LITTELFUSE INC /DE
Form 10-K
February 24, 2015

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-K

	[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
(Mark one)	for the fiscal year ended December 27, 2014
	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 of incorporation or organization)	(I.R.S. Employer Identification No.)
8755 West 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, $0.01 par value	NASDAQ Global Select Market[SM]

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

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 [ ] No [X]

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 [X] No [ ]

(Cover continued from previous page)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 [X] No [ ]

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. [X]

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 [X] 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 [X]

The aggregate market value of 22,318,715 shares of voting stock held by non-affiliates of the registrant was approximately $2,080,104,238 based on the last reported sale price of the registrant's Common Stock as reported on the NASDAQ Global Select Market^{SM} on June 28, 2014.

As of February 13, 2015, the registrant had outstanding 22, 593,248 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Littelfuse, Inc. Proxy Statement for the 2015 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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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 the company’s 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 the company’s other Securities and Exchange Commission filings.

PART I

ITEM 1. BUSINESS.

GENERAL

Littelfuse, Inc. and its subsidiaries (the “company” or “Littelfuse” or “we” or “our”) is the world’s leading supplier of circuit protection products for the electronics, automotive and electrical industries. In addition to the broadest and deepest portfolio of circuit protection products and solutions, the company offers a comprehensive line of highly reliable electromechanical and electronic switch and control devices for commercial and specialty vehicles and sensors for automobile safety systems, as well as protection relays and power distribution centers for the safe control and distribution of electricity. The company has a network of global labs that develop new products and product enhancements, provide customer application support and test products for safety, reliability and regulatory compliance.

In the electronics market, the company supplies leading manufacturers such as Alcatel-Lucent, Cisco, Celestica, Delta, Flextronics, Foxconn, Hewlett-Packard, HTC, 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 original equipment manufacturers (“OEM”) in North America, Europe and Asia such as BMW, Caterpillar, Chrysler, Daimler Trucks NA, 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, O’Reilly Auto Parts, Pep Boys, Sumitomo, Valeo 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, SMA, First Solar, Samsung, Merck, Poland Springs, Procter & Gamble, Rockwell, United Technologies and 3M. Through the company's Electrical business, the company supplies industrial ground fault protection in mining and other large industrial operations to customers such as Potash Corporation, Mosaic, Agrium and Cameco. See "Business Environment: Circuit Protection Market."

The company reports its operations by three segments: Electronics, Automotive, and Electrical. For segment and geographical information and consolidated net sales and operating earnings see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 of the Notes to Consolidated Financial Statements included in this report.

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.

On May 31, 2013, the company acquired 100% of Hamlin, Inc. ("Hamlin") from Key Safety Systems, for $144.4 million (net of cash acquired). Hamlin is a manufacturer of sensor technology providing standard products and custom solutions for leading global manufacturers in the automotive and electronic industries. The acquisition allows the company to expand its automotive and electronics product offerings in the global sensor market in both the Automotive and Electronics business segments. Hamlin has manufacturing, engineering and sales offices in the U.S., Mexico, Europe and Asia. The company funded the acquisition with available cash raised from borrowings on the company's new credit arrangement (See Note 7 of the Notes to Consolidated Statements included in this report).

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

	Fiscal Year		
	2014	**2013**	**2012**
Electronics	$410,065	$367,052	$329,466
Automotive	325,415	267,207	206,222
Electrical	116,515	123,594	132,225
Total	$851,995	$757,853	$667,913

The company operates in three geographic regions: the Americas, Europe and Asia-Pacific. The company manufactures products and sells to customers in all three regions.

Net sales in the company's three geographic regions, based upon the shipped-to destination, are as follows (in thousands):

	Fiscal Year		
	2014	**2013**	**2012**
Americas	$377,660	$342,353	$303,598
Europe	163,918	136,814	107,512
Asia-Pacific	310,417	278,686	256,803
Total	$851,995	$757,853	$667,913

The company's products are sold worldwide through distributors, a direct sales force and manufacturers' representatives. For the fiscal year ended December 27, 2014, approximately 63% of the company's net sales were to customers outside the United States, including approximately 22% to China.

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 most 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 "2014" or "fiscal 2014" refer to the fiscal year ended December 27, 2014. References herein to "2013" or "fiscal 2013" refer to the fiscal year ended December 28, 2013. References herein to "2012" or "fiscal 2012" refer to the fiscal year ended December 29, 2012.

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 “Investor Relations” 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, as well as sensors, 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, (viii) fuseholders, and (ix) reed switch and sensor assemblies, 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 mobile phones, flat-screen TVs, computers and telecommunications equipment. The company markets these products under trademarked brand names including PICO® II and NANO2® 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. 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® 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 trademarked brand names including TECCOR®, SIDACtor®, Battrax® and SPA®.

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 telecommunication interface and conversion equipment applications as protection from overvoltage transients such as lightning.

Power switching components are used to regulate energy to various types of loads most commonly found in industrial and home applications. 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.

Magnetic sensing products are used to monitor, sense and measure magnetic fields in a number of applications. The company's product offerings include a line of reed switches, reed based sensors and hall effect sensors. Reed switches are non-contact magnetically operated devices that provide an output based on the electrical load during the presence of magnetic field. They are used in a wide variety of applications including security, medical, fluid monitoring, telephones, fitness equipment, metering, toys, white goods and consumer and industrial controls. Reed switch sensors utilize reed switch technology in various packaging configurations with custom enclosures, terminations and connectors to provide an application specific product as a final assembly. Key applications include fluid level monitoring, position sensing, fluid flow and proximity sensing. Hall effect sensors utilize hall chip technology to sense magnetic fields to provide ratio metric output based on magnetic fields. Key applications include motor speed sensing, directional sensing, rotation and linear sensing.

In addition to the above products, the company is also a supplier of fuse holders, fuse blocks (including OMNI-BLOK®) 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 OEM's, 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 U.S. and foreign patents related to blade-type fuses, 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®, MINI®, MIDI®, MEGA®, Masterfuse ™, JCASE® and CablePro®.

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.

The company has expanded the Automotive Business Segment into the commercial vehicle market with the acquisitions of Cole Hersee and Terra Power. Additional products in this market include: power distribution modules, low current switches, high current switches, solenoids and relays, electronic switches, battery management products and ignition key switches.

The company has expanded into the automotive sensor market with the acquisitions of Accel AB and Hamlin. Additional products in this market include advanced electromechanical sensors and switches.

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 to electrical distributors and their customers in the construction, OEM and industrial maintenance, repair and operating supplies ("MRO") markets. The company also designs and manufactures portable custom electrical equipment for the mining industry in Canada as well as protection relays for the global mining, oil and gas, industrial and marine 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 overload and short-circuit currents in motor branch circuits, heating and cooling systems, control systems, lighting circuits, solar and electrical distribution networks.

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

Protection relays are used to protect personnel and equipment in mining, oil & gas and industrial environments 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.

Custom electrical equipment is used in harsh environments such as underground mining where standard electrical gear will not meet customer needs for reliability and durability. Portable power substations are used to transform and distribute electrical power to mobile equipment such as mining cutting machines and other electrical machinery. Miner control units provide power management for critical electrically operated underground production equipment.

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, product design and development ("R&D") and engineering facilities in Champaign and Mt. Prospect, Illinois, Boston, Massachusetts, Canada, China, Germany, the Philippines, Taiwan, Lithuania 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 2014, 2013 and 2012, the company expended $31.1 million, $24.4 million and $21.2 million, respectively, on R&D.

PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

The company generally relies on patents, trademarks, licenses and nondisclosure agreements to protect its 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 December 27, 2014, the company owned 262 patents in North America, 113 patents in the European Union and 109 patents in other foreign countries. The company also has registered trademark protection for certain of its brand names and logos. The 262 North American patents are in the following product categories: 141 electronics, 59 automotive and 62 electrical. Patents and licenses are amortized over a period of 7-50 years, with a weighted average life of 11.7 years. Distribution networks are amortized over a period of 3-20 years, with a weighted average life of 12.4 years. Trademarks and tradenames are amortized over a period of 5-20 years, with a weighted average life of 13.2 years. The company recorded amortization expense of $12.5 million, $9.3 million and $6.1 million in 2014, 2013 and 2012, respectively, related to amortizable 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 $0.5 million, $0.6 million and $0.7 million for fiscal 2014, 2013 and 2012, respectively, and are included in other expense (income), net on the Consolidated Statements of Net 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® and MINI® 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, gold, 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 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 the company's 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 100 people maintains 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 U.K., Germany, Spain, Brazil, Singapore, Taiwan, Japan, 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.

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 15% 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, Hong Kong, India and the Philippines. In the Americas, the company maintains a direct sales staff in the U.S. and Brazil and utilizes manufacturers' representatives and distributors in Canada. 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 and commercial vehicle OEMs and system suppliers domestically. Over 20 manufacturers' representatives sell the company's products to aftermarket fuse retailers such as O'Reilly Auto Parts and Pep Boys. The company also uses about 15 manufacturers' representatives to sell to the commercial vehicle aftermarket.

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 over 55 manufacturers' representatives across North America. These representatives sell power fuse products through an electrical and industrial distribution network comprised of approximately 2,000 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.

CUSTOMERS

The company sells to over 5,200 customers and distributors worldwide. No single customer accounted for more than 10% of net sales during any of the last three years. During fiscal 2014, 2013 and 2012, net sales to customers outside the United States accounted for approximately 63%, 64% and 67%, 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 Cooper Industries (a subsidiary of Eaton Corporation plc), Bel Fuse Inc., Bourns Inc., EPCOS, On Semiconductor Corporation, STMicroelectronics NV, Semtech Corporation, Vishay Intertechnology Inc, and TE Connectivity Ltd. In the automotive market, the company's competitors include Cooper Industries, Pacific Engineering (a private company in Japan), MTA (a private company in Italy), D&R Technologies (a subsidiary of CTS Corporation) and Sensata Technologies Holding NV. In the electrical market, the company's major competitors include Cooper Industries and Mersen. 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 December 27, 2014 was approximately $92.9 million, compared to $83.2 million at December 28, 2013. Substantially all of the orders currently in backlog are scheduled for delivery in 2015.

EMPLOYEES

As of December 27, 2014, the company employed approximately 7,900 employees worldwide. Approximately 1,600 employees in Mexico are covered by collective bargaining agreements. In Mexico the company has two separate collective bargaining agreements, one for 1,040 employees in Piedras Negras, expiring January 31, 2016 and the second for 600 employees in Matamoros, expiring January 1, 2016. Approximately 21% of the company's total workforce was employed under collective bargaining agreements at December 27, 2014. The company has no employees covered by a collective bargaining agreement that will expire within one year of December 27, 2014. The Germany collective bargaining agreement, which had covered three employees in Essen, expired at December 31, 2014 and negotiations are currently being conducted for a 2015 agreement.

Overall, the company has historically maintained satisfactory employee relations and considers employee relations to be good.

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 a chemical engineer to monitor regulatory matters and believes that it is currently in compliance in all material respects with applicable environmental laws and regulations.

Littelfuse GmbH, which was acquired by the company in May 2004, is responsible for maintaining closed coal mines from legacy operations. 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 mine shafts in Germany. The accrual is reviewed annually and calculated based upon the cost of remediating the shafts. Further information regarding the coal mine liability accrual 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 further intensify. 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;
- changes in our distributor inventory stocking;
- 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;
- local conditions and events that may affect our production volumes, such as labor conditions and political instability; and
- seasonality of certain product lines.

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

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 marketplace requires 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 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 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, material weaknesses in the acquired company's internal control environment and may not realize the degree or timing of the benefits that we anticipated from an acquisition.

We may also discover liabilities or deficiencies associated with the companies or assets we acquire that were not identified in advance, which may result in significant unanticipated costs. The effectiveness of our due diligence review and our ability to evaluate the results of such due diligence are dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives, as well as the limited amount of time in which acquisitions are executed. In addition, we may fail to accurately forecast the financial impact of an acquisition transaction, including tax and accounting charges. Acquisitions may also result in our recording of significant additional expenses to our results of operations and recording of substantial finite-lived intangible assets on our balance sheet upon closing. Any of these factors may adversely affect our financial condition or results of operations.

Reorganization activities may lead to additional costs and material adverse effects.

We are a company that, from time to time, seeks to optimize its production and manufacturing capabilities and efficiencies through relocations, 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 and severance costs, 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.

Environmental liabilities could adversely impact our financial position.

Foreign, 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 a material adverse effect 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.

The company is responsible for the maintenance of discontinued coal mining operations in Germany. The risk of environmental remediation exists and the company is in the process of remediating the mines considered to be the most at risk.

Disruptions in our manufacturing, supply or distribution chain could result in an adverse impact on results of operations.

A disruption could occur within our manufacturing, distribution or supply chain network. This could include damage or destruction due to natural disasters or political instability which would cause one or more of these network channels to become non-operational. This could adversely affect our ability to manufacture or deliver our products in a timely manner, impair our ability to meet customer demand for products and result in lost sales or damage to our reputation. Such a disruption could have a material adverse effect upon our business, financial condition or results of operations.

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 including unexpected product recalls 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, unexpected product recalls 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.

The market price of our stock has fluctuated widely. Between December 28, 2013 and December 27, 2014, the closing sale price of our common stock ranged between a low of $78.68 and a high of $100.82, 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.

Customer demands and new regulations related to conflict-free minerals may force us to incur additional expenses.

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires disclosure of use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries and efforts to prevent the use of such minerals. In the semiconductor industry, these minerals are most commonly found in metals. As there may be only a limited number of suppliers offering "conflict free" metals, we cannot be sure that we will be able to obtain necessary metals in sufficient quantities or at competitive prices. Also, we may face challenges with our customers and suppliers if we are unable to sufficiently verify that the metals used in our products are "conflict free."

Our Information Technology (“IT”) systems could be breached.

We face certain security threats relating to the confidentiality and integrity of our IT systems. Despite implementation of security measures, our IT systems may be vulnerable to damage from computer viruses, cyber attacks and other unauthorized access and these security breaches could result in a disruption to our operations. A material network breach of our IT systems could involve the theft of intellectual property or customer data which may be used by competitors. To the extent that any security breach results in a loss or damage to data, or inappropriate disclosure of confidential or proprietary information, it could cause damage to our reputation, affect our customer relations, lead to claims against us, increase our costs to protect against future damage and could result in a material adverse effect on our business and financial position.

Lapses in disclosure controls and procedures or internal control over financial reporting could materially and adversely affect our operations, profitability or reputation.

We are committed to maintaining high standards of internal control over financial reporting and disclosure controls and procedures. Nevertheless, lapses or deficiencies in disclosure controls and procedures or in our internal control over financial reporting may occur from time to time.

On February 4, 2014, management determined that a material weakness existed in its internal control over financial reporting. This determination relates to a material weakness in internal control over financial reporting relating to our evaluation of the income tax considerations, including deferred tax valuation allowances, relating to the write-off of our investment in Shocking Technologies, Inc. during the first quarter of 2013. As a result of the material weakness, management also concluded that both our internal control over financial reporting and disclosure controls and procedures were not effective at March 30, 2013 and December 28, 2013.

In accordance with our internal control over financial reporting compliance program, we successfully implemented additional controls over tax accounting. The controls were in effect for all quarterly reporting periods during 2014 and at December 27, 2014. Management has concluded that the material weakness in internal control over financial reporting related to taxes, as described above, has been effectively remediated.

There can be no assurance that our disclosure controls and procedures will be effective in the future or that a material weakness or significant deficiency in internal control over financial reporting will not again exist. Any such lapses or deficiencies may materially and adversely affect our business and results of operations or financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the lapses or deficiencies, expose us to regulatory or legal proceedings, subject us to fines, penalties, judgments or losses not covered by insurance, harm our reputation, or otherwise cause a decline in investor confidence.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

LITTELFUSE FACILITIES

The company's operations are located in 46 owned or leased facilities worldwide, totaling approximately 2.1 million square feet. The company's corporate headquarters is located in the U.S. in Chicago, Illinois. The company has North American manufacturing facilities in Saskatoon, Canada, Piedras Negras, Mexico, Melchor Muzquiz, Mexico, Matamoros, Mexico, Lake Mills, Wisconsin and Rapid City, South Dakota. The company has European manufacturing facilities in Roskilde, Denmark and Kaunas, Lithuania. Asia-Pacific operations include sales and distribution centers located in Singapore, Taiwan, Japan, China and Korea, with manufacturing plants in China and the Philippines.

In November, 2014, the company announced its plans to close its Lake Mills, Wisconsin manufacturing facility and transfer production to the Philippines in 2016.

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 December 27, 2014, and the use of these facilities during fiscal year 2014:

Location	**Use**	**Size (sq. ft.)**	**Lease/Own**	**Lease Expiration Date**	**Primary Product**
Chicago, Illinois	Administrative, Engineering, Research and Development and Testing	54,838	Leased	2024	Auto, Electronics and Electrical
Mount Prospect, Illinois	Engineering and Research and Development	23,515	Leased	2018	Auto and Electronics
Champaign, Illinois	Research and Development	13,503	Leased	2025	Auto and Electronics
Lake Mills, Wisconsin	Manufacturing, Administrative, Engineering, Sales and Research and Development	65,000	Leased	2020	Electronics
San Jose, California	Engineering	960	Leased	2016	Electronics
Troy, Michigan	Sales	2,224	Leased	2016	Auto
Rapid City, South Dakota	Manufacturing and Administrative	230,000	Owned	—	Electrical
Baldwinsville, New York	Manufacturing	41,720	Leased	2015	Electrical
Boston, Massachusetts	Administrative, Engineering, Research and Development	26,000	Leased	2016	Auto
Melchor Muzquiz, Mexico	Manufacturing	39,365	Leased	2016	Auto
Bellingham, Washington	Office	2,000	Leased	2017	Auto
Piedras Negras, Mexico	Administrative / Manufacturing	99,822	Leased	2015	Auto
Piedras Negras, Mexico	Manufacturing	291,860	Owned	—	Auto
Matamoros, Mexico	Manufacturing, Administrative, Engineering, Testing, Distribution and Logistics	106,000	Owned	—	Auto
Eagle Pass, Texas	Distribution	4,000	Leased	2016	Auto, Electronics and Electrical
Saskatoon, Canada	Manufacturing	88,585	Owned	—	Electrical
Calgary, Canada	Sales	240	Leased	2017	Electrical

Sao Paulo, Brazil	Sales	3,229	Leased	2015	Electronics and Auto
Manaus, Brazil	Warehouse	2,002	Leased	2015	Electronics and Auto
Roskilde, Denmark	Administrative, Manufacturing, Research and Development and Sales	18,740	Leased	2017	Electrical
Swindon, U.K.	Administrative	304	Leased	2015	Electronics
Bremen, Germany	Administrative	13,455	Leased	2016	Auto, Electronics and Electrical
Norwich, U.K.	Engineering	7,964	Leased	2020	Auto
Essen, Germany	Leased to third party	37,244	Owned	—	—
Essen, Germany	Administrative	3,703	Leased	2015	Auto and Electronic
Amsterdam, Netherlands	Warehouse	21,851	Leased	2015	Auto and Electronic
Trollhättan, Sweden	Sales	3,281	Leased	2015	Auto

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Location	**Use**	**Size (sq. ft.)**	**Lease/Own**	**Lease Expiration Date**	**Primary Product**
Stockholm, Sweden	Sales	150	Leased	2015	Auto
Kaunas, Lithuania	Administrative, Manufacturing, Testing, Research and Development and Engineering	43,239	Owned	—	Auto
Kaunas, Lithuania	Manufacturing	41,161	Leased	2016	Auto
Kaunas, Lithuania	Research and Development	4,596	Leased	2017	Auto
Singapore	Sales and Distribution	1,572	Leased	2015	Electronics
Taipei, Taiwan	Sales	7,876	Leased	2017	Electronics
Seoul, Korea	Sales	3,643	Leased	2015	Auto and Electronics
Lipa City, Philippines	Manufacturing	116,046	Owned	—	Electronics
Lipa City, Philippines	Manufacturing	22,733	Leased	2015	Electronics
Dongguan, China	Manufacturing	264,792	Leased	2023	Electronics
Suzhou, China	Manufacturing	143,458	Owned	—	Auto and Electronics
Suzhou, China	Manufacturing	37,674	Leased	2017	Auto and Electronics
Beijing, China	Sales	452	Leased	2015	Electronics
Shenzhen, China	Sales	3,100	Leased	2015	Electronics
Shanghai, China	Sales	4,774	Leased	2015	Auto and Electronics
Chu-Pei City, Taiwan	Research and Development	10,505	Leased	2019	Electronics
Wuxi, China	Manufacturing	230,153	Owned	—	Electronics
Hong Kong, China	Sales	743	Leased	2017	Auto, Electronics and Electrical
Yokohama, Japan	Sales	3,509	Leased	2015	Auto, Electronics and Electrical

Properties with lease expirations in 2015 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 material legal proceedings, other than routine litigation incidental to our business.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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[SM]. As of February 13, 2015, there were 85 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.

The Dow Jones Electrical Components and Equipment Industry Group Index includes the common stock of American Superconductor Corp.; Amphenol Corp.; Arrow Electronics, Inc.; Avnet, Inc.; AVX Corp.; Benchmark Electronics, Inc.; Capstone Turbine Corp.; CTS Corp.; General Cable Corp.; Hubbell Inc. Class B; Jabil Circuit, Inc.; KEMET Corp.; Littelfuse, Inc.; Methode Electronics, Inc.; Park Electrochemical Corp.; Plexus Corp.; Powerwave Technologies, Inc.; Regal-Beloit Corp.; Sanmina Corp.; 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, 2009, and reinvestment of all dividends is assumed. In the case of the company, a $100 investment made on December 31, 2009, is assumed. Returns for the company's fiscal years presented above are as of the last day of the respective fiscal year which was, January 1, 2011, December 31, 2011, December 29, 2012, December 28, 2013 and December 27, 2014 for the fiscal years 2010, 2011, 2012, 2013 and 2014, respectively.

The company expects that its practice of paying quarterly dividends on its common stock will continue although 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. However, the company expects to continue paying cash dividends on a quarterly basis for the foreseeable future.

The 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, 2014 to April 30, 2015. The company repurchased 161,751 shares of its common stock during the second quarter of 2014 and 838,249 shares remain available for purchase under the program as of December 27, 2014.

The company withheld 19,634 shares of stock in lieu of withholding taxes on behalf of employees who became vested in restricted share units during fiscal 2014 during the period April 27, 2014 to December 27, 2014. Shares withheld are classified as Treasury stock on the Consolidated Balance Sheet.

The table below provides information with respect to the company's quarterly stock prices and cash dividends declared and paid for each quarter during fiscal 2014 and 2013:

	2014				**2013**			
	4Q	**3Q**	**2Q**	**1Q**	**4Q**	**3Q**	**2Q**	**1Q**
High	$100.82	$97.45	$99.46	$97.54	$94.26	$83.40	$75.46	$68.85
Low	78.68	84.14	84.60	85.55	74.43	73.77	63.14	61.46

Close	98.76	87.65	93.20	91.20	92.67	78.36	74.61	67.85
Dividends	0.25	0.25	0.22	0.22	0.22	0.22	0.20	0.20

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):

	2014	**2013**	**2012**	**2011**	**2010**
Net sales	$851,995	$757,853	$667,913	$664,955	$608,021
Gross profit	324,428	296,232	258,467	256,694	233,872
Operating income	133,830	129,881	106,870	113,904	107,574
Net income	99,418	88,784	75,332	87,024	78,663
Per share of common stock:					
Income from continuing operations					
- Basic	4.41	3.98	3.45	3.96	3.58
- Diluted	4.37	3.94	3.40	3.90	3.52
Cash dividends paid	0.94	0.84	0.76	0.63	0.15
Cash and cash equivalents	297,571	305,192	235,404	164,016	109,720
Total assets	1,070,826	1,024,373	777,728	678,424	621,129
Short-term debt	88,500	126,000	84,000	85,000	33,000
Long-term debt, less current portion	106,658	93,750	—	—	41,000

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

Littelfuse Overview

<u>Introduction</u>

Littelfuse, Inc. and its subsidiaries (the "company" or "Littelfuse" or "we" or "our") 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 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 target plan to grow annual sales at 15% per year; 5% organically and 10% through acquisitions. As of December 27, 2014, two years into the five-year plan, the company has achieved an annual sales growth of 13%; 5% organically and 8% through acquisitions. The company remains focused on only those acquisitions that will add shareholder value. Overall, the company believes its strategy is sound, the fundamentals of its business have not changed, and its long-term goals are achievable.

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

- Grow organically faster than its markets;
- Double the pace of acquisitions;

Sustain operating margins in the high teens;
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 Overview

The Electronics segment, which accounts for 48% of total sales, has produced solid revenue growth and substantial margin improvement over the last few years. In 2014, sales increased 12% (7% excluding acquisitions) and operating margin increased from 19.0% to 21.2% reflecting growth in all regions. The company believe this is the result of a stable electronics market combined with ongoing design wins and market share gains for Littelfuse.

The electronics business is affected by seasonality. Sales are typically weaker in the first and fourth quarters and stronger in the second quarter and third quarters. This reflects the production ramp up for consumer electronics in advance of the year-end holidays and other factors.

Fourth quarter 2014 sales for Electronics were consistent with normal seasonality as channel inventories remain at appropriate levels. The book-to-bill ratio of 1.06 (1.0 excluding sensors) at the end of the fourth quarter is also consistent with normal seasonal trends.

Automotive Segment Overview

The Automotive segment, which accounts for 38% of sales, has been the company’s fastest growing business over the last few years. In 2014, Automotive sales increased 22% (14% excluding acquisitions) resulting from strong performance across all product categories and all regions

Passenger car fuse sales continue to outperform global car production due primarily to the success of the company’s new high current fuses which are driving increases in content per vehicle. Commercial vehicle products had their best year ever with double-digit sales growth and improved operating margin driven by strength in the North American heavy duty truck market and integration-related cost savings. Automotive sensors also had their second consecutive year of double-digit sales growth primarily reflecting ramp-up of new solar sensor and speed and position sensor platforms. In summary, sales increased in all three major areas of the Automotive business, and while the company is currently experiencing headwinds from the weaker euro, it anticipates continued growth in the year ahead.

Electrical Segment Overview

The Electrical segment, which accounts for about 14% of total sales, has been the company's most challenging segment for the past two years. In 2014, Electrical sales declined 6% (22% excluding the acquisition of SymCom) reflecting the depressed global mining market, a difficult year for solar sales and continued weakness in non-residential construction.

Toward the end of 2014, the company began seeing signs of improvement in two of its most important end markets: potash mining and non-residential construction. While these positive trends did not significantly impact 2014, the company expects these trends to contribute to growth in 2015. In addition, the company expects improved performance for SymCom in 2015 reflecting new product introductions and progress on integration activities.

Business Acquisitions

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.

On May 31, 2013, the company acquired 100% of Hamlin, Inc. ("Hamlin") from Key Safety Systems, for $144.4 million (net of cash acquired). Hamlin is a manufacturer of sensor technology providing standard products and custom solutions for leading global manufacturers in the automotive and electronic industries. The acquisition allows the company to expand its automotive and electronics product offerings in the global sensor market in both the Automotive and Electronics business segments.

Business Segment Information

U.S. *Generally Accepted Accounting Principles* ("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 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 following table is a summary of the company's business unit segments' net sales by business unit and geography (in millions):

	Fiscal Year		
	2014	**2013**	**2012**
Business Unit			
Electronics[(b)]	$410.1	$367.1	$329.5
Automotive[(c) (d)]	325.4	267.2	206.2
Electrical[(h)]	116.5	123.6	132.2
Total	$852.0	$757.9	$667.9
Geography[(a)]			
Americas[(e)(h)]	$377.7	$342.4	$303.6
Europe[(d) (f)]	163.9	136.8	107.5
Asia-Pacific[(g)]	310.4	278.7	256.8
Total	$852.0	$757.9	$667.9

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

(b) 2014 and 2013 includes incremental Hamlin net sales of $36.5 million and $24.1 million, respectively.

(c) 2014 and 2013 includes incremental Hamlin net sales of $20.2 million and $26.9 million, respectively.

(d) 2013 includes incremental Accel and Terra Power net sales of $9.2 million and $5.7 million, respectively.

(e) 2014 and 2013 include incremental Hamlin net sales of $16.7 million and $23.0 million, respectively.

(f) 2014 and 2013 include incremental Hamlin net sales of $9.3 million and $11.6 million, respectively.

(g) 2014 and 2013 include incremental Hamlin net sales of $10.4 million and $16.4 million, respectively.

(h) 2014 includes incremental SymCom net sales of $19.6 million.

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 to Consolidated Financial Statements at December 27, 2014 and December 28, 2013, and for the three fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012.

Results of Operations — 2014 compared with 2013

The following table summarizes the company's consolidated results of operations for the periods presented. The results include incremental activity from the company's business acquisitions as described, where applicable, in the below analysis. There were also additional expenses and accounting adjustments during 2014. These include a $2.8 million inventory adjustment in 2014 related to the SymCom acquisition as described in Note 2, $0.4 million in acquisition-related costs, $3.2 million in severance charges related to the Lake Mills, Wisconsin and Matamoros, Mexico locations, $2.2 million in internal legal restructuring costs that will enable the up-streaming of cash to the U.S., and $0.3 million in asset impairments.

Fiscal year 2014 also included $3.9 million in foreign currency losses primarily attributable to changes in the value of both the euro and Philippine peso against the U.S. dollar while fiscal year 2013 included $3.3 million in foreign currency gains primarily related to the value of the Philippine peso against the dollar.

	Fiscal Year			
(In thousands)	**2014**	**2013**	% Change	
Sales	$851,995	$757,853	12	%
Gross profit	324,428	296,232	10	%
Operating expenses	190,598	166,351	15	%
Operating income	133,830	129,881	3	%
Other expense (income), net	(6,644)	(4,646)	43	%
Income before income taxes	131,646	124,235	6	%
Net income	$99,418	$88,784	12	%

Net sales increased $94.1 million or 12% to $852.0 million for fiscal year 2014 compared to $757.9 million in fiscal year 2013 due primarily to an incremental $56.1 million from business acquisitions and growth in electronic and automotive products, offset by lower electrical sales. The company also experienced $0.4 million in unfavorable foreign currency effects in 2014 as compared to 2013 primarily resulting from sales denominated in Canadian dollars and Japanese yen. During the fourth quarter of 2014, sales were negatively impacted by the steep decline in the euro. Excluding acquisitions and currency effects, net sales increased $38.5 million or 5% year over year. The Automotive business segment sales increased $58.2 million or 22% to $325.4 million. The Electronics business segment sales increased $43.0 million or 12% to $410.1 million, and the Electrical business segment sales decreased $7.1 million or 6% to $116.5 million. Sales levels in 2014, excluding acquisitions and currency effects, were positively impacted by increased demand for the company's automotive and electronic products partially offset by slowing demand for the company's electrical products.

The increase in Automotive sales was primarily due to strong organic growth in all product categories and an incremental $20.2 million in sales from Hamlin. Currency effects increased sales by $0.6 million for the full year 2014 compared to 2013. Excluding incremental sales from Hamlin and currency effects, Automotive sales increased $37.3 million or 14% year over year due primarily to increases in content per vehicle and strength in the heavy truck market.

The increase in Electronics sales reflected solid growth for both semiconductor and passive components and incremental sales from Hamlin of $16.3 million. In addition, sales were positively impacted by net favorable currency effects of $0.2 million for the full year 2014. Excluding acquisitions and currency effects, Electronics sales increased $26.5 million or 7% year over year.

The decrease in Electrical sales was primarily from declines in custom and relay sales into the mining market and power fuses into the solar market. These declines more than offset incremental sales of $19.6 million from the SymCom acquisition in 2014. The Electrical segment experienced net unfavorable currency effects of $1.3 million primarily from sales denominated in Canadian dollars. Excluding incremental sales and currency effects, Electrical sales decreased $25.4 million or 21% year over year.

On a geographic basis, sales in the Americas increased $35.3 million or 10% in 2014 as compared to 2013 due primarily to incremental sales from business acquisitions of $36.3 million offset by $1.4 million in unfavorable currency effects resulting from sales denominated in Canadian dollars. Excluding acquisitions and currency effects, Americas' sales increased $0.4 million or less than 1%. Increases in the company's Automotive and Electronics sales were mostly offset by a decline in Electrical sales. Automotive sales increased $33.4 million or 26% primarily reflecting incremental sales from acquisitions of $12.5 million, strong growth in the passenger vehicle market and growth in the commercial vehicle market. Electronics sales increased $9.6 million or 9% primarily reflecting higher demand and incremental sales from Hamlin of $4.3 million. Electrical sales decreased $7.7 million or 7% resulting from decreases in demand for protection relays and custom products due to continued weakness in the mining segment. This decrease more than offset $19.6 million in incremental sales from SymCom in 2014.

European sales increased $27.1 million or 20% in 2014 compared to 2013 primarily due to strong demand for electronics and automotive products, incremental sales from Hamlin of $9.4 million and $1.0 million in favorable currency effects from sales denominated in euros. Excluding acquisitions and currency effects, European sales increased $16.8 million or 12%. This resulted from increases in the company's Electronics and Automotive sales partially offset by a decrease in Electrical sales. Automotive sales increased $18.2 million or 21% in 2014 primarily reflecting incremental sales from Hamlin sensors of $6.2 million and higher sales in the passenger vehicle markets driven primarily by increased content. Excluding the impact of incremental sales from Hamlin and favorable currency effects, Automotive sales increased $11.5 million or 13%. Electronics sales increased $9.2 million or 22% reflecting incremental sales from Hamlin of $3.2 million and higher demand in 2014. Electrical sales decreased $0.3 million or 4% in 2014 primarily from decreased demand in the marine market for relays.

Asia-Pacific sales increased $31.7 million or 11% in 2014 compared to 2013 primarily due to increased demand across all product categories and incremental sales from Hamlin of $10.4 million. Currency effects amounted to less than $0.1 million. Excluding acquisitions and currency effects, Asia-Pacific sales increased $21.3 million or 8%. Electronics sales increased $24.2 million or 11% reflecting incremental sales from Hamlin of $8.9 million and increased sales in China offset by weakness in the Taiwan, Japan and Korea markets. Automotive sales increased $6.6 million or 12% reflecting incremental sales from acquisitions of $1.5 million and continued increased demand for passenger vehicles in China as well as gains in market share.

Gross profit was $324.4 million or 38.1% of sales in 2014, compared to $296.2 million or 39.1% of sales in 2013. Gross profit in both 2014 and 2013 were negatively impacted by purchase accounting adjustments in cost of sales of $2.8 million and $1.5 million, respectively. These charges were the additional cost of goods sold for SymCom and Hamlin inventories which had been stepped up to fair value at the acquisition dates as required by purchase accounting rules. Additionally, 2014 gross profit was negatively impacted by $2.7 million in severance charges. These severance charges primarily related to post-Hamlin acquisition reorganization changes. Excluding the impact of these charges, gross profit was $329.9 million or 38.7% of sales as compared to $297.8 million or 39.3% of sales in 2013. The decrease in gross margin was primarily attributable to higher sales of sensors in 2014 which carry lower margins than the company's core products.

Total operating expense was $190.6 million or 22.4% of net sales for 2014 compared to $166.4 million or 22.0% of net sales for 2013. The increase in operating expenses primarily reflects incremental operating expenses of $14.2 million from business acquisitions and $3.5 million in restructuring, acquisition and impairment costs, $2.2 million of which was to effect changes in the company's legal structure to allow tax-efficient repatriation of approximately $90.0 million of cash in the fourth quarter of 2014.

Operating income was $133.8 million or 15.7% of net sales in 2014 compared to $129.9 million or 17.1% of net sales in the prior year. The increase in operating income and decrease in operating margin in the current year was due primarily to the factors affecting gross profit and operating expenses discussed above.

Interest expense was $4.9 million in 2014 as compared to $2.9 million in 2013 and is primarily related to the company's increased borrowing to fund acquisitions.

Impairment and equity in net loss of unconsolidated affiliate was $10.7 million in 2013. During the first quarter of 2013, the company fully impaired its investment in and loan receivable from Shocking Technologies, Inc. ("Shocking") as described in Note 6 of the Notes to Consolidated Financial Statements included in this report.

Foreign exchange (gain) loss was $3.9 million of loss in 2014 compared to $3.3 million of gain in 2013. The fluctuation in foreign exchange was primarily attributable to changes in the value of both the euro and the Philippine peso against the U.S. dollar in 2014 and the Philippine peso against the dollar in 2013.

Other expense (income), net, consisting of interest income, royalties and non-operating income was $6.6 million of income in 2014 compared to $4.6 million of income in 2013. The year-over-year increase in income primarily reflects higher interest income in 2014.

Income before income taxes was $131.6 million in 2014 compared to $124.2 million in 2013. Income tax expense was $32.2 million in 2014 compared to $35.5 million in 2013. The 2014 effective income tax rate was 24.5% compared to 28.5% in 2013. The lower effective tax rate in 2014 is primarily related to the $6.1 million Shocking tax adjustment booked in 2013. The 2014 and 2013 effective tax rates are lower than the U.S. statutory tax rate primarily the result of income earned in low-tax jurisdictions.

Results of Operations — 2013 compared with 2012

The following table summarizes the company's consolidated results of operations for the periods presented. The results include incremental activity from the company's business acquisitions as described, where applicable, in the below analysis. There were also additional expenses and accounting adjustments during 2013. These include a $1.5 million inventory adjustment in 2013 as described in Note 2, and $1.7 million in acquisition related operating expenses in 2013 both related to the Hamlin acquisition. Fiscal year 2013 included $3.3 million in foreign currency gains while fiscal year 2012 included $3.2 million in foreign currency losses, both primarily related to U.S. dollar gains or losses against the Philippine peso.

	Fiscal Year		
(In thousands)	2013	2012	% Change
Sales	$757,853	$667,913	13 %
Gross profit	296,232	258,467	15 %
Operating expense	166,351	151,597	10 %
Operating income	129,881	106,870	22 %
Other expense (income), net	(4,646)	(5,396)	(14 %)
Income before income taxes	124,235	100,052	24 %
Net income	$88,784	$75,332	18 %

Net sales increased $89.9 million or 13% to $757.9 million for fiscal year 2013 compared to $667.9 million in fiscal year 2012 due primarily to an incremental $66.0 million from business acquisitions and growth in electronic and automotive products, offset by lower electrical sales. The company also experienced $1.4 million in favorable foreign currency effects in 2013 as compared to 2012 primarily resulting from sales denominated in euros partially offset by sales denominated in Japanese yen and Canadian dollars. Excluding acquisitions and currency effects, net sales increased $22.6 million or 3% year over year. The Automotive business segment sales increased $61.0 million or 30% to $267.2 million. The Electronics business segment sales increased $37.6 million or 11% to $367.1 million, and the Electrical business segment sales decreased $8.6 million or 7% to $123.6 million. Sales levels in 2013, excluding acquisitions and currency effects, were positively impacted by increased demand for the company's automotive and electronic products partially offset by slowing demand for the company's custom mining products.

The increase in Automotive sales was primarily due to an incremental $41.9 million in sales related to business acquisitions in 2013, strong worldwide growth in passenger vehicle fuses, growth in commercial vehicle products and favorable currency effects. Currency effects increased sales by $2.6 million in 2013 compared to 2012 primarily due to the euro. Excluding incremental sales from acquisitions and currency effects, Automotive sales increased $16.5 million or 8% year over year.

The increase in Electronics sales reflected incremental sales from Hamlin of $24.1 million, improving demand across all geographies and a slightly more favorable macroeconomic outlook. In addition, sales were negatively impacted by net unfavorable currency effects of $0.2 million, primarily from sales denominated in Japanese yen. Excluding incremental sales from acquisitions and currency effects, Electronics sales increased $13.7 million or 4% year over year.

The decrease in Electrical sales was primarily due to slowing demand for protection relays and custom products as a result of reduced potash mine expansion activity as well as the global downturn in the broader mining market. The decline was partially offset by stronger power fuse sales which increased 13% year-over-year primarily reflecting strength in the solar and HVAC markets as well as distributor conversions. The Electrical segment experienced net unfavorable currency effects of $1.0 million primarily from sales denominated in Canadian dollars. Excluding incremental sales from currency effects, Electrical sales decreased $7.6 million or 6% year over year.

On a geographic basis, sales in the Americas increased $38.8 million or 13% in 2013 as compared to 2012 primarily due to incremental sales from business acquisitions of $32.4 million offset by $1.2 million in unfavorable currency effects resulting from sales denominated in Canadian dollars. Excluding incremental sales and currency effects, Americas' sales increased $7.6 million or 3%. This increase resulted from an increase in the company's Automotive and Electronics business segments offset by a decline in the Electrical business segment. Automotive sales increased $31.3 million or 33% primarily reflecting incremental sales from acquisitions of $25.9 million, strong growth in the passenger vehicle market and growth in the commercial vehicle market. Electronics sales increased $14.4 million or 16% primarily reflecting incremental sales from Hamlin of $6.5 million and higher demand. Electrical sales decreased $7.0 million or 6% resulting from decreases in demand for protection relays and custom products due to continued weakness in the mining segment.

European sales increased $29.3 million or 27% in 2013 compared to 2012 primarily due to incremental sales from business acquisitions of $15.7 million and favorable currency effects of $3.8 million primarily from sales denominated in euros. Excluding incremental sales and currency effects, European sales increased $9.8 million or 9%. This resulted from increases in the company’s Electronics and Automotive business segments offset by a decrease in the Electrical business segment. Automotive sales increased $20.2 million or 30% in 2013 primarily reflecting incremental sales from business acquisitions of $11.7 million and higher sales in the passenger vehicle markets driven by increased content. Excluding the impact of incremental sales from acquisitions and unfavorable currency effects, primarily from a weaker euro, Automotive sales increased $6.2 million or 9%. Electronics sales increased $10.6 million or 33% reflecting incremental sales from Hamlin of $4.0 million and higher demand in 2013. Electrical sales decreased $1.6 million or 18% in 2013 primarily from decreased demand for nautical relays.

Asia-Pacific sales increased $21.9 million or 9% in 2013 compared to 2012 primarily due to incremental sales from business acquisitions of $17.9 million offset by unfavorable currency effects of $1.2 million primarily from sales denominated in Japanese yen. Excluding the impact of incremental sales and currency effects, Asia-Pacific sales increased $5.2 million or 2%. Electronics sales increased $12.5 million or 6% reflecting incremental sales from Hamlin of $13.4 million and increased sales in China offset by weakness in the Taiwan, Japan and Korea markets. Automotive sales increased $9.5 million or 22% reflecting incremental sales from acquisitions of $4.5 million and continued increased demand for passenger vehicles in China as well as gains in market share.

Gross profit was $296.2 million or 39.1% of sales in 2013, compared to $258.5 million or 38.7% of sales in 2012. Gross profit in both 2013 and 2012 were negatively impacted by purchase accounting adjustments in cost of sales of $1.5 million and $0.6 million, respectively. These charges were the additional cost of goods sold for Hamlin, Accel and Selco inventories which had been stepped up to fair value at the acquisition dates as required by purchase accounting rules. Excluding the impact of these charges, gross profit was $297.7 million or 39.3% of sales as compared to $259.1 million or 38.8% of sales in 2012. The increase in gross margin was primarily attributable to operating leverage on higher sales.

Total operating expense was $166.4 million or 22.0% of net sales for 2013 compared to $151.6 million or 22.7% of net sales for 2012. The increase in operating expenses primarily reflects incremental operating expenses of $12.5 million from business acquisitions and the increased cost of company incentive programs driven by improved financial performance in 2013. 2012 operating expense included $5.1 million of charges related to the settlement of pension liabilities for certain former employees. Further information regarding the company’s pension settlement charge is provided in Note 12 of the Notes to Consolidated Financial Statements included in this report.

Operating income was $129.9 million or 17.1% of net sales in 2013 compared to $106.9 million or 16.0% of net sales in the prior year. The increase in operating income in the current year was due primarily to the increased sales and resulting operating leverage.

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Interest expense was $2.9 million in 2013 as compared to $1.7 million in 2012 and is primarily related to the company’s increased borrowing to fund acquisitions.

Impairment and equity in net loss of unconsolidated affiliate was $10.7 million in 2013. During the first quarter, the company fully impaired its investment in and loan receivable from Shocking Technologies, Inc. (“Shocking”) as described in Note 6 of the Notes to Consolidated Financial Statements included in this report.

Foreign exchange (gain) loss was $3.3 million of gain in 2013 compared to $3.2 million of loss in 2012. The fluctuation in foreign exchange was primarily attributable to changes in the value of the Philippine peso against the U.S. dollar in both fiscal 2013 and 2012.

Other expense (income), net, consisting of interest income, royalties and non-operating income was $4.6 million of income in 2013 compared to $5.4 million of income in 2012. The year-over-year decrease in income primarily reflects the impact of a $1.6 million gain on sale of fixed assets recorded in 2012 as compared to less than $0.1 million of gains recorded in 2013.

Income before income taxes was $124.2 million in 2013 compared to $100.1 million in 2012. Income tax expense was $35.5 million in 2013 compared to $24.7 million in 2012. The 2013 effective income tax rate was 28.5% compared to 24.7% in 2012. The higher effective tax rate in 2013 is primarily related to the $6.1 million Shocking tax adjustment booked in 2013. The 2012 and 2013 effective tax rates are lower than the statutory tax rate primarily due to the result of income earned in low-tax jurisdictions.

Liquidity and Capital Resources

As of December 27, 2014, $288.0 million of the $297.6 million of the company’s cash and cash equivalents was held by foreign subsidiaries. Of the $288.0 million held by foreign subsidiaries, approximately $18.7 million could be repatriated with minimal tax consequences. The company expects to maintain its foreign cash balances (other than the aforementioned $18.7 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.

Term Loan and Revolving Credit Facilities

On May 31, 2013, the company entered into a new 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 new credit agreement is for a five year period. At December 27, 2014, the company had available $190.9 million of borrowing capacity under the credit agreement at an interest rate of LIBOR plus 1.25% (1.42% as of December 27, 2014).

The credit agreement replaces the company’s previous credit agreement dated June 13, 2011, which was terminated on May 31, 2013.

On January 30, 2014, the company increased the unsecured revolving credit facility entered into on May 31, 2013, by $50.0 million thereby increasing the total revolver borrowing capacity from $225.0 million to $275.0 million.

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 December 27, 2014, the company was in compliance with all covenants under the credit agreement.

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.

Other Obligations

For the fiscal year ended December 27, 2014, the company had $0.8 million available in letters of credit. No amounts were drawn under these letters of credit at December 27, 2014.

Cash Flows and Working Capital

The company started 2014 with $305.2 million of cash. Net cash provided by operating activities in 2014 was approximately $153.1 million and included $99.4 million in net income and $47.8 million in non-cash adjustments (primarily $41.9 million in depreciation and amortization), and $5.9 million of favorable changes in operating assets and liabilities.

Changes in operating assets and liabilities (including short-term and long-term items) that negatively impacted cash flows in 2014 consisted of changes in accounts receivable ($13.1 million), inventory ($2.3 million), accrued expenses including post-retirement ($1.6 million) and accrued taxes ($0.5 million). Increases in accounts receivable and inventory resulted from higher sales volumes in 2014. Accrued expenses including post-retirement included pension contributions of $9.9 million in 2014 and $5.0 million in 2013. Positively impacting cash flows were changes in accounts payable ($17.3 million), accrued payroll and severance ($2.4 million) and prepaid expenses and other ($3.7 million). The increase in accounts payable primarily resulted from large capital purchases in December 2014 and the lengthening of vendor payment terms.

Net cash used in investing activities in 2014 was approximately $104.0 million and included $32.3 million in purchases of property, plant and equipment (primarily production equipment and facilities for capacity expansion and new products at the company's locations in Piedras Negras, Mexico, Wuxi, China and the Philippines), $17.9 million related to the Entrusted Loan (see Note 7 of the Notes to Consolidated Financial Statements included in this report), $4.3 million for purchases of short-term investments and $56.4 million for the business acquisitions. Offsetting the cash used in investing activities was $0.1 million in proceeds from sales of property, plant and equipment and $6.8 million in proceeds from maturities of short-term investments.

Net cash used in financing activities in 2014 was approximately $43.3 million, which included $24.6 million in net borrowing, $2.8 million in excess tax benefits on share-based compensation and $14.1 million in cash proceeds from the exercise of stock options. The company also repurchased $14.3 million of its own stock in 2014. Additionally the company paid cash dividends of $21.2 million during the year and incurred $0.1 million in debt issuance costs. Information regarding the company's debt is provided in Note 7 of the Notes to Consolidated Financial Statements included in this report.

The effect of exchange rate changes decreased cash by $13.5 million in 2014. The net cash provided by operating activities less net cash used in financing and provided by investing activities plus the effect of exchange rate changes, resulted in a $7.6 million decrease in cash and cash equivalents in 2014. This left the company with a cash balance of $297.6 million at December 27, 2014.

Days sales outstanding (DSO) in accounts receivable was 60 days at year-end 2014 compared to 59 days at year-end 2013 and 58 days at year-end 2012. Days inventory outstanding was 68 days at year-end 2014, compared to 70 days at year-end 2013 and 69 days at year-end 2012.

The ratio of current assets to current liabilities was 2.8 to 1 at year-end 2014, compared to 2.7 to 1 at year-end 2013 and 2.9 to 1 at year-end 2012. The change in the current ratio at the end of 2014 compared to the prior year reflected decreased current liabilities in 2014, primarily related to lower current portion of long-term debt balance and current portion of accrued pension. The carrying amounts of total debt decreased $24.6 million in 2014, compared to an increase of $135.8 million in 2013 and a decrease of $1.0 million in 2012. The decrease in 2014 is due to higher net payments under the revolving credit facility in 2014. The ratio of long-term debt to equity was 0.15 to 1 at year-end 2014 compared to 0.14 to 1 at year-end 2013 and 0.00 to 1 at year-end 2012. Further information regarding the company's debt is provided in Note 7 of the Notes to Consolidated Financial Statements included in this report.

The company started 2013 with $235.4 million of cash. Net cash provided by operating activities in 2013 was approximately $117.4 million and included $88.8 million in net income and $58.3 million in non-cash adjustments (primarily $34.5 million in depreciation and amortization), partially offset by $29.7 million of changes in operating assets and liabilities.

Changes in operating assets and liabilities in 2013 (including short-term and long-term items) that negatively impacted cash flows in 2013 consisted of changes in accounts receivable ($16.7 million), inventory ($5.5 million), accrued expenses including post-retirement ($8.9 million) and accrued taxes ($10.8 million). Increases in accounts receivable and inventory resulted from higher sales volumes in 2013. Accrued expenses, including post-retirement, included pension contributions of $5.0 million in 2013 and $10.0 million in 2012. Positively impacting cash flows were changes in accounts payable ($2.0 million), accrued payroll and severance ($8.0 million) and prepaid expenses and other ($2.1 million).

The company's capital expenditures were $32.3 million in 2014, $35.0 million in 2013 and $22.5 million in 2012.

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, 2014 to April 30, 2015. The company repurchased 161,751 shares of its common stock during 2014 under this program and 838,249 shares may yet be purchased under the program as of December 27, 2014. The company withheld 19,439 shares of stock in lieu of withholding taxes on behalf of employees who became vested in restricted stock option grants during 2014.

Contractual Obligations and Commitments

The following table summarizes contractual obligations and commitments as of December 27, 2014:

(In thousands)	**Total**	**< 1 Year**	**> 1 - < 3 Years**	**> 3 - < 5 Years**	**> 5 Years**
Term loan	$93,750	$6,250	$20,000	$67,500	$—
Revolving credit facility	83,500	83,500	—	—	—
Entrusted loan	17,908	—	—	17,908	—
Interest payments	4,234	1,305	2,237	692	—
U.S. Pension termination	11,768	11,768	—	—	—
Supplemental Executive Retirement Plan	2,411	31	63	63	2,254