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BEL FUSE INC /NJ  
Form 10-Q/A  
May 11, 2004

FORM 10-Q/A  
(Amendment #1)

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended March 31, 2004

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.)

206 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  No  
--- ---

Indicate by check mark whether the registrant is an accelerated filer  
(as defined in Rule 12b-2 of the Exchange

Act) Yes  No  
--- ---

At April 30, 2004, there were 2,701,663 shares of Class A Common Stock,  
\$.10 par value, outstanding and 8,581,692 shares of Class B 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 accounting

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principles generally accepted in the United States of America 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, 2003.

The results of operations for the three months ended March 31, 2004 and 2003 are not necessarily indicative of the results for the entire fiscal year or for any other period.

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BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	March 31, 2004	De
	-----	-----
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 64,686,625	\$
Marketable securities	5,713,428	
Accounts receivable - less allowance for doubtful accounts of \$1,993,000 and \$1,976,000 at March 31, 2004 and December 31, 2003, respectively	29,507,371	
Inventories	26,023,905	
Prepaid expenses and other current assets	2,259,348	
Deferred income taxes	687,000	
	-----	-----
Total Current Assets	128,877,677	1
	-----	-----
Property, plant and equipment - net	42,844,966	
Intangible assets - net	3,428,923	
Goodwill	9,881,854	
Prepaid pension costs	1,366,946	

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Other assets	1,320,994	
	-----	
TOTAL ASSETS	\$ 187,721,360	\$ 1
	=====	=====

See notes to consolidated unaudited financial statements.

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BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	March 31, 2004	Dece
	-----	-----
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 2,000,000	\$
Accounts payable	8,528,181	
Accrued expenses	8,772,849	
Income taxes payable	671,259	
Dividends payable	530,000	
	-----	-----
Total Current Liabilities	20,502,289	1
	-----	-----
Long-term Liabilities:		
Minimum pension obligation	2,085,627	
Long-term debt - net of current portion	6,000,000	
Deferred income taxes	7,024,000	
	-----	-----
Total Long-term Liabilities	15,109,627	1
	-----	-----
Total Liabilities	35,611,916	3
	-----	-----
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued	--	
Class A common stock, par value \$.10 per share - authorized 10,000,000 shares; outstanding 2,701,663 and 2,701,663 shares, respectively (net of 2,676,225 treasury shares)	270,167	
Class B common stock, par value \$.10 per share - authorized 30,000,000 shares; outstanding 8,515,192 and 8,460,692 shares, respectively (net of 8,405,492 treasury shares)	851,519	
Additional paid-in capital	18,683,496	1
Retained earnings	131,531,424	12

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Accumulated other comprehensive income	772,838	-----
Total Stockholders' Equity	152,109,444	----- 14
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 187,721,360	----- \$ 18

See notes to consolidated unaudited financial statements.

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

	2004	Three Months Ended March 31,	20
	-----		-----
Net Sales	\$ 42,357,023		\$ 24,9
Costs and expenses:			
Cost of sales	29,791,014		17,9
Selling, general and administrative	6,950,872		4,8
	-----		-----
	36,741,886		22,8
Income from operations	5,615,137		2,1
Interest expense	(56,766)		(
Interest income	104,360		1
	-----		-----
Earnings before provision for income taxes	5,662,731		2,2
Income tax provision	1,008,000		4
	-----		-----
Net earnings	\$ 4,654,731		\$ 1,7
Earnings per common share - basic	\$ 0.42		\$
	-----		-----
Earnings per common share - diluted	\$ 0.41		\$
	-----		-----
Weighted average common shares outstanding - basic	11,203,536		10,9
	-----		-----
Weighted average common shares outstanding - diluted	11,454,606		11,0
	-----		-----

See notes to consolidated unaudited financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Total	Compre- hensive Income (loss)	Retained Earnings	Accumulated Other Compre- hensive Income (loss)
	-----	-----	-----	-----
Balance, January 1, 2003	\$ 130,659,147		\$115,632,819	\$ (50,132)
Exercise of stock options	2,580,224			
Tax benefits arising from the disposition of non-qualified incentive stock options	812,000			
Cash dividends on Class A common stock	(322,234)		(322,234)	
Cash dividends on Class B common stock	(1,667,586)		(1,667,586)	
Currency translation adjustment - net of tax	1,014,808	\$ 1,014,808		1,014,808
Increase in marketable securities-net of taxes	14,900	14,900		14,900
Net income	13,763,694	13,763,694	13,763,694	
		-----		
Comprehensive income		\$ 14,793,402		
		-----		
Balance, December 31, 2003	146,854,953		127,406,693	979,576
Exercise of stock options	1,146,498			
Tax benefits arising from the disposition of non-qualified incentive stock options	190,000			
Cash dividends on Class A common stock	(135,000)		(135,000)	
Cash dividends on Class B common stock	(395,000)		(395,000)	
Currency translation adjustment - net of tax	(222,438)	\$ (222,438)		(222,438)
Increase in marketable securities-net of taxes	15,700	15,700		15,700
Net income	4,654,731	4,654,731	4,654,731	
		-----		
Comprehensive income		\$ 4,447,993		
		-----		
Balance, March 31, 2004	\$ 152,109,444		\$131,531,424	\$ 772,838
	=====		=====	=====

See notes to consolidated financial statements.

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	Three Months Ended March 31,	
	2004 ----	2003 ----
Cash flows from operating activities:		
Net income	\$ 4,654,731	\$ 1,780,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,231,510	1,494,570
Other	190,000	--
Deferred income taxes	219,000	312,000
Changes in operating assets and liabilities (net of acquisitions)	1,247,516	1,143,947
	-----	-----
Net Cash Provided by Operating Activities	8,542,757	4,730,801
	-----	-----
Cash flows from investing activities:		
Purchase of property, plant and equipment	(672,388)	(676,512)
Purchase of marketable securities	(646,445)	--
Payment for acquisitions - net of cash acquired	(74,539)	(36,047,303)
Proceeds from repayment by contractors	7,250	7,250
Proceeds from sale of marketable securities	--	4,904,875
	-----	-----
Net Cash Used in Investing Activities	(1,386,122)	(31,811,690)
	-----	-----

See notes to consolidated unaudited financial statements.

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BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited)

	Three Months Ended March 31,	
	2004 ----	2003 ----
Cash flows from financing activities:		
Proceeds from borrowings	--	10,000
Loan repayments	(500,000)	
Proceeds from exercise of stock options	1,146,498	13,000
Dividends paid to common shareholders	(530,000)	(41,000)

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Net Cash Provided By Financing Activities	116,498	9,72
Effect of exchange rate change on cash	(47,660)	
Net Increase (decrease) in Cash and Cash Equivalents	7,225,473	(17,35
Cash and Cash Equivalents - beginning of period	57,461,152	59,00
Cash and Cash Equivalents - end of period	\$ 64,686,625	\$ 41,64
Changes in operating assets and liabilities (net of acquisitions) consist of:		
Decrease in accounts receivable	\$ 766,031	\$ 3,18
Decrease (increase) in inventories	155,746	(2,09
Increase in prepaid expenses and other current assets	(554,873)	(1,21
Decrease in prepaid taxes	--	16
Decrease in other assets	23,609	7
Increase in accounts payable	1,004,960	25
Increase in income taxes payable	444,827	
(Decrease) increase in accrued expenses	(592,784)	76
	\$ 1,247,516	\$ 1,14

See notes to consolidated unaudited financial statements.

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BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Concluded)  
(Unaudited)

	2004	Three Months Ended March 31,	2003
	-----		-----
Supplementary information:			
Cash paid during the year for:			
Income taxes	\$ 269,000		\$ 205,
Interest	\$ 56,000		\$
Details of acquisitions:			
Fair value of assets acquired (excluding cash of \$799,000 in 2003)	\$ --		\$ 35,832,
Intangibles	74,539		6,662,



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Less: cash on deposit previous year	--	(6,447,
	-----	-----
Cash paid for acquisitions	\$ 74,539	\$ 36,047,
	=====	=====

See notes to consolidated unaudited financial statements.

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BEL FUSE INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Basis of Presentation and Accounting Policies

The consolidated balance sheet as of March 31, 2004, and the consolidated statements of operations and cash flows for the periods presented herein have been prepared by Bel Fuse Inc. (the "Company" or "Bel") 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. The information for the consolidated balance sheet as of December 31, 2003 was derived from audited financial statements.

Accounting Policies

-----  
DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
-----

Bel Fuse Inc. and subsidiaries operate in one industry with three reporting segments and are engaged in the design, manufacture and sale of products used in local area networking, telecommunication, business equipment and consumer electronic applications. The Company manages its operations geographically through its three reporting units: North America, Asia and Europe. Sales are predominantly in North America, Europe and Asia.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries including the businesses acquired since their respective dates of acquisition. All intercompany transactions and balances have been eliminated.

USE OF ESTIMATES - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could

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differ from those estimates.

**CASH EQUIVALENTS** - Cash equivalents include short-term investments in U.S. treasury bills and commercial paper with an original maturity of three months or less when purchased. At March 31, 2004 and December 31, 2003, cash equivalents approximated \$36,248,000 and \$25,228,000, respectively.

**MARKETABLE SECURITIES** - The Company classifies its investments in equity securities as "available for sale", and, accordingly, reflects unrealized gains and losses, net of deferred income taxes, as other comprehensive income.

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The fair values of marketable securities are estimated based on quoted market prices. Realized gains or losses from the sales of marketable securities are based on the specific identification method.

**FOREIGN CURRENCY TRANSLATION** - The functional currency for some foreign operations is the local currency. Assets and liabilities of foreign operations are translated at year end rates of exchange and income, expense and cash flow items are translated at the average exchange rate for the year. Translation adjustments are recorded in Other Comprehensive Income. The U.S. Dollar is used as the functional currency for certain foreign operations that conduct their business in U.S. Dollars. A combination of current and historical exchange rates is used in measuring the local currency transactions of these subsidiaries and the resulting exchange adjustments are included in the statement of operations. Foreign currency losses were \$12,000 and \$6,000 for the three months ended March 31, 2004 and 2003, respectively, and are included in Selling, General and Administrative expenses in the statement of operations.

**CONCENTRATION OF CREDIT RISK** - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable and temporary cash investments. The Company grants credit to customers that are primarily original equipment manufacturers and to subcontractors of original equipment manufacturers based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company controls its exposure to credit risk through credit approvals, credit limits and monitoring procedures and establishes allowances for anticipated losses.

The Company places its temporary cash investments with quality financial institutions and commercial issuers of short-term paper and, by policy, limits the amount of credit exposure in any one financial instrument.

**INVENTORIES** - Inventories are stated at the lower of weighted average cost or market.

**REVENUE RECOGNITION** -The Company recognizes revenue in accordance with the guidance contained in SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). Revenue is recognized when the product has been delivered and title and risk of loss has passed to the customer, collection of the resulting receivable is deemed probable by management, persuasive evidence of an arrangement exists and the sales price is fixed and determinable. Substantially all of the Company's shipments are FCA (free carrier) which provides for title to pass upon delivery to the customer's freight carrier. Some product is shipped DDP/DDU with title passing when the product arrives at the customer's dock.

For certain customers, the Company provides consigned inventory, either at the customer's facility or at a third party warehouse. Sales of consigned inventory

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are recorded when the customer withdraws inventory from consignment.

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The Company typically has a twelve-month warranty policy for workmanship defects. Warranty returns have historically averaged approximately below 1% of annual net sales.

The Company is not contractually obligated to accept returns except for defective product or in instances where the product does not meet the customer's quality specifications. However, the Company may permit its customers to return product for other reasons. In these instances, the Company would generally require a significant cancellation penalty payment by the customer. The Company estimates such returns, where applicable, based upon management's evaluation of historical experience, market acceptance of products produced and known negotiations with customers. Such estimates are deducted from gross sales and provided for at the time revenue is recognized.

GOODWILL AND OTHER INTANGIBLES - In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 specifies the financial accounting and reporting for acquired goodwill and other intangible assets. Goodwill and intangible assets that have indefinite useful lives are not amortized but rather they are tested at least annually for impairment unless certain impairment indicators are identified. This standard was effective for fiscal years beginning after December 15, 2001. The Company tests goodwill for impairment, at least annually (fourth quarter), using a fair value approach at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment for which discrete financial information is available and reviewed regularly by management. Assets and liabilities of the Company have been assigned to the reporting units to the extent that they are employed in or are considered a liability related to the operations of the reporting unit and were considered in determining the fair value of the reporting unit. Upon adoption of this standard, the Company allocated its goodwill and other intangibles to two reporting units - North America and Asia.

DEPRECIATION - Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated primarily using the declining-balance method for machinery and equipment and the straight-line method for buildings and improvements over their estimated useful lives.

INCOME TAXES - The Company accounts for income taxes using an asset and liability approach under which deferred income taxes are recognized by applying enacted tax rates applicable to future years to the differences between the financial statement carrying amounts and the tax bases of reported assets and liabilities.

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Except for a portion of foreign earnings, an income tax provision has not been recorded for U.S. federal income taxes on the undistributed earnings of foreign subsidiaries as such earnings are intended to be permanently reinvested in those operations. Such earnings would become taxable upon the sale or liquidation of these foreign subsidiaries or upon the repatriation of dividends.

STOCK -OPTION PLAN - The Company accounts for equity-based compensation issued to employees in accordance with Accounting Principles Board ("APB") Opinion No.

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25 "Accounting for Stock Issued to Employees". APB No. 25 requires the use of the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at the measurement date over the amount an employee must pay to acquire the stock. The Company makes disclosures of pro forma net earnings and earnings per share as if the fair-value-based method of accounting had been applied as required by SFAS No. 123 "Accounting for Stock-Based Compensation-Transition and Disclosure".

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. It also requires disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for annual and interim periods beginning after December 15, 2002. The Company will continue to account for stock-based employee compensation under the recognition and measurement principle of APB Opinion No. 25 and related interpretations.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards in 2003 consistent with the provisions of SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	March 31,	
	2004	2003
Net earnings - as reported	\$ 4,654,731	\$ 1,780,284
Stock-based compensation expense using fair value method	(309,899)	(419,723)
Net earnings - pro forma	\$ 4,344,832	\$ 1,360,561
Earnings per share - basic-as reported	\$ 0.42	\$ 0.16
Earnings per share - basic-pro forma	\$ 0.39	\$ 0.12
Earnings per share - diluted-as reported	\$ 0.41	\$ 0.16
Earnings per share - diluted-pro forma	\$ 0.38	\$ 0.12

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2003: dividends yield of .9%, expected volatility of 76% for Class A, and 54% for Class B; risk-free interest rate of 2%, and expected lives of 5 years. No options were granted during the three months ended March 31, 2004.

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RESEARCH AND DEVELOPMENT - Research and development costs are expensed as incurred, and are included in cost of sales. Generally all research and development is performed internally for the benefit of the Company. The Company does not perform such activities for others. Research and development costs include salaries, building maintenance and utilities, rents, materials, administration costs and miscellaneous other items. Research and development expenses for the three months ended March 31, 2004 and 2003 amounted to \$1.8 million and \$1.6 million, respectively.

EVALUATION OF LONG-LIVED ASSETS - The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable in accordance with guidance in SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." If the carrying value of the long-lived asset exceeds the present value of the related estimated future cash flows, the asset would be adjusted to its fair value and an impairment loss would be charged to operations in the period identified.

EARNINGS PER SHARE - Basic earnings per common share are computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing net earnings by the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares used in computing diluted earnings per share relate to stock options and warrants which, if exercised, would have a dilutive effect on earnings per share.

The following table includes a reconciliation of shares used in the calculation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2004	2003
Weighted average shares outstanding - basic	11,203,536	10,945,417
Dilutive impact of options and warrants outstanding	251,070	126,458
	-----	-----
Weighted average shares outstanding - diluted	11,454,606	11,071,875
	=====	=====

During the three months ended March 31, 2004 and 2003, respectively, -0- and 251,100 of outstanding options were not included in the foregoing computations because they were antidilutive.

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FAIR VALUE OF FINANCIAL INSTRUMENTS - For financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, it was assumed that the carrying amount approximated fair value because of the short maturities of such instruments. Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for bank debt. The carrying amounts of bank debt is a reasonable estimate of fair value.

RECLASSIFICATIONS - Certain reclassifications have been made to prior period

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amounts to conform to the current year presentation.

### 2. Acquisitions

On March 22, 2003, the Company acquired certain assets (including cash acquired of \$799,000), subject to certain liabilities, and common shares of certain entities comprising the Passive Components Group of Insilco Technologies, Inc. ("Insilco") for \$37.0 million in cash, including transaction costs of approximately \$1.4 million. This acquisition included the Stewart Connector Systems Group ("Stewart"), InNet Technologies ("InNet") and the Signal Transformer Group ("Signal Transformer"). The purchase price has been allocated to both tangible and intangible assets and liabilities based on estimated fair values after considering various independent formal appraisals. Approximately \$1.6 million of identifiable intangible assets (patents) arose from this transaction; such intangible assets will be amortized on a straight line basis over a period of five years. In addition, \$2.9 million has been attributed to goodwill. Patents having a carrying value of \$1.6 million and goodwill of \$.8 million have been included in the Company's Asia reporting unit. Goodwill of \$1.5 million and \$.6 million has been included in the Company's North America and European reporting units, respectively.

Both Bel and the acquired InNet/Stewart Group were leaders in the Integrated Connector Module ("ICM") market with their respective MagJack product offerings. Consolidating the engineering, manufacturing and sales capabilities of Bel and InNet/Stewart has strengthened the Company's leadership in this important market. The Company's expertise in electrical engineering and high-volume, low-cost manufacturing complements InNet/Stewart's strengths in mechanical design and engineering.

Effective January 2, 2003, the Company entered into an asset purchase agreement with Advanced Power Components plc ("APC") to purchase the communication products division of APC for \$5.5 million in cash plus the assumption of certain liabilities. The agreement also required the Company to make contingent payments equal to 5% of sales (as defined) in excess of \$5.5 million per year for the years 2003 and 2004. No contingent purchase price payments were made during 2003 and no contingent purchase price payment amounts are due as of March 31, 2004. The purchase price has been allocated to both tangible and intangible assets and liabilities based on estimated fair values. Goodwill of approximately \$2.1 million has been included in the Company's Asia reporting segment.

There was no in-process research and development acquired as part of these acquisitions.

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These transactions were accounted for using the purchase method of accounting and, accordingly, the results of operations of Insilco's Passive Components Group have been included in the Company's financial statements from March 22, 2003 and the results of operations of APC have been included in the Company's financial statements from January 2, 2003.

The following unaudited pro forma summary results of operations assumes that both Insilco and APC had been acquired as of January 1, 2003 (in thousands):

	Three Months Ended March 31, ----- 2003 ----
Sales	\$ 40,660
Net income (loss)	2,641

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Earnings per share - diluted 0.24

The information above is not necessarily indicative of the results of operations that would have occurred if the acquisitions had been consummated as of January 1, 2003. Such information should not be construed as being a representation of the future results of operations of the Company.

A condensed balance sheet of the major assets and liabilities of the acquired entities at the acquisition date is as follows:

Cash	\$ 799,000
Accounts receivable	14,764,000
Inventories	15,613,000
Prepaid expenses	327,000
Property, plant and equipment	11,049,000
Other assets	244,000
Goodwill	5,062,000
Patents	1,600,000
Accounts payable	(2,748,000)
Accrued expenses	(3,540,000)
Income taxes payable	566,000
Deferred income taxes payable	(421,000)
Net assets acquired	\$ 43,315,000 =====

### 3. Goodwill and Other Intangibles

Goodwill represents the excess of the purchase price and related acquisition costs over the value assigned to the net tangible and other intangible assets with finite lives acquired in a business acquisition.

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Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are subject to, at a minimum, an annual impairment test. If the carrying value of goodwill or intangible assets exceeds its fair market value, an impairment loss would be recorded.

Upon adoption of SFAS 142 on January 1, 2002, the Company completed an impairment test and, based on the results of a valuation performed, management concluded that there was no impairment. This conclusion was based on the results of a discounted projected cash flow model, including an estimate of terminal value and various other generally accepted valuation methodologies. In 2001, the electronics industry and more specifically, the Telecom sector, overestimated their future requirements, which resulted in lower revenues and profits for the Company. By late 2002, management had concluded that a market turnaround was not likely to occur as had been expected.

In late 2002, management concluded that it needed to revise projected revenue, profit and cash flows projections in 2003 and beyond based on market conditions. Management performed the required annual impairment test during the fourth quarter of 2002 based on the same valuation methodology used by the Company upon adopting SFAS 142 and concluded that an impairment charge of \$5.2 million was

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appropriate. The \$5.2 million impairment charge impacted the Company's North America and Asia geographic reporting units by \$2.3 million and \$2.9 million, respectively. Management performed the required annual impairment test during the fourth quarter of 2003 and concluded that there was no impairment in any of its geographic reporting units.

Other intangibles include patents, product information, covenants not-to-compete and supply agreements. Amounts assigned to these intangibles have been determined by management. Management considered a number of factors in determining the allocations, including valuations and independent appraisals. Other intangibles are being amortized over 4 to 10 years. Amortization expense was \$284,000 and \$192,000 for the three months ended March 31, 2004 and 2003, respectively.

Under the terms of the E-Power and Current Concepts, Inc. acquisition agreements, of May 11, 2001, the Company is required to make contingent purchase price payments up to an aggregate of \$7.6 million should the acquired companies attain specified sales levels. E-Power will be paid \$2.0 million in contingent purchase price payments when sales, as defined, reach \$15.0 million and an additional \$4.0 million when sales reach \$25.0 million on a cumulative basis through May 2007. No payments have been required through March 31, 2004 with respect to E-Power. Current Concepts will be paid 16% of sales, as defined, on the first \$10.0 million of sales through May 2007. During the three months ended March 31, 2004 and 2003, the Company paid approximately \$75,000 and \$29,000, respectively, in contingent purchase price payments to Current Concepts. The contingent purchase price payments are accounted for as additional purchase price and increase other intangibles when such payment obligations are incurred.

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The changes in the carrying value of goodwill classified by geographic reporting units, net of accumulated amortization, for the three months ended March 31, 2004 and the year ended December 31,2003 are as follows:

	Total -----	Asia ----	North America -----
Balance, January 1, 2003	\$ 4,819,563	\$ 3,396,181	\$ 1,423,382
Goodwill allocation related to acquisitions	5,062,291 -----	3,011,254 -----	1,445,710 -----
Balance December 31, 2003	9,881,854	6,407,435	2,869,092
Goodwill allocation related to acquisitions	-- -----	-- -----	-- -----
Balance March 31, 2004	\$ 9,881,854 =====	\$ 6,407,435 =====	\$ 2,869,092 =====

The components of other intangibles are as follows:



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	December 31, 2003				Gro
	Total		Asia		
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Patents and Product Information	\$ 2,935,000	\$ 863,591	\$ 2,653,000	\$ 741,680	\$
Covenants not-to-compete	3,169,987	1,603,411	3,169,987	1,603,411	
Supply agreement	2,660,000	2,660,000	1,409,800	1,409,800	
	<u>\$ 8,764,987</u>	<u>\$ 5,127,002</u>	<u>\$ 7,232,787</u>	<u>\$ 3,754,891</u>	<u>\$</u>

	March 31, 2004				Gro
	Total		Asia		
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Patents and Product Information	\$ 2,935,000	\$ 982,119	\$ 2,653,000	\$ 853,158	\$
Covenants not-to-compete	3,244,526	1,768,484	3,244,526	1,768,484	
Supply agreement	2,660,000	2,660,000	1,409,800	1,409,800	
	<u>\$ 8,839,526</u>	<u>\$ 5,410,603</u>	<u>\$ 7,307,326</u>	<u>\$ 4,031,442</u>	<u>\$</u>

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Amortization expense for other intangible assets for the next five years is as follows:

Year Ending December 31,	Amortization Expense
2004	\$1,117,000
2005	1,031,000
2006	806,000
2007	417,000
2008	266,000
Total	<u>\$3,637,000</u>

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4. Inventories

The components of inventories are as follows:

	March 31, 2004	December 31, 2003
	----	----
Raw materials	\$13,415,683	\$12,421,655
Work in progress	2,107,279	2,094,474
Finished goods	10,500,943	11,712,568
	-----	-----
	\$26,023,905	\$26,228,697
	=====	=====

5. Restructuring Charges

During the three months ended March 31, 2004 and 2003, the Company incurred approximately \$89,000 and \$161,000, respectively, of severance costs and anticipates additional severance expenses for the remainder of 2004 of approximately \$250,000 as additional jobs are moved to mainland China and Hong Kong operations are restructured.

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6. Business Segment Information

The Company operates in one industry with three reportable segments. The segments are geographic and include North America, Asia and Europe. The primary criteria by which financial performance is evaluated and resources are allocated are revenues and operating income. The following is a summary of key financial data:

	Three Months Ended March 31,	
	----- 2004 -----	----- 2003 -----
Total Revenues:		
North America	\$ 19,613,333	\$ 7,427,974
Asia	30,485,269	23,036,359
Europe	3,784,100	632,967
Less intergeographic revenues	(11,525,679)	(6,149,941)
	-----	-----
	\$ 42,357,023	\$24,947,359
	=====	=====
Income from Operations:		
North America	\$ 1,384,986	\$ 151,235
Asia	3,855,152	1,807,230
Europe	374,999	174,639
	-----	-----
	\$ 5,615,137	\$ 2,133,104
	=====	=====

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### 7. Debt

On March 21, 2003, the Company entered into a \$10 million secured term loan. The loan was used to partially finance the Company's acquisition of Insilco's Passive Components Group. The loan is payable in 20 equal quarterly installments of principal with a final maturity on March 31, 2008 and currently bears interest at LIBOR plus 1.25 percent (2.625 percent at March 31, 2004) payable quarterly. The rate may vary based upon the Company's performance with respect to certain financial covenants. In addition, the note may be prepaid in certain circumstances. The loan is collateralized with a first priority security interest in and lien on 65% of all the issued and outstanding shares of the capital stock of certain of the foreign subsidiaries of Bel and all other personal property and certain real property of Bel. The Company is required to maintain certain financial covenants, as defined in the agreement. As of March 31, 2004, the Company was in compliance with all financial covenants. As of March 31, 2004, the balance due on the term loan was \$8.0 million. For the three months ended March 31, 2004, the Company recorded interest expense of approximately \$57,000.

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### 8 Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2004	December 31, 2003
	-----	-----
Sales commissions	\$ 1,271,128	\$ 1,378,925
Subcontracting labor	2,037,412	1,900,189
Salaries, bonuses and related benefits	2,233,623	3,047,904
Other	3,230,685	3,115,671
	-----	-----
	\$ 8,772,848	\$ 9,442,689
	=====	=====

### 9. RETIREMENT FUND AND PROFIT SHARING PLAN

The Company maintains a domestic profit sharing plan and a contributory stock ownership and savings 401(K) plan, which combines stock ownership and individual voluntary savings provisions to provide retirement benefits for plan participants. The plan provides for participants to voluntarily contribute a portion of their compensation, subject to certain legal maximums. The Company will match, based on a sliding scale, up to \$350 for the first \$600 contributed by each participant. Matching contributions plus additional discretionary contributions will be made with Company stock purchased in the open market. The expense for the three months ended March 31, 2004 and 2003 amounted to approximately \$109,000 and \$37,000, respectively. As of March 31, 2004, the plans owned 20,910 and 120,501 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The Company's Far East subsidiaries have a retirement fund covering substantially all of their Hong Kong based full-time employees. Eligible employees contribute up to 5% of salary to the fund. In addition, the Company may contribute an amount up to 7% of eligible salary, as determined by Hong Kong government regulations, in cash or Company stock. The expense for the three months ended March 31, 2004 and 2003 amounted to approximately \$107,000 and

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\$106,000, respectively. As of March 31, 2004, the plan owned 3,323 and 12,256 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The Supplemental Executive Retirement Plan (the "Plan") is designed to provide a limited group of key management and highly compensated employees of the Company supplemental retirement and death benefits. The Plan was established by the Company in 2002. Employees are selected at the sole discretion of the Board of Directors of the Company to participate in the Plan. The Plan is unfunded. The Company utilizes life insurance to partially cover its obligations under the Plan. The benefits available under the Plan vary according to when and how the participant terminates employment with the Company. If a participant retires (with the prior written consent of the Company) on his normal retirement date (65 years old, 20 years of service, and 5 years of Plan participation), his normal retirement benefit under the Plan would be annual payments equal to 40% of his average base compensation (calculated using compensation from

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the highest 5 consecutive calendar years of Plan participation), payable in monthly installments for the remainder of his life. If a participant retires early from the Company (55 years old, 20 years of service, and 5 years of Plan participation), his early retirement benefit under the Plan would be an amount (i) calculated as if his early retirement date were in fact his normal retirement date, (ii) multiplied by a fraction, with the numerator being the actual years of service the participant has with the Company and the denominator being the years of service the participant would have had if he had retired at age 65, and (iii) actuarially reduced to reflect the early retirement date. If a participant dies prior to receiving 120 monthly payments under the Plan, his beneficiary would be entitled to continue receiving benefits for the shorter of (i) the time necessary to complete 120 monthly payments or (ii) 60 months. If a participant dies while employed by the Company, his beneficiary would receive, as a survivor benefit, an annual amount equal to (i) 100% of the participant's annual base salary at date of death for one year, and (ii) 50% of the participant's annual base salary at date of death for each of the following 4 years, each payable in monthly installments. The Plan also provides for disability benefits, and a forfeiture of benefits if a participant terminates employment for reasons other than those contemplated under the Plan. The expense for the three months ended March 31, 2004 and 2003 amounted to approximately \$94,000 and \$82,000, respectively.

### 10. Common Stock

The Company maintains two classes of outstanding common stock, Class A Common Stock ("Class A") and Class B Common Stock ("Class B"). The following is a summary of the pertinent rights and privileges of each class outstanding:

- o Voting - Class A receives one vote per share; Class B is non-voting;
- o Dividends (cash) - Cash dividends are payable at the discretion of the Board of Directors and is subject to a 5% provision whereby cash dividends paid out to Class B must be at least 5% higher per share annually than Class A. At the discretion of the Board of Directors, Class B may receive a cash dividend without Class A receiving a cash dividend.

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- o Dividends (other than cash) and distributions in connection with any recapitalization and upon liquidation, dissolution or winding up of the Company - Shared equally among Class A and Class B;
- o Mergers and consolidations - Equal amount and form of consideration per share among Class A and Class B;
- o Class B Protection - Any person or group that purchases 10% or more of the outstanding Class A (excluding certain shares, as defined) must make a public cash tender offer (within 90 days) to acquire additional shares of Class B to avoid disproportionate voting rights. Failure to do so will result in forfeiture of voting rights for those shares acquired after the recapitalization. Alternatively, the purchaser can sell Class A shares to reduce their holdings below 10% (excluding shares owned prior to recapitalization). Above 10%, this protection transaction is triggered every 5% (e.g., 15%, 20%, 25%, etc.);
- o Convertibility - Not convertible into another class of Common stock or any other security by the Company, unless by resolution by the Board of Directors to convert such shares as a result of either class becoming excluded from quotation on NASDAQ, or if total outstanding shares of Class A falls below 10% of the aggregate number of outstanding shares of both classes (in which case, all Class B shares will be automatically converted in Class A shares).
- o Transferability and trading - Both Class A and Class B are freely transferable and publicly traded on NASDAQ National Market;
- o Subdivision of shares - Any split, subdivision or combination of the outstanding shares of Class A or Class B must be proportionately split with the other class in the same manner and on the same basis.

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### 11. Comprehensive Income

Comprehensive income for the three months ended March 31, 2004 and 2003 consists of:

	Three Months Ended	
	March 31,	
	2004	2003
	----	----
Net earnings	\$ 4,654,731	\$ 1,780,284
Currency translation adjustment- net of taxes	(222,438)	(6,515)
Increase in marketable securities - net of taxes	15,700	--
Comprehensive income	\$ 4,447,993	\$ 1,773,769
	=====	=====

### 12. Legal Proceedings

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- a) The Company has been a party to an ongoing arbitration proceeding related to the acquisition of its Telecom business in 1998. The Company believes that the seller breached the terms of a related Global Procurement Agreement dated October 2, 1998 and is seeking damages related thereto. During February, 2004, the Company and the seller agreed in principle to settle the matter. The settlement, if successfully concluded, will result in a payment to the Company and an unconditional release by the seller of all counterclaims against the Company. The gain contingency will be recognized when received.

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- b) The Company has received a letter from a third party which states that its patent covers all of the Company's modular jack products and indicates the third party's willingness to grant a non-exclusive license to the Company under the patent for a 3% royalty on all future gross sales of ICM products; payments of a lump sum of 3% of past sales including sales of applicable Insilco products; an annual minimum royalty of \$500,000; payment of all attorney fees and marking of all licensed ICM's with the third party's patent number. The Company has received another letter from a third party which states that its patent covers certain of the Company's modular jack products and indicates the third party's willingness to grant a non transferable license to the Company for an up front fee of \$500,000 plus a 6% royalty on future sales. The Company believes that none of its products are covered by these patents and intends to vigorously defend its position. The Company cannot predict the outcome of these matters; however, management believes that the ultimate resolution of these matters will not have a material impact on the Company's consolidated financial condition or results of operations. This statement represents a forward looking statement; outcomes in legal proceedings are difficult to predict, due in part to the difficulties associated with the proof of facts in such proceedings.

The Company is not a party to any other legal proceeding, the adverse outcome of which is expected to have a material adverse effect on the Company's consolidated financial condition or results of operations.

### 13. Recent Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan. The Company adopted SFAS No. 146 on January 1, 2003. The adoption of SFAS No. 146 did not have a material impact on the Company's result of operations or financial position.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. Management believes that this statement did not have a material impact on the Company's results of operations or financial position.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, and interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34. FIN 45 clarifies the requirements of FASB Statement No. 5, *Accounting for Contingencies*, relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. This interpretation clarifies that a guarantor is required to recognize, at the inception of certain types of guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. The Company adopted FIN 45 on January 1, 2003. The adoption of FIN 45 did not have a material impact on the Company's results of operations or financial position.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities*. In December 2003, the FASB issued FIN No. 46 (Revised) ("FIN 46-R") to address certain FIN 46 implementation issues. This interpretation requires that the assets, liabilities, and results of activities of a Variable Interest Entity ("VIE") be consolidated into the financial statements of the enterprise that has a controlling interest in the VIE. FIN 46R also requires additional disclosures by primary beneficiaries and other significant variable interest holders. For entities acquired or created before February 1, 2003, this interpretation is effective no later than the end of the first interim or reporting period ending after March 15, 2004, except for those VIE's that are considered to be special purpose entities, for which the effective date is no later than the end of the first interim or annual reporting period ending after December 15, 2003. For all entities that were acquired subsequent to January 31, 2003, this interpretation is effective as of the first interim or annual period ending after December 31, 2003. The adoption of FIN 46 did not have a material impact on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. SFAS No. 150 clarifies the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those financial instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of the provisions of SFAS No. 150 did not have a material impact on the Company's financial position.

In December 2003, the FASB issued SFAS No. 132 (Revised) ("SFAS No. 132-R"), *Employer's Disclosure about Pensions and Other Postretirement Benefits*. SFAS No. 132-R retains disclosure requirements of the original SFAS No. 132 and requires additional disclosures relating to assets, obligations, cash flows, and net periodic benefit cost for defined benefit pension plans and defined benefit post retirement plans. SFAS No. 132-R is effective for fiscal years ending after

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December 15, 2003, except that certain disclosures are effective for fiscal years ending after June 15, 2004. Interim period disclosures are effective for interim periods beginning after December 15, 2003. The adoption of the disclosure provisions of revised SFAS No. 132-R did not have a material impact on the Company's historical disclosure.

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

The Company's quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect revenues and profitability, including the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, financial condition, operating results, and stock prices. Furthermore, this document and other documents filed by the Company with the Securities and Exchange Commission (the "SEC") contain certain forward-looking statements under the Private Securities Litigation Reform Act of 1995 ("Forward-Looking Statements") with respect to the business of the Company. These Forward-Looking Statements are subject to certain risks and uncertainties, including those detailed in Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2003, which could cause actual results to differ materially from these Forward-Looking Statements. The Company undertakes no obligation to publicly release the results of any revisions to these Forward-Looking Statements which may be necessary to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. An investment in the Company involves various risks, including those which are detailed from time to time in the Company's SEC filings.

#### Critical Accounting Policies

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The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, investments, income taxes and contingencies and litigation. The Company bases its estimates on historical



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experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

### Allowance for Doubtful Accounts

-----

The Company maintains allowances for doubtful accounts for estimated losses from the inability of its customers to make required payments. The Company determines its reserves by both specific identification of customer accounts where appropriate and the application of historical loss experience to non-specific accounts. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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### Inventory

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The Company makes purchasing decisions principally based upon firm sales orders from customers, the availability and pricing of raw materials and projected customer requirements. Future events that could adversely affect these decisions and result in significant charges to the Company's operations include miscalculating customer requirements, technology changes which render certain raw materials and finished goods obsolete, loss of customers and/or cancellation of sales orders, stock rotation with distributors and termination of distribution agreements. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon the aforementioned assumptions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

When inventory is written-off, it is never written back up; the cost remains at zero or the level to which it has been written-down. When inventory that has been written-off is subsequently used in the manufacturing process, the lower adjusted cost of the material is charged to cost of sales. At December 31, 2003, approximately \$8.7 million of inventory was on hand, including \$3.1 million of raw materials received from the outstanding purchase commitments (at original cost before the write-down or reserve of \$12.0 million in 2001). During the third quarter of 2003 approximately \$2.5 million of this inventory was scrapped. Management intends to retain the balance of this inventory for possible use in future orders. Should any of this inventory be used in the manufacturing process for customer orders, the improved gross profit will be recognized at the time the completed product is shipped and the sale is recorded.

The following is a quarterly schedule of material reintroduced into production since the initial \$12 million charge in the fourth fiscal quarter of 2001.

4th Quarter	2001	\$ 164,329
1st Quarter	2002	4,538
2nd Quarter	2002	68,098

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3rd Quarter	2002	38,914
4th Quarter	2002	271,163
1st Quarter	2003	77,069
2nd Quarter	2003	80,046
3rd Quarter	2003	28,851
4th Quarter	2003	98,263
1st Quarter	2004	31,051
		-----
		\$ 862,322
		=====

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### Acquisitions

-----

Acquisitions continue to be a key element in the Company's growth strategy. If the Company's evaluation of a target company misjudges its technology, estimated future sales and profitability levels, or ability to keep pace with the latest technology, these factors could impair the value of the investment, which could materially adversely affect the Company's profitability.

### Income Taxes

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The Company files income tax returns in every jurisdiction in which it has reason to believe it is subject to tax. Historically, the Company has been subject to examination by various taxing jurisdictions. To date, none of these examinations has resulted in any material additional tax. Nonetheless, any tax jurisdiction may contend that a filing position claimed by the Company regarding one or more of its transactions is contrary to that jurisdiction's laws or regulations.

### Overview

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Bel is a leading producer of electronic products that help make global connectivity a reality. The Company designs, manufactures and markets a broad array of magnetics, modules, circuit protection devices and interconnect products. While these products are deployed primarily in the computer, networking and telecommunication industries, Bel's expanding portfolio of products also finds application in the automotive, medical and consumer electronics markets. These products are designed to protect, regulate, connect, isolate or manage a variety of electronic circuits.

During the first quarter of 2004, approximately \$14.2 million of the sales increase compared to the first quarter of 2003, is attributable to the acquisition by the Company of Insilco's Passive Components Group and APC during 2003.

Gross profit margins have been favorably impacted due to various cost cutting measures implemented by the Company. During 2002, the Company closed its Texas sales, manufacturing and research and development facility along with its Indiana research and development facility. Some of the research and development jobs were consolidated in the Company's San Diego, California research and

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development facility. These cost cutting measures continued into 2003 and 2004 as many manufacturing and administrative positions were moved from Hong Kong to China. A Mexican facility was closed during 2003 and the business was moved to the Dominican Republic.

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### Results of Operations

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The following table sets forth, for the first quarters of 2004 and 2003, the percentage relationship to net sales of certain items included in the Company's consolidated unaudited statements of operations.

	Percentage of Net Sales Three Months Ended March 31,	
	2004	2003
	-----	-----
Net sales	100.0 %	100.0 %
Cost of sales	70.3	72.0
Selling, general and administrative expenses	16.4	19.4
Other income, net of interest expense	0.1	0.5
Earnings before income taxes	13.4	9.0
Income tax provision	2.4	1.9
Net earnings	11.0	7.1

The following table sets forth the year over year percentage increases of certain items included in the Company's consolidated unaudited statements of operations.

	Increase from Prior Period
	-----
	Three Months Ended March 31, 2004 compared with the Three Months Ended March March 31, 2003
	-----
Net sales	69.8 %
Cost of sales	65.8
Selling, general and administrative expenses	43.4
Net earnings	161.5

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### Sales

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Net sales increased 69.8% from \$24.9 million during the first quarter of 2003 to \$42.4 million during 2004. The Company attributes this increase principally to sales of approximately \$14.2 million from the Insilco Passive Components Group and APC, strong demand for Magnetics sales from Bel's existing business, resulting in an increase of \$1.9 million in such sales, and increased circuit protection sales of \$1.1 million.

The significant components of the Company's first quarter 2004 sales were from magnetic products of \$31.9 million (as compared with \$18.2 million during the first quarter of 2003), circuit protection of \$4.9 million (as compared with \$3.8 million during the first quarter of 2003), interconnect products of \$3.0 million (as compared with \$.6 million during the first quarter of 2003), and module sales of \$2.5 million (as compared with \$2.4 million during the first quarter of 2003).

The Company is cautiously optimistic that its revenues will continue to grow during the second quarter of 2004 in light of the increases in the Company's backlog although the Company cannot provide assurances to investors in this regard. This statement represents a Forward Looking Statement, subject to the risks and uncertainties described in Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Actual results could differ materially from this Forward Looking Statement. The Company had one customer with sales in excess of 10% (11.1%) of total sales during the first quarter of 2004. The loss of this customer could have a material adverse effect on the Company's results of operations, financial position and cash flows.

At this time the Company cannot quantify the extent of sales growth arising from unit sales mix and/or price changes. Given the change in the nature of the products purchased by customers from period to period, the Company believes that neither unit changes nor price changes are meaningful. The Company does not believe that it experienced a material change in unit sales, except for the additional unit sales generated from the acquisition of the Insilco Passive Components Group during 2003. Over the past year, newer and more sophisticated products with higher unit selling prices have been introduced. Through the Company's engineering and research effort, the Company has been successful in adding additional value to existing product lines, which tends to increase sales prices initially until that generation of products becomes mature and sales prices experience price degradation. In general, as products become mature, average selling prices decrease.

### Cost of Sales

-----

Bel generally enters into processing arrangements with four independent third party contractors in the Far East. Under the terms of the Company's agreements with these contractors, the Company is only responsible for value-added costs when finished goods pass the Company's quality control inspections. Therefore, no value-added costs are recorded until the Company's Quality Control group approves the finished goods. The Company's raw materials are valued as finished goods when they are returned from these third-party contractors.

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Value-added costs are recorded as incurred for all products

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manufactured at the Company's own manufacturing facilities. Such amounts are determined based upon the estimated stage of production and include labor cost and fringes and related allocations of factory overhead. The Company believes that such costs generally are not significant as a percentage of total inventory costs at any point in time. The Company manufactures finished goods at its own manufacturing facilities in Glen Rock, Pennsylvania, Inwood, New York, the Dominican Republic and Mexico. See "Critical Accounting Policies" above for information regarding the use of inventories in the manufacturing process that have been written down in prior years.

Cost of sales as a percentage of net sales decreased from 72.0 % during the first quarter of 2003 to 70.3% in 2004. The decrease in the cost of sales percentage is primarily attributable to a 5.1% decrease in direct labor as a percentage of sales, a 2.6% decrease in factory overheads and a 2.5% decrease in research and development as a percentage of sales offset in part by a 7.6% increase in material costs. The decrease in direct labor as a percentage of sales is primarily attributable to the lower direct labor costs associated with the Insilco manufacturing operations and the Company's relocating direct labor from Hong Kong to China where labor costs are lower. To support increased backlog, the Company requires additional direct laborers and currently anticipates adding 3,000 workers in the Far East manufacturing facilities. The decrease in factory overhead and research and development expenses as a percentage of sales is primarily attributable to the increase in sales. The percentage increase in material cost as a percentage of sales is primarily attributable to pricing pressure the Company is experiencing with its customers and sales of products which have a higher material content compared to the first quarter of 2003.

The acquisition of the Insilco Passive Components Group resulted in additional cost of sales in the amount of \$12.2 million during the first quarter of 2004. The Company expects fluctuations in cost of sales to continue in future quarters in relation to increases or decreases of sales.

Included in cost of sales are research and development expenses of \$1.8 million and \$1.6 million for the first quarters of 2004 and 2003, respectively. The increase is principally attributable to increased research and development expenditures in connection with the purchase of the Passive Components Group of Insilco and APC offset in part by the closure of the Indiana research facility and lower research and development costs in the Far East as many of these jobs were moved from Hong Kong to China.

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### Selling, General and Administrative Expenses

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The percentage relationship of selling, general and administrative expenses to net sales decreased from 19.4% during the three months ended March 31, 2003 to 16.4% during the three months ended March 31, 2004, in part as a result of the Company's ability to leverage general and administrative expenses over a larger revenue base. The Company attributes the \$2.1 million increase in the dollar amount of such expenses primarily to costs associated with the Insilco operations of approximately \$2.0 million and additional professional fees of approximately \$.4 million related to Sarbanes - Oxley compliance.

The Company anticipates continued increases in professional fees principally associated with Sarbanes - Oxley compliance.

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### Interest Income - net -----

Interest income earned on cash and cash equivalents decreased by approximately \$22,000 during the first three months of 2004 compared to 2003. The decrease is due primarily to lower interest rates earned on cash and cash equivalents and lower cash balances due to the use of approximately \$32.5 million of cash for the acquisition of Insilco's Passive Components Group .

### Interest Expense -----

Interest expense increased by approximately \$46,000 during the first three months of 2004 compared to 2003. The increase arose from a \$10 million term loan entered into on March 21, 2003 which was borrowed for the acquisition of Insilco's Passive Components Group. The loan bears interest at LIBOR plus 1.25% payable quarterly. See Note 7 of Notes to Unaudited Consolidated Financial Statements.

### Provision for Income Taxes -----

The provision for income taxes for the three months ended March 31, 2004 was \$1.0 million as compared to \$.5 million for the three months ended March 31, 2003. The increase in the provision is due primarily to the Company's increased earnings before income taxes for the three months ended March 31, 2004, as compared with 2003. The income tax provision is lower than the statutory federal income tax rate primarily due to lower foreign tax rates.

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The Company conducts manufacturing activities in the Far East. More specifically, the Company manufactures the majority of its products in the People's Republic of China ("PRC"), Hong Kong and Macau and has not been subject to corporate income tax in the PRC. The Company's activities in Hong Kong have generally consisted of administration, quality control and accounting, as well as some limited manufacturing activities. Hong Kong imposes corporate income tax at a rate of 16 percent solely on income sourced to Hong Kong. That is, its tax system is a territorial one which only seeks to tax activities conducted in Hong Kong. Since the Bel entity in Hong Kong conducts most of its manufacturing and quality control activities in the PRC, most of this entity's income is deemed "offshore" and thus non-taxable in Hong Kong. Although the statutory tax rate in Hong Kong is 16 percent, the Company generally pays an effective Hong Kong rate of less than 4 percent.

The Company also conducts manufacturing operations in Macau. Macau has a statutory corporate income tax rate of 16 percent. However, the Company, as a result of investing in a certain location in Macau, was able to obtain a 10-year tax holiday in Macau, thereby reducing its effective Macau income tax rate from 16 percent to 8 percent. The tax holiday in Macau expired in April 2004. Since most of the Company's operations are conducted in the Far East, the majority of its profits are sourced in these three Far East jurisdictions. Accordingly, the profits earned in the U.S. are comparatively small in relation to its profits reported in the Far East. Therefore, there is generally a significant difference between the statutory U.S. tax rate and the Company's actual effective tax rate. There was no material tax benefit during the first quarter of 2004 and 2003 because of the lower tax rate in Macau.

### Cost Control Measures

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In light of the current market in the Company's industry, the Company continues to review its operating structures in efforts to control costs. Such measures can be expected to result in a restructuring of the Company's operations and the recognition of related restructuring charges in future periods. During the three months ended March 31, 2004 and 2003, the Company incurred approximately \$89,000 and \$161,000, respectively, of severance costs and anticipates additional severance expenses in the amount of approximately \$250,000 during 2004 as additional jobs are moved to mainland China and Hong Kong operations are restructured.

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Inflation and Foreign Currency Exchange  
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During the past two years, the effect of inflation on the Company's profitability was not material. Historically, fluctuations of the U.S. dollar against other major currencies have not significantly affected the Company's foreign operations as most sales have been denominated in U.S. dollars or currencies directly or indirectly linked to the U.S. dollar. Most significant expenses, including raw materials, labor and manufacturing expenses, are either incurred in US dollars or the currencies of the Hong Kong dollar, the Macau Pataca or the Chinese Renminbi. Commencing with the acquisition of the Passive Components Group, the Company's European entity has sales transactions which are denominated principally in Euros and British Pounds. Conversion of these transactions into U.S. dollars has resulted in currency exchange losses of \$12,000 for the three months ended March 31, 2004 which are included in selling, general and administrative expense from realized foreign exchange transactions and approximately \$773,000 in unrealized exchange gains relating to the translation of foreign subsidiary financial statements which are included in other comprehensive income. Any change in linkage of the U.S. dollar and the Hong Kong dollar, the Chinese Renminbi, the Macau Pataca, the Euro or the British Pound could have a material effect on the Company's consolidated financial position or results of operations.

Net Earnings  
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Net earnings for the three months ended March 31, 2004 includes approximately \$1.8 million attributable to the acquisition of Insilco's Passive Components Group.

Liquidity and Capital Resources  
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Historically, the Company has financed its capital expenditures primarily through cash flows from operating activities. Currently, due to the recent acquisition of the Passive Components Group of Insilco Technologies, Inc., the Company has borrowed money under a secured term loan, and has unused lines of credit, as described below. Management believes that the cash flow from operations after payments of dividends and scheduled repayments of the term loan, 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. Such statement constitutes a Forward Looking Statement. Factors which could cause the

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Company to require additional capital include, among other things, a softening in the demand for the Company's existing products, an inability to respond to customer demand for new products, potential acquisitions requiring substantial capital, future expansion of the Company's operations and net losses that would result in net cash being used in operating, investing and/or financing activities which result in net decreases in cash and cash equivalents. Net losses may result in the loss of domestic and foreign credit facilities and preclude the Company from raising debt or equity financing in the capital markets.

The Company has two domestic lines of credit amounting to \$11 million, which were unused at March 31, 2004. An unsecured \$1 million line of credit is renewable annually. The \$10 million line of credit expires on March 21, 2006. Borrowings under this \$10 million line of credit are secured by the same assets which secure the term loan described below.

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On March 21, 2003, the Company entered into a \$10 million secured term loan. The loan was used to partially finance the Company's acquisition of Insilco's Passive Components Group. The loan agreement requires 20 equal quarterly installments of principal with a final maturity on March 31, 2008 and bears interest at LIBOR plus 1.25 percent (2.625 percent at March 31, 2004) payable quarterly. The loan is collateralized with a first priority security interest in 65% of all the issued and outstanding shares of the capital stock of certain of the foreign subsidiaries of Bel Fuse Inc. and all other personal property and certain real property of Bel Fuse Inc. The Company is required to maintain certain financial covenants, as defined in the agreement. For the three months ended March 31, 2004, the Company recorded interest expense of approximately \$57,000, and was in compliance with all of the covenants contained in the loan agreement as at March 31, 2004.

The Company's Hong Kong subsidiary has an unsecured line of credit of approximately \$2 million, which was unused at March 31, 2004. This line of credit expired on March 31, 2004 and the Company is in the process of renewing it. Borrowing on this line of credit is guaranteed by the Company.

For information regarding further commitments under the Company's operating leases, see Note 15 of Notes to the Company's Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

The Company is constructing a 64,000 square foot manufacturing facility in Zhongshan City, PRC for approximately \$1.3 million. As of March 31, 2004, the Company has paid \$.5 million toward the construction. The Company expects to complete the construction during 2004.

Under the terms of the E-Power and Current Concepts, Inc. acquisition agreements, of May 11, 2001, the Company will be required to make contingent purchase price payments up to an aggregate of \$7.6 million should the acquired companies attain specified sales levels. E-Power will be paid \$2.0 million in contingent purchase price payments when sales, as defined, reach \$15.0 million and an additional \$4.0 million when sales reach \$25.0 million on a cumulative basis through May, 2007. No payments have been required to date with respect to E-Power. Current Concepts will be paid 16% of sales, as defined, on the first \$10.0 million in sales through May 2007. During the three months ended March 31, 2004 and 2003, the Company paid approximately \$75,000 and \$29,000, respectively, in contingent purchase price payments to Current Concepts. The contingent purchase price payments have been accounted for as additional purchase price and increase other intangibles when such payment obligations are incurred.



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On May 9, 2000, the Board of Directors authorized the repurchase of up to 10% of the Company's outstanding common shares from time to time in market or privately negotiated transactions. As of March 31, 2004, the Company had purchased and retired 23,600 Class B shares at a cost of approximately \$808,000, which reduced the number of Class B common shares outstanding. No shares were repurchased during the three months ended March 31, 2004.

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During the three months ended March 31, 2004, the Company's cash and cash equivalents increased by approximately \$7.2 million, reflecting approximately \$8.5 million provided by operating activities and \$1.1 million from proceeds from the exercise of stock options offset by \$.7 million for the purchase of property, plant and equipment, \$.6 million for the purchase of marketable securities, \$.5 million for loan repayments and \$.5 million for payment of dividends.

Cash, marketable securities and cash equivalents and accounts receivable comprised approximately 53.2% and 51.1% of the Company's total assets at March 31, 2004 and December 31, 2003, respectively. The Company's current ratio (i.e., the ratio of current assets to current liabilities) was 6.3 to 1 and 6.2 to 1 at March 31, 2004 and December 31, 2003, respectively.

### Other Matters

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The Company believes that it has sufficient cash reserves to fund its foreseeable working capital needs. It may, however, seek to expand such resources through bank borrowings, at favorable lending rates, from time to time. Should the Company pursue additional acquisitions during 2004, the Company may be required to pursue public or private equity or debt transactions to finance the acquisitions and to provide working capital to the acquired companies.

### New Financial Accounting Standards

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In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan. The Company adopted SFAS No. 146 on January 1, 2003. The adoption of SFAS No. 145 did not have a material impact on the Company's result of operations or financial position.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. Management believes that this statement did not have a material impact on the Company's results of operations or financial position.

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In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34. FIN 45 clarifies the requirements of FASB Statement No. 5, Accounting for Contingencies, relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. This interpretation clarifies that a guarantor is required to recognize, at the inception of certain types of guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company adopted FIN 45 on January 1, 2003. The adoption of FIN 45 did not have a material impact on the Company's results of operations or financial position.

In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities. In December 2003, the FASB issued FIN No. 46 (Revised) ("FIN 46-R") to address certain FIN 46 implementation issues. This interpretation requires that the assets, liabilities, and results of activities of a Variable Interest Entity ("VIE") be consolidated into the financial statements of the enterprise that has a controlling interest in the VIE. FIN 46R also requires additional disclosures by primary beneficiaries and other significant variable interest holders. For entities acquired or created before February 1, 2003, this interpretation is effective no later than the end of the first interim or reporting period ending after March 15, 2004, except for those VIE's that are considered to be special purpose entities, for which the effective date is no later than the end of the first interim or annual reporting period ending after December 15, 2003. For all entities that were acquired subsequent to January 31, 2003, this interpretation is effective as of the first interim or annual period ending after December 31, 2003. The adoption of FIN 46 did not have a material impact on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 clarifies the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those financial instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of the provisions of SFAS No. 150 did not have a material effect on the Company's financial position.

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In December 2003, the FASB issued SFAS No. 132 (Revised) ("SFAS No. 132-R"), "Employer's Disclosure about Pensions and Other Postretirement Benefits." SFAS No. 132-R retains disclosure requirements of the original SFAS

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No. 132 and requires additional disclosures relating to assets, obligations, cash flows, and net periodic benefit cost. SFAS No. 132-R is effective for fiscal years ending after December 15, 2003, except that certain disclosures are effective for fiscal years ending after June 15, 2004. Interim period disclosures are effective for interim periods beginning after December 15, 2003. The adoption of the disclosure provisions of revised SFAS No. 132-R did not have a material effect on the Company's historical disclosures.

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### Item 3. Quantitative and Qualitative Disclosures About Market Risk

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Fair Value of Financial Instruments -- The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments". The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The Company has not entered into, and does not expect to enter into, financial instruments for trading or hedging purposes. The Company does not currently anticipate entering into interest rate swaps and/or similar instruments.

The Company's carrying values of cash, marketable securities, accounts receivable, accounts payable and accrued expenses are a reasonable approximation of their fair value.

Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for bank debt. The carrying amounts of bank debt is a reasonable estimate

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of fair value.

### Item 4. Controls and Procedures -----

- a) Disclosure controls and procedures. As of the end of the Company's most recently completed fiscal quarter covered by this report, the Company carried out an evaluation, with the participation of the Company's management, including the Company's chief executive officer and chief financial officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.
  
- a) Changes in internal controls over financial reporting. There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART II. Other Information

### Item 1. Legal Proceedings -----

- a) The Company has been a party to an ongoing arbitration proceeding related to the acquisition of its Telecom business in 1998. The Company believes that the seller breached the terms of a related Global Procurement Agreement dated October 2, 1998 and is seeking damages related thereto. During February, 2004, the Company and the seller agreed in principle to settle the matter. The settlement, if successfully concluded, will result in a payment to the Company and an unconditional release by the seller of all counterclaims against the Company. The gain contingency will be recognized when received.
  
- b) The Company has received a letter from a third party which states that its patent covers all of the Company's modular jack products and indicates the third party's willingness to grant a non-exclusive license to the Company under the patent for a 3% royalty on all future gross sales of ICM products; payments of a lump sum of 3% of past sales including sales of applicable Insilco products; an annual minimum royalty of \$500,000; payment of all attorney fees and marking of all licensed ICM's with the third party's patent number. The Company has received another letter from a third party which states that its patent covers certain of the Company's modular jack products and indicates the third party's willingness to grant a non transferable license to the Company for an up front fee of \$500,000 plus a 6% royalty on future sales. The Company believes that none of its products are covered by these patents and intends to vigorously defend its position. The Company cannot predict the outcome of these matters; however,

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management believes that the ultimate resolution of these matters will not have a material impact on the Company's consolidated financial condition or results of operations. This statement represents a Forward Looking Statement; outcomes of legal proceedings are difficult to predict, due in part to the difficulties associated with the proof of facts in such proceedings.

The Company is not a party to any other legal proceeding, the adverse outcome of which is expected to have a material adverse effect on the Company's consolidated financial condition or results of operations.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  
Exhibit 31.2 Certification of the Vice President of Finance pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
Exhibit 32.2 Certification of the Vice President of Finance pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Current Report on Form 8-K:

The Company filed or submitted the following current reports on Form 8-K with the SEC during the first quarter of 2004:

No current reports on Form 8-K were filed during the quarter ended March 31, 2004 (excludes reports that were submitted to, but not filed with the SEC)

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SIGNATURES

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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.

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By:/s/Daniel Bernstein  
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Daniel Bernstein, President and  
Chief Executive Officer

By:/s/ Colin Dunn  
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Colin Dunn, Vice President of Finance

Dated: May 11, 2004

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EXHIBIT INDEX  
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Exhibit 31.1 - Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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