

Value Line Mid Cap Focused Fund, Inc.
Form 40-17G
March 27, 2019

FURTHER RESOLVED, that the Funds shall continue to be covered under a joint fidelity bond issued by St. Paul Travelers in the amount of \$8 million; and

FURTHER RESOLVED, that the President or Vice President of each Fund is authorized and empowered to enter into an agreement with the other Fund insureds to provide that in the event recovery is received under the bond as a result of a loss sustained by one or more of the insured Funds, that each Fund shall receive an equitable and proportionate share of the recovery, such share being at least equal to the amount it would have received had it provided and maintained a single insured bond with the minimum coverage required by paragraph (d)(1) of Rule 17g-1; and

FURTHER RESOLVED, that the premium for said bond be allocated pro rata based on the relative gross assets of each Fund taking all relevant factors into consideration including the extent to which the share of the premium allocated to each Fund under the bond is less than the premium which each Fund would have had to pay had it maintained a single insured bond; and

FURTHER RESOLVED, that the President of each Fund is authorized and directed to take all action necessary or proper to carry into effect the foregoing resolutions, and that Emily Washington be, and she hereby is, designated as the officer who shall make filings and give the notices on behalf of the Funds required by Rule 17g-1.

FIDELITY BOND

JOINT INSUREDS AGREEMENT

THIS AGREEMENT is made as of the 13h day of December 2018 by and among each of the Value Line funds listed on Schedule A to this Agreement (collectively, the “Insureds”).

The Insureds are in the process of acquiring a joint fidelity bond (the “Fidelity Bond Policy”) to be issued by Travelers Casualty and Surety Company (the “Insurance Company”) in the amount of \$8,000,000 (the “Bond Amount”). The Fidelity Bond Policy will be effective from January 1, 2019 to December 31, 2019 (the “Policy Period”). Under the terms of the Fidelity Bond Policy, the Insurance Company has agreed to cover the Insureds against larceny and embezzlement of each officer and employee of the Insureds who may have access to securities or funds of the Insureds, either directly or through authority to draw upon such funds or to direct generally the disposition of such securities, with certain exceptions, in accordance with the terms of the Fidelity Bond Policy and the requirements of Rule 17g-1 under the Investment Company Act of 1940, as amended (the “1940 Act”).

The Bond Amount is at least equal to the sum of the total amount of coverage which each Insured would have been required as of the date of this Agreement, to provide and maintain individually pursuant to the schedule set forth under Rule 17g-1(d) of the 1940 Act had each such Insured not been named under the Fidelity Bond Policy.

In consideration of the mutual covenants and agreements contained herein, the Insureds agree that:

1. Allocation of Premium. Each Insured shall pay a *pro rata* portion of the aggregate premiums to be borne by the Insured, which portion shall be determined based on the relative gross assets of each Insured as of a specified date as determined by an appropriate officer of the Funds, in relation to the aggregate gross assets of all of the Insureds at such date. From time to time, adjustments may be made by mutual agreement of the Insureds to the portion of the premium theretofore paid by an Insured, based on a subsequent change or changes in the gross assets of one or more Fund Insureds.

2. Loss to One Insured. If any proceeds are received under the Fidelity Bond Policy as a result of a loss sustained by only one Insured, the entire proceeds shall be allocated to the Insured incurring such loss.

3. Loss to More than One Insured. If any proceeds are received under the Fidelity Bond Policy as a result of any loss sustained by more than one Insured, the Insureds shall receive a recovery allocated *pro rata* among the Insureds based upon premium payments or as otherwise agreed to by the Insureds in writing; provided, further, that each

Insured shall receive an amount at least equal to the amount which it would have received had it provided and maintained a single insured bond with the minimum coverage required by Rule 17g-1(d)(1) under the 1940 Act.

Purpose and Interpretation. The Insureds agree that the sole purpose and intent of this Agreement is to provide for the allocation among them of responsibility for payment of premiums and allocation of recoveries under the Fidelity Bond Policy, and that the entitlement of each Insured shall otherwise be determined by, and subject to, the terms of the Fidelity Bond Policy.

5. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

6. Specific Performance. In addition to any and all other remedies that may be available at law in the event of any breach of this Agreement, each party shall be entitled to specific performance of the agreements and obligations of the other parties hereunder and to such other injunctive or other equitable relief as may be granted by a court of competent jurisdiction.

7. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York (without reference to the conflicts of law provisions thereof).

8. Notices. All notices, requests, consents, and other communications under this Agreement shall be in writing and shall be sent (i) by U.S. postal service pre-paid registered or certified mail, return receipt requested and retained or (ii) via a reputable nationwide overnight courier service guaranteeing next business day delivery, in each case addressed to the intended recipient at the address set forth below, or such other address as the relevant party may designate by written notice to the other parties:

For any Insured: The Value Line Funds
7 Times Square, 21st Floor
New York, NY 10036-6524

9. Complete Agreement; Amendments; Continuation. This Agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings relating to such subject matter. No amendment, modification or termination of, or waiver under, any provision of this Agreement shall be valid unless in writing and signed by each party, and consented to by a majority of the trustees or directors of each Insured.

10. Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement may be executed by facsimile signatures.

11. Limitation of Liability. The obligations of the Insureds under this Agreement are not binding individually on the directors, trustees or holders of shares of any Insured (or any series thereof) individually, but bind only the assets of the applicable Insured (or such series).

[End of Text]

IN WITNESS WHEREOF, the Insureds have caused this Fidelity Bond Joint Insureds Agreement to be executed and delivered as of the day and year first above written.

EACH FUND INSURED

By: /s/ Mitchell E. Appel

Name: Mitchell E. Appel

Title: President

Schedule A

Value Line Funds

Value Line Mid Cap Focused Fund, Inc.

Value Line Capital Appreciation Fund, Inc.

Value Line Premier Growth Fund, Inc.

Value Line Larger Companies Focused Fund, Inc.

Value Line Centurion Fund, Inc.

The Value Line Tax Exempt Fund, Inc.

Value Line Core Bond Fund

Value Line Strategic Asset Management Trust, a series of Value Line Funds Variable Trust

Value Line Small Cap Opportunities Fund, Inc.

Value Line Asset Allocation Fund, Inc.

Value Line VIP Equity Advantage Fund, a series of Value Line Funds Variable Trust

Value Line Funds Investment Trust

Investment Company Bond

Declarations

BOND NO. 106654202

Travelers Casualty and Surety Company of America

One Tower Square

Hartford, Connecticut 06183

(A Stock Insurance Company, herein called the Company)

ITEM 1 INSURED:

Value Line Funds

Principal Address:

7 TIMES SQUARE, 21 FLOOR
NEW YORK, NY 10036

(hereinafter, "Insured")

ITEM 2 POLICY PERIOD:

Inception Date: January 01, 2019 Expiration Date: January 01, 2020
12:01 A.M. local time as to both dates at the Principal Address stated in ITEM 1.

ITEM 3 ALL NOTICES OF CLAIM OR LOSS MUST BE SENT TO THE COMPANY BY EMAIL, FACSIMILE, OR MAIL AS SET FORTH BELOW:

Email: BSIclaims@travelers.com
Fax: (888) 460-6622

Mail: Travelers Bond & Specialty Insurance Claim
385 Washington St. – Mail Code 9275-NB03F
St Paul, MN 55102

Travelers Bond & Specialty Insurance Claim telephone number: 800-842-8496

ITEM 4 If “*Not Covered*” is inserted opposite any specified Insuring Agreement below, or if no amount is included in the Single Loss Limit of Insurance, such Insuring Agreement and any other reference thereto is deemed to be deleted from this bond.

INSURING AGREEMENT		SINGLE LOSS LIMIT OF INSURANCE	SINGLE LOSS DEDUCTIBLE AMOUNT
A. FIDELITY			
Coverage A.1.	Larceny or Embezzlement	\$ 8,000,000	\$ 0
Coverage A.2.	Restoration Expenses	Not Covered	
B. ON PREMISES		\$ 8,000,000	\$ 5,000
C. IN TRANSIT		\$ 8,000,000	\$ 5,000

D. FORGERY OR ALTERATION	\$8,000,000	\$5,000
E. SECURITIES	\$8,000,000	\$5,000
COUNTERFEIT MONEY AND		
F. COUNTERFEIT MONEY	\$8,000,000	\$5,000
ORDERS		
G. CLAIM EXPENSE	\$50,000	\$10,000
STOP PAYMENT ORDERS OR		
H. WRONGFUL DISHONOR OF	\$100,000	\$5,000
CHECKS		
I. COMPUTER SYSTEMS		
Coverage I.1. Computer Fraud	\$8,000,000	\$5,000
Coverage I.2. Fraudulent Instructions	\$8,000,000	\$5,000
Coverage I.3. Restoration Expense	\$8,000,000	\$5,000
J. UNCOLLECTIBLE ITEMS OF		
DEPOSIT	\$100,000	\$10,000

ITEM 5 PREVIOUS BONDS OR POLICIES:

The Insured, by acceptance of this bond, gives notice to the Company canceling or terminating prior bond or policy numbers:

Not Applicable

such cancellation or termination to be effective as of the time this bond becomes effective.

ITEM 6 DISCOVERY PERIOD:

Additional Premium Percentage: 100% of the annualized premium

Additional Months: 12 months

(If exercised in accordance with section VI. CONDITIONS, S. DISCOVERY PERIOD)

ITEM 7 FORMS AND ENDORSEMENTS ATTACHED AT ISSUANCE:

IVBB-16001-0116; IVBB-19002-0116; IVBB-19005-0116; IVBB-19010-0116; IVBB-19014-0116;
IVBB-19016-0116; IVBB-19043-1217; IVBB-19042-1217; IVBB-17022-0317; IVBB-18023-1217

PRODUCER INFORMATION:

LOCKTON COMPANIES LLC

444 W 47TH ST STE 900

KANSAS CITY, MO 64112

Countersigned By

IVBB-15001 Ed. 01-16

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IN WITNESS WHEREOF, the Company has caused this bond to be signed by its authorized officers.

President, Bond & Specialty Insurance Corporate Secretary

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*Investment Company Bond
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***Investment Company Bond
with Extended Coverages***

I. CONSIDERATION CLAUSE

IN CONSIDERATION of the payment of an agreed premium and subject to the Declarations and pursuant to all the terms, conditions, exclusions and limitations of this bond, the Company agrees to indemnify the Insured as set forth in ITEM 1 of the Declarations (herein called Insured) for:

II. INSURING AGREEMENTS

A. FIDELITY

Coverage A.1. Larceny or Embezzlement

Loss resulting directly from **Larceny or Embezzlement** committed by an **Employee** acting alone or in collusion with others.

Coverage A.2. Restoration Expenses

Restoration Expenses incurred by the Insured and resulting directly from a **Computer Violation** by an **Employee**.

B. ON PREMISES

1. Loss of **Property** resulting directly from:

a. robbery, burglary, mysterious unexplainable disappearance or misplacement and damage or destruction; or

b.

theft, false pretenses, or common law or statutory larceny, committed by a person physically present in an office of, or on the premises of, the Insured at the time the **Property** was surrendered,

while the **Property** is lodged or deposited within offices or premises located anywhere. The premises of a **Depository** will be deemed premises of the Insured, but solely as respects loss of **Certificated Securities**. Coverage for **Certificated Securities** held by such **Depository** is limited to the extent of the Insured's interest therein as effected by the making of appropriate entries on the books and records of such **Depository**. The Company will not be liable under Insuring Agreement B for loss in connection with the central handling of securities within the systems established and maintained by any **Depository** unless the amount of such loss exceeds the amount recoverable or recovered under any bond or policy or participants' fund insuring the **Depository** against such loss.

This bond does not afford any coverage in favor of any **Depository** or exchange or any nominee in whose name is registered any security included within the **Depository's** systems.

Direct loss, through any hazard specified in Insuring Agreement B.1. of any **Property** while such **Property** is within any of the Insured's or an **Investment Adviser's** offices and in the possession of any customer of the Insured, 2.any representative of such customer or any **Employee** whether or not the Insured is liable for the loss thereof, and provided such loss, at the option of the Insured, is included in the Insured's proof of loss, but excluding, in any event, loss caused by such customer, any representative of such customer, or any **Employee**.

C. IN TRANSIT

Loss of **Property** (occurring with or without negligence or violence) resulting directly from robbery, larceny, theft, holdup, mysterious unexplainable disappearance, misplacement, being lost or otherwise made away with, damage thereto or destruction thereof, and loss of subscription, conversion, redemption or deposit privileges through the misplacement or loss of **Property**, while the **Property** is in transit anywhere in the custody of any person or persons acting as **Messenger**, except while in the mail or with a carrier for hire other than an armored motor vehicle company, for the purpose of transportation, such transit to begin immediately upon receipt of such **Property** by the transporting person or persons, and to end immediately upon delivery thereof at destination, but only while the **Property** is being conveyed.

D. FORGERY OR ALTERATION

Loss resulting directly from the Insured having, in good faith, paid or transferred any **Property** in reliance on any **Written, Original**:

1. **Negotiable Instrument** (except an **Evidence of Debt**);
2. **Certificate of Deposit**;
3. **Letter of Credit**;
4. **Withdrawal Order**;
5. **Acceptance**;
6. receipt for the withdrawal of **Property**; or
7. instruction or advice directed to the Insured or an **Investment Adviser** and purportedly signed by a **Customer** of the Insured or by a **Financial Institution**,

which (a) bears a handwritten signature which is a **Forgery**; or (b) is altered, but only to the extent the **Forgery** or alteration causes the loss.

Actual physical possession of the items listed in 1. through 7. above by the Insured is a condition precedent to the Insured's having relied on the items.

E. SECURITIES

Loss resulting directly from the Insured having, in good faith, for its own account or for the account of others:

1. acquired, sold, delivered, or given value, extended credit or assumed liability, on the faith of any **Original Written** document that is a (an):

a. **Certificated Security;**

b. **Document of Title;**

c. deed, mortgage, or other instrument conveying title to, or creating or discharging a lien on, real property;

d. **Certificate of Origin or Title;**

e. **Certificate of Deposit;**

f. **Evidence of Debt;**

g. corporate, partnership, or personal **Guarantee;**

h. **Security Agreement;**

i. **Instruction;**

j. **Statement of Uncertificated Security,**

that

(1) bears a handwritten signature material to the validity or enforceability of the **Original Written** document that is a **Forgery**, but only to the extent the **Forgery** causes the loss;

(2) is altered, but only to the extent the alteration causes the loss; or

(3) is lost or stolen;

2. guaranteed in writing or witnessed any handwritten signature upon any transfer, assignment, bill of sale, power of attorney, **Guarantee**, endorsement, or any items listed in items 1.a. through 1.i. above; or

3. acquired, sold or delivered, given value, extended credit or assumed liability, on the faith of any item listed in 1.a. through 1.d. above, that is a **Counterfeit**, but only to the extent the **Counterfeit** causes the loss.

Actual physical possession, and continued actual physical possession if taken as collateral, of the items listed in 1.a. through 1.j. above by the Insured, an **Investment Adviser**, a **Custodian**, or a Federal or State chartered deposit institution of the Insured is a condition precedent to the Insured's having relied on the faith of such items. Release or return of such collateral is an acknowledgment by the Insured that it no longer relies on such collateral.

F. COUNTERFEIT MONEY AND COUNTERFEIT MONEY ORDERS

Loss resulting directly from the receipt by the Insured, in good faith, of any **Counterfeit Money** of the United States of America and its territories and possessions, Canada or any other country, or of **Counterfeit** money orders denominated in United States or Canadian currency.

G. CLAIM EXPENSE

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Reasonable expenses necessarily incurred and paid by the Insured in preparing any covered claim for loss under any Insuring Agreement covered under this bond, which loss exceeds the Single Loss Deductible Amount applicable to such Insuring Agreement. Such expenses include costs incurred (including necessary wages of **Employees**) for that part of audits or examinations performed, whether or not required by State or Federal supervisory authorities and conducted either by such authorities or by independent accountants, by reason of the discovery of loss sustained by the Insured.

Cost of sales	174,046	136,740	306,289	270,723
Gross profit	97,866	85,281	185,021	161,611
Selling, general and administrative expenses	51,092	38,772	93,458	75,117
Research and development expenses	11,916	7,361	20,481	14,745
Amortization of intangibles	5,156	2,977	8,952	6,030
	68,164	49,110	122,891	95,892
Operating income	29,702	36,171	62,130	65,719
Interest expense	1,670	948	3,715	2,099
Foreign exchange (gain) loss	(6,237)	(1,292)	(2,414)	1,825
Other (income) expense, net	255	(1,202)	(262)	(2,328)
Income before income taxes	34,014	37,717	61,091	64,123
Income taxes	6,862	9,033	14,650	15,444
Net income	\$27,152	\$28,684	\$46,441	\$48,679
Net income per share (see Note 9):				
Basic	\$1.21	\$1.26	\$2.07	\$2.15
Diluted	\$1.20	\$1.26	\$2.05	\$2.13
Weighted average shares and equivalent shares outstanding:				
Basic	22,528	22,691	22,483	22,645
Diluted	22,674	22,835	22,647	22,810
Cash dividends paid per common share	\$0.29	\$0.25	\$0.58	\$0.50

LITTELFUSE, INC.**Consolidated Statements of Comprehensive Income**

(In thousands of USD, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	June 27, 2015	July 2, 2016	June 27, 2015
Net income	\$27,152	\$28,684	\$46,441	\$48,679
Other comprehensive income (loss):				
Pension liability adjustments (net of tax of \$32 and \$385 for the three months ended 2016 and 2015, and \$365 and \$416 for the six months ended 2016 and 2015, respectively)	(137)	(198)	(45)	(124)
Reclassification adjustments to expense, (net of tax of \$0 and (\$249), for the three months ended 2016 and 2015, and (\$0) and (\$498) for the six months ended 2016 and 2015, respectively)	71	985	144	1,971
Unrealized (loss) gain on investments	(252)	1,380	(1,486)	3,336
Foreign currency translation adjustments	(14,935)	3,821	(3,180)	(10,153)
Comprehensive income	\$11,899	\$34,672	\$41,874	\$43,709

See accompanying notes.

LITTELFUSE, INC.**Consolidated Statements of Cash Flows**

(In thousands of USD, unaudited)

	For the Six Months Ended	
	July 2, 2016	June 27, 2015
Operating activities:		
Net income	\$46,441	\$48,679
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,156	14,761
Amortization of intangibles	8,952	6,030
Stock-based compensation	6,124	5,764
Impairment of long-lived assets	1,391	—
Non-cash inventory charge	6,902	—
Excess tax benefit on share-based compensation	(1,585)	(1,470)
Loss on sale of assets	331	329
Changes in operating assets and liabilities:		
Accounts receivable	(20,846)	(21,266)
Inventories	(1,282)	(1,199)
Accounts payable	2,974	3,440
Accrued expenses (including post-retirement)	5,715	11,129
Accrued payroll and severance	(10,227)	(3,652)
Accrued taxes	(13,946)	(3,003)
Prepaid expenses and other	(11,824)	2,422
Net cash provided by operating activities	35,276	61,964
Investing activities:		
Acquisition of businesses, net of cash acquired	(354,356)	—
Purchases of property, plant, and equipment	(20,217)	(26,388)
Decrease in entrusted loan receivable	—	3,519
Proceeds from sale of assets	370	48
Net cash used in investing activities	(374,203)	(22,821)
FINANCING activities:		
Proceeds from revolving credit facility	258,000	11,000
Proceeds from term loan	125,000	—
Payments of revolving credit facility	(97,500)	(21,000)
Payments of term loan	(86,563)	(2,500)
Payments of entrusted loan	—	(3,519)
Debt issuance costs	(1,701)	(42)

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Cash dividends paid	(12,995)	(11,296)
Proceeds from exercise of stock options	2,960	6,278
Excess tax benefit on share-based compensation	1,586	1,470
Net cash (used in) provided by financing activities	188,787	(19,609)
Effect of exchange rate changes on cash and cash equivalents	815	(5,190)
Increase (decrease) in cash and cash equivalents	(149,325)	14,344
Cash and cash equivalents at beginning of period	328,786	297,571
Cash and cash equivalents at end of period	\$179,461	\$311,915

See accompanying notes.

Notes to CONDENSED Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Littelfuse, Inc. and its subsidiaries (the "company") have been prepared in accordance with U.S. *Generally Accepted Accounting Principles* (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and disclosures normally included in the consolidated balance sheet, statements of net income and comprehensive income and cash flows prepared in conformity with U.S. GAAP have been condensed or omitted as permitted by such rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the periods ended July 2, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the company's consolidated financial statements and the notes thereto incorporated by reference in the company's Annual Report on Form 10-K for the year ended January 2, 2016.

The company's unaudited consolidated statement of income for the three months ended July 2, 2016 include the operating results of PolySwitch for the three month period from March 25, 2016 through June 25, 2016. The company's unaudited consolidated statements of income for the three and six months ended July 2, 2016 both exclude a portion of the operating results of the PolySwitch business for the eight day period of June 26, 2016 through July 2, 2016. The related excluded portion of the operating results of PolySwitch for this eight day period is not material to the company's financial statements for the three and six months ended July 2, 2016 and will be included within the company's statement of income for the quarter ended October 1, 2016.

2. Correction of immaterial errors

In the second quarter of 2016, management determined that the company may incur additional income taxes and interest in a foreign jurisdiction with respect to the 2011 through 2015 fiscal years. The cumulative adjustment for this income tax (including interest of \$1.5 million) as of January 2, 2016, is approximately \$4.9 million. The adjustment applicable to 2015, 2014, 2013, 2012 and 2011 was \$1.6 million, \$1.3 million, \$1.0 million, \$0.9 million and \$0.1 million, respectively.

Pursuant to the guidance of Staff Accounting Bulletin ("SAB") No. 99, Materiality, the Company concluded that the errors were not material to any of its applicable prior period annual and quarterly financial statements. Although the errors were immaterial to prior periods, the prior period annual financial statements were revised, in accordance with SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year

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Financial Statements, due to the significance of the out-of-period correction. The adjustment for each year has been treated as applicable to the fourth quarter of each year.

A reconciliation of the effects of the adjustments to the previously reported balance sheet at January 2, 2016 follows (\$ in thousands):

	January 2, 2016		
	Previously	Adjustment	As
	Reported		Revised
Accrued income taxes	\$ 10,621	\$ 4,946	\$ 15,567
Total current liabilities	209,833	4,946	214,779
Total equity	744,198	(4,946)	739,252

A reconciliation of the effects of the adjustments to the previously reported statements of net income for the years ended January 2, 2016 and December 27, 2014 follows (\$ in thousands, except per share amounts):

	Year Ended January 2, 2016			Year Ended December 27, 2014		
	Previously	Adjustment	As	Previously	Adjustment	As
	Reported		Revised	Reported		Revised
Income taxes	\$24,482	\$ 1,600	\$ 26,082	\$32,228	\$ 1,318	\$ 33,546
Net income	82,466	(1,600)	80,866	99,418	(1,318)	98,100
Net income per share - Basic	\$3.65	\$ (0.07)	\$ 3.58	\$4.41	\$ (0.06)	\$ 4.35
Net income per share - Diluted	\$3.63	\$ (0.07)	\$ 3.56	\$4.37	\$ (0.05)	\$ 4.32

A reconciliation of the effects of the adjustments to the previously reported statements of cash flows for the years ended January 2, 2016 and December 27, 2014 follows (\$ in thousands):

	Year Ended January 2, 2016			Year Ended December 27, 2014		
	Previously	Adjustment	As	Previously	Adjustment	As
	Reported		Revised	Reported		Revised
Net income	\$82,466	\$ (1,600)	\$ 80,866	\$99,418	\$ (1,318)	\$ 98,100
Accrued taxes	(1,043)	1,600	557	(549)	1,318	769
Net cash provided by operating activities	165,826	—	165,826	153,141	—	153,141

A reconciliation of the effects of the adjustments to the previously reported statements of equity for the years ended January 2, 2016 and December 27, 2014 follows (\$ in thousands):

	Year Ended January 2, 2016			Year Ended December 27, 2014		
	Previously	Adjustment	As	Previously	Adjustment	As
	Reported		Revised	Reported		Revised
Net income	\$82,466	\$ (1,600)	\$ 80,866	\$99,418	\$ (1,318)	\$ 98,100
Comprehensive income	57,921	(1,600)	56,321	57,875	(1,318)	56,557
Retained earnings	562,717	(4,946)	557,771	523,302	(3,346)	519,956
Total shareholders' equity	744,198	(4,946)	739,252	727,665	(3,346)	724,319

A reconciliation of the effects of the adjustments to the previously reported statement of equity at December 28, 2013 follows (\$ in thousands):

December 28, 2013

	Previously Reported	Adjustment	As Revised
Retained earnings	\$445,059	\$ (2,028)	\$443,031
Total shareholders' equity	686,916	(2,028)	684,888

3. Reclassifications

Certain amounts presented in the 2015 financial statements have been reclassified to conform to the 2016 presentation. In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest* (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amended guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amended guidance is to be applied on a retrospective basis. The company adopted the new guidance on January 3, 2016 and has made the corresponding reclassification on its balance sheet for the fiscal year ended January 2, 2016. The adoption of the new guidance had no effect on the company's net income, cash flows or shareholder's equity.

4. Acquisition of Businesses

Member's

On April 4, 2016, the company completed the acquisition of Member's S.p.A. ("Member's") headquartered in Legnago, Italy for \$18.7 million, after settlement of a working capital adjustment. At July 2, 2016, \$17.8 million of the \$18.7 million purchase price has been paid and financed through a mixture of cash on hand and borrowings under the company's revolving credit facility, with the remaining consideration expected to be paid out in the remainder of 2016. The acquired business is part of the company's commercial vehicle product business within the Automotive segment, specializes in the design, manufacturing and selling of manual and electrical battery switches and trailer connectors for commercial vehicles.

The following table represents the preliminary allocation of the total consideration to assets acquired and liabilities assumed in the acquisition of Member's based on the company's preliminary estimate of their respective fair values at the acquisition date (in thousands):

Total purchase consideration:	
Cash	\$ 17,798
Additional consideration payable	919
Total purchase consideration	\$ 18,717
Preliminary allocation of consideration to assets acquired and liabilities assumed:	
Cash	\$ 15
Current assets, net	13,287
Property, plant and equipment	1,558
Customer relationships	3,066
Patented and unpatented technologies	389
Trademarks and tradenames	1,849
Goodwill	7,364
Current liabilities	(7,367)
Other non-current liabilities	(1,444)
	\$ 18,717

All Member's goodwill and other assets and liabilities were recorded in the Automotive segment and reflected in the Europe geographical area. The customer relationships are being amortized over 10 years. The patented and unpatented technologies are being amortized over 5 years. The trademarks and tradenames are being amortized over 10 years. The goodwill resulting from this acquisition consists largely of the company's expected future product sales and synergies from combining Member's products with the company's existing automotive product portfolio. Goodwill for the above

acquisition is not expected to be deductible for tax purposes.

Included in the company's consolidated statements of net income for the three months ended July 2, 2016 are net sales of approximately \$6.8 million and income before income taxes of approximately \$0.6 million since the April 4, 2016 acquisition of Member's.

The company incurred legal, professional and other costs related to this acquisition aggregating approximately \$0.1 and \$0.2 million for the three and six months ended July 2, 2016. These costs were recognized as selling, general and administrative expenses and reflected as other non-segment costs.

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PolySwitch

On March 25, 2016, the company acquired 100% of the circuit protection business (“PolySwitch”) of TE Connectivity Ltd. for \$350.0 million, subject to certain post-closing adjustments. The PolySwitch business, which is split between the Automotive and Electronics segments, has a leading position in polymer based resettable circuit protection devices, with a strong global presence in the automotive, battery, industrial, communications and mobile computing markets. PolySwitch has operations in Menlo Park, California and manufacturing facilities in Shanghai and Kunshan, China and Tsukuba, Japan. The acquisition allows the company to strengthen its global circuit protection product portfolio, as well as strengthen its presence in the automotive electronics and battery end markets. The acquisition also significantly increases the company’s presence in Japan. The company funded the acquisition with available cash and proceeds from a new credit facility.

The following table represents the preliminary allocation of the total consideration to assets acquired and liabilities assumed in the acquisition of PolySwitch based on the company’s preliminary estimate of their respective fair values at the acquisition date (in thousands):

Total purchase consideration	\$ 350,000
Preliminary allocation of consideration to assets acquired and liabilities assumed:	
Cash	\$ 16,958
Other current assets, net	57,114
Property, plant and equipment	57,042
Patented and unpatented technologies	56,425
Customer relationships	39,720
Goodwill	165,797
Other long-term assets	15,899
Current liabilities	(53,389)
Other non-current liabilities	(5,566)
	\$ 350,000

All PolySwitch goodwill and other assets and liabilities were recorded in the Automotive and Electronics segments and reflected in all geographic areas. The customer relationships are being amortized over 15 years. The patented and unpatented technologies are being amortized over 10 years. The goodwill resulting from this acquisition consists largely of the company’s expected future product sales and synergies from combining PolySwitch products with the company’s existing automotive and electronics product portfolio. A portion of the goodwill for the above acquisition is expected to be deductible for tax purposes.

As required by purchase accounting rules, the company recorded a \$6.9 million step-up of inventory to its fair value as of the acquisition date based on the preliminary valuation. The step-up was amortized as a non-cash charge to cost of goods sold during the second quarter of 2016, as the acquired inventory was sold, and reflected as other non-segment costs.

Included in the company's consolidated statements of net income for the three months ended July 2, 2016 are net sales of approximately \$36.4 million and a loss before income taxes of approximately \$9.1 million since the March 25, 2016 acquisition of PolySwitch.

The company incurred legal, professional and other costs related to this acquisition aggregating approximately \$5.7 million and \$11.6 million for the three and six months ended July 2, 2016, respectively. Of these costs, approximately \$0.9 million were recognized as cost of goods sold during the second quarter and the remainder of the costs both periods were recognized as selling, general and administrative expenses. All of these costs were reflected as other non-segment costs.

Sigmar S.r.l

On October 1, 2015, the company acquired 100% of Sigmar S.r.l. ("Sigmar"). The total purchase price for Sigmar is expected to be \$6.7 million, net of cash acquired and including: (1) additional consideration of \$1.1 million paid in the first six months of 2016 relating to certain working capital related adjustments and an earn-out clause payment; and (2) estimated additional net payments of up to \$0.8 million, a portion of which is subject to the achievement of certain milestones.

Located in Ozegna, Italy, Sigmar is a leading global manufacturer of water-in-fuel sensors and also manufactures selective catalytic reduction (SCR) quality sensors, diesel fuel heaters and rotating oil filters for automotive and commercial vehicle applications. The acquisition further expanded the company's automotive sensor product line offerings within its Automotive segment. The company funded the acquisition with available cash.

The following table sets forth the preliminary purchase price allocation for Sigmar acquisition-date net assets, in accordance with the purchase method of accounting with adjustments to record the acquired net assets at their estimated fair values (in thousands):

Total purchase consideration:	
Cash	\$5,845
Estimated additional consideration payable	844
Total purchase consideration	\$6,689
Preliminary allocation of consideration to assets acquired and liabilities assumed:	
Cash	\$230
Current assets, net	4,011
Property, plant and equipment	1,097
Goodwill	2,552
Patents	2,845
Current liabilities	(1,478)
Other non-current liabilities	(2,568)
	\$6,689

All Sigmar goodwill and other assets and liabilities were recorded in the Automotive segment and reflected in the Europe geographical area. The patents are being amortized over 10 years. The goodwill resulting from this acquisition consists largely of the company's expected future product sales and synergies from combining Sigmar's products with the company's existing automotive product offerings. Goodwill for the above acquisition is not expected to be deductible for tax purposes.

Pro Forma Results

The following table summarizes, on a pro forma basis, the combined results of operations of the company and PolySwitch as though the acquisition had occurred as of December 28, 2014. The company has not provided pro forma results of operations for Menber's or Sigmar as these results were not material to the company. The pro forma amounts presented are not necessarily indicative of either the actual consolidated results had the PolySwitch acquisition occurred as of December 28, 2014 or of future consolidated operating results.

(in thousands, except per share amounts)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	June 27, 2015	July 2, 2016	June 27, 2015
Net sales	\$271,912	\$267,711	\$525,520	\$523,844
Income before income taxes	40,916	41,206	72,348	64,881
Net income	32,662	32,743	57,085	56,493
Net income per share — basic	1.45	1.44	2.54	2.49
Net income per share — diluted	1.44	1.43	2.52	2.48

Pro forma results presented above primarily reflect: (1) incremental depreciation relating to fair value adjustments to property, plant and equipment; (2) amortization adjustments relating to fair value estimates of intangible assets; (3) incremental interest expense on assumed indebtedness; and (4) additional cost of goods sold relating to the capitalization of gross profit which will be recognized during the company's quarter ended July 2, 2016 as part of purchase accounting recognized for purposes of the pro forma as if it was recognized during the company's first quarter of 2015. Pro forma adjustments described above have been tax affected using the company's effective rate during the respective periods.

The historical PolySwitch results for the three and six months ended July 2, 2016 and June 27, 2015 do not include a provision for income taxes. Income tax expense for the historical PolySwitch business was only provided at the end of the business's fiscal year ended September 25, 2015.

5. Inventories

The components of inventories at July 2, 2016 and January 2, 2016 are as follows (in thousands):

	July 2, 2016	January 2, 2016
Raw material	\$37,738	\$33,599
Work in process	24,978	16,479
Finished goods	61,984	48,551
Total inventories	\$124,700	\$98,629

6. Investments

The company's investments represent shares of Polytronics Technology Corporation Ltd. ("Polytronics"), a Taiwanese company, and shares of Monolith Semiconductor, Inc. ("Monolith"), a Texas-based start-up company.

Polytronics

The Polytronics investment was acquired as part of the Littelfuse GmbH acquisition. The fair value of the Polytronics investment was €9.4 million (approximately \$10.4 million) at July 2, 2016 and €10.7 million (approximately \$11.7 million) at January 2, 2016. Included in 2016 other comprehensive income is an unrealized loss of \$1.5 million, due to the decrease in fair market value of the Polytronics investment. The remaining change in in the recorded value was due to the impact of changes in exchange rates.

Monolith

In December, 2015, the company invested \$3.5 million in the preferred stock of Monolith, a U.S. start-up company developing silicon carbide technology, which represents approximately 12% of the common stock of Monolith on an as-converted basis. The company accounts for its investment in Monolith under the cost method. The value of the Monolith investment was \$3.5 million at July 2, 2016 and January 2, 2016.

7. Debt

The carrying amounts of debt at July 2, 2016 and January 2, 2016 are as follows (in thousands):

	July 2, 2016	January 2, 2016
Revolving credit facility	\$237,500	\$77,000
Term loan	123,438	85,000
Entrusted loan	9,256	9,474
Unamortized debt issuance costs	(2,212)	(721)
Total debt	367,982	170,753
Less: Current maturities	6,250	87,000
Total long-term debt	\$361,732	\$83,753

Revolving Credit Facility / Term Loan

On March 4, 2016, the company entered into a new credit agreement with Bank of America, as agent, for up to \$700.0 million which consists of an unsecured revolving credit facility of \$575.0 million and an unsecured term loan credit facility of up to \$125.0 million. The new credit agreement is for a five year period. The new credit agreement replaced the company's previous credit agreement dated May 31, 2013, which was terminated on March 4, 2016. As of July 2, 2016, the company had had \$0.1 million outstanding in letters of credit and had available \$337.4 million of borrowing capacity under the revolving credit facility at an interest rate of LIBOR plus 1.5% (1.97% as of July 2, 2016). At July 2, 2016, the company was in compliance with all covenants under the credit agreement.

Entrusted Loan

During 2014, the company entered into an entrusted loan arrangement (“Entrusted Loan”) of RMB 110.0 million (approximately \$17.9 million) between two of its China legal entities, Littelfuse Semiconductor (Wuxi) Company (the “lender”) and Suzhou Littelfuse OVS Ltd. (the “borrower”), utilizing Bank of America, N.A., Shanghai Branch as agent. Direct borrowing and lending between two commonly owned commercial entities was strictly forbidden at the time under China’s regulations requiring the use of a third party agent to enable loans between Chinese legal entities. As a result, the Entrusted Loan is reflected as both a long-term asset and long-term debt on the company’s Consolidated Balance Sheets and is reflected in the investing and financing activities in its Consolidated Statements of Cash Flows. Interest expense and interest income will be recorded between the lender and borrower with no net impact on the company’s Consolidated Statements of Income since the amounts will be offsetting. The loan interest rate per annum is 5.25%. The Entrusted Loan is used to finance the operation and working capital needs of the borrower and matures in November 2019. The balance of the Entrusted Loan was RMB 61.5 million (approximately \$9.3 million) at July 2, 2016.

Debt Issuance Costs

The company incurred debt issuance costs of \$1.7 million in relation to the new credit agreement which along with the remaining balance of debt issuance costs of the previous credit facility, are being amortized over the life of the new credit agreement. This new credit agreement was determined to be a modification under ASC 470-50 of the previous credit agreement.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest* (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The company adopted this guidance in the current quarter, on a retrospective basis, and has reclassified the unamortized debt issuance costs into long-term debt as shown in the table above.

8. Fair Value of Assets and Liabilities

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

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

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

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

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

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

Investments

The company holds an investment in the equity securities of Polytronics as described in Note 6. Equity securities listed on a national market or exchange, such as Polytronics, are valued at the last sales price. Such securities are classified within Level 1 of the valuation hierarchy. The company also holds an investment in Monolith as described in Note 6 for which the value of the \$3.5 million represents the cost of the investment.

There were no changes during the quarter ended July 2, 2016 to the company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of July 2, 2016 and January 2, 2016 the company held no non-financial assets or liabilities that are required to be measured at fair value on a recurring basis.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of July 2, 2016 (in thousands):

	Fair Value Measurements Using					
	Quoted		Significant			
	Prices		Other			
	in		Observable			
	Active		Inputs			
	Markets		(Level 2)			
	for					
	Identical		Significant			
	Assets		Unobservable			
	(Level		Inputs	Total		
	1)		(Level 3)			
Investment in Polytronics	\$10,438	\$	—	\$	—	\$10,438
Total	\$10,438	\$	—	\$	—	\$10,438

The following table presents assets measured at fair value by classification within the fair value hierarchy as of January 2, 2016 (in thousands):

	Fair Value Measurements Using			
	Quoted	Significant	Significant	Total
	Prices	Other	Unobservable	
	in	Observable	Inputs	
	Active	Inputs	(Level 3)	

**Markets (Level 2)
for
Identical
Assets
(Level
1)**

Investment in Polytronics	\$11,697	\$	—	\$	—	\$11,697
Total	\$11,697	\$	—	\$	—	\$11,697

The company's other financial instruments include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and debt. The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and debt approximate their fair values. The company's debt fair value approximates book value at July 2, 2016 and January 2, 2016, respectively, as the variable interest rates fluctuate along with market interest rates.

9. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share of July 2, 2016 and June 27, 2015 (in thousands, except per share amounts).

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	June 27, 2015	July 2, 2016	June 27, 2015
Net income	\$27.152	\$28.684	\$46,441	\$48,679
Average shares outstanding - Basic	22,528	22,691	22,483	22,645
Net effect of dilutive stock options and restricted share units	146	144	164	165
Average shares - Diluted	22,674	22,835	22,647	22,810
Net income per share:				
Basic	\$1.21	\$1.26	\$2.07	\$2.15
Diluted	\$1.20	\$1.26	\$2.05	\$2.13

Potential shares of common stock relating to stock options excluded from the earnings per share calculation because their effect would be anti-dilutive were 60,491 and 113,878 for the three months ended July 2, 2016 and June 27, 2015, respectively, and 36,699 and 90,875 for the six months ended July 2, 2016 and June 27, 2015, respectively.

10. Income Taxes

The effective tax rate for the second quarter of 2016 was 20.2% compared to an effective tax rate of 23.9% in the second quarter of 2015. The effective tax rate for the six months ended July 2, 2016 was 24.0% as compared to an effective tax rate of 24.1% for the six months ended June 27, 2015. The effective tax rates for all periods presented are lower than the U.S. statutory tax rate primarily due to income earned in lower tax jurisdictions.

11. Pensions

The components of net periodic benefit cost for the three and six months ended July 2, 2016, compared with the three and six months ended June 27, 2015, were (in thousands):

	U.S. Pension Benefits		Foreign Plans			
	Three Months Ended	Six Months Ended	Three Months Ended		Six Months Ended	
	July 2, 2016	June 27, 2015	July 2, 2016	June 27, 2015	July 2, 2016	June 27, 2015
Service cost	\$- \$250	\$- \$500	\$333	\$315	\$665	\$630
Interest cost	- 1,031	- 2,062	496	513	993	1,026
Expected return on plan assets	- (916)	- (1,832)	(520)	(601)	(1,040)	(1,201)
Amortization of net loss	- 290	- 580	73	62	146	123
Total cost (credit) of the plan	- 655	- 1,310	382	289	764	578
Expected plan participants' contribution	- -	- -	- -	- -	- -	- -
Net periodic benefit cost (credit)	\$- \$655	\$- \$1,310	\$382	\$289	\$764	\$578

* The U.S. pension plan was terminated effective July 30, 2014 and, following receipt of a favorable Letter of Determination from the IRS (dated April 14, 2015), all liabilities of the plan were settled during the third quarter of fiscal 2015.

The expected rate of return assumption on U.S. pension assets was 3.90% in 2015. The expected return on foreign pension assets is 4.95% and 5.39% in 2016 and 2015, respectively.

12. Segment and Geographic Information

The company and its subsidiaries design, manufacture and sell components and modules for circuit protection, power control and sensing throughout the world. The company reports its operations by the following segments: Electronics, Automotive, and Industrial. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by the Chief Operating Decision Maker (“CODM”) in deciding how to allocate resources. The CODM is the company’s President and Chief Executive Officer (“CEO”). The CODM allocates resources to and assesses the performance of each operating segment using information about its revenue and operating income (loss) before interest and taxes, but does not evaluate the operating segments using discrete balance sheet information.

Sales, marketing and research and development expenses are charged directly into each operating segment. Manufacturing, purchasing, logistics, customer service, finance, information technology and human resources are shared functions that are allocated back to the three operating segments. The company does not report inter-segment revenue because the operating segments do not record it. Certain expenses, determined by the CODM to be strategic in nature and not directly related to segments current results, are not allocated but identified as “Other”. Additionally, the company does not allocate interest and other income, interest expense, or taxes to operating segments. These costs are not allocated to the segments, as management excludes such costs when assessing the performance of the segments. Although the CODM uses operating income (loss) to evaluate the segments, operating costs included in one segment may benefit other segments. Except as discussed above, the accounting policies for segment reporting are the same as for the company as a whole.

Segment information for the three and six months ended July 2, 2016 and June 27, 2015 are summarized “as follows (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	June 27, 2015	July 2, 2016	June 27, 2015
Net sales				
Electronics	\$132,170	\$105,553	\$230,966	\$204,933
Automotive	111,370	85,918	203,303	169,989
Industrial	28,372	30,550	57,041	57,412
Total net sales	\$271,912	\$222,021	\$491,310	\$432,334
Depreciation and amortization				
Electronics	\$7,717	\$5,775	\$13,089	\$11,573
Automotive	4,988	3,303	8,254	6,639
Industrial	1,376	1,295	2,828	2,579
Other ⁽¹⁾	-	-	937	-
Total depreciation and amortization	\$14,081	\$10,373	\$25,108	\$20,791
Operating income (loss)				
Electronics	\$25,259	\$22,167	\$47,675	\$40,832
Automotive	16,474	12,699	33,965	23,870
Industrial	2,028	4,709	3,701	7,439
Other ⁽²⁾	(14,059)	(3,404)	(23,211)	(6,422)
Total operating income	29,702	36,171	62,130	65,719
Interest expense	1,670	948	3,715	2,099
Foreign exchange (gain) loss	(6,237)	(1,292)	(2,414)	1,825
Other (income) expense, net	255	(1,202)	(262)	(2,328)
Income before income taxes	\$34,014	\$37,717	\$61,091	\$64,123

(1) Consists of intangible impairments. (See Note 14).

(2) Included in “Other” Operating income (loss) for the 2016 second quarter is \$6.1 million (\$12.3 million year-to-date) of acquisition-related costs primarily related to legal and integration costs associated with the company’s acquisition of the PolySwitch business, a \$6.9 million (\$6.9 million year-to-date) inventory adjustment relating to the PolySwitch acquisition as described in Note 4, \$0.3 million (\$1.9 million year-to-date) in charges related to the closure of the company’s manufacturing facility in Denmark, \$0.7 million (\$1.7 million year-to-date) related to the company’s transfer of its reed sensor manufacturing operations from the U.S. and China to the Philippines and \$0.1 million (\$0.4 million year-to-date) related to internal legal restructuring costs.

Included in “Other” Operating income (loss) for the 2015 second quarter is \$0.9 million (\$1.9 million year-to-date) of costs related to the company’s transfer of its reed sensor manufacturing from the U.S. to the Philippines, \$1.7 million (\$2.9 million year-to-date) related to internal legal restructuring, \$0.2 million (\$0.3 million year-to-date) related to

acquisition costs and \$0.7 million (\$1.3 million year-to-date) of expense related to the planned termination of the U.S. pension as described in Note 11.

The company's significant net sales by country for the three and six months ended July 2, 2016 and June 27, 2015 are summarized as follows (in thousands):

	For the Three Months Ended ^(a)		For the Six Months Ended ^(a)	
	July 2, 2016	June 27, 2015	July 2, 2016	June 27, 2015
United States	\$93,036	\$89,608	\$178,184	\$172,981
China	62,411	49,920	110,919	94,349
Other countries	116,465	82,493	202,207	165,004
Total	\$271,912	\$222,021	\$491,310	\$432,334

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

The company's significant long-lived assets by country as of July 2, 2016 and January 2, 2016 are summarized as follows (in thousands):

	Long-lived assets ^(b)	
	July 2, 2016	January 2, 2016
United States	\$23,985	\$23,965
China	70,325	37,241
Canada	10,925	10,488
Other countries	119,275	90,874
Total	\$224,510	\$162,568

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

The company's significant additions to long-lived assets by country for the six months ended July 2, 2016 and June 27, 2015 are summarized as follows (in thousands):

	Additions to long-lived assets	
	July 2, 2016	June 27, 2015
United States	\$2,783	\$6,615
China	3,847	4,080

Canada	137	878
Other countries	13,450	14,815
Total	\$20,217	\$26,388

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

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

AOCI component	Balance at January 2, 2016	Other comprehensive income (loss) activity	Reclassification adjustment for expense included in net income	Balance at July 2, 2016
Pension and postemployment liability and reclassification adjustments ^(a)	\$ (8,722)	\$ (45)	\$ 144	\$ (8,623)
Unrealized gain on investments ^(b)	11,584	(1,486)	—	10,098
Foreign currency translation adjustment	(48,533)	(3,180)	—	(51,713)
AOCI (loss) income	\$ (45,671)	\$ (4,711)	\$ 144	\$ (50,238)

(a) Balances are net of tax of \$654 and \$661 for July 2, 2016 and January 2, 2016, respectively.

(b) Balances are net of tax of \$0 and \$0 for July 2, 2016 and January 2, 2016, respectively.

14. Product Line Sale

During the first quarter of 2016, the company sold its tangible and intangible assets relating to a marine product line that it acquired as part of its acquisition of Selco A/S in 2011. In connection with this sale, the company recorded asset impairment charges of \$1.4 million within cost of sales (\$0.4 million), selling, general and administrative expenses (less than \$0.1 million), research and development expenses (less than \$0.1 million) and amortization of intangibles (\$0.9) million. These charges were recognized as an “other” charge for segment reporting purposes.

15. Subsequent Event

None.

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

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

Certain statements in this section and other parts of this Quarterly Report on Form 10-Q may constitute "forward-looking statements" within the meaning of the federal securities laws and are entitled to the safe-harbor provisions of the PSLRA. These statements include statements regarding the company's future performance, as well as management's expectations, beliefs, intentions, plans, estimates or projections relating to the future. Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy, although not all forward-looking statements contain such terms. The company cautions that forward-looking statements, which speak only as of the date they are made, are subject to risks, uncertainties and other factors, and actual results and outcomes may differ materially from those indicated or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, risks relating to product demand and market acceptance, economic conditions, the impact of competitive products and pricing, product quality problems or product recalls, capacity and supply difficulties or constraints, coal mining exposures reserves, failure of an indemnification for environmental liability, exchange rate fluctuations, commodity price fluctuations, the effect of the company's accounting policies, labor disputes, restructuring costs in excess of expectations, pension plan asset returns less than assumed, integration of acquisitions and other risks which may be detailed in the company's other Securities and Exchange Commission filings, including those set forth under Item 1A. "Risk Factors" of the company's Annual Report on Form 10-K for the year ended January 2, 2016. The company does not undertake any obligation to update or revise any forward-looking statements to reflect future events or circumstances, new information or otherwise.

This report, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with information provided in the financial statements and the related Notes thereto appearing in the company's Annual Report on Form 10-K for the year ended January 2, 2016.

Littelfuse Overview

Littelfuse, Inc. and its subsidiaries (the "company" or "Littelfuse") is the worldwide leader in circuit protection offering the industry's broadest and deepest portfolio of circuit protection products and solutions. The company's devices protect products in virtually every market that uses electrical energy, from consumer electronics to automobiles to industrial equipment. The company's worldwide revenue in 2015 was \$867.9 million and net earnings were \$82.5 million. The company conducts its business through three reportable segments, which are defined by markets and consist of Electronics, Automotive, and Industrial. The company's customer base includes original equipment manufacturers, tier one automotive suppliers and distributors.

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

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

- Grow organically faster than its markets;
- Double the pace of acquisitions;
- Sustain high-teens operating margins;
- Improve return on investment; and
- Return excess cash to shareholders.

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

Electronics Segment

The Electronics segment sells passive and semiconductor components and modules as well as sensors primarily into the global consumer electronics, general industrial and telecommunications markets. The core electronics markets are characterized by significant Asia-Pacific competition and price erosion. As a result the company is focusing additional efforts on higher growth, less price sensitive niche markets (such as LED lighting) and higher-power industrial applications. The PolySwitch business acquisition in 2016 has expanded the company's product offering used in a wide variety of electronic products and utilizes many of the same distribution channels as the company's legacy electronics products.

Automotive Segment

The Automotive segment is comprised of passenger vehicle circuit protection, commercial vehicle products and sensors. The primary growth drivers for these businesses are increasing global demand for passenger and commercial vehicles and increasing content per vehicle for both circuit protection and sensing products. The move away from internal combustion engines to hybrid and electric drive systems that require more circuit protection continues to be an additional growth driver. The PolySwitch business acquisition in 2016 has added to the company's strong global presence in the automotive market. The acquisition of Menber's further strengthens the company's position in electrical battery switches and connectors for the commercial vehicle market.

Industrial Segment

The Industrial segment derives its revenues from power fuses, protection relays and custom products selling primarily into the industrial, mining, solar and oil and gas markets. Protection relay sales have declined due to the general slowdown in the global mining and oil and gas markets. Custom products sales have declined over the past two years

due to continued end market softness in the potash mining market. The potash market has recently experienced a steep decline in market pricing. Goodwill associated with the custom products reporting unit is approximately \$9 million. As of the most recent annual goodwill impairment test conducted on September 27, 2015, the fair value of custom products reporting unit exceeded its carrying value by 12%. Due to recent negative events in the potash market subsequent to the company's quarter end, the company conducted a step one goodwill impairment analysis for the custom products reporting unit as of July 2, 2016 to determine if goodwill was impaired at this date. The fair value of this reporting unit at this date exceeded its carrying value by less than 10%. If there is a continued future decline in the custom products reporting unit and its fair value falls below its carrying value, the goodwill may be impaired.

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

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

	Second Quarter			First Six Months		
	2016	2015	% Change	2016	2015	% Change
Business Unit						
Electronics	\$132,170	\$105,553	25%	\$230,966	\$204,933	13%
Automotive	111,370	85,918	30%	203,303	169,989	20%
Industrial	28,372	30,550	(7%)	57,041	57,412	(1%)
Total	\$271,912	\$222,021	22%	\$491,310	\$432,334	14%
Geography^(a)						
Americas	\$107,297	\$103,033	4%	\$207,120	\$200,087	4%
Europe	54,406	39,125	39%	97,219	78,093	24%
Asia-Pacific	110,209	79,863	38%	186,971	154,154	21%
Total	\$271,912	\$222,021	22%	\$491,310	\$432,334	14%

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

The following table summarizes the company's consolidated results of operations for the periods presented. The second quarter of 2016 includes approximately \$14.1 million of additional special charges (\$23.2 million year-to-date). These included \$6.1 million (\$12.3 million year-to-date) of acquisition-related costs primarily related to legal and integration costs associated with the company's acquisition of the PolySwitch business, a \$6.9 million (\$6.9 million year-to-date) non-cash inventory charge relating to the PolySwitch acquisition as described in Note 4, \$0.3 million (\$1.9 million year-to-date) in charges related to the closure of the company's manufacturing facility in Denmark, \$0.7 million (\$1.7 million year-to-date) related to the company's transfer of its reed sensor manufacturing operations from the U.S. and China to the Philippines and \$0.1 million (\$0.4 million year-to-date) related to internal legal restructuring costs.

The second quarter of 2015 includes approximately \$3.4 million of special charges (\$6.4 million year-to-date) consisting of \$0.9 million (\$1.9 million year-to-date) related to the company's transfer of its reed sensor manufacturing from the U.S. to the Philippines, \$1.7 million (\$2.9 million year-to-date) related to internal legal restructuring, \$0.2 million (\$0.3 million year-to-date) related to acquisition costs and \$0.7 million (\$1.3 million year-to-date) of expense related to the planned termination of the U.S. pension as described in Note 11.

(In thousands, unaudited)	Second Quarter			First Six Months		
	2016	2015	% Change	2016	2015	% Change
Sales	\$271,912	\$222,021	22 %	\$491,310	\$432,334	14 %
Gross Profit	97,866	85,281	15 %	185,021	161,611	14 %
Operating expense	68,164	49,110	39 %	122,891	95,892	28 %
Operating income	29,702	36,171	(18 %)	62,130	65,719	(5 %)
Interest expense	1,670	948	76 %	3,715	2,099	77 %
Foreign exchange (gain) loss	(6,237)	(1,292)	383 %	(2,414)	1,825	(232 %)
Other (income) expense, net	255	(1,202)	(121 %)	(262)	(2,328)	(89 %)
Income before income taxes	34,014	37,717	(10 %)	61,091	64,123	(5 %)
Net income	\$27,152	\$28,684	(5 %)	\$46,441	\$48,679	(5 %)

Results of Operations – Second Quarter, 2016 compared to 2015

Net sales for the second quarter of 2016 were \$271.9 million, a 22% increase compared to the prior year quarter. Excluding PolySwitch revenue of \$36.4 million, net sales increased \$13.5 million, or 6%, primarily due to strong organic growth in the Automotive segment and to a lesser extent organic growth in the Electronics segment, partially offset by lower sales from the Industrial segment.

Electronics sales increased \$26.6 million, or 25%, compared to the prior year quarter. Excluding PolySwitch, sales increased \$2.4 million, or 2%, to \$107.9 million in the second quarter of 2016 compared to \$105.6 million in the second quarter of 2015 primarily reflecting growth in sensor and passive products, partially offset by lower semiconductor sales. This segment continues to leverage the company's technology expertise to design its products into a broad variety of end markets and market segments.

Automotive sales increased \$25.5 million, or 30%, compared to the prior year quarter. Excluding PolySwitch, sales increased \$13.3 million, or 15%, to \$99.2 million in the second quarter of 2016 compared to \$85.9 million in the

second quarter of 2015 reflecting the recent acquisitions of Menber's and Sigmar as well as organic growth in sensor and passenger car products. These increases in sales were partially offset by lower sales of legacy commercial vehicle products, reflecting weakness in the North American heavy truck, construction and agricultural end markets. The company expects flat to declining automotive sensor revenue in the second half of 2016 as it exits certain low margin legacy business.

Industrial sales decreased \$2.2 million, or 7%, to \$28.4 million in the second quarter of 2016 compared to \$30.6 million in the second quarter of 2015 primarily reflecting lower relay sales, and to a lesser extent, fuse sales. The company's fuse business has benefited from a strong U.S. solar market for a number of years, however this market slowed in the second quarter of 2016. As the U.S. Congress extended solar energy related tax credits late in 2015, many solar original equipment manufacturers pushed out projects to focus on scale and efficiencies. Sales in both the protection relay and custom products businesses continued to be impacted by weakness in the heavy industrial markets, particularly mining, and oil and gas, as those customers restrict their capital spending. In the custom products business, the company continues to see a decline in its potash market, The steep decline in potash pricing has led to further slow-downs and delays in investments by customers.

On a geographic basis, sales in the Americas increased \$4.3 million, or 4%, to \$107.3 million in the second quarter of 2016 compared to \$103.0 million in the second quarter of 2015 primarily reflecting the addition of the PolySwitch business in the current year and, to a lesser extent, increased Automotive segment sales, partially offset by lower Industrial segment sales and \$0.1 million in unfavorable currency effects from sales denominated in Canadian dollars.

Europe sales increased \$15.3 million, or 39%, to \$54.4 million in the second quarter of 2016 compared to \$39.1 million in the second quarter of 2015 primarily due to strong sales of automotive products, the addition of the PolySwitch business in the current year, increased electronic sales and \$0.8 million in favorable currency effects primarily from sales denominated in euro. Excluding currency effects, Europe sales increased \$14.4 million, or 37%, year-over-year.

Asia-Pacific sales increased \$30.3 million, or 38%, to \$110.2 million in the second quarter of 2016 compared to \$79.9 million in the second quarter of 2015 primarily reflecting the addition of the PolySwitch business in the current year and increased demand for electronics and automotive products, partially offset by unfavorable currency effects of \$1.4 million. Excluding currency effects, Asia-Pacific sales increased \$31.8 million, or 40%, year-over-year.

Gross profit was \$97.9 million, or 36% of net sales, for the second quarter of 2016 compared to \$85.3 million, or 38% of net sales, in the same quarter last year. Gross profit for 2016 includes a \$6.9 million inventory adjustment relating to the PolySwitch acquisition, \$0.9 million of acquisition-related costs primarily related to integration costs associated with the company's acquisition of the PolySwitch business, \$0.5 million related to the transfer of the company's reed switch production from the U.S. and China to the Philippines and \$0.3 million in charges related to the closure of the company's manufacturing facility in Denmark. Gross profit for 2015 included \$0.9 million related to the reed switch production transfer. Excluding the impact of these charges, gross profit was \$106.4 million, or 39% of net sales, for the second quarter of 2016 compared to \$86.2 million, or 39% of net sales, in the second quarter of 2015.

Total operating expense was \$68.2 million, or 25% of net sales, for the second quarter of 2016 compared to \$49.1 million, or 22% of net sales, for the same quarter in 2015. Operating expense in 2016 included \$5.2 million of acquisition-related costs primarily related to legal and integration costs associated with the company's acquisition of the PolySwitch business, \$0.2 million related to the transfer of the company's reed switch production from the U.S. and China to the Philippines and \$0.1 million related to internal legal restructuring costs. Operating expense in 2015 included \$1.7 million related to internal legal restructuring, \$0.2 million related to acquisition costs and \$0.7 million of expense related to the planned termination of the U.S. pension. Excluding these charges, total operating expense was \$62.7 million, or 23% of net sales, for 2016 compared to \$46.6 million, or 21% of net sales, in 2015, partially reflecting increased research and development expenses in the current year quarter as compared to the prior year quarter and incremental amortization of intangible assets associated with recent acquisitions.

Due to the reasons noted above, operating income for the second quarter of 2016 was approximately \$29.7 million compared to operating income of \$36.2 million for the same quarter in 2015.

Interest expense was \$1.7 million in the second quarter of 2016 as compared to \$0.9 million in the second quarter of 2015, primarily reflecting higher borrowings relating to the March 2016 acquisition of the PolySwitch business.

Foreign exchange (gain) loss, reflecting net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, was approximately \$6.2 million of income for the second quarter of 2016 and \$1.3 million of income for the second quarter of 2015 and primarily reflects fluctuations in the euro and Philippine peso against the U.S. dollar and the euro against the Japanese yen.

Other (income) expense, net, consisting of interest income, royalties and non-operating income items was approximately \$0.3 million of expense for second quarter of 2016 and \$1.2 million of income for the second quarter of 2015. The quarter over quarter decline primarily reflects lower interest income in the current year quarter due to cash used for the acquisition of the PolySwitch business in March 2016.

Income before income taxes was \$34.0 million for the second quarter of 2016 compared to \$37.7 million for the second quarter of 2015. Income tax expense was \$6.9 million with an effective tax rate of 20.2% for the second quarter of 2016 compared to income tax expense of \$9.0 million with an effective tax rate of 23.9% in the second quarter of 2015. The effective tax rates for both the second quarter of 2016 and 2015 are lower than the U.S. statutory tax rate primarily due to income earned in lower tax jurisdictions.

Net income for the second quarter of 2016 was \$27.2 million or \$1.20 per diluted share compared to net income of \$28.7 million or \$1.26 per diluted share for the same quarter of 2015.

Results of Operations – Six Months, 2016 compared to 2015

Net sales for the first six months of 2016 were \$491.3 million, a 14% increase compared to the prior year period. Excluding PolySwitch revenue of \$36.4 million, net sales increased \$22.6 million, or 5%, primarily due to strong organic growth in the Automotive segment and to a lesser extent organic growth in the Electronics segment.

Electronics sales increased \$26.0 million, or 13%, compared to the prior year period. Excluding PolySwitch, sales increased \$1.8 million, or 1%, to \$206.7 million in the first six months of 2016 compared to \$204.9 million in the first six months of 2015, primarily reflecting growth in sensor and passive products, partially offset by lower semiconductor sales. The Electronics segment experienced \$1.6 million in unfavorable currency effects in the first six months of 2016 primarily from sales denominated in the renminbi and, to a lesser extent, sales denominated in the Korean won. Excluding currency effects, Net sales excluding PolySwitch, increased \$3.4 million, or 2%, year-over-year. This segment continues to leverage the company's technology expertise to design its products into a broad variety of end markets and market segments.

Automotive sales increased \$33.3 million, or 20%, compared to the prior year period. Excluding PolySwitch, Automotive sales increased \$21.1 million, or 12%, to \$191.1 million in the first six months of 2016 compared to \$170.0 million in the first six months of 2015 reflecting the recent acquisitions of Menber's and Sigmar as well as organic growth in sensor and passenger car products. These increases in sales were partially offset by lower sales of legacy commercial vehicle products, reflecting weakness in the North American heavy truck, construction and agricultural end markets. The company expects flat to declining automotive sensor revenue in the second half of 2016 as it exits certain low margin legacy business. The Automotive segment experienced \$1.9 million in unfavorable currency effects in the first six months of 2016 primarily from sales denominated in the renminbi. Excluding currency effects, net sales increased \$23.0 million, or 14%, year-over-year.

Industrial sales decreased \$0.4 million, or 1%, to \$57.0 million in the first six months of 2016 compared to \$57.4 million in the first six months of 2015 primarily reflecting lower relay sales, partially offset by increased custom sales. The company's fuse business has benefited from a strong U.S. solar market for a number of years, however this market slowed in the second quarter of 2016. As the U.S. Congress extended solar energy related tax credits late in 2015, many solar original equipment manufacturers pushed out projects to focus on scale and efficiencies. Sales in both the protection relay and custom products businesses continued to be impacted by weakness in the heavy industrial markets, particularly mining, and oil and gas, as those customers restrict their capital spending. In the custom products business, the company continues to see a decline in its potash market, The steep decline in potash pricing has led to further slow-downs and delays in investments by customers.

On a geographic basis, sales in the Americas increased \$7.0 million, or 4%, to \$207.1 million in the first six months of 2016 compared to \$200.1 million in the first six months of 2015 primarily reflecting the addition of the PolySwitch business in the current year and increased automotive segment sales and \$0.8 million in unfavorable currency effects

from sales denominated in Canadian dollars.

Europe sales increased \$19.1 million, or 25%, to \$97.2 million in the first six months of 2016 compared to \$78.1 million in the first six months of 2015 primarily due to strong sales of automotive products, the addition of the PolySwitch business in the current year and increased electronic sales, partially offset by \$0.4 million in unfavorable currency effects primarily from sales denominated in euro.

Asia-Pacific sales increased \$32.8 million, or 21%, to \$187.0 million in the first six months of 2016 compared to \$154.2 million in the first six months of 2015 primarily reflecting the addition of the PolySwitch business in the current year and increased demand for electronics and automotive products, partially offset by unfavorable currency effects of \$3.1 million. Excluding currency effects, Asia-Pacific sales increased \$35.9 million, or 23%, year-over-year.

Gross profit was \$185.0 million, or 38% of net sales, for the first six months of 2016 compared to \$161.6 million, or 37% of net sales, in the same period last year. Gross profit for 2016 includes a \$6.9 million non-cash inventory charge relating to the PolySwitch acquisition, \$1.5 million related to the transfer of the company's reed switch production from the U.S. and China to the Philippines, \$0.9 million of acquisition-related costs primarily related to integration costs associated with the company's acquisition of the PolySwitch business, \$0.5 million in charges related to the closure of the company's manufacturing facility in Denmark and \$0.1 million related to internal legal restructuring costs. Gross profit for 2015 included \$1.9 million related to the reed switch production transfer. Excluding the impact of these charges, gross profit was \$194.9 million, or 40% of net sales, for the first six months of 2016 compared to \$163.5 million, or 38% of net sales, in the first six months of 2015.

Total operating expense was \$122.9 million, or 25% of net sales, for the first six months of 2016 compared to \$95.9 million, or 22% of net sales, for the same period in 2015. Operating expense in 2016 included \$11.4 million of acquisition-related costs primarily related to legal and integration costs associated with the company's acquisition of the PolySwitch business, \$1.4 million in charges related to the closure of the company's manufacturing facility in Denmark, \$0.3 million related to internal legal restructuring costs and \$0.2 million related to the transfer of the company's reed switch production from the U.S. and China to the Philippines. Operating expense in 2015 included \$2.9 million related to internal legal restructuring, \$0.3 million related to acquisition costs and \$1.3 million of expense related to the planned termination of the U.S. pension. Excluding these charges, total operating expense was \$109.6 million, or 22% of net sales, for 2016 compared to \$91.4 million, or 21% of net sales, in 2015, partially reflecting increased research and development expenses in the current year quarter as compared to the prior year quarter and incremental amortization of intangible assets associated with recent acquisitions.

Due to reasons noted above, operating income for the first six months of 2016 was approximately \$62.1 million compared to operating income of \$65.7 million for the same period in 2015.

Interest expense was \$3.7 million in the first six months of 2016 as compared to \$2.1 million in the first six months of 2015, primarily reflecting higher borrowings relating to the March 2016 acquisition of the PolySwitch business.

Foreign exchange (gain) loss, reflecting net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, was approximately \$2.4 million of income for the first six months of 2016 and \$1.8 million of loss for the first six months of 2015 and primarily reflects fluctuations in the euro and Philippine peso against the U.S. dollar and the euro against the Japanese yen.

Other (income) expense, net, consisting of interest income, royalties and non-operating income items was approximately \$0.3 million of income for first six months of 2016 and \$2.3 million of income for the first six months of 2015. The period over period decline primarily reflects lower interest income in the current year period due to cash used for the acquisition of the PolySwitch business in March 2016.

Income before income taxes was \$61.1 million for the first six months of 2016 compared to \$64.1 million for the first six months of 2015. Income tax expense was \$14.7 million with an effective tax rate of 24.0% for the first six months of 2016 compared to income tax expense of \$15.4 million with an effective tax rate of 24.1% in the first six months of 2015. The effective tax rates for both the first six months of 2016 and 2015 are lower than the U.S. statutory tax rate primarily due to income earned in lower tax jurisdictions.

Net income for the first six months of 2016 was \$46.4 million or \$2.05 per diluted share compared to net income of \$48.7 million or \$2.13 per diluted share for the same period of 2015.

Liquidity and Capital Resources

As of July 2, 2016, \$166.5 million of the \$179.5 million of the company's cash and cash equivalents was held by foreign subsidiaries. Of the \$166.5 million held by foreign subsidiaries, approximately \$20.1 million could be repatriated with minimal tax consequences. The company expects to maintain its foreign cash balances (other than the aforementioned \$20.1 million) for local operating requirements, to provide funds for future capital expenditures and for potential acquisitions. The company does not expect to repatriate these funds to the U.S.

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

Revolving Credit Facility/Term Loan

On March 4, 2016, the company entered into a new credit agreement with Bank of America, as agent, for up to \$700.0 million which consists of an unsecured revolving credit facility of \$575.0 million and an unsecured term loan credit facility of up to \$125.0 million. The new credit agreement is for a five year period. The new credit agreement replaced the company's previous credit agreement dated May 31, 2013, which was terminated on March 4, 2016. As of July 2, 2016, the company had available \$337.4 million of borrowing capacity under the revolving credit facility at an interest rate of LIBOR plus 1.5% (1.97% as of July 2, 2016).

The company incurred debt issuance costs of \$1.7 million in relation to the new credit agreement which along with the remaining balance of debt issuance costs of the previous credit facility, are being amortized over the life of the new credit agreement. This new credit agreement was determined to be a modification under ASC 470-50 of the previous credit agreement.

This arrangement contains covenants that, among other matters, impose limitations on the incurrence of additional indebtedness, future mergers, sales of assets, payment of dividends, and changes in control, as defined in the agreement. In addition, the company is required to satisfy certain financial covenants and tests relating to, among other matters, interest coverage and leverage. At July 2, 2016, the company was in compliance with all covenants under the credit agreement.

The company also had \$0.1 million outstanding in letters of credit at July 2, 2016. No amounts were drawn under these letters of credit at July 2, 2016.

Entrusted Loan

During the fourth quarter of 2014, the company entered into an entrusted loan arrangement (“Entrusted Loan”) of RMB 110.0 million (approximately \$17.9 million) between two of its China legal entities, Littelfuse Semiconductor (Wuxi) Company (the “lender”) and Suzhou Littelfuse OVS Ltd. (the “borrower”), utilizing Bank of America, N.A., Shanghai Branch as agent. Direct borrowing and lending between two commonly owned commercial entities was strictly forbidden at the time under China’s regulations requiring the use of a third party agent to enable loans between Chinese legal entities. As a result, the Entrusted Loan is reflected as both a long-term asset and long-term debt on the company’s Consolidated Balance Sheets and is reflected in the investing and financing activities in its Consolidated Statements of Cash Flows. Interest expense and interest income is recorded between the lender and borrower with no net impact on the company’s Consolidated Statements of Net Income since the amounts will be offsetting. The loan interest rate per annum is 5.25%. The Entrusted Loan is used to finance the operation and working capital needs of the borrower and matures in November 2019. The balance of the Entrusted Loan was RMB 61.5 million (approximately \$9.3 million) at July 2, 2016.

Stock Repurchase Program

The company’s Board of Directors authorized the repurchase of up to 1,000,000 shares of the company’s common stock under a program for the period May 1, 2016 to April 30, 2017. The company’s prior share repurchase authorization of 1,000,000 shares expired on April 30, 2016 with 650,000 shares remaining in the program. The company did not repurchase any shares of its common stock during the first six months of fiscal 2016.

Cash Flow

The company started 2016 with \$328.8 million of cash and cash equivalents. Net cash provided by operating activities was approximately \$35.3 million for the first six months of 2016 reflecting \$46.4 million in net income and \$38.3 million in non-cash adjustments (primarily \$25.1 million in depreciation and amortization) offset by \$49.4 million in net changes to various operating assets and liabilities.

Changes in operating assets and liabilities for the first six months of 2016 (including short-term and long-term items) that impacted cash flows negatively consisted of increases in accounts receivable (\$20.8 million), prepaid and other assets (\$11.9 million), decreases in accrued payroll and severance (\$10.2 million), accrued and net deferred taxes (\$13.9 million) and inventories (\$1.3 million). The increase in accounts receivable was due to increased sales in the second quarter. The decrease in accrued payroll and severance was due primarily to payouts for the 2015 management incentive plan which occurred in the first quarter. Changes having a positive impact on cash flows were increases in accrued expenses (\$5.7 million) and accounts payable (\$3.0 million).

Net cash used in investing activities for the first six months of 2016 was approximately \$374.2 million and primarily related to the acquisition of the PolySwitch business (\$333.0 million, net of cash acquired), the acquisition of Member's (\$17.8 million) and capital expenditures (\$20.2 million).

Net cash provided by financing activities for the first six months of 2016 was approximately \$188.8 million and included \$198.9 million in net proceeds on borrowings offset by dividends paid of \$13.0 million and debt issuance costs related to the new credit agreement of \$1.7 million, partially offset by \$4.5 million from the exercise of stock options including tax benefits. The effects of exchange rate changes increased cash and cash equivalents by approximately \$0.8 million. The net cash provided by operating activities combined with the effects of exchange rate changes less net cash used in investing and financing activities resulted in a \$149.3 million decrease in cash, which left the company with a cash and cash equivalents balance of \$179.5 million at July 2, 2016.

The ratio of current assets to current liabilities was 3.0 to 1 at the end of the second quarter of 2016 compared to 2.8 to 1 at year-end 2015 and 3.0 to 1 at the end of the second quarter of 2015. Days sales outstanding in accounts receivable was approximately 66 days at the end of the second quarter of 2016 compared to 62 days at the end of the second quarter of 2015 and 59 days at year-end 2015. Days inventory outstanding was approximately 65 days at the end of the second quarter of 2016 as well as at the year-end 2015 and second quarter of 2015.

Outlook

Sales in the 3rd quarter of 2016 are expected to be in the range of \$262 million to \$272 million, which includes PolySwitch sales of approximately \$40 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Interest Rates

The company had \$360.9 million in debt outstanding at July 2, 2016 related to the unsecured revolving credit facility and term loan. Because 100% of this debt has variable interest rates, the company is subject to future interest rate fluctuations in relation to these borrowings which could potentially have a negative impact on cash flows of the company. A prospective increase of 100 basis points in the interest rate applicable to the Company's outstanding borrowings under its credit facility would result in an increase of approximately \$3.6 million in annual interest expense. The Company is not party to any currency exchange or interest rate protection agreements as of July 2, 2016.

Foreign Exchange Rates

The majority of the company's operations consist of manufacturing and sales activities in foreign countries. The company has manufacturing facilities in the U.S., Mexico, Canada, China, Italy, Lithuania, Japan and the Philippines. During the first six months of 2016, sales to customers outside the U.S. were approximately 64% of total net sales. Substantially all sales in Europe are denominated in euros and substantially all sales in the Asia-Pacific region are denominated in U.S. dollars, Japanese yen, Korean won, Chinese yuan or Taiwanese dollars.

The company's foreign exchange exposures result primarily from sale of products in foreign currencies, foreign currency denominated purchases, inter-company loans, employee-related and other costs of running operations in foreign countries and translation of balance sheet accounts denominated in foreign currencies. The company's most significant net long exposure is to the euro. The company's most significant net short exposures are to the Chinese yuan, Mexican peso and Philippine peso. Changes in foreign exchange rates could affect the company's sales, costs, balance sheet values and earnings. The company uses netting and offsetting intercompany account management techniques to reduce known foreign currency exposures where possible.

Commodity Prices

The company uses various metals in the manufacturing of its products, including copper, zinc, tin, gold and silver. Prices of these commodities can and do fluctuate significantly, which can impact the company's earnings. The most significant of these exposures is to copper, zinc, silver and gold where at current prices and volumes, a 10% price change would affect annual pre-tax profit by approximately \$2.1 million for copper, \$0.7 million for zinc, \$0.6 million for silver and \$0.1 million for gold. From time to time, the company has utilized derivative instruments to hedge certain commodity exposures.

Item 4. Controls and Procedures.

Each of our Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934) as of the end of the period covered by this quarterly report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures are effective.

There have been no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended July 2, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors.

There have been no material changes from risk factors previously disclosed in our Annual Report on Form 10-K for the year ended January 2, 2016 in response to Item 1A to Part 1 of Form 10-K.

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

The company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the company's common stock under a program for the period May 1, 2016 to April 30, 2017. The company's prior share repurchase authorization of 1,000,000 shares expired on April 30, 2016 with 650,000 shares remaining in the program. The company did not repurchase any shares of its common stock during the first six months of fiscal 2016.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit Description

31.1* Certification of Gordon Hunter, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification of Meenal A. Sethna, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1** Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Filed
herewith.

**
Furnished
herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended July 2, 2016, to be signed on its behalf by the undersigned thereunto duly authorized.

Littelfuse, Inc.

Date: August 5, 2016

By

/s/ Meenal A. Sethna
Meenal A. Sethna
Executive Vice President and

Chief Financial Officer

(As duly authorized officer and as

the principal financial and
accounting

officer)