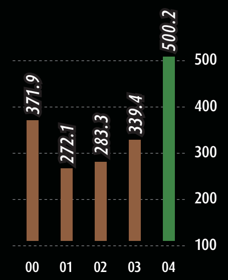
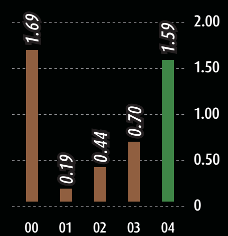
2004 ANNUAL REPORT

LITTELFUSE : CURRENT FUTURE

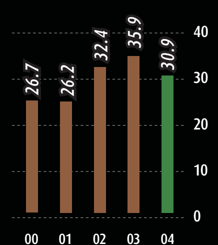
FINANCIAL HIGHLIGHTS



SALES
(in millions of dollars)



EARNINGS PER SHARE–DILUTED
(in dollars per share)



FREE CASH FLOW*
(in millions of dollars)

(dollars in thousands, except per share data)	2004	2003	% Change
Net sales	$500,242	$339,410	47%
Operating income	56,991	26,081	119
Net income	36,028	15,339	135
Earnings per share – diluted	1.59	0.70	127
Operating cash flow	52,984	49,953	6
Capital expenditures, net	22,079	14,041	57
Free cash flow*	30,905	35,912	(14)

Operating cash flow less net capital expenditures and before financing obligations.

"WE MADE EXCELLENT PROGRESS IN THE **CURRENT** YEAR AND ARE POSITIONED FOR A BRIGHT **FUTURE.**"

Littelfuse is a global company offering the broadest line of circuit protection products and expertise in the world. From the most delicate micro-circuitry to large industrial machinery, Littelfuse products are vital components in literally every product that uses electrical energy. Our products enhance safety, reliability and performance by protecting against short circuits, voltage surges, electrostatic discharge, lightning and electrical load switching.

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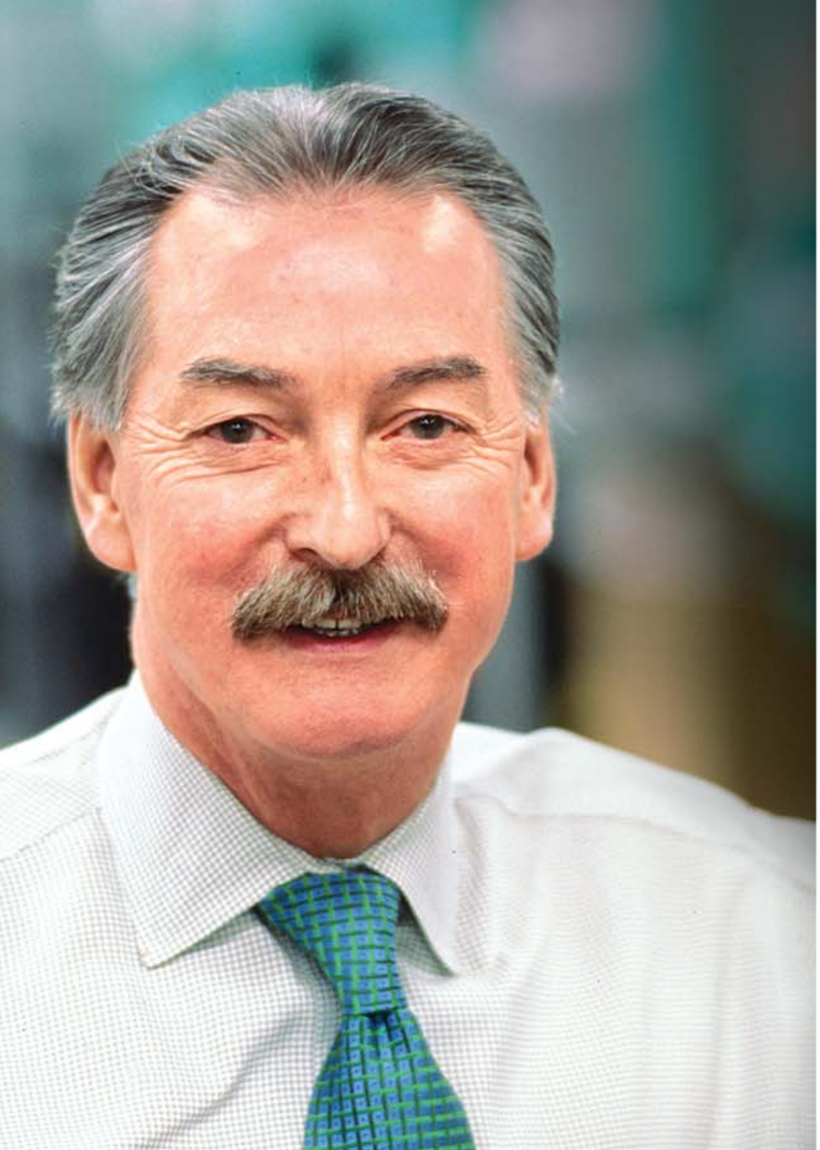


DEAR SHAREHOLDERS:

Littelfuse continued to build momentum in 2004. We invested in our future through acquisitions, new product development, strengthening our global infrastructure and adding value to customer relationships. Sales and earnings improved for the third consecutive year. Together, these activities position Littelfuse for continued growth and improved performance in the years ahead.

LETTER TO SHAREHOLDERS

GORDON HUNTER
Chairman, President and
Chief Executive Officer

ACQUISITIONS ARE A SIGNIFICANT COMPONENT OF OUR GROWTH STRATEGY. The acquisition of Teccor Electronics in July 2003 has proven to be a true success story for Littelfuse. The acquisition enhances our position as a leader in circuit protection, with the broadest product line in the world. It expands our presence in the telecommunications and industrial markets, strengthens our capabilities in the fast-growing semiconductor market and adds a group of very talented people to our global workforce. Teccor's systems, people and culture have been successfully integrated into Littelfuse. And we are already benefiting from cross-selling opportunities, as well as our ability to serve leading companies across the globe as a single-source provider of circuit protection solutions.

Building on the success of the Teccor acquisition, we purchased an 82% majority ownership of Heinrich Industrie AG in May 2004 for approximately $47.1 million in cash. Since the initial announcement, we increased our ownership of Heinrich to 97.2% and are moving forward with a process to purchase all of the remaining shares.

Headquartered in Witten, Germany, Heinrich is the holding company for the widely known and highly respected WICKMANN Group of circuit protection products. The acquisition strengthens our position in Europe and broadens our overall customer base. Although the acquisition was accretive to earnings in 2004, we are working to bring the Heinrich margins up to the level of the Littelfuse base business.

WE ARE INCREASING OUR FOCUS ON NEW PRODUCT DEVELOPMENT. Littelfuse has successfully made the transition from a fuse manufacturer to a global provider of circuit protection solutions. Through this process, we built the finest team of circuit protection technology experts in the world. Littelfuse engineers are developing the circuit protection products of the future, through our own research and development and by working closely with our customers to design circuit protection components for their specific product applications.

There are opportunities for new product development in each of our businesses as products continue to become smaller, lighter and more complex. At the same time, customers want to increase product functionality and reduce costs.

Growth areas in the electronics business include circuit protection components for broadband modems and Voice over Internet Protocol, camera and cell phones, and digital televisions, set-top boxes and DVD players. Opportunities in our automotive business include battery protection, the growing hybrid electric vehicle market and the increasing number of electronic components in vehicles. Our electrical business continues to expand its product line with new components and services that meet the evolving needs of our industrial customers.

TODAY, LITTELFUSE IS A SIGNIFICANTLY MORE GLOBAL COMPANY THAN IT WAS JUST TWO YEARS AGO. Our wider geographic reach is the result of acquisitions and organic growth. To support both our current customers and our future growth, we have taken major steps over the past several years to build a strong global infrastructure. Our SAP™ business enterprise system is the backbone of this infrastructure. With the implementation in China in April 2005, the SAP system will be up-and-running throughout most of the world. The SAP system integrates our major geographic locations and business functions including sales, forecasting, planning, purchasing, manufacturing, distribution and finance. While SAP has many benefits, the ultimate goal of this investment is to improve customer service and satisfaction by providing access to real-time information anywhere in the world.

Our strategy in building our global infrastructure is to put key sales and technical support, manufacturing and distribution resources close to customers in our three major geographic regions – the Americas, Europe and Asia. We have low-cost manufacturing facilities in Mexico, the Philippines and China, while our higher technology and more automated manufacturing operations are located in the United States and Europe. We consolidated our distribution into three primary regional facilities to improve customer service, increase efficiency and reduce costs. We have experienced people on-site in all three regions, including design engineers and corporate account managers, who maintain strong customer relationships at the local level. A special focus of the initiative is strengthening our infrastructure in Asia to support the growing customer base of both our electronics and automotive businesses. This includes providing Taiwan- and China-based resources for Original Design Manufacturers (ODMs), the fastest-growing market segment in the industry.

In 2004, we also enhanced our financial infrastructure to better manage our business as well as to meet the requirements of the Sarbanes-Oxley Act. We improved our internal audit capabilities by establishing a dedicated department and implemented global consolidation and operational audit programs using our SAP enterprise system.

OUR BROAD PRODUCT LINE AND GLOBAL TECHNOLOGY LEADERSHIP ARE THE FOUNDATION OF OUR SOLUTIONS-SELLING STRATEGY. We want to leverage these competitive advantages to partner with our customers in developing new products and to increase cross-selling of our existing products. In 2004, we strengthened our sales force and our sales training to support our initiatives to move Littelfuse from being a supplier of components to being a total solutions provider that adds value to our customers' products.

With our broad product line, we can recommend the best solution for the customer's application, drawing on our extensive experience, knowledge of worldwide circuit protection product standards and variety of technologies. This helps us to get Littelfuse products designed-in to our customers' products as they are being developed and to have Littelfuse products specified as recommended components for product applications of other companies.

WE FURTHER STRENGTHENED OUR MANAGEMENT TEAM IN 2004. Elizabeth Calhoun joined Littelfuse as Vice President – Human Resources in November. Her experience with leading global companies will assist us in recruiting, retaining and developing the worldwide talent that is critical to our continued growth and success. Liz joins an established management team that has extensive experience in our industry and with Littelfuse.

On January 1, 2005, I assumed the position of Chairman, President and Chief Executive Officer, succeeding Howard B. Witt. Howard, who continues as a Director, retired at the end of 2004 after 25 years of service to Littelfuse. Under Howard's leadership, Littelfuse has grown to become an industry leader through a commitment to innovation, quality, strategic global expansion and profitable growth. On behalf of the Board of Directors, associates and shareholders of Littelfuse, I extend our thanks to Howard for his many contributions to the company.

OUR ACHIEVEMENTS IN 2004 ARE REFLECTED IN OUR IMPROVED FINANCIAL PERFORMANCE. Sales increased 47% to a record $500.2 million in 2004, as we benefited from a full year of Teccor sales and $60.1 million in sales from the Heinrich acquisition. Net earnings more than doubled to $36.0 million, or $1.59 per diluted share, in 2004.

Primarily as a result of the Teccor acquisition and strong organic growth, our electronics business grew to 65% of total 2004 Littelfuse sales, up from about 61% in 2003. Automotive sales were 23% of our 2004 sales, with electrical sales accounting for 12%.

Electronic sales increased 58% in 2004 including Heinrich, and 45% excluding Heinrich, starting strong in the beginning of the year and then slowing in the fourth quarter. The slowdown was across most major electronic segments, although cell phones continued to be strong. Sales of our automotive products increased 17% in 2004 including Heinrich, and 5% excluding Heinrich, compared to a 4% increase in global automotive production for the year. While automotive industry unit volume production grew about 8% in Asia and 21% in Eastern Europe, our two strongest geographic areas, North America and Western Europe, were slightly down and relatively flat, respectively. Sales in our electrical business increased 73% in 2004 including Heinrich, and 8% excluding Heinrich, as a result of new customers and improving trends in manufacturing activity and non-residential construction.

With a 2004 operating margin of 11.4% of sales, we achieved our third consecutive year of operating margin improvement. The major contributors to this improvement were our manufacturing consolidation and global sourcing and logistics initiatives, as well as the transfer of production to lower-cost areas. Somewhat offsetting this improvement were increased spending on new product development and our solution-selling initiatives, along with the costs of Sarbanes-Oxley Act compliance.

Free cash flow reached $30.9 million in 2004, exceeding $30 million for the third consecutive year. Our strong financial position enabled us to fund the Heinrich acquisition and increase our investments in new product development and solution selling.

***WE MADE EXCELLENT PROGRESS IN THE* CURRENT *YEAR AND ARE POSITIONED FOR A BRIGHT* FUTURE.**

We begin 2005 as a larger and more diverse global company. We are also leaner and more flexible in our ability to manage through the ups and downs in our markets. We believe there are good long-term growth opportunities in all three of our businesses and we have the strategies in place to successfully pursue them. Most importantly, as you will see throughout this report, we have experienced people across the globe who will drive our future growth. We look forward to the many opportunities ahead.

Gordon Hunter
Chairman, President and Chief Executive Officer

Littelfuse®

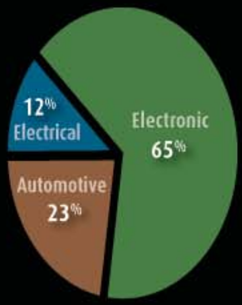
WICKMANN

PUDENZ
WICKMANN GROUP

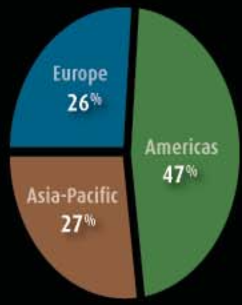
EFEN
WICKMANN GROUP

BUSINESS OF LITTELFUSE

At Littelfuse, we focus on what we do best – developing and manufacturing devices that protect electronic circuits and applications from harm caused by short circuits, power surges, electrostatic discharge, lightning, electrical load switching and other occurrences. It is this focus that has enabled us to consistently lead the industry in innovative, high-quality circuit protection technologies. Today, Littelfuse offers the industry's widest selection of circuit protection products. We also deliver the innovation, expertise, quality, capacity and worldwide service customers expect from an industry leader.



PERCENT OF TOTAL SALES



GEOGRAPHIC SALES

ELECTRONICS

LITTELFUSE OFFERS THE BROADEST PORTFOLIO OF CIRCUIT PROTECTION PRODUCTS FOR THE ELECTRONICS INDUSTRY.

AUTOMOTIVE

LITTELFUSE IS THE AUTOMOTIVE INDUSTRY'S CIRCUIT PROTECTION EXPERT.

ELECTRICAL

LITTELFUSE OFFERS A WIDE VARIETY OF INNOVATIVE PRODUCTS FOR TODAY'S INDUSTRIAL APPLICATIONS.

Littelfuse circuit protection products protect against transient voltage surges caused by lightning, electrostatic discharges and electrical load switching. Products include electrostatic discharge (ESD) suppressors, protection thyristors, gas plasma protectors/GDTs, silicon avalanche diodes (SADs) and metal oxide varistors (MOVs).

Littelfuse is also the market-leading producer of the widest range of miniature, subminiature and surface mount fuses, as well as resettable PTCs. Our products are used for the protection of the most sophisticated electronic products including computers and computer equipment, game consoles, DVD players, set-top boxes, cellular phones, digital cameras, MP3 players and PDAs.

KEY PRODUCTS

Fuses & protectors
Resettable PTCs
Varistors
ESD suppressors
Protection thyristors
TVS diodes/diode arrays
Gas discharge tubes
Power switching components

REPRESENTATIVE CUSTOMERS

Alcatel, Celestica, Compal, Datang Telecom, Flextronics, Fuji, GE, Haier, Huawei, Hughes, IBM, Intel, Jabil, Legend, LG, Motorola, Mototech, Nokia, Quanta, Samsung, Sanmina-SCI, Sanyo, Selectron, Siemens, Sony, Toshiba, UT Starcom, Xinwei and ZTE.

GEOGRAPHIC SALES

Littelfuse products protect the silicon chips within automotive modules, as well as the battery power distribution and wiring harnesses that feed these modules. We serve major automakers in North America, Europe and Asia, and wiring harness manufacturers and automotive parts suppliers worldwide. We are also a major supplier to aftermarket outlets such as auto parts retailers and mass merchandisers.

We are the industry leader in automotive circuit protection. The majority of passenger cars produced globally rely on Littelfuse-designed products for protection of their electrical circuits and wiring. Littelfuse engineers work with leading automotive manufacturers across the globe in developing the vehicles of the future.

KEY PRODUCTS

MINI® blade fuses
MAXI™ blade fuses
MIDI® fuses
EV fuses
ATO® blade fuses
Varistors
MEGA™ fuses
CablePro™
JCASE fuses

REPRESENTATIVE CUSTOMERS

Alcoa Fujikura, Auto Zone, BMW, DaimlerChrysler, Delphi, Ford Motor Company, General Motors, Honda Motor, Hyundai, Lear, Pep Boys, Siemens VDO, Toyota and Yazaki.

GEOGRAPHIC SALES

As industrial equipment becomes more sophisticated and complex, so does the need for circuit protection. Littelfuse products for industrial applications include fuses for short circuit or overload conditions and transient voltage protection from lightning, electrically fast transients, inductive load switching and electrostatic discharge (ESD). Our award-winning Indicator® products allow customers to quickly identify blown fuses and reduce costly downtime.

Littelfuse electrical 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.

KEY PRODUCTS

Power fuses
Indicating power fuses
TeleGARD™ fuses
Fuseholders and accessories

REPRESENTATIVE CUSTOMERS

Abbott, Carrier, Caterpillar, Dow Chemical, DuPont, GE, General Mills, General Motors, Georgia Pacific, Heinz, International Paper, John Deere, Lithonia Lighting, Lockheed Martin, Marconi, Merck, Otis Elevator, Owens Corning, Poland Springs, Procter & Gamble, Rockwell, Smurfit-Stone and 3M.

GEOGRAPHIC SALES

CLARENCE HARDEN, Wafer Fabrication Senior Supervisor, fabricates silicon wafers at Littelfuse's production facility in Irving, Texas, to meet the growing need for semiconductor-based circuit protection components.

INVESTING **FOR THE FUTURE**

INVESTMENTS IN ACQUISITIONS AND NEW PRODUCT DEVELOPMENT PROVIDE A STRONG FOUNDATION FOR THE FUTURE GROWTH OF LITTELFUSE.

STRATEGIC ACQUISITIONS OVER THE PAST FIVE YEARS HAVE ADDED NEW TECHNOLOGIES, CUSTOMERS AND MARKETS. We set out to build the broadest line of circuit protection products in the world. We expanded our base business in fuses with ceramic technology in 1999 and semiconductor and gas discharge tube technologies in 2002. Our acquisition of Teccor Electronics in 2003 has led us to the #1 worldwide market share position in protection thyristors and significantly expands our semiconductor capabilities.

In 2004, we acquired the majority ownership interest of Heinrich Industrie AG of Witten, Germany. Like Littelfuse, Heinrich has three business units. Its electronic products are marketed under the WICKMANN name, automotive products are sold under the PUDENZ name and Heinrich's electrical products are marketed under the EFEN name. Heinrich is one of the leading global companies in the fuse industry. It has strong market positions in Europe, especially in the German automotive market, and a growing presence in Asia. The acquisition also added a worldwide leadership position in the one major fuse product that Littelfuse did not manufacture — TR and TE fuse technology. This technology is used in power supplies for portable products such as mobile phones and personal computers.

WE ARE STEPPING-UP OUR INVESTMENTS IN NEW PRODUCT DEVELOPMENT. Littelfuse is a customer-focused, market-driven company and new product development is a major component of our solution-selling strategy. Our increased emphasis on research and development leverages both changing market dynamics and customer needs.

Consumer electronic products such as cell phones, digital cameras and portable listening devices continue to become smaller, faster and able to handle increasing volumes of data. Customers need circuit protection components for these evolving applications, and also want to reduce costs. Our experience with all of the major circuit protection technologies puts Littelfuse at the forefront in developing products that meet this variety of customer needs.

THE SILICON WAFER FABRICATION CAPABILITIES ACQUIRED THROUGH TECCOR OPEN THE DOOR TO THE LARGE AND FAST-GROWING SEMICONDUCTOR INDUSTRY. Silicon-based devices offer many benefits. Their technical characteristics are ideal for protecting against damaging transients across many applications from consumer electronics to telecom and data communications.

In the automotive area, our product development focus includes increasing the value we provide to our customers by making our existing products smaller and more cost effective, and by integrating multiple technologies into a single product. For example, our new battery disconnect switch combines fuse and silicon technology to protect against possible fire in the event of a vehicle accident. And our new high-voltage main fuse meets the needs for short-circuit protection in the growing hybrid electric vehicle market.

New products in 2004 in the electrical market include remote monitoring enhancements to the successful GlobalPro™ product line. In early 2005, we will introduce a new elevator disconnect switch for larger applications such as hotel and other commercial installations. In addition, we continue to strengthen customer relationships by providing value-added services such as our MRO*plus*™ inventory management program and educational programs focusing on plant safety.

New product development is the center of our technology leadership. We will continue to invest in developing the circuit protection components for future generations of new products.

At test labs in key regions, Littelfuse engineers test our customers' products and work with their engineers to develop circuit protection solutions for specific applications.

The 2004 purchase of a majority ownership in Heinrich Industrie AG of Germany adds the ***WICKMANN GROUP*** *of circuit protection products to Littelfuse. Pictured are* ***AYLA CELIK****, Production Operator – TR/TE Fuses (foreground), and* ***WERNER FÖRSTER****, Machine Fitter.*

(From left) **LEE NAH KOH**, Financial Controller, **ROY FAN**, Supply Chain Manager, and **VINCENT WANG**, Manufacturing Manager, represent the talented team of Littelfuse associates implementing the SAP™ business enterprise system at the Littelfuse facility in Suzhou, China.

STRENGTHENING OUR ***GLOBAL INFRASTRUCTURE***

TODAY MORE THAN EVER, LITTELFUSE IS A GLOBAL COMPANY. ***With customers all over the world, we must be able to efficiently engineer, sell, manufacture, deliver and support products across all geographic locations and all business units.***

OUR SAP™ ENTERPRISE SYSTEM IS THE BACKBONE OF OUR GLOBAL INFRASTRUCTURE. The companywide implementation of the SAP enterprise system is a major initiative that provides significant competitive advantages to Littelfuse in the worldwide marketplace. It facilitates communications between our people, our facilities and with our customers by capturing data from a variety of functions and locations into one system that can be accessed on a real-time basis anywhere in the world.

The system touches all aspects of Littelfuse operations, from forecasting and production planning to inventory management, purchasing, manufacturing, shipping and finance.

A key benefit of the system is the positive impact it has on bringing our people closer to our customers. Our sales and support staff can see a customer's entire account, enabling them to provide timely and accurate information. Customers receive just one invoice for their complete order. With full visibility to each customer's orders, we can better manage inventory and forecast production globally rather than locally. We have greater flexibility while increasing efficiency, accuracy and compliance through standardized reports and processes.

A significant portion of this multi-year project has now been completed. In 2004, we added the customer service and distribution functions of the Teccor acquisition, order-entry for our sales offices in Japan and Korea, global financial consolidation capabilities and a new labeling system for our distribution centers. In 2005, we will bring our facility in China on-line and expand our customer business center, enabling customers to place orders, check order status and obtain invoices electronically.

A TWO-YEAR RATIONALIZATION PLAN FOR GLOBAL DISTRIBUTION HAS REDUCED COMPLEXITY AND LOWERED OUR COST STRUCTURE. Moving to a Master Distribution Center (MDC) concept, we established three worldwide distribution centers. Located in North America, Europe and Asia, each center is aligned with the product manufacturing in that region. The MDCs use standardized processes and technologies, including the latest radio frequency technology for filling and verifying customer orders. Benefits of the new concept include increased customer satisfaction through improved on-time delivery and greater accuracy. The benefits to Littelfuse include lower inventory and increased cash flow, as well as reduced operating costs.

GLOBAL PURCHASING AND OUTSOURCING INITIATIVES LINK SUPPLIER RELATIONSHIPS WITH MANUFACTURING NEEDS. Like our distribution centers, our global sourcing and purchasing is centered in three regional offices strategically located in North America, Europe and Asia. Our strategy is to simplify the process and link supplier needs with plant needs. As an example, along with expanding our facilities in lower-cost regions such as China, we have strengthened our procurement team and are purchasing more materials from a smaller number of global suppliers with facilities in these regions. Suppliers are qualified using criteria similar to our own manufacturing operations for quality, continuous improvement and on-time delivery.

With one face to the customer and enhanced global distribution and purchasing, Littelfuse will benefit from improved customer service and reduced operating costs in 2005 and beyond.

(From left) ***ABDUL SOUKILI,*** *Warehouse Associate,* ***MARCEL KRAAIKAMP****, Distribution Manager, and* ***MUSTAPHA AHROUCH,*** *Warehouse Associate, use the latest radio frequency technology to fill and verify customer orders at a new* ***MASTER DISTRIBUTION CENTER*** *in Utrecht, Netherlands.*

PARTNERING WITH OUR CUSTOMERS

PUDENZ and **LITTELFUSE** associates **EDWARD BROUWER**, Sales Manager (left) and **PETER SCHMIDT**, Sales Engineer (right), support **HEINZ KNEIPP**, Development Engineer responsible for fuse standards and specifications at **DAIMLERCHRYSLER** in Stuttgart, Germany, in developing circuit protection solutions for DaimlerChrysler vehicles.

OUR STRATEGY TO INCREASE SALES IS FOCUSED ON WORKING CLOSER WITH OUR CUSTOMERS TO DEVELOP CIRCUIT PROTECTION SOLUTIONS THAT MEET THEIR SPECIFIC NEEDS. ***We want to leverage our extensive technology base and circuit protection experience into stronger customer relationships by not only offering circuit protection products, but by serving as a circuit protection consultant to our customers.***

With our complete portfolio of circuit protection technologies, we can work more closely with our customers, providing objective recommendations on the best circuit protection components for a specific application. Tighter relationships with customers provide insights into new products under development, which in turn helps in getting our components designed-in to new products. In addition, we are working with manufacturers to have Littelfuse components specified for their product applications.

Recent design-in wins in our electronics business include circuit protection solutions for computers and consumer electronic products manufactured by large ODMs in Taiwan, significant design-in wins in the Chinese telecom market, and a new family of trigger gas discharge tubes. In 2005, we will introduce a new TMOV industrial surge suppression product. Our automotive business unit has worked with customers to develop and expand our lines of protected power cables and power cable protection components for the global vehicle market, and in developing a new high-voltage main fuse for the expanding hybrid electric vehicle market.

POWR-GARD® products and services such as MROplus™ help leading manufacturers improve safety, reduce costly downtime and effectively manage inventory.

*Littelfuse works with Original Design Manufacturers (ODMs) such as **MOTOTECH** in Taiwan in developing circuit protection solutions for the electronic products of tomorrow. Pictured above are, from left, **ALBERT CHEN**, Littelfuse Taiwan Country Manager; **K.Y. CHOU**, President of Mototech; and **C.Y. CHANG**, Vice President of Engineering for Mototech.*

INDUSTRY TRENDS ALSO PLAY TO OUR STRENGTHS. As more and more companies sell their products in the worldwide marketplace, there is an increasing need for compliance with global standards. We are experts on global circuit protection standards and can help customers in designing products that meet international requirements. Our continual testing of various components enables us to advise customers on the best circuit protection solutions. With design cycles becoming shorter and companies working to control costs, partnering opportunities for new product development continue to grow. In Littelfuse, our customers have a design partner willing to invest in developing a product that meets their specific need versus building their products around existing off-the-shelf components.

WE ARE ACTIVELY PURSUING OPPORTUNITIES TO CROSS-SELL PRODUCTS BETWEEN OUR BUSINESS UNITS. As an example, our electrical business unit has added a new sales channel — large companies that distribute industrial and construction supplies to customers throughout North America. The relationship began with an automotive business unit customer that is now selling Littelfuse electrical products.

The center of our solution-selling strategy is the concept of demand creation rather than demand fulfillment. This requires a higher level of selling. We have enhanced our training programs for our sales force, application engineers and channel partners to increase knowledge of our complete product portfolio so they can sell our entire product line and identify products for specific customer applications.

We support our value-added approach to selling with strategically located test labs where our engineers test our customers' products and work with their engineers to develop circuit protection solutions for specific product applications. We currently have test labs in North America and Asia, with planning underway for a third test lab in Europe. Littelfuse is the only circuit protection provider in the world that can test an extensive range of circuit protection components — another competitive advantage for Littelfuse.

LITTELFUSE FINANCIALS

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LITTELFUSE CONTINUED TO BUILD MOMENTUM IN 2004.

Sales increased 47% to a record $500.2 million in 2004. Net earnings more than doubled to $36.0 million or $1.59 per diluted share. Free cash flow was $30.9 million. Capital expenditures increased 57% to $22.1 million in 2004, reflecting our commitment to invest in the future by strengthening our global infrastructure and developing new products.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

THE FOLLOWING DISCUSSION PROVIDES AN ANALYSIS OF THE INFORMATION CONTAINED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES BEGINNING ON PAGE 25 FOR THE THREE FISCAL YEARS ENDED JANUARY 1, 2005, JANUARY 3, 2004, AND DECEMBER 28, 2002, RESPECTIVELY.

Results of Operations — 2004 Compared with 2003

Sales increased 47% to $500.2 million in 2004 from $339.4 million in 2003. The increase in sales was primarily in the Americas and Asia, driven by increased demand for electronic products in the Asia region, sales from the Heinrich Industrie, AG ("Heinrich") acquisition from May 2004 through the end of the fiscal year and a full year of the Teccor Electronics, Inc. ("Teccor") acquisition. Electronic sales increased $119.1 million or 58% to $325.6 million in 2004 compared to $206.5 million in 2003. Excluding sales of Heinrich products, electronic sales increased $92.8 million or 45% to $299.3 million in 2004 compared to $206.5 million in 2003, primarily due to increased demand in Asia and a full year of the Teccor acquisition. Automotive sales increased $16.4 million or 17% to $114.7 million in 2004 compared to $98.3 million in 2003 largely due to sales from Heinrich in 2004. Automotive sales excluding Heinrich increased $5.0 million or 5% to $103.3 million in 2004 compared to $98.3 million in 2003. Electrical sales increased $25.3 million or 73% to $59.9 million in 2004 compared to $34.6 million in 2003 largely due to Heinrich sales in 2004. Electrical sales, excluding Heinrich, increased $2.9 million or 8% to $37.5 million in 2004 compared to $34.6 million in 2003, primarily due to modest improvements in commercial construction and industrial activity in the North American market. International sales increased 59% to $302.2 million or 60% of net sales in 2004 from $189.6 million or 56% of net sales in 2003. The increase in international sales was primarily due to strong demand for electronic products in Asia, the addition of Heinrich, a full year of Teccor and favorable currency effects, which contributed four percentage points to the overall sales growth.

Gross profit was $179.0 million or 35.8% of sales in 2004 compared to $104.4 million or 30.8% of sales in 2003. The gross profit margin increase resulted from cost savings initiatives in manufacturing and purchasing, fixed expense leverage due to increased plant throughput and the recognition of $3.2 million of Ireland restructuring charges in 2003.

Selling, general and administrative expenses increased $31.2 million to $99.8 million in 2004 from $68.6 million in 2003, primarily due to the addition of Heinrich, a full year of Teccor, increased costs related to complying with the Sarbanes-Oxley Act and higher selling related costs due to the increase in sales. As a percentage of sales, selling, general and administrative expenses decreased to 19.9% in 2004 from 20.2% in 2003, primarily due to increased expense leverage on the higher sales base. Research and development costs increased $8.8 million to $17.5 million, representing 3.5% of sales in 2004 as compared to 2.6% of sales in 2003 reflecting increased investment in new product development. Impairment of investments reflects the recognition of a non tax-deductible charge of $2.2 million to impair a portion of the Semitron investment acquired in 2002. Total operating expenses, including intangible amortization and impairment of investments, was 24.4% of sales in 2004, compared to 23.1% of sales in 2003. Total operating expenses, including intangible amortization but excluding impairment of investments, was 23.9% of sales in 2004, compared to 23.1% of sales in 2003.

Operating income in 2004 increased 118.5% to $57.0 million or 11.4% of sales compared to $26.1 million or 7.7% of sales in the prior year. The improvements in operating income and operating margin were primarily due to higher sales and the associated operating leverage partially offset by the impairment of a portion of the Semitron investment acquired in 2002.

Interest expense was $1.5 million in 2004 compared to $2.0 million in 2003 due to a lower weighted average interest rate in 2004. Other expense, net, consisting of interest income, royalties and foreign currency items was $0.1 million compared to other expense, net, of $0.1 million in the prior year.

Income before taxes and minority interest was $55.4 million in 2004 compared to $24.0 million in 2003. Minority interest was $0.2 million in 2004 reflecting the minority share ownership in Heinrich. Income tax expense was $19.2 million in 2004 compared to $8.6 million in the prior year. Net income in the current year was $36.0 million, compared to $15.3 million in the prior year. The Company's effective tax rate dropped from 36.0% in 2003 to 34.8% in 2004, reflecting the reduction of reserves related to prior tax years and tax structuring related to the Heinrich acquisition. Diluted earnings per share increased to $1.59 in 2004 compared to $0.70 in 2003. The increases in net income and earnings per share reflect the higher 2004 sales, margins and a lower 2004 effective tax rate.

Results of Operations — 2003 Compared with 2002

Sales increased 20% to $339.4 million in 2003 from $283.3 million in 2002. The increase in sales was primarily in the Americas and Asia, driven by increased demand for electronic products in the Asia region and sales from the Teccor acquisition. Electronic sales increased $55.6 million or 37% to $206.5 million in 2003 compared to $150.9

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

million in 2002. Excluding sales of Teccor products, electronic sales increased $14.6 million or 10% to $165.5 million in 2003 compared to $150.9 million in 2002, primarily due to increased demand in Asia. Automotive sales were essentially flat compared to the prior year as pricing pressure offset increased volume and strengthening of the Euro against the U.S. Dollar. Electrical sales increased $0.4 million or 1% to $34.6 million in 2003 compared to $34.2 million in 2002, primarily due to modest improvements in commercial construction and industrial activity in the North American market. International sales increased 24.6% to $189.6 million or 55.9% of net sales in 2003 from $152.2 million or 53.7% of net sales in 2002. The increase in international sales was primarily due to strong demand for electronic products in Asia, the addition of Teccor and favorable currency effects.

Gross profit was $104.4 million or 30.8% of sales in 2003 compared to $88.6 million or 31.3% of sales in 2002. The gross profit margin was decreased as a result of the addition of Teccor sales at lower margins than Littelfuse's base business and the recognition of $3.1 million of Ireland restructuring charges in 2003.

Selling, general and administrative expenses increased $5.0 million to $68.6 million in 2003, from $63.6 million in 2002, primarily due to the addition of Teccor. As a percentage of sales, selling, general and administrative expenses decreased to 20.2% in 2003 from 22.4% in 2002, primarily reflecting Teccor's lower selling, general and administrative expense percentage than Littelfuse's base business. Research and development costs increased $0.4 million to $8.7 million, representing 2.6% of sales in 2003 as compared to 2.9% of sales in 2002. Total operating expenses, including intangible amortization, was 23.1% of sales in 2003, compared to 25.7% of sales in 2002.

Operating income in 2003 increased 64.0% to $26.1 million or 7.7% of sales compared to $15.9 million or 5.6% of sales in the prior year. The improvement in operating income and operating margin were primarily due to higher sales and the associated operating leverage.

Interest expense was $2.0 million in 2003 compared to $2.7 million in 2002 due to lower average debt levels in 2003. Other expense, net, consisting of gains and losses on the disposal of assets, interest income, royalties and foreign currency items was $0.1 million compared to other income, net, of $1.8 million in the prior year. The primary reasons for the more favorable 2002 results were gains on asset sales, higher interest income and more favorable currency effects.

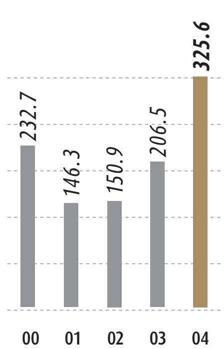
Income before taxes was $24.0 million in 2003 compared to $15.0 million in 2002. Income tax expense was $8.6 million in 2003 compared to $5.4 million the prior year. Net income in the current year was $15.3 million, compared to $9.6 million in the prior year. The Company's effective tax rate was 36.0% in both 2003 and 2002. Diluted earnings per share increased to $0.70 in 2003 compared to $0.44 in 2002.

Liquidity and Capital Resources

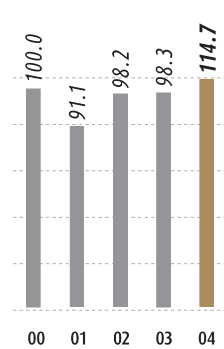
The Company has historically financed capital expenditures through cash flows from operations. Management expects that cash flows from operations and available lines of credit will be sufficient to support both its operations and its debt obligations for the foreseeable future.

The Company has a domestic unsecured revolving credit line of $50.0 million. The revolving line of credit balance becomes due within the next year. At January 1, 2005, the Company had $17.5 million in borrowings against this credit line. The Company's subsidiary in Japan also has an unsecured credit line of Yen 0.9 billion or an equivalent of $9.0 million. The revolving line of credit balance becomes due within the next year. At January 1, 2005, the Company had an equivalent of $5.4 million in borrowings against the Yen facility. The Company intends to renew these lines of credit upon maturity.

The Company's bank credit agreement requires maintenance of certain financial ratios and a minimum net worth level. At January 1, 2005, the Company was in compliance with these covenants. If the Company



ELECTRONIC SALES
(in millions of dollars)



AUTOMOTIVE SALES
(in millions of dollars)

were to default on any of the bank agreement debt covenants and were unable to obtain a waiver from the lenders, the debt would be callable by the lenders. The Company believes that default of any of the debt covenants is unlikely for the foreseeable future since it expects the results of operations to be within the minimum levels to continue to be in compliance with the debt covenants.

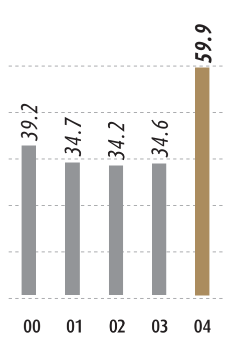
The Company started 2004 with $22.1 million of cash. Net cash provided by operations was $53.0 million in the year. Cash used in investing activities included $22.0 million in net purchases of property, plant and equipment and $41.7 million for the acquisition of Heinrich. Cash provided by financing activities included net proceeds of long-term debt of $3.8 million and cash proceeds from the exercise of stock options of $16.5 million partially offset by the purchase of $5.6 million of treasury stock. The effect of exchange rate changes increased cash by $2.5 million. The net cash provided by operations and financing activities, less investing activities plus the effect of exchange rates, resulted in a $6.5 million net increase in cash. This left the Company with a cash balance of $28.6 million at the end of 2004.

Increases in net working capital consumed $15.1 million of cash flow in 2004. Excluding the impact of working capital from the Heinrich acquisition, the major factors contributing to higher working capital were an increase in accounts receivable of $6.6 million, an increase in inventory of $4.3 million and a decrease in accounts payable and accrued expenses of $7.7 million partially offset by a decrease in prepaid expenses and other of $3.5 million. The 2004 working capital increase was partly due to slower sales near the end of fiscal year 2004 and severance payments related to the Teccor acquisition. Net working capital (working capital less cash, marketable securities and the current portion of long-term debt) as a percent of sales was 19.7% at year-end 2004 compared to 18.3% at year-end 2003 and 20.9% at year-end 2002. The days sales outstanding in accounts receivable increased to 57 days at year-end 2004 compared to 50 days at year-end 2003 and 54 days at year-end 2002. The increase was partly due to the addition of Heinrich, which has a longer accounts receivable collection cycle than the base Littelfuse business. Days inventory outstanding was 92 days at year-end 2004 compared to 71 days at year-end 2003 and 88 days at year-end 2002.

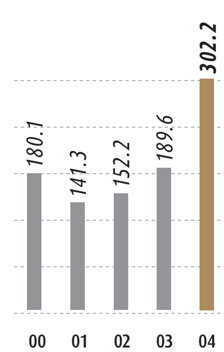
The ratio of current assets to current liabilities was 1.8 to 1 at year-end 2004 compared to 1.8 to 1 at year-end 2003 and 2.3 to 1 at year-end 2002. The ratio of long-term debt to equity was 0.1 to 1 at year-end 2004 compared to 0.0 to 1 at year-end 2003 and 0.1 to 1 at year-end 2002.

The Company started 2003 with $27.8 million of cash. Net cash provided by operations was $50.0 million in the year. Cash used in investing activities included $14.0 million in purchases of property, plant and equipment, $44.6 million for the acquisition of Teccor and $8.8 million in net proceeds from the sale of marketable securities. Cash used in financing activities included net payments of long-term debt of $11.5 million partially offset by cash proceeds from the exercise of stock options of $4.3 million. The effect of exchange rate changes increased cash by $1.5 million. The net cash provided by operations and financing activities, less investing activities plus the effect of exchange rates, resulted in a $5.6 million net decrease in cash. This left the Company with a cash balance of $22.1 million at the end of 2003.

Decreases in net working capital provided $20.1 million of cash flow in 2003. The major factors contributing to lower working capital were a decrease in inventory of $5.9 million, a $12.5 million increase in accounts payable and accrued expenses and a $1.3 million reduction in prepaid and other items. Net working capital (working capital less cash, marketable securities and the current portion of long-term debt) as a percent of sales was 18.3% at year-end 2003 compared to 20.9% at year-end 2002 and 21.8% at year-end 2001. The days sales outstanding in accounts receivable decreased to 50 days at year-end



ELECTRICAL SALES
(in millions of dollars)



INTERNATIONAL SALES
(in millions of dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

2003 compared to 54 days at year-end 2002 and 61 days at year-end 2001. Days inventory outstanding was 71 days at year-end 2003 compared to 88 days at year-end 2002 and 99 days at year-end 2001.

The Company's net capital expenditures were $22.1 million in 2004, $14.0 million in 2003 and $8.4 million in 2002. The Company expects that capital expenditures in 2005 will be higher than 2004. The primary purposes for capital expenditures in 2005 will be for new product tooling, production equipment, facility expansion and capital spending related to Teccor. As in 2004, the Company expects to finance capital expenditures in 2005 through cash flow from operations.

The Company increased total debt by $3.8 million in 2004 after decreasing debt by $11.5 million in 2003 and $13.0 million in 2002. The Company is required to repay $10.0 million of its Senior Notes in 2005. The Company expects to repay this note with cash from operations. Separately, the Company has $5.4 million in renewable foreign credit facilities outstanding at January 1, 2005, due in 2005. The Company's Board of Directors has authorized the Company to repurchase shares of its common stock, from time to time, depending on market conditions. The Company repurchased 168,400 common shares for $5.6 million in 2004, zero common shares in 2003 and 225,800 common shares for $3.6 million in 2002.

Contractual Obligations

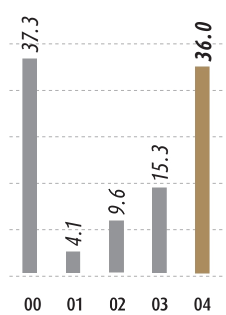
The following table summarizes contractual obligations and commitments, as of January 1, 2005 (in thousands):

	Payment Due By Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Long-term debt obligations	$34,322	$32,958	$ 132	$1,232	$ —
Interest payments	1,088	956	70	62	—
Operating lease payments	10,684	4,371	3,781	1,848	684
Total	$46,094	$38,285	$3,983	$3,142	$ 684

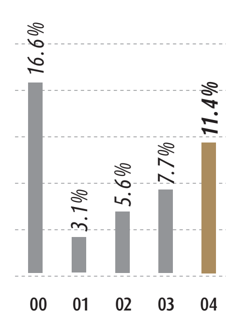
Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 151, "Inventory Costs – An Amendment of Accounting Research Bulletin No. 43, Chapter 4." SFAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be expensed as incurred and not included as overhead. SFAS 151 also requires that the allocation of fixed production overhead to conversion costs be based on normal capacity of the production facilities. SFAS 151 must be applied prospectively beginning January 1, 2006. The adoption of SFAS 151 is not expected to have a material impact on the Company's consolidated financial statements.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123R, "Share-Based Payment," replacing SFAS No. 123 and superseding Accounting Principles Board (APB) Opinion No. 25. SFAS 123R requires public companies to recognize compensation expense for the cost of awards of equity compensation effective July 1, 2005. This compensation cost will be measured as the fair value of the



NET INCOME
(in millions of dollars)



OPERATING MARGIN

award estimated using an option-pricing model on the grant date. The Company is currently evaluating the various transition provisions under SFAS 123R and will adopt SFAS 123R effective July 1, 2005, which is expected to result in increased compensation expense in future periods.

Critical Accounting Policies

Certain of the accounting policies as discussed below require the application of significant judgment by management in selecting the appropriate estimates and assumptions for calculating amounts to record in the financial statements. Actual results could differ from those estimates and assumptions, impacting the reported results of operations and financial position. Significant accounting policies are more fully described in the notes to the audited financial statements included elsewhere in this Annual Report. Certain accounting policies, however, are considered to be critical in that they are most important to the depiction of the Company's financial condition and results of operations and their application requires management's subjective judgment in making estimates about the effect of matters that are inherently uncertain.

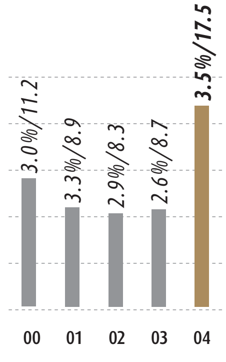
Allowance for Doubtful Accounts: The Company evaluates the collectibility of its trade receivables based on a combination of factors. The Company regularly analyzes its significant customer accounts and, when the Company becomes aware of a specific customer's inability to meet its financial obligations, the Company records a specific reserve for bad debt to reduce the related receivable to the amount the Company reasonably believes is collectible. The Company also records allowances for all other customers based on a variety of factors including the length of time the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. Historically, the allowance for doubtful accounts has been adequate to cover bad debts. If circumstances related to specific customers change, the estimates of the recoverability of receivables could be further adjusted. However, due to the Company's diverse customer base and lack of credit concentration, the Company does not believe its estimates would be materially impacted by changes in its assumptions.

Credit Memos: The Company evaluates sales activity for credits to be issued on sales recorded prior to the end of the fiscal year. These credits relate to the return of inventory, pricing adjustments and credits issued to a customer based upon achieving prearranged sales volumes. Volume based incentives offered to customers are based upon the estimated cost of the program and are recorded as products are sold.

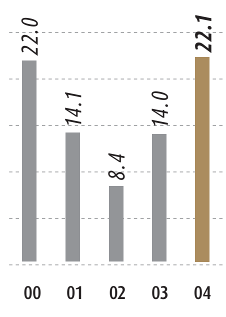
Inventory: The Company performs a detailed assessment of inventory, which includes a review of, among other factors, demand requirements, product life cycle and development plans, component cost trends, product pricing and quality issues. Based on the analysis, the Company records adjustments to inventory for excessiveness, obsolescence or impairment when appropriate to reflect inventory at net realizable value. Historically, inventory reserves have been adequate to reflect inventory at net realizable values. Revisions to inventory adjustments may be required if actual demand, component costs or product life cycles differ from estimates. However, due to the Company's diverse product lines and end user markets, the Company does not believe its estimates would be materially impacted by changes in its assumptions.

Goodwill and Other Intangibles: Purchase accounting requires the use of accounting estimates and judgments to allocate the purchase price to the fair market value of the assets purchased and liabilities assumed. The Company has accounted for its acquisitions using the purchase method of accounting.

The Company determined the fair value of each of its reporting units by calculating an EBITDA for each business segment and applying a multiple based upon recent acquisition experience. In making these projections, the Company considered the markets it was addressing,



RESEARCH & DEVELOPMENT
(in millions of dollars & percent of total sales)



CAPITAL SPENDING
(in millions of dollars)

the competitive environment and its advantages. The Company determined that the fair value of each of the reporting units exceeded their carrying amounts and, therefore, no goodwill impairment existed. The Company will continue to perform a goodwill impairment test on an annual basis and on an interim basis, if certain conditions exist. Factors the Company considers important, which could result in changes to its estimates, include underperformance relative to historical or projected future operating results and declines in acquisition and trading multiples. Due to the diverse end user base and non-discretionary product demand, the Company does not believe its future operating results will vary significantly relative to its historical and projected future operating results.

Long-Lived Assets: The Company evaluates long-lived assets on an ongoing basis. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If the asset is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value. The Company's estimates of future cash flows from such assets could be impacted if it underperforms relative to historical or projected future operating results. However, due to the Company's diverse product lines and end user markets, the Company does not believe its estimates would be materially impacted by changes in its assumptions.

Pension and Other Post-retirement Benefits: Accounting for pensions requires estimating the future benefit cost and recognizing the cost over the employee's expected period of employment with the Company. Certain assumptions are required in the calculation of pension costs and obligations. These assumptions include the discount rate, salary scales and the expected long-term rate of return on plan assets. The discount rate is intended to represent the rate at which pension benefit obligations could be settled by purchase of an annuity contract. These assumptions are subject to change based on stock and bond market returns and other economic factors. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore generally affect its recognized expense and accrued liability in such future periods. While the Company believes that its assumptions are appropriate given current economic conditions and its actual experience, significant differences in results or significant changes in the Company's assumptions may materially affect its pension obligations and related future expense.

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

Other Contingencies: In the ordinary course of business, the Company is involved in legal proceedings involving contractual and employment relations, product liability claims, trademark rights and a variety of other matters. The Company records contingent liabilities resulting from claims against it when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. The Company discloses contingent liabilities when there is a reasonable possibility that the ultimate loss will exceed the recorded liability. Estimating probable losses requires analysis of multiple factors, in some cases including judgments about the potential actions of third party claimants and courts. Therefore, actual losses in any future period are inherently uncertain. Currently, the Company does not believe that any of its pending legal proceedings or claims will have a material impact on its financial position or results of operations. However, if actual or estimated probable future losses exceed the Company's recorded liability for such claims, it would record additional charges as other expense during the period in which the actual loss or change in estimate occurred.

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, 2005, in the form of Senior Notes at fixed interest rates and a foreign line of credit at variable rates. While 71% of this debt has variable interest rates, the Company's interest expense is not materially sensitive to changes in interest rate levels since debt levels and potential interest expense increases are small relative to earnings.

A portion of the Company's operations consists of manufacturing and sales activities in foreign countries. The Company has manufacturing facilities in Mexico, the U.K., Ireland, Switzerland, Germany, Hungary, Poland, China and the Philippines. During 2004, sales exported from the United States or manufactured abroad accounted for 60% of total sales. Substantially all sales in Europe are denominated in Euro, U.S. Dollar and British Pound Sterling, and substantially all sales in the Asia-Pacific region are denominated in U.S. Dollar, Japanese Yen 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. As international sales were more than half of total sales, a significant portion of the resulting accounts receivable are denominated in foreign currencies. 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, accounts receivable values and financial results. The Company uses netting and offsetting intercompany account management techniques to reduce known foreign currency exposures where possible and also considers the use of derivative instruments to hedge certain foreign currency exposures deemed to be material. The Company has entered into cross currency interest rate swaps, as discussed in Note 8 of the Notes to Consolidated Financial Statements, designated as a cash flow hedge of the foreign currency exchange rate risk associated with forecasted intercompany sales transactions denominated in Japanese Yen.

The Company uses various metals in the production of its products, including zinc, copper, silver and platinum. 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.

The Company does not believe it has significant exposure to market risk from changes in interest rates, foreign exchange rates and commodities.

Outlook

Sales in 2005 are expected to improve slightly in the automotive and electrical markets. Sales in the electronics market are expected to be weak early in the year and improve as the year progresses. The Company believes its long-term growth strategy, which emphasizes development of new circuit protection products and providing customers with solutions and technical support in all major regions of the world, will drive sales growth in all of its markets.

With the expectation of continued pricing pressure, the Company initiated a manufacturing rationalization program in 2001 emphasizing consolidation of plants and transfer of manufacturing to lower cost locations. The program involved manufacturing plant closures in the U.S., the U.K. and Korea and workforce reductions in Ireland. The program was substantially completed as of January 1, 2005. The Company initiated a new series of projects in 2004 to consolidate and reduce costs in its global manufacturing and distribution operations. These programs are expected to generate cost savings to more than offset price erosion in 2005. The benefits of these programs are expected to have a favorable impact on earnings in 2005. The Company also plans to increase research and development spending to accelerate new product development in order to help drive future sales growth.

The Company is working to expand its market share in the overvoltage circuit protection market with the addition of products and technology through the Semitron Industries, Harris Suppression Products and Teccor acquisitions and the ability to offer customers total circuit protection solutions. The Company will also look for opportunities to add to its strong position in the overcurrent protection market, as with the recent Heinrich acquisition. The Company remains committed to investing in new product development and technical resources to provide customers with overcurrent and overvoltage circuit protection solutions and expertise.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995

The statements in this section, the letter to shareholders and in the other sections of this report, which are not historical facts 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, capacity and supply constraints or difficulties, exchange rate fluctuations, actual purchases under agreements, the effect of the Company's accounting policies, labor disputes, restructuring costs in excess of expectations, pension plan asset returns less than assumed, integration of acquisitions, and other risks which may be detailed in the Company's Securities and Exchange Commission filings.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Littelfuse, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f). Littelfuse, Inc.'s internal control system was designed to provide reasonable assurance to the company's management and the board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

An internal control significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. An internal control material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Littelfuse, Inc.'s management assessed the effectiveness of the Company's internal control over financial reporting as of January 1, 2005 based upon the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This assessment identified a material weakness in the Company's approval process over journal entries and a lack of adequate controls over the accounting for foreign currency translation. Specifically, certain managers had the ability to record journal entries of significant amounts in the Company's consolidation process without adequate review or supporting documentation. Additionally, a number of adjustments to the amounts reported in the Consolidated Balance Sheet and Statement of Cash Flows were needed due to the failure and lack of controls mentioned above. The Company recorded an adjustment to increase both accrued liabilities and inventory without adequate support review that was subsequently corrected after it was determined it was recorded in error. The increase in accrued liabilities should have been an increase to foreign currency translation. Additionally, two significant adjustments were made to correct the amount reported as "Effect of exchange rate changes in cash" in the consolidated statements of Cash Flows, which impacted cash flows from operating activities and cash flows from financing activities.

Because of the material weakness described above, management concluded that, as of January 1, 2005, the company's internal control over financial reporting was not effective based on those criteria.

Littelfuse, Inc.'s independent registered public accounting firm, Ernst & Young LLP, have audited our assessment of the company's internal control over financial reporting. This report appears on page 24.

Remediation Steps to Address Material Weakness

The company has implemented the following remediation steps to address the material weakness discussed above:

- Additional procedures have been implemented over the journal entry approval process.
- The Company will hire additional financial reporting personnel who have relevant experience with foreign currency translation.
- Additional procedures will be implemented to review on a quarterly basis the foreign currency translation component of accumulated comprehensive income and the impact of foreign exchange on cash and cash equivalents.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Littelfuse, Inc.

We have audited the accompanying consolidated balance sheets of Littelfuse, Inc. and subsidiaries as of January 1, 2005 and January 3, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 1, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Littelfuse, Inc. and subsidiaries at January 1, 2005 and January 3, 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 1, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Littelfuse, Inc.'s internal control over financial reporting as of January 1, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2005 expressed an unqualified opinion on management's assessment and an adverse opinion on the effectiveness of internal control over financial reporting.

Ernst + Young LLP

Ernst & Young LLP

Chicago, Illinois
March 16, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Littelfuse, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Littelfuse, Inc. did not maintain effective internal control over financial reporting as of January 1, 2005, because of the effect of inadequate review and supporting documentation for certain journal entries recorded in the Company's consolidation process and a lack of adequate control over the accounting for foreign currency translation, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Littelfuse's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified and included in management's assessment: The ability of certain managers to record journal entries of significant amounts in the Company's consolidation process without adequate review or supporting documentation and a lack of adequate controls over the accounting for foreign currency translation both represent a material weakness as defined above. As a result of these material weaknesses, we noted several journal entries and adjustments affecting amounts reported in the Consolidated Balance Sheet as of January 1, 2005 and the Statement of Cash Flows for the year ended January 1, 2005 that were recorded or adjusted in error but were subsequently corrected by the Company. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the January 1, 2005 consolidated financial statements, and this report does not affect our report dated March 16, 2005 on those financial statements.

In our opinion, management's assessment that Littelfuse, Inc. did not maintain effective internal control over financial reporting as of January 1, 2005, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Littelfuse, Inc. has not maintained effective internal control over financial reporting as of January 1, 2005, based on the COSO control criteria.

Ernst + Young LLP

Ernst & Young LLP

Chicago, Illinois
March 16, 2005

CONSOLIDATED BALANCE SHEETS

(In thousands)	January 1, 2005	January 3, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 28,583**	$ 22,128
Accounts receivable, less allowances (2004 – $10,230; 2003 – $7,470)	**77,726**	52,149
Inventories	**79,080**	52,598
Deferred income taxes	**17,056**	17,096
Prepaid expenses and other current assets	**6,804**	5,169
TOTAL CURRENT ASSETS	**209,249**	149,140
PROPERTY, PLANT, AND EQUIPMENT:		
Land	**13,997**	8,572
Buildings	**56,041**	38,531
Equipment	**233,481**	205,697
	303,519	252,800
Accumulated depreciation	**(167,054)**	(154,321)
	136,465	98,479
INTANGIBLE ASSETS, NET OF AMORTIZATION:		
Patents, licenses and software	**2,909**	17
Distribution network	**8,750**	4,113
Trademarks and tradenames	**7,393**	7,813
Goodwill	**55,249**	48,643
	74,301	60,586
INVESTMENTS	**4,886**	2,543
OTHER ASSETS	**408**	822
TOTAL ASSETS	**$425,309**	$311,570
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 19,752**	$ 15,206
Accrued payroll	**22,065**	20,894
Accrued expenses	**16,834**	7,440
Accrued severance related to acquisitions	**8,722**	7,637
Accrued income taxes	**14,823**	13,715
Current portion of long-term debt	**32,958**	18,496
TOTAL CURRENT LIABILITIES	**115,154**	83,388
LONG-TERM DEBT, LESS CURRENT PORTION	**1,364**	10,201
DEFERRED INCOME TAXES	**8,573**	—
ACCRUED POST-RETIREMENT BENEFITS	**20,417**	4,564
OTHER LONG-TERM LIABILITIES	**7,081**	1,072
MINORITY INTEREST	**2,636**	143
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, 2004 – 22,549,595; 2003 – 22,002,119	**225**	220
Additional paid-in capital	**96,008**	75,859
Notes receivable – common stock	**(3,550)**	(3,550)
Accumulated other comprehensive income (loss)	**3,673**	(3,042)
Retained earnings	**173,728**	142,715
TOTAL SHAREHOLDERS' EQUITY	**270,084**	212,202
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$425,309**	$311,570

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts) Year Ended	January 1, 2005	January 3, 2004	December 28, 2002
Net sales	**$500,242**	$339,410	$283,267
Cost of sales	**321,288**	234,984	194,644
GROSS PROFIT	**178,954**	104,426	88,623
Selling, general and administrative expenses	**99,781**	68,579	63,591
Research and development expenses	**17,464**	8,694	8,334
Impairment of long-term investment	**2,277**	—	—
Amortization of intangibles	**2,441**	1,072	767
OPERATING INCOME	**56,991**	26,081	15,931
Interest expense	**1,491**	2,045	2,653
Other expense (income), net	**89**	68	(1,753)
Income before income taxes and minority interest	**55,411**	23,968	15,031
Minority interest	**153**	—	—
Income taxes	**19,230**	8,629	5,411
NET INCOME	**$ 36,028**	$ 15,339	$ 9,620
NET INCOME PER SHARE:			
Basic	**$ 1.62**	$ 0.70	$ 0.44
Diluted	**$ 1.59**	$ 0.70	$ 0.44
WEIGHTED-AVERAGE SHARES AND EQUIVALENT SHARES OUTSTANDING:			
Basic	**22,239**	21,881	21,858
Diluted	**22,604**	22,004	21,971

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) Year Ended	January 1, 2005	January 3, 2004	December 28, 2002
OPERATING ACTIVITIES			
Net income	**$ 36,028**	$ 15,339	$ 9,620
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**23,859**	20,029	18,137
Amortization of intangibles	**2,441**	1,072	767
Impairment of long-term investment	**2,277**	—	—
Provision for bad debts	**802**	50	356
Deferred income taxes	**4,498**	(6,458)	(575)
Other	**(1,805)**	(205)	651
Changes in operating assets and liabilities:			
Accounts receivable	**(6,582)**	387	2,794
Inventories	**(4,277)**	5,865	4,762
Accounts payable and accrued expenses	**(7,709)**	12,584	3,296
Prepaid expenses and other	**3,452**	1,290	950
Net cash provided by operating activities	**52,984**	49,953	40,758
INVESTING ACTIVITIES			
Purchases of property, plant, and equipment, net	**(22,079)**	(14,041)	(8,360)
Purchase of businesses, net of cash acquired	**(41,661)**	(44,590)	(15,031)
Purchase of marketable securities	—	(1,598)	(13,747)
Sale of marketable securities	—	10,404	4,941
Net cash used in investing activities	**(63,740)**	(49,825)	(32,197)
FINANCING ACTIVITIES			
Proceeds from long-term debt	**42,200**	30,500	112
Payments of long-term debt	**(38,402)**	(41,996)	(13,130)
Proceeds from exercise of stock options and warrants	**16,520**	4,291	1,614
Purchases of common stock and redemption of warrants	**(5,604)**	—	(3,556)
Net cash provided by (used in) financing activities	**14,714**	(7,205)	(14,960)
Effect of exchange rate changes on cash	**2,497**	1,455	(378)
Increase (decrease) in cash and cash equivalents	**6,455**	(5,622)	(6,777)
Cash and cash equivalents at beginning of year	**22,128**	27,750	34,527
Cash and cash equivalents at end of year	**$ 28,583**	$ 22,128	$ 27,750

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)	Common Stock	Additional Paid-In Capital	Notes Receivable–Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
BALANCE AT DECEMBER 29, 2001	$219	$70,641	$(3,448)	$(10,265)	$120,522	$177,669
Comprehensive income:						
Net income for the year	—	—	—	—	9,620	9,620
Change in net unrealized loss on derivatives	—	—	—	(231)	—	(231)
Minimum pension liability adjustment, net of tax	—	—	—	(3,462)	—	(3,462)
Foreign currency translation adjustment	—	—	—	4,057	—	4,057
Comprehensive income						9,984
Stock options and warrants exercised*	1	2,065	(452)	—	—	1,614
Purchase of 225,800 shares of common stock	(2)	(788)	—	—	(2,766)	(3,556)
BALANCE AT DECEMBER 28, 2002	$218	$71,918	$(3,900)	$ (9,901)	$127,376	$185,711
Comprehensive income:						
Net income for the year	—	—	—	—	15,339	15,339
Change in net unrealized loss on derivatives	—	—	—	(770)	—	(770)
Minimum pension liability adjustment, net of tax	—	—	—	3,216	—	3,216
Foreign currency translation adjustment	—	—	—	4,413	—	4,413
Comprehensive income						22,198
Payments on notes receivable	—	—	350	—	—	350
Stock options and warrants exercised*	2	3,941	—	—	—	3,943
BALANCE AT JANUARY 3, 2004	$220	$75,859	$(3,550)	$ (3,042)	$142,715	$212,202
Comprehensive income:						
Net income for the year	—	—	—	—	36,028	36,028
Change in net unrealized loss on derivatives	—	—	—	824	—	824
Minimum pension liability adjustment, net of tax	—	—	—	(458)	—	(458)
Unrealized loss on marketable securities	—	—	—	(1,095)	—	(1,095)
Foreign currency translation adjustment	—	—	—	7,444	—	7,444
Comprehensive income						42,743
Purchase of 168,400 shares of common stock	(2)	(587)	—	—	(5,015)	(5,604)
Stock options and warrants exercised*	7	20,736	—	—	—	20,743
BALANCE AT JANUARY 1, 2005	**$225**	**$96,008**	**$(3,550)**	**$ 3,673**	**$173,728**	**$270,084**

*Including related tax benefit.

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 circuit protection devices for use in the automotive, electronic and electrical markets throughout the world.

Fiscal Year: The Company's fiscal years ended January 1, 2005, January 3, 2004, and December 28, 2002, and contained 52, 53 and 52 weeks, respectively.

Basis of Presentation: The consolidated financial statements include the accounts of Littelfuse, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain amounts reported in previous years have been reclassified to conform to the 2004 presentation.

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

Investments: The Company has determined that all of its investment securities are to be classified as available-for-sale. Available-for-sale securities are carried at fair value with the unrealized gains and losses reported in "Shareholders' Equity" as a component of "Accumulated Other Comprehensive Income (Loss)." The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other income or expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

Fair Value of Financial Instruments: The Company's financial instruments include cash and cash equivalents, accounts receivable, investments 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 based upon specific knowledge of a customer's inability to meet its financial obligations to the Company. Historically, credit losses have consistently been within management's expectations and have not been a material amount. The Company also maintains allowances against accounts receivable for the settlement of rebates and sales discounts to customers. These allowances are based upon specific customer sales and sales discounts as well as actual historical experience.

Inventories: Inventories are stated at the lower of cost (first in, first out method) or market, which approximates current replacement cost. The Company maintains excess and obsolete allowances against inventory to reduce the carrying value to the expected net realizable value. These allowances are based upon a combination of factors including historical sales volume, market conditions, lower of cost or market analysis and expected realizable value of the inventory.

Property, Plant, and Equipment: Land, buildings, and equipment are carried at cost. Depreciation is calculated using the straight-line method with useful lives of 21 years for buildings, 7 to 9 years for equipment, 7 years for furniture and fixtures, 5 years for tooling and 3 years for computer equipment. Prior to 2004, depreciation was calculated under accelerated methods with useful lives of 21 years for buildings, 7 to 9 years for equipment, and 7 years for furniture and fixtures. The impact of this prospective change in depreciating new asset purchases was not material in 2004.

Intangible Assets: Trademarks and tradenames are amortized using the straight-line method over estimated useful lives that have a range of five to twenty years. Patents and licenses are amortized using the straight-line method over estimated useful lives that have a range of four to nine years. The distribution networks are amortized on either a straight-line or accelerated basis over estimated useful lives that have a range of nine to twenty years.

Goodwill: Goodwill is subject to an annual impairment test. Impairment is determined by calculating the fair value of each of the business segments by calculating an EBITDA for each business segment and applying a multiple based upon recent acquisition experience. In making these projections, the Company considered the markets it was addressing, the competitive environment and its advantages. The Company determined that the fair value of each of the reporting units exceeded their carrying amounts and, therefore, no goodwill impairment existed. The Company will continue to perform a goodwill impairment test on an annual basis and on an interim basis, if certain conditions exist. Factors the Company considers important, which could result in changes to its estimates, include underperformance relative to historical or projected future operating results and declines in acquisition and trading multiples. Due to the diverse end user base and non-discretionary product demand, the Company does not believe its future operating results will vary significantly relative to its historical and projected future operating results.

Pension and Other Post-retirement Benefits: Accounting for pensions requires estimating the future benefit cost and recognizing the cost over the employee's expected period of employment with the Company. Certain assumptions are required in the calculation of pension costs and obligations. These assumptions include the discount rate, salary scales and the expected long-term rate of return on plan assets. The discount rate is intended to represent the rate at which pension benefit obligations could be settled by purchase of an annuity contract. These assumptions are subject to change based on stock and bond market returns and other economic factors. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore generally affect its recognized expense and accrued liability in such future periods. While the Company believes that its assumptions are appropriate given current economic conditions and its actual experience, significant differences in results or significant changes in the Company's assumptions may materially affect its pension obligations and related future expense.

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

Revenue Recognition: In accordance with the Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition," issued in December 2003, sales and associated costs are recognized in accordance with customer shipping terms, which is when the transfer of title to the customer occurs. Such revenue is recognized when collectibility is reasonably assured.

Credit Memos: The Company evaluates sales activity for credits to be issued on sales recorded prior to the end of the fiscal year. These credits relate to the return of inventory, pricing adjustments and credits issued to a customer based upon achieving prearranged sales volumes. Volume based incentives offered to customers are based upon the estimated cost of the program and are recorded as products are sold.

Advertising Costs: The Company expenses advertising costs as incurred, which amounted to $2.2 million in 2004, $1.2 million in 2003 and $2.1 million in 2002.

Foreign Currency Translation: The Company's foreign subsidiaries use the local currency as their functional currency. Accordingly, assets and liabilities are translated using exchange rates at the balance sheet date and revenues and expenses are translated at weighted average rates. Adjustments from the translation process are reflected in shareholders' equity.

Derivative Instruments: The Company recognizes derivatives as either assets or liabilities on the Consolidated Balance Sheets and measures those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use and designation of the derivative instrument. For derivatives designated as cash flow hedges, the effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive loss and subsequently reclassified into earnings when the hedged exposure affects earnings. Derivative financial instruments involve, to a varying degree, elements of market and credit risk not recognized in the consolidated financial statements. The market risk associated with these instruments resulting from interest rate movements is expected to offset the market risk of the underlying transactions being hedged. The counterparties to the agreements relating to the Company's cross currency rate instruments consist of major international financial institutions with high credit ratings. The Company does not believe that there is significant risk of non-performance by these counterparties because the Company monitors the credit ratings of such counterparties, and limits the financial exposure and amount of agreements entered into with any one financial institution. While the notional amounts of the derivative financial instruments provides one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparty.

Stock-based Compensation: As permitted by 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," using the intrinsic value method. 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. See Note 10 for additional information on stock-based compensation.

The following table discloses our pro forma net income and diluted net income per share had the valuation methods under SFAS 123 been used for our stock option grants. The table also discloses the weighted average assumptions used in estimating the fair value using the Black-Scholes option pricing method.

(In thousands, except per share amounts)	2004	2003	2002
Net income as reported	**$36,028**	$15,339	$ 9,620
Stock option compensation expense, net of tax*	**(2,762)**	(2,520)	(2,260)
Pro forma net income	**$33,266**	$12,819	$ 7,360
Basic net income per share			
As reported	**$ 1.62**	$ 0.70	$ 0.44
Pro forma	**$ 1.50**	$ 0.59	$ 0.34
Diluted net income per share			
As reported	**$ 1.59**	$ 0.70	$ 0.44
Pro forma	**$ 1.47**	$ 0.58	$ 0.33
Risk-free interest rate	**4.14%**	3.45%	3.24%
Expected dividend yield	**0%**	0%	0%
Expected stock price volatility	**44.0%**	46.9%	41.4%
Expected life of options	**7 years**	7 years	7 years

*2003 and 2002 expense amounts have been increased by $1,371 and $1,238, respectively, from amounts previously presented. Pro forma amounts were adjusted accordingly.

These pro forma amounts may not be representative of future disclosures because the estimated fair value of the options is amortized to expense over the vesting period and additional options may be granted in the future.

Accounting Pronouncements: In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 151, "Inventory Costs — An Amendment of Accounting Research Bulletin No. 43, Chapter 4." SFAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be expensed as incurred and not included as overhead. SFAS 151 also requires that the allocation of fixed production overhead to conversion costs be based on normal capacity of the production facilities. SFAS 151 must be applied prospectively beginning January 1, 2006. The adoption of SFAS 151 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123R, "Share-Based Payment," replacing SFAS No. 123 and superseding Accounting Principles Board (APB) Opinion No. 25. SFAS 123R requires public companies to recognize compensation expense for the cost of awards of equity compensation effective July 1, 2005. This compensation cost will be measured as the fair value of the award estimated using an option-pricing model on the grant date. The Company is currently evaluating the various transition provisions under SFAS 123R and will adopt SFAS 123R effective July 1, 2005, which is expected to result in increased compensation expense in future periods.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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.

Shipping and Handling Fees and Costs: Amounts billed to customers in a sales transaction represent fees earned for the goods provided and, accordingly, amounts billed related to shipping and handling should be classified as revenue. Costs incurred for shipping and handling of $4.6 million, $4.3 million and $3.6 million in 2004, 2003 and 2002, respectively, are classified in Selling, general, and administrative expenses.

Restructuring Costs: The Company incurs severance charges and plant closure expenses as part of the Company's ongoing cost reduction efforts. These charges are included in Cost of sales or Selling, general and administrative expense depending on the nature of the charge.

2. Acquisition of Business

On May 6, 2004, the Company acquired 82% of the common stock of Heinrich Industrie AG ("Heinrich") for Euro 39.5 million (approximately $47.1 million) in cash and acquisition costs of approximately $1.8 million. The Company purchased the controlling interest in Heinrich from its two largest shareholders and initiated a tender offer for the remaining shares of the publicly held company. The Company funded the acquisition with $17.5 million in cash and $32.0 million of borrowings on an existing revolving line of credit.

Subsequent to May 6, 2004, the Company purchased additional shares of Heinrich stock for approximately $8.7 million, bringing the total ownership to 97.2% as of January 1, 2005.

Heinrich is the holding company for the Wickmann Group of circuit protection products, which has three business units: electronic, automotive and electrical. Littelfuse operates Heinrich in such business units subsequent to the acquisition. The Heinrich acquisition expands the Company's product offerings and strengthens the Company's position in the circuit protection industry.

The acquisition was accounted for using the purchase method and the operations of Heinrich are included in the Company's operations from the date of acquisition. The following table sets forth the purchase price allocation for the acquisition of Heinrich in accordance with the purchase method of accounting with adjustments to record the acquired assets and liabilities of Heinrich at their estimated fair market or net realizable values.

(In thousands)	
PURCHASE PRICE ALLOCATION	
Current assets	$ 39,824
Property, plant and equipment	35,826
Patents, licenses and software	3,396
Distribution network	5,135
Trademarks and tradenames	788
Goodwill	7,651
Other assets	5,282
Current liabilities	(30,778)
Purchase accounting liabilities	(7,281)
Other long-term liabilities	(16,580)
Minority interest	(1,602)
	$ 41,661

All goodwill and intangible assets are recorded in the European segment. Trademarks and tradenames have an average estimated useful life of five years. The distribution network has an average estimated useful life of nine years. Patents and licenses have an average estimated useful life of four years. Software has a useful life of three years. The weighted average estimated useful life for intangible assets is approximately seven years.

Purchase accounting liabilities are estimated to be $7.3 million and are for redundancy costs to be paid through 2005 related to manufacturing operations and selling, general and administrative functions. These liabilities are subject to revision as the Company implements its plan. The Company began formulating its plan to incur these costs as of the acquisition date. As of January 1, 2005, approximately $0.1 million has been paid related to these liabilities.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the Heinrich acquisition had occurred on December 29, 2002.

(In thousands, except per share data) For the year ended	2004	2003
Net revenues	**$534,661**	$433,242
Net income from operations	**56,254**	20,493
Net income	**35,668**	15,088
Diluted net income per share	**$ 1.58**	$ 0.69

These unaudited pro forma results are presented for comparative purposes only. The pro forma results are not necessarily indicative of what actual results would have been had the Heinrich acquisition been completed as of the beginning of the respective periods, or of future results.

On July 7, 2003, the Company completed the acquisition of all of the outstanding stock of Teccor Electronics, Inc. ('Teccor'), a subsidiary of Invensys plc for $44.6 million in cash, plus a future payment of $5.0 million contingent on sales of Teccor products reaching $107.0 million for calendar year 2005. If the contingent purchase price is to be paid it will be accounted for as an adjustment to purchase price in accordance with EITF 95-8 "Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination," as the selling shareholder has had no involvement in the Teccor business since the date of acquisition. The Company does not believe that Teccor will achieve the sales level in 2005 which would trigger the additional future payment. Teccor manufactures semiconductor products for the telecommunications and industrial market segments, including transient voltage suppression devices and power switching devices. The addition of Teccor's transient voltage suppression products expands the Company's line of overvoltage products and strengthens its position in the telecom and industrial market segments. The acquisition was accounted for using the purchase method and the operations of Teccor are included in the Company's operations from the date of acquisition. The allocation of the purchase price resulted in no goodwill. The acquisition was funded with cash on hand and borrowings under the Company's $50.0 million revolving credit facility. The allocation of purchase price, net of cash, is as follows:

(In thousands)	
Current assets	$27,508
Property, plant and equipment	21,550
Intangible asset	6,100
Deferred tax assets	6,703
Current liabilities	(9,985)
Purchase accounting liabilities	(6,900)
Other long-term liabilities	(386)
Total purchase price, net of cash	$44,590

Purchase accounting liabilities are estimated to be $6.9 million and are primarily for redundancy costs related to manufacturing operations and selling, general and administrative functions. The Company began formulating the plan to incur these costs as of the acquisition date. Included in this amount is $0.7 million to reflect the obligation of Teccor to remit to Invensys proceeds from the sale of land. As of January 1, 2005, $5.4 million of restructuring payments related to employee severance have been paid and $1.4 million has been reversed from the liability with an offsetting reduction to intangible assets, leaving a balance of $0.1 million in purchase accounting liabilities at January 1, 2005. The remaining accrued liabilities are expected to be paid by the end of the 2005 fiscal year.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the Teccor acquisition had occurred on December 29, 2002.

(In thousands, except per share data) For the year ended	2004	2003
Net revenues	**$500,242**	$375,797
Net income from operations	**56,991**	23,211
Net income	**36,028**	13,179
Diluted net income per share	**$ 1.59**	$ 0.60

These unaudited pro forma results are presented for comparative purposes only. The pro forma results are not necessarily indicative of what actual results would have been had the Teccor acquisition been completed as of the beginning of the respective periods, or of future results.

3. Inventories

The components of inventories are as follows at January 1, 2005, and January 3, 2004 (in thousands):

	2004	2003
Raw materials	**$16,723**	$11,783
Work in process	**23,780**	16,224
Finished goods	**38,577**	24,591
Total net inventory	**$79,080**	$52,598

4. Intangible Assets

The Company recorded amortization expense of $2.4 million, $1.1 million and $0.8 million in 2004, 2003 and 2002, respectively. The details of intangible assets and future amortization expense of existing intangible assets at January 1, 2005, are as follows (in thousands):

	As of January 1, 2005		As of January 3, 2004	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Patents and licenses	$26,318	$23,409	$22,820	$22,803
Distribution network	18,949	10,199	13,440	9,327
Trademarks and tradenames	11,688	4,295	11,145	3,332
Total	$56,955	$37,903	$47,405	$35,462

Estimated amortization expense related to intangible assets with definite lives at January 1, 2005, is as follows (in thousands):

2005	$ 3,169
2006	3,169
2007	2,661
2008	2,315
2009	2,215
Thereafter	5,523
	$19,052

The amounts for goodwill and changes in the carrying value by operating segment are as follows at January 1, 2005, and January 3, 2004 (in thousands):

	2004	Additions and Other Adjustments	2003
Americas	**$35,458**	$(1,034)	$36,492
Europe	**19,343**	7,640	11,703
Asia	**448**	—	448
Total goodwill	**$55,249**	$ 6,606	$48,643

5. Investments

Included in investments are shares of Polytronics Technology Corporation Ltd. ("Polytronics"), a Taiwanese company, which was acquired as part of the Heinrich acquisition. The fair value of this investment at January 1, 2005 is $4.3 million. Included in Other comprehensive income (loss) is a loss of $1.1 million related to a decrease in the fair market value of Polytronics.

6. Long-Term Obligations

The carrying amounts of long-term debt, which approximate fair value, are as follows at January 1, 2005, and January 3, 2004 (in thousands):

	2004	2003
6.16% Senior Notes, maturing 2005	**$10,000**	$20,000
Revolving credit facility	**17,500**	—
Other obligations	**6,822**	8,697
	34,322	28,697
Less: Current maturities	**32,958**	18,496
	$ 1,364	$10,201

The Company has unsecured domestic financing arrangements consisting of Senior Notes with insurance companies and a credit agreement with banks that provides a $50.0 million revolving credit facility. The Senior Notes require minimum annual principal payments. The revolving line of credit balance becomes due within the next year. At January 1, 2005, the Company had available $32.5 million of borrowing capability under the revolving credit facility at an interest rate of LIBOR plus .875%. The Company intends to renew this line of credit upon maturity. The Company also had $1.8 million and $1.9 million in letters of credit outstanding at January 1, 2005, and January 3, 2004, respectively.

The Company also has an unsecured bank line of credit in Japan that provides a Yen 0.9 billion, an equivalent of $9.0 million, revolving credit facility at an interest rate of TIBOR plus .875% (.9625% as of January 1, 2005). The revolving line of credit balance becomes due within the next year. At January 1, 2005, the Company had an equivalent of $5.4 million outstanding on the Yen facility. The Company intends to renew this line of credit upon maturity.

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. At January 1, 2005, and for the year then ended, the Company was in compliance with these covenants.

Aggregate maturities of long-term obligations at January 1, 2005, are as follows (in thousands):

2005	$32,958
2006	88
2007	44
2008	—
2009	—
2010 and thereafter	1,232
	$34,322

Interest paid on long-term debt approximated $1.7 million in 2004, $2.1 million in 2003 and $2.5 million in 2002.

7. Other Long-Term Liabilities

Included in other long-term liabilities is an accrued liability of $5.8 million related to a former coal mining operation at Heinrich. The accrual is based upon the present value of the cost of future occurrences related to the coalmine shafts (such as a shaft collapse) and the probability of such occurrences. Actual amounts incurred could differ from the amount accrued. Ongoing maintenance of coal mine shaft entrances are expensed as incurred.

8. Derivatives and Hedging

On June 11, 2002, the Company entered into cross-currency rate swaps, with a notional amount of $11.6 million, as a cash flow hedge of the variability of Yen cash flows attributable to the USD/JPY exchange rate risk on forecasted intercompany sales of inventory to a Japanese subsidiary. The cross-currency rate swaps convert $11.6 million of the Company's fixed rate 6.16% U.S. Dollar debt to fixed rate 3.13% Japanese Yen debt. At the inception of the hedge, both the foreign currency swap and the intercompany sales subject to the hedge were denominated in Japanese Yen. The swap agreements were accounted for as a cash flow hedge and reported at fair value. The notional amount outstanding at January 1, 2005, was $2.9 million and the fair value of the outstanding cross-currency rate swap agreements was recognized as a $0.6 million liability in the accrued liabilities on the consolidated balance sheet. The change in the liability has been reflected as a charge to accumulated other comprehensive loss in the consolidated balance sheet at January 1, 2005. The Company's hedges are considered effective and the net gain or loss from hedge ineffectiveness was not material.

For the period from June 1, 2004, to September 30, 2005, Heinrich Industrie AG purchased Euro forward contracts that hedge the variability of U.S. Dollar cash attributable to the exchange rate risk on forecasted intercompany sales to U.S. and Asian subsidiaries. These forward contracts guarantee the rate at which the U.S. Dollar cash flows will be converted to Euro in the future. The forward agreements are reported at the fair value amounting to $0.2 million which was recorded as an asset under Other Assets on the consolidated balance sheet at January 1, 2005. The gains since the date of the Heinrich acquisition were recognized in the income statement and were immaterial.

9. 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 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 ten years of service prior to retirement. Such benefits generally cease once the retiree attains age 65. The Company also has defined benefit pension plans covering employees in the U.K., Ireland, Germany, Japan and the Netherlands. The amount of these retirement benefits is based on years of service and final average pay. Liabilities resulting from the plan that covers employees in the Netherlands are settled annually through the purchase of insurance contracts. Separate from the foreign pension data presented below, net periodic expense for the plan covering Netherlands employees was $0.2 million, $0.3 million and $0.3 million in 2004, 2003 and 2002, respectively.

The Company's contributions are made in amounts sufficient to satisfy legal requirements and ensure funding to at least 90% of the ERISA Current Liability amount. In 2005, the Company expects to make contributions to defined benefit pension plans in the range of $1.0 million to $3.0 million.

Changes in actual return on pension plan assets are deferred and recognized over a period of three years. The deferral of actual gains and losses affects the calculated value of plan assets and therefore future pension expense. Differences between total pension expense of $4.3 million, $3.6 million and $1.9 million in 2004, 2003 and 2002, respectively, were not material to the overall financial performance of the Company. The increases in pension expense in 2004 and 2003 were primarily due to lower asset investment returns than assumed and a decrease in the discount rate.

	U.S.		Foreign	
	2004	**2003**	**2004**	**2003**
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	**$ 55,648**	$ 54,485	**$ 27,479**	$21,516
Service cost	**2,759**	2,667	**1,066**	786
Interest cost	**3,498**	3,551	**1,877**	1,260
Plan participants' contributions	**—**	—	**178**	178
Acquisition opening balance as of 5/06/04	**—**	—	**11,771**	—
Net actuarial loss (gain)	**1,430**	(2,152)	**654**	(22)
Benefits paid	**(3,110)**	(2,903)	**(1,196)**	(708)
Effect of exchange rate movements	**—**	—	**3,782**	4,469
Benefit obligation at end of year	**$ 60,225**	$ 55,648	**$ 45,611**	$27,479
CHANGE IN PLAN ASSETS AT FAIR VALUE				
Fair value of plan assets at beginning of year	**$ 44,667**	$ 35,685	**$ 22,997**	$17,347
Actual return on plan assets	**5,238**	8,886	**1,601**	1,993
Employer contributions	**1,000**	3,000	**580**	537
Plan participant contributions	**—**	—	**178**	178
Benefits paid	**(3,110)**	(2,903)	**(676)**	(708)
Effect of exchange rate movements	**—**	—	**1,906**	3,650
Fair value of plan assets at end of year	**$ 47,795**	$ 44,668	**$ 26,586**	$22,997
Unfunded status	**$(12,430)**	$(10,980)	**$(19,025)**	$ (4,482)
Unrecognized prior service cost (benefit)	**114**	124	**(138)**	(142)
Unrecognized transition asset	**—**	—	**(1,576)**	(1,555)
Unrecognized net actuarial gain	**6,236**	6,552	**7,173**	6,294
Prepaid pension asset obligation	**$ (6,080)**	$ (4,304)	**$(13,566)**	$ 115
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET CONSIST OF:				
Prepaid benefit cost	**$ —**	$ —	**$ 67**	$ 50
Accrued benefit liability	**(6,080)**	(4,304)	**(14,337)**	(208)
Accumulated other comprehensive income	**—**	—	**704**	273
Net amount recognized	**$ (6,080)**	$ (4,304)	**$(13,566)**	$ 115

The accumulated benefit obligation for the U.S. defined benefits plans was $51,102 and $45,984 at January 1, 2005, and January 3, 2004, respectively. The accumulated benefit obligation for the foreign plans was $40,573 and $22,787 at January 1, 2005, and January 3, 2004, respectively.

	U.S.			Foreign		
	2004	2003	2002	2004	2003	2002
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	**$ 2,759**	$ 2,667	$ 2,198	**$ 1,269**	$ 995	$ 796
Interest cost	**3,498**	3,551	3,528	**1,877**	1,260	992
Expected return on plan assets	**(3,649)**	(3,664)	(4,112)	**(1,521)**	(1,243)	(1,277)
Amortization of prior service cost	**10**	10	46	**(13)**	(11)	(11)
Amortization of transition asset	**—**	—	—	**(90)**	(102)	(85)
Amortization of losses	**158**	110	—	**—**	—	—
Recognized actuarial loss	**—**	—	—	**206**	253	—
Total cost of the plan for the year	**2,776**	2,674	1,660	**1,728**	1,152	415
Expected plan participants' contribution	**—**	—	—	**(203)**	(208)	(175)
Net periodic benefit cost	**$ 2,776**	$ 2,674	$ 1,660	**$ 1,525**	$ 944	$ 240

Weighted average assumptions used to determine benefit obligations at year-end 2004, 2003 and 2002:

	U.S.			Foreign		
	2004	2003	2002	2004	2003	2002
Discount rate	**6.0%**	6.5%	6.8%	**4.8%**	5.5%	5.5%
Compensation increase rate	**4.5%**	4.5%	4.5%	**3.4%**	4.0%	4.0%
Measurement dates	**12/31/04**	12/31/03	12/31/02	**12/31/04**	12/31/03	12/31/02

Weighted average assumptions used to determine net periodic benefit cost for the years 2004, 2003 and 2002:

	U.S.			Foreign		
	2004	2003	2002	2004	2003	2002
Discount rate	**6.5%**	6.8%	7.3%	**5.5%**	5.5%	6.0%
Expected return on plan assets	**8.8%**	9.0%	9.0%	**4.7%**	6.7%	6.8%
Compensation increase rate	**4.5%**	4.5%	4.5%	**4.0%**	4.0%	4.0%
Measurement dates	**1/1/04**	1/1/03	1/1/02	**1/1/04**	1/1/03	1/1/02

Expected benefit payments to be paid to participants for the fiscal year ending are as follows (in thousands):

	U.S.	Foreign
2005	$ 2,762	$ 1,630
2006	2,813	1,991
2007	2,954	2,326
2008	3,149	1,948
2009	3,285	1,855
2010-2014	$19,565	$14,679

Defined Benefit Plan Assets

Based upon analysis of the target asset allocation and historical returns by type of investment, the Company has assumed that the expected long-term rate of return will be 8.8% on domestic plan assets and 4.7% on foreign plan assets. Assets are invested to maximize long-term return taking into consideration timing of settlement of the retirement liabilities and liquidity needs for benefits payments. Actual investment returns over the last three years have been less than the assumed long-term rate of return and, should this trend continue, net periodic benefit cost would increase. U.S. defined benefit pension assets were invested as follows and were not materially different from the target asset allocation:

	U.S. Asset Allocation	
	2004	2003
Equity securities	**74%**	74%
Debt securities	**26%**	26%
	100%	100%

	Foreign Asset Allocation	
	2004	2003
Equity securities	**75%**	73%
Debt securities	**14%**	17%
Property	**8%**	8%
Cash	**3%**	2%
	100%	100%

Defined Contribution Plans

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 $0.5 million, $0.5 million and $0.6 million in 2004, 2003 and 2002, respectively. 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 $0.7 million, $0.7 million and $0.4 million in 2004, 2003 and 2002, respectively.

10. Shareholders' Equity

Stock Options: The Company has stock option plans authorizing the granting of both incentive and nonqualified options and other stock rights of up to 4,425,000 shares of common stock to employees and directors. The stock options issued prior to 2002 vest over a five-year period and are exercisable over a ten-year period commencing from the date of vesting. The Company changed its policy in 2002 whereby the stock options vest over a five-year period and are exercisable over a ten-year period commencing from the date of the grant. This change was not made to stock options already granted.

A summary of stock option information follows:

	2004		2003		2002	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	**2,046,720**	**$23.55**	1,976,605	$23.73	1,902,905	$23.63
Options granted						
Option price equals market price	**363,750**	**38.44**	361,750	22.18	329,250	23.18
Option price less than market price	**—**	**—**	20,000	7.00	4,000	5.00
Total options granted	**363,750**	**38.44**	381,750	21.38	333,250	22.96
Exercised	**(706,880)**	**22.93**	(169,015)	17.29	(99,580)	15.43
Forfeited	**(43,150)**	**26.72**	(142,620)	27.64	(159,970)	26.02
Outstanding at end of year	**1,660,440**	**$26.97**	2,046,720	$23.55	1,976,605	$23.73
Exercisable at end of year	**772,440**		1,114,028		1,060,140	
Available for future grant	**454,030**		774,870		1,004,500	
Weighted-average value of options granted during the year		**$19.87**		$13.71		$12.75
Option price equals market price		**19.87**		13.25		12.69
Option price less than market price		**—**		23.89		20.97

As of January 1, 2005, the Company had the following outstanding options:

Exercise Price	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life	Options Exercisable
$ 3.69 to $ 5.00	27,500	$ 4.43	4.79	27,340
$ 7.00 to $11.16	33,400	8.36	7.86	17,400
$11.63 to $16.50	43,940	14.98	5.36	40,520
$17.81 to $25.50	749,620	21.84	8.84	388,140
$26.63 to $38.80	805,980	33.94	9.84	299,040

Notes Receivable – Common Stock: In 1995, the Company established the Executive Loan Program under which certain management employees could then 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. The Company changed its policy in 2002 such that management employees may no longer obtain such loans.

Accumulated Other Comprehensive Income (Loss): At the end of the year the components of accumulated other comprehensive income (loss) were as follows (in thousands):

	January 1, 2005	January 3, 2004
Net unrealized loss on derivatives	**$ (177)**	$(1,001)
Minimum pension liability adjustment, net of tax	**(704)**	(246)
Loss on marketable securities	**(1,095)**	—
Foreign currency translation adjustment	**5,649**	(1,795)
Total	**$ 3,673**	$(3,042)

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. 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 $0.01 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 or if the rights plan is extended or renewed by the Board of Directors of the Company.

11. Income Taxes

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

	2004	2003	2002
Current:			
Federal	**$ 6,656**	$10,346	$ (527)
State	**1,196**	339	249
Foreign	**6,880**	4,402	5,110
Subtotal	**14,732**	15,087	4,832
Deferred:			
Federal and State	**3,087**	(6,897)	2,987
Foreign	**1,411**	439	(2,408)
Subtotal	**4,498**	(6,458)	579
Provision for income taxes	**$19,230**	$ 8,629	$ 5,411

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

	2004	2003	2002
Domestic	**$28,115**	$ 6,808	$ 6,542
Foreign and Minority Interest	**27,296**	17,160	8,489
Income before income taxes	**$55,411**	$23,968	$15,031

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):

	2004	2003	2002
Tax expense at statutory rate of 35%	**$19,394**	$8,389	$5,259
State and local taxes (benefit), net of federal tax benefit	**777**	220	162
Foreign income tax rate differential	**(1,846)**	(611)	179
Foreign losses for which no tax benefit is available	**759**	—	34
Valuation allowance	**753**	—	—
Other, net	**(607)**	631	(223)
Provision for income taxes	**$19,230**	$8,629	$5,411

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, 2005, and January 3, 2004, are as follows (in thousands):

	2004	2003
DEFERRED TAX LIABILITIES		
Tax depreciation and amortization in excess of book	**$ 4,765**	$ 1,572
Foreign	**2,893**	—
Other	**511**	1,340
Total deferred tax liabilities	**8,169**	2,912
DEFERRED TAX ASSETS		
Accrued expenses	**14,475**	16,224
Foreign tax credit carryforwards	**2,994**	2,782
AMT credit carryforwards	**—**	1,002
Foreign net operating loss carryforwards	**5,706**	2,666
Gross deferred tax assets	**23,175**	22,674
Less: Valuation allowance	**(6,523)**	(2,666)
Total deferred tax assets	**16,652**	20,008
Net deferred tax assets	**$ 8,483**	$17,096

The deferred tax asset valuation allowance is related to deferred tax assets from foreign net operating losses and a capital loss expected from a non-controlled foreign investment. The net operating loss carryforwards expire between 2005 and 2011. The foreign tax credit carryforwards expire in 2013. A deferred tax asset relating to a net operating loss from an acquired group of companies has not been recorded since the amount cannot be reasonably estimated between a range of zero and $15.0 million. The Company paid income taxes of approximately $11.2 million, $2.7 million and $5.8 million in 2004, 2003 and 2002, respectively. U.S. income taxes were not provided for on a cumulative total of approximately $43.3 million of undistributed earnings for certain non-U.S. subsidiaries as of January 1, 2005, and accordingly, no deferred tax liability has been established relative to these earnings. The determination of the deferred tax liability associated with the distribution of these earnings is not practicable.

12. 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 electrical. 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 fiscal years ended 2004, 2003 and 2002 are as follows (in thousands):

		Americas	Europe	Asia-Pacific	Combined Total	Corporate	Eliminations	Consolidated Total
Revenues	**2004**	**$234,835**	**$129,137**	**$136,270**	**$500,242**	**$ —**	**$ —**	**$500,242**
	2003	167,417	61,098	110,895	339,410	—	—	339,410
	2002	148,047	51,233	83,987	283,267	—	—	283,267
Intersegment revenues	**2004**	**137,611**	**58,376**	**28,718**	**224,705**	**—**	**(224,705)**	**—**
	2003	70,882	54,742	21,443	147,067	—	(147,067)	—
	2002	62,022	47,213	17,696	126,931	—	(126,931)	—
Interest expense, net	**2004**	**1,668**	**(175)**	**(2)**	**1,491**	**—**	**—**	**1,491**
	2003	2,068	(25)	2	2,045	—	—	2,045
	2002	2,450	19	184	2,653	—	—	2,653
Depreciation and amortization	**2004**	**14,308**	**8,239**	**1,312**	**23,859**	**2,441**	**—**	**26,300**
	2003	16,442	1,541	2,350	20,333	768	—	21,101
	2002	13,256	2,853	2,028	18,137	767	—	18,904
Other expense (income), net	**2004**	**(2,106)**	**1,466**	**729**	**89**	**—**	**—**	**89**
	2003	(728)	91	705	68	—	—	68
	2002	(1,385)	(888)	520	(1,753)	—	—	(1,753)
Income tax expense	**2004**	**11,589**	**3,092**	**4,549**	**19,230**	**—**	**—**	**19,230**
	2003	4,326	1,022	3,281	8,629	—	—	8,629
	2002	3,583	1,764	64	5,411	—	—	5,411
Net income (loss)	**2004**	**23,598**	**(772)**	**15,643**	**38,469**	**(2,441)**	**—**	**36,028**
	2003	5,306	869	9,932	16,107	(768)	—	15,339
	2002	2,626	3,235	8,270	14,131	(4,511)	—	9,620
Identifiable assets*	**2004**	**344,277**	**264,523**	**64,828**	**673,628**	**—**	**(248,319)**	**425,309**
	2003	356,871	33,637	47,798	438,306	—	(126,736)	311,570
	2002	286,348	32,908	45,079	364,335	—	(86,857)	277,478
Capital expenditures, net	**2004**	**15,766**	**2,908**	**3,405**	**22,079**	**—**	**—**	**22,079**
	2003	12,157	1,954	(70)	14,041	—	—	14,041
	2002	9,256	(2,516)	1,620	8,360	—	—	8,360

*Corporate assets have been reclassified to Americas for prior periods. Reconciling items primarily consist of intercompany balances.

The Company's revenues by product areas for the years ended January 1, 2005, January 3, 2004 and December 28, 2002, are as follows (in thousands):

Revenues	2004	2003	2002
Electronic	**$325,627**	$206,523	$150,838
Automotive	**114,736**	98,327	98,235
Electrical	**59,879**	34,560	34,194
Consolidated total	**$500,242**	$339,410	$283,267

No single customer accounted for more than 10% of revenue.

13. Lease Commitments

The Company leases certain office and warehouse space under non-cancelable operating leases, as well as certain machinery and equipment. Rental expense under these leases was approximately $4.5 million in 2004, $3.4 million in 2003 and $2.6 million in 2002. Future minimum payments for all non-cancelable operating leases with initial terms of one year or more at January 1, 2005, are as follows (in thousands):

2005	$ 4,371
2006	2,221
2007	1,560
2008	1,084
2009	764
2010 and thereafter	684
Total lease commitments	$10,684

The Company did not have any capital leases as of January 1, 2005.

14. Earnings per Share

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

(In thousands, except per share amounts)	2004	2003	2002
Numerator:			
Net income	**$36,028**	$15,339	$ 9,620
Denominator:			
Denominator for basic earnings per share – Weighted-average shares	**22,239**	21,881	21,858
Effect of dilutive securities:			
Employee stock options	**365**	123	113
Denominator for diluted earnings per share – Adjusted weighted-average shares and assumed conversions	**22,604**	22,004	21,971
Basic earnings per share	**$ 1.62**	$ 0.70	$ 0.44
Diluted earnings per share	**$ 1.59**	$ 0.70	$ 0.44

Options to purchase 362,500, 1,376,122 and 1,434,718 shares of common stock were outstanding at January 1, 2005, January 3, 2004, and December 28, 2002, respectively, but were not included in the computation of diluted earnings per share because the effect of including such options would have been anti-dilutive.

SELECTED FINANCIAL DATA

(in thousands, except per share data)

FIVE YEAR SUMMARY

	2004*	2003**	2002	2001	2000
Net sales	**$500,242**	$339,410	$283,267	$272,149	$371,920
Gross profit	**178,954**	104,426	88,623	85,592	150,648
Operating income	**56,991**	26,081	15,931	8,540	61,748
Net income	**36,028**	15,339	9,620	4,070	37,298
Net income per share – Diluted	**1.59**	0.70	0.44	0.19	1.69
Net working capital	**98,470**	62,120	59,181	62,486	74,503
Total assets	**425,309**	311,570	277,478	272,272	274,378
Long-term debt	**1,364**	10,201	20,252	30,402	41,397

*Results include Heinrich. Refer to the Notes to Consolidated Financial Statements for more information.

**Results include Teccor. Refer to the Notes to Consolidated Financial Statements for more information.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	2004				2003			
	4Q*	3Q*	2Q*	1Q	4Q**	3Q**	2Q	1Q
Net sales	**$124,139**	**$135,926**	**$128,759**	**$111,418**	$101,963	$94,696	$72,789	$69,962
Gross profit	**43,700**	**49,961**	**45,488**	**39,805**	29,688	27,786	23,894	23,078
Operating income (loss)	**6,892**	**18,376**	**15,981**	**15,742**	7,459	7,069	6,322	5,231
Net income (loss)	**4,828**	**11,250**	**10,344**	**9,606**	4,191	4,073	3,852	3,223
Net income (loss) per share:								
Basic	**0.21**	**0.50**	**0.47**	**0.44**	0.19	0.19	0.18	0.15
Diluted	**0.21**	**0.49**	**0.46**	**0.43**	0.19	0.19	0.18	0.15

Sales and margins were down in the fourth quarter of 2004 partly due to slower North American distributor sales. In the fourth quarter of 2004 the Company also recorded a non tax-deductible charge of $2.2 million to impair a portion of the Semitron investment acquired in 2002. Operating margins were also unfavorably impacted by higher operating expenses related to Sarbanes-Oxley Act compliance as well as increased consulting, marketing and legal costs.

*Results include Heinrich. Refer to the Notes to Consolidated Financial Statements for more information. Heinrich gross profit has been reduced by $600 and $1,309 in 3Q 2004 and 2Q 2004, respectively, to reflect reclassifications between cost of sales and selling, general and administrative expenses to conform to 4Q 2004 presentation.

**Results include Teccor. Refer to the Notes to Consolidated Financial Statements for more information.

QUARTERLY STOCK PRICES

	2004				2003			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
High	**40.19**	**41.48**	**44.05**	**37.81**	30.12	27.19	23.06	19.02
Low	**31.45**	**32.60**	**36.24**	**28.56**	23.00	21.79	17.47	16.86
Close	**34.16**	**35.49**	**42.13**	**37.20**	28.69	22.33	21.66	17.82

BOARD OF DIRECTORS

JOHN P. DRISCOLL
Retired Executive
Vice President
Murata Electronics
North America, Inc.
(2)* (4)*

ANTHONY GRILLO
Senior Managing Director
Evercore Partners, Inc.
(1)*

GORDON HUNTER
Chairman, President and
Chief Executive Officer
Littelfuse, Inc.
(3)*

BRUCE A. KARSH
President and
Co-Founder
Oaktree Capital
Management, LLC
(2) (4)

JOHN E. MAJOR
President
Technology
Solutions Group
(1) (3)

RONALD L. SCHUBEL
Corporate Executive Vice
President and President
Americas Region
Molex Incorporated
(1) (3)

HOWARD B. WITT
Retired Chairman,
President and
Chief Executive Officer
Littelfuse, Inc.

(1) Audit Committee Member
(2) Compensation Committee Member
(3) Technology Committee Member
(4) Nominating Committee Member
* Committee Chairman

MANAGEMENT TEAM

GORDON HUNTER
Chairman, President and
Chief Executive Officer

DAL FERBERT
Vice President and
General Manager,
Electrical
Business Unit

DAVID SAMYN
Vice President and
General Manager,
Electronics
Business Unit

KENNETH R. AUDINO
Vice President,
Organizational Development
and Total Quality Management

PHILIP G. FRANKLIN
Vice President,
Operations Support and
Chief Financial Officer

DAVID W. HEINZMANN
Vice President and
General Manager,
Automotive
Business Unit

ELIZABETH CALHOUN
Vice President,
Human Resources

MARY S. MUCHONEY
Corporate Secretary

CORPORATE INFORMATION

ANNUAL MEETING

The annual meeting of Littelfuse, Inc. will be held at 9:00 a.m. on May 6, 2005, at the Littelfuse corporate headquarters in Des Plaines, Illinois. Proxy material and a copy of this report will be mailed in advance of the meeting to all shareholders of record as of March 18, 2005.

SHAREHOLDER INFORMATION

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

Visit our web site, www.littelfuse.com, for news releases and other investor information.

COMMON STOCK

Littelfuse, Inc. common stock is traded on the Nasdaq National Market System under the symbol LFUS. There are approximately 5,000 shareholders of record of Littelfuse common stock.

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LaSalle National Bank
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Chicago, IL 60603

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Littelfuse®

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RESEARCH AND MANUFACTURING FACILITIES

Arcola, Illinois, USA
Des Plaines, Illinois, USA
Dongguan, China
Dundalk, Ireland
Dünsen, Germany
Eltville, Germany
Irving, Texas, USA
Lipa City, Philippines
Matamoros, Mexico
Piedras Negras, Mexico
Suzhou, China
Swindon, England
Uebigau, Germany
Witten, Germany

SALES, DISTRIBUTION AND ENGINEERING FACILITIES

Atlanta, Georgia, USA
Beijing, China
Hong Kong, China
Kaposvar, Hungary
Munich, Germany
São Paulo, Brazil
Seoul, Korea
Shanghai, China
Shenzhen, China
Singapore
Taipei, Taiwan R.O.C.
Utrecht, Netherlands
Yokohama, Japan