LITTELFUSE

focused

on circuit protection leadership

2005 ANNUAL REPORT

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.

Table of Contents

financial highlights

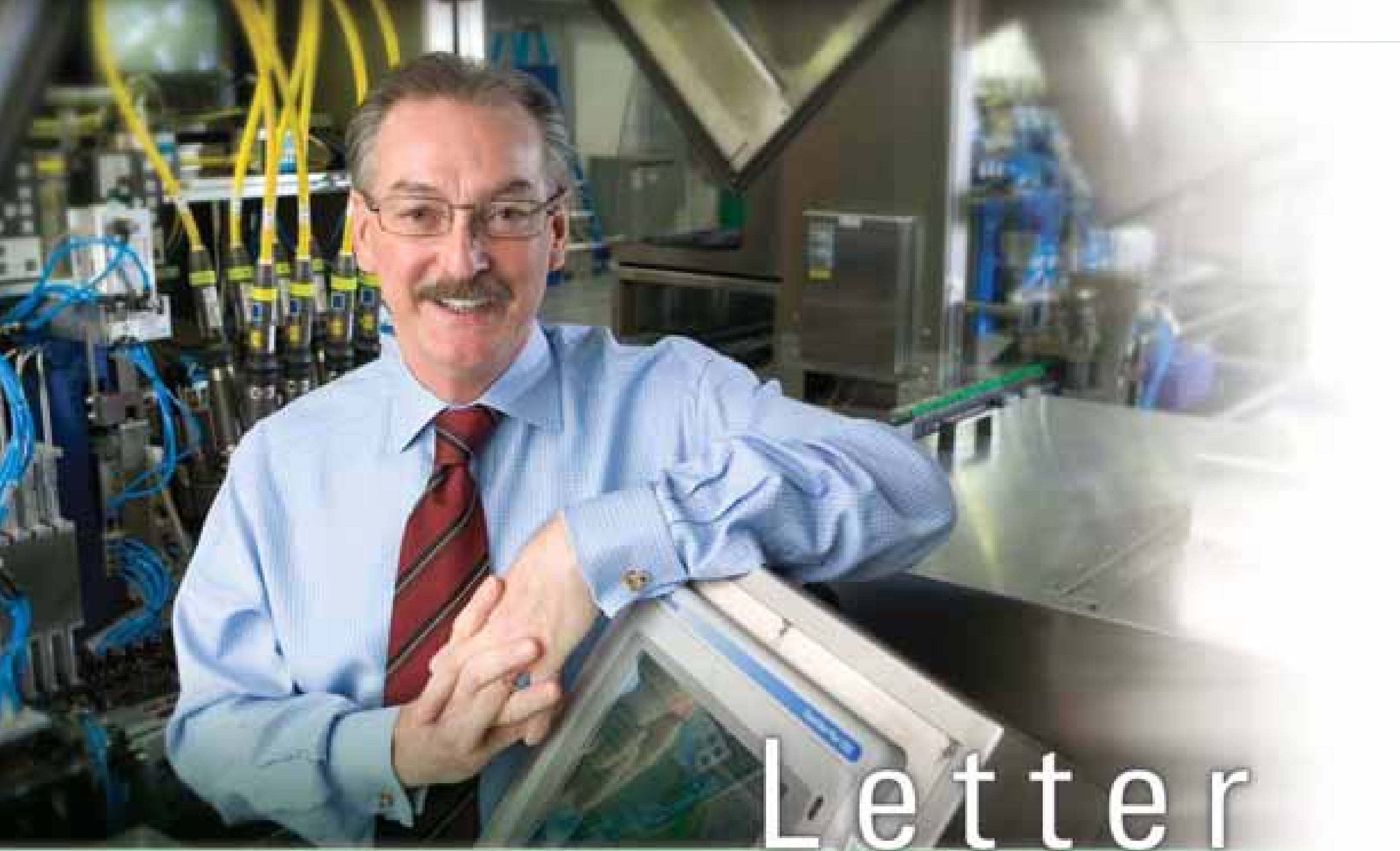
(dollars in thousands, except per share data)	2005	2004	% Change
NET SALES	$467,089	$476,833	(2)%
OPERATING INCOME	26,966	57,003	(53)
NET INCOME	17,710	36,028	(51)
EARNINGS PER SHARE – DILUTED	0.78	1.59	(51)
OPERATING CASH FLOW	38,142	52,984	(28)
CAPITAL EXPENDITURES, NET	27,239	22,079	23
FREE CASH FLOW*	11,503	30,905	(63)

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

SALES
(in millions of dollars)

FREE CASH FLOW*
(in millions of dollars)

EARNINGS PER SHARE – DILUTED
(in dollars per share)



Letter to Shareholders

Dear Shareholders:

Coming off a very successful 2004, we were optimistic that 2005 would be another good year for Littelfuse. In many respects, it was. Performance improved in two of our three business units. We introduced new products and services in all three businesses to meet evolving customer needs. We also made solid progress on important initiatives, including developing a strategic plan that will guide our future growth.

However, the most important measure of performance, earnings, did not meet our expectations due to several market-related challenges during the year.

2005 Results

The greatest challenge in 2005 was in our largest business, electronics, where a slowdown in the telecom market reduced sales of our silicon overvoltage products, resulting in a 6% decline in sales for the year. In addition, it took several quarters to work through the excess inventory build-up from 2004 and DSL equipment production has slowed as the industry prepares for the transition to new Voiceover IP (VOIP) technology.

The results for the year were considerably more positive in our automotive and electrical businesses. Both of these businesses achieved record sales in 2005. Automotive sales increased 4% in a difficult industry environment, due in part to the addition of the Pudenz product line, new vehicle launches and strong performance in our aftermarket business. Operating income in this business also increased, as a result of ongoing cost controls and efficiencies gained through lean manufacturing.

Our electrical business had an outstanding year. Sales increased 14%, reflecting the addition of several large industrial accounts, expansion into value-added service offerings and price optimization. This business also achieved record operating income, due in large part to the efficiencies and cost benefits gained by transferring production from Arcola, Illinois, to Piedras Negras, Mexico.

As a result of all of these factors, we ended 2005 with sales of $467.1 million, a decrease of 2% from 2004. This excludes the Efen brand of fuse switches, which was sold in the first quarter of 2006 and is accounted for as a discontinued operation. Earnings from continuing operations were $16.6 million or $0.73 per diluted share for 2005, compared to earnings from continuing operations of $36.4 million or $1.61 per diluted share in 2004. The most significant items contributing to the lower 2005 earnings were the large drop in sales to the telecom market, approximately $8 million in severance costs related to the further downsizing of our Ireland operation and other restructurings, and a higher effective tax rate.

While the operating margin was only 6% of sales in 2005, we ended the year at a higher run rate and have taken steps to reduce the cost structure. These factors, combined with improved sales performance, will put us well on our way to our long-term goal of a 15% operating margin.

Free cash flow was $11.5 million at year end, down from 2004 but finishing strongly after a negative first half of the year. Capital expenditures increased 23% to $27.2 million for the year, as we continued our focus on new product development.

Heinrich Acquisition Completed

In July 2005, we received the approvals needed under German securities law to fully integrate Heinrich Industrie AG into Littelfuse. While the extensive legal process to complete the transaction took more time than we originally anticipated, we believe the long-term benefits of this acquisition will outweigh the challenges we experienced in completing it.

Through the Heinrich acquisition, we added the well-known WICKMANN brand of circuit protection products to our electronic business and the highly respected Pudenz line of products to our automotive group. The strong WICKMANN and Pudenz positions in Europe, especially in Germany, have already added new customers and incremental sales to Littelfuse and exciting joint new product development efforts are underway. The Efen product line, which was also a part of Heinrich, was sold in February 2006 because it did not fit as well with our core circuit protection business.

Growth Strategies

One of the major accomplishments of 2005 was the completion of a thorough strategic planning process that provides the framework for our growth over the next five years and beyond. This process began with a comprehensive survey of Littelfuse customers around the world. The survey confirmed that our customers recognize Littelfuse as the global leader in circuit protection. We're going to build on this strong position in the key areas of our business.

Customer Focus

Our customers rely on Littelfuse for answers to their circuit protection challenges. As the global experts in circuit protection, we can not only provide the right product for the right application, but are able to work side-by-side with our customers, bringing our proven technology expertise to the design of their new products and product applications. Our customers also rely on our extensive knowledge of global circuit protection standards and compliance requirements.

We increased our investments in research & development in 2005 to ensure that we not only have the world's broadest and deepest line of circuit protection solutions, but also the most technologically advanced. Research & development expenditures increased to $16.7 million, or 3.6% of sales, in 2005.

Growth areas in the electronics market include increased miniaturization and the need to move vast amounts of data in consumer products such as digital cameras, MP3 players, satellite radios and sophisticated mobile phones, as well as expanding needs for customer premise equipment for telecom and VOIP. In the automotive area, miniaturization is also a significant opportunity, as manufacturers work to reduce vehicle weight and add more computers and electronic features to their vehicles. And while the volumes are still small, virtually all global OEMs are developing hybrid vehicles that require circuit protection for their high-voltage batteries and other components. Growth opportunities in the electrical business include developing niche products for specific OEM customers, growing the industrial distributor channel, increasing our service offerings and expanding our presence in the non-residential construction segment.

Asia Focus

There is no question that Asia is the center of the entire electronics industry. All of the major electronics manufacturers are now located in Asia, prompting partners like Littelfuse to expand their design and manufacturing capabilities in this region. Leading global original equipment manufacturing (OEM) companies located in Asia are now designing and producing electronic products for the growing local market, as well as for export to the U.S. and Europe. Asia is also home to the fastest growing segment of the electronics market—Original Design Manufacturers (ODMs), who provide outsourced design and manufacturing services to the OEMs.

Our strategy is to expand our organization and facilities in Asia to be closer to our existing customers, add new customers and participate in the growth of the entire region. Littelfuse sales and technical support, manufacturing, distribution and supply chain sourcing are all handled directly from our facilities throughout the region.

Brand Focus

Our customers count on us to help them protect their strong brands by ensuring the safety, reliability and performance of their products. We didn't become the #1 supplier in the field of circuit protection overnight—it took years of product development, acquisitions and considerable resources to build our circuit protection portfolio and technology expertise. With the broadest line of circuit protection products, exciting new technologies and newly acquired brands, we are better positioned than ever to increase sales by leveraging the highly respected Littelfuse name and reputation.

Acquisition Focus

Since 1999, we have completed five acquisitions that added new technologies, markets and customers to Littelfuse. We continued our acquisition focus in the first quarter of 2006, expanding our polymer ESD circuit protection technologies with the acquisition of SurgX Corporation. This was followed by the signing of a definitive agreement for the acquisition of Concord Semiconductor, a leading Taiwan-based designer and manufacturer of TVS diodes and other overvoltage circuit protection products. This acquisition also adds silicon manufacturing expertise to our capabilities in Asia.

We will continue to pursue acquisition opportunities that meet our financial and strategic criteria and allow us to bring increased value to our customers.

Board and Management Team

Of course, none of our strategies can be achieved without the support of our Board of Directors and the hard work and commitment of our managers and employees. We have an excellent Board whose strategic insights and broad business experience are valuable to our entire organization. Our employees build both our great products and our strong customer relationships.

We also have an excellent management team that was further strengthened in 2005. Paul Dickinson was promoted to Vice President – Corporate Development and Treasurer, in recognition of the increased role of strategic acquisitions in our future growth strategies. Janet LaHayne was promoted to Vice President – Chief Information Officer and Global Customer Service Leader to reflect the importance of IT in growing the company profitably and in serving customers around the world. We also further expanded our accounting capabilities with the addition of John Quille as Chief Accounting Officer responsible for ensuring the integrity of our financial reporting and internal controls.

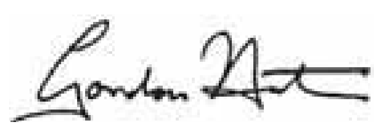
WE INCREASED OUR INVESTMENTS IN RESEARCH AND DEVELOPMENT IN 2005 TO ENSURE THAT WE NOT ONLY HAVE THE WORLD'S BROADEST AND DEEPEST LINE OF CIRCUIT PROTECTION SOLUTIONS, BUT ALSO THE MOST TECHNOLOGICALLY ADVANCED.

Focus on Circuit Protection Leadership

Industry experts are predicting modest growth in the electronic segment in 2006, and we anticipate continued growth in our automotive and electrical businesses as well. We have a strong global franchise and have strategies in place to drive our future growth. We are focused on our customers, recognizing that if they are successful, we too will be successful.

We are optimistic about 2006. We believe it will bring many opportunities to leverage our leadership in circuit protection into added value for our customers, employees and shareholders.

Sincerely,



Gordon Hunter

Chairman, President and Chief Executive Officer

business of Littelfuse

ELECTRONICS

Littelfuse offers the broadest portfolio of circuit protection products for the electronics industry.

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

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

AUTOMOTIVE

Littelfuse is the automotive industry's circuit protection expert partner.

Littelfuse products protect the electronic modules that control a vehicle's key functions, audio and video systems, battery cables and the primary wiring harnesses that connect them. 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. Most major auto manufacturers rely on Littelfuse products to protect their vehicles and make them more reliable. Littelfuse engineers work with leading automotive manufacturers across the globe in developing the vehicles of the future.

ELECTRICAL

Littelfuse offers a wide variety of innovative products for today's industrial applications.

As industrial equipment becomes more sophisticated and complex, so does the need for circuit protection products and safety consulting services that make electrical systems safer and more reliable. Littelfuse products for industrial applications include fuses for short circuit or overload conditions and transient voltage protection from lightning, electrically fast transients and inductive load switching.

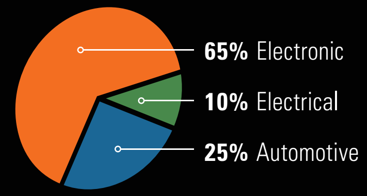
Our award-winning Indicator® products allow customers to quickly identify blown fuses and reduce costly downtime.

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.

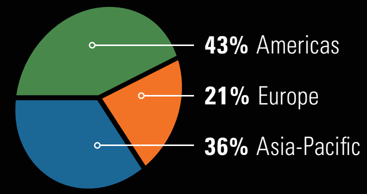
As the worldwide leader in circuit protection products and solutions, the Littelfuse portfolio is backed by industry leading technical support, design and manufacturing expertise. Littelfuse products are vital components in virtually every product that uses electrical energy, including automobiles, computers, consumer electronics, handheld devices, industrial equipment, and telecom/datacom circuits.

Littelfuse offers Teccor®, WICKMANN® and Pudenz® brand circuit protection products. In addition to its Des Plaines, Illinois, world headquarters, Littelfuse has sales, distribution, manufacturing and engineering facilities in Brazil, China, England, Germany, Hong Kong, India, Ireland, Japan, Korea, Mexico, the Netherlands, the Philippines, Singapore, Taiwan and the U.S.

Percent of Total Sales



Geographic Sales



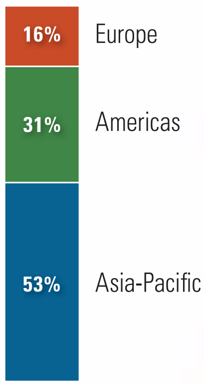
Key Products

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

Representative Customers

Alcatel, Apple, Celestica, Compal, Datang Telecom, Flextronics, GE, Haier, Hisense, Huawei, Intel, Jabil, Lenovo, LG, Microsoft, Motorola, Mototech, Nokia, Quanta, Samsung, Sanmina-SCI, Sanyo, Seagate, Solectron, Siemens, Sony, Toshiba, UT Starcom, Xinwei, XM Radio and ZTE.

Geographic Sales



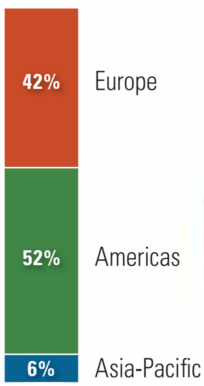
Key Products

- MINI® blade fuses
- MAXI™ blade fuses
- ATO® blade fuses
- MIDI® fuses
- MEGA® fuses
- HEV fuses
- TVS diodes and arrays
- Low-profile MINI fuses
- Low-profile JCASE fuses
- BF in-line fuses
- JCASE fuses
- CablePro™
- Varistors

Representative Customers

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

Geographic Sales



Key Products

- Power fuses
- Indicating power fuses
- TeleGARD™ fuses
- Fuseholders & 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

customer focused

「運用我們的專業技術保護客戶品牌信譽。」

"우리의 전문기술을 응용하여
고객의 브랜드를 보호한다."

「当社の専門知識を応用し、
お客様のブランドを保護します。」

"APPLYING OUR EXPERTISE TO
PROTECT OUR CUSTOMERS' BRANDS."

„EINSATZ UNSERES FACHWISSENS FÜR DEN
SCHUTZ DER MARKEN UNSERER KUNDEN."

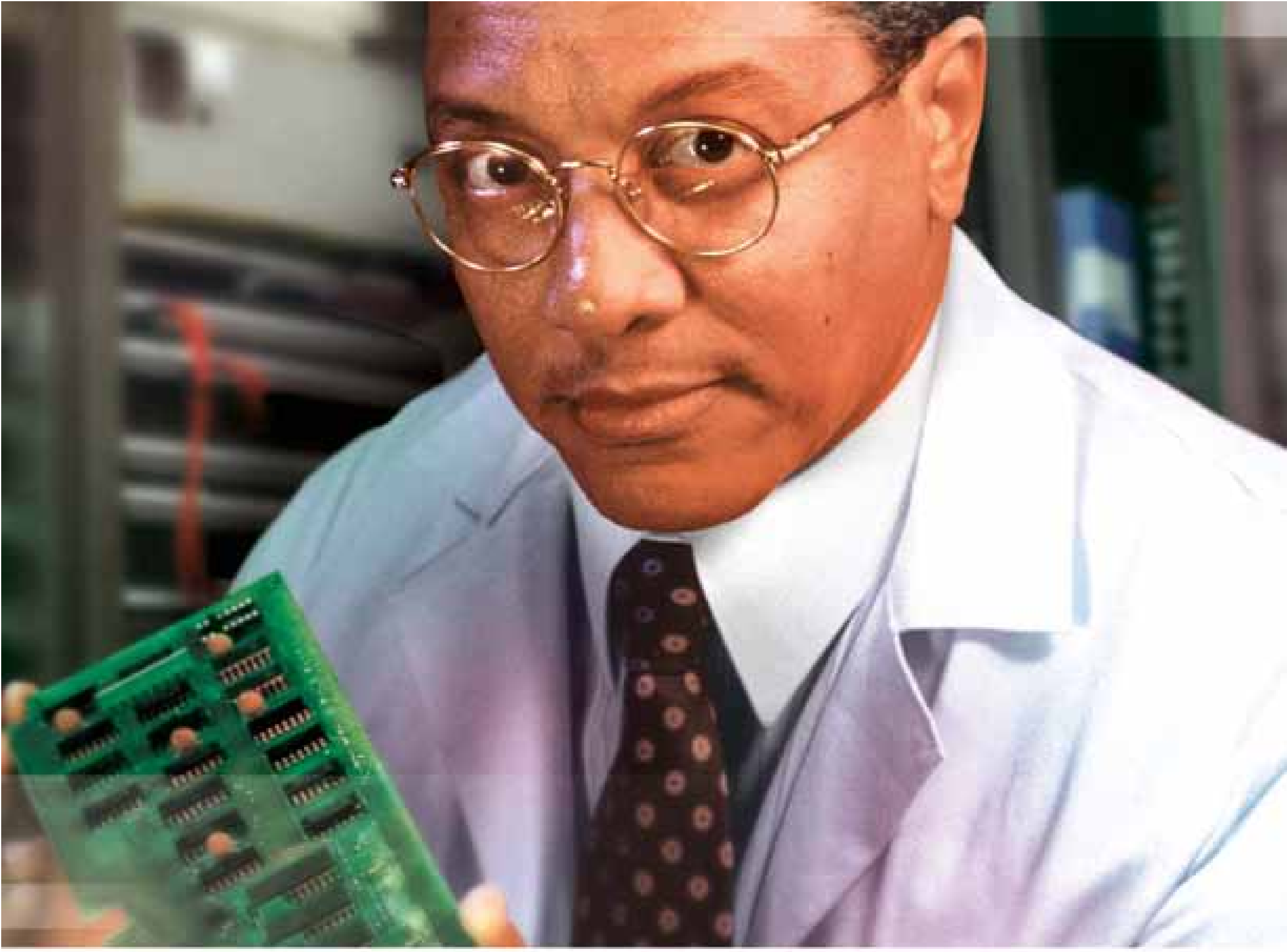
Many companies talk about how they are committed to their customers, but at Littelfuse we live it every day. From the spark of an idea that creates a new product to moving our people and our operations closer to our customers, our sights are firmly focused on meeting customer needs.

Leveraging our expertise

With the broadest circuit protection portfolio in the industry, Littelfuse is uniquely positioned to provide the right products for each customer's specific need. But that's just the beginning. With extensive technology expertise developed over many years and for a vast array of applications, we are our customer's circuit protection resource, working together to develop new products that provide answers for their most difficult circuit protection challenges.

Adding value to customer relationships

The key to building strong customer relationships is adding value to their business. We leverage our technology expertise with value-added strategies that include locating sales and engineering resources in key customer regions, making Littelfuse a local resource. Test labs strategically located in North America, Europe and Asia enable customers to test products under development in our facilities and work with

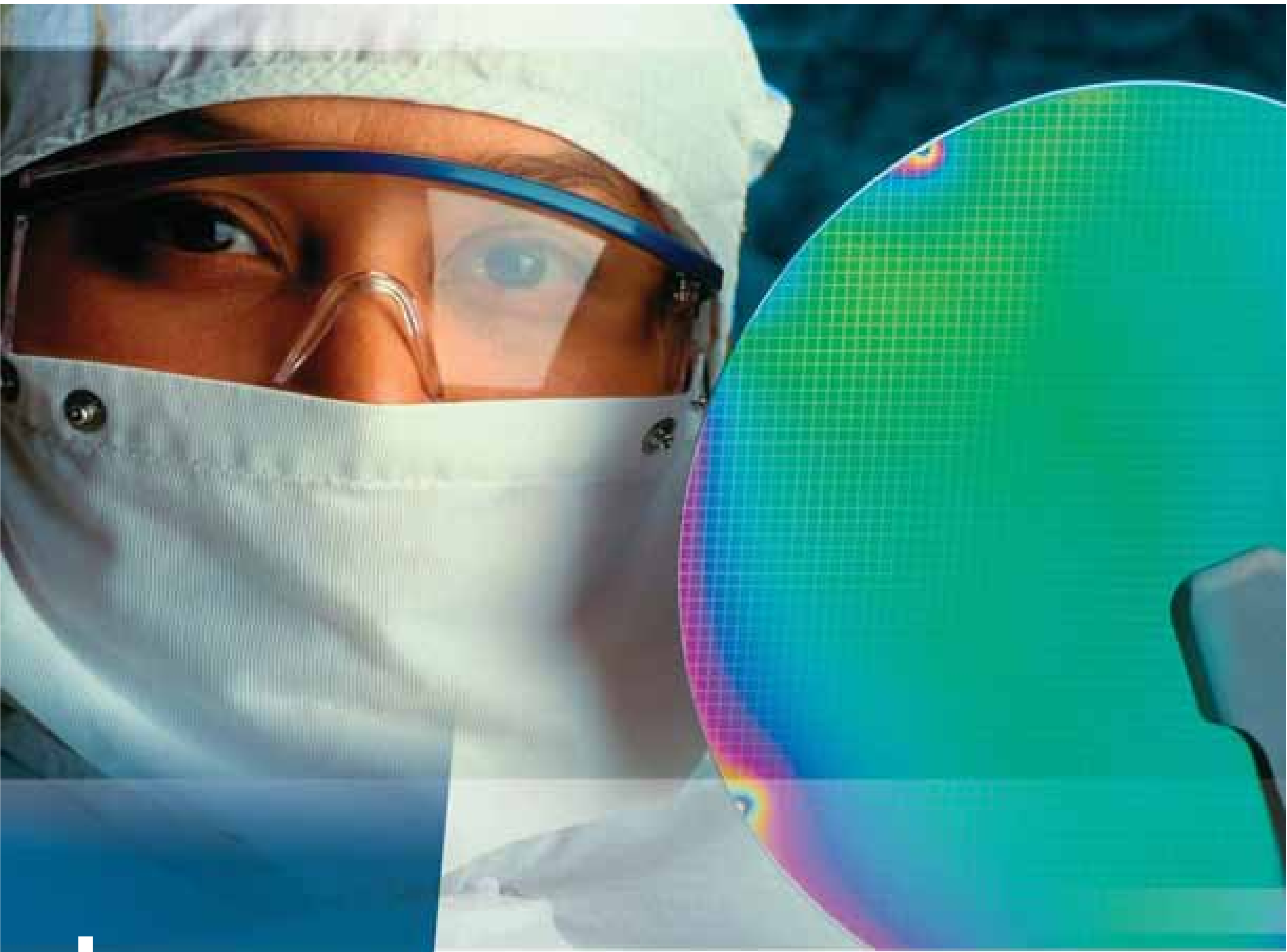


our engineers to develop the best circuit protection solution for their applications. In addition, our lean manufacturing and global sourcing initiatives reduce lead time and manufacturing costs, strengthening the service side of the customer relationship.

Developing solutions for the products of tomorrow

One of the most exciting growth opportunities we have is to increase new sales by working closely with our customers to develop circuit protection solutions for new products as they are developed. In our electronics business, many of our design-in successes revolve around providing protection for popular consumer products such as high-definition TVs, set-top boxes and DVD players, cable modems for VOIP, satellite radio set-top boxes, MP3 players, sophisticated video games and the newest mobile phone technology. Engineers in our automotive business are working closely with customers to develop products that meet their needs for smaller, more cost effective circuit protection devices and recently developed an innovative new master fuse for a customer in the growing hybrid electrical vehicle market. In 2005, our electrical business worked with OEM customers in developing unique solutions that will begin to generate revenues in 2006.

As these examples illustrate, our customer focus is the platform for our company's future growth.



Littelfuse offers seven leading circuit protection technologies — more than any other company anywhere in the world. This broad product portfolio was built through the successful combination of internal product development and strategic acquisitions.

Increasing investments in R&D

Because our products and expertise drive our customer relationships, maintaining and enhancing our technology leadership is a top priority for Littelfuse. We introduced a significant number of new products in 2005, with even more product innovations in the pipeline.

Introducing new products

In 2005, we introduced new products in growing market areas in each of our three business units. Our electronics business was the first in the market with the world's smallest protection thyristor, meeting telecom market needs for increasingly smaller circuit protection components. Other new products in this business expand our presence in the growing HDMI (high definition multi-media interface), broadband, high-speed telecommunications and consumer electronic products markets.

The automotive business introduced new products that meet customer needs for increased miniaturization and in early 2006 launched a new master fuse that protects multiple cables in a vehicle and can be

technology focused

「繼續發展電路保護技術。」

"회로 보호 기술을
지속적으로 발전시킨다."

「常に進歩する回路保護技術。」

"CONTINUALLY ADVANCING CIRCUIT PROTECTION TECHNOLOGY."

„KONTINUIERLICHE WEITERENTWICKLUNG DER SCHALTKREISSICHERUNGSTECHNOLOGIE."

configured to meet each customer's specific platform. Other new products in this business include a new line of fuses for the hybrid electric vehicle market that incorporates technology from our electrical business.

The electrical business expanded its successful elevator disconnect product line with a larger version for multiple elevator banks. These products promote safety by automatically disconnecting power in the event of a fire before sprinkler systems are activated.

Strengthening our product portfolio

Strategic acquisitions have an important role in our future growth. Our strategy is to acquire products and technologies that broaden and deepen our portfolio, expand our market position or add related, new markets to Littelfuse. The 2005 acquisition of Heinrich Industrie added the highly regarded WICKMANN and Pudenz product lines to Littelfuse. In early 2006, we strengthened our polymer PTC capabilities and Asia presence through an expanded relationship with Polytronics Technology Corporation in Taiwan and acquired the SurgX proprietary brand of polymer ESD technology. We also announced an agreement to acquire Concord Semiconductor, expanding our presence in TVS diodes and adding silicon manufacturing expertise in Asia.

We will continue to pursue acquisitions that add value to our customers and provide growth opportunities for Littelfuse.

asia focused

Littelfuse's sales, engineering, manufacturing, distribution and customer support are centered in three key regions of the world: North America, Europe and Asia. The fastest-growing area by far is Asia.

Expanding in a growing market

In today's world, if you're in electronics you must be in Asia, where the majority of electronics design and manufacturing takes place. Leading original equipment manufacturers (OEMs) and original design manufacturers (ODMs) are either headquartered in the region or have significant operations there. In addition to being a fast-growing market for exports, the area itself is experiencing increased consumer spending on products such as computers, mobile phones, DVD players, MP3 players and automobiles as its economy continues to expand. And Littelfuse sales to ODMs — companies that design and manufacture electronic products for many of the world's leading brands — are increasing substantially.

Strengthening our presence

We continue to expand our operations in Asia to support this significant, and growing, customer base. We strengthened our sales, design and technical application staff in the

region to enhance our ties to our customers and support their lead time, delivery and quality requirements. We have moved a majority of our electronic fuse line production to Asia to meet growing customer needs in this market. We are also working to leverage our strong electronics organization in Asia into market share gains for our automotive and electrical businesses. We expanded our local sales offices in China, Korea and Japan, and a human resources director has been added in Hong Kong to support the human capital needs of our Asia expansion. In addition, we are sourcing more raw materials and components in the region to reduce costs and expand our capabilities.

Building on our global leadership

Our expanding product portfolio provides additional opportunities. The acquisition of the well-known WICKMANN brand further boosts our marketing power in the region. In the automotive area, the emerging hybrid electric vehicle market in Japan, increasing car builds in China and Korea, and the emerging vehicle market in India have good long-term growth potential.

With a strong customer base and strategically located operations in Asia, we believe we are in the right place at the right time to build on our position as the global leader in circuit protection.

littelfuse financials

"Coming off a very successful 2004, we were optimistic that 2005 would be another good year for Littelfuse. In many respects, it was. Performance improved in two of our three business units. We introduced new products and services in all three businesses to meet evolving customer needs. We also made solid progress on important initiatives, including developing a strategic plan that will guide our future growth."

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operation

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide the reader with information that will assist in understanding our consolidated financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our consolidated financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of Littelfuse as a whole.

Forward Looking Information

This MD&A should be read in conjunction with our accompanying consolidated financial statements and related notes. See "Cautionary Statement Regarding Forward-Looking Statements" on page 22 of this report for a description of important factors that could cause actual results to differ from expected results. See also Item 1, Business, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

The following is a summary of sales by geography and market:

	Fiscal Year*		
	2005	**2004**	**2003**
Geography*			
Americas	**$199.9**	$216.5	$167.4
Europe	**98.3**	98.3	61.1
Asia Pacific	**168.9**	162.0	110.9
Total	**$467.1**	$476.8	$339.4

	Fiscal Year*		
	2005	**2004**	**2003**
Market			
Electronics	**$305.9**	$325.6	$206.5
Automotive	**118.6**	113.7	98.3
Electrical	**42.6**	37.5	34.6
Total	**$467.1**	$476.8	$339.4

**Amounts exclude Efen Gmbh ('Efen') for 2005 and 2004 since the date of the Heinrich acquisition.*

***Sales are defined based upon shipped to destination. Segment reporting reflects sales based upon origination.*

The following discussion provides an analysis of the information contained in the consolidated financial statements and accompanying notes beginning on page 30 for the three fiscal years ended December 31, 2005, January 1, 2005 and January 3, 2004.

Results of Operations — 2005 Compared with 2004

Sales decreased 2.0% to $467.1 million in 2005 from $476.8 million in 2004. The decrease in sales was primarily in the Americas and Europe, with the decrease in European sales being largely offset by a full year of sales from the Heinrich Industrie AG ("Heinrich") acquisition included in 2005 sales. Stronger sales in Asia partially offset lower sales in the Americas and Europe. Within the Americas, lower electronic sales, mainly due to lower telecom demand, were partially offset by increased sales of electrical products. European sales were also lower than the prior year primarily due to lower demand for electronics products. Sales in Asia were up from the prior year mainly due to increased demand for electronics products. Electronic sales decreased $19.7 million or 6% to $305.9 million in 2005 compared to $325.6 million in 2004 primarily due to decreased demand in the Americas and Europe for telecom product that was partially offset by increased demand in Asia. Automotive sales increased $4.9 million or 4% to $118.6 million in 2005 compared to $113.7 million in 2004 primarily due to a full year of sales from the Heinrich acquisition. Electrical sales increased $5.1 million or 14% to $42.6 million in 2005 compared to $37.5 million in 2004 due to improvements in industrial activity and the commercial construction market. International sales were $279.3 million or 59.8% of net sales in 2005 compared to $278.7 million or 58.5% of net sales in 2004, with sales being increased by $2.9 million of favorable currency effects in 2005.

Gross profit was $144.6 million or 30.9% of sales in 2005 compared to $173.8 million or 36.4% of sales in 2004. The gross profit margin decrease resulted from unfavorable leveraging of plant overhead due to lower production volumes, higher commodity prices and the recognition of $4.9 million of Ireland restructuring charges in 2005.

Selling, general and administrative expenses increased $2.4 million to $98.5 million in 2005 from $96.1 million in 2004, primarily due to a full year of Heinrich expenses that were partially offset by lower administrative costs due to staff reductions of 83 associates during 2005. As a percentage of sales, selling, general and administrative expenses increased to 21.1% in 2005 from 20.2% in 2004, primarily due to lower sales. Research and development costs increased $0.6 million to $16.7 million, representing 3.6% of sales in 2005 as compared to 3.4% of sales in 2004, reflecting increased investment in new product development. Total operating expenses, including intangible amortization and impairments of long-term investments, were 25.2% of sales in 2005, compared to 24.5% of sales in 2004.

Operating income in 2005 decreased 52.7% to $27.0 million or 5.8% of sales compared to $57.0 million or 12.0% of sales in the prior year. The decreases in operating income and operating margin were due to the factors affecting gross profit margin and operating expenses described above.

Interest expense was $2.1 million in 2005 compared to $1.5 million in 2004 due to a higher weighted average interest rate in 2005. Other expense (income), net, consisting of interest income, royalties, gains and losses on investments, non-operating income and foreign currency items was income, net, of $3.1 million compared to expense, net, of $0.1 million in the prior year, primarily due to the recognition of a $1.4 million gain on the sale of the Company's interest in a wafer fabrication facility in the U.K. in 2005 and Heinrich rental income.

Earnings from continuing operations before minority interest and income taxes were $27.9 million in 2005 compared to $55.5 million in 2004. Minority interest income was $0.1 million in 2005, reflecting the minority share ownership in Heinrich. Income tax expense was $11.4 million in 2005 compared to $19.0 million in the prior year. Earnings from continuing operations were $16.6 million in 2005 compared to $36.4 million in 2004.

In the fourth quarter of 2005, the Company entered into a contract to sell the Efen business acquired as part of the Heinrich acquisition in May 2004. Therefore, the Efen business is accounted for as a discontinued operation that reported income, net of taxes, of $1.1 million in 2005 compared to a loss, net of taxes, of $0.3 million in 2004. Net income in the current year was $17.7 million, compared to $36.0 million in the prior year.

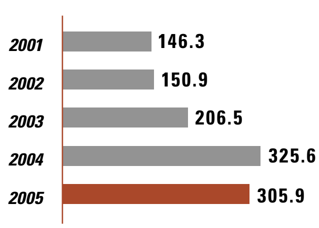
The Company's effective tax rate increased to 41.1% in 2005 from 34.1% in 2004, reflecting the limited tax shield on restructuring charges and repatriation of earnings from lower tax jurisdictions. Diluted earnings per share were $0.78 in 2005 compared to $1.59 in 2004. The decreases in net income and earnings per share reflect the lower margins and a higher effective tax rate.

Results of Operations — 2004 Compared with 2003

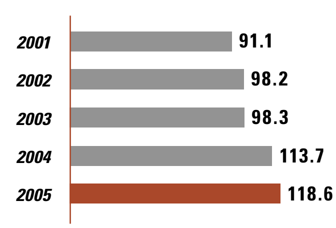
Sales increased 40.5% to $476.8 million in 2004 from $339.4 million in 2003. The increase in sales was primarily in the Americas and Asia, driven by increased demand for electronic products in the Asia region, sales from the Heinrich Industrie, AG ("Heinrich") acquisition from May 2004 through the end 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 $15.4 million or 16% to $113.7 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 $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 47.0% to $278.7 million or 58.5% of net sales in 2004 from $189.6 million or 55.9% 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 $173.8 million or 36.4% 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 $27.5 million to $96.1 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 were unchanged in 2004 from 20.2% in 2003. Research and development costs increased $7.4 million to $16.1 million, representing 3.4% 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



ELECTRONIC SALES
(in millions of dollars)



AUTOMOTIVE SALES
(in millions of dollars)

million to impair a portion of the Semitron investment acquired in 2002. Total operating expenses, including intangible amortization and impairment of investments, was 24.5% of sales in 2004, compared to 23.1% of sales in 2003. Total operating expenses, including intangible amortization but excluding impairment of investments, was 24.0% of sales in 2004, compared to 23.1% of sales in 2003.

Operating income in 2004 increased 118.6% to $57.0 million or 12.0% 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 unchanged at $0.1 million from 2003 to 2004.

Earnings from continuing operations before minority interest and income taxes were $55.5 million in 2004 compared to $24.0 million in 2003. Minority interest was $0.1 million in 2004 reflecting the minority share ownership in Heinrich. Income tax expense was $19.0 million in 2004 compared to $8.6 million in the prior year. Earnings from continuing operations in the current year were $36.4 million, compared to $15.3 million in the prior year.

The Company's effective tax rate dropped from 36.0% in 2003 to 34.3% in 2004, reflecting the reduction of reserves related to prior tax years and tax structuring related to the Heinrich acquisition. Discontinued operations, net of tax, were a loss of $0.3 million in 2004. Net income in 2004 was $36.0 million, compared to $15.3 million in the prior year. 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.

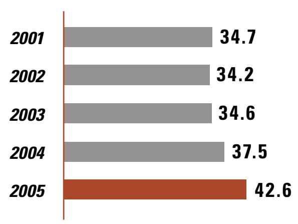
Liquidity and Capital Resources

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.

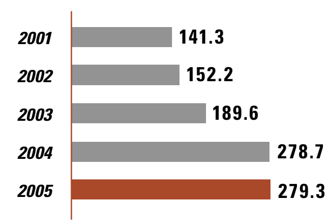
The Company has a domestic unsecured revolving credit line of $50.0 million. The revolving line of credit balance becomes due within the next year. At December 31, 2005, the Company had $21.0 million in borrowings against this credit line. The Company's subsidiary in Japan also has an unsecured credit line of Yen 0.9 billion or an equivalent of $7.6 million. The Yen-based revolving line of credit balance also becomes due within the next year. At December 31, 2005, the Company had an equivalent of $3.8 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 December 31, 2005, the Company was in compliance with these covenants. If the Company 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 2005 with $28.6 million of cash. Net cash provided by operations was $38.1 million in the year. Cash used in investing activities included $27.2 million in net purchases of property, plant and equipment and $3.7 million for the acquisition of the remaining Heinrich shares partially offset by $0.6 million from the sale of an investment in LC Fab. Cash provided by financing activities included net proceeds of notes receivable of $3.5 million and cash proceeds from the exercise of stock options of $3.8 million partially offset by net payments of long-term debt of $6.8 million and the repurchase of $12.8 million of the Company's common stock. The effect of exchange rate changes decreased cash by $2.2 million. The net cash provided by operations and financing activities, less investing activities plus the effect of exchange rates, resulted in a $6.6 million net decrease in cash. This left the Company with a cash balance of $21.9 million at the end of 2005.



ELECTRICAL SALES
(in millions of dollars)



INTERNATIONAL SALES
(in millions of dollars)

Management's Discussion and Analysis of Financial Condition and Results of Operation

Increases in net working capital consumed $9.7 million of cash flow in 2005. The major factors contributing to higher working capital were an increase in accounts receivable of $11.2 million, a decrease in accounts payable and accrued expenses of $1.1 million and an increase in prepaid expenses and other of $4.0 million, partially offset by a decrease in inventory of $6.6 million. Net working capital (working capital less cash, assets held for sale, liabilities held for sale and the current portion of long-term debt) as a percent of sales was 20.8% at year-end 2005 compared to 19.0% at year-end 2004 and 18.3% at year-end 2003. Days sales outstanding in accounts receivable increased to 63 days at year-end 2005 compared to 60 days at year-end 2004 and 50 days at year-end 2003. The increase was due to longer payment terms for certain automotive customers, the addition of Heinrich, which has a longer accounts receivable collection cycle than the base Littelfuse business and the Delphi bankruptcy in 2005. Days inventory outstanding was 75 days at year-end 2005 compared to 88 days at year-end 2004 and 71 days at year-end 2003. The reduction in days inventory outstanding in 2005 was due primarily to improved inventory management.

The ratio of current assets to current liabilities was 2.0 to 1 at year-end 2005 compared to 1.8 to 1 at year-end 2004 and 1.8 to 1 at year-end 2003. The ratio of long-term debt to equity was 0.0 to 1 at year-end 2005 compared to 0.1 to 1 at year-end 2004 and 0.0 to 1 at year-end 2003.

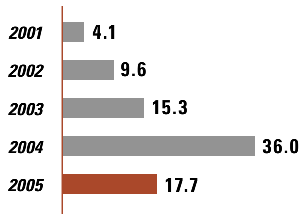
The Efen business, which is presented as a discontinued operation, did not contribute significantly to cash from operations in either 2004 or 2005.

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 repurchase of $5.6 million of the Company's common 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.

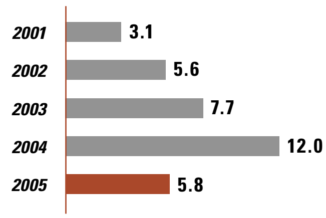
Increases in net working capital consumed $15.1 million of cash flow in 2004. Excluding the impact of working capital from the Heinrich acquisition, the major factors contributing to higher working capital were an increase in accounts receivable of $6.6 million, an increase in inventory of $4.3 million 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, assets held for sale, liabilities held for sale and the current portion of long-term debt) as a percent of sales was 19.0% 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 60 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 88 days at year-end 2004 compared to 71 days at year-end 2003 and 88 days at year-end 2002.

The Company's capital expenditures were $27.2 million in 2005, $22.1 million in 2004, and $14.0 million in 2003. The Company expects that capital expenditures in 2006 will be approximately $25 million. The primary purposes for capital expenditures in 2006 will be related to new product introductions, capacity expansion, manufacturing transfers and other cost reduction projects. As in 2005, the Company expects to finance capital expenditures in 2006 through cash flow from operations.

The Company decreased total debt by $6.8 million in 2005 after increasing debt by $3.8 million in 2004 and $11.5 million in 2003. The Company repaid $10.0 million of its Senior Notes in 2005 with cash from operations. The Company's Board of Directors has authorized the Company to repurchase shares of its common stock, from time to time, depending on



NET INCOME
(in millions of dollars)



OPERATING MARGIN PERCENTAGE
(as a percent of total sales)

market conditions. The Company repurchased 458,000 common shares for $12.8 million in 2005, 168,400 common shares for $5.6 million in 2004 and did not repurchase any common shares in 2003.

Off-Balance Sheet Arrangements

In accordance with the definition under SEC rules, the following qualify as off–balance sheet arrangements:

- any obligation under certain guarantees or contracts;
- a retained or contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;
- any obligation under certain derivative instruments; and
- any obligation under a material variable interest held by the registrant in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

The following discussion addresses each of the above items for the Company.

On December 31, 2005, the Company was not liable for guarantees of indebtedness owed by third parties.

As of December 31, 2005, the Company was not directly liable for the debt of any unconsolidated entity, and the Company does not have any retained or contingent interest in assets as defined above.

As of December 31, 2005, the Company does not hold any derivative financial instruments, as defined by FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

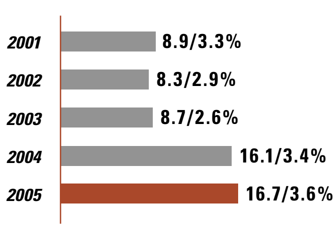
As part of the Company's ongoing business, the Company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ("SPEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 31, 2005 and 2004, the Company is not involved in any unconsolidated SPE transactions.

Contractual Obligations

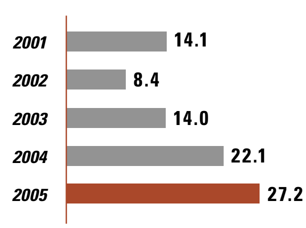
Achieving optimal returns on cash often involves making long-term commitments. SEC regulations require that the Company present its contractual obligations, and the Company has done so in the table that follows. However, the Company's future cash flow prospects cannot reasonably be assessed based on such obligations, as the most significant factor affecting its future cash flows is its ability to earn and collect cash from its customers. Future cash outflows, whether they are contractual obligations or not, will vary based on the Company's future needs. Further, normal operations involve significant expenditures that are not based on "commitments." Examples of such expenditures include amounts paid for income taxes or for salaries and benefits.

The following table summarizes contractual obligations and commitments, as of December 31, 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	$26,682	$26,682	$ —	$ —	$ —
Interest payments	816	816	—	—	—
Supplemental Executive Retirement Plan	1,899	—	160	—	1,739
Operating lease payments	16,610	4,891	4,283	2,514	4,922
Total	$46,007	$32,389	$4,443	$2,514	$6,661



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



CAPITAL EXPENDITURES
(in millions of dollars)

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 FASB issued 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. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107, "Share-Based Payment," which expresses the views of the Staff regarding the adoption of SFAS No. 123R. In April 2005, the effective date to apply the provisions of the pronouncement was postponed for public entities to fiscal years beginning after June 15, 2005. The company will adopt SFAS 123R effective January 1, 2006. The Company estimates that the compensation cost for fiscal 2006 will range between $3.9 million and $4.5 million on a before-tax basis. The Company's assessment of the estimated compensation charge is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables and the related tax impact. Those variables include, but are not limited to, the Company's stock price volatility and employee stock option exercise behaviors. The Company will recognize the compensation cost for the stock-based awards issued on or after January 1, 2006, using the straight-line attribution method over the vesting period for the entire award. The Company will adopt SFAS No. 123R using the modified prospective application method.

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 consolidated 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. The Company believes the following accounting policies are the most critical to aid in fully understanding and evaluating its reported financial results, as they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The Company has reviewed these critical accounting policies and related disclosures with the Audit Committee of its Board of Directors.

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 recognized as a reduction to revenue as products are sold. However, due to the Company's customer base, the Company does not believe its estimates would be materially impacted by changes in its assumptions.

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: The Company determined the fair value of each of its reporting units by using a guideline company method to estimate market value. A valuation multiple is derived for each business segment from transactions involving companies similar to the Company. That multiple is applied to an EBITDA of each segment to estimate the market value of that segment. In making these estimates, 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.

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 Supplemental Executive Retirement Plan: 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, customer solvency and commodities.

The Company had debt outstanding at December 31, 2005, in the form of a domestic revolving credit facility and a foreign line of credit at variable rates. While 100% of this debt has variable interest rates, the Company's interest expense is not materially sensitive to changes in interest rate levels since debt levels and potential interest expense increases are 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, Germany, China and the Philippines. During 2005, sales exported from the United States or manufactured abroad accounted for 59.8% 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, from time to time, utilizes derivative instruments to hedge certain foreign currency exposures deemed to be material.

Delphi Corporation, a significant customer of the Company, filed bankruptcy on October 8, 2005. Delphi accounts receivable affected by the bankruptcy are approximately $3.0 million. The Company recorded a $1.0 million reserve against this balance in the third quarter of 2005 and is actively monitoring this situation and assessing any further financial impact this may have.

The Company granted a license covering the MINI(R) fuse technology to Pacific Engineering Company, Ltd., a Japanese manufacturer that produces and distributes the Company's patented automotive fuses to Asian-based automotive OEMs and wire harness manufacturers. The license provides the Company with royalties of 2.5% of the licensee's revenues from the sale of the licensed products, with an annual minimum of $50,000. This license expires on April 16, 2006.

The Company uses various metals in the production of its products, including zinc and copper. 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. A 10% increase in the price of zinc and copper would reduce pre-tax profit by approximately $0.7 million and $0.7 million, respectively.

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

Outlook

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 each of its segments. In addition, the fundamentals for both the electronics and electrical markets appear to be positive for 2006. Therefore, the Company expects moderate revenue growth in 2006 with all business segments and regions contributing. The Company initiated a series of projects in 2004 and 2005 to reduce costs in its global manufacturing and distribution operations. These programs, along with the integration and consolidation of Heinrich, are expected to generate cost savings to more than offset price erosion in 2006. The benefits of these programs are expected to have a favorable impact on earnings in 2006. The Company also plans to continue to increase research and development spending on new product development in order to help drive future sales growth.

The Company is working to expand its share of the circuit protection market by leveraging new products that it has recently acquired or developed as well as improved solution selling capabilities. In the future, the Company will look for opportunities to add to its product portfolio and technical expertise so that it can provide customers with the most complete circuit protection solutions available in the marketplace.

Cautionary Statement Regarding Forward-Looking Statements 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 and in our Annual Report on Form 10-K, which are not historical facts are intended to constitute "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 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's internal control system was designed to provide reasonable assurance to its 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's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based upon the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's management concluded that, as of December 31, 2005, the Company's internal control over financial reporting is effective.

Littelfuse's independent registered public accounting firm, Ernst & Young LLP, has audited management's assessment of the Company's internal control over financial reporting. Their report appears on page 25.

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 December 31, 2005, and January 1, 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 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 December 31, 2005, and January 1, 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 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 December 31, 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 13, 2006 expressed an unqualified opinion thereon.

Ernst + Young LLP

Ernst & Young LLP

Chicago, Illinois
March 13, 2006

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. maintained effective internal control over financial reporting as of December 31, 2005, 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.

In our opinion, management's assessment that Littelfuse, Inc. maintained effective internal controls over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, Littelfuse, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2005 consolidated financial statements of Littelfuse, Inc. and our report dated March 13, 2006 expressed an unqualified opinion thereon.

Ernst + Young LLP

Ernst & Young LLP

Chicago, Illinois
March 13, 2006

Consolidated Balance Sheets

(In thousands)	December 31, 2005	January 1, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 21,947**	$ 28,583
Accounts receivable, less allowances (2005 - $11,903; 2004 - $10,019)	**80,303**	74,400
Inventories	**63,423**	71,766
Deferred income taxes	**11,927**	17,056
Assets held for sale (Efen)	**17,633**	23,308
Prepaid expenses and other current assets	**7,936**	5,709
Total current assets	**203,169**	220,822
Property, plant, and equipment:		
Land	**13,370**	13,617
Buildings	**48,277**	47,824
Equipment	**254,829**	233,481
	316,476	294,922
Accumulated depreciation	**(190,983)**	(166,786)
	125,493	128,136
Intangible assets, net of amortization:		
Patents, licenses and software	**2,891**	2,416
Distribution network	**6,508**	8,750
Trademarks and tradenames	**5,343**	7,169
Goodwill	**54,440**	53,220
	69,182	71,555
Investments	**5,590**	4,886
Other assets	**497**	370
Total assets	**$ 403,931**	$ 425,769
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 20,457**	$ 18,832
Accrued payroll	**20,128**	22,065
Accrued expenses	**8,141**	13,941
Accrued severance	**7,866**	8,722
Accrued income taxes	**9,920**	14,820
Liabilities held for sale (Efen)	**6,722**	7,757
Current portion of long-term debt	**26,682**	32,958
Total current liabilities	**99,916**	119,095
Long-term debt, less current portion	**—**	1,364
Deferred income taxes	**1,879**	7,355
Accrued post-retirement benefits	**19,268**	18,644
Other long-term liabilities	**5,658**	7,081
Minority Interest	**144**	2,146
Shareholders' equity:		
Preferred stock, par value $0.01 per share: 1,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, par value $0.01 per share: 34,000,000 shares authorized; shares issued and outstanding, 2005 – 22,229,288; 2004 – 22,549,595	**222**	225
Additional paid-in capital	**99,078**	96,008
Notes receivable from officers – common stock	**(17)**	(3,550)
Accumulated other comprehensive income (loss)	**(2,426)**	3,673
Retained earnings	**180,209**	173,728
Total shareholders' equity	**277,066**	270,084
Total liabilities and shareholders' equity	**$ 403,931**	$ 425,769

See accompanying notes.

Consolidated Statements of Income

(In thousands, except per share amounts)

Year Ended	December 31, 2005	January 1, 2005	January 3, 2004
Net sales	**$467,089**	$476,833	$339,410
Cost of sales	**322,537**	303,036	234,984
Gross profit	**144,552**	173,797	104,426
Selling, general and administrative expenses	**98,536**	96,102	68,579
Research and development expenses	**16,672**	16,079	8,694
Impairment of long-term investment	**—**	2,277	—
Amortization of intangibles	**2,378**	2,336	1,072
Operating income	**26,966**	57,003	26,081
Interest expense	**2,098**	1,475	2,045
Other expense (income), net	**(3,068)**	47	68
Earnings from continuing operations before minority interest and income taxes	**27,936**	55,481	23,968
Minority interest	**(86)**	143	—
Income taxes	**11,440**	18,977	8,629
Earnings from continuing operations	**16,582**	36,361	15,339
Discontinued operations (net of tax expense of $645 and $252 in 2005 and 2004, respectively)	**1,128**	(333)	—
Net income	**$ 17,710**	$ 36,028	$ 15,339
Net income per share:			
Basic:			
Continuing operations	**$ 0.74**	$ 1.64	$ 0.70
Discontinued operations	**0.05**	(0.02)	—
Net income	**$ 0.79**	$ 1.62	$ 0.70
Diluted:			
Continuing operations	**$ 0.73**	$ 1.61	$ 0.70
Discontinued operations	**0.05**	(0.02)	—
Net income	**$ 0.78**	$ 1.59	$ 0.70
Weighted-average shares and equivalent shares outstanding:			
Basic	**22,413**	22,239	21,881
Diluted	**22,582**	22,604	22,004

See accompanying notes.

Consolidated Statements of Cash Flows

(In thousands)

Year Ended	December 31, 2005	January 1, 2005	January 3, 2004
Operating activities			
Net income	**$ 17,710**	$ 36,028	$ 15,339
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**28,738**	23,859	20,029
Amortization of intangibles	**2,495**	2,441	1,072
Impairment of long-term investment	**—**	2,277	—
Provision for bad debts	**1,884**	802	50
Gain on sale of LC Fab	**(1,400)**	—	—
Deferred income taxes	**(1,564)**	3,281	(6,458)
Changes in operating assets and liabilities:			
Accounts receivable	**(11,185)**	(6,582)	387
Inventories	**6,594**	(4,277)	5,865
Accounts payable and accrued expenses	**(1,134)**	(7,709)	12,584
Prepaid expenses and other	**(3,996)**	2,864	1,085
Net cash provided by operating activities	**38,142**	52,984	49,953
Investing activities			
Purchases of property, plant and equipment	**(27,239)**	(22,079)	(14,041)
Purchase of businesses, net of cash acquired	**(3,658)**	(41,661)	(44,590)
Purchase of marketable securities	**—**	—	(1,598)
Sale of LC Fab	**600**	—	—
Sale of marketable securities	**—**	—	10,404
Net cash used in investing activities	**(30,297)**	(63,740)	(49,825)
Financing activities			
Proceeds from debt	**48,819**	42,200	30,500
Payments of debt	**(55,616)**	(38,402)	(41,996)
Proceeds from exercise of stock options	**3,844**	16,520	4,291
Notes receivable, common stock	**3,533**	—	—
Purchases of common stock	**(12,832)**	(5,604)	—
Net cash provided by (used in) financing activities	**(12,252)**	14,714	(7,205)
Effect of exchange rate changes on cash	**(2,229)**	2,497	1,455
Increase (decrease) in cash and cash equivalents	**(6,636)**	6,455	(5,622)
Cash and cash equivalents at beginning of year	**28,583**	22,128	27,750
Cash and cash equivalents at end of year	**$ 21,947**	$ 28,583	$ 22,128

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 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*	—	—	—	3,216	—	3,216
Foreign currency translation adjustment	—	—	—	4,413	—	4,413
Comprehensive income						22,198
Payments on notes receivable	—	—	350	—	—	350
Stock options exercised, including tax benefit of $357	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*	—	—	—	(458)	—	(458)
Unrealized loss on marketable securities*	—	—	—	(1,095)	—	(1,095)
Foreign currency translation adjustment	—	—	—	7,444	—	7,444
Comprehensive income						42,743
Payments on notes receivable	—	—	—	—	—	—
Purchase of 168,400 shares of common stock	(2)	(587)	—	—	(5,015)	(5,604)
Stock options exercised, including tax benefit of $3,946	7	20,736	—	—	—	20,743
Balance at January 1, 2005	$225	$96,008	$(3,550)	$ 3,673	$173,728	$270,084
Comprehensive income:						
Net income for the year	—	—	—	—	17,710	17,710
Change in net unrealized loss on derivatives	—	—	—	177	—	177
Minimum pension liability adjustment*	—	—	—	(1,111)	—	(1,111)
Unrealized gain on marketable securities*	—	—	—	999	—	999
Foreign currency translation adjustment	—	—	—	(6,164)	—	(6,164)
Comprehensive income						11,611
Payments on notes receivable	—	—	3,533	—	—	3,533
Purchase of 458,000 shares of common stock	(5)	(1,598)	—	—	(11,229)	(12,832)
Stock options exercised, including tax benefit of $443	2	4,668	—	—	—	4,670
Balance at December 31, 2005	**$222**	**$99,078**	**$ (17)**	**$(2,426)**	**$ 180,209**	**$277,066**

**Including related tax impact.*

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 December 31, 2005, January 1, 2005, and January 3, 2004, 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. The consolidated financial statements of Littelfuse, Inc. and its subsidiaries were prepared in accordance with generally accepted accounting principles in the United States of America and include the assets, liabilities, revenues, and expenses of all wholly-owned subsidiaries and majority-owned subsidiaries over which the Company exercises control. Certain amounts reported in previous years have been reclassified to conform to the 2005 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 or market (first in, first out method), 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, seven to nine years for equipment, seven years for furniture and fixtures, five years for tooling and three years for computer equipment. Prior to 2004, depreciation was calculated under accelerated methods with useful lives of 21 years for buildings, seven to nine years for equipment, and seven years for furniture and fixtures. The impact of this prospective change in depreciating new asset purchases was not material for 2005 or 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 or an accelerated 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. The Company determined the fair value of each of its reporting units by using a guideline company method to estimate market value. A valuation multiple is derived for each business segment from transactions involving companies similar to the Company. That multiple is applied to an EBITDA of each segment to estimate the market value of that segment. In making these estimates, 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. Certain distributors are allowed to return inventory in future periods based upon meeting predetermined volume levels. The liability associated with these returns is recognized as a reduction of revenue in the period when the product is sold. Liabilities related to other arrangements such as price protection with third parties are also recognized as expense in the period when the product is sold.

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 $1.8 million in 2005, $2.2 million in 2004 and $1.2 million in 2003.

Foreign Currency Translation: The Company's foreign subsidiaries use the local currency or the U.S. dollar as their functional currency, where appropriate. Assets and liabilities are translated using exchange rates at the balance sheet date and revenues and expenses are translated at weighted average rates. The amount of foreign currency conversion gain recognized in the income statement related to currency translation was $1.0 million, $2.4 million and $0.4 million in 2005, 2004 and 2003, respectively. Adjustments from the translation process are recognized in shareholders' equity as a component of other comprehensive income (loss).

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 provide 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 Statement of Financial Accounting Standard (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 11 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)	**2005**	**2004**	**2003**
Net income as reported	**$17,710**	$36,028	$15,339
Stock option compensation expense, net of tax*	**(3,172)**	(2,762)	(2,520)
Pro forma net income	**$14,538**	$33,266	$12,819
Basic net income per share			
As reported	**$ 0.79**	$ 1.62	$ 0.70
Pro forma	**$ 0.65**	$ 1.50	$ 0.59
Diluted net income per share			
As reported	**$ 0.78**	$ 1.59	$ 0.70
Pro forma	**$ 0.64**	$ 1.47	$ 0.58
Risk-free interest rate	**4.27%**	4.14%	3.45%
Expected dividend yield	**0%**	0%	0%
Expected stock price volatility	**39.4%**	44.0%	46.9%
Expected life of options	**7 years**	7 years	7 years

**2003 expense has been increased by $1,371 from amount originally presented. Proforma amounts were adjusted accordingly.*

Accounting Pronouncements: 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 in the company's first fiscal year beginning after 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 beginning January 1, 2006. The Company estimates that the compensation cost for fiscal 2006 will range between $3.9 million and $4.5 million on a pre-tax basis.

In November 2004, the FASB issued 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.

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 of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses and the accompanying notes. The Company evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluation, as considered necessary. 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 $5.1 million, $4.6 million and $4.3 million in 2005, 2004 and 2003, 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 on-going 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, 2004. During 2005 the Company acquired the remaining outstanding shares for approximately $3.7 million, bringing the total ownership to 100% as of December 31, 2005.

Heinrich is the holding company for the Wickmann Group of circuit protection products, which has three business units: electronic, automotive and electrical. The Company has operated 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	15,488
Other assets	5,282
Current liabilities	(30,778)
Purchase accounting liabilities	(11,460)
Other long-term liabilities	(16,580)
Minority interest	(1,602)
	$ 45,319

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 $11.5 million and are for redundancy costs to be paid through 2006 related to manufacturing operations and selling, general and administrative functions. The Company began formulating its plan to incur these costs as of the acquisition date. Current year additions to the Heinrich purchase accounting liability relate to redundancy costs recognized after 100% ownership was achieved.

A summary of purchase accounting liabilities activity is shown below (in thousands):

	Heinrich
Balance at May 6, 2004	$7,281
Additions	—
Payments	(85)
Balance at January 1, 2005	7,196
Additions	4,179
Payments	(8,685)
Balance at December 31, 2005	**$ 2,690**

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the Heinrich acquisition had occurred on January 3, 2004.

(In thousands, except per share data) For the year ended	2005	2004
Net sales	**$467,089**	$511,252
Income from operations	**26,966**	56,335
Net income	**17,710**	36,001
Diluted net income per share	**$ 0.78**	$ 1.59

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.

3. Inventories

The components of inventories at December 31, 2005, and January 1, 2005 are as follows (in thousands):

	2005	2004
Raw materials	**$13,010**	$15,845
Work in process	**18,996**	20,050
Finished goods	**31,417**	35,871
Total inventories	**$63,423**	$71,766

4. Intangible Assets

The Company recorded amortization expense of $2.4 million, $2.3 million and $1.1 million in 2005, 2004 and 2003, respectively. The details of intangible assets and future amortization expense of existing intangible assets at December 31, 2005, and January 1, 2005, are as follows (in thousands):

	As of December 31, 2005			As of January 1, 2005		
	Weighted Average Useful Life	Gross Carrying Value	Accumulated Amortization	Weighted Average Useful Life	Gross Carrying Value	Accumulated Amortization
Patents and licenses	**9.0**	**$27,193**	**$24,302**	9.3	$25,775	$23,358
Distribution network	**17.4**	**17,584**	**11,076**	16.8	18,949	10,199
Trademarks and tradenames	**14.7**	**10,210**	**4,867**	14.1	11,430	4,262
Total		**$54,987**	**$40,245**		$56,154	$37,819

Estimated amortization expense related to intangible assets with definite lives at December 31, 2005, is as follows (in thousands):

2006	$ 2,174
2007	2,143
2008	2,074
2009	1,849
2010	1,810
Thereafter	4,692
	$14,742

The amounts for goodwill and changes in the carrying value by operating segment are as follows at December 31, 2005, and January 1, 2005 (in thousands):

	2005	Additions and other adjustments	2004	Additions and other adjustments	2003
Americas	$38,624	$3,166	$35,458	$(1,034)	$36,492
Europe	15,745	(1,569)	17,314	5,611	11,703
Asia-Pacific	71	(377)	448	—	448
Total goodwill	$54,440	$1,220	$53,220	$4,577	$48,643

The net decrease in European goodwill is related to the reclassification of goodwill from Europe to the Americas and foreign currency translation impact, partially offset by the additional purchase accounting liabilities recorded in 2005 related to the Heinrich acquisition.

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 Company's shares held represent approximately 8.9% of total Polytronics shares outstanding during 2004 and 2005. The fair value of this investment is $4.8 million and $4.3 million at December 31, 2005 and January 1, 2005, respectively. Included in other comprehensive income (loss) is a cumulative loss of $0.1 million related to a decrease in the fair market value of Polytronics. As part of other comprehensive income, an unrealized loss of $1.1 million was recorded in 2004 and an unrealized gain of $1.0 million was recorded in 2005 related to Polytronics.

6. Discontinued Operations

In December 2005, the Company announced its plan to sell the Efen business that consists of production and sales facilities in Uebigau and Eltville, Germany and Kaposvar, Hungary. The Company obtained Efen as part of its acquisition of Heinrich in May 2004. Results of operations for Efen have been reclassified and presented as discontinued operations for 2005 and 2004. Efen is part of the European segment for reporting purposes. Due to the Efen sale taking place in February 2006, the results of Efen will no longer be included in the Consolidated Statements of Income beginning in February 2006.

Efen's results are summarized as follows for the periods ending December 31, 2005, and the period from May 6, 2004 to January 1, 2005 (in thousands):

	2005	2004
Net sales	**$32,988**	$23,409
Income (loss) before taxes	**1,773**	(81)
Income taxes	**645**	252
Net income (loss)	**$ 1,128**	$ (333)

Efen's significant balance sheet items are summarized as of December 31, 2005, and January 1, 2005 (in thousands):

	2005	2004
Accounts receivable, net	**$2,867**	$3,326
Inventory	**5,780**	7,314
Property, plant and equipment, net	**5,577**	8,329
Other assets	**1,084**	2,310
Goodwill	**2,325**	2,029
Current liabilities	**3,407**	3,816
Long-term liabilities	**3,315**	3,941

7. Long-term Obligations

The carrying amounts of long-term debt at December 31, 2005, and January 1, 2005 are as follows (in thousands):

	2005	2004
Revolving credit facility	**$21,000**	$17,500
6.16% Senior Notes, maturing September 1, 2005	—	10,000
Other obligations	**5,682**	6,822
	26,682	34,322
Less: Current maturities	**26,682**	32,958
	$ —	$ 1,364

The Company has an unsecured domestic financing arrangement consisting of a credit agreement with banks that provides a $50.0 million revolving credit facility. The revolving line of credit balance becomes due in 2006 at which time the Company has the option to renew the line of credit. At December 31, 2005, the Company had available $29.0 million of borrowing capability under the revolving credit facility at an interest rate of LIBOR plus .875% (3.949% as of December 31, 2005). The Company intends to renew this line of credit upon maturity. The Company also had $5.8 million and $1.8 million in letters of credit outstanding at December 31, 2005, and January 1, 2005, respectively.

The Company repaid $10.0 million of its Senior Notes in 2005.

The Company also has an unsecured bank line of credit in Japan that provides a Yen 0.9 billion, an equivalent of $7.6 million, revolving credit facility at an interest rate of TIBOR plus .875% (0.941% as of December 31, 2005). The revolving line of credit balance becomes due within 2006. At December 31, 2005, the Company had an equivalent of $3.8 million outstanding on the Yen facility. The Company intends to renew this line of credit upon maturity.

The domestic bank credit agreement contains covenants that, among other matters, impose limitations on the incurrence of additional indebtedness, future mergers, sales of assets, payment of dividends, and changes in control, as defined. In 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 December 31, 2005, and for the year then ended, the Company was in compliance with these covenants.

Aggregate maturities of long-term obligations at December 31, 2005, are as follows (in thousands):

2006	$26,682
2007	—
2008	—
2009	—
2010	—
2011 and thereafter	—
	$26,682

Interest paid on long-term debt approximated $2.0 million in 2005, $1.7 million in 2004 and $2.1 million in 2003.

8. Coal Mining Liability

Included in other long-term liabilities is an accrued liability related to a former coal mining operation at Heinrich for the amounts of $5.0 million and $5.8 million in 2005 and 2004, respectively. The accrual is based on an engineering study estimating the present value of the cost of future occurrences related to the coal mine 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 areas and shaft entrances are expensed as incurred.

9. 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 converted $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. There was no notional amount outstanding at December 31, 2005, as the cross-currency rate swap agreements expired during 2005. The Company's hedges were considered effective and the net gain or loss from hedge ineffectiveness and from the recognition of the unrealized loss were recognized in the consolidated statement of income and were not material.

For the period from June 1, 2004, to September 30, 2005, Heinrich Industrie AG purchased Euro forward contracts that hedged 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 guaranteed the rate at which the U.S. Dollar cash flows would be converted to Euro in the future. These forward contracts expired in 2005. No forward currency contracts existed at December 31, 2005. The gains since the date of the Heinrich acquisition were recognized in the income statement and were immaterial.

10. 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 $0.6 million, $0.2 million and $0.3 million in 2005, 2004 and 2003, 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 2006, the Company expects to make contributions to defined benefit pension plans in the range of $1.0 million to $4.0 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 $4.8 million, $4.3 million, and $3.6 million in 2005, 2004 and 2003, respectively, were not material to the overall financial performance of the Company. The increases in pension expense in 2005 and 2004 were primarily due to lower asset investment returns than assumed and a decrease in the discount rate. Benefit plan related information, including Efen, is as follows:

	U.S.		Foreign	
	2005	2004	2005	2004
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 60,225**	$ 55,648	**$ 45,611**	$ 27,479
Service cost	**3,259**	2,759	**818**	1,066
Interest cost	**3,664**	3,498	**1,971**	1,877
Plan participants' contributions	**—**	—	**362**	178
Acquisition opening balance as of 5/06/04	**—**	—	—	11,771
Net actuarial loss	**2,363**	1,430	**6,474**	654
Benefits paid	**(3,086)**	(3,110)	**(1,811)**	(1,196)
Effect of exchange rate movements	**—**	—	**(6,135)**	3,782
Benefit obligation at end of year	**$ 66,425**	$ 60,225	**$ 47,290**	$ 45,611
Change in plan assets at fair value				
Fair value of plan assets at beginning of year	**$ 47,795**	$ 44,667	**$ 26,586**	$ 22,997
Actual return on plan assets	**3,227**	5,238	**4,170**	1,601
Employer contributions	**2,500**	1,000	**2,184**	580
Plan participant contributions	**—**	—	**362**	178
Benefits paid	**(3,086)**	(3,110)	**(906)**	(676)
Effect of exchange rate movements	**—**	—	**(3,609)**	1,906
Fair value of plan assets at end of year	**$ 50,436**	$ 47,795	**$ 28,787**	$ 26,586
Unfunded status	**$(15,989)**	$(12,430)	**$(18,503)**	$(19,025)
Unrecognized prior service cost (benefit)	**105**	114	**(112)**	(138)
Unrecognized transition asset	**—**	—	**(1,269)**	(1,576)
Unrecognized net actuarial gain	**8,690**	6,236	**9,887**	7,173
Net amount recognized	**$ (7,194)**	$ (6,080)	**$ (9,997)**	$(13,566)
Amounts recognized in the Consolidated Balance Sheet consist of:				
Prepaid benefit cost	**$ —**	$ —	**$ 1,554**	$ 67
Accrued benefit liability	**(7,194)**	(6,080)	**(13,366)**	(14,337)
Accumulated other comprehensive income	**—**	—	**1,815**	704
Net amount recognized	**$ (7,194)**	$ (6,080)	**$ (9,997)**	$(13,566)

A reconciliation of the accrued benefit liability to the consolidated balance sheet is as follows:

	2005	2004
Accrued benefit liability	**$20,560**	$20,417
Less: Efen	**1,292**	1,773
Accrued post-retirement benefits	**$19,268**	$18,644

The accumulated benefit obligation for the U.S. defined benefits plans was $55,372 and $51,102 at December 31, 2005, and January 1, 2005, respectively. The accumulated benefit obligation for the foreign plans was $41,917 and $40,573 at December 31, 2005, and January 1, 2005, respectively.

	U.S.			Foreign		
	2005	2004	2003	2005	2004	2003
Components of net periodic benefit cost						
Service cost	**$ 3,259**	$ 2,759	$ 2,667	**$ 1,210**	$ 1,269	$ 995
Interest cost	**3,664**	3,498	3,551	**1,971**	1,877	1,260
Expected return on plan assets	**(3,728)**	(3,649)	(3,664)	**(1,681)**	(1,521)	(1,243)
Amortization of prior service cost	**10**	10	10	**(13)**	(13)	(11)
Amortization of transition asset	**—**	—	—	**(112)**	(90)	(102)
Amortization of losses	**409**	158	110	**173**	206	253
Total cost of the plan for the year	**3,614**	2,776	2,674	**1,548**	1,728	1,152
Expected plan participants' contribution	**—**	—	—	**(392)**	(203)	(208)
Net periodic benefit cost	**$ 3,614**	$ 2,776	$ 2,674	**$ 1,156**	$ 1,525	$ 944

Weighted average assumptions used to determine benefit obligations at year-end 2005, 2004 and 2003:

	U.S.			Foreign		
	2005	2004	2003	2005	2004	2003
Discount rate	**6.0%**	6.0%	6.5%	**4.3%**	4.8%	5.5%
Compensation increase rate	**4.5%**	4.5%	4.5%	**3.2%**	3.4%	4.0%
Measurement dates	**12/31/05**	12/31/04	12/31/03	**12/31/05**	12/31/04	12/31/03

Weighted average assumptions used to determine net periodic benefit cost for the years 2005, 2004 and 2003:

	U.S.			Foreign		
	2005	2004	2003	2005	2004	2003
Discount rate	**6.0%**	6.5%	6.8%	**4.8%**	5.5%	5.5%
Expected return on plan assets	**8.5%**	8.8%	9.0%	**6.7%**	6.7%	6.7%
Compensation increase rate	**4.5%**	4.5%	4.5%	**3.2%**	4.0%	4.0%
Measurement dates	**1/01/05**	1/01/04	1/01/03	**1/01/05**	1/01/04	1/01/03

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

	U.S.	Foreign
2006	$ 2,834	$ 1,664
2007	3,025	2,060
2008	3,193	1,684
2009	3,326	1,564
2010	3,512	3,360
2011-2015	20,859	12,407

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 8.5% on domestic plan assets and 6.7% 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	
	2005	2004
Equity securities	**73%**	74%
Debt securities	**27%**	26%
	100%	100%

	Foreign Asset Allocation	
	2005	2004
Equity securities	**66%**	75%
Debt securities	**24%**	14%
Property	**8%**	8%
Cash	**2%**	3%
	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 $0.6 million, $0.5 million and $0.5 million in 2005, 2004 and 2003, 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 $0.3 million, $0.7 million and $0.7 million in 2005, 2004 and 2003, respectively.

11. 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:

	2005		2004		2003	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	**1,660,440**	**$26.97**	2,046,720	$23.55	1,976,605	$23.73
Options granted						
Option price equals market price	**386,750**	**28.06**	363,750	38.44	361,750	22.18
Option price less than market price	**—**	**—**	—	—	20,000	7.00
Total options granted	**386,750**	**28.06**	363,750	38.44	381,750	21.38
Exercised	**(182,230)**	**21.09**	(706,880)	22.93	(169,015)	17.29
Forfeited	**(45,600)**	**30.60**	(43,150)	26.72	(142,620)	27.64
Outstanding at end of year	**1,819,360**	**$27.66**	1,660,440	$26.97	2,046,720	$23.55
Exercisable at end of year	**876,410**	**$25.57**	772,440	$23.97	1,114,028	$22.92
Available for future grant	**95,530**		454,030		774,870	
Weighted-average fair value of options granted during the year		**$13.63**		$19.87		$13.71
Option price equals market price		**13.63**		19.87		13.25
Option price less than market price		**—**		—		23.89

As of December 31, 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	19,700	$ 4.63	4.76	19,660
$ 7.00 to $11.16	22,200	8.56	5.49	15,000
$11.63 to $16.50	35,060	13.29	3.90	33,020
$17.05 to $25.25	621,170	21.79	7.74	415,690
$26.63 to $38.80	1,121,230	32.14	8.97	393,040

Notes Receivable From Officers – 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):

	December 31, 2005	January 1, 2005
Net unrealized loss on derivatives	**$ —**	$ (177)
Minimum pension liability adjustment, net of tax	**(1,815)**	(704)
Loss on marketable securities	**(96)**	(1,095)
Foreign currency translation adjustment	**(515)**	5,649
Total	**$(2,426)**	$(3,673)

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.

12. Income Taxes

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

	2005	2004	2003
Current:			
Federal	**$ 2,735**	$ 6,402	$10,346
State	**41**	1,196	339
Foreign	**10,228**	8,098	4,402
Subtotal	**13,004**	15,696	15,087
Deferred:			
Federal and state	**1,956**	3,087	(6,897)
Foreign	**(3,520)**	194	439
Subtotal	**(1,564)**	3,281	(6,458)
Provision for income taxes	**$11,440**	$18,977	$ 8,629

Domestic and foreign earnings from continuing operations before minority interest and income taxes is as follows (in thousands):

	2005	2004	2003
Domestic	**$ 1,484**	$28,115	$ 6,808
Foreign	**26,452**	27,366	17,160
Earnings from continuing operations before minority interest and income taxes	**$27,936**	$55,481	$23,968

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):

	2005	2004	2003
Tax expense at statutory rate of 35%	**$ 9,785**	$19,050	$8,389
State and local taxes, net of federal tax benefit	**27**	777	220
Foreign income tax rate differential	**(47)**	(1,846)	(611)
Foreign losses for which no tax benefit is available	**1,446**	759	—
Valuation allowance	**(753)**	753	—
Tax on unremitted earnings	**790**	91	—
Other, net	**192**	(607)	631
Provision for income taxes	**$11,440**	$18,977	$8,629

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 December 31, 2005, and January 1, 2005, are as follows (in thousands):

	2005	2004
Deferred Tax Liabilities		
Tax depreciation and amortization in excess of book	**$ 8,100**	$ 4,765
Foreign	**407**	1,675
Other	**768**	511
Total deferred tax liabilities	**9,275**	6,951
Deferred Tax Assets		
Accrued expenses	**12,097**	14,475
Foreign tax credit carryforwards	**4,574**	2,994
AMT credit carryforwards	**1,318**	—
Foreign net operating loss carryforwards	**2,100**	5,706
Gross deferred tax assets	**20,089**	23,175
Less: Valuation allowance	**(766)**	(6,523)
Total deferred tax assets	**19,323**	16,652
Net deferred tax assets	**$10,048**	$ 9,701

The deferred tax asset valuation allowance is related to deferred tax assets from foreign net operating losses and a reversal of a capital loss from a non-controlled foreign investment. The foreign tax credit carryforwards begin to 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 $0.0 to $14.0 million. The Company paid income taxes of approximately $9.5 million, $11.2 million and $2.7 million in 2005, 2004 and 2003, respectively. U.S. income taxes were not provided for on a cumulative total of approximately $37.0 million of undistributed earnings for certain non-U.S. subsidiaries as of December 31, 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.

13. Business Segment Information

The Company designs, manufactures and sells circuit protection devices throughout the world. The Company's reportable segments are consistent with how it currently manages the business. The Company has three reportable geographic segments: the Americas, Europe and Asia-Pacific. The segments are defined as components of the company about which financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment. 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 net sales and earnings (loss) from continuing operations.

Information concerning the operations in these geographic segments for the fiscal years ended 2005, 2004 and 2003 are as follows (in thousands):

		Americas*	Europe	Asia-Pacific	Combined Total	Eliminations	Consolidated Total
Net sales	**2005**	**$195,974**	**$114,943**	**$156,172**	**$467,089**	**$ —**	**$467,089**
	2004	234,835	105,728	136,270	476,833	—	476,833
	2003	167,417	61,098	110,895	339,410	—	339,410
Intersegment revenues	**2005**	**159,036**	**66,256**	**70,370**	**295,662**	**(295,662)**	**—**
	2004	137,611	58,376	28,718	224,705	(224,705)	—
	2003	70,882	54,742	21,443	147,067	(147,067)	—
Interest expense	**2005**	**1,978**	**74**	**46**	**2,098**	**—**	**2,098**
	2004	1,668	(191)	(2)	1,475	—	1,475
	2003	2,068	(25)	2	2,045	—	2,045
Depreciation and amortization	**2005**	**17,648**	**10,676**	**2,792**	**31,116**	**—**	**31,116**
	2004	16,749	8,134	1,312	26,195	—	26,195
	2003	17,210	1,541	2,350	21,101	—	21,101
Other expense (income), net	**2005**	**(1,530)**	**(1,068)**	**(470)**	**(3,068)**	**—**	**(3,068)**
	2004	(2,106)	1,424	729	47	—	47
	2003	(728)	91	705	68	—	68
Income taxes	**2005**	**6,031**	**1,882**	**3,527**	**11,440**	**—**	**11,440**
	2004	11,589	2,839	4,549	18,977	—	18,977
	2003	4,326	1,022	3,281	8,629	—	8,629
Earnings (loss) from continuing operations	**2005**	**4,193**	**(5,484)**	**17,873**	**16,582**	**—**	**16,582**
	2004	21,157	(439)	15,643	36,361	—	36,361
	2003	4,538	869	9,932	15,339	—	15,339
Net income (loss)	**2005**	**4,193**	**(4,356)**	**17,873**	**17,710**	**—**	**17,710**
	2004	21,157	(772)	15,643	36,028	—	36,028
	2003	4,538	869	9,932	15,339	—	15,339
Long-lived assets	**2005**	**148,380**	**124,269**	**18,634**	**291,283**	**(90,521)**	**200,762**
	2004	130,120	169,822	15,837	315,779	(110,832)	204,947
	2003	177,518	31,732	12,839	222,089	(59,659)	162,430
Capital expenditures	**2005**	**20,371**	**3,127**	**3,741**	**27,239**	**—**	**27,239**
	2004	15,766	2,908	3,405	22,079	—	22,079
	2003	12,157	1,954	(70)	14,041	—	14,041

**Corporate is included in the Americas. This was reported separately in amounts previously presented.*

The Company's revenues by product areas for the years ended December 31, 2005, January 1, 2005 and January 3, 2004, are as follows (in thousands):

Revenues	2005	2004	2003
Electronic	**$305,870**	$325,617	$206,523
Automotive	**118,595**	113,690	98,327
Electrical	**42,624**	37,526	34,560
Consolidated total	**$467,089**	$476,833	$339,410

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

14. Lease Commitments

The Company leases certain office and warehouse space as well as certain machinery and equipment under non-cancelable operating leases. Rental expense under these leases was approximately $5.5 million in 2005, $4.4 million in 2004 and $3.4 million in 2003. Rent expense is recognized on a straight-line basis over the term of the leases. The difference between straight-line basis rent and the amount paid has been recorded as accrued lease obligations. The Company also has leases that have lease renewal provisions. As of December 31, 2005 all operating leases outstanding were with third parties.

Future minimum payments for all non-cancelable operating leases with initial terms of one year or more at December 31, 2005, are as follows (in thousands):

2006	$ 4,891
2007	2,860
2008	1,423
2009	1,336
2010	1,178
2011 and thereafter	4,922
Total lease commitments	$16,610

The Company did not have any capital leases as of December 31, 2005.

15. Earnings per Share

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

(In thousands, except per share amounts)	2005	2004	2003
Numerator:			
Net income	**$17,710**	$36,028	$15,339
Denominator:			
Denominator for basic earnings per share – Weighted-average shares	**22,413**	22,239	21,881
Effect of dilutive securities:			
Employee stock options	**169**	365	123
Denominator for diluted earnings per share – Adjusted weighted-average shares and assumed conversions	**22,582**	22,604	22,004
Basic earnings per share	**$ 0.79**	$ 1.62	$ 0.70
Diluted earnings per share	**$ 0.78**	$ 1.59	$ 0.70

Options to purchase 712,153, 362,500 and 1,376,122 shares of common stock were outstanding at December 31, 2005, January 1, 2005, and January 3, 2004, 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.

16. Restructuring

During 2005 the Company announced a downsizing of its Ireland operation and outsourcing of more of its varistor manufacturing to lower cost Asian subcontractors. A liability of $4.9 million was recorded related to redundancy costs for the manufacturing operation associated with this downsizing. This restructuring impacts approximately 35 associates in various production and support related roles. These costs are expected to be paid in 2006.

17. Subsequent Events

On February 3, 2006, the Company acquired SurgX Corporation for $2.5 million. On February 22, 2006, the Company announced the acquisition of Concord Semiconductor. The acquisition of Concord Semiconductor is expected to close in the second quarter of 2006. During February 2006 the Company completed the sale of the Efen business for approximately $14 million.

Selected Financial Data

(in thousands, except per share data)

Five-Year Summary

	2005*	2004*	2003**	2002	2001
Net sales	**$467,089**	476,833	$339,410	$283,267	$272,149
Gross profit	**144,552**	173,797	104,426	88,623	85,592
Operating income	**26,966**	57,003	26,081	15,931	8,540
Earnings from continuing operations	**16,582**	36,361	15,339	9,620	4,070
Net income	**17,710**	36,028	15,339	9,620	4,070
Per share of common stock:					
Net income from continuing operations					
Basic	**0.74**	1.64	0.70	0.44	0.20
Diluted	**0.73**	1.61	0.70	0.44	0.19
Net working capital***	**97,077**	90,551	62,120	59,181	62,486
Total assets	**403,931**	425,769	311,570	277,478	272,272
Long-term debt	**—**	1,364	10,201	20,252	30,402

**Results include Heinrich. Refer to the Notes to Consolidated Financial Statements for more information. Results reflect Efen as a discontinued operation.*
***Results include Teccor. Refer to the Notes to Consolidated Financial Statements for more information.*
****Net working capital is defined as working capital less cash, assets held for sale, liabilities held for sale and the current portion of long-term debt.*

Quarterly Results of Operations *(unaudited)*

	2005*				2004			
	4Q	3Q**	2Q	1Q	4Q*	3Q*	2Q	1Q
Net sales	**$115,373**	**$122,266**	**$115,693**	**$113,757**	$114,124	$127,657	$123,634	$111,418
Gross profit	**37,905**	**34,309**	**35,117**	**37,221**	39,896	48,717	45,379	39,805
Operating income	**9,114**	**4,103**	**6,899**	**6,850**	8,158	17,730	15,373	15,742
Net income	**5,243**	**3,771**	**4,257**	**4,439**	4,828	11,250	10,344	9,606
Net income per share:								
Basic	**0.23**	**0.17**	**0.19**	**0.20**	0.21	0.50	0.47	0.44
Diluted	**0.23**	**0.17**	**0.19**	**0.20**	0.21	0.49	0.46	0.43

**Results include Heinrich. Refer to the Notes to Consolidated Financial Statements for more information. Results reflect Efen as a discontinued operation.*
***Results have been revised for Ireland severance costs. In the Littelfuse third quarter 2005 earnings press release, it was stated that the Company had announced a downsizing of its Ireland operation and would be booking related charges over the next several quarters. In addition to the $1.6 million charge booked in the third quarter, the Company indicated it expected to book additional charges in the fourth quarter of 2005 and the first half of 2006. This was in accordance with SFAS 146 which requires that severance charges be amortized over the period between employee notification and employee termination. On further technical review by the Company, it was determined that these charges should more appropriately have been accounted for under SFAS 112 which requires all charges be booked at the time of notification. The effect of this change in interpretation is that all severance costs related to the announced Ireland downsizing (the $1.6 million previously booked in the third quarter plus an additional $3.3 million recorded in the fourth quarter) were pushed back to the third quarter of 2005. Previously reported results for the 3rd quarter of 2005, excluding Efen, were:*

Net sales	*$122,266*
Gross profit	*37,622*
Operating income	*7,416*
Net income	*6,326*
Net income per share:	
Basic	*0.28*
Diluted	*0.28*

Quarterly Stock Prices

	2005				2004			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
High	**28.85**	**30.97**	**31.16**	**33.59**	40.19	41.48	44.05	37.81
Low	**21.44**	**26.12**	**26.35**	**27.95**	31.45	32.60	36.24	28.56
Close	**27.25**	**28.13**	**27.82**	**28.23**	34.16	35.49	42.13	37.20

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Co-Founder
Oaktree Capital Management, LLC
(2) (4)

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(1) (3) (4)*

Howard B. Witt†
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(2) Compensation Committee Member
(3) Technology Committee Member
(4) Nominating and Governance Committee Member
* Committee Chairman
† Retiring in May 2006

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Electronics
Business Unit

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 5, 2006, 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 17, 2006.

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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Registrar and Transfer Agent
LaSalle National Bank
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Legal Counsel
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Littelfuse®

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