LITTELFUSE INC /DE
Form 10-Q
November 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED OCTOBER 1, 2011

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission file number 0-20388

LITTELFUSE, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3795742
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8755 W. Higgins Road, Suite 500 Chicago, Illinois	60631
(Address of principal executive offices)	(Zip Code)

(773) 628-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [X]	Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of October 28, 2011, 23,015,311 shares of common stock, $.01 par value, of the registrant were outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LITTELFUSE, INC.
Condensed Consolidated Balance Sheets
(In thousands of USD, except share amounts)

	October 1, 2011 (unaudited)	January 1, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$163,424	$109,720
Accounts receivable, less allowances	110,689	97,753
Inventories	82,412	80,182
Deferred income taxes	9,962	10,588
Prepaid expenses and other current assets	15,189	13,882
Assets held for sale	6,567	6,831
Total current assets	388,243	318,956
Property, plant and equipment:		
Land	4,890	5,688
Buildings	52,288	53,089
Equipment	278,399	276,371
	335,577	335,148
Accumulated depreciation	(215,307)	(205,001)
Net property, plant and equipment	120,270	130,147
Intangible assets, net of amortization:		
Patents, licenses and software	9,831	11,211
Distribution network	19,567	9,752
Customer lists, trademarks and tradenames	12,131	20,865
Goodwill	119,582	112,687
	161,111	154,515
Investments	12,209	11,660
Deferred income taxes	2,859	3,271
Other assets	2,368	2,580
Total assets	$687,060	$621,129
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$26,215	$24,079
Accrued payroll	21,294	24,186
Accrued expenses	9,191	10,307
Accrued severance	1,871	3,279
Accrued income taxes	19,942	14,997
Current portion of long-term debt	93,000	33,000
Total current liabilities	171,513	109,848
Long-term debt, less current portion	—	41,000

Accrued severance	47	486
Accrued post-retirement benefits	5,356	5,564
Other long-term liabilities	13,698	11,571
Total equity	496,446	452,660
Total liabilities and equity	$687,060	$621,129

Common shares issued and outstanding of 21,508,506 and 21,752,536, at October 1, 2011 and January 1, 2011, respectively.

See accompanying notes.

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LITTELFUSE, INC.
Consolidated Statements of Income
(In thousands of USD, except per share data, unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net sales	$173,987	$163,465	$517,762	$465,375
Cost of sales	105,516	96,212	314,594	285,459
Gross profit	68,471	67,253	203,168	179,916
Selling, general and administrative expenses	32,015	27,553	87,851	80,208
Research and development expenses	5,297	4,345	14,754	12,698
Amortization of intangibles	1,585	1,247	4,780	3,752
	38,897	33,145	107,385	96,658
Operating income	29,574	34,108	95,783	83,258
Interest expense	414	313	1,271	1,096
Other (income) expense, net	(1,897)	(29)	(1,934)	(1,328)
Income before income taxes	31,057	33,824	96,446	83,490
Income taxes	6,118	10,486	24,660	24,405
Net income	$24,939	$23,338	$71,786	$59,085
Net income per share (see note 9):				
Basic	$1.13	$1.06	$3.25	$2.68
Diluted	$1.12	$1.04	$3.19	$2.64
Weighted average shares and equivalent shares outstanding:				
Basic	22,000	21,968	22,023	21,945
Diluted	22,287	22,344	22,407	22,316

See accompanying notes.

LITTELFUSE, INC.
Consolidated Statements of Cash Flows
(In thousands of USD, unaudited)

	For the Nine Months Ended	
	October 1, 2011	October 2, 2010
OPERATING ACTIVITIES:		
Net income	$71,786	$59,085
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,030	20,706
Amortization of intangibles	4,780	3,752
Impairment of assets	2,320	2,988
Stock-based compensation	4,501	4,043
Non-cash inventory charge (see note 3)	3,678	—
Excess tax benefit on stock-based compensation	(3,873)	(947)
(Gain) on sale of assets	(258)	(334)
Changes in operating assets and liabilities:		
Accounts receivable	(12,266)	(28,603)
Inventories	(4,370)	(12,859)
Accounts payable	1,023	3,015
Accrued expenses (including post-retirement)	(28)	(4,866)
Accrued payroll and severance	(4,918)	300
Accrued taxes	4,052	19,919
Prepaid expenses and other	(1,504)	8,732
Net cash provided by operating activities	83,953	74,931
INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(12,381)	(15,740)
Business acquisition settlement	50	—
Business acquisition, net of cash acquired	(11,127)	—
Investment	(3,000)	—
Proceeds from sale of assets	574	4,748
Net cash (used in) investing activities	(25,884)	(10,992)
FINANCING ACTIVITIES:		
Proceeds from debt	110,000	13,345
Payments of term debt	(49,000)	(6,000)
Payments of revolving credit facility	(42,000)	(13,124)
Purchases of common stock	(37,091)	(22,287)
Debt issuance costs	(716)	—
Cash dividends paid	(10,633)	—
Proceeds from exercise of stock options	21,738	11,734
Excess tax benefit on stock-based compensation	3,873	947
Net cash (used in) financing activities.	(3,829)	(15,385)
Effect of exchange rate changes on cash and cash equivalents	(536)	19
Increase in cash and cash equivalents	53,704	48,573

Cash and cash equivalents at beginning of period	109,720	70,354
Cash and cash equivalents at end of period	$163,424	$118,927

See accompanying notes.

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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. Accordingly, certain information and disclosures normally included in the statement of financial information, results of operations and cash flows prepared in conformity with U.S. GAAP have been condensed or omitted as permitted by such rules and regulations. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the periods ended October 1, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. 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 1, 2011. The company evaluated subsequent events through the date of its financial statements when filed with the Securities and Exchange Commission ("SEC").

2. Reclassification and Restatements

Certain items in the company's 2010 financial statements have been reclassified to conform to the company's 2011 presentation. During the first quarter of 2011, as previously reported, the company adjusted its business segment reporting methodology to report results by product line rather than by sales organization. The company's total consolidated revenues and operating income did not change.

3. Acquisition of Businesses

On December 17, 2010, the company acquired 100% of the Cole Hersee Company ("Cole Hersee"), a leading manufacturer of power management products and heavy duty electromechanical and solid-state switches, for approximately $50.0 million. The acquisition allows the company to further expand its off-road, truck and bus business. Cole Hersee is located in Boston, Massachusetts with manufacturing operations in Melchor Muzquiz, Mexico. The company funded the acquisition with available cash.

The following table sets forth the preliminary purchase price allocation for Cole Hersee's net assets, as of October 1, 2011, in accordance with the purchase method of accounting with adjustments to record the acquired net assets at their estimated fair market or net realizable values. The company expects to finalize the purchase price allocation in the fourth quarter of 2011. Further adjustments are not anticipated to be material

Cole Hersee preliminary purchase price allocation (in thousands):

Cash	$	1,708	
Current assets, net		17,628	
Property, plant and equipment, net		5,368	
Goodwill		15,564	
Other intangibles		14,100	
Other assets		533	
Current liabilities		(2,575	)
Other long-term liabilities		(2,376	)
	$	49,950	

All Cole Hersee goodwill and other assets and liabilities were recorded in the Automotive business unit segment and reflected in the Americas geographical area. Goodwill for the above acquisition is expected to be deductible for tax purposes.

As required by purchase accounting rules, the company recorded a \$3.7 million step-up of inventory to its fair value as of the acquisition date. During the first quarter of 2011, as this inventory was sold, cost of goods sold included \$3.7 million of non-cash charges for this step-up.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. Acquisition of Businesses, continued

On August 3, 2011, the company acquired 100% of Selco A/S ("Selco"), a manufacturer of relays and generator controls for the Marine industry, for approximately $11.1 million. The acquisition allows the company to further expand its global relay business within its Electrical business unit segment. Selco is located in Roskilde, Denmark with a sales office located in Dubai, United Arab Emirates. The company funded the acquisition with available cash.

The following table sets forth the preliminary purchase price allocation for Selco's net assets, as of October 1, 2011, in accordance with the purchase method of accounting with adjustments to record the acquired net assets at their estimated fair market or net realizable values.

Selco's preliminary purchase price allocation (in thousands):

Cash	$	5	
Current assets, net		3,806	
Property, plant and equipment, net		216	
Goodwill		9,778	
Current liabilities		(2,673	)
	$	11,132	

All Selco goodwill and other assets and liabilities were recorded in the Electrical business unit segment and reflected in the Europe geographical area. These estimates are subject to revision after the company completes its fair value analysis, which will occur during 2011. Goodwill for the above acquisition is not expected to be deductible for tax purposes.

Pro forma financial information is not presented for both business acquisitions described above due to amounts not being materially different than actual results.

4. Inventories

The components of inventories at October 1, 2011 and January 1, 2011 are as follows (in thousands):

	October 1, 2011		January 1, 2011	
Raw material	$	30,272	$	20,994
Work in process		10,856		9,719
Finished goods		41,284		49,469
Total inventories	$	82,412	$	80,182

5. Investments

Included in the company's investments are shares of Polytronics Technology Corporation Ltd. ("Polytronics"), a Taiwanese company whose shares are traded on the Taiwan Stock Exchange. The Polytronics investment was acquired as part of the Littelfuse GmbH acquisition. The fair value of the Polytronics investment was €6.8 million (approximately $9.2 million) at October 1, 2011 and €8.8 million (approximately $11.7 million) at January 1, 2011, based on the quoted market price at the close of business corresponding to each date. Included in Other Comprehensive Income (Loss) was an unrealized loss of $2.8 million, due to the decrease in fair market value for the nine months ended October 1, 2011.

The remaining difference in fair market value of this investment was due to the impact of changes in exchange rates, which is included as a component of the currency translation adjustments of “Other Comprehensive Income (Loss)”.

On July 8, 2011, the company invested $3.0 million in certain preferred stock of Shocking Technologies, Inc., a research and development company in the electronics industry located in San Jose, California. Shocking Technologies, Inc. is a developer of circuit protection products for the computer and telecommunication markets. The company has accounted for its investment in Shocking Technologies, Inc., at cost.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

6. Debt

The carrying amounts of long-term debt at October 1, 2011 and January 1, 2011 are as follows (in thousands):

	October 1, 2011	January 1, 2011
Term loan	$ -	$ 49,000
Revolving credit facility	93,000	25,000
	93,000	74,000
Less: Current maturities	93,000	33,000
Total long-term debt	$ -	$ 41,000

On June 13, 2011, the company entered into a new credit agreement with certain commercial banks that provides an unsecured revolving credit facility in an amount of up to $150.0 million, with a potential to increase up to $225.0 million. At October 1, 2011, the company had available $56.4 million of borrowing capacity under the revolver credit agreement at an interest rate of LIBOR plus 1.250% (1.49% as of October 1, 2011). The credit agreement replaces the company's previous credit agreement dated July 21, 2006 and loan agreement dated September 29, 2008, and, unless terminated earlier, will terminate on June 13, 2016. During the second quarter of 2011, $0.2 million of non-cash previously capitalized debt issuance costs were written off and $0.7 million of new debt issuance costs incurred was capitalized and will be amortized over the life of the new credit agreement.

During the second quarter of 2011, as part of the new refinancing arrangement discussed above, $47.0 million of indebtedness that was due on the previous term loan was settled and rolled-over into the revolving credit facility by the lender.

7. Financial Instruments and Risk Management

Occasionally, the company uses financial instruments to manage its exposures to movements in commodity prices, foreign exchange and interest rates. The use of these financial instruments modifies the company's exposure to these risks with the goal of reducing the risk or cost to the company. The company does not use derivatives for trading purposes and is not a party to leveraged derivative contracts.

The company recognizes all derivative instruments as either assets or liabilities at fair value in the Condensed Consolidated Balance Sheets. The fair value is based upon either market quotes for actively traded instruments or independent bids for non-exchange traded instruments. The company formally documents its hedge relationships, including identifying the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivatives that are designated as hedges of specific assets, liabilities, firm commitments or forecasted transactions to the hedged risk. On the date the derivative is entered into, the company designates the derivative as a fair value hedge, cash flow hedge or a net investment hedge, and accounts for the derivative in accordance with its designation. The company also formally assesses, both at inception and at least quarterly thereafter, whether the derivatives are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer likely to occur, the company discontinues hedge accounting, and any deferred gains or losses are recorded in the respective measurement period. At October 1, 2011, the company does not have any outstanding derivative instruments.

Cash Flow Hedges

A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability is designated as a cash flow hedge. The effective portion of the change in the fair value of a derivative that is designated as a cash flow hedge is recorded in “Other Comprehensive Income (Loss).” When the impact of the hedged item is recognized in the income statement, the gain or loss included in Other Comprehensive Income (Loss) is reported on the same line in the Consolidated Statements of Income as the hedged item. The company’s cash flow hedges expired during the second quarter ended July 3, 2010.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

7. Financial Instruments and Risk Management, continued

Net Derivative Gain or Loss

The effect of cash flow hedge derivative instruments on the Consolidated Statements of Income and Other Comprehensive Income (Loss) is as follows (in thousands):

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) (Effective Portion)		Location of Gain (Loss) Reclassified from Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion)	Amount of Gain (Loss) Reclassified from Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion)	
	Nine Months Ended			Nine Months Ended	
	October 1, 2011	October 2, 2010		October 1, 2011	October 2, 2010
Foreign exchange contracts	$ -	$ 92	Cost of Sales	$ -	$ (191)
Total	$ -	$ 92		$ -	$ (191)

Derivative Transactions

There were no unrealized gains or losses included in Accumulated Other Comprehensive Income (Loss) at October 1, 2011 and January 1, 2011, respectively.

8. Fair Value of Financial 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.

Available-for-sale securities

Equity securities listed on a national market or exchange are valued at the last sales price. Such securities are classified within Level 1 of the valuation hierarchy.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8. Fair Value of Financial Assets and Liabilities, continued

Derivative instruments

The fair value of commodity derivatives are valued based on quoted futures prices for the underlying commodity and are categorized as Level 2. The fair values of foreign exchange rate derivatives are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

The company does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 2 or Level 3 during the nine months ended October 1, 2011. There were no changes during the nine months ended October 1, 2011, to the company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of October 1, 2011, 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 October 1, 2011 (in thousands):

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Available-for-sale securities	$9,209	$—	$—	$9,209
Total	$9,209	$—	$—	$9,209

The following table presents assets measured at fair value by classification within the fair value hierarchy as of January 1, 2011 (in thousands):

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Available-for-sale securities	$11,660	$—	$—	$11,660
Total	$11,660	$—	$—	$11,660

The company's other financial instruments include cash and cash equivalents, accounts receivable, accounts payable, current portion of long-term debt, and long-term debt. Due to their short-term maturity, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and current portion of long-term debt approximate their fair values. The company's long-term debt fair value approximates book value at October 1, 2011 and January 1, 2011, respectively, as the long-term debt variable interest rates fluctuate along with market interest rates.

9. Earnings Per Share

In June 2008, the FASB issued authoritative guidance which states that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9. Earnings Per Share, continued

Effective December 28, 2008, the company adopted the authoritative guidance. The company's unvested share-based payment awards, such as certain performance shares, restricted shares and restricted share units that contain non-forfeitable rights to dividends, meet the criteria of a participating security. The adoption changed the methodology of computing the company's earnings per share to the two-class method from the treasury stock method. This change has not affected previously reported earnings per share, consolidated net earnings or net cash flows from operations. Under the two-class method, earnings are allocated between common stock and participating securities. The presentation of basic and diluted earnings per share is required only for each class of common stock and not for participating securities. As such, the company presents basic and diluted earnings per share for its one class of common stock.

The two-class method includes an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and undistributed earnings for the period. The company's reported net earnings is reduced by the amount allocated to participating securities to arrive at the earnings allocated to common stock shareholders for purposes of calculating earnings per share.

The dilutive effect of participating securities is calculated using the more dilutive of the treasury stock or the two-class method. The company has determined the two-class method to be the more dilutive. As such, the earnings allocated to common stock shareholders in the basic earnings per share calculation is adjusted for the reallocation of undistributed earnings to participating securities, as prescribed by the guidance, to arrive at the earnings allocated to common stock shareholders for calculating the diluted earnings per share.

The following table sets forth the computation of basic and diluted earnings per share under the two-class method:

	For the Three Months Ended		For the Nine Months Ended	
(in thousands except per share amounts)	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net income as reported	$24,939	$23,338	$71,786	$59,085
Less: Distributed earnings available to participating securities	(6)	—	(11)	—
Less: Undistributed earnings available to participating securities	(68)	129	(257)	319
Numerator for basic earnings per share —				
Undistributed and distributed earnings available to common shareholders	$24,865	$23,209	$71,518	$58,766
Add: Undistributed earnings allocated to participating securities	68	129	257	319
Less: Undistributed earnings reallocated to participating securities	(67)	(127)	(253)	(315)
Numerator for diluted earnings per share —				
Undistributed and distributed earnings available to common shareholders	$24,866	$23,211	$71,522	$58,770
Denominator for basic earnings per share —				
Weighted-average shares	22,000	21,968	22,023	21,945

Effect of dilutive securities:				
Common stock equivalents	287	303	384	289
Numerator for basic earnings per share —				
Adjusted for weighted-average shares & assumed conversions	22,287	22,271	22,407	22,234
Basic earnings per share	$1.13	$1.06	$3.25	$2.68
Diluted earnings per share	$1.12	$1.04	$3.19	$2.64

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

10. Restructuring

During 2006 through 2009, the company announced the closures of its facilities in Ireland, Irving, Texas, Des Plaines and Elk Grove, Illinois and Swindon, U.K. In addition, the company announced a reduction in workforce at its Des Plaines, Illinois corporate headquarters and restructurings of its European and Asian operations. The closure of the Ireland facility is part of the company's strategy to expand operations in the Asia-Pacific region in order to be closer to customers and take advantage of lower manufacturing costs. This program is complete with no further payments expected. The closure of the Irving, Texas and Des Plaines and Elk Grove, Illinois facilities are part of planned manufacturing transfers from Irving, Texas to Wuxi, China and Des Plaines and Elk Grove, Illinois to the Philippines and Mexico. The European restructuring included the transfer of manufacturing from Dünsen, Germany to Piedras Negras, Mexico and the closure of its distribution facility in Utrecht, Netherlands. The Asian restructuring includes the closure of its manufacturing facility in Taiwan and a consolidation of its Asian sales offices. Together, these initiatives impacted approximately 946 employees and resulted in restructuring charges of $30.6 million, with $26.2 million recorded as cost of sales and $4.4 million as selling, general and administrative expenses. The total cost expected to be incurred for these restructuring programs is $53.8 million. The company has incurred $53.8 million through October 1, 2011.

A summary of activity of this liability is as follows:

Littelfuse restructuring (in thousands)	
Balance at December 27, 2008	$12,093
Additions	11,196
Payments	(12,472)
Exchange rate impact	100
Balance at January 2, 2010	10,917
Additions	1,687
Payments	(8,732)
Exchange rate impact	(107)
Balance at January 1, 2011	3,765
Additions	277
Payments	(938)
Exchange rate impact	86
Balance at April 2, 2011	3,190
Additions	190
Payments	(1,177)
Exchange rate impact	(9)
Balance at July 2, 2011	2,194
Additions	54
Payments	(772)
Exchange rate impact	(50)
Balance at October 1, 2011	$1,426

11. Asset Impairments

During the third quarter of 2011, the company recorded asset impairment charges of approximately $2.3 million within selling, general and administrative expenses. These charges resulted from the shut-down of the company's manufacturing facility in Dünsen, Germany during the third quarter of 2011 and continuing declines in the commercial real estate market affecting the value of the company's previously closed manufacturing sites in Des Plaines, Illinois and Dundalk, Ireland. The charges were recognized as an "other" charge for segment reporting purposes. Impairment charges and fair value measurements related to these facilities were based on independent broker valuations (market approach) and are considered Level 3 measurements within the fair value hierarchy for financial reporting purposes. The carrying values of the company's Assets held for sale are $5.3 million for Des Plaines, $0.4 million for Dundalk and $0.9 million for Dünsen as of October 1, 2011.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

12. Income Taxes

The effective tax rate for the third quarter of 2011 was 19.7% compared to an effective tax rate of 31.0% in the third quarter of 2010. The lower current quarter effective tax rate was primarily the result of more income earned in low-tax jurisdictions and several favorable adjustments.

13. Pensions

The components of net periodic benefit cost for the three and nine months ended October 1, 2011, compared with the three and nine months ended October 2, 2010, were (in thousands):

	U.S. Pension Benefits				Foreign Plans			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Service cost	$140	$125	$420	$375	$152	$108	$	