#### LITTELFUSE TODAY

Financial Highlights

Littelfuse is a global company offering the broadest line of circuit protection products in the industry. Littelfuse products are vital components in literally every product that uses electrical energy. Computers, Internet servers, modems, cell phones, telecommunications equipment, medical and test equipment, DVDs, televisions, and satellite television receivers typify the fast growing, high volume markets served by Littelfuse. The company is also the leading provider of circuit protection for the automotive industry and the third largest producer of power fuses in North America.

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# THE POWER IN CIRCUIT PROTECTION LITTELFUSE

LITTELFUSE, INC. 1999 ANNUAL REPORT

#### FINANCIAL HIGHLIGHTS

#### **SALES**

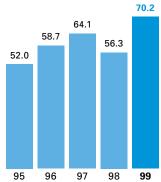
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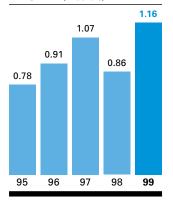
### (in millions of dollars) 296.4 275.2 269.5 241.4 219.5

#### **EBITDA**





#### **EARNINGS PER SHARE-DILUTED** (in dollars)



Record annual sales totaled \$296.4 million in 1999, a 10% increase from 1998. Worldwide sales of electronic products increased 16%, automotive sales increased 5% and power fuse sales increased 3%. Geographically, sales in 1999 increased 5% in the Americas, 12% in Europe and 22% in Asia.

97

99

Earnings before interest, taxes, depreciation and amortization and other income and expenses increased to a record \$70.2 million in 1999, demonstrating the company's strength and its ability to generate the cash to meet current needs and to reinvest to build additional shareholder value.

Diluted earnings per share reached a record \$1.16 in 1999, up 35% from \$0.86 in 1998. A successful world-wide cost reduction program, steadily increasing unit volumes and a firming of pricing on capacitylimited products contributed to the improved performance.

(dollars in thousands, except per share, employee and shareholder data)	1999	1998	% Change
OPERATING RESULTS			
Net sales	\$296,367	\$269,540	10%
Gross profit	117,255	100,199	17%
Operating income	44,624	34,096	31%
Net income	25,220	19,885	27%
Earnings per share – diluted	1.16	0.86	35%
CASH FLOW AND INVESTMENTS			
Earnings before interest, taxes,			
depreciation and amortization	\$70,163	\$56,302	25%
Operating cash flow	38,851	39,304	-1%
Capital expenditures	19,975	21,320	-6%
Research and development	9,455	8,387	13%
RETURNS			
Return on net tangible assets	18.5%	16.2%	14%
Return on capital employed	11.9%	10.4%	15%
Return on equity	19.3%	16.0%	20%
OTHER			
Total assets	\$275,698	\$250,544	10%
Shareholders' equity	137,032	124,524	10%
Employee associates – average for year	3,256	3,085	6%
Estimated number of shareholders	2,700	2,700	0%



"IN 1998, ELECTRONICS
ACCOUNTED FOR 49% OF TOTAL
LITTELFUSE SALES.
WITH THE ACQUISITION OF
THE SUPPRESSION PRODUCTS
GROUP, THAT PERCENTAGE
INCREASES TO OVER 55%.
NOT ONLY IS ELECTRONICS
THE BIGGEST PART OF OUR
BUSINESS, WE BELIEVE
IT HAS THE GREATEST FUTURE
GROWTH POTENTIAL."

Howard B. Witt

#### TO OUR SHAREOWNERS:

Littelfuse is not the same company it was when I wrote this letter just a year ago. We're larger. We're stronger. And we're committed to electronics as our growth engine. Let me highlight the major accomplishments of 1999 and how Littelfuse is positioned for future growth.

### WE OFFER THE BROADEST CIRCUIT PROTECTION LINE IN THE INDUSTRY.

In October 1999, we acquired the Suppression Products Group of Harris Corporation. While this acquisition is expected to add about \$40 million to annual sales, that wasn't our primary objective. What we really wanted was to add this company's line of overvoltage circuit protection devices to our product line. These industry-leading products, combined with our existing overcurrent line, give Littelfuse the broadest circuit protection product line in the industry. We are now a major player in a \$500 million segment of the overvoltage protection market, in addition to the leading position we have in the global electronic overcurrent market.

Our customers have told us they would like us to be a "one stop" resource for their circuit protection needs.

The Suppression Products Group acquisition is a big step forward in achieving this objective, adding products that complement ours and opening doors to new markets. Littelfuse and the Suppression Products Group serve many of the same customers and markets. Now, we can offer our customers a range of solutions to meet their protection requirements through our worldwide sales network.

Together, we also have exciting opportunities to expand our electronics business. We can cross-sell our combined portfolio of electronic devices to the automotive market, where Littelfuse is the leading overcurrent supplier. We are already working to develop "next level solutions" using the technologies of both companies. For example, as the size of electronic products gets increasingly smaller, we see a need for integrated products that provide both overcurrent and overvoltage protection in a single device. We also have the potential to expand suppression sales in the Asia-Pacific region where Littelfuse has the number one overcurrent market share, but where the Suppression Products Group has a significantly smaller presence.

### WE ARE FOCUSED ON ELECTRONICS AS OUR GROWTH ENGINE.

In 1998, electronics accounted for 49% of total Littelfuse sales. With the acquisition of the Suppression Products Group, that percentage increases to over 55%. Not only is electronics the biggest part of our business, we believe it has the greatest future growth potential.

Littelfuse has the number one market share for electronic circuit protection products worldwide. This market is growing at approximately 10%-12% per year. Virtually every electronic product in the market today has circuit protection devices inside and many utilize a combination of fuses, electrostatic discharge (ESD) suppressors, resettable PTC devices and varistors. When you think of all the computers, Internet servers, modems, fax machines, cellular phones, TVs, DVDs, cameras, microwave ovens, power conditioning equipment and medical equipment in use today, you get an idea of the growth potential of this market, and for Littelfuse.

However, we are still fully committed to our automotive and power fuse businesses. These product lines will continue to remain vital parts of the company. We expect future growth from both of these businesses, but at a lower rate than the electronics business.

Littelfuse created the automotive fuse standard in use today and with nine out of ten automobiles in the world relying on Littelfuse designed components, we are unquestionably the global market leader. Internal growth will come from increases in worldwide vehicle production, growth in market share in the Far East, and longer term, from electric and hybrid vehicles which have a higher dollar content of fuses per vehicle.

Our POWR-GARD™ products have a distinct competitive advantage in the market—our proprietary "indication" technology that no competitor has been able to duplicate. This technology enables maintenance personnel to quickly identify which fuse has blown, saving employee time and reducing the downtime of expensive equipment. As demand for this innovative technology continues to grow, we expect to gain market share and expand into new areas.

#### THE INTERNET OFFERS EXCITING OPPORTUNITIES.

The dramatic growth of the Internet is well documented. But while the media has focused on the fastpaced growth of the industry as a whole, not much has been said about the "trickle down" effect—the impact on companies like Littelfuse who supply components for the backbone equipment and access devices that comprise the Internet.

The Internet requires basic tools to operate—personal computers, modems, printers, handheld access devices and set-top boxes for users, and servers, hubs and routers to keep the system running. That's where we come in. All of this sensitive equipment needs to be protected from the short circuits, lightning strikes, power surges and electrostatic discharges that can damage equipment, cause computer "crashes" and destroy data. The Internet has grown at a three-year historical growth rate of 55%. Today, over 200 million people have Internet access. With our broad line of circuit protection products, Littelfuse is positioned to be the supplier of choice for the best known computer and telecommunications manufacturers in the industry.

#### WE DELIVERED ON OUR PROMISES.

In our 1998 annual report, we outlined the steps we were taking to improve performance and to lay the foundation for future growth. In 1999, we delivered on our promises.

Sales rebounded in 1999, reaching a record \$296.4 million, up 10% over 1998. Operating income bounced back as well, increasing 31% to \$44.6 million, and the operating margin improved 2.4 percentage points to 15.1% in 1999. Net income was \$25.2 million in 1999, up 27%, and diluted earnings per share rose 35% to \$1.16.

A major driver behind the growth in sales and earnings was strong electronics sales, especially in the Asia-Pacific region. Electronic product sales increased 16%, including a six percentage point contribution from sales of the Suppression Products Group in 1999. Automotive sales increased 5% in 1999 and power fuse sales were up 3%. Looking at sales by geographic region, the Asia-Pacific market had the biggest increase, 22%, followed by Europe with 12% and the Americas at 5%.

We stepped up our cost reduction efforts, implementing an aggressive program to take costs out of the business. We closed a facility in Watseka, Illinois, lowered material costs, improved manufacturing processes and relocated production to plants with lower labor costs. Together, these activities added close to \$7 million to the bottom line in 1999, with a similar amount

anticipated for 2000. Our capital expenditure program for 2000 will include a substantial investment in the newly acquired Suppression Products Group to reduce manufacturing costs.

We re-energized our new product development efforts, placing a greater emphasis on growth markets. We invested \$9.5 million in research and development in 1999 and expect to increase this level of R&D over the next few years in order to further increase the flow of new products to market. In 1999, we introduced a new line of ESD suppressors based on our composite polymer technology. In 2000, we plan to introduce a new line of PTC resettable devices and a new, even smaller surface mount fuse. We frequently illustrate just how tiny these fuses are by shaking them out of a pepper shaker. These innovative miniature fuses will be in demand for cellular phones, laptop computers and personal handheld computer products, because they reduce the space requirements on printed circuit boards by over half.

One of our greatest strengths is our high-speed, high-volume process and assembly expertise. With new manufacturing technology based on state-of-the-art photolithography, plating and parts bonding, we have also become experts at producing highly reliable miniature parts. New inspection and 100% testing systems enhance these capabilities and maintain the high level of quality our customers expect from Littelfuse.

We are in the process of further strengthening our operations by organizing the company into three worldwide business units: electronic, automotive and power fuses. Each business unit will be lead by a manager with extensive industry experience. This structure establishes clearer accountability for financial results and will enable us to better serve the needs of large, global customers. During the past few years, we've experienced the benefits of multi-functional teams working together to address specific issues. Moving to a business unit structure takes this concept to the next level, encouraging innovation and increasing responsiveness to our customers in a fast-changing marketplace.

Our new SAP enterprise system will support the new business unit structure with information and reporting capabilities designed to improve customer service and manufacturing efficiency and increase the quality and timeliness of information used in managing the company.

Last year, we said we would seek new opportunities for growth within circuit protection. The acquisition of the Suppression Products Group is an excellent fit for us. There are other products and technologies that could further enhance our business. We will continue to seek complementary acquisitions and business relationships that broaden or strengthen our product offering and provide additional growth opportunities for Littelfuse.

Each of these activities strengthened the company and positioned us for future progress. An additional expression of our confidence in our growth potential is the repurchase of over 700,000 shares of our common stock in the open market during 1999.

#### WE'RE POSITIONED FOR FUTURE GROWTH.

As we enter the new millennium, Littelfuse is positioned for growth. We have the broadest line of circuit protection products in the industry. We have sharpened our focus on the electronics market as our primary growth driver. We are uniquely positioned to develop new products that provide solutions for our customers' circuit protection requirements. We have the ability to manufacture and deliver products anywhere in the world. We're strong financially. We have outstanding employees at all levels. And we have an excellent reputation for quality.

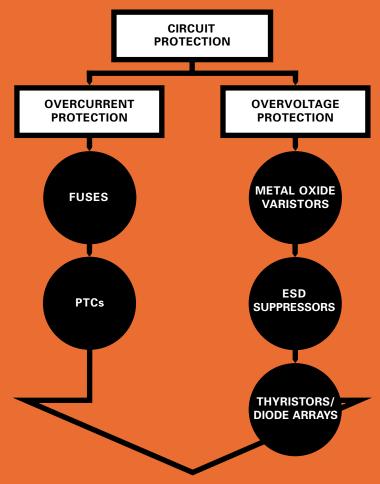
In 2000, we look forward to building on this strong base for the benefit of our customers, employees, suppliers and of course, our shareholders.

Howard B. Witt

Chairman, President and Chief Executive Officer

front B. With





#### **COMMON CUSTOMER BASE**

TELECOMMUNICATIONS
COMPUTERS
MOTOR PROTECTION
DATA COMMUNICATIONS
TEST AND MEASUREMENT EQUIPMENT
POWER SUPPLIES
BALLAST PROTECTION
MAIN/FEEDER CIRCUIT PROTECTION
AUTOMOTIVE

The industry-leading overvoltage protection technology gained through the acquisition of the Harris Suppression Products Group, combined with the overcurrent protection expertise of Littelfuse, enables the company to offer its customers the most comprehensive line of circuit protection products and technology available anywhere in the world. Both product families are sold to the same customer base as shown above.

The overvoltage protection technology of the Suppression Products Group includes transient voltage suppression products such as metal-oxide varistors (MOVs), multi-layer varistors, silicon thyristors and diode arrays. This complements Littelfuse's existing line of overcurrent protection products including fuses and resettable PTC devices as well as Littelfuse's polymer-based voltage suppression product line. Combining the industry's leading overvoltage protection technology with Littelfuse's world class overcurrent protection capabilities makes Littelfuse the major player in the world of circuit protection.

#### THE BUSINESS OF LITTELFUSE

#### **ELECTRONIC**

Littelfuse is the world's leading supplier of circuit protection products for the electronics industry, providing both overcurrent and overvoltage protection. Its fuses, resettable PTC devices, polymer ESD suppressors, metal-oxide varistors (MOVs), multilayer varistors, silicon thyristors, and diode arrays are used to protect nearly every type of electronic product including computers, telecommunications equipment, Internet equipment, consumer electronics, medical and test instruments, industrial controls and aerospace equipment.

#### **Representative Customers**

Acer, Bosch, Canon, Cisco, Compaq, Daimler Chrysler, Delco Electronics, Dell Computer, Delta, Emerson, Ericsson, Hitachi, Honeywell, IBM, Liton, LG Electronics, Lucent Technologies, Motorola, Nokia, Nortel, Panasonic, Rockwell Automation, Samsung, SCI, Sharp, Siemens, Solectron, Sony, Square D, and electronic component distributors.

#### OVERCURRENT PROTECTION

Components used to protect delicate electronic circuits when current in a circuit exceeds a predetermined value.

#### **FUSES**

Littelfuse is the global leader in surface mount fuses, leaded fuses and cartridge fuses that enhance safety, improve manufacturers' productivity and help reduce the size of components and finished products. Designed in close cooperation with customers, the company's fuses feature precise, consistent performance in a wide variety of applications, including battery packs, cell phones and computers.

#### **Opportunities for Growth**

The miniaturization of electronics and the proliferation of portable telecommunications, computing devices and the Internet will generate even greater demand for the company's market-leading surface mount fuses. A growing number of portable devices use sub-miniature surface mount fuses and PTC devices to protect their small, sophisticated battery packs. With technical support and production capabilities in all three of the world's major geographic markets, the company is well positioned to be a single-source supplier to large global original equipment manufacturers.

#### **Key Products**

NAN0<sup>2®</sup> surface mount fuses Thin Film surface mount fuses PICO<sup>®</sup> fuses SMTelecom<sup>™</sup> fuses 2AG glass bonded fuses MICRO<sup>™</sup> fuses SlimLine fuses

#### **Primary Competitors**

Bel Fuse
Bussmann Division of
Cooper Industries
San-O Industrial Corp.
Wickmann-Werke GmBH

#### RESETTABLE DEVICES

Positive temperature coefficient devices (PTCs), are designed for use with battery-powered products and in other low-voltage applications. Made from a composite polymer, the products limit the flow of electrical current when an over-current or short circuit occurs and then automatically reset themselves to restore the normal flow of current after the problem has been corrected.

#### **Opportunities for Growth**

The introduction of PTCs in 1996 gave the company access to the market for these products that includes the same customers that purchase fuses and overvoltage products. The use of surface mount resettable products is expected to grow as new computers, digital cameras and scanners are developed. Leveraging its market leadership and economies of scale, Littelfuse can build its position in the market and benefit from its growth.

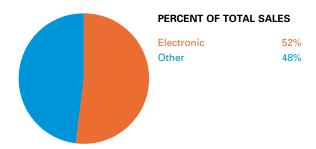
#### **Key Products**

Surface mount PTCs Multilayer PTCs

#### **Primary Competitors**

Bourns Raychem Division of TYCO International





#### OVERVOLTAGE PROTECTION

Components used to protect the sensitive integrated circuits of electronic equipment from temporary overvoltages caused by lightning, electrostatic discharges and electrical load switching.

#### METAL-OXIDE VARISTORS (MOVs)

Littelfuse produces high energy absorption products that provide transient overvoltage and surge suppression for automobile, telecommunication and industrial applications. Multilayer varistors are used in circuit boards, where although lower in level, transients or electrostatic discharges can still damage sensitive circuits. Multilayer products are used in telecommunications, consumer electronics, automotive, medical and industrial applications.

#### **Opportunities for Growth**

The growth of electronics in automobiles, portable and stationary telecommunications equipment, consumer electronics, data transmission devices and industrial electronics will drive the growth of energy absorbing components that protect sensitive circuitry. Greater sensitivity to ESD voltage due to increased use of more complex integrated circuits in electrical/electronic products creates increased demand for transient suppression.

#### **Key Products**

Radial lead varistors
High energy varistors
Application-specific varistors
Surface mount transient voltage
surge suppressors
Surface mount ESD
suppressors/filters
SurgeNet four line transient
voltage suppressor array
Surface mount automotive

transient surge suppressors

#### **Primary Competitors**

AVX Maida Panasonic Siemens

#### THYRISTORS/DIODE ARRAYS

Thyristors use advanced silicon controlled rectifier technology to divert potentially damaging transient signals away from sensitive components designed for use in high speed data transmission circuits. These products protect telecommunications equipment including PBX, modems, fax machines, telephones, repeaters, data transmission lines and alarm systems.

#### **Opportunities for Growth**

The expected growth of telecommunications and data transmission driven by the Internet and e-commerce will increase demand for transient voltage suppressors.

#### **Key Products**

SCR/diode arrays
Silicon thyristor devices in
multiple package styles

#### **Primary Competitors**

Power Innovations Semtech STMicroelectronics Teccor

#### **ESD SUPPRESSORS**

Using advanced polymer-based technologies, ESD suppressors help protect electronic equipment from overvoltage electrostatic discharge (ESD) events. Although research indicates that ESD may account for close to one-third of all electronic equipment failures, the limitations of today's ESD suppression technology prevent it from providing optimum protection in emerging high speed data communications. Basing new advances on the technology it acquired in 1998 and its own R&D efforts, in 1999 Littelfuse introduced its new PulseGuard® line of ESD products for use in computers, telecommunications and other high-volume applications.

#### **Opportunities for Growth**

Increases in the speed of electronic processors and continuing miniaturization make electronic products increasingly susceptible to electrostatic discharges, increasing the need for low capacitance components. Littelfuse's new PulseGuard® line of ESD suppressors offers the lowest capacitance of any technology available for computers and peripherals, data communications equipment and a range of other products.

#### **Key Products**

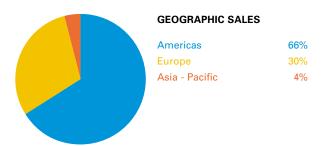
Surface mount ESD suppressors Input/Output Connector ESD suppressors

#### **Primary Competitors**

Bussmann Division of Cooper Industries

#### **AUTOMOTIVE**

Nine out of every ten cars in the world rely on Littelfuse designed products to protect electrical circuits and wiring harnesses. The company's customers include major auto makers in North America, Europe and Asia, wiring harness manufacturers and automotive parts suppliers. Littelfuse also sells in the aftermarket through distributors, merchandisers and other outlets such as auto parts retailers and service stations. A Japanese licensee supplies fuses for vehicles manufactured in that country.



#### **Opportunities for Growth**

As auto manufacturers add more electronics to vehicles and re-engineer their electrical systems, the number of fuses used in new cars will continue to increase. Over the long term, the development of electric or hybrid electric vehicles will increase demand for sophisticated higher amperage power fuses from our Powr-Gard™ offering.

#### **Key Products**

ATO<sup>®</sup>

MINI®

 $MAXI^{TM}$ 

MIDI<sup>®</sup> JCASE

MEGA®

Diagnostic fuse kits

Diodes and resistors

**Fuseholders** 

Multilayer Varistors

Wholesale and retail packaged fuses

#### **Representative Customers**

Alcoa Fujikawa Ltd.

Auto Zone

**BMW** 

Daimler Chrysler Corporation Delphi Automotive Systems Ford Motor Company

General Motors

Pep Boys

Trak Auto

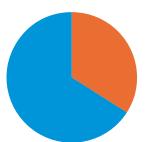
United Technologies Yazaki North America

#### **Primary Competitors**

Bussmann Division of Cooper Industries

Pudenz Division of

Wickmann-Werke

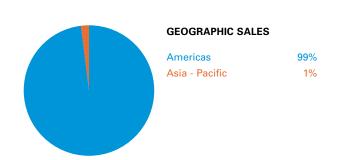


#### PERCENT OF TOTAL SALES

Automotive Other 34% 66%

#### POWR-GARD™

Littelfuse is the third largest producer of power fuses in North America and is increasing its position in the market. POWR-GARD™ products are used to protect circuits in industrial and commercial heating and cooling systems, lighting circuits and electrical distribution networks as well as in a wide variety of industrial equipment. The company's broad range of products are sold to electrical distributors and their customers in the construction, original equipment manufacturer (OEM) and maintenance and repair (MRO) markets.



#### **Opportunities for Growth**

Products introduced in the last five years, such as the Indicator™ series power fuse and the down-sized Class CC fuse for motor protection, have gained strong positions in their markets. The company also is expanding its power fuse product lines to include fuses built to European specifications. The addition of an acquired line of medium voltage power fuses extends the company's product offerings and makes it more attractive for distributors to carry Littelfuse's products.

#### **Representative Customers**

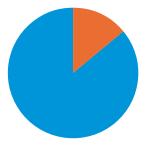
Electrical contractors
Electrical distributors
Plant maintenance engineers
Allen Bradley Division of
Rockwell International
Reliance Electric

#### **Key Products**

Class CC fuses
Class J fuses
Class L fuses
Indicating Class J fuses
Indicating Class RK5 fuses
Medium voltage power fuses
Midget fuses
Semiconductor fuses

#### **Primary Competitors**

Bussmann Division of Cooper Industries Ferraz Shawmut



PERCENT OF TOTAL SALES

POWR-GARD™ Other 14% 86%

### KEY TERMINOLOGY OF CIRCUIT PROTECTION

Electrostatic Discharge (ESD) Suppressors	Devices that protect an electronic system from failure due to rapid transfer of electrostatic charge to the circuit. Common causes of electrostatic discharge are human contact and static from carpeting.
Fuse	A metal link that melts from excessive current and opens the circuit, protecting the circuit and equipment from damage.
Metal-Oxide Varistors (MOVs)	A ceramic-based device designed to absorb high energy transients in order to maintain the circuit voltage at safe levels.
Overcurrent Protection Devices	Components used to protect delicate electronic circuits when current in a circuit exceeds a predetermined value.
Overvoltage Protection Devices	Components used to protect the sensitive integrated circuits of electronic equipment from temporary overvoltages caused by lightning, electrostatic discharges and electrical load switching.
Positive Temperature Coefficient Resettable Devices (PTCs)	Components that use positive temperature coefficient technology to limit the flow of electric current when overloads or short circuits occur and then automatically reset themselves to restore the flow of current after the problem has been corrected.
Surge	An abnormal transient electrical disturbance in a circuit. Surges are produced from many sources, such as line strikes, sudden faults in electrical equipment or transmissions, or switching operations.
Thyristor	A fast-switching silicon semiconductor structure commonly used to protect telecommunications circuits from overvoltage transients such as those resulting from lightning.
Transient	Abnormal voltage or current surges that can damage circuits or equipment.

# LITTELFUSE: THE POWER IN CIRCUIT PROTECTION

Littelfuse products are vital components in literally every product that uses electrical energy, from consumer electronics to telecommunications equipment, from medical and test electronics to equipment to keep the Internet running. Littelfuse is also the world's leading provider of circuit protection for the automotive industry and the third largest producer of power fuses in North America.

# PROTECTING THE WORLD OF ELECTRONICS

With the acquisition of the Harris Suppression Products Group, Littelfuse now has the broadest technology base in the circuit protection component industry. Its combination of overcurrent and overvoltage technology makes Littelfuse a strong competitor in the fast-growing electronics market. The growth of electronics in portable and stationary telecommunications equipment, Internet devices, consumer electronics, data transmission devices, computers for auto-

mobiles, medical and test instruments and industrial electronics will drive the growth of components that protect sensitive circuitry. Combining the industry's leading overvoltage protection technology with Littelfuse's world class overcurrent protection capabilities makes Littelfuse a major player in the world of circuit protection.





# A LEADER IN THE AUTOMOTIVE MARKET

Littelfuse created the worldwide standard of blade fuses. The company's customers include major auto makers in North America, Europe and Asia and wiring harness manufacturers. Littelfuse also sells in the aftermarket through distributors, merchandisers and other outlets such as auto parts retailers and service stations. A Japanese licensee supplies fuses for vehicles manufactured in that country.

# GROWING MARKET SHARE IN POWER FUSES

Littelfuse is the third largest producer of power fuses in North America and is steadily increasing its position in the marketplace. POWR-GARD™ products are used to protect circuits in industrial and commercial heating and cooling systems, lighting circuits and electrical distribution networks as well as in a wide variety of industrial equipment. The unique and patented Indicator™ series power fuse has gained a strong position in its markets. The company's broad range of products are sold to electrical distributors and their customers in the construction, original equipment manufacturer (OEM) and maintenance and repair (MRO) markets.





# INNOVATING IN THE FAST GROWING ELECTRONICS MARKET

With the acquisition of the Harris Suppression Products Group, Littelfuse now has the broadest technology base in the circuit protection component industry. Its combination of overcurrent and overvoltage technology makes Littelfuse a strong competitor in the fast-growing electronics market. Littelfuse's technology expertise includes thinfilm processing, composite polymers, ceramic technology and low-cost, high volume manufacturing processes that

comply to ISO 9001, ISO 9002 or QS 9000 quality system requirements. Already the world market share leader in electronic circuit protection components, the company's sophisticated technology platform positions Littelfuse to meet the needs of electronic manufacturers across the globe and gain an increasingly larger share of the circuit protection component market.



THE IMAC BY APPLE COMPUTER

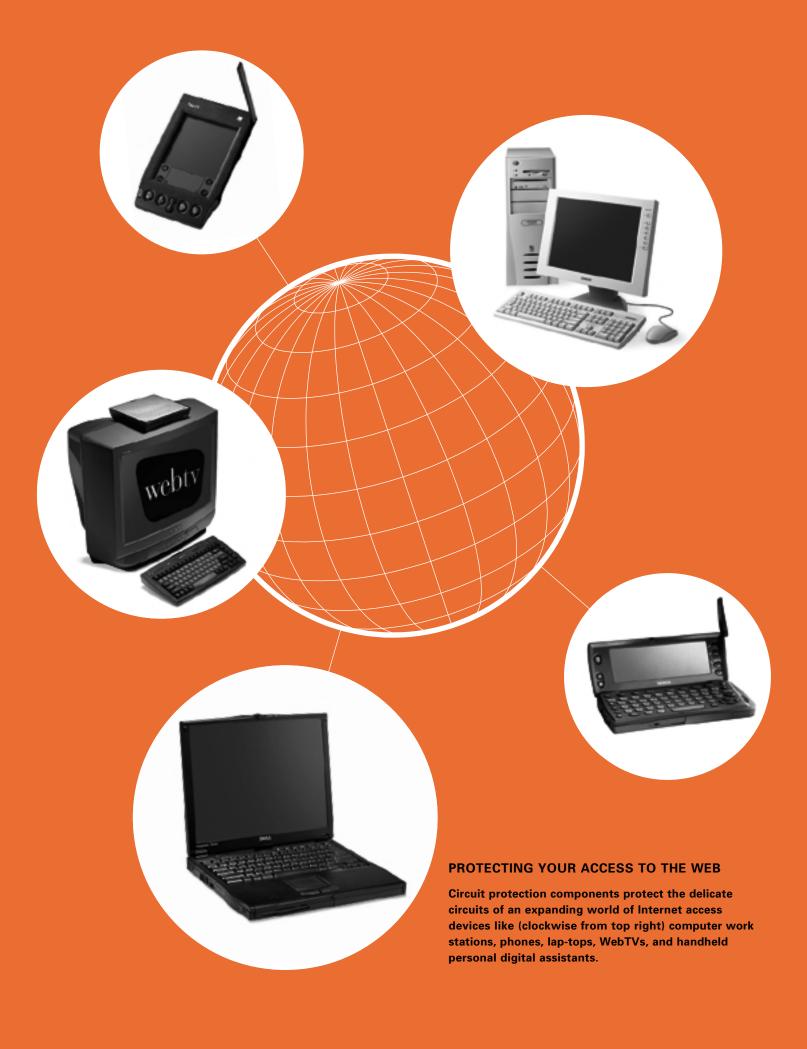
Typical home or office computer set-ups like this iMAC by Apple Computer rely on circuit protection devices to protect the system's delicate electronic components and keep it running dependably.

#### THREE-YEAR HISTORICAL GROWTH RATES



#### THE BURGEONING WORLD OF CONSUMER ELECTRONICS

With electronics playing a bigger and bigger role in every facet of life, the application of electronic technology is almost limitless. Virtually every electronic product requires circuit protection devices to protect the delicate electronic parts inside and keep them performing. Typical products that rely on circuit protection devices include personal computers, fax machines, modems, microwave ovens, cellular phones, TVs, DVDs and VCRs.





IBM RS/6000 WEB SERVER At the heart of the Internet's network, systems like this IBM RS/6000 Web Server keep the World Wide Web running. And circuit protection devices by Littelfuse protect the delicate electronic components of the web server and other vital Internet devices to keep them operating reliably.

# SUPPORTING INTERNET AND TELECOMMUNICATIONS GROWTH

The lightning fast growth of the Internet and telecommunications world has created a vast new market for circuit protection devices. Products like Internet servers, routers and hubs and Internet appliances like modems, handheld computers, pagers and set-top boxes have joined portable and stationary telecommunications equipment as popular products that rely on circuit protection. Likewise, other advanced electronics including high tech medical systems, test equipment, avionics gear, industrial control and aerospace electronics could not operate reliably without the assistance of vast numbers of circuit protection components as well.

As the world of electronics grows and electronic products become even smaller and more sophisticated, the need for circuit protection is expected to increase and become more complex. The drive to produce smaller and smaller electronic devices will spawn the need for tiny, hybrid components that can perform several circuit protection functions. With its broad technology base, Littelfuse is ready to partner with customers to provide "next level" solutions for the electronic products of tomorrow.



THE NEW BMW 3 SERIES COUPE

The superbly designed and engineered BMW 3 Series of vehicles, rely on Littelfuse products to protect their electrical and electronic systems.

# LEVERAGING OUR LEADING POSITION IN THE AUTOMOTIVE MARKET

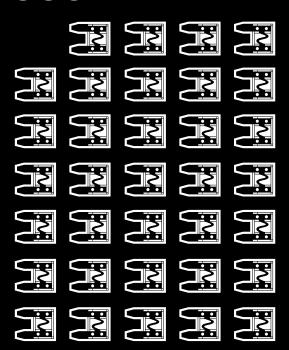
As the creator of the global standard of automotive blade fuses, the automotive world relies on Littelfuse products to protect their electrical and electronic systems. Littelfuse is the market leader in automotive circuit protection. The company is also well recognized for its quality, innovation and service. For example, in its 1999 Quest for Excellence survey, *Automotive Industries* magazine ranked Littelfuse the "Best of the Best" electrical component suppliers in quality, delivery and service.

As the electronic content of automobiles increases and as electric and hybrid vehicles become more common, the need for electronic replacements for electro-mechanical devices and for new electronic circuit protection devices is expected to continue to grow.

As the leading player in automotive circuit protection, Littelfuse is prepared to tackle emerging customer needs with leading-edge solutions, providing the next generation of products for the world's auto makers. These next level solutions include responding to the increasing miniaturization of electronic products by developing smaller, lighter weight components that could embody overcurrent and overvoltage protection in the same package. Developments like the expected trend to high voltage systems provide additional opportunities for Littelfuse to work with auto makers and wiring harness producers to provide circuit protection products that meet their needs for reducing wiring and weight in the vehicles of the future. Beyond product technology, Littelfuse engineers are working to develop manufacturing systems that are more effective and efficient and reduce assembly costs.

All of these activities build on Littelfuse's established reputation for high-speed, high-volume manufacturing expertise that turns out top quality, competitively priced products delivered on time.

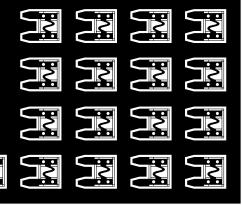
# 2000



### FUSES DOUBLED IN STANDARD AUTOS IN THE PAST TEN YEARS

As the electronic content of vehicles increases, so does the need for automotive circuit protection. For example, in just the past 10 years, the average number of blade fuses per vehicle has doubled. As electronic components continue to replace electro-mechanical devices in automobiles, the need for more sophisticated electronic circuit protection will continue to grow, expanding the market for these products.

# 1990



### HYBRID/ELECTRIC CARS HAVE HIGHER DOLLAR CONTENT OF FUSES

Growth in automotive market share will come in part from electric and hybrid vehicles like the new Honda Insight which have a dollar content of fuses per vehicle that is currently eight times that of a conventional vehicle. Over the long term, the development of electric or hybrid vehicles will increase demand for sophisticated higher amperage power fuses.

































#### IT'S EASY TO SPOT THE BLOWN FUSE

Littelfuse's award-winning Indicator™ technology in the company's POWR-GARD™ power fuses allows service personnel to quickly spot a blown fuse, reducing maintenance time and cutting costly downtime on production equipment. Littelfuse will soon apply this proprietary technology to additional power fuse series.







ABB CONTROL BRANCH FEEDER

Littelfuse's innovative Indicator™ technology is gaining new applications worldwide. Global electrical/electronic giants ABB Control Inc. and Eaton/Cutler-Hammer have custom designed products featuring windowed enclosures that make indicating power fuses visible without opening a compartment door. ABB's recently introduced fusible disconnect switch is a prime example.

# GAINING A LARGER SHARE OF THE POWER FUSE MARKET

Industry-leading features like "indication" technology in Littelfuse's POWR-GARD™ power fuses are the driving force behind the steady increase in the company's share of the North American power fuse market. The company's awardwinning Indicator™ technology allows service personnel to quickly spot a blown fuse, reducing maintenance time and trimming costly downtime on production equipment.

This innovative technology is gaining new customers in both the original equipment and maintenance and repair

markets. Building on this momentum, Littelfuse will soon apply this proprietary technology to additional power fuse product families.

This past year, a major producer of electrical control and distribution equipment selected Littelfuse's POWR-GARD™ technology for a new product line featuring windowed enclosures that make the indicating power fuses visible without opening the door. Also, a new medium-voltage line of power fuses introduced last year is helping to boost sales to the mining and oil refining industries.

THE FOLLOWING DISCUSSION PROVIDES AN ANALYSIS OF THE INFORMATION CONTAINED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES BEGINNING ON PAGE 24 FOR THE THREE FISCAL YEARS ENDED JANUARY 1, 2000, JANUARY 2, 1999 AND JANUARY 3, 1998, RESPECTIVELY.

#### **CURRENT YEAR HIGHLIGHTS**

Sales increased 10% in 1999 to \$296.4 million and diluted earnings per share increased 35% to \$1.16. Strengthening electronic demand contributed significantly to the sales growth and successful cost reduction programs as well as higher unit volume increased gross margin and earnings. During the year, the Company completed its acquisition of the Suppression Products Group. This acquisition of overvoltage products complements the current line of overcurrent products to broaden the Company's offering of circuit protection.

#### RESULTS OF OPERATIONS—1999 COMPARED WITH 1998

Sales increased 10% to \$296.4 million in 1999 from \$269.5 million in 1998. Of the \$26.9 million sales increase during 1999, \$8.0 million was attributable to sales of suppression products since the date of the acquisition. Electronic sales increased \$21.1 million or 16% to \$154.1 million in 1999 compared to \$133.1 million in 1998, due primarily to strength in the Asia-Pacific region. Automotive sales increased \$4.6 million or 5% to \$101.3 million in 1999 compared to \$96.7 million in 1998 reflecting growth in the OEM markets in all regions of the world. Power fuse sales increased \$1.2 million or 3% to \$41.0 million in 1999 compared to \$39.8 million in 1998. Led by Asia-Pacific and European sales growth, international sales increased by 18% in 1999 to 46.1% of net sales in 1999 from 43.0% of net sales in 1998.

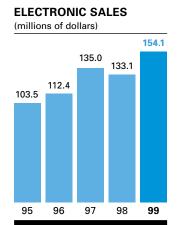
Gross profit was \$117.3 million or 39.6% of sales for 1999 compared to \$100.2 million or 37.2% of sales for 1998. The gross margin increase resulted from successful worldwide cost reductions, increasing unit volumes during the year and firming of selling prices in the last half of 1999.

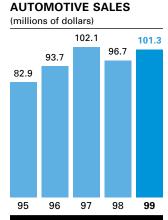
Selling, general and administrative expenses increased \$5.2 million to 18.9% of sales in 1999 in line with 18.9% of sales in 1998. Research and development costs increased \$1.1 million to 3.2% of sales in 1999 as compared to 3.1% of sales in 1998 due to continued focus on development of new products. Amortization of reorganization value and other intangibles was \$7.1 million or 2.4% of sales for 1999 compared to \$6.8 million or 2.5% of sales for the prior year. Total operating expenses, including intangibles amortization, were 24.5% of sales for both years.

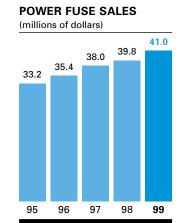
Operating income for 1999 increased to \$44.6 million or 15.1% of sales compared to \$34.1 million or 12.6% of sales for the prior year as a result of the factors discussed above.

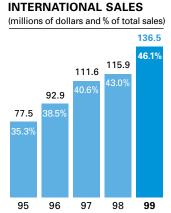
Interest expense was \$5.3 million for 1999 compared to \$4.0 million for 1998 due to higher average debt levels. Other income, net, consisting of interest income, royalties, minority interest and foreign currency items was \$1.3 million compared to other expense of \$0.1 million for the prior year. The increase in other income was primarily the result of higher interest income in the year.

Income before taxes was \$40.7 million in 1999 compared to \$30.0 million in 1998. Income tax expense was \$15.5 million in 1999 compared to \$10.1 million the prior year. Net income for the year was \$25.2 million, compared to \$19.9 million for the prior year. The Company's effective tax rate was 38.0% in 1999 compared to 33.7% in 1998. The lower effective tax rate in 1998 was due to a one-time benefit related to the liquidation of one of the Company's subsidiaries in Korea. Diluted earnings per share increased 35% to \$1.16 in 1999 compared to \$0.86 in 1998. A 6% decline in average shares outstanding in 1999 as compared to the prior year, due to the Company's repurchase of common stock, contributed favorably to the increase in earnings per share.









#### 1998 COMPARED WITH 1997

Sales decreased 2% to \$269.5 million in 1998 from \$275.2 million in 1997. The gross margin was 37.2% compared to 40.4% the prior year and operating income was 12.7% of net sales compared to 15.9% the prior year. Net income decreased 22% to \$19.9 million in 1998 from \$25.3 million in 1997 and diluted earnings per share decreased 20% to \$0.86 in 1998 from \$1.07 in 1997.

Sales decreased \$5.6 million during 1998. Sales declined both in the automotive and electronic markets, with a modest increase in power fuse sales. Automotive sales decreased \$5.5 million or 5% to \$96.7 million in 1998 compared to \$102.1 million in 1997. Automotive sales were down domestically as a result of the continued phase-out of electromechanical products and the absence of any product fixes by the automotive OEM's in 1998. Electronic sales decreased \$1.9 million or 1% to \$133.1 million in 1998 compared to \$135.0 million in 1997. The electronics business was down due in part to continued inventory reductions at North American distributors, weakness in Japan and greater than historical selling price declines. Power fuse sales increased \$1.8 million or 5% to \$39.8 million in 1998 compared to \$38.0 million in 1997. Led by European sales increases, international sales increased by 4% in 1998 to 43.0% of net sales in 1998 from 40.6% of net sales in 1997.

On a constant currency basis, electronic and power fuse sales increased 3% and 5%, respectively, automotive sales decreased 4% and consolidated sales were flat.

Gross profit was \$100.2 million or 37.2% of sales for 1998 compared to \$111.1 million or 40.4% of sales for 1997. The gross margin decline resulted from greater than historical selling price reductions, lower volumes than anticipated and costs associated with the introduction of new products in 1998.

Selling, general and administrative expenses decreased \$1.3 million to 18.9% of sales in 1998 as compared to 19.0% of sales in 1997 as a result of the decline in sales and favorable expense control during 1998. Research and development costs increased \$0.5 million to 3.1% of sales in 1998 as compared to 2.9% of sales in 1997 due to the continued development of new products. Amortization of reorganization value and other intangibles was \$6.8 million or 2.5% of sales for 1998 compared to \$7.2 million or 2.6% of sales in the prior year. Total operating expenses, including intangibles amortization, were 24.5% of sales for both years.

Operating income for 1998 was \$34.1 million or 12.7% of sales compared to \$43.8 million or 15.9% of sales the prior year. The decline in operating margin resulted from decreases in gross margin.

Interest expense was \$4.0 million for 1998 compared to \$4.1 million for 1997. Other expense, net, consisting of royalties, minority interest adjustments and foreign currency items was

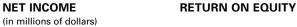
\$0.1 million compared to other income of \$1.0 million the prior year. Also included in other expense in 1998 were charges related to the liquidation of Sam Hwa Littelfuse amounting to approximately \$0.4 million.

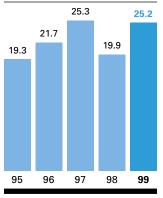
Income before taxes was \$30.0 million in 1998 compared to \$40.7 million in 1997. Income tax expense was \$10.1 million in 1998 compared to \$15.3 million the prior year. The Company's effective tax rate was 33.7% in 1998 compared to 37.7% in 1997. The decrease in income tax expense resulted from lower income before taxes as well as a one-time benefit of \$1.1 million related to the liquidation of Sam Hwa Littelfuse. Net income for the year was \$19.9 million in 1998 compared to \$25.3 million the prior year. Diluted earnings per share decreased to \$0.86 in 1998 compared to \$1.07 in 1997.

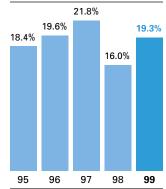
#### LIQUIDITY AND CAPITAL RESOURCES

Assuming no material adverse changes in market conditions, management expects that the Company will have sufficient cash from operations to support both its operations and its debt obligations for the foreseeable future.

The Company started 1999 with \$28.0 million of cash. Net cash provided by operations was \$38.9 million for the year. Cash used in investing activities included \$20.0 million in property, plant and equipment and \$24.8 million for the Harris Corporation's Suppression Products Group acquisition. Cash used in financing activities included net payments of longterm debt of \$9.1 million. The Company utilized borrowings under its revolving loan facility to finance the purchase of Harris Corporation's Suppression Products Group and had \$6.0 million of this short-term debt remaining as of January 1, 2000. This left the Company with \$49.0 million of borrowing capability under the revolving loan facility as of January 1, 2000. The repurchase of the Company's common stock for \$12.8 million was partially offset by cash proceeds from the exercise of stock options and conversion of warrants of \$1.6 million. The effect of exchange rate changes increased cash by \$0.2 million. The net of cash provided by operations, less







investing activities, less financing activities, plus the effect of exchange rates resulted in a \$26.1 million net decrease in cash. This left the Company with a cash balance of \$1.9 million at the end of 1999.

Net working capital used \$8.4 million of cash flow from operations in 1999. Increases in accounts receivable of \$14.3 million, inventory of \$8.9 million and other asset and liability changes of \$0.1 million were offset by an increase in accounts payable and accrued expenses of \$14.9 million. Contributing to the increase in working capital in 1999 was an increase in sales as well as some information systems migration difficulties, which the Company is addressing. Increased focus has been placed on working capital management and improvements are expected in 2000.

The Company started 1998 with \$0.8 million of cash. Net cash provided by operations was \$39.3 million for the year. Cash used to invest in property, plant and equipment was \$21.3 million, to invest in product acquisitions for electrostatic discharge devices and medium voltage power fuses was \$2.8 million and to make a non-compete payment was \$0.2 million. Cash provided by financing activities included net proceeds of long-term debt of \$33.9 million due to a \$60.0 million private placement of new senior notes and renegotiation of the existing bank credit agreement. The available \$55.0 million revolving loan facility was unused as of January 2, 1999. The purchase of the Company's common stock for \$26.8 million was partially offset by cash proceeds from the exercise of stock options and conversion of warrants of \$6.3 million. The effect of exchange rate changes decreased cash by \$1.1 million. The net of cash provided by operations, less investing activities, less financing activities, plus the effect of exchange rates resulted in a \$27.2 million net increase in cash. This left the Company with a cash balance of \$28.0 million at the end of 1998.

Net working capital used \$2.8 million of cash flow from operations for 1998. Lower inventory and prepaid and other items were the primary cash providers, offset by an increase in accounts receivable and a decrease in accounts payable.

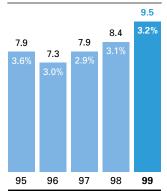
The Company's capital expenditures were \$20.0 million in 1999, \$21.3 million in 1998 and \$18.9 million in 1997. The Company expects that capital expenditures will be approximately \$22.0 to \$23.0 million in 2000. The primary purposes for capital expenditures in 2000 will be for new product tooling and production equipment. As in 1999, capital expenditures in 2000 are expected to be financed by cash flow from operations.

The Company decreased total debt by \$9.1 million in 1999, after increasing debt by \$33.9 million in 1998 and decreasing debt by \$5.2 million in 1997. The Company is required to repay \$15.0 million of long-term debt in 2000. In May of 1999, the Company's Board of Directors authorized the Company to repurchase up to 1,000,000 shares of its common stock or 1,000,000 of its warrants, or any combination not to exceed 1,000,000 shares of common stock or warrants, from time to time, depending on market conditions. The Company repurchased 707,500 common shares for \$12.8 million in 1999, 1,345,000 common shares for \$26.8 million in 1998 and 210,000 warrants and 205,000 common shares for \$8.6 million in 1997. As of January 1, 2000, the Company had over 800,000 shares remaining for repurchase under the Board of Directors authorization expiring in May of 2000.

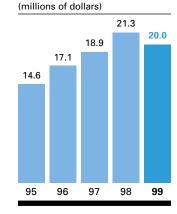
Earnings before interest, taxes, depreciation, amortization and other income and expense (EBITDA) increased 25% to \$70.2 million in 1999 from \$56.3 million in 1998. EBITDA decreased 12% to \$56.3 million in 1998 from \$64.1 million in 1997.

Net working capital (working capital less cash and the current portion of long-term debt) as a percent of sales was 20.2% at year-end 1999 compared to 17.3% at year-end 1998 and to 15.1% at year-end 1997. The increase in net working capital was due in part to the increase in days sales outstanding in

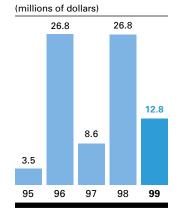
# RESEARCH AND DEVELOPMENT (millions of dollars and % of total sales)



### CAPITAL EXPENDITURES



#### STOCK/WARRANT REPURCHASES



accounts receivable to approximately 68 days at year-end 1999 compared to 61 days at year-end 1998 and 55 days at year-end 1997. The increase in days sales outstanding in 1999 was due primarily to difficulties experienced with the migration to new information systems as indicated above. Additionally, the trend towards a higher percentage of international sales with longer standard terms than domestic sales has contributed to the increase in days sales outstanding over the last several years.

The ratio of current assets to current liabilities was 1.5 to 1 at year-end 1999 compared to 2.1 to 1 at year-end 1998 and 1.6 to 1 at year-end 1997. The ratio of long-term debt to equity was 0.5 to 1 at year-end 1999 compared to 0.6 to 1 at year-end 1998 and 0.3 to 1 at year-end 1997.

#### **MARKET RISK**

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

The Company had long-term debt outstanding at January 1, 2000 in the form of Senior Notes and lines of credit at both variable and fixed interest rates. Since substantially all of the debt has fixed interest rates, the Company's interest expense is not sensitive to changes in interest rate levels.

A portion of the Company's operations consists of manufacturing and sales activities in foreign countries. The Company has manufacturing facilities in Mexico, England, Ireland, Switzerland, South Korea, China and the Philippines. During 1999, sales exported from the United States or manufactured abroad accounted for 46.1% of total sales. Substantially all sales in Europe are denominated in Dutch Guilders, British Pounds Sterling, United States Dollars and Euros and substantially all sales in the Asia-Pacific region are denominated in United States Dollars and South Korean Won.

The Company's identifiable foreign exchange exposures result from the purchase and sale of products from affiliates, repayment of intercompany trade and loan amounts and translation of local currency amounts in consolidation of financial results. Changes in foreign currency exchange rates or weak economic conditions in the foreign countries in which it manufactures and distributes products could affect the Company's sales and financial results. Other than utilizing netting and offsetting intercompany account management techniques to reduce known exposures, the Company does not use derivative financial instruments to mitigate its foreign currency risk at the present time.

The Company uses various metals in the production of its products, including zinc, copper and silver. The Company's earnings are exposed to fluctuations in the prices of these commodities. The Company does not currently use derivative financial instruments to mitigate this commodity price risk.

#### **YEAR 2000**

As of July 3, 1999, the Company had completed 100% of the remediation phase for its mission critical information technology, operating equipment systems and external interface exposures.

The Company has not experienced any difficulties with its information technology, operating equipment systems, or external interfaces related to the year 2000 transition. In addition, the Company has not experienced any difficulties with its significant suppliers.

The Company believes that the foregoing statements are in conformity with the Year 2000 Information and Readiness Disclosure Act (Public Law 105-271, 112 Stat. 2386), and all of the foregoing statements are designated as Year 2000 Readiness Disclosures thereunder. The protection of this act does not apply to federal securities fraud.

#### **OUTLOOK**

Continued sales growth is expected in 2000, fueled in part by sales of products introduced in 1999 and 2000 and continued increases in electronic product sales. A full year of sales in 2000 of suppression products resulting from the acquisition of the Suppression Products Group in October of 1999 is expected to contribute to increases over 1999.

The Company will continue to identify and implement cost reduction opportunities in 2000. These efforts are expected to help offset selling price pressure from customers.

The development of new products, global expansion, and reinvestment continue to be the Company's long-term growth strategy. The Company intends to continue its commitment to funding research and development, international market development, and investments in capital equipment and operations improvements.

### "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

The statements under "Outlook," "Year 2000" and the other statements which are not historical facts contained in this report are forward-looking statements that involve risks and uncertainties, including, but not limited to, product demand and market acceptance risks, the effect of economic conditions, the impact of competitive products and pricing, product development and patent protection, commercialization and technological difficulties, year 2000 issues discussed above, capacity and supply constraints or difficulties, exchange rate fluctuations, actual purchases under agreements, the effect of the Company's accounting policies, and other risks which may be detailed in the Company's Securities and Exchange Commission filings.

#### CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(thousands of dollars)

ASSETS	January 1, 2000	January 2, 1999
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,888	\$ 27,961
Accounts receivable, less allowances		
(1999 – \$ 7,121; 1998 – \$5,885)	59,583	41,382
Inventories	48,916	36,209
Deferred income taxes	5,265	2,456
Prepaid expenses and other current assets	3,485	3,090
TOTAL CURRENT ASSETS	119,137	111,098
PROPERTY, PLANT, AND EQUIPMENT:		
Land	8,370	6,753
Buildings	28,636	25,682
Equipment	157,296	131,136
	194,302	163,571
Less: Allowances for depreciation and amortization	102,511	85,783
	91,791	77,788
INTANGIBLE ASSETS, NET OF AMORTIZATION:		
Reorganization value in excess of amounts		
allocable to identifiable assets	33,943	37,814
Patents and licenses	4,356	6,522
Distribution network	5,918	6,412
Trademarks	3,022	3,275
Other	16,274	5,940
	63,513	59,963
OTHER ASSETS	1,257	1,695
	\$275,698	\$250,544

#### **CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION** (continued)

(thousands of dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	January 1, 2000	January 2, 1999
CURRENT LIABILITIES:		
Accounts payable	\$ 19,075	\$ 9,926
Accrued payroll	14,167	12,555
Accrued expenses	14,596	7,929
Accrued income taxes	9,403	6,042
Current portion of long-term debt	20,974	15,515
TOTAL CURRENT LIABILITIES	78,215	51,967
Long-term debt, less current portion	55,460	70,061
Deferred income taxes	4,490	3,951
Other long-term liabilities	501	41
SHAREHOLDERS' EQUITY:		
Preferred stock, par value \$.01 per share: 1,000,000 shares		
authorized; no shares issued and outstanding	-	_
Common stock, par value \$.01 per share: 34,000,000 shares		
authorized; shares issued and outstanding,		
1999 – 19,489,143; 1998 – 20,023,520	195	200
Additional paid-in capital	55,241	55,537
Notes receivable – Common stock	(2,909)	(2,772)
Accumulated other comprehensive loss	(5,642)	(3,726)
Retained earnings	90,147	75,285
	137,032	124,524
See accompanying notes.	\$275,698	\$250,544

#### CONSOLIDATED STATEMENTS OF INCOME

(in thousands of dollars, except per share amounts)

YEAR ENDED	January 1, 2000	January 2, 1999	January 3, 1998
Net sales	\$296,367	\$269,540	\$275,165
Cost of sales	179,112	169,341	164,034
Gross profit	117,255	100,199	111,131
Selling, general and administrative expenses	56,098	50,936	52,226
Research and development expenses	9,455	8,387	7,927
Amortization of intangibles	7,078	6,780	7,210
Operating income	44,624	34,096	43,768
Interest expense	5,253	3,989	4,103
Other expense/(income), net	(1,306)	98	(987)
Income before income taxes	40,677	30,009	40,652
Income taxes	15,457	10,124	15,310
NET INCOME	\$ 25,220	\$ 19,885	\$ 25,342
NET INCOME PER SHARE:			
Basic	\$ 1.29	\$ 0.97	\$ 1.28
Diluted	\$ 1.16	\$ 0.86	\$ 1.07
WEIGHTED-AVERAGE SHARES			
AND EQUIVALENT SHARES OUTSTANDING:			
Basic	19,572	20,474	19,824
Diluted	21,751	23,154	23,623

See accompanying notes.

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of dollars)

YEAR ENDED	January 1, 2000	January 2, 1999	January 3, 1998
OPERATING ACTIVITIES			
Net income	\$ 25,220	\$ 19,885	\$ 25,342
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Depreciation	18,461	15,426	13,184
Amortization of intangibles	7,078	6,780	7,210
Provision for bad debts	614	626	410
Deferred income taxes	(3,922)	(896)	215
Other	(225)	326	(159)
Changes in operating assets and liabilities:			
Accounts receivable	(14,323)	(3,218)	(3,331)
Inventories	(8,850)	3,610	(8,281)
Accounts payable and accrued expenses	14,915	(4,992)	1,950
Prepaid expenses and other	(117)	1,757	217
Net cash provided by operating activities	38,851	39,304	36,757
INVESTING ACTIVITIES			
Purchases of property, plant, and equipment, net	(19,975)	(21,320)	(18,936)
Purchase of business, net of cash acquired	(24,754)	(2,751)	(5,268)
Other	(56)	(249)	(357)
Net cash used in investing activities	(44,785)	(24,320)	(24,561)
FINANCING ACTIVITIES			
Proceeds (payments) of long-term debt, net	(9,132)	33,851	(5,192)
Proceeds from exercise of stock options and warrants	1,645	6,308	1,055
Purchases of common stock and redemption of warrants	(12,833)	(26,803)	(8,642)
Net cash provided by (used in) financing activities	(20,320)	13,356	(12,779)
Effect of exchange rate changes on cash	181	(1,134)	(89)
Increase (decrease) in cash and cash equivalents	(26,073)	27,206	(672)
Cash and cash equivalents at beginning of year	27,961	755	1,427
Cash and cash equivalents at end of year	\$ 1,888	\$ 27,961	\$ 755

See accompanying notes.

#### CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(thousands of dollars)

Period from December 28, 1996 to January 1, 2000	Common Stock	Additional Paid-In Capital	Notes Receivable- Common Stock	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Total
Balance at December 28, 1996	\$198	\$ 54,569	\$ (1,470)	\$ (870)	\$ 56,195	\$108,622
Comprehensive income:						
Net income for the year	-	_	_	_	25,342	25,342
Foreign currency translation adjustment	_	_	_	(3,897)	_	(3,897)
Comprehensive income						21,445
Stock options and warrants exercised	3	2,567	(490)	_	_	2,080
Purchase of 205,000 shares of common stock	(2)	(720)	_	_	(4,044)	(4,766)
Redemption of 210,250 warrants	_	(3,876)	_	_	-	(3,876)
Balance at January 3, 1998	199	52,540	(1,960)	(4,767)	77,493	123,505
Comprehensive income:						
Net income for the year	-	_	_	-	19,885	19,885
Foreign currency translation adjustment	-	_	_	(1,041)	_	1,041
Comprehensive income						20,926
Stock options and warrants exercised	15	7,693	(812)	-	_	6,896
Purchase of 1,345,300 shares of common stock	(14)	(4,696)	_	_	(22,093)	(26,803)
Balance at January 2, 1999	200	55,537	(2,772)	(3,726)	75,285	124,524
Comprehensive income:						
Net income for the year	_	-	_	_	25,220	25,220
Foreign currency translation adjustment	_	_	_	(1,916)	_	(1,916)
Comprehensive income						23,304
Stock options and warrants exercised	2	2,172	(137)	_	_	2,037
Purchase of 707,500 shares of common stock	(7)	(2,468)	-	-	(10,358)	(12,833)
Balance at January 1, 2000	\$195	\$55,241	\$(2,909)	\$(5,642)	\$90,147	\$137,032

See accompanying notes.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION

Nature of Operations Littelfuse, Inc. and its subsidiaries ("the Company") design, manufacture, and sell fuses and other circuit protection devices for use in the automotive, electronic, and general industrial markets throughout the world. The Company also manufactures and supplies relays, switches and circuit breakers.

**Fiscal Year** The Company's fiscal years ended January 1, 2000 and January 2, 1999, contained 52 weeks. The Company's fiscal year ended January 3, 1998, contained 53 weeks.

**Principles of Consolidation** The consolidated financial statements include the accounts of Littelfuse, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

**Cash Equivalents** All highly liquid investments, with a maturity of three months or less when purchased, are considered to be cash equivalents.

Fair Value of Financial Instruments The Company's financial instruments include cash and cash equivalents, accounts receivable, and long-term debt. The carrying values of such financial instruments approximate their estimated fair values.

Accounts Receivable The Company performs credit evaluations of customers' financial condition and generally does not require collateral. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

**Inventories** Inventories are stated at the lower of cost (first in, first out method) or market, which approximates current replacement cost.

**Property, Plant, and Equipment** Land, buildings, and equipment are carried at cost. Depreciation is provided under accelerated methods using useful lives of 21 years for buildings, 7 to 9 years for equipment, and 7 years for furniture and fixtures. Tooling and computer software are depreciated using the straight-line method over 5 years and 3 years, respectively.

Intangible Assets Reorganization value in excess of amounts allocable to identifiable assets and trademarks are amortized using the straight-line method over 20 years. Patents are amortized using the straight-line method over their estimated useful lives, which average approximately 10 years. The distribution network is amortized using an accelerated method over 20 years. Licenses are amortized using an accelerated method over their estimated useful lives, which average approximately 9 years. Other intangible assets consist principally of goodwill that is being amortized over 10 to 20 years. Accumulated amortization of these intangible assets was \$53.2 million at January 1, 2000 and \$46.1 million at January 2, 1999. If there

are indicators that an asset may be impaired, the Company assesses recoverability from future operations using undiscounted cash flows of the related business as a measure. Under this approach, the carrying value of the intangible asset would be reduced to a fair value if the Company's best estimate for expected undiscounted future cash flows of the related business would be less than the carrying amount of the intangible asset over its remaining amortization period.

**Revenue Recognition** Sales and associated costs are recognized when products are shipped to customers.

**Advertising Costs** The Company expenses advertising costs as incurred which amounted to \$2.6 million in 1999, \$2.6 million in 1998 and \$2.8 million in 1997.

Foreign Currency Translation The financial statements of foreign entities have been translated in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation," and, accordingly, unrealized foreign currency translation adjustments are reflected as a component of shareholders' equity.

Stock-Based Compensation Under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company accounts for stock option grants to employees and directors in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Generally, the Company grants stock options for a fixed number of shares with an exercise price equal to the market price of the underlying stock at the date of grant and, accordingly, does not recognize compensation expense. On certain occasions, the Company has granted stock options for a fixed number of shares with an exercise price below that of the underlying stock on the date of the grant and recognizes compensation expense accordingly. This compensation expense has not been material.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comprehensive Income In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 130 establishes standards for reporting and display of comprehensive income and its components in the financial statements. The Company adopted SFAS 130 for 1998. The Company has chosen to disclose comprehensive income, which encompasses net income and foreign currency translation adjustments, in the consolidated statements of shareholders' equity. Prior years have been restated to conform to SFAS 130 requirements.

Business Segment Disclosure In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 establishes standards for the way in which public business enterprises report information about operating segments in annual financial statements and interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company adopted SFAS 131 for fiscal 1998. (See Note 8.)

**Reclassifications** Certain amounts in the 1997 financial statements have been reclassified to conform with the 1999 and 1998 financial statement presentation.

#### 2. ACQUISITION OF BUSINESS AND LIQUIDATION

On May 30, 1997, the Company invested \$5.3 million in exchange for a 97% interest in Samjoo Elec. Ind. Co. Ltd., a Korean fuse manufacturer, now doing business as Littelfuse Triad. This acquisition has been accounted for through the use of the purchase method of accounting; accordingly, the accompanying financial statements include the results of its operations since the acquisition date. Goodwill arising from this acquisition of approximately \$2.9 million is being amortized over 20 years. Pro forma results of operations, assuming this acquisition had occurred as of December 29, 1996, would not differ materially from reported results of operations.

During the year ended January 2, 1999, the Company made two acquisitions for approximately \$2.8 million. The acquisitions have been accounted for through the use of the purchase method of accounting; accordingly, the accompanying financial statements include the results of operations since the acquisition dates. Goodwill arising from these acquisitions of approximately \$2.6 million is being amortized over 10 years. Pro forma results of operations, assuming these acquisitions had occurred as of December 29, 1996, would not differ materially from reported results of operations.

In March 1998, the Company consolidated its Korean operations into Littelfuse Triad. Pursuant to the consolidation, the Company incurred costs of approximately \$400,000 to liquidate Sam Hwa Littelfuse, Inc.

On October 19, 1999, the Company acquired Harris Corporation's Suppression Products Group for \$24.8 million in cash. The Suppression Products Group manufactures and markets a broad line of transient voltage suppression devices that provide circuit protection for products in numerous markets including consumer, computer, telecommunications, automotive, office equipment, industrial and power transmission. This acquisition has been accounted for through the use of the purchase method of accounting; accordingly, the accompanying financial statements include the results of its operations since the acquisition date. The purchase price has been allocated to the following net assets acquired based on fair value: accounts receivable of \$7.4 million, inventory of \$4.6 million, property, plant and equipment of \$12.7 million, other assets of \$0.4 million and liabilities assumed of \$5.1 million. Purchase accounting liabilities recorded during 1999

consist of \$0.5 million for transaction costs and \$5.7 million for costs associated with exiting a product line and involuntary termination of employees in connection with the integration of the business. Goodwill arising from this acquisition of approximately \$11.0 million is being amortized over 20 years. Assuming that this acquisition had occurred as of January 4, 1998, pro forma sales of Littelfuse, Inc. would have been \$328.3 million in 1999 and \$311.9 million in 1998 and pro forma results of operations would not differ materially from reported results of operations.

#### 3. INVENTORIES

The components of inventories are as follows at January 1, 2000, and January 2, 1999 (in thousands):

	1999	1998
Raw materials	\$ 12,684	\$ 9,800
Work in process	14,854	5,338
Finished goods	21,378	21,071
	\$48,916	\$36,209

#### 4. LONG-TERM OBLIGATIONS

The carrying amounts of long-term debt, which approximate fair value, are as follows at January 1, 2000, and January 2, 1999 (in thousands):

	1999	1998
6.16% Senior Notes, maturing 2005	\$55,000	\$60,000
6.31% Senior Notes, maturing 2000	9,000	18,000
Revolving credit facility	6,000	_
Other obligations	4,964	5,539
Capital lease obligations	1,470	2,037
	76,434	85,576
Less: Current maturities	20,974	15,515
	\$55,460	\$70,061

The Company has unsecured financing arrangements consisting of Senior Notes with insurance companies and a credit agreement with banks that provides a \$55.0 million revolving credit facility. The Senior Notes require minimum annual principal payments. No principal payments are required for borrowings against the revolving line of credit until the line matures on August 31, 2002. At January 1, 2000, the Company had available \$49.0 million of borrowing capability under the revolving credit facility at an interest rate of LIBOR plus 0.375%.

The bank credit agreement provides for letters of credit of up to \$8.0 million as part of the available credit line. At January 1, 2000 the Company had \$1.8 million of outstanding letters of credit.

The Senior Notes and bank credit agreement contain 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 addition, the Company is required to satisfy certain financial covenants and tests relating to, among other matters, interest coverage, working capital, leverage and net worth.

Aggregate maturities of long-term obligations at January 1, 2000, are as follows (in thousands):

2000	\$20,974
2001	14,475
2002	10,063
2003	10,063
2004 and thereafter	20,859
	\$76,434

Interest paid on long-term debt approximated \$4.9 million in 1999, \$3.8 million in 1998 and \$4.0 million in 1997.

#### 5. BENEFIT PLANS

The Company has a defined-benefit pension plan covering substantially all of its North American employees. The amount of the retirement benefit is based on years of service and final average monthly pay. The plan also provides post-retirement medical benefits to retirees and their spouses if the retiree has reached age 62 and has provided at least 10 years of service prior to retirement. Such benefits generally cease once the retiree attains age 65. The Company's contributions are made in amounts sufficient to satisfy ERISA funding requirements.

In 1998, the Company adopted SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." The statement standardizes the disclosure requirements for pensions and other postretirement benefits.

(in thousands)	1999	1998
Change in benefit obligation		
Benefit obligation at beginning of year	\$45,487	\$41,649
Service cost	2,264	1,942
Interest cost	3,015	2,822
Actuarial loss	(4,760)	1,155
Benefits paid	(1,902)	(2,081)
Benefit obligation at end of year	\$44,104	\$45,487
Change in plan assets at fair value		
Plan assets at beginning of year	\$44,363	\$39,703
Actual return on plan assets	5,050	6,041
Employer contributions	_	700
Benefits paid	(1,902)	(2,081)
Fair value of plan assets at end of year	\$47,511	\$44,363
Funded status	\$ 3,407	\$ (1,124)
Unrecognized prior service cost	178	245
Unrecognized net actuarial loss/(gain)	(3,910)	2,301
Prepaid pension obligation	\$ (325)	\$ 1,422

(in thousands)	1999	1998
Weighted-average assumptions		
Discount	7.50%	6.75%
Expected return on plan assets	9.00%	9.00%
Salary growth rate	4.50%	4.50%
Components of net periodic benefit of	cost	
Service cost	\$ 2,264	\$ 1,942
Interest cost	3,015	2,822
Expected return on plan assets	(3,648)	(3,243)
Amortization of prior service cost	66	65
Recognized net actuarial loss	50	151
Net periodic benefit cost	\$ 1,747	\$ 1,737

The Company has a defined-benefit pension plan covering most of its Ireland employees as a result of its acquisition of the Suppression Products Group in October, 1999. The amount of the retirement benefit is based on years of service and final average monthly pay. The plan also provides death benefits to the plan participants. As of January 3, 1998 the Ireland pension plan had assets in the amount of \$11.1 million and liabilities in the amount of \$10.4 million. The Company is in the process of obtaining a more current actuarial valuation of the Ireland plan.

The Company provides additional retirement benefits for certain key executives through its unfunded defined contribution Supplemental Executive Retirement Plan. The charge to expense for this plan amounted to \$1,058,000, \$852,000 and \$853,000 in 1999, 1998 and 1997, respectively.

The Company also maintains a 401(k) savings plan covering substantially all U.S. employees. The Company matches 50% of the employee's annual contributions for the first 4% of the employee's gross wages. Employees vest in the Company contributions after two years of service. Company matching contributions amounted to \$632,000 in 1999, \$547,000 in 1998 and \$523,000 in 1997.

#### 6. SHAREHOLDERS' EQUITY

**Stock Split** On April 29, 1997, the Company's Board of Directors approved a two-for-one stock split to stockholders of record on May 20, 1997, payable June 10, 1997, in the form of a stock dividend. All prior years' number of shares and per share amounts have been restated to reflect the stock split.

**Stock Purchase Warrants** Warrants to purchase 2,461,309 shares of common stock at \$4.18 per share were outstanding at January 1, 2000. The warrants are exercisable at the option of the holder at any time prior to December 27, 2001, and are not callable by the Company.

**Stock Options** The Company has stock option plans authorizing the granting of both incentive and nonqualified options and other stock rights of up to 2,800,000 shares of common stock to employees and directors. The stock options vest over a five-year period and are exercisable over a ten-year period commencing from the date of vesting.

A summary of stock option information follows:

, ,	1	999 Weighted Average Exercise	199	98 Weighted Average Exercise	199	7 Weighted Average Exercise
	Options	Price	Options	Price	Options	Price
Outstanding at beginning of year	1,428,910	\$16.91	1,361,310	\$14.28	1,257,380	\$10.95
Granted	367,200	19.63	311,500	24.64	274,300	25.29
Option price equals market price	352,200	20.25	311,500	24.64	274,300	25.29
Option price less than market price	15,000	5.00	_	_	_	_
Exercised	(144,870)	9.34	(153,480)	6.49	(156,170)	6.70
Forfeited	(62,400)	21.98	(90,420)	15.31	(14,200)	15.69
Outstanding at end of year	1,588,840	\$18.02	1,428,910	\$16.91	1,361,310	\$14.28
Exercisable at end of year	765,960		708,818		671,126	
Available for future grant	216,440		517,340		138,420	
Weighted-average value of options						
granted during the year		\$12.04		\$11.81		\$11.16
Option price equals market price		11.79		11.81		11.16
Option price less than market price		17.75		_		_

As of January 1, 2000, the Company had the following outstanding options:

	Exercise Price	Options Outstanding	Average Exercise Price	Weighted- Average Remaining Life	Weighted- Options Exercisable
\$	3.688 to \$5.00	147,700	\$ 4.00	3.00	129,500
\$	7.50 to \$11.155	185,100	\$10.20	3.92	182,700
\$	1.625 to \$16.50	235,600	\$14.84	5.03	201,920
\$	17.813 to \$25.50	930,240	\$21.52	8.27	215,520
<u> </u>	28.875 to \$34.125	90,200	\$28.93	7.56	36,320

Disclosure of pro forma information regarding net income and net income per share is required by SFAS 123 and has been determined as if the Company had accounted for its stock options granted in 1999, 1998, and 1997 under the fair value method using the Black-Scholes option pricing model. The following assumptions were utilized in the valuation:

	1999	1998	1997
Risk-free interest rate	6.52%	5.59%	6.63%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	41.0%	30.0%	19.5%
Expected life of options	8 years	8 years	8 years

Had compensation cost for the Company's stock options granted in 1999, 1998, and 1997 been determined based on the fair value at the dates of grant, the Company's net income and net income per share would have been reduced to the proforma amounts indicated:

		1999		1998		1997
Pro forma net income (in thousands of dollars)	\$2	4,341	\$1	8,710	\$2	4,621
Pro forma basic net income per share	\$	1.24	\$	0.91	\$	1.24
Pro forma diluted net income per share	\$	1.12	\$	0.81	\$	1.04

The pro forma effect on net income for 1999, 1998, and 1997 is not representative of the pro forma effect on net income in future years as the pro forma disclosures reflect only the fair value of stock options granted in those years and do not reflect the fair value of outstanding options granted prior to 1996.

Notes Receivable - Common Stock In 1995, the Company established the Executive Loan Program under which certain management employees may obtain interest-free loans from the Company to facilitate their exercise of stock options and payment of the related income tax liabilities. Such loans, limited to 90% of the exercise price plus related tax liabilities, have a five-year maturity, subject to acceleration for termination of employment or death of the employee. Such loans are classified as a reduction of shareholders' equity.

**Preferred Stock** The Board of Directors may authorize the issuance from time to time of preferred stock in one or more series with such designations, preferences, qualifications, limitations, restrictions, and optional or other special rights as the Board may fix by resolution. In connection with the Rights Plan, the Board of Directors has reserved, but not issued, 200,000 shares of preferred stock.

Rights Plan In December 1995, the Company adopted a shareholder rights plan providing for a dividend distribution of one preferred share purchase right for each share of common stock outstanding on and after December 15, 1995. The rights can be exercised only if an individual or group acquires or announces a tender offer for 15% or more of the Company's common stock and warrants. If the rights first become exercisable as a result of an announced tender offer, each right would entitle the holder to buy 1/200th of a share of a new series of preferred stock at an exercise price of \$67.50. Once an individual or group acquires 15% or more of the Company's common stock, each right held by such individual or group becomes void and the remaining rights will then entitle the holder to purchase a number of common shares having a market value of twice the exercise price of the right. If the attempted takeover succeeds, each right will then entitle the holder to purchase a number of the acquiring Company's common shares having a market value of twice the exercise price of the right. After an individual or group acquires 15% of the Company's common stock and before they acquire 50%, the Company's Board of Directors may exchange the rights in whole or in part, at an exchange ratio of one share of common stock or 1/100th of a share of a new series of preferred stock per right. Before an individual or group acquires 15% of the Company's common stock, or a majority of the Company's Board of Directors are removed by written consent, whichever occurs first, the rights are redeemable for \$.01 per right at the option of the Company's Board of Directors. The Company's Board of Directors is authorized to reduce the 15% threshold to no less than 10%. Each right will expire on December 15, 2005, unless earlier redeemed by the Company.

#### 7. INCOME TAXES

Federal, state, and foreign income tax expense (credit) consists of the following (in thousands):

	1999	1998	1997
Current:			
Federal	\$ 10,078	\$ 4,861	\$ 7,845
State	1,467	920	1,859
Foreign	6,180	5,239	5,391
	17,725	11,020	15,095
Deferred:			
Federal	(1,875)	(809)	5
Foreign	(393)	(87)	210
	(2,268)	(896)	215
	\$ 15,457	\$10,124	\$15,310

Domestic and foreign income before income taxes is as follows (in thousands):

	1999	1998	1997
Domestic	\$ 22,846	\$15,337	\$26,494
Foreign	17,831	14,672	14,158
	\$ 40,677	\$30,009	\$40,652

A reconciliation between income taxes computed on income before income taxes at the federal statutory rate and the provision for income taxes is provided below (in thousands):

	1999	1998	1997
Tax expense at statutory			
rate of 35%	\$14,237	\$10,503	\$14,228
State and local taxes,			
net of federal tax benefit	904	598	1,208
Foreign income taxes	(735)	68	(705)
SamHwa Littelfuse, Inc.			
liquidation	-	(1,055)	_
Foreign losses for which			
no tax benefit is available	e <b>82</b>	83	974
Other, net	969	(73)	(395)
	\$15,457	\$10,124	\$15,310

Deferred income taxes are provided for the tax effects of temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities. Significant components of the Company's deferred tax assets and liabilities at January 1, 2000 and January 2, 1999, are as follows (in thousands):

	1999	1998
Deferred tax liabilities		
Tax over book depreciation		
and amortization	\$2,736	\$4,289
Prepaid expenses	1,250	1,265
Other	887	416
Total deferred tax liabilities	4,873	5,970
Deferred tax assets		
Accrued expenses	5,648	3,899
Foreign net operating loss carryforwards	258	174
Other	_	578
Total deferred tax assets	5,906	4,651
Less: Valuation allowance	(258)	(174)
Total deferred tax assets	5,648	4,477
Net deferred tax assets / (liabilities)	\$ 775	\$(1,493)

The deferred tax asset valuation allowance is related to deferred tax assets from foreign net operating losses. The net operating loss carryforwards have no expiration date. Certain foreign net operating loss carryforwards and the related valuation allowance are no longer available due to the liquidation of Sam Hwa Littelfuse, Inc. The Company received a one-time tax benefit associated with the liquidation of approximately \$1.1 million for the year ended January 2, 1999. The Company paid income taxes of \$12.1 million in 1999, \$11.5 million in 1998 and \$14.0 million in 1997.

#### 8. BUSINESS SEGMENT INFORMATION

The Company designs, manufactures, and sells circuit protection devices throughout the world. The Company has three reportable geographic segments: The Americas, Europe, and Asia-Pacific. The circuit protection market in these geographical segments is categorized into three major product areas: electronic, automotive, and power fuses.

The Company evaluates the performance of each geographic segment based on its net income or loss. The Company also accounts for intersegment sales as if the sales were to third parties.

The Company's reportable segments are the business units where the revenue is earned and expenses are incurred. The Company has subsidiaries in The Americas, Europe, and Asia-Pacific where each region is measured based on its sales and operating income or loss.

Information concerning the operations in these geographic segments for the year ended January 1, 2000, is as follows (in thousands):

		The Americas	Europe	Asia-Pacific	Combined Total	Corporate	Reconciliation	Consolidated Total
Net Sales	1999	\$172,122	\$50,434	\$73,811	\$296,367	\$ -	\$ -	\$296,367
	1998	164,211	44,835	60,494	269,540	_	_	269,540
Intersegment revenues	1999	32,250	18,884	3,883	55,017	_	(55,017)	_
	1998	30,297	10,024	263	40,584	_	(40,584)	_
Interest expense	1999	5,007	11	235	5,253	_	_	5,253
	1998	3,724	17	248	3,989	_	_	3,989
Depreciation and amortization	1999	10,831	1,969	3,700	16,500	9,039	_	25,539
	1998	8,495	1,459	3,417	13,371	8,835	_	22,206
Other income (loss)	1999	883	500	(77)	1,306	_	_	1,306
	1998	506	68	(672)	(98)	_	_	(98)
Income tax expense	1999	8,967	3,706	2,784	15,457	_	_	15,457
	1998	4,412	3,896	1,816	10,124	_	_	10,124
Net income (loss)	1999	21,007	8,156	5,101	34,264	(9,044)	_	25,220
	1998	18,970	7,692	2,058	28,720	(8,835)	_	19,885
Identifiable assets	1999	191,997	36,228	39,112	267,337	66,076	(57,715)	275,698
	1998	130,981	24,282	42,658	197,921	89,619	(36,996)	250,544
Capital expenditures	1999	13,303	2,978	3,694	19,975	_	_	19,975
	1998	15,269	2,344	3,707	21,320	_	-	21,320

Intersegment revenues and receivables are eliminated to reconcile to consolidated totals. Corporate identifiable assets consist primarily of cash and intangible assets.

The Company's revenues by product areas for the years ended January 1, 2000 and January 2, 1999, are as follows (in thousands):

Revenues	1999	1998
Electronic	\$154,141	\$133,086
Automotive	101,270	96,685
Power Fuse	40,956	39,769
Consolidated Total	\$296,367	\$269,540

Revenues from no single customer of the Company amount to 10% or more.

#### 9. LEASE COMMITMENTS

The Company leases certain office and warehouse space under noncancelable operating leases, as well as certain machinery and equipment. Rental expense under these leases was approximately \$0.9 million in 1999 and 1998, respectively, and \$1.3 million in 1997. Future minimum payments for all noncancelable operating leases with initial terms of one year or more at January 1, 2000 are as follows (in thousands):

	***
2000	\$481
2001	297
2002	145
2003	44
2004 and thereafter	-
	\$967

#### 10. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

(in thousands)	1999	1998	1997	
Numerator:				
Net income	\$25,220	\$ 19,885	\$ 25,342	
Denominator:				
Denominator for basic earnings per share-				
Weighted-average shares	19,572	20,474	19,824	
Effect of dilutive securities:				
Warrants	1,970	2,311	3,335	
Employee stock options	209	369	464	
Denominator for diluted earnings per share –				
Adjusted weighted-average shares and assumed conversions	21,751	23,154	23,623	
Basic earnings per share	<b>\$ 1.29</b>	\$ 0.97	\$ 1.28	
Diluted earnings per share	\$ 1.16	\$ 0.86	\$ 1.07	

#### STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The company's management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information presented in this report. The accompanying consolidated financial statements were prepared in conformity with generally accepted accounting principles and incorporate certain estimates and judgements made by management.

Management has developed and maintains a system of accounting and controls designed to provide reasonable assurance that the company's assets are protected from improper use and that accounting records provide a reliable basis for the preparation of financial statements. This system is reviewed, improved, and modified in response to changing business conditions and operations and to recommendations made by the independent auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The company has adopted a Code of Conduct which is intended to guide our management in the continued observance of high ethical standards of honesty, integrity and fairness in the conduct of the business and in accordance with the law. Compliance with the guidelines and standards is periodically reviewed and is acknowledged in writing by certain key management associates.

The company's consolidated financial statements have been audited by Ernst & Young LLP, independent auditors. Their audits were conducted in accordance with generally accepted auditing standards, and included a review of financial controls and tests of accounting records and procedures as they considered necessary in the circumstances.

The Audit Committee of the Board of Directors, consisting of outside directors, meets regularly with management and the independent auditors to review accounting, reporting, auditing and internal control matters. The committee has direct and private access to the independent auditors.

Howard B. Witt

Chairman, President and Chief Executive Officer

and B. With

Philip G. Franklin

Vice President, Treasurer and Chief Financial Officer

#### REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders Littelfuse, Inc.

We have audited the consolidated statements of financial condition of Littelfuse, Inc. and subsidiaries as of January 1, 2000, and January 2, 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 1, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Littelfuse, Inc. and subsidiaries as of January 1, 2000 and January 2, 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 1, 2000, in conformity with accounting principles generally accepted in the Unites States.

Chicago, Illinois February 11, 2000

Ernet + Young LLP

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#### **BOARD OF DIRECTORS**

#### Howard B. Witt

Chairman, President, and Chief Executive Officer

Howard Witt, 59, is Chairman, President and Chief Executive Officer of Littelfuse, Inc. He has worked for Littelfuse since 1979, was appointed President and Chief Executive Officer in 1990 and was elected Chairman of the Board in 1993. He holds a Bachelor's degree in Mechanical Engineering from Northwestern University and an M.B.A. from the Krannert School of Management of Purdue University where he graduated with honors as a Krannert Scholar.

#### John P. Driscoll

President

Jack Driscoll Enterprises, Inc.

Jack Driscoll, 64, is president of Jack Driscoll Enterprises, Inc., a management consulting firm. He retired in 1998 as Executive Vice President of Murata Electronics North America, Inc. He is a former Vice President of the Components Group of the Electronic Industry Alliance and a former member of its Board of Governors. For many years he was affiliated with The Electronics Component and Technology Conference. He is a member of Littelfuse's Compensation Committee. Jack serves as a member of the Board of Directors of Spectrum OEM Products, Inc. He received his degree in Industrial Management from Boston College and attended Northeastern University Graduate School of Business.

#### **Anthony Grillo**

Partner

Joseph Littlejohn & Levy, Inc.

Anthony Grillo, 44, is a senior managing director of Joseph Litteljohn & Levy, a private equity firm. Tony is a member of Littelfuse's Audit Committee. He currently serves as a member of the Board of Directors of Hayes Lemmerz International, Inc., Lancer Industries, lasis Healthcare and several privately held companies and non-profit organizations. He holds a Bachelor's degree in Economics and an M.B.A. in Finance from The Wharton School, University of Pennsylvania.

#### John E. Major

Chief Executive Officer Wireless Knowledge

John Major, 54, is CEO of the Wireless Internet Solutions Group, which provides strategic advice for businesses that develop products or services for the Internet. Previously, he held positions as CEO of Wireless Knowledge, a privately held joint venture funded by Microsoft and Qualcomm and President of Qualcomm's Wireless Infrastructure Division. As a past Chairman of both the EIA (Electronic Industries Alliance) and the TIA (Telecommunications Industry Association), he serves on the Executive Committee of each. He also serves on the Board of Directors of the Lennox and Verilink corporations. He is a member of Littelfuse's Compensation Committee. He holds a Bachelor of Science degree in Mechanical and Aerospace Engineering from the University of Rochester, and a Master of Science degree in Mechanical Engineering from the University of Illinois. He also holds an M.B.A., with distinction, from Northwestern University and a J.D. from Loyola University. He received an honorary doctorate from Westminster College in May, 1995.

#### Bruce A. Karsh

President and Co-Founder
Oaktree Capital Management, LLC

Bruce Karsh, 44, is president and co-founder of Oaktree Capital Management, LLC, an investment advisory firm with over \$15 billion of assets under management. Bruce is a member of Littelfuse's Compensation Committee. He serves as a member of the Board of Directors of Furniture Brands International. He holds a Bachelor's degree in Economics from Duke University and a J.D. from the University of Virginia School of Law.

#### John J. Nevin

Retired Chairman and CEO Bridgestone/Firestone, Inc.

John Nevin, 73, is retired Chairman of the Board of Directors and CEO of Bridgestone/Firestone, Inc. He is a member of Littelfuse's Audit Committee and a life trustee of Northwestern University. He holds a Bachelor's degree in Business Administration from the University of California and received an M.B.A. from the Harvard Graduate School of Business.







#### OFFICERS AND MANAGEMENT TEAM

#### Howard B. Witt

Chairman, President, and Chief Executive Officer (Please see Board of Directors)

#### William S. Barron

Vice President, Sales and Marketing

Bill Barron, 57, is responsible for the company's overall sales and marketing. Prior to joining Littelfuse in 1991, Bill held positions as director of sales and marketing and business unit manager for Cinch Manufacturing, a division of TRW. He holds a Bachelor's degree in Engineering from the University of Illinois and an M.B.A. from Northwestern University.

#### Philip G. Franklin

Vice President, Treasurer and Chief Financial Officer

Phil Franklin, 48, is responsible for the treasury, investor relations, financial control, financial reporting and information systems functions of the company. He joined the company in 1998 from OmniQuip International, a \$450 million construction equipment manufacturer which he helped take public. He holds a Bachelor's degree cum laude in Economics and an M.B.A., both from Dartmouth College.

#### **Hans Ouwehand**

Vice President, European Operations

Hans Ouwehand, 53, is responsible for all sales, marketing, manufacturing and engineering activities in Europe. He joined Littelfuse in 1984 as sales manager for European electronics sales. Hans assumed his current responsibilities in 1986. In 1997, he was promoted to the position of Vice President. He holds a Bachelor's degree in Electrical Engineering from the Polytechnical University in The Hague, The Netherlands.

#### Lloyd J. Turner

Vice President, Operations

Lloyd Turner, 56, is responsible for manufacturing operations and related support functions. Lloyd joined Littelfuse in 1988 as director of operations. He holds a Bachelor's degree in Mechanical Engineering from the University of Southwestern Louisiana and a Master's degree in Engineering Mechanics from Virginia Polytechnic Institute.

#### David W. Heinzmann

Manufacturing Technical Services Manager

Dave Heinzmann, 36, is responsible for manufacturing engineering automation and services as well as supporting existing products and new product development. Heinzmann joined Littelfuse in 1985 as a manufacturing engineer in the Centralia facility and was promoted to plant manager in 1994. He holds a Bachelor's degree in Mechanical Engineering from the University of Missouri–Rolla.

Pictured at left: Hans Ouwehand, Howard B. Witt, Jan LaHayne James Stoffel, Philip G. Franklin, David Heinzman, Stephen J. Whitney William S. Barron, Lloyd J. Turner, Kenneth R. Audino, Mary S. Muchoney

#### Kenneth R. Audino

Vice President, Organizational Development and Total Quality Management

Ken Audino, 56, is responsible for the company's overall quality, reliability and environmental compliance, quality systems, human resources and training efforts. Audino has worked for Littelfuse since 1964. He holds a Bachelor's degree in Business Administration from Northwestern University and an M.B.A. with high honors from the Lake Forest Graduate School of Management

#### Stephen J. Whitney

Director of Engineering

Steve Whitney, 49, is responsible for all aspects of new product design and engineering. He joined Littelfuse in 1998 as engineering manager, advanced products. Prior to joining Littelfuse, he was manager of product and market development for the Bussmann Division of Cooper Industries. Steve holds a Bachelor's degree in Electrical Engineering from the University of Wisconsin-Madison.

#### Janet L. LaHayne

Chief Information Officer

Jan LaHayne, 50, is responsible for all aspects of the company's information systems. Prior to joining Littelfuse in October 1999, she was director of information services for World's Finest Chocolate, a \$120 million private company headquartered in Chicago. She also had 13 years of experience with the Quaker Oats Company in a wide variety of IT assignments. Jan holds a Bachelor's degree in Home Economics and a Master's degree in Organization Development from Valparaiso University.

#### Mary S. Muchoney

Corporate Secretary

Mary Muchoney, 54, joined the company in 1977 and has served as Corporate Secretary since 1991. She is responsible for providing all secretarial and administrative functions for the President and Littelfuse Board of Directors. She is a member of the American Society of Corporate Secretaries.

#### James P. Stoffel

Quality and Reliability Manager

Jim Stoffel, 39, is responsible for product evaluation and quality activities of Littelfuse's North American facilities. Stoffel joined Littelfuse in 1985 as a reliability engineer and was promoted to manager of reliability engineering and test laboratories in 1988. Previously, he was the supplier relations manager for three years. He holds a Bachelor's degree in Mechanical Engineering from the University of Dayton and has achieved quality and reliability certifications from the American Society of Quality.

#### **SELECTED FINANCIAL DATA**

(In thousands, except per share data)

FIVE YEAR SUMMA	RY			1999	1998	1997	1996	1995
Net sales				\$296,367	\$ 269,540	\$ 275,165	\$ 241,446	\$ 291,535
Gross profit				117,255	100,199	111,131	98,288	89,872
Operating income				44,624	34,096	43,768	37,669	33,729
Net income				25,220	19,885	25,342	21,735	19,272
Net income per share	e – Diluted			1.16	0.86	1.07	0.91	0.78
Net working capital				\$ 60,008	\$ 46,685	\$ 41,548	\$ 31,343	\$ 27,963
Total assets				275,698	250,544	221,885	209,951	205,186
Long-term debt				55,460	70,061	40,385	44,556	40,804
QUARTERLY RESUL	TS OF OPERAT	I <b>ONS</b> (Unaudi	ted)	1999				1998
	40	30	20	10	40	30	20	10
Net sales	\$ 82,009	\$ 73,293	\$ 72,094	\$ 68,971	\$ 62,058	\$ 69,035	\$ 69,116	\$ 69,331
Gross profit	34,098	29,317	28,053	25,787	21,370	25,905	26,331	26,592
Operating income	13,162	11,538	10,862	9,062	5,890	9,226	9,809	9,171
Net income	7,604	6,588	6,005	5,023	3,139	5,366	5,555	5,826
Net income per share	e:							
Basic	0.39	0.34	0.31	0.25	0.16	0.26	0.27	0.29
Diluted	0.35	0.30	0.28	0.23	0.14	0.23	0.24	0.25
QUARTERLY STOCK	PRICE			1999				1998
	4Q	3Q	20	10	40	3Q	20	10
High	\$ 25	\$ 22 7/8	\$ 22 1/4	\$ 20 1/2	\$ 25 1/4	\$ 25 5/8	\$ 26 5/8	\$ 28 1/2
Low	20	18 3/4	17 1/2	16 1/4	16 1/4	16 1/4	20	25 1/4
Close	24 17/64	22 1/8	20 1/2	17 11/16	19 1/4	19 1/4	25 1/8	25 3/4

# gn: Grady, Campbell Incorporated, Chicago Photography: KAZU Portraits: Mark Joseph web server courtesy of International Business Machines Corporation. Unauthorized use not permitted. products courtesy of Sony Electronics Inc.

#### **INDEPENDENT AUDITORS**

Ernst & Young, LLP 233 South Wacker Drive Chicago, Illinois 60606

#### **REGISTRAR AND TRANSFER AGENT**

LaSalle Bank N. A. 135 South LaSalle Street Chicago, Illinois 60603

#### LEGAL COUNSEL

Chapman and Cutler 111 West Monroe Street Chicago, Illinois 60603

### RESEARCH AND MANUFACTURING FACILITIES

Arcola, Illinois, USA
Centralia, Illinois, USA
Des Plaines, Illinois, USA
Grenchen, Switzerland
Batangas, Philippines
Piedras Negras, Mexico
Seoul, Korea
Suzhou, China
Washington, England
Dundalk, Ireland

### SALES, DISTRIBUTION AND ENGINEERING FACILITIES

Livonia, Michigan, USA Hong Kong, China Singapore Yokohama, Japan Utrecht, The Netherlands São Paulo, Brazil

#### **WORLD HEADQUARTERS**

Littelfuse, Inc. 800 East Northwest Highway Des Plaines, Illinois 60016 USA (847) 824-1188

www.littelfuse.com

#### CORPORATE INFORMATION

#### **ANNUAL MEETING**

The annual meeting of Littelfuse, Inc. will be held at 9:00 a.m. April 28, 2000, at the Littelfuse Corporate Headquarters. Proxy material and a copy of this report will be mailed in advance of the meeting to all shareholders of record on March 10, 2000.

#### SHAREHOLDER INFORMATION

In addition to annual reports to shareholders, copies of the company's 10-K and 10-Q reports filed with the Securities and Exchange Commission are available on request from the company. Address your request to Mary S. Muchoney, Corporate Secretary.

Littelfuse news releases and other information are available on the Internet at: www.littelfuse.com.

#### **COMMON STOCK**

Littelfuse, Inc. common stock is traded on The Nasdaq National Market System under the symbol LFUS. Warrants to purchase common stock at an exercise price of \$4.18 per share, expiring December 27, 2001, are also traded under the symbol LFUSW.

