

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

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: 0-11676

BEL FUSE INC.

-----  
(Exact name of registrant as specified in its charter)

NEW JERSEY

22-1463699

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

198 VAN VORST STREET  
JERSEY CITY, NEW JERSEY

07302

-----  
(Address of principal executive offices)

-----  
(Zip Code)

201-432-0463

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

-----  
(Former name, former address and former fiscal year,  
if changed since last report)

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 the number of shares outstanding of each of the issuer's classes  
of common stock, as of the latest practicable date.

At November 1, 1997, there were 5,118,545 shares of Common Stock, \$.10 par  
value, outstanding.

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BEL FUSE INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Certain information and footnote disclosures required under generally accepted accounting principles have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. It is suggested that the following consolidated financial statements be read in conjunction with the year-end consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

The results of operations for the nine month period ended September 30, 1997, are not necessarily indicative of the results to be expected for the entire fiscal year or for any other period.

BEL FUSE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 1997	December 31, 1996
	----- (unaudited)	-----
Current Assets:		
Cash and cash equivalents .....	\$24,871,426	\$23,498,491
Marketable securities .....	2,472,654	2,981,020
Accounts receivable, less allowance for doubtful accounts of \$195,000 .....	9,803,863	8,866,440
Inventories .....	11,710,759	8,411,540
Prepaid expenses and other current assets .....	628,390	479,012
Deferred income taxes .....	--	101,000
	-----	-----
Total Current Assets .....	49,487,092	44,337,503
Property, plant and equipment -- net .....	29,065,283	26,321,014
Other assets .....	690,918	955,491
	-----	-----
TOTAL ASSETS .....	\$79,243,293	\$71,614,008
	=====	=====

(Continued)

See notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1997	December 31, 1996
	----- (unaudited)	-----
Current Liabilities:		
Accounts payable .....	\$ 2,884,470	\$ 3,297,825
Accrued expenses .....	5,333,445	3,846,626
Income taxes payable .....	650,939	320,460
Deferred income taxes .....	47,000	--
	-----	-----
Total Current Liabilities .....	8,915,854	7,464,911
Deferred income taxes .....	904,000	750,000
	-----	-----
Total Liabilities .....	9,819,854	8,214,911
	-----	-----
Stockholders' Equity:		
Preferred stock, no par value -- authorized 1,000,000 shares; none issued .....	--	--
Common stock, par value \$.10 per share -- authorized 10,000,000 shares; outstanding 5,110,420 and 5,070,820 shares .....	511,042	507,082
Additional paid-in capital .....	7,359,652	6,978,900
Retained earnings .....	61,538,300	55,920,836
Cumulative currency translation adjustment .....	14,445	(7,721)
	-----	-----
Total Stockholders' Equity .....	69,423,439	63,399,097
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....	\$79,243,293	\$71,614,008
	=====	=====

See notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	1997	1996	1997	1996
Sales .....	\$53,119,948	\$47,832,403	\$18,409,054	\$14,426,471
Costs and Expenses:				
Cost of sales .....	37,165,097	33,984,034	12,687,080	10,620,540
Selling, general and administrative expenses .....	9,894,632	8,472,248	3,391,348	2,772,584
	47,059,729	42,456,282	16,078,428	13,393,124
Income from operations .....	6,060,219	5,376,121	2,330,626	1,033,347
Other income -- net .....	1,045,245	1,689,997	363,217	237,589
	7,105,464	7,066,118	2,693,843	1,270,936
Income tax provision .....	1,488,000	1,415,000	519,000	39,000
Net earnings .....	<u>\$ 5,617,464</u>	<u>\$ 5,651,118</u>	<u>\$ 2,174,843</u>	<u>\$ 1,231,936</u>
Earnings per common share .....	<u>\$1.11</u>	<u>\$1.12</u>	<u>\$.43</u>	<u>\$.24</u>
Weighted average number of common shares outstanding .....	<u>5,078,135</u>	<u>5,061,564</u>	<u>5,089,495</u>	<u>5,070,195</u>

See notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Nine Months Ended September 30,	
	1997	1996
Cash flows from operating activities:		
Net income .....	\$ 5,617,464	\$ 5,651,118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	2,494,566	2,149,570
Deferred income taxes .....	302,000	(272,000)
Tax effect of non-qualifying disposition of stock options .....	65,000	42,000
Net gain on sale of marketable securities .....	(1,430)	(1,158,957)
Changes in operating assets and liabilities .....	(2,838,361)	3,837,153
Net Cash Provided by Operating Activities .....	5,639,239	10,248,884
Cash flows from investing activities:		
Purchase of property, plant and equipment .....	(5,223,321)	(1,659,339)
Purchase of marketable securities .....	(3,470,829)	(2,002,786)
Proceeds from sale of marketable securities .....	3,982,450	6,258,847
Proceeds from repayment by contractors .....	125,684	61,750
Net Cash (Used in) provided by Investing Activities .....	(4,586,016)	2,658,472
Cash flows from financing activities:		
Proceeds from exercise of stock options ....	319,712	122,562
Net Increase in Cash .....	1,372,935	13,029,918
Cash and Cash Equivalents -- beginning of period .....	23,498,491	8,343,925
Cash and Cash Equivalents -- end of period .....	\$24,871,426	\$21,373,843

(Continued)

See notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(unaudited)

	Nine Months Ended September 30,	
	1997	1996
Changes in operating assets and liabilities consist of:		
(Increase) decrease in accounts receivable ...	\$ (937,423)	\$ 1,924,144
(Increase) decrease in inventories .....	(3,299,219)	2,213,761
(Increase) in prepaid expenses and other current assets .....	(275,062)	(314,599)
Decrease in other assets .....	249,059	115,944
(Decrease) in accounts payable .....	(413,355)	(1,305,820)
Increase in accrued expenses .....	1,507,160	733,313
Increase in income taxes payable .....	330,479	470,410
	-----	-----
	\$(2,838,361)	\$ 3,837,153
	=====	=====
Supplementary information:		
Cash paid during the period for:		
Interest .....	\$ --	\$ 1,573
	=====	=====
Income taxes .....	\$ 787,941	\$ 778,775
	=====	=====
Supplemental disclosures of non-cash activities:		
Unrealized gains on marketable securities .....	\$ --	\$ (457,600)
	=====	=====

See notes to consolidated financial statements.



BEL FUSE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

1. The consolidated balance sheet as of September 30, 1997, and the consolidated statements of operations and cash flows for the periods presented herein have been prepared by the Company and are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. Certain items in the September 30, 1996 financial statements have been reclassified to conform to September 30, 1997 classifications. The information for December 31, 1996 was derived from audited financial statements.

2. Earnings Per Share -- Earnings per common share are computed using the weighted average number of common shares outstanding during the period. The dilutive effect of outstanding options at September 30, 1997 and 1996 was not material.

3. Inventories consist of the following:

	September 30, 1997	December 31, 1996
	-----	-----
Raw materials .....	\$ 7,315,014	\$ 5,718,079
Work-in-process .....	75,963	89,660
Finished goods .....	4,319,782	2,603,801
	-----	-----
	\$11,710,759	\$ 8,411,540
	=====	=====

4. Property, plant and equipment consists of the following:

	September 30, 1997	December 31, 1996
	-----	-----
Land .....	\$ 1,165,821	\$ 835,218
Buildings and improvements .....	13,963,648	13,510,703
Machinery and equipment .....	37,295,872	32,856,003
Idle property held for sale .....	935,000	935,000
	-----	-----
	53,360,341	48,136,924
Less accumulated depreciation and amortization ...	24,295,058	21,815,910
	-----	-----
Net property, plant and equipment .....	\$29,065,283	\$26,321,014
	=====	=====

BEL FUSE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(unaudited)

5. RECENT ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share", which establishes new standards for computing and presenting net income per share and replaces the standards previously found in Accounting Principles Board Opinion No. 15, "Earnings Per Share". The Company will begin reporting net income per share according to this new standard in its 1997 annual report on Form 10-K. The Company does not expect the implementation of SFAS No. 128 to have a material effect on the Company's computation of earnings per share.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", ("SFAS 130") and No. 131 "Disclosure about Segments of an Enterprise and Related Information", ("SFAS 131"). SFAS 130 establishes standards for reporting the display of comprehensive income and its components in a full set of general-purpose financial statements. This Statement requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position.

SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers.

Both of these statements are effective for fiscal periods beginning after December 15, 1997. The Company has not yet determined the impact, if any, of adopting these standards.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage relationship to net sales of certain items included in the Company's consolidated statements of operations.

	Percentage of Net Sales			
	Nine Months Ended September 30,		Three Months Ended September 30,	
	1997	1996	1997	1996
Net sales .....	100.0%	100.0%	100.0%	100.0%
Cost of sales .....	70.0	71.0	68.9	73.6
Selling, general and administrative expenses .....	18.6	17.7	18.4	19.2
Other income, net of interest expense .....	2.0	3.5	1.9	1.6
Earnings before income tax provision .....	13.4	14.8	14.6	8.8
Income tax provision .....	2.8	3.0	2.8	.3
Net earnings .....	10.6	11.8	11.8	8.5

The following table sets forth, for the periods indicated, the percentage increase (decrease) of items included in the Company's consolidated statements of operations.

	Increase (Decrease) from Prior Period	
	Nine Months Ended September 30, 1997 Compared with 1996	Three Months Ended September 30, 1997 Compared with 1996
	-----	-----
Net sales .....	11.1%	27.6%
Cost of sales .....	9.3	19.5
Selling, general and administrative expenses .....	16.8	22.3
Other income -- net .....	(38.2)	52.9
Earnings before income tax provision ..	.6	112.0
Income tax provision .....	5.2	*
Net earnings .....	(.6)	76.5

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\* Percentage not meaningful.

## NINE MONTHS 1997 VS. NINE MONTHS 1996

### SALES

Net sales increased 11.1% from \$47,832,403 during the first nine months of 1996 to \$53,119,948 during the first nine months of 1997. The Company attributes this increase primarily to sales growth in magnetic components for network and fuse products offset, in part, by reduced sales of customer-specific value-added circuits and assemblies. Such reduced sales reflect the termination of certain contracts. Sales growth consisted primarily of growth in unit sales.

### COST OF SALES

Cost of sales as a percentage of net sales decreased 1.0% to 70.0% during the first nine months of 1997 from 71.0% during the first nine months of 1996. The decrease in the cost of sales percentage is primarily attributable to lower material content associated with the current sales mix offset in part by increases in direct labor due to the current sales mix which has higher direct labor associated with it.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The percentage relationship of selling, general and administrative expenses to net sales increased from 17.7% for the first nine months of 1996 to 18.6% for the first nine months of 1997. The Company attributes the increase primarily to increases in sales salaries and sales related expenses. Selling, general and administrative expenses increased in dollar amount by 16.8%. The Company attributes the increase in dollar amount of such expenses primarily to increased sales and increases in sales salaries and sales related expenses.

### OTHER INCOME AND EXPENSES

Other income, consisting of net realized gains on the sale of marketable securities, interest and dividends earned on marketable securities and on cash equivalents, decreased by approximately \$644,752 from the first nine months of 1996 to the first nine months of 1997. The decrease is primarily due to the gain on the sale of 112,485 shares of Technitrol, Inc. common stock recognized during the first nine months of 1996 offset in part by higher earnings on invested funds due to greater average balances in 1997 compared to 1996.

### PROVISION FOR INCOME TAXES

The provision for income taxes for the first nine months of 1996 was \$1,415,000 as compared to \$1,488,000 for the first nine months of 1997. This increase is due primarily to higher pretax earnings for the first nine months of 1997 versus 1996.

The Company's effective tax rate has been lower than the statutory United States corporate rate primarily as a result of the lower tax rates in Hong Kong and Macau.

## THREE MONTHS 1997 VS. THREE MONTHS 1996

### SALES

Sales increased 27.6% to \$18,409,054 during the third quarter of 1997 from \$14,426,471 during the third quarter of 1996. The Company attributes the increase primarily to the reasons set forth in the nine month analysis.

### COST OF SALES

Cost of sales as a percentage of net sales decreased 2.8% during the third quarter of 1997 as compared to the third quarter of 1996. The Company attributes the decrease to the reasons set forth in the nine month analysis.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The percentage relationship of selling, general and administrative expenses to net sales decreased by .8% during the third quarter of 1997 as compared to 1996. Such decrease reflects the leveraging of certain general and administrative expenses over a greater sales volume. Selling, general and administrative expenses increased in dollar amount by 22.3%. The Company attributes the increase in dollar amount to the reasons set forth in the nine month analysis.

### OTHER INCOME AND EXPENSE

Other income increased for the third quarter of 1997 compared to the third quarter of 1996 due to higher earnings on invested funds due to greater average balances in 1997 than in 1996.

### PROVISION FOR INCOME TAXES

The provision for income taxes increased to \$519,000 for the third quarter of 1997 from \$39,000 for the third quarter of 1996 primarily due to greater earnings before income taxes and higher United States pretax earnings during the third quarter of 1997 compared to the third quarter of 1996.

## LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed its capital expenditures through cash flows from operating activities. Management believes that the cash flow from operations, combined with its existing capital base and the Company's available lines of credit, will be sufficient to fund its operations for the near term. This statement represents a forward-looking statement. Actual results could differ materially from such statement if the Company experiences substantial unanticipated cash requirements.

The Company has lines of credit, all of which were unused at September 30, 1997, in the aggregate amount of \$7.0 million, of which \$5.0 million is from domestic banks and \$2.0 million is from foreign banks.

During the first nine months of 1997, the Company's cash and cash equivalents increased by \$1.4 million, reflecting \$5.6 million provided by operating activities (principally reflecting the Company's profitable operations) and \$4.0 million from the sale of marketable securities, offset in part by \$3.5 million in purchases of marketable securities and \$5.2 million in purchases of plant and equipment.

The Company has historically followed a policy of reinvesting the earnings of foreign subsidiaries in the Far East. If the unrepatriated earnings were distributed to the parent corporation, such earnings would be subject to United States federal income taxes. No earnings were repatriated during the first nine months of 1997 or 1996.

Cash, accounts receivable and marketable securities comprised approximately 46.8% and 49.3% of the Company's total assets at September 30, 1997 and December 31, 1996, respectively. The Company's current ratio (i.e., the ratio of current assets to current liabilities) was 5.6 to 1 and 5.9 to 1 at September 30, 1997 and December 31, 1996, respectively.

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED HEREIN. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED UNDER THE "BUSINESS", "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS", AND "RISKS AND UNCERTAINTIES" CAPTIONS IN THE COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1996.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Item 3 of the Company's Form 10-K for the year ended December 31, 1996.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits: Exhibit 27.1 Financial Data Schedule.
- (b) There were no Current Reports on Form 8-K filed by the registrant during the quarter ended September 30, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BEL FUSE INC.

By: /s/ DANIEL BERNSTEIN

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Daniel Bernstein, President  
(Principal Financial and  
Accounting Officer)

Dated: November 10, 1997



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BEL FUSE INC. AND SUBSIDIARIES FINANCIAL STATEMENTS AT SEPTEMBER 30, 1997 AND THE NINE MONTHS THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS

	DEC-31-1997	
	SEP-30-1997	
	24,871,426	
	2,472,654	
	9,998,863	
	195,000	
	11,710,759	
	49,487,092	
	53,360,341	
	24,295,058	
	79,243,293	
8,915,854		
		0
		511,042
0		
		0
		68,912,397
79,243,293		
		53,119,948
		53,119,948
		37,165,097
		47,059,729
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		0
		0
		7,105,464
		1,488,000
5,617,464		
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		5,617,464
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