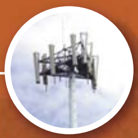
LITTELFUSE | Building on our leadership in circuit protection.

2003 annual report

Electrical load switching and industrial applications



Cell phone towers

Wherever You Look, You'll Find Littelfuse Products

Littelfuse is a global company offering the broadest line of circuit protection products in the world. From the most delicate micro-circuitry to large industrial machinery, Littelfuse products are vital components in virtually every product that uses electrical energy. Our products protect against a variety of occurrences including short circuits, power surges, electrostatic discharge, lightning and electrical load switching.

Wherever you look, you'll find Littelfuse. Computers, leisure and entertainment products, cell phones, digital cameras, telecommunications equipment and handheld devices are protected by Littelfuse circuit protection products. The company is also the leading provider of circuit protection devices for the automotive industry and the third largest producer of power fuses in North America.

Cell phones

Vehicles

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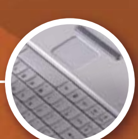


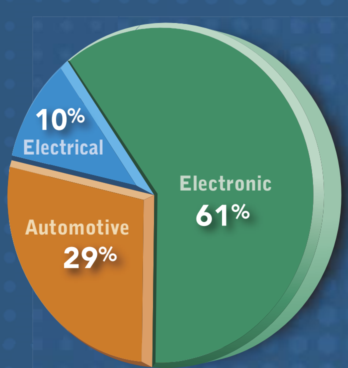
Personal computers

Personal digital assistants (PDAs)

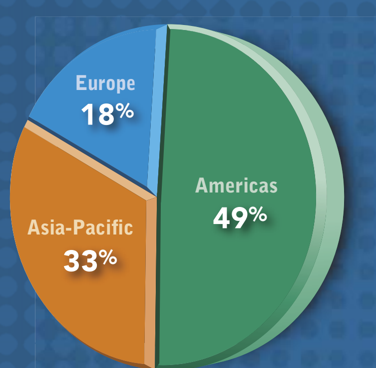
Financial Highlights

(dollars in thousands, except per share data)	2003	2002	% Change
Net sales	$339,410	$283,267	20%
Operating income	26,081	15,931	64%
Net income	15,339	9,620	59%
Earnings per share – diluted	0.70	0.44	59%
Operating cash flow	49,953	40,758	23%
Capital expenditures, net	14,041	8,360	68%
Free cash flow*	35,912	32,398	11%

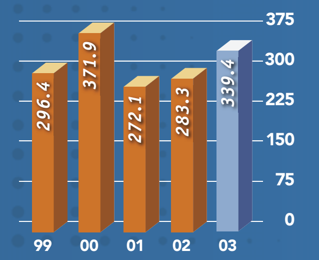
Operating cash flow less net capital expenditures and before financing obligations.



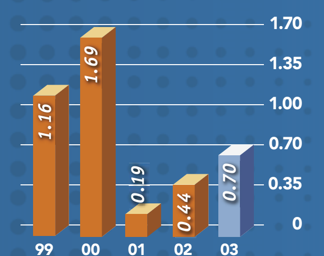
PERCENT OF TOTAL SALES



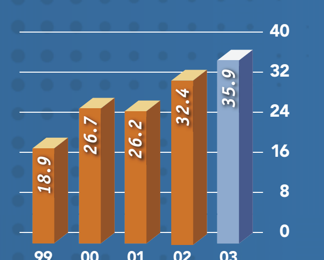
GEOGRAPHIC SALES



SALES
(in millions of dollars)



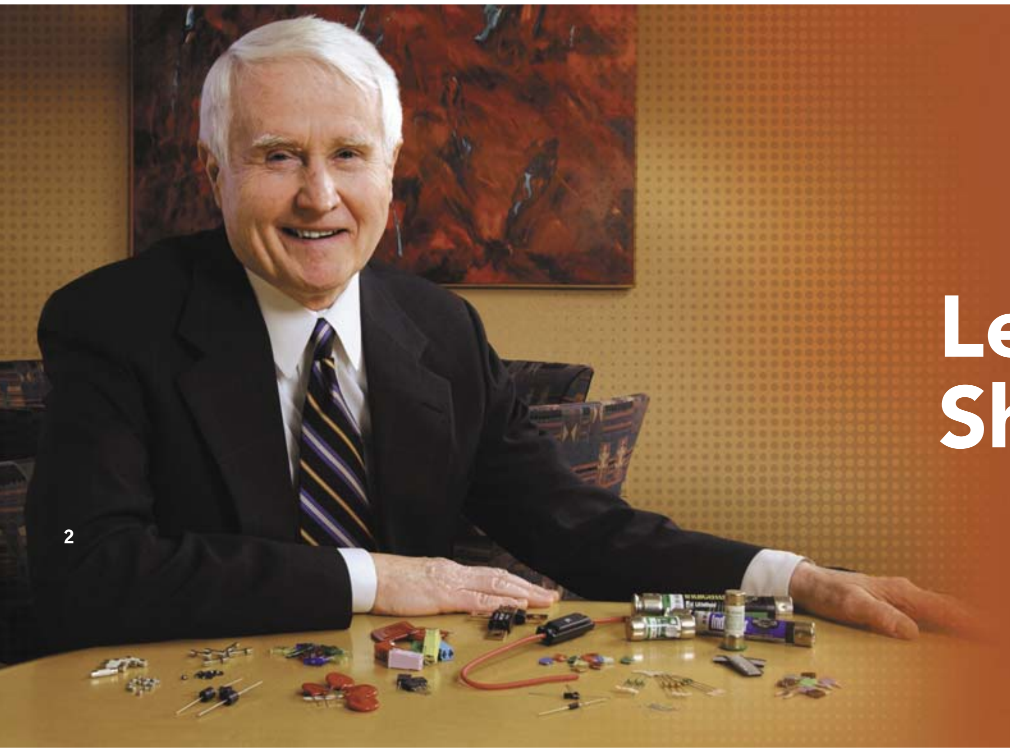
EARNINGS PER SHARE–DILUTED
(in dollars per share)



FREE CASH FLOW*
(in millions of dollars)

2003 was a year of progress for Littelfuse in four key areas:

- › Enhancing our industry-leading line of circuit protection products,
- › Responding to challenges in the marketplace,
- › Improving our financial performance, and
- › Strengthening our management team.



Letter to Shareholders

Strategic actions in 2003 in each of the areas highlighed above set the stage for further improvement as our markets and the economy recover.

Enhancing Our Broad Product Portfolio

The July 2003 acquisition of Teccor Electronics, Inc. strengthens our leadership in circuit protection. It was a strategic move that adds an industry-leading line of overvoltage protection products to our already strong portfolio of circuit protection technologies. This powerful combination makes Littelfuse the industry's most complete single-source provider of circuit protection components, with a broad product line that no other company in the world can match.

Teccor's products complement our existing product lines, giving Littelfuse an even stronger technology platform for our future growth. The acquisition strengthens our position in the telecommunications and industrial market segments, and provides opportunities to cross-sell the products of both companies. With the addition of Teccor's wafer fabrication capabilities, we are well positioned to meet the growing need for semiconductor-based protection components as products become continually smaller and handle an ever-increasing volume of data at faster and faster speeds.

In addition, Teccor's successful technical solution selling approach will serve as a "best practice" company wide, as our sales strategy evolves from supplying components to becoming a strategic partner that can provide complete circuit protection solutions for a customer's specific application.

With annual global sales of $75 million, Teccor is the largest acquisition in our history. We acquired Teccor from Invensys plc for $44 million in cash plus a future payment of $5 million, contingent on sales of Teccor products reaching $107 million during calendar year 2005. We are making excellent progress on our integration and restructuring plan for the Teccor operations that is expected to result in at least $8 to $10 million in cost savings within two years. We expect the integration to be completed in 2004 and the business to be accretive to earnings throughout the year.

Responding to Challenges in the Marketplace

As a leading supplier of circuit protection products, we compete with companies around the world on the basis of quality, technology, service—and value to customer. The manufacturing rationalization program that we began in 2001 has given us a cost structure that will position us well in today's highly competitive global marketplace.

We completed the first phase of the manufacturing rationalization program in 2003, which resulted in the closing of three manufacturing facilities (in Centralia, Illinois, in Korea, and in the U.K.) and the movement of these production lines to lower-cost locations. About 70% of our direct labor associates now work at our low-cost factories in Mexico, China and the Philippines. Our higher technology and more automated manufacturing operations remain in the United States and Europe, in close proximity to our product development teams. In addition to significantly reducing our cost of doing business, this move also locates our manufacturing closer to our customers.

The manufacturing rationalization program has achieved our goal of $15 million of annual cost savings. We plan to achieve significant additional savings in 2004 through the integration and restructuring of the Teccor operations, additional manufacturing consolidation and a number of new supply chain initiatives.

Our new North American distribution center near Chicago is contributing to our lower cost structure and we will consolidate more products into this center in 2004. We continued the worldwide roll-out of our SAP™ enterprise system with the addition of the Netherlands and the Philippines in 2003. Major strides have also been made in global sourcing, as we continually work to improve the delivery system and take costs out of the supply chain.

Improving Financial Performance

Sales increased 20% in 2003 to $339.4 million, with Teccor contributing $41.0 million of this total. Net earnings increased 59% to $15.3 million, or $0.70 per diluted share. The earnings improvement reflects the higher sales and associated operating leverage, cost reductions achieved through the manufacturing rationalization and other programs, and favorable currency effects.

Including Teccor sales, the electronics business accounted for approximately 61% of total Littelfuse sales, up from 53% in 2002. Automotive sales comprised 29% of total 2003 sales and electrical sales made up the remaining 10%. Our three complementary businesses provide balance to the organization as well as growth opportunities across different markets.

"The July 2003 acquisition of Teccor Electronics, Inc. strengthens our leadership in circuit protection."

Demand for electronic products increased in 2003, with sales up 37% including Teccor and up 10% excluding Teccor. The electronics market in Asia has recovered nicely and we experienced modest growth in North America and Europe. Demand for cellular phones, digital consumer products and personal computers increased in 2003.

In the automotive market, car builds were up slightly worldwide but down 1% in our key areas of North America and Europe, which resulted in flat automotive sales in 2003. In this competitive environment, the automotive team continues to focus on adding value through aggressive labor and material cost reductions, as well as developing new products to respond to customer needs.

Sales were up 1% in our electrical business as the industrial sector continued to suffer from the overall decline in manufacturing and the slow recovery. We continue to work to increase our market share in this business by leveraging our award-winning line of Indicator® fuses and through expanded marketing programs coordinated with our other business units.

Free cash flow reached a record $35.9 million for 2003, due primarily to the increased profitability of the base business and improved inventory turnover. Our strong financial position enabled us to successfully complete the Teccor acquisition without increasing our debt and also allowed us to continue to reinvest in equipment and technology.

Strengthening the Management Team

In 2003, we added to and strengthened our senior management team.

In November, Gordon Hunter joined Littelfuse as Chief Operating Officer. Gordon has served on our Board of Directors since June 2002 and chairs our Technology Committee. Gordon came to Littelfuse from Intel Corporation, where he was Vice President, Intel Communications Group, and General Manager, Optical Products Group. Before that, he was with Raychem Corporation for 20 years. Gordon is responsible for our three business units as well as organizational development and total quality management. We look forward to Gordon ultimately leading Littelfuse.

"The next step is to leverage our strong technology base to increase sales and further improve profitability."

Phil Franklin, who joined us five years ago as Chief Financial Officer, has since assumed responsibility for information technology and the global supply chain. Phil's new title of Vice President, Operations Support and Chief Financial Officer reflects these expanded responsibilities.

Dave Heinzmann, an experienced manager who has been with Littelfuse for 18 years, was promoted to General Manager of our automotive business unit. David Samyn, who was recruited to Littelfuse last year, is General Manager of our electronics business. Dal Ferbert, who has 27 years of experience with the company, continues as General Manager of the electrical business unit. As a reflection of the responsibility they have for our three business units, Dave Heinzmann, David Samyn and Dal Ferbert's titles have been changed to Vice President and General Manager for their respective units.

A discussion of the leadership of this company would not be complete without recognizing the many contributions of our Board of Directors. Our Board members are actively engaged in reviewing progress and providing advice and counsel to the company through committee meetings, conference calls and ongoing dialog with our managers. While the Sarbanes-Oxley Act provides new rules and regulations for the nation's public companies, a commitment to sound governance and strong corporate ethics has always been the foundation of our business.

Adding Value to Customer Relationships

Our position as the worldwide leader in circuit protection was achieved through a strategy we began five years ago to build a broad portfolio of circuit protection technologies. The next step is to leverage our strong technology base to increase sales and improve profitability. We are beginning to achieve this through a technical solutions approach to selling. Because we offer seven major circuit protection technologies and world-leading technical expertise, we can provide unbiased solutions that optimize each customer's end product.

This provides opportunities for our people to work closely with our customers as they design Littelfuse components into their new products or specify our products as recommended components. We also have new opportunities to leverage our technical expertise by cross-selling products in each of our businesses.

Building on Our Leadership in Circuit Protection

We are more optimistic than ever about the long-term growth potential for Littelfuse. As electronic products continue to evolve, there will be an increasing need for circuit protection. We have the products and the technologies to meet this need. We are a strong global competitor focused on adding value to customer relationships. Most importantly, we have outstanding people throughout our organization who work diligently to make our strategies a reality.

We are committed to increasing shareholder value by building on our leadership in circuit protection. Thank you for your support.

Howard B. Witt
Chairman, President and Chief Executive Officer

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

Business of Littelfuse

ELECTRONICS

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

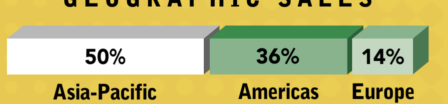
Littelfuse circuit protection products protect against transient voltage surges caused by lightning, electrostatic discharges and electrical load switching. Products include electrostatic discharge (ESD) suppressors, protection thyristors, gas plasma protectors/GDTs, silicon avalanche diodes (SADs) and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

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

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

Representative Customers
Alcatel, Celestica, Compal, Delta, Flextronics, Fuji, GE, HP, Huawei, Hughes, IBM, Intel, Jabil, Legend, LG, Matsushita, Motorola, Nokia, Palm, Quanta, Samsung, Sanmina-SCI, Sanyo, Selectron, Siemens, Sony and Toshiba.

GEOGRAPHIC SALES



AUTOMOTIVE

Littelfuse is the automotive industry's circuit protection expert.

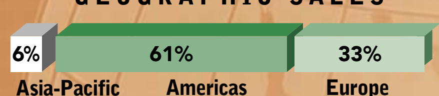
Littelfuse products protect the silicon chips within automotive modules, as well as the battery power distribution and wiring harnesses that feed these modules. We serve major automakers in North America, Europe and Asia, and wiring harness manufacturers and automotive parts suppliers worldwide. We are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

We are the industry leader in automotive circuit protection. Nine out of every ten cars in the world rely on Littelfuse-designed products for protection of their electrical circuits and wiring. Leading automotive manufacturers across the globe work with Littelfuse engineers in developing the vehicles of the future.

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

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

GEOGRAPHIC SALES



ELECTRICAL

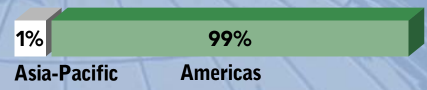
Littelfuse offers a wide variety of innovative products for today's industrial applications.

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

Key Products
Power fuses
Indicating power fuses
TeleGARD™ fuses
Fuseholders and accessories

Representative Customers
Abbott, Carrier, Dow Chemical, DuPont, GE, General Motors, Heinz, International Paper, John Deere, Lithonia Lighting, Marconi, Merck, Otis Elevator, Poland Springs, Procter & Gamble, Rockwell and 3M.

GEOGRAPHIC SALES



Teccor Acquisition Strengthens Circuit Protection Leadership

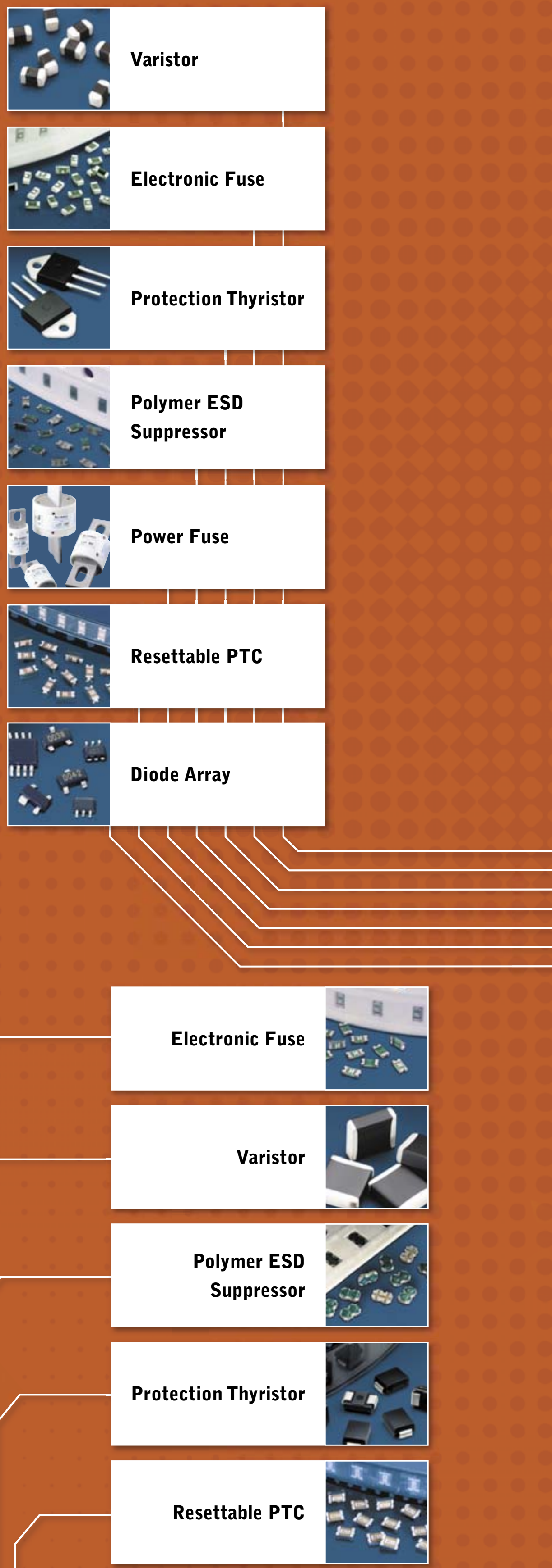
The acquisition of Teccor Electronics in July 2003 is a strategic move that offers many benefits to Littelfuse and our customers.

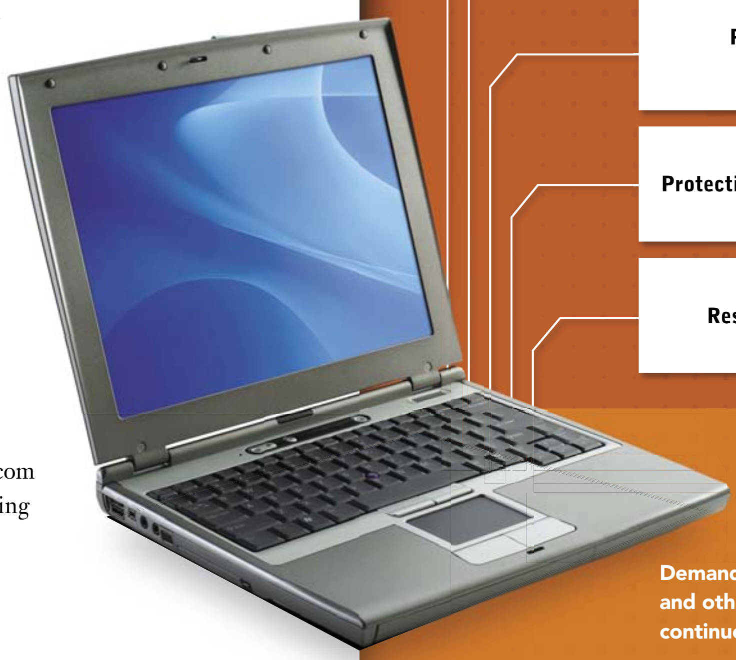
It brings together two leading brands with strong reputations for quality and customer service, and strengthens our position as the worldwide leader in circuit protection.

Teccor Expands Product Portfolio
Teccor manufactures two major product groups: a line of transient voltage suppressor devices (protection thyristors) and a line of power switching devices. Teccor has the #1 market share position in North America and is in the top three globally in both product categories.

Electronics Market Provides Growth Opportunities
The Teccor products complement our existing product portfolio and further strengthen our commitment to the fast-growing electronics business. The electronics market continues to expand, as consumers demand newer, smaller and multi-featured products to enhance their lives. A good example is cell phones, which have evolved to include a digital camera, color screen and Internet access.

The Teccor acquisition also expands our presence in the telecom and industrial markets. As a leading





Demand for personal computers and other electronic products continues to grow.

Littelfuse devices protect the circuitry in DSL modems and many other electronic products.

producer of discrete power semiconductors for over 35 years, Teccor has successfully established itself as a major supplier of telecom circuit protection components. Teccor's solid position in telecom markets also provides opportunities to cross-sell additional Littelfuse products, such as gas discharge tubes and fuses, into the same end applications.

An added benefit of the acquisition is Teccor's semiconductor wafer fabrication production and assembly facilities. There is a growing market for semiconductor devices because they are well-suited to the increasing miniaturization of products and the ever-faster transmission of data. This newly acquired expertise in semiconductors provides another technology platform for Littelfuse.

Solutions Approach Builds Relationships

Teccor has built its brand and market share on a value-added, solutions approach to customer relationships. This approach will enhance our existing strategies to develop strong ties with the leading companies of the world.

A key component of our value-added strategy is leveraging the Teccor and Littelfuse engineering labs by providing design and product testing for our customers. This is a valuable service that helps our customers design products with the best circuit protection solution for their specific application.

Teccor's commitment to exceptional customer service and total quality management is consistent with the Littelfuse philosophy. In addition, the Teccor business stands to benefit from our global reach. With facilities in North America, Asia and Europe and our worldwide distributor network, we deliver high quality circuit protection components on time, wherever our customers are located.

With strong synergies between our people and our two companies, Teccor is a natural fit that enhances the long-term growth potential of Littelfuse.

"Teccor further strengthens our commitment to the fast-growing electronics business."

Virtually every product that uses electric energy needs circuit protection components.

You'll find Littelfuse components in everything from computers and cars to factories, satellites, electronic games, cell phones, personal data assistants (PDAs), digital cameras and everything in between. This broad range of applications is just one indication of the growth opportunities for Littelfuse across the globe.

Building A Strong Product and Technology Portfolio

As many of our customers' products become increasingly smaller and more sophisticated, Littelfuse is well positioned to serve as both a product and technology resource.

We are the only company in the world that offers seven major circuit protection technologies — our nearest competitor offers only three. We make the products we sell, in contrast to some competitors who buy technology from other companies. This leadership position provides exciting opportunities to leverage our strong technology base into increased sales and profits for Littelfuse.

Leveraging the Broadest Circuit Protection Portfolio

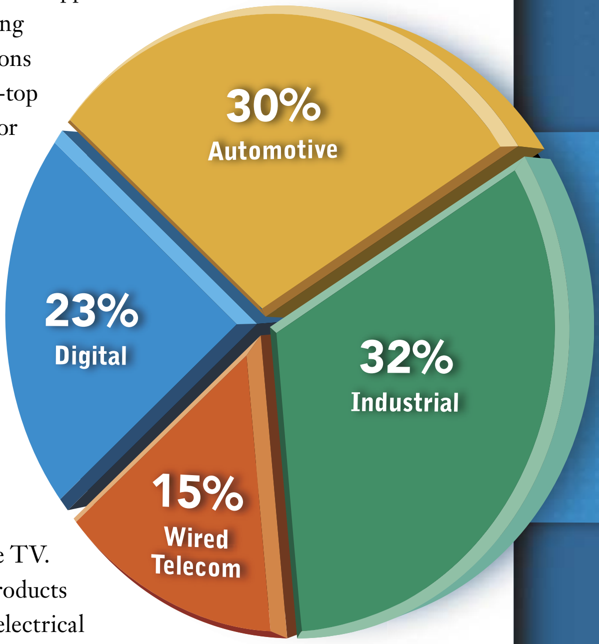
We developed our portfolio of circuit protection technologies through a strategy of first building a strong foundation and then increasing our market share by expanding the breadth and depth of our product line.

For many years, Littelfuse was known primarily as a supplier of fuses for the automotive and electronic industries. Building on this base, we added a line of polymer ESD suppressor products. Then in 1999, we embarked on a five-year process of expanding our technology base with the acquisition of the Harris Suppression Products business. In 2002, we added semiconductor technology through the acquisition of Semitron Industries.

The Worldwide Leader in Major Technologies

The acquisition of Teccor Electronics in 2003 further expands our strong portfolio of circuit protection technologies. As a result of the Teccor acquisition, we now have the #1 market share in protection thyristors. This builds on our #1 position in electronic fuses, #3 position in varistors and differentiating niche positions in gas discharge tubes, TVS diodes, polymer ESD devices and PTCs.

We continually work to strengthen our product line through acquisitions and internal product development. Our new lead-free products assist our customers in meeting environmental and regulatory requirements. Our gas discharge tubes are being used in new applications including televisions and set-top boxes for satellite TV. New products in our electrical business include our new POWR-SWITCH™ and GlobalPro™ devices for specific industrial applications.

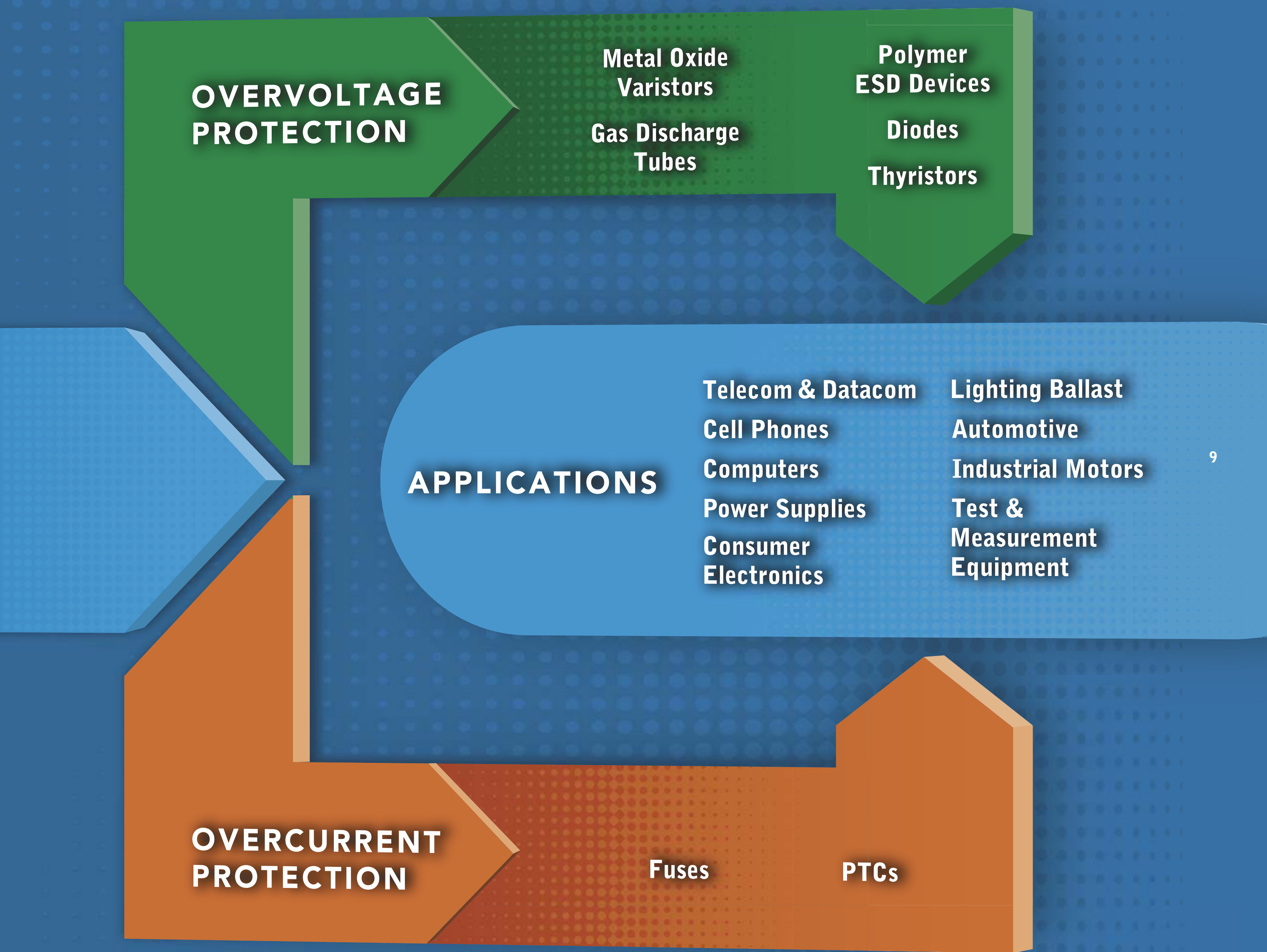


Worldwide Reputation for Quality Supports Growth

Our reputation for quality is underscored by our ISO registered quality systems. In addition, our strong supplier quality program extends traditionally high Littelfuse standards to the companies who supply parts and materials to us.

Together, our experienced and knowledgeable employees, high quality products, broad product line and global distribution systems make Littelfuse the company of choice in circuit protection technologies.

Littelfuse is the only company in the world that offers seven major circuit protection technologies.



"This broad range of applications is just one indication of the growth opportunities for Littelfuse across the globe."

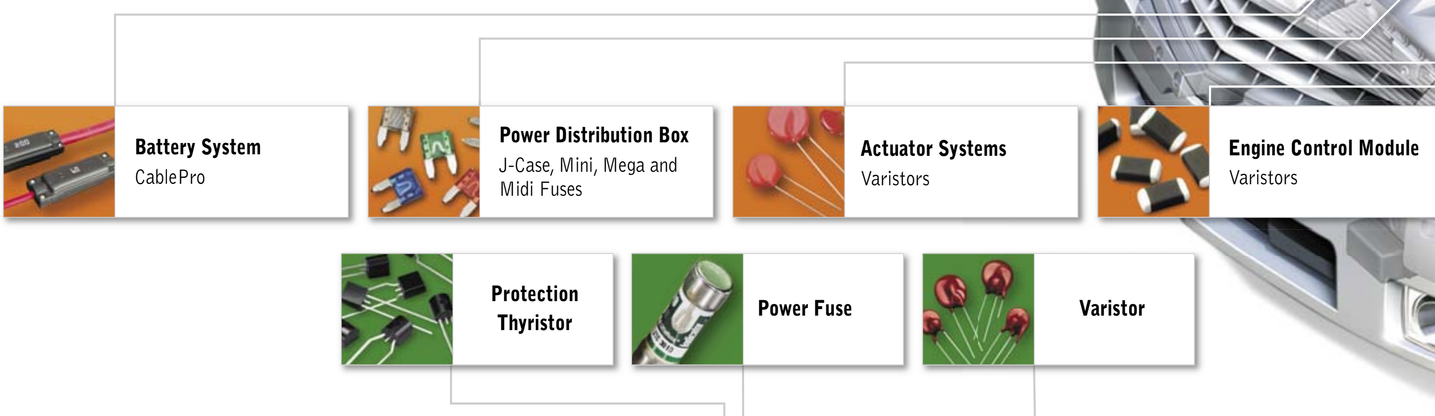
Our strategy is to leverage our broad portfolio of circuit protection products by adding value to customer relationships.

This approach expands our role beyond serving as a provider of products to the next level—becoming a resource for OEM customers and primary design manufacturers as they develop the products of the future.

Providing Circuit Protection Solutions

Littelfuse offers seven major circuit protection technologies, twice as many as our nearest competitor. This broad product portfolio enables us to provide solutions for virtually any circuit protection need.

Adding Value to Customer Relationships



Our people have the technology and experience to understand our customers' needs. We can provide unbiased solutions, recommending the best circuit protection technologies for each customer's unique application. In turn, this provides opportunities for Littelfuse products to be designed into new customer products as they are being developed and to sell multiple technologies for a single customer product.

In 2004, we will integrate the successful value-added selling strategies of Teccor Electronics company wide. To facilitate this strategy, we are strengthening our sales force and providing enhanced product technology training, as well as aligning ourselves with channel partners that can sell our expanded product portfolio.

Design-In and Cross-Selling Provide Growth Opportunities

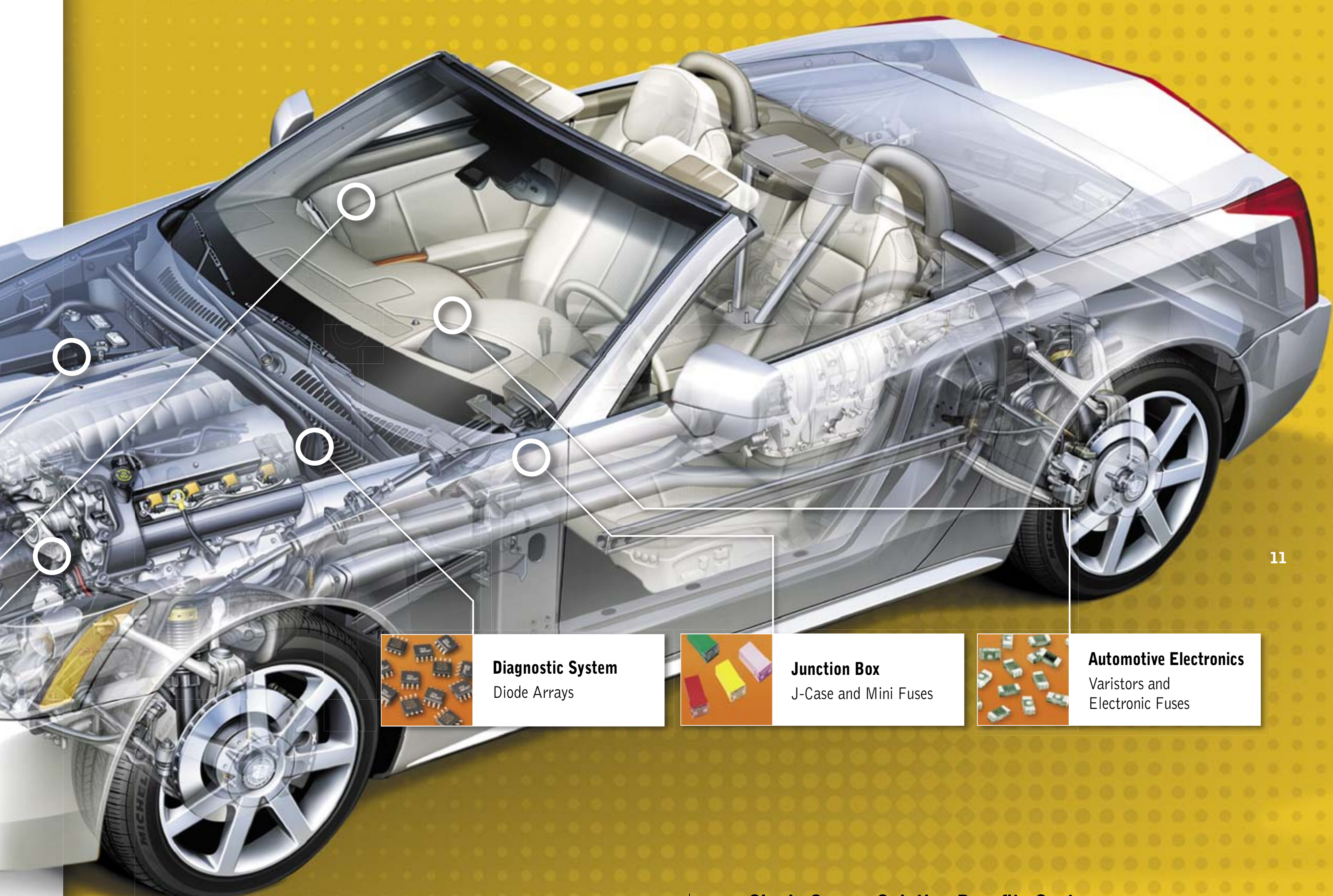
Recent design-in wins in the electronics area include applications such as new cell phones, personal computers, digital consumer products and industrial products. For automotive, design-in opportunities that have the potential to contribute to sales in the years ahead include the development of smart junction boxes, reduced cable sizing, increased battery protection and battery disconnects. In our electrical business, there are growth opportunities with equipment manufacturers who want to extend Littelfuse's highly successful Indicator technology into new applications.

A second area that can benefit from our focus on providing solutions is the inclusion of Littelfuse circuit protection components in reference designs provided by manufacturers. Having large, well-known companies recommending Littelfuse components as part of their installation specifications strengthens our reputation as the leader in circuit protection.

We also have opportunities to cross-sell the products of our three business units. Our

In industrial applications, UPS and TVSS equipment requires multiple circuit protection technologies.

The increasing array of features in today's vehicles provides opportunities to cross-sell our electronic and automotive products.



POWR-GARD electrical products are now being sold into automotive applications, including the growing market for hybrid vehicles. As vehicle manufacturers continue to add Internet access, DVD players, navigation systems and other features to their cars and trucks, there is a growing need for electronic circuit protection components. In electronics, our telecom customers not only need electronic circuit protection for their mobile phones, but also the power fuses provided by our electrical business unit for their cell phone towers. The industrial equipment market also offers opportunities to provide both electric and electronic circuit protection components for products such as UPS systems and transient voltage surge suppression equipment.

Single-Source Solution Benefits Customers

Working with one circuit protection technology supplier enables our customers to reduce operating costs associated with coordinating a larger number of suppliers. They also benefit from access to more technologies from an industry leader with global facilities in key customer markets.

Our people are the global experts in circuit protection.

Littelfuse Financials

We achieved a 20% increase in sales and a 59% increase in net earnings in 2003. Free cash flow reached a record $35.9 million. Our strong financial position enabled us to successfully complete the Teccor acquisition without increasing our debt and also allowed us to reinvest in equipment and technology.

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

The following discussion provides an analysis of the information contained in the consolidated financial statements and accompanying notes beginning on page 21 for the three fiscal years ended January 3, 2004, December 28, 2002, and December 29, 2001, respectively.

Results of Operations — 2003 Compared with 2002

Sales increased 20% to $339.4 million in 2003 from $283.3 million in 2002. The increase in sales was primarily in the Americas and Asia, driven by increased demand for electronic products in the Asia region and sales from the Teccor Electronics, Inc. ("Teccor") acquisition. Electronic sales increased $55.6 million or 37% to $206.5 million in 2003 compared to $150.9 million in 2002. Excluding sales of Teccor products, electronic sales increased $14.6 million or 10% to $165.5 million in 2003 compared to $150.9 million in 2002, primarily due to increased demand in Asia. Automotive sales were essentially flat compared to the prior year as pricing pressure offset increased volume and strengthening of the Euro against the U.S. Dollar. Electrical product sales increased $0.4 million or 1% to $34.6 million in 2003 compared to $34.2 million in 2002, primarily due to modest improvements in commercial construction and industrial activity in the North American market. International sales increased 24.6% to $189.6 million or 55.9% of net sales in 2003 from $152.2 million or 53.7% of net sales in 2002. The increase in international sales was primarily due to strong demand for electronic products in Asia, the addition of Teccor and favorable currency effects.

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

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

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

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

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

Results of Operations — 2002 Compared with 2001

Sales increased 4% to $283.3 million in 2002 from $272.1 million in 2001. Electronic sales increased $4.6 million or 3% to $150.9 million in 2002 compared to $146.3 million in 2001. The increase in electronic sales was driven by increased demand in the Asia region and sales from the Semitron Industries acquisition, partially offset by weakness in Europe and North America. Excluding sales of Semitron products, electronic sales in 2002 were flat as compared to the prior year. Automotive sales increased $7.1 million or 8% to $98.2 million in 2002 compared to $91.1 million in 2001, due to strength in vehicle production in North America and strengthening of the Euro against the U.S. Dollar. Electrical product sales decreased $0.5 million or 2% to $34.2 million in 2002 compared to $34.7 million in 2001, due to continued weakness in commercial construction and lower levels of industrial activity in the North American market. International sales increased 8% to $152.2 million or 53.7% of net sales in 2002 from $141.3 million or 51.9% of net sales in 2001. The increase in international sales was primarily due to strong demand for electronic products in Asia.

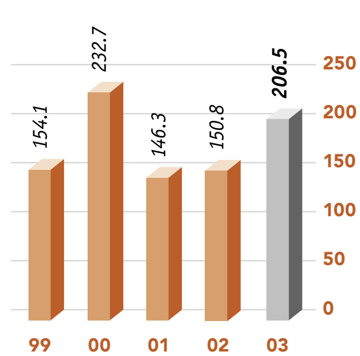
Gross profit was $88.6 million or 31.3% of sales in 2002 compared to $85.6 million or 31.5% of sales in 2001. The gross profit margin was negatively affected by increased price pressure for electronic products and the addition of Semitron, which had been operating at approximately breakeven levels.

Selling, general and administrative expenses increased $1.4 million to $63.6 million in 2002, from $62.2 million in 2001, primarily due to 2002 restructuring expense of $2.0 million partially offset by reductions in head count. As a percentage of sales, selling, general and administrative expenses decreased to 22.4% in 2002 from 22.9% in 2001. Research and development costs decreased $0.5 million to $8.3 million, representing 2.9% of sales in 2002 as compared to 3.3% of sales in 2001. Amortization of reorganization value and other intangibles was $0.8 million or 0.3% of sales for 2002 compared to $6.0 million or 2.2% of sales for the prior year. The decrease in amortization expense resulted from the combination of the adoption of SFAS No. 142 and a natural drop off of patent amortization. The adoption of SFAS No. 142 reduced amortization expense by $3.4 million in the year, and the net natural drop off of intangible amortization provided an additional reduction of $1.8 million in the year. Total operating expenses, including intangible amortization, was 25.7% of sales in 2002, compared to 28.3% of sales in 2001.

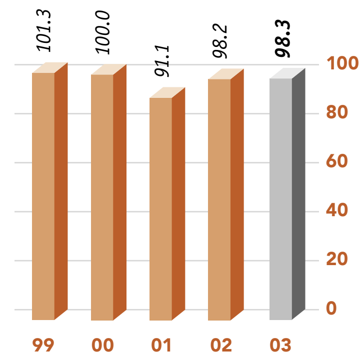
Operating income in 2002 increased 87% to $15.9 million or 5.6% of sales compared to $8.5 million or 3.1% of sales in the prior year. The improvement in operating income was driven by lower restructuring charges and the reduction of amortization expense discussed above.

Interest expense was $2.7 million in 2002 compared to $3.3 million in 2001 due to lower average debt levels in 2002. Other income, net, consisting of gain on the sale of certain non-core product lines, interest income, royalties and foreign currency items was $1.8 million compared to other income, net, of $1.1 million in the prior year.

Income before taxes was $15.0 million in 2002 compared to $6.4 million in 2001. Income tax expense was $5.4 million in 2002 compared to $2.3 million the prior year. Net income in the current year was $9.6 million, compared to $4.1 million in the prior year. The Company's effective tax rate was 36.0% in both 2002 and 2001. Diluted earnings per share increased to $0.44 in 2002 compared to $0.19 in 2001.



ELECTRONIC SALES
(in millions of dollars)



AUTOMOTIVE SALES
(in millions of dollars)

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.

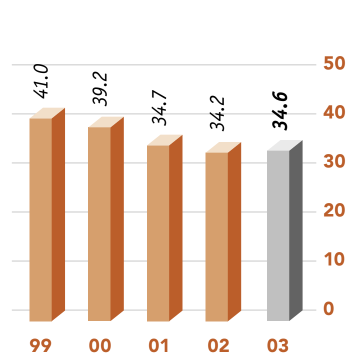
The Company has a domestic unsecured revolving credit line of $50.0 million, which matures on August 26, 2006. At January 3, 2004, there were no borrowings against this credit line. The Company's subsidiary in Japan also has an unsecured credit line of Yen 0.9 billion. At January 3, 2004, Yen 0.9 billion was drawn on the credit line in Japan.

The Company's bank credit agreement requires maintenance of certain financial ratios and a minimum net worth level. At January 3, 2004, 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.

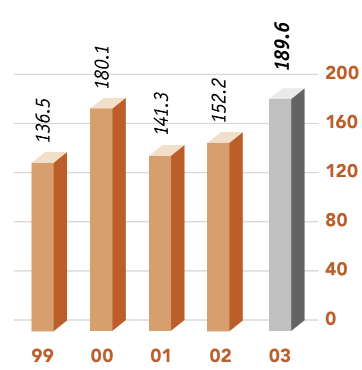
The Company started 2003 with $27.8 million of cash. Net cash provided by operations was $50.0 million in the year. Cash used in investing activities included $14.0 million in purchases of property, plant and equipment, $44.6 million for the acquisition of Teccor and $8.8 million in net proceeds from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

Decreases in net working capital provided $13.5 million of cash flow in 2003. The major factors contributing to lower working capital were a decrease in inventory of $5.9 million, a $5.0 million increase in accounts payable and accrued expenses and a $1.3 million reduction in prepaid and other items. Net working capital (working capital less cash, marketable securities and the current portion of long-term debt) as a percent of sales was 18.3% at year-end 2003 compared to 20.9% at year-end 2002 and 21.8% at year-end 2001. The days sales was outstanding in accounts receivable decreased to 50 days at year-end 2003 compared to 54 days at year-end 2002 and 61 days at year-end 2001. Days inventory outstanding was 71 days at year-end 2003 compared to 88 days at year-end 2002 and 99 days at year-end 2001.

The ratio of current assets to current liabilities was 1.8 to 1 at year-end 2003 compared to 2.3 to 1 at year-end 2002 and 2.2 to 1 at year-end 2001. The ratio of long-term debt



ELECTRICAL SALES
(in millions of dollars)



INTERNATIONAL SALES
(in millions of dollars)

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

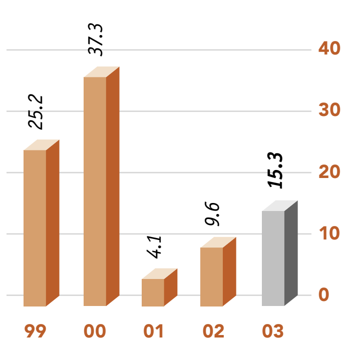
to equity was 0.0 to 1 at year-end 2003 compared to 0.1 to 1 at year-end 2002 and 0.2 to 1 at year-end 2001.

The Company started 2002 with $34.5 million of cash. Net cash provided by operations was $40.8 million in the year. Cash used in investing activities included $8.4 million in purchases of property, plant and equipment, $15.0 million for the acquisition of Semitron Industries and $8.8 million in purchases of marketable securities. Cash used in financing activities included cash proceeds from the exercise of stock options of $1.6 million, offset by repurchase of the Company's common stock for $3.6 million and net payments of long-term debt of $13.0 million. The effect of exchange rate changes decreased cash by $0.4 million. The net cash provided by operations and financing activities, less investing activities plus the effect of exchange rates, resulted in a $6.8 million net decrease in cash. This left the Company with a cash balance of $27.8 million at the end of 2002.

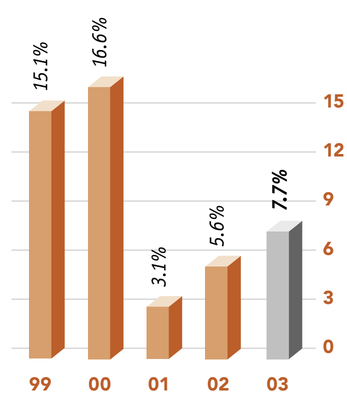
Decreases in net working capital provided $11.8 million of cash flow in 2002. The major factors contributing to lower working capital were a decrease in inventory of $4.8 million, a $2.8 million reduction in accounts receivable, a $3.3 million increase in accounts payable and accrued expenses and a $0.9 million reduction in prepaid and other items. Net working capital (defined as working capital less cash, marketable securities and the current portion of long-term debt) as a percent of sales was 20.9% at year-end 2002 compared to 21.8% at year-end 2001 and 20.0% at year-end 2000. The days sales outstanding in accounts receivable decreased to 54 days at year-end 2002 compared to 61 days at year-end 2001 and 58 days at year-end 2000. Days inventory outstanding was 88 days at year-end 2002 compared to 99 days at year-end 2001 and 109 days at year-end 2000. The improvements in days sales outstanding and days inventory outstanding are driven by increased focus on working capital management.

The Company's capital expenditures were $14.0 million in 2003, $8.4 million in 2002 and $14.1 million in 2001. The Company expects that capital expenditures in 2004 will be higher than 2003. The primary purposes for capital expenditures in 2004 will be for new product tooling, production equipment, facility expansion and capital spending related to Teccor. As in 2003, the Company expects to finance capital expenditures in 2004 through cash flow from operations.

The Company decreased total debt by $11.5 million in 2003 after decreasing debt by $13.0 million in 2002 and $6.0 million in 2001. The Company is required to repay $10.0 million of its Senior Notes in 2004. Separately, the Company has $8.4 million in renewable foreign credit facilities outstanding at January 3, 2004, due in 2004. The Company's Board of Directors has authorized the Company to repurchase shares of its common stock, from time to time, depending on market conditions. The Company repurchased zero common shares in 2003, 225,800 common shares for $3.6 million in 2002 and 50,000 common shares for $1.3 million in 2001.



NET INCOME
(in millions of dollars)



OPERATING MARGIN

Contractual Obligations

The following table summarizes contractual obligations and commitments, as of January 3, 2004 (in thousands):

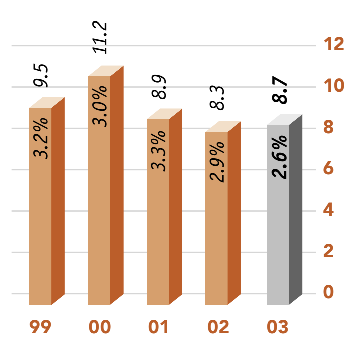
		Payment Due By Period			
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Long-term debt obligations	$28,697	$18,496	$10,161	$ 40	$ —
Interest payments	1,513	1,111	402	—	—
Operating lease payments	8,830	3,764	4,009	1,057	—
Total	$39,040	$23,371	$14,572	$1,097	$ —

Critical Accounting Policies

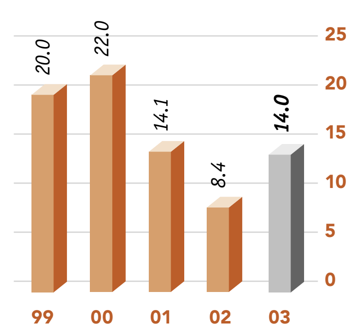
Certain of the accounting policies as discussed below require the application of significant judgment by management in selecting the appropriate estimates and assumptions for calculating amounts to record in the financial statements. Actual results could differ from those estimates and assumptions, impacting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

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

Inventory: The Company performs a detailed assessment of inventory, which includes a review of, among other



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



CAPITAL SPENDING
(in millions of dollars)

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

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

The Company determined the fair value of each of the business segments by benchmarking acquisition multiples of comparable manufacturing and distribution companies. This analysis is based upon comparable companies as determined by management and data from sources of publicly available information available at the time of preparation. In making these projections, the Company considered the markets it was addressing, the competitive environment and its advantages. The Company determined that the fair value of each of the reporting units exceeded their carrying amounts and, therefore, no goodwill impairment existed. The Company will continue to perform a goodwill impairment test on an annual basis and on an interim basis, if certain conditions exist. Factors the Company consider 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 no-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 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.

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

Market Risk

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

The Company had long-term debt outstanding at January 3, 2004, in the form of Senior Notes at fixed interest rates and a foreign line of credit at variable rates. Since 70% of this debt has fixed interest rates, the Company's interest expense is not materially sensitive to changes in interest rate levels.

A portion of the Company's operations consists of manufacturing and sales activities in foreign countries. The Company has manufacturing facilities in Mexico, U.K., Ireland, Switzerland, China and the Philippines. During 2003, sales exported from the United States or manufactured abroad accounted for 55.9% percent of total sales. Substantially all sales in Europe are denominated in Euros, U.S. Dollars and British Pound Sterling, and substantially all sales in the Asia-Pacific region are denominated in U.S. Dollars, 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 slightly more than half of total sales, a significant portion of the resulting accounts receivable is denominated in foreign currencies. Changes in foreign currency exchange rates or weak economic conditions in the foreign countries in which it manufactures and distributes products could affect the Company's sales, accounts receivable values and financial results. The Company uses netting and offsetting intercompany account management techniques to reduce known foreign currency exposures where possible and also considers the use of derivative instruments to hedge certain foreign currency exposures deemed to be material. The Company has entered into cross currency interest rate swaps, as discussed in Note 7 of the Notes to Consolidated Financial Statements, designated as a cash flow hedge of the foreign currency exchange rate risk associated with forecasted intercompany sales transactions denominated in Japanese Yen.

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

Outlook

Sales in 2004 are expected to improve slightly in the automotive and electrical markets. Sales in the electronics market are expected to show steady growth, particularly in Asian markets. As these markets improve, the Company believes its long-term growth strategy, which emphasizes development of new circuit protection products and providing customers with solutions and technical support in all major regions of the world, will drive sales growth in all of its markets.

With the expectation of continued pricing pressure, the Company initiated a manufacturing rationalization program in 2001 emphasizing consolidation of plants and transfer of manufacturing to lower cost locations. The program involved manufacturing plant closures in the U.S., U.K. and Korea and workforce reductions in Ireland. The program is substantially completed as of January 3, 2004. The Company plans to initiate a new series of projects in 2004 to consolidate and reduce costs in its global manufacturing and distribution operations. These programs are expected to generate sufficient cost savings to more than offset price erosion in 2004. The Company also plans to increase research and development spending to accelerate new product development in order to help to drive future sales growth. The benefits of incremental volume improvements and cost savings are expected to have a favorable impact on earnings in 2004.

The Company is working to expand its market share in the overvoltage circuit protection market with the addition of products and technology through the Semitron Industries, Harris Suppression Products and Teccor acquisitions and the ability to offer customers total circuit protection solutions. The Company remains committed to investing in new product development and technical resources to provide customers with overcurrent and overvoltage circuit protection solutions and expertise.

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

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

The statements in this section, the letter to shareholders and in the other sections of this report which are not historical facts contained in this report are forward-looking statements that involve risks and uncertainties, including, but not limited to, product demand and market acceptance risks, the effect of economic conditions, the impact of competitive products and pricing, product development and patent protection, commercialization and technological difficulties, 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.

Report of Independent Auditors

The Board of Directors and Shareholders of Littelfuse, Inc.

We have audited the accompanying consolidated balance sheets of Littelfuse, Inc. and subsidiaries as of January 3, 2004 and December 28, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 3, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Littelfuse, Inc. and subsidiaries as of January 3, 2004 and December 28, 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 3, 2004, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the financial statements in the year ended December 28, 2002, the Company changed its method of accounting for goodwill.

Ernst + Young LLP

Ernst & Young LLP

Chicago, Illinois
February 3, 2004

Consolidated Balance Sheets

(In Thousands)	January 3, 2004	December 28, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 22,128**	$ 27,750
Short-term investments	**—**	8,806
Accounts receivable, less allowances (2003 — $7,470; 2002 – $7,330)	**52,149**	40,810
Inventories	**52,598**	44,533
Deferred income taxes	**17,096**	12,451
Prepaid expenses and other current assets	**5,169**	2,695
Total current assets	**149,140**	137,045
Property, plant, and equipment:		
Land	**8,572**	9,738
Buildings	**38,531**	32,733
Equipment	**205,697**	172,266
	252,800	214,737
Accumulated depreciation	**(154,321)**	(133,615)
	98,479	81,122
Intangible assets, net of amortization:		
Patents and licenses	**17**	36
Distribution network	**4,113**	4,607
Trademarks	**7,813**	2,270
Goodwill	**48,643**	49,043
	60,586	55,956
Other assets	**3,365**	3,355
Total assets	**$ 311,570**	$ 277,478
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 15,206**	$ 11,094
Accrued payroll	**20,894**	17,373
Accrued expenses	**15,077**	8,425
Accrued income taxes	**13,715**	4,416
Current portion of long-term debt	**18,496**	18,994
Total current liabilities	**83,388**	60,302
Long-term debt, less current portion	**10,201**	20,252
Deferred income taxes	**—**	1,713
Accrued post-retirement benefits	**4,564**	9,027
Other long-term liabilities	**1,215**	473
Shareholders' equity:		
Preferred stock, par value $.01 per share: 1,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, par value $.01 per share: 34,000,000 shares authorized; shares issued and outstanding, 2003 – 22,002,119; 2002 – 21,759,065	**220**	218
Additional paid-in capital	**75,859**	71,918
Notes receivable – Common stock	**(3,550)**	(3,900)
Accumulated other comprehensive loss	**(3,042)**	(9,901)
Retained earnings	**142,715**	127,376
Total shareholders' equity	**212,202**	185,711
Total liabilities and shareholders' equity	**$ 311,570**	$ 277,478

See accompanying notes.

Consolidated Statements of Income

(In Thousands, Except per Share Amounts)

Year Ended	January 3, 2004	December 28, 2002	December 29, 2001
Net sales	**$339,410**	$283,267	$272,149
Cost of sales	**234,984**	194,644	186,557
Gross profit	**104,426**	88,623	85,592
Selling, general and administrative expenses	**68,579**	63,591	62,197
Research and development expenses	**8,694**	8,334	8,883
Amortization of intangibles	**1,072**	767	5,972
Operating income	**26,081**	15,931	8,540
Interest expense	**2,045**	2,653	3,291
Other expense (income), net	**68**	(1,753)	(1,112)
Income before income taxes	**23,968**	15,031	6,361
Income taxes	**8,629**	5,411	2,291
Net income	**$ 15,339**	$ 9,620	$ 4,070
Net income per share:			
Basic	**$ 0.70**	$ 0.44	$ 0.20
Diluted	**$ 0.70**	$ 0.44	$ 0.19
Weighted-average shares and equivalent shares outstanding:			
Basic	**21,881**	21,858	19,951
Diluted	**22,004**	21,971	21,731

See accompanying notes.

Consolidated Statements of Cash Flows

(In Thousands)

Year Ended	January 3, 2004	December 28, 2002	December 29, 2001
Operating activities			
Net income	**$ 15,339**	$ 9,620	$ 4,070
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**20,029**	18,137	19,710
Amortization of intangibles	**1,072**	767	5,972
Provision for bad debts	**50**	356	308
Deferred income taxes	**(6,458)**	(575)	(7,531)
Other	**(205)**	651	(435)
Changes in operating assets and liabilities:			
Accounts receivable	**387**	2,794	10,573
Inventories	**5,865**	4,762	11,873
Accounts payable and accrued expenses	**12,584**	3,296	(3,710)
Prepaid expenses and other	**1,290**	950	(520)
Net cash provided by operating activities	**49,953**	40,758	40,310
Investing activities			
Purchases of property, plant, and equipment, net	**(14,041)**	(8,360)	(14,121)
Purchase of businesses, net of cash acquired	**(44,590)**	(15,031)	(168)
Purchase of marketable securities	**(1,598)**	(13,747)	—
Sale of marketable securities	**10,404**	4,941	—
Net cash used in investing activities	**(49,825)**	(32,197)	(14,289)
Financing activities			
Proceeds from long-term debt	**30,500**	112	15,855
Payments of long-term debt	**(41,996)**	(13,130)	(21,887)
Proceeds from exercise of stock options and warrants	**4,291**	1,614	10,519
Purchases of common stock and redemption of warrants	**—**	(3,556)	(1,256)
Net cash provided by (used in) financing activities	**(7,205)**	(14,960)	3,231
Effect of exchange rate changes on cash	**1,455**	(378)	(216)
Increase (decrease) in cash and cash equivalents	**(5,622)**	(6,777)	29,036
Cash and cash equivalents at beginning of year	**27,750**	34,527	5,491
Cash and cash equivalents at end of year	**$ 22,128**	$ 27,750	$ 34,527

See accompanying notes.

Consolidated Statements of Shareholders' Equity

(In Thousands)

	Common Stock	Additional Paid-In Capital	Notes Receivable–Common Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 30, 2000	$198	$60,223	$(3,353)	$(7,874)	$117,533	$166,727
Comprehensive income:						
Net income for the year	—	—	—	—	4,070	4,070
Foreign currency translation adjustment	—	—	—	(2,391)	—	(2,391)
Comprehensive income						1,679
Stock options and warrants exercised	21	10,593	(95)	—	—	10,519
Purchase of 50,000 shares of common stock	—	(175)	—	—	(1,081)	(1,256)
Balance at December 29, 2001	$219	$70,641	$(3,448)	$(10,265)	$120,522	$177,669
Comprehensive income:						
Net income for the year	—	—	—	—	9,620	9,620
Change in net unrealized loss on derivatives	—	—	—	(231)	—	(231)
Minimum pension liability adjustment, net of tax	—	—	—	(3,462)	—	(3,462)
Foreign currency translation adjustment	—	—	—	4,057	—	4,057
Comprehensive income						9,984
Stock options and warrants exercised	1	2,065	(452)	—	—	1,614
Purchase of 225,800 shares of common stock	(2)	(788)	—	—	(2,766)	(3,556)
Balance at December 28, 2002	$218	$71,918	$(3,900)	$(9,901)	$127,376	$185,711
Comprehensive income:						
Net income for the year	—	—	—	—	15,339	15,339
Change in net unrealized loss on derivatives	—	—	—	(770)	—	(770)
Minimum pension liability adjustment, net of tax	—	—	—	3,216	—	3,216
Foreign currency translation adjustment	—	—	—	4,413	—	4,413
Comprehensive income	—	—	—	—	—	22,198
Payments on notes receivable	—	—	350	—	—	350
Stock options and warrants exercised	2	3,941	—	—	—	3,943
Balance at January 3, 2004	**$220**	**$75,859**	**$(3,550)**	**$(3,042)**	**$142,715**	**$212,202**

See accompanying notes.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies and Other Information

Nature of Operations Littelfuse, Inc. and its subsidiaries (the Company) design, manufacture, and sell circuit protection devices for use in the automotive, electronic and electrical markets throughout the world.

Fiscal Year The Company's fiscal years ended January 3, 2004, December 28, 2002 and December 29, 2001, and contained 53, 52 and 52 weeks, respectively.

Basis of Presentation The consolidated financial statements include the accounts of Littelfuse, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain amounts reported in previous years have been reclassified to conform to the 2003 presentation.

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

Short-term Investments Short-term investments consist primarily of liquid debt instruments purchased with maturity dates greater than three months. 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, short-term investments, accounts receivable and long-term debt. The carrying values of such financial instruments approximate their estimated fair values.

Accounts Receivable The Company performs credit evaluations of customers' financial condition and generally does not require collateral. Credit losses are provided for in the financial statements based upon specific knowledge of a customer's inability to meet its financial obligations to the Company. Historically, credit losses have consistently been within management's expectations and have not been a material amount. The Company also maintains allowances against accounts receivable for the settlement of rebates and sales discounts to customers. These allowances are based upon specific customer sales and sales discounts as well as actual historical experience.

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

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

Intangible Assets Prior to the adoption of the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" on December 30, 2001, reorganization value in excess of amounts allocable to identifiable assets and trademarks was amortized using the straight-line method over 20 years. Trade name is amortized using the straight-line method over its estimated useful life of 10 years. Patents are amortized using the straight-line method over their estimated useful lives, which average approximately 10 years. The distribution network has been amortized using an accelerated method over 20 years. Licenses have been amortized using an accelerated method over their estimated useful lives, which average approximately 9 years. Other intangible assets consisting principally of goodwill were amortized over 10 to 20 years.

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.

Advertising Costs The Company expenses advertising costs as incurred which amounted to $1.2 million in 2003, $2.1 million in 2002 and $1.1 million in 2001.

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

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

Stock-Based Compensation As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company accounts for stock option grants to employees and directors in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," using the intrinsic value method. Generally, the Company grants stock options for a fixed number of shares with an exercise price equal to the market price of the underlying stock at the date of grant and, accordingly, does not recognize compensation expense. On certain occasions, the Company has granted stock options for a fixed number of shares with an exercise price below that of the underlying stock on the date of the grant and recognizes compensation expense accordingly. This compensation expense has not been material. See Note 9 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)	2003	2002	2001
Net income as reported	**$15,339**	$9,620	$4,070
Stock option compensation			
expense, net of tax	**(1,149)**	(1,022)	(1,436)
Pro forma net income	**$14,190**	$8,598	$2,634
Basic net income per share			
As reported	**$ 0.70**	$ 0.44	$ 0.20
Pro forma	**$ 0.65**	$ 0.39	$ 0.13
Diluted net income per share			
As reported	**$ 0.70**	$ 0.44	$ 0.19
Pro forma	**$ 0.65**	$ 0.39	$ 0.13
Risk-free interest rate	**3.45%**	3.24%	5.11%
Expected dividend yield	**0%**	0%	0%
Expected stock price volatility	**46.9%**	41.4%	58.6%
Expected life of options	**8 years**	8 years	8 years

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

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

Shipping and Handling Fees and Costs Amounts billed to customers in a sales transaction represent fees earned for the goods provided and, accordingly, amounts billed related to shipping and handling should be classified as revenue. Costs incurred for shipping and handling of $4.3 million, $3.6 million and $3.1 million in 2003, 2002 and 2001, respectively, are classified in Selling, General, and Administrative Expenses.

Accounting Pronouncements In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which prohibits the amortization of goodwill and intangible assets with indefinite useful lives. Statement 142 requires that these assets be reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. Statement 142 also requires that goodwill included in the carrying value of equity method investments no longer be amortized. The Company adopted the provisions of Statement 142 as of December 30, 2001. The Company has tested goodwill for impairment both as of the date of adoption of Statement No. 142 and September 27, 2003 and as of September 29, 2002 as prescribed in Statement 142 and determined that there was no impairment. The effect of non-amortization of goodwill had Statement 142 been effective at the beginning of each year is as follows:

(In thousands, except per share amounts)	2003	2002	2001
Net income as reported	**$15,339**	$9,620	$4,070
Add back: Goodwill			
amortization, net of tax	**—**	—	2,145
Adjusted net income	**$15,339**	$9,620	$6,215
Basic net income per share			
As reported	**$ 0.70**	$ 0.44	$ 0.20
Goodwill amortization	**—**	—	0.11
Adjusted basic net income			
per share	**$ 0.70**	$ 0.44	$ 0.31
Diluted net income per share			
As reported	**$ 0.70**	$ 0.44	$ 0.19
Goodwill amortization	**—**	—	0.10
Adjusted diluted net income share	**$ 0.70**	$ 0.44	$ 0.29

Notes to Consolidated Financial Statements

Restructuring Costs Included in the Company's operating results for the year ended December 29, 2001 are restructuring charges of $6.3 million in cost of sales. These charges were reported on a separate line entitled "Restructuring expense" in the prior year's consolidated financial statements. During 2003 these charges were reclassified to cost of sales. The Company expects these types of charges to be incurred in the future as part of the Company's on-going cost reduction efforts. These charges resulted from the Company's plant closures in the U.S. and the U.K., workforce reductions in Korea and the write-down of manufacturing equipment. Restructuring charges for the closure of the U.S. and the U.K. plants included $4.1 million of employee termination costs covering 462 technical, production, and production related employees. Restructuring of the Korea manufacturing operations included $1.1 million of employee termination costs covering 50 technical, production, administrative and support employees. The remaining $1.1 million of the restructuring expense relates to the non-cash write-down of manufacturing equipment. Restructuring charges incurred in 2001 were paid by December 29, 2001, Included in the Company's operating results for the year ended December 28, 2002 are restructuring charges of $3.7 million, consisting of $1.7 million of cost of sales and $2.0 million of selling, general and administrative expense, respectively. These charges were reported on a separate line entitled "Restructuring expense" in the prior year's consolidated financial statements. During 2003 these charges were reclassified to cost of sales and selling, general and administrative expenses. The Company expects these types of charges to be incurred in the future as part of the Company's on-going cost reduction efforts. These charges resulted from the Company's plant closure in Korea, workforce reductions in Ireland and the write-down of manufacturing equipment. Restructuring charges for the closure of the Korea plant included $1.5 million of employee termination costs covering 62 technical, production, administrative and support employees. Restructuring of the Ireland manufacturing operations included $1.4 million of employee termination costs covering 19 technical, production, administrative and support employees. The remaining $0.8 million of the restructuring expense relates to the non-cash write-down of manufacturing equipment. All restructuring liabilities that existed at December 28, 2002 were paid during 2003. Included in the Company's operating results for the year ended January 3, 2004 are restructuring charges of $3.2 million in cost of sales related to employee termination costs. These charges primarily result from the Company's planned workforce reduction of 29 production related employees in Ireland. Of the $3.2 million restructuring charges accrued in 2003, $3.1 million was paid in 2003 and the remaining $0.1 million is expected to be paid in 2004.

2. Acquisition of Business

On July 7, 2003, the Company completed the acquisition of all of the outstanding stock of Teccor Electronics, Inc. ('Teccor'), a subsidiary of Invensys plc for $44.6 million in cash, plus a future payment of $5.0 million contingent on sales of Teccor products reaching $107.0 million for calendar year 2005. Teccor manufactures semiconductor products for the telecommunications and industrial market segments, including transient voltage suppression devices and power switching devices. The addition of Teccor's transient voltage suppression products expands the Company's line of overvoltage products and strengthens its position in the telecom and industrial market segments. The acquisition was accounted for using the purchase method and the operations of Teccor are included in the Company's operations from the date of acquisition. The allocation of the purchase price resulted in no goodwill. The acquisition was funded with cash on hand and borrowings under the Company's $50.0 million revolving credit facility. The allocation of purchase price, net of cash, is as follows:

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

Purchase accounting liabilities are estimated to be $6.9 million and are primarily for redundancy costs related to manufacturing operations and selling, general and administrative functions. The Company began formulating the plan to incur these costs as of the acquisition date. Included in this amount is $0.7 million to reflect the obligation of Teccor to remit to Invensys proceeds from the sale of land. As of January 3, 2004, $0.7 million of restructuring payments related to employee severance have been paid leaving a balance of $6.2 million in purchase accounting liabilities at January 3, 2004. The remaining accrued liabilities are expected to be paid by the end of the 2004 fiscal year.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming the acquisition had occurred on December 30, 2001.

(In thousands, except per share data) For the year ended	2003	2002
Net revenues	**$375,797**	$363,384
Net income from operations	**23,211**	9,773
Net income	**13,179**	4,920
Diluted net income per share	**$ 0.60**	$ 0.22

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 acquisition been completed as of the beginning of the respective periods, or of future results.

On July 16, 2002, the Company acquired Semitron Industries for $12.6 million and 40% of LC Fab Co. for $2.4 million in cash. Semitron Industries manufactures and markets a broad line of transient voltage suppression devices that provide circuit protection for products in numerous markets including computer, telecommunications, automotive and consumer electronics. LC Fab Co. provides semiconductor dies for assembly at Semitron Industries. Subsequent to the acquisition, Semitron Industries has been renamed Littelfuse UK Limited. This acquisition has been accounted for through the use of the purchase method of accounting; accordingly, the accompanying financial statements include the results of its operations since the acquisition date. The purchase price has been allocated to the following net assets acquired based on fair value of such assets: accounts receivable of $1.7 million, inventory of $1.9 million, property, plant and equipment of $3.0 million, goodwill of $7.4 million and liabilities assumed of $1.5 million. Purchase accounting liabilities recorded in 2002 consist of $0.2 million for transaction costs and $0.8 million for costs associated with involuntary termination of employees in connection with the integration of the business. Assuming that this acquisition had occurred at the beginning of 2002 and 2001, unaudited pro forma sales of Littelfuse, Inc. would have been $286.0 million in 2001 and $288.1 million in 2002 and pro forma results of operations would not have differed materially from reported results of operations. The pro forma results are not necessarily indicative of what would have occurred if the acquisition had been consummated at the beginning of each year, nor are they necessarily indicative of future consolidated operating results.

3. Inventories

The components of inventories are as follows at January 3, 2004 and December 28, 2002 (in thousands):

	2003	2002
Raw materials	**$11,783**	$10,084
Work in process	**16,224**	11,615
Finished goods	**24,591**	22,834
Total net inventory	**$52,598**	$44,533

4. Intangible Assets

The Company recorded amortization expense of $1.1 million, $0.8 million and $6.0 million in 2003, 2002 and 2001, respectively. The details of intangible assets and future amortization expense of existing intangible assets at January 3, 2004, are as follows (in thousands):

	As of January 3, 2004			As of December 28, 2002		
	Gross Carrying Value	Accumulated Amortization	Weighted Average Useful Life	Gross Carrying Value	Accumulated Amortization	Weighted Average Useful Life
Patents and licenses	**$22,820**	**$22,803**	**8.0**	$22,820	$22,784	8.0
Distribution network	**13,440**	**9,327**	**20.0**	13,440	8,833	20.0
Trademarks and tradenames	**11,145**	**3,332**	**15.0**	5,045	2,775	20.0
Total	**$47,405**	**$35,462**	**12.3**	$41,305	$34,392	12.8

Estimated amortization expense related to intangible assets with definite lives at January 3, 2004, is as follows (in thousands):

2004	$ 1,951
2005	1,934
2006	1,934
2007	1,934
2008	1,934
Thereafter	2,256
	$11,943

The amounts for goodwill by operating segment are as follows at January 3, 2004 and December 28, 2002 (in thousands):

	2003	2002
Americas	**$36,492**	$36,837
Europe	**11,703**	11,758
Asia	**448**	448
Total goodwill	**$48,643**	$49,043

5. Long-Term Obligations

The carrying amounts of long-term debt, which approximate fair value, are as follows at January 3, 2004 and December 28, 2002 (in thousands):

	2003	2002
6.16% Senior Notes, maturing 2005	**$20,000**	$30,000
Revolving credit facility	—	—
Other obligations	**8,697**	9,096
Capital lease obligations	—	150
	28,697	39,246
Less: Current maturities	**18,496**	18,994
	$10,201	$20,252

The Company has unsecured domestic financing arrangements consisting of Senior Notes with insurance companies and a credit agreement with banks that provides a $50.0 million revolving credit facility. The Senior Notes require minimum annual principal payments. No principal payments are required for borrowings against the revolving line of credit until the line matures on August 26, 2006. At January 3, 2004, the Company had available $50.0 million of borrowing capability under the revolving credit facility at an interest rate of LIBOR plus 1.0%. The bank credit agreement provides for letters of credit of up to $5.0 million as part of the available line of credit. At January 3, 2004, the Company had $1.9 million of outstanding letters of credit.

The Company also has an unsecured bank line of credit in Japan that provides a Yen 0.9 billion revolving credit facility at an interest rate of TIBOR plus 1.0% (1.08% as of January 3, 2004. At January 3, 2004, the Company had an equivalent of $8.4 million outstanding on the Yen facility.

The Senior Notes and bank credit agreement contain covenants that, among other matters, impose limitations on the incurrence of additional indebtedness, future mergers, sales of assets, payment of dividends, and changes in control, as defined. In addition, the Company is required to satisfy certain financial covenants and tests relating to, among other matters, interest coverage, working capital, leverage and net worth. At January 3, 2004 and for the year then ended, the Company was in compliance with these covenants.

Aggregate maturities of long-term obligations at January 3, 2004, are as follows (in thousands):

2004	$18,496
2005	10,081
2006	80
2007	40
2008 and thereafter	—
	$28,697

Interest paid on long-term debt approximated $2.1 million in 2003, $2.5 million in 2002 and $3.1 million in 2001.

6. Short-term Investments

Short-term investments consist primarily of liquid debt instruments purchased with remaining maturity dates greater than three months.

The following is a summary of short-term investments classified as "available-for-sale" securities as of December 28, 2002 (in thousands):

Debt/equity securities:	
Amortized cost	$8,808
Gross unrealized gains	2
Gross unrealized losses	4
Estimated fair value	$8,806

Proceeds from the sales of short-term investments in 2003 were $10.4 million. Realized gains and losses on the sales of securities are based on the specific identification method and included in earnings. During 2003, realized gains on sales of securities were not material to the results of operations and there were no realized losses. During 2002, there were no realized gains, and losses on sales of securities were not material to the results of operations.

7. Derivatives and Hedging

On June 11, 2002, the Company entered into cross-currency rate swaps, with a notional amount of $11.6 million and a maturity date of September 5, 2005. The cross-currency rate swaps convert a portion of the Company's U.S. Dollar fixed rate debt to fixed rate Japanese Yen debt and have been designated as a cash flow hedge of the variability of Yen cash flows attributable to the exchange rate risk on forecasted intercompany sales of inventory to a Japanese subsidiary. The notional amount outstanding at January 3, 2004, was $6.8 million and the fair value of the outstanding cross-currency rate swap agreements was recognized as a $1.1 million liability and as a charge to consolidated equity as a component of other comprehensive income in the Consolidated Balance Sheet at January 3, 2004. The notional amount outstanding at December 28, 2002, was $10.0 million and the fair value of the outstanding cross-currency rate swap agreements was recognized as a $0.2 million liability and as a charge to comprehensive loss as a component of other comprehensive loss in the Consolidated Balance Sheet at December 28, 2002. There were no cross-currency rate swaps outstanding as of December 29, 2001.

8. 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, 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 $0.3 million, $0.3 million and $0.2 million in 2003, 2002 and 2001, respectively.

Notes to Consolidated Financial Statements

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 2004, the Company expects to make contributions to defined benefit pension plans in the range of $0.5 million to $4.5 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.

Charges to record additional minimum pension liability reflected in accumulated other comprehensive loss in the Consolidated Balance Sheet, net of tax were $0.3 million in 2003 and $3.5 million in 2002. Differences between total pension expense of $3.6 million, $2.2 million and $1.8 million in 2003, 2002 and 2001, respectively, were not material to the overall financial performance of the Company. The increases in pension expense in 2003 and 2002 were primarily due to lower asset investment returns than assumed and a decrease in the discount rate.

	U.S.		Total Foreign	
	2003	**2002**	**2003**	**2002**
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 54,485**	$ 47,764	**$21,516**	$15,819
Service cost	**2,667**	2,198	**786**	621
Interest cost	**3,551**	3,528	**1,260**	992
Plan participants' contributions	**—**	—	**178**	167
Net actuarial loss (gain)	**(2,152)**	3,885	**(22)**	1,638
Benefits paid	**(2,903)**	(2,890)	**(708)**	(764)
Effect of exchange rate movements	**—**	—	**4,469**	3,043
Benefit obligation at end of year	**$ 55,648**	$ 54,485	**$27,479**	$21,516
Change in plan assets at fair value				
Fair value of plan assets at beginning of year	**$ 35,685**	$ 43,139	**$17,347**	$16,919
Actual return (loss) on plan assets	**8,886**	(4,564)	**1,993**	(2,113)
Employer contributions	**3,000**	—	**537**	431
Plan participant contributions	**—**	—	**178**	167
Benefits paid	**(2,903)**	(2,890)	**(708)**	(764)
Effect of exchange rate movements	**—**	—	**3,650**	2,707
Fair value of plan assets at end of year	**$ 44,668**	$ 35,685	**$22,997**	$17,347
Unfunded status	**$(10,980)**	$(18,800)	**$(4,482)**	$ (4,169)
Unrecognized prior service cost (benefit)	**124**	—	**(142)**	(138)
Unrecognized transition asset	**—**	—	**(1,555)**	(1,401)
Unrecognized net actuarial loss (gain)	**6,552**	14,170	**6,294**	6,182
Prepaid pension asset (obligation)	**$ (4,304)**	$ (4,630)	**$ 115**	$ 474
Amounts recognized in the Consolidated Balance Sheet consist of:				
Prepaid benefit cost	**$ —**	$ —	**$ 50**	$ 29
Accrued benefit asset (obligation)	**(4,304)**	(8,154)	**(208)**	(856)
Accumulated other comprehensive income	**—**	2,291	**273**	1,171
Net amount recognized	**$ (4,304)**	$ (5,863)	**$ 115**	$ 344

The accumulated benefit obligation for the U.S. defined benefits plans was $45,984 and $45,839 at January 3, 2004 and December 28, 2002, respectively. The accumulated benefit obligation for the foreign plans was $22,787 and $17,751 at January 3, 2004 and December 28, 2002, respectively.

	U.S.			Foreign		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
Components of net periodic benefit cost						
Service cost	**$ 2,667**	$ 2,198	$ 2,327	**$ 995**	$ 796	$ 659
Interest cost	**3,551**	3,528	3,264	**1,260**	992	882
Expected return on plan assets	**(3,664)**	(4,112)	(4,182)	**(1,243)**	(1,277)	(1,129)
Amortization of prior service cost	**10**	46	66	**(11)**	(11)	—
Amortization of transition asset	**—**	—	—	**(102)**	(85)	(81)
Amortization of losses	**110**	—	—	**—**	—	—
Recognized actuarial loss	**—**	—	—	**253**	—	—
Total cost of the plan for the year	**2,674**	1,660	1,475	**1,152**	415	331
Expected plan participants' contribution	**—**	—	—	**(208)**	(175)	(159)
Net periodic benefit cost	**$ 2,674**	$ 1,660	$ 1,475	**$ 944**	$ 240	$ 172

Weighted average assumptions used to determine benefit obligations at year-end 2003, 2002 and 2001:

	U.S.			Foreign		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
Discount rate	**6.5%**	6.8%	7.3%	**5.5%**	5.5%	6.0%
Compensation increase rate	**4.5%**	4.5%	4.5%	**4.0%**	4.0%	4.0%
Measurement dates	**12/31/03**	12/31/02	12/31/01	**12/31/03**	12/31/02	12/31/01

Weighted average assumptions used to determine net periodic benefit cost for the years 2003, 2002 and 2001:

	U.S.			Foreign		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
Discount rate	**6.8%**	7.3%	7.5%	**5.5%**	6.0%	6.0%
Expected return on plan assets	**9.0%**	9.0%	9.0%	**6.7%**	6.8%	7.0%
Compensation increase rate	**4.5%**	4.5%	4.5%	**4.0%**	4.0%	4.0%
Measurement dates	**1/1/03**	1/1/02	1/1/01	**1/1/03**	1/1/02	1/1/01

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 9.0% 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	
	2003	**2002**
Equity securities	**74%**	69%
Debt securities	**26%**	31%
	100%	100%

Defined Contribution Plans

The Company also maintains a 401(k) savings plan covering substantially all U.S. employees. The Company matches 50% of the employee's annual contributions for the first 4% of the employee's gross wages. Employees vest in the Company contributions after two years of service. Company matching contributions amounted to $0.5 million, $0.6 million and $0.6 million in 2003, 2002 and 2001, respectively. The Company provides additional retirement benefits for certain key executives through its unfunded defined contribution Supplemental Executive Retirement Plan. The charge to expense for this plan amounted to $0.7 million, $0.4 million and $1.9 million in 2003, 2002 and 2001, respectively.

9. 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 where 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:

	2003		2002		2001	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	**1,976,605**	**$23.73**	1,902,905	$23.63	1,692,075	$22.53
Options granted						
Option price equals market price	**361,750**	**22.18**	329,250	23.18	391,200	27.18
Option price less than market price	**20,000**	**7.00**	4,000	5.00	1,000	5.00
Total options granted	**381,750**	**21.38**	333,250	22.96	392,200	(27.12)
Exercised	**(169,015)**	**17.29**	(99,580)	15.43	(116,170)	16.42
Forfeited	**(142,620)**	**27.64**	(159,970)	26.02	(65,200)	29.06
Outstanding at end of year	**2,046,720**	**$23.55**	1,976,605	$23.73	1,902,905	$23.63
Exercisable at end of year	**1,114,028**		1,060,140		938,623	
Available for future grant	**774,870**		1,004,500		164,400	
Weighted-average value of options granted during the year		**$13.71**		$12.75		$18.31
Option price equals market price		**13.25**		12.69		18.29
Option price less than market price		**23.89**		20.97		20.72

As of January 3, 2004, 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	28,100	$ 4.44	5.90	25,500
$7.00 to $11.16	79,200	9.96	10.75	59,200
$11.63 to $16.50	120,580	15.46	6.21	115,380
$17.81 to $25.50	1,172,210	21.91	9.69	588,178
$26.63 to $35.50	646,630	30.51	11.38	325,770

Notes Receivable – Common Stock In 1995, the Company established the Executive Loan Program under which certain management employees may obtain interest-free loans from the Company to facilitate their exercise of stock options and payment of the related income tax liabilities. Such loans, limited to 90% of the exercise price plus related tax liabilities, have a five-year maturity, subject to acceleration for termination of employment or death of the employee. Such loans are classified as a reduction of shareholders' equity. The Company changed its policy in 2002 such that management employees may no longer obtain such loans.

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

	January 3, 2004	December 28, 2002
Net unrealized loss on derivatives	**$(1,001)**	$ (231)
Minimum pension liability adjustment, net of tax	**(246)**	(3,462)
Foreign currency translation adjustment	**(1,795)**	(6,208)
Total	**$(3,042)**	$(9,901)

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

Rights Plan In December 1995, the Company adopted a shareholder rights plan providing for a dividend distribution of one preferred share purchase right for each share of common stock outstanding on and after December 15, 1995. The rights can be exercised only if an individual or group acquires or announces a tender offer for 15% or more of the Company's common stock. If the rights first become exercisable as a result of an announced tender offer, each right would entitle the holder to buy 1/200th of a share of a new series of preferred stock at an exercise price of $67.50. Once an individual or group acquires 15% or more of the Company's common stock, each right held by such individual or group becomes void and the remaining rights will then entitle the holder to purchase a number of common shares having a market value of twice the exercise price of the right. If the attempted takeover succeeds, each right will then entitle the holder to purchase a number of the acquiring Company's common shares having a market value of twice the exercise price of the right. After an individual or group acquires 15% of the Company's common stock and before they acquire 50%, the Company's Board of Directors may exchange the rights in whole or in part, at an exchange ratio of one share of common stock or 1/100th of a share of a new series of preferred stock per right. Before an individual or group acquires 15% of the Company's common stock, or a majority of the Company's Board of Directors are removed by written consent, whichever occurs first, the rights are redeemable for $0.01 per right at the option of the Company's Board of Directors. The Company's Board of Directors is authorized to reduce the 15% threshold to no less than 10%. Each right will expire on December 15, 2005, unless earlier redeemed by the Company.

10. Income Taxes

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

	2003	2002	2001
Current:			
Federal	**$10,346**	$ (527)	$ 5,187
State	**339**	249	(637)
Foreign	**4,402**	5,110	4,980
Subtotal	**15,087**	4,832	9,530
Deferred:			
Federal	**(6,897)**	2,987	(7,379)
Foreign	**439**	(2,408)	140
Subtotal	**(6,458)**	579	(7,239)
Provision for income taxes	**$ 8,629**	$5,411	$ 2,291

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

	2003	2002	2001
Domestic	**$ 6,808**	$ 6,542	$(10,030)
Foreign	**17,160**	8,489	16,391
Income before income taxes	**$23,968**	$15,031	$ 6,361

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):

	2003	2002	2001
Tax expense at statutory rate of 35%	**$8,389**	$5,259	$2,226
State and local taxes (benefit), net of federal tax benefit	**220**	162	(476)
Foreign income tax rate differential	**125**	179	(615)
Foreign losses for which no tax benefit is available	**—**	34	47
Other, net	**(105)**	(223)	1,109
Provision for income taxes	**$8,629**	$5,411	$2,291

Deferred income taxes are provided for the tax effects of temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities. Significant components of the Company's deferred tax assets and liabilities at January 3, 2004 and December 28, 2002, are as follows (in thousands):

	2003	2002
Deferred tax liabilities		
Tax depreciation and amortization in excess of book	**$ 1,572**	$ 5,397
Other	**1,340**	89
Total deferred tax liabilities	**2,912**	5,486
Deferred tax assets		
Accrued expenses	**16,324**	13,229
Foreign tax credit carryforwards	**2,782**	2,995
AMT credit carryforwards	**1,002**	—
Foreign net operating loss carryforwards	**2,666**	1,785
Gross deferred tax assets	**22,774**	18,009
Less: Valuation allowance	**(2,666)**	(1,785)
Total deferred tax assets	**20,108**	16,224
Net deferred tax assets	**$17,196**	$10,738

The deferred tax asset valuation allowance is related to deferred tax assets from foreign net operating losses. The AMT credit carryforward and the net operating loss carryforwards have no expiration date. The foreign tax credit carryforwards expire between 2006 and 2008. The Company paid income taxes of $2.7 million, $5.8 million and $8.4 million in 2003, 2002 and 2001, respectively. U.S. income taxes were not provided for on a cumulative total of approximately $37.5 million of undistributed earnings for certain non-U.S. subsidiaries as of January 3, 2004, 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.

11. Business Segment Information

The Company designs, manufactures and sells circuit protection devices throughout the world. The Company has three reportable geographic segments: The Americas, Europe and Asia-Pacific. The circuit protection market in these geographical segments is categorized into three major product areas: electronic, automotive and electrical. The Company evaluates the performance of each geographic segment based on its net income or loss. The Company also accounts for intersegment sales as if the sales were to third parties.

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

Notes to Consolidated Financial Statements

Information concerning the operations in these geographic segments for the fiscal years ended 2003, 2002 and 2001 are as follows (in thousands):

		The Americas	Europe	Asia-Pacific	Combined Total	Corporate	Reconciliation	Consolidated Total
Revenues	**2003**	**$ 167,417**	**$61,098**	**$110,895**	**$339,410**	**$ —**	**$ —**	**$339,410**
	2002	$148,047	$51,233	$ 83,987	$283,267	$ —	$ —	$283,267
	2001	$144,899	$51,430	$ 75,820	$272,149	$ —	$ —	$272,149
Intersegment revenues	**2003**	**70,882**	**54,742**	**21,443**	**147,067**	**—**	**(147,067)**	**—**
	2002	62,022	47,213	17,696	126,931	—	(126,931)	—
	2001	54,440	46,660	9,926	111,026	—	(111,026)	—
Interest expense	**2003**	**2,068**	**(25)**	**2**	**2,045**	**—**	**—**	**2,045**
	2002	2,450	19	184	2,653	—	—	2,653
	2001	3,075	23	193	3,291	—	—	3,291
Depreciation and amortization	**2003**	**16,442**	**1,541**	**2,350**	**20,333**	**768**	**—**	**21,101**
	2002	13,256	2,853	2,028	18,137	767	—	18,904
	2001	12,176	4,035	1,723	17,934	7,748	—	25,682
Other expense (income), net	**2003**	**728**	**(91)**	**(705)**	**(68)**	**—**	**—**	**(68)**
	2002	1,385	888	(520)	1,753	—	—	1,753
	2001	635	688	(211)	1,112	—	—	1,112
Income tax expense (benefit)	**2003**	**4,326**	**1,022**	**3,281**	**8,629**	**—**	**—**	**8,629**
	2002	3,583	1,764	64	5,411	—	—	5,411
	2001	(2,831)	2,871	2,251	2,291	—	—	2,291
Net income (loss)	**2003**	**5,306**	**869**	**9,932**	**16,107**	**(768)**	**—**	**15,339**
	2002	2,626	3,235	8,270	14,131	(4,511)	—	9,620
	2001	5,426	7,363	5,347	18,136	(14,066)	—	4,070
Identifiable assets	**2003**	**273,952**	**33,637**	**47,798**	**355,387**	**82,919**	**(126,736)**	**311,570**
	2002	202,642	32,908	45,079	280,629	83,706	(86,857)	277,478
	2001	191,626	35,568	41,643	268,837	83,048	(79,613)	272,272
Capital expenditures, net	**2003**	**12,157**	**1,954**	**(70)**	**14,041**	**—**	**—**	**14,041**
	2002	9,256	(2,516)	1,620	8,360	—	—	8,360
	2001	5,126	5,318	3,677	14,121	—	—	14,121

Intersegment revenues and receivables are eliminated to reconcile to consolidated totals. Restructuring charges are reflected in the corporate column for the net income segmentation. Corporate identifiable assets consist primarily of cash and intangible assets.

The Company's revenues by product areas for the years ended January 3, 2004, December 28, 2002 and December 29, 2001, are as follows (in thousands):

Revenues	**2003**	**2002**	**2001**
Electronic	**$206,523**	$150,838	$146,342
Automotive	**98,327**	98,235	91,061
Electrical	**34,560**	34,194	34,746
Consolidated total	**$339,410**	$283,267	$272,149

Revenue from no single customer of the Company amounts to 10% or more.

12. Lease Commitments

The Company leases certain office and warehouse space under non-cancelable operating leases, as well as certain machinery and equipment. Rental expense under these leases was approximately $3.4 million in 2003, $2.6 million in 2002 and $1.8 million in 2001. Future minimum payments for all non-cancelable operating leases with initial terms of one year or more at January 3, 2004, are as follows (in thousands):

2004	$3,654
2005	2,636
2006	1,312
2007	1,058
2008	89
2009 and thereafter	81
Total lease commitments	$8,830

13. Earnings per Share

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

(In thousands, except per share amounts)	**2003**	**2002**	**2001**
Numerator:			
Net income	**$15,339**	$ 9,620	$ 4,070
Denominator:			
Denominator for basic earnings per share – Weighted-average shares	**21,881**	21,858	19,951
Effect of dilutive securities:			
Warrants	**—**	—	1,565
Employee stock options	**123**	113	215
Denominator for diluted earnings per share – Adjusted weighted-average shares and assumed conversions	**22,004**	21,971	21,731
Basic earnings per share	**$ 0.70**	$ 0.44	$ 0.20
Diluted earnings per share	**$ 0.70**	$ 0.44	$ 0.19

Options to purchase 1,376,122, 1,434,718 and 814,735 shares of common stock were outstanding at January 3, 2004, December 28, 2002 and December 29, 2001, respectively, but were not included in the computation of diluted earnings per share because the effect of including such options would have been anti-dilutive.

Selected Financial Data

(in thousands, except per share data)

Five Year Summary

	2003*	2002	2001	2000	1999
Net sales	**$339,410**	$283,267	$272,149	$371,920	$296,367
Gross profit	**104,426**	88,623	85,592	150,648	117,255
Operating income	**26,081**	15,931	8,540	61,748	44,624
Net income	**15,339**	9,620	4,070	37,298	25,220
Net income per share – Diluted	**0.70**	0.44	0.19	1.69	1.16
Net working capital	**62,120**	59,181	62,486	74,503	60,008
Total assets	**311,570**	277,478	272,272	274,378	275,698
Long-term debt	**10,201**	20,252	30,402	41,397	55,460

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

Quarterly Results of Operations (unaudited)

	2003				2002			
	4Q**	3Q**	2Q	1Q	4Q	3Q	2Q	1Q*
Net sales	**$101,963**	**$94,696**	**$72,789**	**$69,962**	$69,274	$74,964	$73,900	$65,129
Gross profit	**29,688**	**27,786**	**23,894**	**23,078**	22,705	23,390	24,277	18,251
Operating income (loss)	**7,459**	**7,069**	**6,322**	**5,231**	4,071	5,835	6,867	(842)
Net income (loss)	**4,191**	**4,073**	**3,852**	**3,223**	2,540	3,667	4,025	(612)
Net income (loss) per share:								
Basic	**0.19**	**0.19**	**0.18**	**0.15**	0.12	0.17	0.18	(0.03)
Diluted	**0.19**	**0.19**	**0.18**	**0.15**	0.12	0.17	0.18	(0.03)

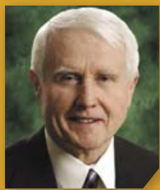
*Net loss in the first quarter of 2002 was due to restructuring charges related primarily to reductions in force. Refer to the Notes to Consolidated Financial Statements for additional information about these restructuring costs.

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

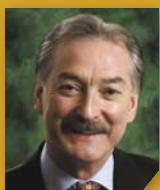
Quarterly Stock Prices

	2003				2002			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q*
High	**30.12**	**27.19**	**23.06**	**19.02**	19.70	24.60	28.25	28.47
Low	**23.00**	**21.79**	**17.47**	**16.86**	13.84	17.35	22.16	22.85
Close	**28.69**	**22.33**	**21.66**	**17.82**	17.23	17.36	23.13	24.77

Management Team



Howard B. Witt
Chairman, President and Chief Executive Officer



Gordon Hunter
Chief Operating Officer

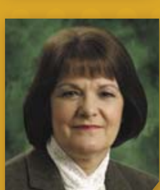
Philip G. Franklin
Vice President, Operations Support and Chief Financial Officer

Dal Ferbert
Vice President and General Manager, Electrical Business Unit

David W. Heinzmann
Vice President and General Manager, Automotive Business Unit

David Samyn
Vice President and General Manager, Electronics Business Unit

Kenneth R. Audino
Vice President, Organizational Development and Total Quality Management



Mary S. Muchoney
Corporate Secretary

Board of Directors

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

Anthony Grillo
Senior Managing Director
Evercore Partners, Inc.
(1)*

Gordon Hunter
Chief Operating Officer
Littelfuse, Inc.
(3)*

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

John E. Major
President
Technology Solutions Group
(1) (3)

Ronald L. Schubel
Corporate Executive Vice President and President Americas Region
Molex Incorporated
(1) (3)

Howard B. Witt
Chairman, President and Chief Executive Officer
Littelfuse, Inc.

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

Corporate Information

Annual Meeting
The annual meeting of Littelfuse, Inc. will be held at 9:00 a.m. on April 30, 2004, 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 on March 12, 2004.

Shareholder Information
In addition to annual reports to shareholders, copies of the company's 10-Ks and 10-Qs 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 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 Littelfuse common stock.

Independent Auditors
Ernst & Young LLP
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Registrar and Transfer Agent
LaSalle National Bank
135 South LaSalle Street
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