippines. Gross profit for the first six months of 2014 included a \$2.8 million non-cash charge to cost of goods sold for inventory that was stepped up to fair value as a result of the SymCom acquisition and \$2.0 million in severance charges resulting from restructuring at the Hamlin-Mexico plant. Excluding the impact of these charges, gross profit was 38% of net sales for the first six months of 2015 as compared to 39% for the first six months of 2014. The decrease in gross profit margin compared to the prior year was primarily attributable to foreign exchange losses primarily due to the decline in the euro.

Total operating expense was \$95.9 million or 22% of net sales for the first six months of 2015 compared to \$94.2 million or 22% of net sales for the first six months of 2014. The increase in operating expenses primarily reflects higher wage and benefit costs, internal legal restructuring costs and costs related to the wind-up of the U.S. pension plan offset by lower amortization of intangibles and research and development costs

Operating income for the first six months of 2015 was approximately \$65.7 million compared to operating income of \$67.3 million for the first six months of 2014, primarily as a result of the negative impact of foreign exchange on sales and gross profit as discussed above.

Interest expense was \$2.1 million for the first six months of 2015 compared to \$2.4 million for the first six months of 2014 and reflects interest for borrowing on the company's credit agreement.

Foreign exchange loss (gain), reflecting net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, was approximately \$1.8 million of expense for the first six months of 2015 compared to \$2.1 million of expense for the first six months of 2014 and primarily reflects fluctuations in the euro and Philippine peso against the U.S. dollar.

Other (income) expense, net, consisting of interest income, royalties and non-operating income items was approximately \$2.3 million of income for the first six months of 2015 compared to \$2.6 million of income for the first six months of 2014.

Income before income taxes was \$64.1 million for the second quarter of 2015 compared to \$65.4 million for the first six months of 2014. Income tax expense was \$15.4 million with an effective tax rate of 24.1% for the first six months of 2015 compared to income tax expense of \$15.4 million with an effective tax rate of 23.6% in the first six months of 2014. The effective tax rates for both 2015 and 2014 are lower than the U.S. statutory tax rate primarily due to more income earned in low tax jurisdictions.

Net income for the first six months of 2015 was \$48.7 million or \$2.13 per diluted share compared to net income of \$50.0 million or \$2.20 per diluted share for the same period of 2014.

Liquidity and Capital Resources

As of June 27, 2015, \$302.1 million of the \$311.9 million of the company's cash and cash equivalents was held by foreign subsidiaries. Of the \$302.1 million held by foreign subsidiaries, approximately \$17.7 million could be repatriated with minimal tax consequences. The company expects to maintain its foreign cash balances (other than the aforementioned \$17.7 million) for local operating requirements, to provide funds for future capital expenditures and for potential acquisitions. The company does not expect to repatriate these funds to the U.S.

The company historically has financed capital expenditures through cash flows from operations. 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.

Revolving Credit Facilities

In 2013, the company entered into a credit agreement with J.P. Morgan Securities LLC for up to \$325.0 million which consists of an unsecured revolving credit facility of \$225.0 million and an unsecured term loan of \$100.0 million. The credit agreement is for a five year period.

On January 30, 2014, the company increased the unsecured revolving credit facility by \$50.0 million thereby increasing the total revolver borrowing capacity from \$225.0 million to \$275.0 million. At June 27, 2015, the company had available \$200.9 million of borrowing capacity under the revolving credit agreement at an interest rate of LIBOR plus 1.0% (1.19% as of June 27, 2015).

This arrangement 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 and leverage. At June 27, 2015, the company was in compliance with all covenants under the revolving credit facility.

The company also had \$0.6 million outstanding in letters of credit at June 27, 2015. No amounts were drawn under these letters of credit at June 27, 2015.

Entrusted Loan

During the fourth quarter of 2014, the company entered into an entrusted loan arrangement (“Entrusted Loan”) of RMB 110.0 million (approximately \$17.9 million) between two of its China legal entities, Littelfuse Semiconductor (Wuxi) Company (the “*Lender*”) and Suzhou Littelfuse OVS Ltd. (the “*Borrower*”), utilizing Bank of America, N.A., Shanghai Branch as agent. Direct borrowing and lending between two commonly owned commercial entities is strictly forbidden under China’s regulations requiring the use of a third party agent to enable loans between Chinese legal entities. As a result, the Entrusted Loan is reflected as both a long-term asset and long-term debt on the company’s Consolidated Balance Sheets and is reflected in the investing and financing activities in its Consolidated Statements of Cash Flows. Interest expense and interest income will be recorded between the lender and borrower with no net impact on the company’s Consolidated Statements of Net Income since the amounts will be offsetting. The loan interest rate per annum is 5.25%. The Entrusted Loan is used to finance the operation and working capital needs of the borrower and matures in November 2019. The balance of the Entrusted Loan was RMB 88.5 million (approximately \$14.5 million) at June 27, 2015.

Cash Flow

The company started 2015 with \$297.6 million of cash and cash equivalents. Net cash provided by operating activities was approximately \$62.0 million for the first six months of 2015 reflecting \$48.7 million in net income and \$25.4 million in non-cash adjustments (primarily \$20.8 million in depreciation and amortization) offset by \$12.1 million in net changes to various operating assets and liabilities.

Changes in operating assets and liabilities for the first six months of 2015 (including short-term and long-term items) that impacted cash flows negatively consisted of increases in accounts receivable (\$21.3 million) and inventory (\$1.2 million), and decreases in accrued payroll and severance (\$3.7 million) and accrued and deferred taxes (\$3.0 million). The increase in accounts receivable was due to increased sales in the first six months of 2015. The decrease in accrued payroll and severance was due primarily to payouts for the 2014 management incentive plan which occurred in the

first quarter. Other changes having a positive impact on cash flows were increases in prepaid and other assets (\$2.4 million), accounts payable (\$3.4 million) and accrued expenses (\$11.1 million).

Net cash used in investing activities was approximately \$22.8 million for the first six months of 2015 and represented capital spending (\$26.4 million) offset by a reduction in the entrusted loan receivable (\$3.5 million) (see Note 5) .

Net cash used in financing activities was approximately \$19.6 million and included \$12.5 million in net payments on borrowings from the company's credit agreement, \$3.5 million in payments on the entrusted loan (see Note 5) and dividends paid of \$11.3 million offset by \$7.7 million from the exercise of stock options including tax benefits. The effects of exchange rate changes decreased cash and cash equivalents by approximately \$5.2 million. The net cash provided by operating activities combined with the effects of exchange rate changes less net cash used in investing and financing activities resulted in a \$14.3 million increase in cash, which left the company with a cash and cash equivalents balance of \$311.9 million at June 27, 2015.

The ratio of current assets to current liabilities was 3.0 at the end of the second quarter of 2015 compared to 2.8 at year-end 2014 and 2.2 at the end of the second quarter of 2014. Days sales outstanding in accounts receivable was approximately 62 days at the end of the second quarter of 2015 compared to 60 days at the end of the second quarter of 2014 and 60 days at year-end 2014. Days inventory outstanding was approximately 65 days at the end of the second quarter of 2015 compared to 68 days at the year-end 2014 and 64 days at end of the second quarter of 2014.

Outlook

Sales are expected to be flat sequentially in the third quarter of 2015 due to expected less-than-normal seasonal strength for electronics while the electrical business continues to improve and automotive trends remain solid despite slowing growth in global car production. The mining sector is expected to remain weak at least through the remainder of this year. Foreign currency effects are expected to remain volatile. The company issued the following guidance for the third quarter of 2015:

Sales for the third quarter of 2015 are expected to be in the range of \$211 to \$221 million. At the midpoint, this is flat with the prior year quarter or approximately 4% growth on a constant currency basis.

The full year effective tax rate is expected to be approximately 23.5%, although this assumes that Congress approves the R&D credit and the “look-through” provision for 2015 as it did in 2014. Until such time, the rate is expected to be about 50 basis points higher.

Earnings for the third quarter of 2015 are expected to be in the range of \$1.24 to \$1.36 per diluted share. This includes negative currency effects of approximately \$0.10 compared to the prior year.

Although capital expenditures through the first six months of the year are \$26.4 million, it is expected that spending will slow down in the second half resulting in full year capital expenditures of approximately \$40 to \$45 million.

Cautionary Statement Regarding Forward-Looking Statements Under the Private Securities Litigation Reform Act of 1995 (“PSLRA”).

The statements in this section and the other sections of this report that are not historical facts are intended to constitute “forward-looking statements” entitled to the safe-harbor provisions of the PSLRA. 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 reserves, failure of an indemnification for environmental liability, exchange rate fluctuations, commodity price fluctuations, the effect of the company’s accounting policies, labor disputes, restructuring costs in excess of expectations, pension plan asset returns less than assumed, integration of acquisitions and other risks which may be detailed in the company’s other Securities and Exchange Commission filings. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual results and outcomes may differ materially from those indicated or implied in the forward-looking statements. This report should be read in conjunction with information provided in the financial statements appearing in the company’s Annual Report on Form 10-K for the year ended December 27, 2014. For a further discussion of the risk factors of the company, please see Item 1A. “*Risk Factors*” to the company’s Annual Report on Form 10-K for the year ended December 27, 2014.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Interest Rates

The company had \$164.8 million in debt outstanding at June 27, 2015 related to the unsecured revolving credit facility and term loan. While 100% of this debt has variable interest rates, 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 the U.S., Mexico, Canada, Denmark, China, Lithuania and the Philippines. During the first six months of 2015, sales to customers outside the U.S. were approximately 60% 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 renminbi or Taiwanese dollars.

The company's foreign exchange exposures result primarily from sale of products in foreign currencies, foreign currency denominated purchases, intercompany loans, 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, Chinese renminbi and Korean won. The company's most significant short exposures are to the Chinese renminbi, Mexican peso and Philippine peso. 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. From time to time, the company has utilized derivative instruments to hedge certain foreign currency exposures.

Commodity Prices

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, zinc, silver and gold where at current prices and volumes, a 10% price change would affect annual pre-tax profit by approximately \$1.8 million for copper, \$0.8 million for zinc, \$0.7 million for silver and \$0.3 million for gold. From time to time, the company has utilized derivative instruments to hedge certain commodity exposures.

Item 4. Controls and Procedures.

As of June 27, 2015, the Chief Executive Officer and Chief Financial Officer of the company evaluated the effectiveness of the disclosure controls and procedures of the company and concluded that these disclosure controls and procedures are effective to ensure that material information relating to the company and its consolidated subsidiaries has been made known to them by the employees of the company and its consolidated subsidiaries during the period preceding the filing of this Quarterly Report on Form 10-Q and that such information is accurately recorded, processed, summarized and reported within the time periods specified in SEC rules. There were no significant changes in the company's internal controls during the period covered by this Report that could materially affect these controls or could reasonably be expected to materially affect the company's internal control reporting, disclosures and procedures subsequent to the last day they were evaluated by the company's Chief Executive Officer and Chief Financial Officer.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors.

A detailed description of risks that could have a negative impact on our business, revenues and performance results can be found under the caption "Risk Factors" in our most recent Form 10-K, filed with the SEC on February 24, 2015. There have been no material changes from risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 27, 2014 in response to Item 1A to Part 1 of Form 10-K.

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

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, 2015 to April 30, 2016. The company did not repurchase any shares of its common stock during the first six months of fiscal 2015 and 1,000,000 shares may yet be purchased under the previous authorization as of June 27, 2015.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit Description

Amendment No. 3, dated as of May 4, 2015, to Credit Agreement, dated as of May 30, 2013, by and among
10.1 Littelfuse, Inc., as borrower, JPMorgan Chase Bank, N.A. as Agent, and each of the banks, financial institutions listed on the respective signature pages thereof.

10.2 Form of Restricted Stock Unit Award Agreement (Executive) under the Littelfuse, Inc. Long-Term Incentive Plan.

10.3 Form of Restricted Stock Unit Award Agreement (Tier II Management) under the Littelfuse, Inc. Long-Term Incentive Plan.

31.1 Certification of Gordon Hunter, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Philip G. Franklin, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INSXBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.DEFBRL Taxonomy Definition Linkbase Document

101.LABXBRL Taxonomy Extension Label Linkbase Document

101.PREXBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended June 27, 2015, to be signed on its behalf by the undersigned thereunto duly authorized.

Littelfuse, Inc.

Date: July 31, 2015 By/s/ Philip G. Franklin

Philip G. Franklin

Executive Vice President and

Chief Financial Officer

(As duly authorized officer and as the principal financial and accounting officer)