LITTELFUSE INC /DE
Form 10-Q
October 30, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 26, 2015

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 0-20388

LITTELFUSE, INC.

(Exact name of registrant as specified in its charter)

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

(773) 628-1000

(Registrant’s telephone number, including area code)

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

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

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

Large accelerated filer [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]

As of October 23, 2015, 22,299,062 shares of common stock, $.01 par value, of the registrant were outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LITTELFUSE, INC.

Condensed Consolidated Balance Sheets

(In thousands of USD, except share amounts)

	September 26, 2015 (unaudited)	December 27, 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 336,640**	$ 297,571
Short-term investments	**3,958**	4,302
Accounts receivable, less allowances	**145,655**	135,356
Inventories	**99,203**	97,391
Deferred income taxes	**14,139**	17,481
Prepaid expenses and other current assets	**14,179**	13,904
Assets held for sale	**—**	5,500
Total current assets	**613,774**	571,505
Property, plant and equipment:		
Land	**5,292**	5,697
Buildings	**69,420**	64,609
Equipment	**378,716**	370,179
	453,428	440,485
Accumulated depreciation	**(290,663)**	(281,845)
Net property, plant and equipment	**162,765**	158,640
Intangible assets, net of amortization:		
Patents, licenses and software	**20,180**	23,640
Distribution network	**17,175**	19,428
Customer lists, trademarks and tradenames	**55,366**	60,605
Goodwill	**190,016**	196,256
Other investments	**11,196**	12,056
Deferred income taxes	**5,189**	5,393
Other assets	**16,216**	23,303
Total assets	**$ 1,091,877**	$ 1,070,826

Liabilities and Equity

Current liabilities:		
Accounts payable	**$ 53,308**	$ 50,793
Accrued payroll	**31,281**	30,511
Accrued expenses	**20,641**	13,059
Accrued severance	**2,619**	790
Accrued income taxes	**6,738**	9,045
Current portion of accrued post-retirement benefits	**—**	11,768
Current portion of long-term debt	**117,500**	88,500
Total current liabilities	**232,087**	204,466
Long-term debt, less current portion	**91,517**	106,658
Deferred income taxes	**18,565**	11,076
Accrued post-retirement benefits	**5,025**	5,147
Other long-term liabilities	**10,943**	15,814
Total equity	**733,740**	727,665
Total liabilities and equity	**$ 1,091,877**	$ 1,070,826

Common shares issued and outstanding of 22,379,901 and 22,585,529, at September 26, 2015, and December 27, 2014, respectively.

See accompanying notes.

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LITTELFUSE, INC.

Consolidated Statements of Net Income

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

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2015	September 27, 2014	**September 26, 2015**	September 27, 2014
Net sales	**$215,510**	$217,608	**$647,844**	$645,375
Cost of sales	**129,328**	130,228	**400,051**	396,506
Gross profit	**86,182**	87,380	**247,793**	248,869
Selling, general and administrative expenses	**37,002**	36,647	**112,119**	109,146
Research and development expenses	**7,479**	7,449	**22,224**	22,833
Pension settlement expense	**30,194**	—	**30,194**	—
Amortization of intangibles	**2,923**	3,154	**8,953**	9,451
	77,598	47,250	**173,490**	141,430
Operating income	**8,584**	40,130	**74,303**	107,439
Interest expense	**922**	1,292	**3,021**	3,736
Foreign exchange (gain) loss	**(3,549)**	(101)	**(1,724)**	2,022
Other (income) expense, net	**(1,430)**	(2,261)	**(3,758)**	(4,893)
Income before income taxes	**12,641**	41,200	**76,764**	106,574
Income taxes	**1,317**	11,260	**16,761**	26,667
Net income	**$11,324**	$29,940	**$60,003**	$79,907
Net income per share (see Note 7):				
Basic	**$.50**	$1.33	**$2.65**	$3.55
Diluted	**$.50**	$1.32	**$2.64**	$3.52
Weighted average shares and equivalent shares outstanding:				
Basic	**22,581**	22,536	**22,623**	22,536
Diluted	**22,693**	22,689	**22,771**	22,722
Cash dividends paid per common share	**$0.29**	$0.25	**$0.79**	$0.69

See accompanying notes.

LITTELFUSE, INC.

Consolidated Statements of Comprehensive Income

(In thousands of USD, unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2015	September 27, 2014	**September 26, 2015**	September 27, 2014
Net income	**$11,324**	$ 29,940	**$60,003**	$ 79,907
Other comprehensive income (loss):				
Pension liability adjustments (net of tax of $7 and $39, for the three months ended 2015 and 2014, and $49 and $178 for the nine months ended 2015 and 2014, respectively)	**(16)**	(63)	**(140)**	(243)
Reclassification adjustments to expense, (net of tax of $1,244 and $0, for the three months ended 2015 and 2014, and $746 and $0 for the nine months ended 2015 and 2014, respectively)	**(514)**	**67**	**1,457**	**242**
Reclassification of pension settlement costs to expense (net of tax of $11,742 for the three and nine months ended 2015)	**21,124**	**—**	**21,124**	**—**
Unrealized (loss) gain on investments	**(3,354)**	(1,773)	**(18)**	1,811
Foreign currency translation adjustments	**(26,377)**	(14,962)	**(36,530)**	(15,273)
Comprehensive income	**$2,187**	$ 13,209	**$45,896**	$ 66,444

See accompanying notes.

LITTELFUSE, INC.

Consolidated Statements of Cash Flows

(In thousands of USD, unaudited)

	For the Nine Months Ended	
	September 26, 2015	September 27, 2014
Operating activities:		
Net income	**$60,003**	$79,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**22,154**	21,736
Amortization of intangibles	**8,952**	9,451
Stock-based compensation	**7,997**	7,168
Non-cash inventory charge	**—**	2,769
Excess tax benefit on share-based compensation	**(1,500)**	(2,477)
Net loss on pension settlement, net of tax	**19,472**	—
Loss on sale of assets	**308**	673
Changes in operating assets and liabilities:		
Accounts receivable	**(18,274)**	(9,728)
Inventories	**(4,203)**	(4,118)
Accounts payable	**4,216**	3,024
Accrued expenses (including post-retirement)	**6,577**	(7,080)
Accrued payroll and severance	**3,598**	(1,198)
Accrued taxes	**4,006**	5,756
Prepaid expenses and other	**277**	(2,052)
Net cash provided by operating activities	**113,583**	103,831
Investing activities:		
Acquisition of business, net of cash acquired	**—**	(52,768)
Purchases of property, plant, and equipment	**(35,016)**	(19,422)
Decrease in entrusted loan receivable	**5,930**	—
Proceeds from maturities of short-term investments	**—**	6,770
Proceeds from sale of assets	**38**	72
Net cash used in investing activities	**(29,048)**	(65,348)
FINANCING activities:		
Proceeds from revolving credit facility	**49,000**	97,500
Payments of revolving credit facility	**(25,000)**	(37,000)
Payments of term loan	**(3,750)**	(3,750)
Payments of entrusted loan	**(5,930)**	—
Debt issuance costs	**(42)**	(108)
Cash dividends paid	**(17,864)**	(15,543)
Purchases of common stock	**(31,252)**	(14,283)

Proceeds from exercise of stock options	**6,186**	12,170
Excess tax benefit on share-based compensation	**1,500**	2,477
Net cash (used in) provided by financing activities	**(27,152)**	41,463
Effect of exchange rate changes on cash and cash equivalents	**(18,314)**	(6,862)
Increase in cash and cash equivalents	**39,069**	73,084
Cash and cash equivalents at beginning of period	**297,571**	305,192
Cash and cash equivalents at end of period	**$336,640**	$ 378,276

See accompanying notes.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Littelfuse, Inc. and its subsidiaries (the "company") have been prepared in accordance with U.S. *Generally Accepted Accounting Principles* (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulations S-X. Accordingly, certain information and disclosures normally included in the consolidated balance sheet, statements of net income and comprehensive income and cash flows prepared in conformity with U.S. GAAP have been condensed or omitted as permitted by such rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the period ended September 26, 2015 are not necessarily indicative of the results that may be expected for the year ending January 2, 2016. For further information, refer to the company's consolidated financial statements and the notes thereto incorporated by reference in the company's Annual Report on Form 10-K for the year ended December 27, 2014. The company evaluated subsequent events through the date of its financial statements when filed with the Securities and Exchange Commission ("SEC").

2. Acquisition of Business

SymCom, Inc.

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

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

SymCom final purchase price allocation (in thousands):

Cash	$325

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

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

As required by purchase accounting rules, the company recorded a $2.8 million step-up of inventory to its fair value as of the acquisition date based on the preliminary valuation. During the first six months of 2014, as a portion of this inventory was sold, cost of goods sold included a $2.8 million non-cash charge for this step-up.

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

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

3. Inventories

The components of inventories at September 26, 2015 and December 27, 2014 are as follows (in thousands):

	September 26, 2015	December 27, 2014
Raw material	**$ 34,235**	$ 29,756
Work in process	**16,443**	15,164
Finished goods	**48,525**	52,471
Total inventories	**$ 99,203**	$ 97,391

4. Other Investments

The company's other investments represent shares of Polytronics Technology Corporation Ltd. ("Polytronics"), a Taiwanese company. The Polytronics investment was acquired as part of the Heinrich Companies acquisition in 2004. The fair value of the Polytronics investment was €10.0 million (approximately $11.2 million) at September 26, 2015 and €9.9 million (approximately $12.1 million) at December 27, 2014. Included in 2015 other comprehensive income is an unrealized loss of less than $0.1 million, due to the decrease in fair market value of the Polytronics investment. The remaining movement was due to the impact of changes in exchange rates.

5. Debt

The carrying amounts of debt at September 26, 2015 and December 27, 2014 are as follows (in thousands):

	September 26, 2015	December 27, 2014
Term loan	**$ 90,000**	$ 93,750
Revolving credit facility	**107,500**	83,500
Entrusted loan	**11,517**	17,908
Total debt	**209,017**	195,158
Less: Current maturities	**117,500**	88,500

Total long-term debt	**$ 91,517**	**$ 106,658**

The company currently has a credit agreement with J.P Morgan Securities LLC for up to $375.0 million which consists of an unsecured revolving credit facility of $275.0 million and an unsecured term loan of $100.0 million. The credit agreement, effective May 31, 2013, is for a five year period. The company incurred debt issuance costs of $0.1 million which will be amortized over the life of the existing credit agreement. As of September 26, 2015, the company had available $167.4 million of borrowing capacity under the revolving credit agreement at an interest rate of LIBOR plus 1.0% (1.19% as of September 26, 2015). At September 26, 2015, the company was in compliance with all covenants under the revolving credit facility.

Entrusted Loan

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

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

6. Fair Value of Assets and Liabilities

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

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

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

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

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

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

Investment in Polytronics

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

There were no changes during the nine months ended September 26, 2015 to the company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of September 26, 2015 and December 27, 2014 the company held no non-financial assets or liabilities that are required to be measured at fair value on a recurring basis.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of September 26, 2015 (in thousands):

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Investment in Polytronics	$11,196	$ —	$ —	$11,196
Total	$11,196	$ —	$ —	$11,196

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Notes to CONDENSED Consolidated Financial Statements (Unaudited)

6. Fair Value of Assets and Liabilities, continued

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

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

The company's other financial instruments include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and debt. The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximate their fair values. The company's debt fair value approximates book value at September 26, 2015 and December 27, 2014, respectively, as the variable interest rates fluctuate along with market interest rates.

7. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share for the periods ended September 26, 2015 and September 27, 2014 (in thousands except per share amounts).

	For the Three Months Ended	For the Nine Months Ended

	September 26, 2015	September 27, 2014	**September 26, 2015**	September 27, 2014
Net income	**$11,324**	$ 29,940	**$60,003**	$ 79,907
Average shares outstanding - Basic	**22,581**	22,536	**22,623**	22,536
Net effect of dilutive stock options and restricted share units	**112**	153	**148**	186
Average shares - Diluted	**22,693**	22,689	**22,771**	22,722
Net income per share:				
Basic	**$.50**	$ 1.33	**$2.65**	$ 3.55
Diluted	**$.50**	$ 1.32	**$2.64**	$ 3.52

Potential shares of common stock relating to stock options excluded from the earnings per share calculation because their effect would be anti-dilutive were 144,031 and 64,520 for the three months ended September 26, 2015 and September 27, 2014, respectively, and 108,193 and 36,698 for the nine months ended September 26, 2015 and September 27, 2014, respectively.

8. Income Taxes

The effective tax rate for the third quarter of 2015 was 10.4% compared to an effective tax rate of 27.3% in the third quarter of 2014. The effective tax rate for the nine months ended September 26, 2015 was 21.8% as compared to an effective tax rate of 25.0% for the nine months ended September 27, 2014. The effective tax rates for both the third

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

8. Income taxes, continued

quarter and nine month periods of 2015 and 2014 are lower than the U.S. statutory tax rate primarily due to the result of income earned in lower tax jurisdictions and, with respect to the 2015 periods, the impact of the pension settlement partially offset by the impact from the restructuring of the legal ownership of the company's Mexican manufacturing operations as of June 28, 2015.

The following tables set forth the components of pre-tax income/(expense) and the effective tax rates for the three and nine months ended September 26, 2015 (in thousands).

	For the Three Months ended September 26, 2015		
Pre-tax income/(expense) category	Pre-tax income/(expense) amount	Income tax (expense)/benefit	Effective tax rate
Pension settlement	$(30,194)	$ 10,722	35.5 %
Legal restructuring tax impact	—	(1,949)	—
All other income/(expense)	42,835	(10,090)	23.6 %
Total consolidated	$12,641	$ (1,317)	10.4 %

	For the Nine Months ended September 26, 2015		
Pre-tax income/(expense) category	Pre-tax income/(expense) amount	Income tax (expense)/benefit	Effective tax rate
Pension settlement	$(30,194)	$ 10,722	35.5 %
Legal restructuring tax impact	—	(1,949)	—
All other income/(expense)	106,958	(25,534)	23.9 %
Total consolidated	$76,764	$ (16,761)	21.8 %

9. Pensions

The components of net periodic benefit cost for the three and nine months ended September 26, 2015, compared with the three and nine months ended September 27, 2014, were (in thousands):

	U.S. Pension Benefits				Foreign Plans			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	**September 26, 2015**	September 27, 2014	**September 26, 2015**	September 27, 2014	**September 26, 2015**	September 27, 2014
Service cost	**$250**	$ 150	**$750**	$ 450	**$314**	$ 311	**$944**	$ 933
Interest cost	**1,032**	971	**3,094**	2,913	**512**	591	**1,538**	1,774
Expected return on plan assets	**(917)**	(1,412)	**(2,749)**	(4,234)	**(599)**	(572)	**(1,800)**	(1,718)
Amortization of net loss	**290**	137	**870**	411	**62**	47	**185**	142
Total cost (credit) of the plan	**655**	(154)	**1,965**	(460)	**289**	377	**867**	1,131
Expected plan participants' contribution	**-**	-	**-**	-	**-**	-	**-**	-
Net periodic benefit cost (credit)	**655**	(154)	**1,965**	(460)	**289**	377	**867**	1,131
Settlement charge	**30,194**	-	**30,194**	-	**-**	-	**-**	-
Total pension cost (credit)	**$30,849**	$ (154)	**$32,159**	$ (460)	**$289**	$ 377	**$867**	$ 1,131

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

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

9. Pensions, continued

U.S. Defined Benefit Pension Plan Termination

The company received approval from the IRS on April 14, 2015 on its Application for Determination for Terminating Plan to terminate the U.S. defined benefit pension plan, the Littelfuse Inc. Retirement Plan, effective July 30, 2014. All plan liabilities were settled (either via lump sum payout or purchase of a group annuity contract) in the third quarter of 2015. A cash contribution of $9.1 million was made by the company to the U.S. defined benefit pension plan's trust in the third quarter of 2015 to fully fund the plan on a buyout basis. The settlement of the plan's liabilities resulted in a pre-tax settlement charge of $30.2 million in the third quarter of 2015.

10. Business Unit Segment Information

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

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

An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources. The CODM is the company's President and

Chief Executive Officer ("CEO").

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

10. Business Unit Segment Information, continued

Business unit segment information for the three and nine months ended September 26, 2014 and September 27, 2014 are summarized as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2015	September 27, 2014	**September 26, 2015**	September 27, 2014
Net sales				
Electronics	**$102,616**	$107,754	**$307,549**	$313,726
Automotive	**81,475**	80,639	**251,464**	245,083
Electrical	**31,419**	29,215	**88,831**	86,566
Total net sales	**$215,510**	$217,608	**$647,844**	$645,375
Depreciation and amortization				
Electronics	**$5,811**	$5,582	**$17,384**	$16,482
Automotive	**3,244**	3,435	**9,883**	10,609
Electrical	**1,260**	1,414	**3,839**	4,096
Total depreciation and amortization	**$10,315**	$10,431	**$31,106**	$31,187
Operating income (loss)				
Electronics	**$20,923**	$25,800	**$61,755**	$70,805
Automotive	**15,253**	12,227	**39,123**	35,158
Electrical	**5,781**	3,224	**13,220**	7,541
Other[(1)]	**(33,373)**	(1,121)	**(39,795)**	(6,065)
Total operating income	**8,584**	40,130	**74,303**	107,439
Interest expense	**922**	1,292	**3,021**	3,736
Foreign exchange (gain) loss	**(3,549)**	(101)	**(1,724)**	2,022
Other (income) expense, net	**(1,430)**	(2,261)	**(3,758)**	(4,893)
Income before income taxes	**$12,641**	$41,200	**$76,764**	$106,574

(1) For the three months ended September 26, 2015, "Other" consists of restructuring costs ($2.1 million), acquisition expenses ($0.3 million), pension settlement and wind-up costs ($30.9 million), and other ($0.1 million). For the nine months ended September 26, 2015, "Other" consist of restructuring costs ($6.8 million), acquisition expenses ($0.7 million), pension settlement and wind-up costs ($32.2 million) and other ($0.1 million).

The company’s significant net sales by country for the three and nine months ended September 26, 2015 and September 27, 2014 are summarized as follows (in thousands):

	For the Three Months Ended[(a)]		For the Nine Months Ended[(a)]	
	September 26, 2015	September 27, 2014	**September 26, 2015**	September 27, 2014
United States	**$85,049**	$85,326	**$258,030**	$243,979
China	**49,345**	45,905	**143,694**	134,166
Other countries	**81,116**	86,377	**246,120**	267,230
Total	**$215,510**	$217,608	**$647,844**	$645,375

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

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Notes to CONDENSED Consolidated Financial Statements (Unaudited)

10. Business Unit Segment Information, continued

The company's significant long-lived assets and additions to long-lived assets by country as of September 26, 2015 and December 27, 2014 are summarized as follows (in thousands):

	Long-lived assets[b]	
	September 26, 2015	December 27, 2014
United States	**$27,250**	$34,179
Mexico	**13,613**	47,936
China	**37,900**	40,981
Other countries	**84,002**	35,544
Total	**$162,765**	$158,640

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

The company's additions to long-lived assets for the nine months ended September 26, 2015 and September 27, 2014 are summarized as follows (in thousands):

	Additions to long-lived assets	
	September 26, 2015	September 27, 2014
United States	**$8,367**	$ 5,215
Mexico	**6,518**	5,784
China	**5,159**	3,461
Other countries	**15,082**	4,962
Total	**$35,126**	$ 19,422

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

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

AOCI component	Balance at December 27, 2014	Other comprehensive income (loss) activity	Reclassification adjustment for expense included in net income	Reclassification adjustment for pension settlement expense included in net income	**Balance at September 27, 2015**
Pension liability adjustment[(a)]	$(29,615)	$ (140)	$ 1,457	$ 21,124	**$ (7,174)**
Unrealized gain (loss) on investments[(b)]	10,791	(18)	—	—	**10,773**
Foreign currency translation adjustment	(2,302)	(36,530)	—	—	**(38,832)**
AOCI (loss) income	$(21,126)	$ (36,688)	$ 1,457	$ 21,124	**$ (35,233)**

(a) Balances are net of tax of $3,115 and $12,587 for 2015 and 2014, respectively.

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

12. Subsequent Event

On October 1, 2015, the company acquired Sigmar S.r.1. (“Sigmar”), an Italian company that produces sensors used in gas and diesel engine fuel systems, as well as urea level and quality sensors used in diesel emission reduction systems. Sigmar has annual revenues of approximately $6 million and will be reported in the Automotive business segment.

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

Littelfuse Overview

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

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

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

Grow organically faster than its markets;

Double the pace of acquisitions;

Sustain high-teens operating margins;

Improve return on investment; and

Return excess cash to shareholders.

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

Electronics Segment

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

Automotive Segment

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

Electrical Segment

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

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

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

	Third Quarter			Year-to-Date		
	2015	2014	% Change	**2015**	2014	% Change
Business Unit						
Electronics	**$102,616**	$107,754	(5 %)	**$307,549**	$313,726	(2 %)
Automotive	**81,475**	80,639	1 %	**251,464**	245,083	3 %
Electrical	**31,419**	29,215	8 %	**88,831**	86,566	3 %
Total	**$215,510**	$217,608	(1 %)	**$647,844**	$645,375	0 %
Geography[(a)]						
Americas	**$98,974**	$97,903	1 %	**$299,061**	$282,928	6 %
Europe	**37,520**	39,568	(5 %)	**115,613**	127,791	(10 %)
Asia-Pacific	**79,016**	80,137	(1 %)	**233,170**	234,656	(1 %)
Total	**$215,510**	$217,608	(1 %)	**$647,844**	$645,375	0 %

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

Results of Operations – Third Quarter, 2015 compared to 2014

The following table summarizes the company's consolidated results of operations for the periods presented. During the third quarter of 2015, there was approximately $33.4 million of special charges ($39.8 million year-to-date) primarily consisting of $1.2 million ($3.1 million year-to-date) related to the company's transfer of its reed sensor manufacturing from the U.S. to the Philippines, $0.9 million ($3.8 million year-to-date) related to internal legal restructuring costs, $0.3 million ($0.7 million year-to-date) related to acquisition costs and $30.8 million ($32.2 million year-to-date) of expenses related to the wind down and settlement of the U.S. pension as described in Note 9.

(In thousands, unaudited)	Third Quarter			Year-to-Date		
	2015	2014	% Change	**2015**	2014	% Change
Sales	**$215,510**	$217,608	(1 %)	**$647,844**	$645,375	0 %
Gross Profit	**86,182**	87,380	(1 %)	**247,793**	248,869	(0 %)

Operating expense	**77,598**	47,250	64 %	**173,490**	141,430	23 %
Operating income	**8,584**	40,130	(79 %)	**74,303**	107,439	(31 %)
Other (income) expense, net	**(4,057)**	(1,070)	279 %	**(2,461)**	865	(385 %)
Income before income taxes	**12,641**	41,200	(69 %)	**76,764**	106,574	(28 %)
Net income	**$11,324**	$29,940	(62 %)	**$60,003**	$79,907	(25 %)

Net sales decreased $2.1 million or 1% to $215.5 million in the third quarter of 2015 compared to $217.6 million in the third quarter of 2014 due primarily to $9.9 million in unfavorable foreign currency effects in the third quarter of 2015 as compared to the third quarter of 2014. The unfavorable foreign currency impact primarily resulted from sales denominated in the euro. Excluding currency effects, net sales increased $7.8 million or 4% year-over-year. This increase resulted from continued growth in automotive and improvement in the electrical business, offset by lower electronics sales.

Electronics sales decreased $5.1 million or 5% to $102.6 million in the third quarter of 2015 compared to $107.8 million in the third quarter of 2014 due to capacity constraints for sensor products as they are being transferred to the Philippines as well as a slightly weaker-than-normal seasonal ramp up for core products. The electronics segment experienced $3.2 million in unfavorable currency effects in the third quarter of 2015 primarily from sales denominated in euros. Excluding currency effects, net sales decreased $2.0 million or 2% year-over-year.

Automotive sales increased $0.8 million or 1% to $81.5 million in the third quarter of 2015 compared to $80.6 million in the third quarter of 2014 due to strong growth for sensors offset by lower fuse sales and a decline in commercial vehicle products, due to weak end markets. The automotive segment experienced $5.5 million in unfavorable currency effects in the third quarter of 2015 primarily due to sales denominated in euros. Excluding currency effects, net sales increased $6.3 million or 8% year-over-year.

Electrical sales increased $2.2 million or 8% to $31.4 million in the third quarter of 2015 compared to $29.2 million in the third quarter of 2014 due to solid growth in the core fuse business and continued recovery in custom products. The electrical segment experienced $1.3 million in unfavorable currency effects in the third quarter of 2015 primarily from sales denominated in Canadian dollars and the euro. Excluding currency effects, net sales increased $3.5 million or 12% year-over-year.

On a geographic basis, sales in the Americas increased $1.1 million or 1% to $99.0 million in the third quarter of 2015 compared to $97.9 million in the third quarter of 2014 due primarily to strong growth in automotive and electrical sales offset by $1.3 million in unfavorable currency effects from sales denominated in Canadian dollars. Excluding currency effects, the Americas sales increased $2.4 million or 2%.

Europe sales decreased $2.0 million or 5% to $37.5 million in the third quarter of 2015 compared to $39.6 million in the third quarter of 2014 mainly due to $7.4 million in unfavorable currency effects reflecting a decline in the euro during the current year quarter. Excluding currency effects, Europe sales increased $5.4 million or 14% reflecting strong demand for automotive products.

Asia-Pacific sales decreased $1.1 million or 1% to $79.0 million in the third quarter of 2015 compared to $80.1 million in the third quarter of 2014 due to a decline in electronics and $1.1 million in unfavorable currency effects offset by continued demand for automotive products. Excluding currency effects, Asia-Pacific sales were flat year-over-year.

Gross profit was $86.2 million or 40% of net sales for the third quarter of 2015 compared to $87.4 million or 40% of net sales in the same quarter last year. Gross profit for the third quarter of 2015 included $1.2 million of charges related to the transfer of the company’s reed switch production from the U.S. and China to the Philippines. Excluding the impact of these charges, gross profit was 41% of net sales for the third quarter of 2015.

Total operating expense was $77.6 million or 36% of net sales for the third quarter of 2015 compared to $47.3 million or 22% of net sales for the same quarter in 2014. Operating expenses for the third quarter of 2015 included $30.2 million related to the settlement of the company’s U.S. pension plan. Excluding the pension settlement expense of $30.2 million, operating expenses were $47.4 million or 22% of net sales for the third quarter of 2015.

Operating income for the third quarter of 2015 was $8.6 million compared to operating income of $40.1 million for the same quarter in 2014. Excluding the impact of the $30.2 million pension settlement in the third quarter of 2015 as described above, operating income for the third quarter of 2015 was $38.8 million. The lower operating earnings is primarily as a result of lower sales in the third quarter of 2015 as discussed above.

Interest expense was $0.9 million in the third quarter of 2015 and $1.3 million in the third quarter of 2014 and reflects interest incurred for borrowing on the company’s credit agreement.

Foreign exchange loss (gain), reflecting net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, was approximately $3.5 million of income for the third quarter of 2015 as compared to $0.1 million of income for the third quarter of 2014 and primarily reflects fluctuations in the euro and Philippine peso against the U.S. dollar.

Other (income) expense, net, consisting of interest income, royalties and non-operating income items was approximately $1.4 million of income for third quarter of 2015 and $2.3 million of income for the third quarter of 2014.

Income before income taxes was $12.6 million for the third quarter of 2015 compared to $41.2 million for the third quarter of 2014. The lower income before income taxes for 2015 was primarily due to the pension settlement charge of $30.2 million as described above. Income tax expense was $1.3 million with an effective tax rate of 10.4% for the third quarter of 2015 compared to income tax expense of $11.3 million with an effective tax rate of 27.3% in the third quarter of 2014. The lower effective tax rate for the third quarter of 2015 resulted from income earned in lower tax jurisdictions and the impact of the pension settlement partially offset by the impact from the restructuring of the legal ownership of the company's Mexican manufacturing operations during the third quarter of 2015. The effective tax rates for both the third quarter of 2015 and 2014 were lower than the U.S. statutory tax rate primarily due to the factors discussed above and more income earned in lower tax jurisdictions.

Net income for the third quarter of 2015 was $11.3 million or $0.50 per diluted share compared to net income of $29.9 million or $1.32 per diluted share for the same quarter of 2014.

Results of Operations – Nine months, 2015 compared to 2014

Net sales increased $2.5 million or less than 1% to $647.8 million for the first nine months of 2015 compared to $645.4 million in the first nine months of 2014 due primarily to strong growth in automotive products and improvement in the electrical business partially offset by lower electronics sales. The company also experienced $31.1 million in unfavorable foreign currency effects in the first nine months of 2015 as compared to 2014 primarily resulting from sales denominated in the euro. Excluding currency effects, net sales increased $33.5 million or 5% year-over-year.

Electronics sales decreased $6.2 million or 2% to $307.5 million for the first nine months of 2015 compared to $313.7 million in the first nine months of 2014 due primarily to negative currency effects offset by strong growth for fuse products earlier in the first half of the year. The electronics segment experienced $9.7 million in unfavorable currency effects in the first nine months of 2015 primarily from sales denominated in euro. Excluding currency effects, net sales increased $3.5 million or 1% year-over-year.

Automotive sales increased $6.4 million or 3% to $251.5 million in the first nine months of 2015 compared to $245.1 million in the first nine months of 2014 due primarily to strong growth for sensors, fuses and commercial vehicle products. The automotive segment experienced $18.0 million in unfavorable currency effects in the first nine months of 2015 primarily due to sales denominated in euros. Excluding currency effects, net sales increased $24.4 million or 10% year-over-year.

Electrical sales, increased $2.3 million or 3% to $88.8 million in the first nine months of 2015 compared to $86.6 million in the first nine months of 2014 as higher custom and fuse sales were offset by weaker relay sales. The electrical segment experienced $3.4 million in unfavorable currency effects in the first nine months of 2015 primarily from sales denominated in Canadian dollars and the euro. Excluding currency effects, net sales increased $5.6 million or 6% year-over-year.

On a geographic basis, sales in the Americas increased $16.1 million or 6% to $299.1 million in the first nine months of 2015 compared to $282.9 million in the first nine months of 2014 due primarily to strong growth in automotive offset by $3.6 million in unfavorable currency effects from sales denominated in Canadian dollars. Excluding currency effects, the Americas sales increased $19.7 million or 7%.

Europe sales decreased $12.2 million or 10% to $115.6 million in the first nine months of 2015 compared to $127.8 million in the first nine months of 2014 mainly due to $25.3 million in unfavorable currency effects reflecting a decline in the euro during the first nine months. Excluding currency effects, Europe sales increased $13.2 million or 10% reflecting strong demand for automotive products.

Asia-Pacific sales decreased $1.5 million or 1% to $233.2 million in the first nine months of 2015 compared to $234.7 million in the first nine months of 2014 due primarily to strong demand for automotive products offset by lower electronics sales and unfavorable currency effects of $2.2 million. Excluding currency effects, Asia-Pacific sales increased $0.7 million or less than 1% year-over-year.

Gross profit was $247.8 million or 38% of net sales for the first nine months of 2015 compared to $248.9 million or 39% of net sales for the first nine months of 2014. Gross profit for the first nine months of 2015 included $3.1 million of charges related to the transfer of the company’s reed switch production from the U.S. and China to the Philippines. Gross profit for the first nine months of 2014 included a $2.8 million non-cash charge to cost of goods sold for inventory that was stepped up to fair value as a result of the SymCom acquisition and $2.0 million in severance charges resulting from restructuring at the Hamlin-Mexico plant. Excluding the impact of these charges, gross profit was 39% of net sales for both the first nine months of 2015 and 2014, respectively.

Total operating expense was $173.5 million or 27% of net sales for the first nine months of 2015 compared to $141.4 million or 22% of net sales for the first nine months of 2014. Operating expenses for the first nine months of 2015 included $30.2 million related to the settlement of the company's U.S. pension plan. Excluding the pension settlement expense, operating expenses were $143.3 million or 22% of net sales for the first nine months of 2015.

Operating income for the first nine months of 2015 was approximately $74.3 million compared to operating income of $107.4 million for the first nine months of 2014, primarily as a result of the negative impact of the pension settlement charge and the foreign exchange impact on sales and gross profit as discussed above.

Interest expense was $3.0 million for the first nine months of 2015 compared to $3.7 million for the first nine months of 2014 and reflects interest for borrowing on the company's credit agreement.

Foreign exchange loss (gain), reflecting net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, was approximately $1.7 million of income for the first nine months of 2015 compared to $2.0 million of expense for the first nine months of 2014 and primarily reflects fluctuations in the euro and Philippine peso against the U.S. dollar.

Other (income) expense, net, consisting of interest income, royalties and non-operating income items was approximately $3.8 million of income for the first nine months of 2015 compared to $4.9 million of income for the first nine months of 2014.

Income before income taxes was $76.8 million for the first nine months of 2015 compared to $106.6 million for the first nine months of 2014. The lower income before income taxes for 2015 was primarily due to the pension settlement charge of $30.2 million as described above. Income tax expense was $16.8 million with an effective tax rate of 21.8% for the first nine months of 2015 compared to income tax expense of $26.7 million with an effective tax rate of 25.0% in the first nine months of 2014. The lower effective tax rate for the first nine months of 2015 resulted from income earned in lower tax jurisdictions and the impact of the pension settlement partially offset by the impact from the restructuring of the legal ownership of the company's Mexican manufacturing operations in the third quarter of 2015. The effective tax rates for both 2015 and 2014 were lower than the U.S. statutory tax rate primarily due to the factors discussed above as well as more income earned in lower tax jurisdictions.

Net income for the first nine months of 2015 was $60.0 million or $2.64 per diluted share compared to net income of $79.9 million or $3.52 per diluted share for the same period of 2014.

Liquidity and Capital Resources

As of September 26, 2015, $317.5 million of the $336.6 million of the company's cash and cash equivalents was held by foreign subsidiaries. Of the $317.5 million held by foreign subsidiaries, approximately $19.2 million could be repatriated with minimal tax consequences. The company expects to maintain its foreign cash balances (other than the aforementioned $19.2 million) for local operating requirements, to provide funds for future capital expenditures and for potential acquisitions. The company does not expect to repatriate these funds to the U.S.

The company historically has financed capital expenditures through cash flows from operations. Management expects that cash flows from operations and available lines of credit will be sufficient to support both the company's operations and its debt obligations for the foreseeable future.

Revolving Credit Facilities

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

On January 30, 2014, the company increased the unsecured revolving credit facility by $50.0 million thereby increasing the total revolver borrowing capacity from $225.0 million to $275.0 million. At September 26, 2015, the company had available $167.4 million of borrowing capacity under the revolving credit agreement at an interest rate of LIBOR plus 1.0% (1.19% as of September 26, 2015).

This arrangement contains covenants that, among other matters, impose limitations on the incurrence of additional indebtedness, future mergers, sales of assets, payment of dividends, and changes in control, as defined in the agreement. In addition, the company is required to satisfy certain financial covenants and tests relating to, among other matters, interest coverage and leverage. At September 26, 2015, the company was in compliance with all covenants under the revolving credit facility.

The company also had $0.1 million outstanding in letters of credit at September 26, 2015. No amounts were drawn under these letters of credit at September 26, 2015.

Entrusted Loan

During the fourth quarter of 2014, the company entered into an entrusted loan arrangement (“Entrusted Loan”) of RMB 110.0 million (approximately $17.9 million) between two of its China legal entities, Littelfuse Semiconductor (Wuxi) Company (the “*Lender*”) and Suzhou Littelfuse OVS Ltd. (the “*Borrower*”), utilizing Bank of America, N.A., Shanghai Branch as agent. Direct borrowing and lending between two commonly owned commercial entities is strictly forbidden under China’s regulations requiring the use of a third party agent to enable loans between Chinese legal entities. As a result, the Entrusted Loan is reflected as both a long-term asset and long-term debt on the company’s Consolidated Balance Sheets and is reflected in the investing and financing activities in its Consolidated Statements of Cash Flows. Interest expense and interest income will be recorded between the lender and borrower with no net impact on the company’s Consolidated Statements of Net Income since the amounts will be offsetting. The loan interest rate per annum is 5.25%. The Entrusted Loan is used to finance the operation and working capital needs of the borrower and matures in November 2019. The balance of the Entrusted Loan was RMB 73.5 million (approximately $11.5 million) at September 26, 2015.

Cash Flow

The company started 2015 with $297.6 million of cash and cash equivalents. Net cash provided by operating activities was approximately $113.6 million for the first nine months of 2015 reflecting $60.0 million in net income and $57.4 million in non-cash adjustments (primarily $31.1 million in depreciation and amortization) offset by $3.8 million in net changes to various operating assets and liabilities.

Changes in operating assets and liabilities for the first nine months of 2015 (including short-term and long-term items) that impacted cash flows negatively consisted of increases in accounts receivable ($18.3 million) and inventory ($4.2 million). Changes in operating assets and liabilities having a positive impact on cash flows were decreases in prepaid and other assets ($0.3 million), and increases in accrued payroll and severance ($3.6 million), accrued and deferred taxes ($4.0 million), accounts payable ($4.2 million) and accrued expenses ($6.6 million, including a $9.1 million payment for the pension settlement).

Net cash used in investing activities was approximately $29.0 million for the first nine months of 2015 and primarily represented additions to property, plant and equipment ($35.0 million) offset by a reduction in the entrusted loan receivable ($5.9 million) (see Note 5) .

Net cash used in financing activities was approximately $27.2 million and was primarily driven by the purchase of treasury stock ($31.3 million) and dividends paid ($17.9 million). Also included were payments on the entrusted loan ($5.9 million) (see Note 5). Offsetting net cash used in financing primarily were net proceeds from the company’s credit agreement ($20.3 million). The effects of exchange rate changes decreased cash and cash equivalents by approximately $18.3 million. The net cash provided by operating activities combined with the effects of exchange rate changes less net cash used in investing and financing activities resulted in a $39.1 million increase in cash, which left the company with a cash and cash equivalents balance of $336.6 million at September 26, 2015.

The ratio of current assets to current liabilities was 2.7 at the end of the third quarter of 2015 compared to 2.8 at year-end 2014 and 2.3 at the end of the third quarter of 2014. Days sales outstanding in accounts receivable was approximately 62 days at the end of the third quarter of 2015 compared to 56 days at the end of the third quarter of 2014 and 60 days at year-end 2014. Days inventory outstanding was approximately 70 days at the end of the third quarter of 2015 compared to 68 days at the year-end 2014 and 70 days at end of the third quarter of 2014.

Outlook

Economic signals continue to be mixed and visibility continues to be limited. Although the company's 0.95 book-to-bill for electronics is better than normal for the third quarter, order rates in the first few weeks of the fourth quarter have been relatively weak. At this point, the company expects normal sequential declines in both sales and margins in the fourth quarter.

The fourth quarter of 2015 includes an extra week (14 weeks rather than 13). Taking into account that the extra week is during the holidays, it is expected to add approximately $10 million to sales for the fourth quarter. Including this extra week, sales for the fourth quarter of 2015 are expected to be in the range of $212 to $222 million.

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Interest Rates

The company had $197.5 million in debt outstanding at September 26, 2015 related to the unsecured revolving credit facility and term loan. While 100% of this debt has variable interest rates, the company's interest expense is not materially sensitive to changes in interest rate levels since debt levels and potential interest expense increases are insignificant relative to earnings.

Foreign Exchange Rates

The majority of the company's operations consist of manufacturing and sales activities in foreign countries. The company has manufacturing facilities in the U.S., Mexico, Canada, Denmark, China, Lithuania and the Philippines. During the first nine months of 2015, sales to customers outside the U.S. were approximately 60% of total net sales. Substantially all sales in Europe are denominated in euros and substantially all sales in the Asia-Pacific region are denominated in U.S. dollars, Japanese yen, Korean won, Chinese renminbi or Taiwanese dollars.

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

Commodity Prices

The company uses various metals in the manufacturing of its products, including copper, zinc, tin, gold and silver. Prices of these commodities can and do fluctuate significantly, which can impact the company's earnings. The most significant of these exposures is to copper, zinc, silver and gold where at current prices and volumes, a 10% price change would affect annual pre-tax profit by approximately $1.6 million for copper, $0.7 million for zinc, $0.6 million for silver and $0.2 million for gold. From time to time, the company has utilized derivative instruments to hedge certain commodity exposures.

Item 4. Controls and Procedures.

As of September 26, 2015, the Chief Executive Officer and Chief Financial Officer of the company evaluated the effectiveness of the disclosure controls and procedures of the company and concluded that these disclosure controls and procedures are effective to ensure that material information relating to the company and its consolidated subsidiaries has been made known to them by the employees of the company and its consolidated subsidiaries during the period preceding the filing of this Quarterly Report on Form 10-Q and that such information is accurately recorded, processed, summarized and reported within the time periods specified in SEC rules. There were no significant changes in the company's internal controls during the period covered by this Report that could materially affect these controls or could reasonably be expected to materially affect the company's internal control reporting, disclosures and procedures subsequent to the last day they were evaluated by the company's Chief Executive Officer and Chief Financial Officer.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors.

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

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

(c) The table below provides information with respect to purchases by the Company of shares of its common stock during each fiscal month of the third quarter of fiscal 2015:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
June 28, 2015 to July 25, 2015	—	$ —	—	1,000,000
July 26, 2015 to August 22, 2015	130,023	91.77	130,023	869,977
August 23, 2015 to Sept. 26, 2015	219,977	87.83	219,977	650,000
Total	350,000	$ 89.29	350,000	650,000

The company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the company's common stock under a program for the period May 1, 2015 to April 30, 2016. The company repurchased 350,000 shares of its common stock during the first nine months of fiscal 2015, and 650,000 shares may yet be purchased under the program as of September 26, 2015. The company withheld 27,817 shares of stock in lieu of withholding taxes on behalf of employees who became vested in restricted stock units during the first nine months of 2015.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit	Description
10.1	Fourth Amendment to the Littelfuse, Inc. Supplemental Retirement and Savings Plan.
31.1	Certification of Gordon Hunter, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Philip G. Franklin, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended September 26, 2015, to be signed on its behalf by the undersigned thereunto duly authorized.

	Littelfuse, Inc.	
Date: October 30, 2015	By:	/s/ Philip G. Franklin Philip G. Franklin Executive Vice President and Chief Financial Officer (As duly authorized officer and as the principal financial and accounting officer)