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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

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

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BEL FUSE INC.  
(Exact name of registrant as specified in its charter)

NEW JERSEY	22-1463699
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

198 VAN VORST STREET, JERSEY CITY, NEW JERSEY 07302  
(201) 432-0463

(Address and telephone number, including area code,  
of registrant's principal executive office)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:  
COMMON STOCK, \$.10 PAR VALUE

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
Registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

YES X NO    

Indicate by check mark if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K is not contained herein, and will not be contained, to the  
best of Registrant's knowledge, in definitive proxy or information statements  
incorporated by reference in Part III of this Form 10-K or any amendment to this  
Form 10-K. |X|

Aggregate market value of voting stock held by non-affiliates as of March  
16, 1998 was approximately \$95,443,000 (based upon the closing sales price of  
those shares reported on the National Association of Securities Dealers  
Automated Quotation System for that day).

Number of shares of Common Stock outstanding as of March 16, 1998: 5,139,670

DOCUMENTS INCORPORATED BY REFERENCE:

Bel Fuse Inc.'s Definitive Proxy Statement for the 1998 Annual Meeting of  
Stockholders is incorporated by reference into Part III.

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BEL FUSE INC.

INDEX

PART I

	Page
	----
Item 1. Business .....	1
Item 2. Properties .....	3
Item 3. Legal Proceedings .....	3
Item 4. Submission of Matters to Vote of Security Holders .....	3
Item 4A. Executive Officers of the Registrant .....	4

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters .....	4
Item 6. Selected Financial Data .....	5
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations ...	6
Item 7A. Quantitative and Qualitative Disclosures About Market Risk .....	8
Item 8. Financial Statements and Supplementary Data .....	9*
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure ....	10

PART III

Item 10. Directors of the Registrant .....	10
Item 11. Executive Compensation .....	10
Item 12. Security Ownership of Certain Beneficial Owners and Management .....	10

Item 13.	Certain Relationships and Related Transactions .....	10
----------	--	----

## PART IV

Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K .....	10
Signatures .....		12

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\* Page F-1 follows page 17.

## PART I

### ITEM 1. BUSINESS

#### GENERAL

Bel Fuse Inc. (the "Company"), organized under New Jersey law, is engaged in the design, manufacture and sale of products used in networking, telecommunication, high speed data transmission, automotive and consumer electronic applications. The Company operates facilities in the United States, Europe and the Far East. The Company maintains its principal executive offices at 198 Van Vorst Street, Jersey City, New Jersey 07302; telephone (201) 432-0463. The term "Company" as used in this Annual Report on Form 10-K refers to Bel Fuse Inc. and its consolidated subsidiaries unless otherwise specified.

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 ("Forward-Looking Statements"). Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in such forward-looking statements. Certain factors which could materially affect such results and the future performance of the Company are described below under "Risks and Uncertainties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Other Matters".

#### PRODUCT GROUPS

##### Magnetic Components

The Company manufactures a broad range of magnetic components. These wire-wound devices perform such functions as signal delay, signal timing, signal conditioning, impedance matching, filtering, isolation, power conversion and power transfer. The Company directs its design and marketing efforts to supply the needs of the following markets: manufacturers of networking and telecommunication equipment, computer manufacturers, and consumer, automotive and industrial electronic manufacturers. Although applications tend to overlap, the magnetic components manufactured by the Company fall into three major groups:

##### 1. Pulse Transformers

These small transformers offer the end user an inexpensive method to provide isolation, impedance matching, and removal of DC from a data signal. The major customers are manufacturers of network and telecommunications hardware.

##### 2. Delay Lines, Filters and DC/DC Converters

These components are primarily supplied to the same customer base as pulse transformers. They are densely packaged combinations of wire-wound components and other passive and active components such as capacitors, resistors and silicon integrated circuits (IC's). They perform the functions of timing, signal conditioning and power conversion.

##### 3. Power Transformers, Line Chokes, Coils

The basic functions of power transformers include AC voltage conversion and isolation. Power transformers convert the power from the supply line to the supply circuitry of a given electronic instrument such as a telecommunications device, TV set-top box, computer, add-in card, or peripheral. Generally these products include a switchmode or flyback power supply transformer, various DC filtering inductors and line chokes used to block the conducted and radiated emissions of power supplies.

#### Packaged Modules and Thick Film Hybrids

The Company supplies packaged modules to end users in several other industries whose requirements can be satisfied by combining in one integrated package one or more of the Company's capabilities in surface mount assembly, automatic winding, hybrid fabrication and component encapsulation.

Thick film hybrids are dense, reliable, high quality electronic microcircuits. The term "thick film hybrid" describes a method for screen printing conductors, resistors and capacitors onto a ceramic substrate. This substrate

#### 1

becomes a hybrid circuit when components such as integrated circuits, transistors, capacitors, and inductors are added to the substrate in order to form a functioning electrical circuit. The Company incorporates facets of this technology in the design and manufacture of many of its other products including packaged modules.

#### Miniature and Micro Fuses

Fuses prevent currents in an electrical or electronic circuit from exceeding certain predetermined levels. Fuses act as a safety valve to protect expensive components from damage or to cut off high currents before they can generate enough heat to cause smoke or fire. The Company manufactures miniature and micro fuses for supplementary circuit protection. The Company sells its fuses to a worldwide market. They are used in such products as televisions, VCR's, power supplies, computers, telephones and networking assemblies.

#### Marketing

The Company sells its products to approximately 450 customers throughout North America, Western Europe and the Far East. Sales are made through independent sales representative organizations and authorized distributors who are overseen by the Company's regional sales personnel throughout the world. As of December 31, 1997, the Company had a sales staff of 23 persons that supported 48 sales representative organizations and 12 non-exclusive distributors. In February 1998, the Company opened a new marketing office with four employees in San Diego, California.

The Company has written agreements with all of its sales representative organizations and major distributors. Written agreements terminable on short notice by either party are standard in the industry.

Finished products manufactured by the Company in its Far East facilities are, in general, either sold to the Company's Jersey City facility for resale to customers or are shipped directly to customers throughout the world. For further information regarding the Company's geographic operations, see Note 6 of Notes to Consolidated Financial Statements.

The Company had sales to two customers who manufacture electronic equipment in excess of ten percent of 1997 consolidated sales. The amounts and percentage of consolidated sales were approximately \$19,217,000 (26.1%) and \$8,272,000 (11.3%), respectively.

#### Research and Development

The Company's research and development efforts in 1997 were spread amongst all of the Company's current product groups. The Company maintains continuing programs to improve the reliability of its products and to design specialized assembly equipment to increase manufacturing efficiencies. The Company's research and development facilities are located in California, Indiana, and Hong Kong. Research and development costs amounted to \$3,895,000 in 1997.

## Suppliers

The Company has multiple suppliers for most of the raw materials that it purchases. Where possible, the Company has contractual agreements with suppliers to assure continuing supply of critical components.

With respect to those items which are purchased from single sources, the Company believes that comparable items would be available in the event that there were a termination of the Company's existing business relationships with any such particular supplier. While such a termination could produce a disruption in production, the Company does not believe that the termination of business with any of its suppliers would have a material adverse effect on its long-term operations.

## Backlog

The Company normally manufactures products against firm orders. Cancellation and return arrangements are normally negotiated by the Company on a transactional basis. The Company's backlog of orders as of February 25, 1998 was approximately \$15.6 million, as compared with a backlog of \$19.5 million as of February 25, 1997. Management expects that all of the Company's backlog as of February 25, 1998 will be shipped by December 31, 1998.

## Trademarks and Patents

The Company has been granted a number of U.S. patents and has additional U.S. patent applications pending relating to its products. While the Company believes that the issued patents are defensible and that the pending patent applications relate to patentable inventions, there can be no assurance that a patent will issue from the applications or that its existing patents can be successfully defended. It is management's opinion that the successful continuation and operation of the Company's business does not depend upon the ownership of patents or the granting of pending patent applications, but upon the innovative skills, technical competence and marketing and managerial abilities of its personnel. The patents have a life of seventeen years from the date of issue or twenty years from filing of patent applications. The Company's existing patents expire on various dates from September 30, 2002 to December 15, 2013.

The Company utilizes six U.S. registered trademarks -- BELIMITER, BELFUSE, BEL, SLO-BEL, MICROBEL and SURFUSE--to identify various products that it manufactures. The trademarks survive as long as they are in use and the registrations of these trademarks are renewed.

## Competition

There are numerous independent companies and divisions of major companies which manufacture products that are competitive with one or more of the Company's products. Some of the Company's competitors possess greater financial, marketing and other resources than those available to the Company. The Company's ability to compete is dependent upon several factors, including product performance, quality, reliability, design and price. For information regarding the effect of price competition on the Company's consolidated results of operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

## Employees

As of December 31, 1997, the Company had 995 full-time employees. The Company employed 84 people in its U.S. facilities and 911 throughout the rest of the world excluding workers employed by independent contractors. The Company's employees are not represented by any labor union. The Company believes that its relations with employees are satisfactory.

## Risks and Uncertainties

The Company's business is subject to several risks and uncertainties, including (a) the risk that it may be unable to respond adequately to rapidly changing technological developments in its industry, (b) risks associated with its Far East operations described herein under the caption "Management's

Discussion and Analysis of Financial Condition and Results of Operations -- Other Matters", (c) the highly competitive nature of the Company's industry and the impact that competitors' new products and pricing may have upon the Company, (d) the likelihood that revenues may vary significantly from one accounting period to another accounting period due to a variety of factors, including customers' buying decisions, the Company's product mix and general market and economic conditions, and (e) the Company's reliance on certain substantial customers. Such factors, as well as shortfalls in the Company's results of operations as compared with analysts' expectations, capital market conditions and general economic conditions, may also cause substantial volatility in the market price of the Company's common stock.

## ITEM 2. PROPERTIES

The Company currently occupies approximately 308,000 square feet of manufacturing, warehouse, office, technical and staff quarter space worldwide. The Company has additional production processing arrangements with subcontractors in the People's Republic of China occupying approximately 61,000 square feet of manufacturing space. In addition to the Company's principal corporate offices in New Jersey, the Company maintains facilities in The People's Republic of China, Hong Kong and Macau in the Far East, in California and Indiana in the U.S.A. and in the United Kingdom in Europe. The Company also owns an idle facility of 46,300 square feet in Illinois. Approximately 59% of the 308,000 square feet the Company occupies is owned while the remainder is leased. See Note 9 of Notes to Consolidated Financial Statements for additional information pertaining to leased properties.

## ITEM 3. LEGAL PROCEEDINGS

The Company is not presently subject to any legal proceedings which are material to the consolidated results of operations or financial condition of the Company.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of 1997.

## ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following table and biographical outlines set forth the positions and offices within the Company presently held by each executive officer of the Company and a brief account of the business experience of each such officer for the past five years.

NAME AND AGE - - - - -	OFFICER SINCE -----	POSITIONS AND OFFICES WITH THE COMPANY/ BUSINESS EXPERIENCE -----
Elliot Bernstein, 74 .....	1954	Chairman of the Board, Chief Executive Officer and Director
Daniel Bernstein, 44 .....	1985	President, Managing Director of the Company's Macau Subsidiary and Director
Robert H. Simandl, 69 ....	1967	Secretary and Director
Arnold Sutta, 71 .....	1985	Vice President of Sales
Peter Christoffer, 56 ....	1986	Vice President of Research and Development
Colin Dunn, 53 .....	1992	Vice President and Treasurer
Joseph Meccariello, 47 ...	1995	Vice President of Manufacturing

Elliot Bernstein has been a Director of the Company since its inception in January 1949, served as President and Chief Executive Officer from 1954 to 1992, and has served as Chairman of the Board and Chief Executive Officer since 1992. One of his sons (Daniel Bernstein) is the President and a Director of the Company and his brother (Howard Bernstein) is a Director of the Company.

Daniel Bernstein has served the Company as President since June, 1992. He previously served as Vice President (1985-1992) and Treasurer (1986-1992) and has served as a Director since 1986. He occupied other positions with the Company since 1978. He was appointed Managing Director of the Company's Macau subsidiary during 1991. Daniel Bernstein is Elliot Bernstein's son, and Howard Bernstein's nephew.

Robert H. Simandl, a Director and Secretary of the Company since 1967, is a member of the law firm of Robert H. Simandl, Counselor At Law. He has been a practicing attorney in New Jersey since 1953.

Arnold Sutta joined the Company in 1966 and has served the Company as Vice President, Sales since 1985. Mr. Sutta supervises the worldwide sales force of the Company.

Peter Christoffer has served the Company as Vice President since 1986. Since 1991, he has supervised the engineering and production of thick film hybrids at the Company's Indiana facility.

Colin Dunn joined the Company in 1991 as Finance Manager and in 1992 was named Vice President of Finance and Treasurer. Prior to joining the Company, Mr. Dunn was Vice President of Finance and Operations at Kentek Information Systems, Inc. from 1985 to 1991 and had previously held a series of senior management positions with Braintech Inc. and Weyerhaeuser Company.

Joseph Meccariello joined the Company in 1979 as a Manager of Mechanical Engineering and in 1994 became the Deputy Managing Director of the Company's Hong Kong subsidiary, Bel Fuse, Ltd. In 1995 he was named Vice President of Manufacturing with responsibility for Far East production operations.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### (a) Market Information

The Company's common stock, par value \$.10 per share (the "Common Stock"), is traded in the over-the-counter market. The following table sets forth the high and low closing sales price range (as reported by National Quotation Bureau, Inc.) for the Common Stock in the over-the-counter market for each quarter during the past two years.

4

	HIGH ----	LOW ---
Year Ended December 31, 1996:		
First Quarter .....	\$20 1/4	\$10 1/2
Second Quarter .....	22 1/8	15 1/4
Third Quarter .....	17	8 1/4
Fourth Quarter .....	14 1/8	10 1/4
Year Ended December 31, 1997:		
First Quarter .....	12 7/16	12 1/8
Second Quarter .....	13 3/8	13 5/16
Third Quarter .....	19 3/8	19
Fourth Quarter .....	19 3/4	19

The Common Stock is reported under the symbol BELF in the Nasdaq National Market.

#### (b) Holders

As of March 13, 1998 there were 207 registered shareholders of the Company's Common Stock plus an estimated 2,140 beneficial shareholders.

#### (c) Dividends

The Company has not paid any cash dividends and has no current plans to pay any such dividends. There are no contractual restrictions on the Company's ability to pay dividends.

# ITEM 6. SELECTED FINANCIAL DATA

	YEARS ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA)					
Selected Statements of Operations Data:					
Net sales .....	\$ 73,531	\$ 65,458	\$ 70,706	\$ 45,747	\$ 47,460
Cost of sales .....	50,724	46,539	50,590	36,349	32,711
Selling, general and administrative expenses .....	13,830	11,494	12,554	11,458	11,338
Other income--net (a) .....	1,428	2,306	1,758	--	--
Earnings (loss) before income taxes .....	10,405	9,731	9,320	(1,761)	4,005
Income tax provision (benefit) .....	1,555	1,925	1,222	(203)	222
Net earnings (loss) .....	8,850	7,806	8,098	(1,558)	3,783
Earnings (loss) per common share--basic .....	1.74	1.54	1.62	(.32)	.77
Earnings (loss) per common share--diluted .....	1.72	1.52	1.59	(.32)	.75

(a) Includes gains of \$-0-, \$1,267 and \$1,359 from the sale of marketable securities during 1997, 1996 and 1995, respectively.

	YEARS ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA)					
Selected Balance Sheet Data:					
Working capital .....	\$ 44,055	\$ 36,873	\$ 28,644	\$ 22,670	\$ 27,875
Total assets .....	83,152	71,614	64,475	51,653	53,122
Stockholders' equity .....	72,829	63,399	55,889	45,926	48,270
Book value per share .....	14.22	12.50	11.06	9.25	9.78

5

## ITEM 7. MANAGERMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and the notes related thereto. The discussion of results, causes and trends should not be construed to imply any conclusion that such results, causes or trends will necessarily continue in the future.

### RESULTS OF OPERATIONS

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

	PERCENTAGE OF NET SALES		
	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Net sales .....	100.0%	100.0%	100.0%
Cost of sales .....	69.0	71.1	71.5
Selling, general and administrative expenses .....	18.8	17.6	17.8
Other income, net of interest expense .....	1.9	3.5	2.5
Earnings before income taxes .....	14.2	14.9	13.2
Income tax provision .....	2.1	2.9	1.7
Net earnings .....	12.0	11.9	11.5

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



	INCREASE (DECREASE) FROM PRIOR PERIOD	
	1997 COMPARED WITH 1996	1996 COMPARED WITH 1995
Net sales .....	12.3%	(7.4)%
Cost of sales .....	9.0	(8.0)
Selling, general and administrative expenses ...	20.3	(8.4)

#### SALES

Net sales increased 12.3% from 1996 to 1997 from approximately \$65.5 million to \$73.5 million. The Company attributes this increase primarily to sales growth in magnetic components for network and fuse products offset, in part, by reduced sales of customer-specific value-added circuits and assemblies. Such reduced sales reflect the termination of certain contracts. Sales growth consisted primarily of growth in unit sales, including sales of certain new products.

Net sales decreased 7.4% from 1995 to 1996 from approximately \$70.7 million to \$65.5 million. The Company attributes this decrease primarily to a general softening in the market place during the second and third quarters of 1996 and the elimination of certain low margin products.

#### COST OF SALES

Cost of sales as a percentage of net sales decreased 2.1% from 71.1% in 1996 to 69.0% in 1997. The decrease in the cost of sales percentage is primarily attributable to lower material content offset, in part, by increases in direct labor costs due to the current sales mix (which is more labor intensive) and to a lesser extent increases in overheads required to support the increase in unit production. The Company regularly reviews its inventory for slow moving, obsolete and over-stocked inventory. As at December 31, 1997 the inventory reserve for those items was approximately \$522,000.

Cost of sales as a percentage of net sales decreased .4% from 71.5% in 1995 to 71.1% in 1996. The decrease in the cost of sales percentage is primarily attributable to lower material content associated with sales mix and the elimination of certain low margin products.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The percentage relationship of selling, general and administrative expenses to net sales increased from 17.6% in 1996 to 18.8% in 1997. The Company attributes the increase primarily to increases in sales salaries and sales related

expenses. Selling, general and administrative expenses increased in dollar amount by 20.3%. The Company attributes the increase in dollar amount of such expenses primarily to increased sales and increases in sales salaries and sales related expenses and to a lesser extent increased professional fees and severance expenses.

The percentage relationship of selling, general and administrative expenses to net sales remained relatively constant for the year 1996 compared to the year 1995. Selling, general and administrative expenses decreased in dollar amount by 8.4%. The Company attributes the decrease in dollar amount of such expenses primarily to accrued severance amounts principally associated with the closing of the Company's sales office in France during 1995 along with the Company's continued cost containment measures during 1996.

#### OTHER INCOME AND EXPENSES; GAIN ON SALE

Other income, consisting principally of interest and dividends earned on cash equivalents and marketable securities, decreased by \$878,179 from the year 1996 to 1997. The decrease is primarily due to the gain on the sale of 112,485 shares of Technitrol, Inc. common stock recognized during the year 1996 offset in part by higher earnings on invested funds due to greater average balances in 1997 compared to 1996.

Other income, consisting of net realized gains on the sale of marketable securities and interest and dividends earned on marketable securities and on cash equivalents, increased by \$544,374 or 30.9%, in 1996 from 1995. The increase is primarily due to the gain on the sale of 112,485 shares of Technitrol, Inc. common stock and to higher earnings on invested funds due to higher average balances in 1996 compared to 1995, offset in part by a loss on other marketable securities.

#### PROVISION FOR INCOME TAXES

The Company has historically followed a practice of reinvesting a portion of the earnings of foreign subsidiaries in the expansion of its foreign operations. If the unrepatriated earnings were distributed to the parent corporation rather than reinvested in the Far East, such funds would be subject to United States Federal income taxes. No earnings were repatriated during 1997, 1996 or 1995. 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 jurisdictions laws or regulations. (See Note 5 of Notes to Consolidated Financial Statements).

The provision for income taxes in 1997 was \$1,555,000 as compared to \$1,925,000 in 1996. This decrease is due primarily to lower United States earnings before income taxes for the year 1997 versus 1996.

The provision for income taxes for 1996 was \$1,925,000 as compared to \$1,222,000 in 1995. This increase is due primarily to the higher pretax earnings, including the gain on the sale of the Technitrol, Inc. common stock, for the year 1996 versus 1995. The 1995 provision for income taxes was reduced by the use of a net operating loss carryforward which was no longer available in 1996.

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

#### INFLATION

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 transactions have been denominated in U.S. dollars.

#### LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed its capital expenditures through cash flows from operating activities. Management believes that the cash flow from operations, combined with its existing capital base and the Company's available lines of credit, will be sufficient to fund its operations for the near term.

The Company has lines of credit, all of which were unused at December 31, 1997, in the aggregate amount of \$7.0 million, of which \$5.0 million is from domestic banks and \$2.0 million is from foreign banks.

During 1997, the Company's cash increased by \$5.7 million, reflecting \$8.3 million provided by operating activities, \$7.7 million from the sale of marketable securities and \$.6 million from contractor repayments and proceeds from the exercise of stock options offset in part by \$4.7 million in purchases of marketable securities and \$6.1 million in purchases of plant and equipment.

Cash, marketable securities and accounts receivable comprised approximately 48.6% and 49.4% of the Company's total assets at December 31, 1997 and 1996, respectively. The Company's working capital ratio (i.e., the ratio of current assets to current liabilities) was 5.7 to 1 and 5.9 to 1 at December 31, 1997 and 1996, respectively.

## OTHER MATTERS

The Company is currently addressing the year 2000 issue and its impact on the processing of date-sensitive information by the Company's computerized information systems. The year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year. Any of the Company's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. Based on preliminary information, costs of addressing potential problems are not currently expected to have a material adverse impact on the Company's financial position, results of operations or cash flows in future periods. The Company plans to devote the necessary resources to resolve all significant year 2000 issues in a timely manner. However, if the Company, its customers or vendors are unable to resolve such processing issues in a timely manner it could result in a material adverse effect on the Company's future financial position and results of operations.

The territory of Hong Kong reverted to the People's Republic of China pursuant to a long-term land lease which expired in the middle of 1997. The territory of Macau will revert to The People's Republic of China at the end of 1999. Management cannot presently predict what impact, if any, the expiration of these leases will have on the Company or how the political climate in China will affect its contractual arrangements in China. Substantially all of the Company's manufacturing operations and approximately 57% of its identifiable assets are located in Hong Kong, Macau, and The People's Republic of China. Accordingly, events resulting from the expiration of such leases could have a material adverse effect on the Company.

This Form 10-K, other than the historical financial information, may consist of forward looking statements that involve risks and uncertainties, including, but not limited to, statements contained in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Such statements are based on many assumptions and are subject to risks and uncertainties. Actual results could differ materially from the results discussed in the forward looking statements due to a number of factors, including, but not limited to, those identified in the two preceding paragraphs as well as those set forth under "Business -- Risks and Uncertainties" in this Form 10-K.

## NEW ACCOUNTING PRONOUNCEMENTS

SEGMENT INFORMATION -- During June 1997, the Financial Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information". This Statement requires the disclosure of financial and descriptive information about reportable operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly in deciding how to allocate resources and in assessing performance. The Company has not yet completed its evaluation of this Statement. This Statement is effective for the Company's 1998 year end financial statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## Item 8. Financial Statements and Supplementary Data

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATAPAGE

	Page
	----
Independent Auditors' Report .....	F-1
Financial Statements:	

Consolidated Balance Sheets, December 31, 1997 and 1996 .....	F-2-F-3
Consolidated Statements of Operations, Years Ended December 31, 1997, 1996 and 1995 .....	F-4
Consolidated Statements of Stockholders' Equity, Years Ended December 31, 1997, 1996 and 1995 .....	F-5-F-6
Consolidated Statements of Cash Flows, Years Ended December 31, 1997, 1996 and 1995 .....	F-7-F-9
Notes to Consolidated Financial Statements .....	F-10-F-20
Supplementary Financial Data:	
Selected Quarterly Financial Data (Unaudited) Years Ended December 31, 1997 and 1996 .....	F-21
Schedule II: Valuation and Qualifying Accounts .....	S-1

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

#### PART III

#### ITEM 10. DIRECTORS OF THE REGISTRANT

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 1998 Annual Meeting of Shareholders.

#### ITEM 11. EXECUTIVE COMPENSATION

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 1998 Annual Meeting of Shareholders.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 1998 Annual Meeting of Shareholders.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company hereby incorporates by reference the applicable information from its definitive proxy statement for its 1998 Annual Meeting of Shareholders.

#### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)

##### 1. Financial statements filed as a part of this report:

Independent Auditors' Report .....	F-1
Consolidated Balance Sheets as of December 31, 1997 and 1996 .....	F-2-F-3
Consolidated Statements of Operations for Each of the Three Years in the Period Ended December 31, 1997 .....	F-4
Consolidated Statements of Stockholders' Equity for Each of the Three Years in the Period Ended December 31, 1997 .....	F-5-F-6
Consolidated Statements of Cash Flows for Each of the Three Years	

in the Period Ended December 31, 1997 .....	F-7-F-9
Notes to Consolidated Financial Statements .....	F-10-F-20
Selected Quarterly Financial Data--Years Ended December 31, 1997 and 1996 (Unaudited) .....	F-21
2. Financial Statement schedules filed as part of this report:	
Schedule II: Valuation and Qualifying Accounts .....	S-1
All other schedules are omitted because they are inapplicable, not required or the information is included in the financial statements or notes thereto.	

(b)

3. Exhibits filed as part of this report.

10

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON  
FORM 8-K--(CONTINUED)

Exhibits No.  
-----

- 3.1 Certificate of Incorporation as amended--Incorporated by  
reference to Exhibit 3.1 of the Company's Annual Report  
on Form 10-K for the year ended December 31, 1992.
- 3.2 By-laws, as amended, are hereby incorporated by reference to  
Exhibit 4.2 of the Company's Registration Statement on Form  
S-2 (Registration No. 33-16703) filed with the Securities and  
Exchange Commission on August 25, 1987.
- 10.1 Agency agreement dated October 1, 1988 between Bel Fuse Ltd.  
and Rush Profit Ltd.--Incorporated by reference to Exhibit  
10.1 of the Company's annual report on Form 10-K for the year  
ended December 31, 1994.
- 10.2 Contract dated March 16, 1990 between Accessorios  
Electronicos (Bel Fuse Macau Ltd.) and the Government of  
Macau.--Incorporated by reference to Exhibit 10.2 of the  
Company's annual report on Form 10-K for the year ended  
December 31, 1994.
- 10.3 Loan agreement dated February 14, 1990 between Bel Fuse, Ltd.  
(as lender) and Luen Fat Lee Electronic Factory (as  
borrower).--Incorporated by reference to Exhibit 10.3 of the  
Company's Annual Report on Form 10-K for the year ended  
December 31, 1995.
- 10.4 Lease dated March 20, 1992 between the Company's Central Coil  
Company, Inc. subsidiary (as lessee) and  
lessor.--Incorporated by reference to Exhibit 10.12 of the  
Company's Annual Report on Form 10-K for the year ended  
December 31, 1991.
- 10.5 Stock Option Plan--Incorporated by reference to Exhibit 28.1  
of the Company's Registration Statement on Form S-8  
(Registration No. 33-53462) filed with the Securities and  
Exchange Commission on October 20, 1992.
- 10.6 Contract for purchase of the new manufacturing and office  
space of the Company's Macau subsidiary located in Macau,  
dated May 4, 1993 between Fundicio e Construciones Mecanicas  
(Macau) S.A.R.L. (seller) and Accessorios Electronicos "Bel  
Fuse" Macau LDA (buyer)--Incorporated by reference to Exhibit  
10-11 of the Company's Annual Report on Form 10-K for the  
year ended December 31, 1993.

- 10.7      Employment agreement between Elliot Bernstein and Bel Fuse Inc. dated October 29, 1997.
- 11.1      A statement regarding the computation of earnings per share is omitted because such computation can be clearly determined from the material contained in this Annual Report on form 10-K.
- 22.1      Subsidiaries of the Registrant.
- 23.1      Consent of Independent Auditors.
- 27.1      Financial Data Schedule.

(c) The Company did not file any reports on Form 8-K during the quarter ended December 31, 1997.

11

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

BEL FUSE, INC.

By /s/ DANIEL BERNSTEIN

-----  
DANIEL BERNSTEIN, PRESIDENT

Dated: March 28, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ ELIOTT BERNSTEIN ----- (ELLIOTT BERNSTEIN)	Chairman of the Board and Director (Principal Executive Officer)	March 28, 1998
/s/ DANIEL BERNSTEIN ----- (DANIEL BERNSTEIN)	President, (Principal Financial and Accounting Officer) and Director	March 28, 1998
/s/ HOWARD B. BERNSTEIN ----- (HOWARD B. BERNSTEIN)	Director	March 28, 1998
/s/ ROBERT H. SIMANDL ----- (ROBERT H. SIMANDL)	Director	March 28, 1998
/s/ PETER GILBERT ----- (PETER GILBERT)	Director	March 28, 1998
/s/ JOHN TWEEDY ----- (JOHN TWEEDY)	Director	March 28, 1998
/s/ JOHN JOHNSON ----- (JOHN JOHNSON)	Director	March 28, 1998

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
 Bel Fuse Inc.  
 Jersey City, New Jersey

We have audited the accompanying consolidated balance sheets of Bel Fuse Inc. and its subsidiaries (the "Company") as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Bel Fuse Inc. and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

March 4, 1998  
 New York, New York

F-1

## BEL FUSE INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## ASSETS

	DECEMBER 31,	
	1997	1996
Current Assets: Cash and cash equivalents .....	\$ 29,231,967	\$ 23,498,491
Marketable securities (Note 2) .....	--	2,981,020
Accounts receivable--less allowance for doubtful accounts of \$227,000 and \$195,000 .....	11,181,379	8,866,440
Inventories (Note 3) .....	12,202,938	8,411,540
Prepaid expenses and other current assets .....	383,084	479,012
Deferred income taxes (Note 5) .....	421,000	101,000

Total Current Assets .....	53,420,368	44,337,503
Property, plant and equipment--net (Note 4) .....	29,052,354	26,321,014
Other assets .....	679,511	955,491
	-----	-----
Total Assets .....	\$ 83,152,233	\$ 71,614,008
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31,	
	1997	1996
	-----	-----
Current Liabilities:		
Accounts payable .....	\$ 3,467,897	\$ 3,297,825
Accrued expenses .....	5,660,411	3,846,626
Income taxes payable (Note 5) .....	237,515	320,460
	-----	-----
Total Current Liabilities .....	9,365,823	7,464,911
Deferred income taxes (Note 5) .....	957,000	750,000
	-----	-----
Total Liabilities .....	10,322,823	8,214,911
	-----	-----
Commitments and Contingencies (Notes 5, 6, 7, 8 and 9)		
Stockholders' Equity (Note 8):		
Preferred stock, no par value, authorized 1,000,000 shares; none issued	--	--
Common stock, par value \$.10 per share--authorized 10,000,000 shares; outstanding 5,121,920 (net of 2,145,539 treasury shares in 1997) and 5,070,820 shares .....	512,192	507,082
Additional paid-in capital .....	7,525,753	6,978,900
Retained earnings .....	64,771,298	55,920,836
Cumulative currency translation adjustment .....	20,167	(7,721)
	-----	-----
Total Stockholders' Equity .....	72,829,410	63,399,097
	-----	-----
Total Liabilities and Stockholders' Equity .....	\$ 83,152,233	\$ 71,614,008
	=====	=====

See notes to consolidated financial statements.

F-2

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	-----	-----	-----
Net sales .....	\$73,530,876	\$65,457,521	\$70,706,311
	-----	-----	-----
Costs and Expenses:			
Cost of sales .....	50,723,813	46,539,465	50,590,056
Selling, general and administrative .....	13,829,765	11,493,869	12,554,649
	-----	-----	-----
	64,553,578	58,033,334	63,144,705
	-----	-----	-----
Income from operations .....	8,977,298	7,424,187	7,561,606
Other income (net) .....	1,428,164	2,306,343	1,758,469
	-----	-----	-----
Earnings before income taxes .....	10,405,462	9,730,530	9,320,075
Income tax provision (Note 5) .....	1,555,000	1,925,000	1,222,000
	-----	-----	-----
Net earnings .....	\$ 8,850,462	\$ 7,805,530	\$ 8,098,074
	=====	=====	=====



Earnings per common share--basic .....	\$1.74	\$1.54	\$1.62
	=====	=====	=====
Earnings per common share--diluted .....	1.72	1.52	1.59
	=====	=====	=====
Weighted average number of common shares outstanding			
- --basic .....	5,088,483	5,063,776	5,010,778
	=====	=====	=====
- --diluted .....	5,158,878	5,140,498	5,079,947
	=====	=====	=====

See notes to consolidated financial statements.

F-3

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	NET UNREALIZED GAIN (LOSS) ON MARKETABLE SECURITIES	CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT	TOTAL
	SHARES OUTSTANDING	PAR VALUE					
Balance, January 1, 1995 .....	4,965,195	\$496,520	\$6,288,987	\$40,017,231	\$(876,647)	--	\$45,926,091
Exercise of stock options .....	86,250	8,625	301,913	--	--	--	310,538
Tax benefits arising from the non-qualified disposition of stock options .....	--	--	221,000	--	--	--	221,000
Net unrealized gain on marketable securities .....	--	--	--	--	1,334,247	--	1,334,247
Net earnings .....	--	--	--	8,098,075	--	--	8,098,075
Balance, December 31, 1995 .....	5,051,445	505,145	6,811,900	48,115,306	457,600	--	55,889,951
Exercise of stock options .....	19,375	1,937	125,000	--	--	--	126,937
Tax benefits arising from the non-qualified dispositions of incentive stock options .....	--	--	42,000	--	--	--	42,000
Net unrealized gain on marketable securities .....	--	--	--	--	(457,600)	--	(457,600)
Cumulative currency translation adjustment .....	--	--	--	--	--	(7,721)	(7,721)
Net earnings .....	--	--	--	7,805,530	--	--	7,805,530
Balance, December 31, 1996 .....	5,070,820	507,082	6,978,900	55,920,836	--	(7,721)	63,399,097
Exercise of stock options .....	51,100	5,110	421,853	--	--	--	426,963
Tax benefits arising from the non-qualified dispositions of incentive stock options .....	--	--	125,000	--	--	--	125,000
Cumulative currency translation adjustment .....	--	--	--	--	--	27,888	27,888
Net earnings .....	--	--	--	8,850,462	--	--	8,850,462
Balance, December 31, 1997 .....	5,121,920	\$512,192	\$7,525,753	\$64,771,298	\$ --	\$ 20,167	\$72,829,410

See notes to consolidated financial statements.

F-4

BEL FUSE INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Cash flows from operating activities:			
Net income .....	\$ 8,850,462	\$ 7,805,530	\$ 8,098,075
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	3,424,230	2,995,967	2,955,181
Deferred income taxes .....	(113,000)	389,000	50,000
Tax effect of non-qualifying disposition of incentive stock options .....	125,000	42,000	221,000
Net (gain) loss on sale of marketable securities .....	1,340	(1,265,710)	(1,359,343)
Provision for doubtful accounts .....	32,000	40,000	85,000
Loss on disposal/abandonment of property and equipment .....	20,007	9,926	74,805
Changes in operating assets and liabilities .....	(4,056,541)	4,261,263	(3,089,366)
Net Cash Provided by Operating Activities .....	8,283,498	14,277,976	7,035,352
Cash flows from investing activities:			
Purchase of property, plant and equipment .....	(6,137,171)	(2,675,352)	(7,444,915)
Purchase of marketable securities .....	(4,669,954)	(2,981,020)	(1,329,414)
Proceeds from sale of marketable securities .....	7,651,275	6,259,657	7,140,470
Proceeds from sale of equipment .....	8,526	31,330	--
Proceeds from repayment by contractors .....	170,339	122,759	89,000
Net Cash (Used in) Provided by Investing Activities .....	(2,976,985)	757,374	(1,544,859)
Cash flows from financing activities:			
Proceeds from exercise of stock options .....	426,963	126,937	310,538
Repayment of borrowings .....	--	--	(300,000)
Net Cash Provided by Financing Activities .....	426,963	126,937	10,538
Effect of exchange rate changes on cash and cash equivalents .....	--	(7,721)	--
Net Increase in Cash and Cash Equivalents .....	5,733,476	15,154,566	5,501,031
Cash and Cash Equivalents--beginning of year .....	23,498,491	8,343,925	2,842,894
Cash and Cash Equivalents--end of year .....	\$ 29,231,967	\$ 23,498,491	\$ 8,343,925
	=====	=====	=====

F-5

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

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Changes in operating assets and liabilities consist of:			
(Increase) decrease in accounts receivable .....	\$ (2,346,939)	\$ 2,798,904	\$ (3,710,373)
(Increase) decrease in inventories .....	(3,791,398)	2,388,191	(2,033,528)
(Increase) decrease in prepaid expenses and other current assets .....	(69,609)	(364,171)	631,253
Decrease in other assets .....	250,493	191,236	80,405
Increase (decrease) in accounts payable .....	170,072	(76,608)	203,025
Increase (decrease) in accrued expenses .....	1,813,785	(456,825)	1,199,928
(Decrease) increase in income taxes payable .....	(82,945)	(219,464)	539,924
	\$ (4,056,541)	\$ 4,261,263	\$ (3,089,366)
	=====	=====	=====
Supplementary information:			
Cash paid during year for:			
Interest .....	\$ --	\$ 553	\$ 5,828
Income taxes .....	\$ 1,050,000	\$ 1,712,000	\$ 429,000
	=====	=====	=====
Supplemental disclosure of non-cash investing and financing activities:			
Unrealized (gain) on marketable securities .....	\$ --	\$ (457,600)	\$ (1,334,247)
	=====	=====	=====

See notes to consolidated financial statements.

F-6

## BEL FUSE INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bel Fuse Inc. and its subsidiaries (the "Company") are engaged in the design, manufacture and sale of products used in local area networking, telecommunication, business equipment and consumer electronic applications. Sales are predominantly in North America, Western Europe and the Far East.

Principles of Consolidation--The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of Estimates--The preparation of the financial statements in conformity with generally accepted accounting principles 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 differ from those estimates.

Cash and 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.

Marketable Securities-- The Company classifies its investments in debt and equity securities as "available for sale", and accordingly, reflects unrealized gains and losses, net of deferred income taxes, as a separate component of stockholders' equity.

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.

Concentration of Credit Risk--Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable, temporary cash investments and investments. The Company grants credit primarily to 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 and investments with quality financial institutions and by policy, limits the amount of credit exposure with any one financial institution.

Inventories--Inventories are stated at the lower of weighted average cost (first-in, first-out) or market.

Depreciation--Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated

primarily using the declining-balance method for machinery and equipment and the straight-line method for buildings over their estimated useful lives.

Income Taxes--Deferred taxes are provided to reflect the tax effect of temporary differences between financial reporting and tax basis of assets and liabilities. The principal items giving rise to deferred taxes are the use of accelerated depreciation methods for plant and equipment and certain expenses

which have been deducted for financial reporting purposes which are not currently deductible for income tax purposes.

Stock Based Compensation--Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". The standard encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options and other equity instruments to employees based on fair value accounting rules. The Company has adopted the disclosure-only provisions of SFAS 123 for pro forma net income and earnings per share.

Earnings Per Common Share--In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128 "Earnings Per Share", which requires companies to present basic earnings per share (EPS) and diluted earnings per share, instead of the primary and fully diluted EPS that was required. The new standard requires additional informational disclosures, and also makes certain modifications to the currently applicable EPS calculations defined in Accounting Principles Board No. 15. The Company's interim and prior year results have been restated to conform with the provisions of this statement.

F-7

BEL FUSE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Continued)

Basic earnings per common share are computed by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted earnings per common share are computed by dividing net earnings by the weighted average number of common and common stock equivalent shares outstanding during the year. Common stock equivalents used in computing diluted earnings per share relate to stock options which, if exercised would have a dilutive effect on earnings per share. The number of common stock equivalent shares outstanding were 70,395, 76,722 and 69,169 for the years ended December 31, 1997, 1996 and 1995, respectively. During the three years ending December 31, 1997, there were no antidilutive options omitted from the calculation of diluted earnings per share.

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. The fair value of marketable securities are based on quoted market prices.

Segment Information--During June 1997, the Financial Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information". This Statement requires the disclosure of financial and descriptive information about reportable operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly in deciding how to allocate resources and in assessing performance. The Company has not yet completed its evaluation of this Statement. This Statement is effective for the Company's 1998 year end financial statements.

Reclassifications-- Certain reclassifications have been made to prior year balances in order to conform with the current year's presentation.

2. MARKETABLE SECURITIES

	AMORTIZED COST	ESTIMATED FAIR VALUE
	-----	-----
December 31, 1996:		
U.S. Government agencies .....	\$2,000,211	\$2,000,211
Commercial paper .....	980,809	980,809

-----	-----
\$2,981,020	\$2,981,020
=====	=====

Gross realized gains were \$1,579 in 1997 (\$1,956,597 in 1996 and \$1,510,815 in 1995). Gross realized losses were \$2,919 in 1997 (\$690,887 in 1996 and \$151,472 in 1995).

### 3. INVENTORIES

	DECEMBER 31,	
	1997	1996
Raw materials .....	\$ 7,029,632	\$5,718,079
Work in process .....	115,586	89,660
Finished goods .....	5,057,720	2,603,801
	-----	-----
	\$12,202,938	\$8,411,540
	=====	=====

F-8

## BEL FUSE INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

### 4. PROPERTY, PLANT AND EQUIPMENT

	DECEMBER 31,	
	1997	1996
Land .....	\$ 835,218	\$ 835,218
Buildings and improvements .....	14,230,326	13,510,703
Machinery and equipment .....	38,233,434	32,856,003
Idle property held for sale .....	935,000	935,000
	-----	-----
	54,233,978	48,136,924
Less accumulated depreciation .....	25,181,624	21,815,910
	-----	-----
	\$29,052,354	\$26,321,014
	=====	=====

Depreciation expense for the years ended December 31, 1997, 1996 and 1995 was \$3,403,545, \$2,974,622, and \$2,933,835, respectively.

### 5. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Current:			
Federal .....	\$ 961,000	\$ 931,000	\$ 654,000 (a)
Foreign .....	614,000	540,000	464,000 (b)
State .....	93,000	65,000	54,000
	-----	-----	-----
	1,668,000	1,536,000	1,172,000
	-----	-----	-----
Deferred:			
Federal .....	(396,000)	268,000	(195,000)
Foreign .....	283,000	121,000	245,000
	-----	-----	-----
	(113,000)	389,000	50,000
	-----	-----	-----

\$1,555,000	\$1,925,000	\$1,222,000
=====	=====	=====

- -----
- (a) Reduced by \$177,000 for utilization of a net operating loss carry-forward and \$175,000 of tax credits carryforward.
- (b) Reduced by \$224,000 for utilization of a net operating loss.

A reconciliation of taxes on income at the federal statutory rate to amounts provided is as follows:

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Tax provision computed at the Federal statutory rate .	\$ 3,538,000	\$ 3,309,000	\$ 3,169,000
Increase (decrease) in taxes resulting from:			
Lower tax rates applicable to foreign operations ....	(2,280,000)	(1,349,000)	(1,356,000)
Utilization of Federal and foreign net operating loss carryforward and various Federal tax credits .....	--	--	(576,000)
State taxes, net of federal benefit .....	61,000	--	--
Other, net .....	236,000	(35,000)	(15,000)
	-----	-----	-----
	\$ 1,555,000	\$ 1,925,000	\$ 1,222,000
	=====	=====	=====

F-9

# BEL FUSE INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

### 5. INCOME TAXES--(Continued)

The types of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to the deferred tax liability and deferred tax asset and their approximate tax effects are as follows:

	DECEMBER 31,			
	1997		1996	
	TEMPORARY DIFFERENCE	TAX EFFECT	TEMPORARY DIFFERENCE	TAX EFFECT
Deferred Liability:				
Depreciation .....	\$ 6,709,000	\$ 957,000	\$ 4,420,000	\$ 750,000
Deferred Asset:				
Other temporary differences .....	(1,052,000)	(421,000)	(297,000)	(101,000)
	-----	-----	-----	-----
	\$ 5,657,000	\$ 536,000	\$ 4,123,000	\$ 649,000
	=====	=====	=====	=====

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 jurisdictions laws or regulations.

It is management's intention to permanently reinvest a portion of the earnings of foreign subsidiaries in the expansion of its foreign operations. No

earnings were repatriated during 1997, 1996 or 1995. Unrepatriated earnings, upon which income taxes have not been accrued, amounted to approximately \$60,018,000 at December 31, 1997. The related amount of income taxes would approximate \$14,445,000.

F-10

BEL FUSE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. OPERATIONS IN GEOGRAPHIC AREAS, FOREIGN OPERATIONS AND EXPORT SALES

	UNITED STATES -----	FOREIGN COUNTRIES (1) -----	ADJUSTMENTS AND ELIMINATIONS -----	CONSOLIDATED -----
1997				
Sales to unaffiliated customers .....	\$ 38,039,199	\$ 35,491,677	\$ --	\$ 73,530,876
Transfers between geographic areas .....	1,043,889	29,236,016	(30,279,905)	--
Total Revenues .....	\$ 39,083,088	\$ 64,727,693	\$ (30,279,905)	\$ 73,530,876
Operating income .....	\$ 454,908	\$ 8,522,390	\$ --	\$ 8,977,298
Identifiable assets as at December 31, 1997 .....	\$ 37,415,575	\$ 49,194,689	\$ (3,458,031)	\$ 83,152,233
1996				
Sales to unaffiliated customers .....	\$ 41,538,256	\$ 23,919,265	\$ --	\$ 65,457,521
Transfers between geographic areas .....	4,356,898	30,148,968	(34,505,866)	--
Total Revenues .....	\$ 45,895,154	\$ 54,068,233	\$ (34,505,866)	\$ 65,457,521
Operating income .....	\$ 1,500,248	\$ 5,923,939	\$ --	\$ 7,424,187
Identifiable assets as at December 31, 1996 .....	\$ 21,716,125	\$ 59,458,585	\$ (9,560,702)	\$ 71,614,008
1995				
Sales to unaffiliated customers .....	\$ 44,702,623	\$ 26,003,688	\$ --	\$ 70,706,311
Transfers between geographic areas .....	6,580,116	35,775,197	(42,355,313)	--
Total Revenues .....	\$ 51,282,739	\$ 61,778,885	\$ (42,355,313)	\$ 70,706,311
Operating income .....	\$ 1,155,081	\$ 6,406,525	\$ --	\$ 7,561,606
Identifiable assets as at December 31, 1995 .....	\$ 23,407,811	\$ 52,011,394	\$ (10,943,531)	\$ 64,475,674

(1) Consist principally of operations in the Far East.

F-11

BEL FUSE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. OPERATIONS IN GEOGRAPHIC AREAS, FOREIGN OPERATIONS AND EXPORT SALES--(Continued)

Transfers between geographic areas include raw materials manufactured in the United States which are shipped to foreign countries to be manufactured into finished products and finished products manufactured in foreign countries and transferred to the United States for sale. Operating income represents total revenue less operating expenses. In computing operating income, none of the following items have been included: other income--net and income taxes.

Identifiable assets are those assets of the Company that are identified

with the operations of each geographic area.

The territory of Hong Kong reverted to the People's Republic of China pursuant to a long-term land lease which expired in the middle of 1997. The territory of Macau will revert to the People's Republic of China at the end of 1999. Management cannot presently predict what impact, if any, the expiration of these leases will have on the Company or how the political climate in China will affect its contractual arrangements in China. Substantially all of the Company's manufacturing operations and approximately 57% of its identifiable assets are located in Hong Kong, Macau, and The People's Republic of China. Accordingly, events resulting from the expiration of such leases could have a material adverse effect on the Company.

The Company's research and development facilities are located in California, Indiana, and Hong Kong. Research and development costs amounted to \$3,895,000 in 1997, \$3,529,000 in 1996 and \$3,384,000 in 1995.

The Company had sales in excess of ten percent to customers who manufacture electronic equipment as follows: The amounts and percentages were approximately \$19,217,000 (26.1%) and \$8,272,000 (11.3%) in 1997, \$12,853,000 (19.6%), \$7,313,000 (11.2%) and \$6,670,000 (10.2%) in 1996 and \$9,163,000 (13%) and \$8,606,000 (12%) in 1995.

#### 7. RETIREMENT FUND AND PROFIT SHARING PLAN

The Company maintains a domestic profit sharing plan, 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. The expense for the years ended December 31, 1997, 1996 and 1995 amounted to approximately \$152,000, \$136,000 and \$137,000, respectively. As of December 31, 1997 the fund owned 79,819 shares of Bel Fuse Inc. common stock.

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 equal to a percentage of eligible salary, as determined by the Company, in cash or Company stock. The expense for the years ended December 31, 1997, 1996 and 1995 amounted to approximately \$385,000, \$267,000 and \$311,000, respectively. The Company has agreed to repurchase its stock, if no market exists, should it be requested to do so by the trustees of the Company's Far East plan. As of December 31, 1997, the fund owned 18,809 shares of Bel Fuse Inc. common stock.

#### 8. STOCK OPTION PLAN

The Company has a Qualified Stock Option Plan (the "Plan") which provides for the granting to key employees of "Incentive Stock Options" within the meaning of Section 422 of the Internal Revenue Code of 1954, as amended. The Plan provides for the issuance of 700,000 shares. Substantially all options outstanding become exercisable twenty-five (25%) percent one year from the date of grant and twenty-five (25%) percent for each year of the three years thereafter. The price of the options granted pursuant to the plan will not be less than 100 percent of the fair market value of the shares on the date of grant. An option may not be exercised within one year from the date of grant and, in general, no option will be exercisable after six years from the date granted. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". Accordingly, no compensation cost has been recognized for the stock option awarded. Had compensation cost for the Company's stock options plan been determined based on the fair value at the grant date for awards in 1997 and 1996 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:



BEL FUSE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

8. STOCK OPTION PLAN--(Continued)

	DECEMBER 31,	
	1997	1996
Net earnings--as reported .....	\$8,850,462	\$7,805,530
Net earnings--pro forma .....	\$8,555,035	\$7,667,434
Earnings per share--basic--as reported .....	\$ 1.74	\$ 1.54
Earnings per share--basic--pro forma .....	\$ 1.68	\$ 1.51
Earnings per share--diluted--as reported .....	\$ 1.72	\$ 1.52
Earnings per share--diluted--pro forma .....	\$ 1.66	\$ 1.49

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 1997 and 1996, respectively: dividends yield of -0%, expected volatility of 52% and 52%, risk-free interest rate of 5.6% and 5.1%, and expected lives of 6 years.

Information regarding the Company's Plan for 1997, 1996 and 1995 is as follows:

	1997		1996		1995	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Options outstanding, beginning of year .....	186,000	\$ 9.59	142,000	\$ 6.92	242,750	\$ 5.73
Options exercised .....	(51,100)	\$ 8.36	(19,375)	\$ 6.55	(86,250)	\$ 3.60
Options granted .....	105,500	\$13.25	71,000	\$14.00	--	\$ --
Options cancelled .....	(4,000)	\$12.13	(7,625)	\$ 8.59	(14,500)	\$ 3.60
Options outstanding, end of year .....	236,400	\$11.45	186,000	\$ 9.59	142,000	\$ 6.92
Options price range at end of year .....	\$6.50 to \$14.00		\$6.50 to \$14.00		\$3.75 to \$7.70	
Option price range for exercised shares .....	\$6.50 to \$14.00		\$3.75 to \$7.00		\$2.34 to \$7.00	
Options available for grant at end of year .....	53,500		155,000		218,375	
Weighted-average fair value of options, granted during the year .....	\$7.46		\$7.78			

The following table summarizes information about fixed-price stock options outstanding at December 31, 1997:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 1997	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DECEMBER 31, 1997	WEIGHTED-AVERAGE EXERCISE PRICE
\$ 6.50 to \$ 7.70 .....	77,000	2.0 years	\$7.00	39,500	\$7.48
\$13.25 to \$14.00 .....	159,400	5.7 years	\$13.50	5,150	\$14.00
	236,400			44,650	

## 9. COMMITMENTS AND CONTINGENCIES

### Leases

The Company leases various facilities. Certain of these leases require the Company to pay certain executory costs (such as insurance and maintenance).

Future minimum lease payments for operating leases are approximately as follows:

YEARS ENDING DECEMBER 31,

1998 .....	\$471,000
1999 .....	287,000
2000 .....	99,000
2001 .....	66,000
2002 .....	6,000
	-----
	\$929,000
	=====

Rental expense was approximately \$484,000, \$442,000 and \$474,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

### Credit Facilities

The Company has two domestic unsecured lines of credit amounting to \$5,000,000 which was unused at December 31, 1997. The lines of credit are renewable annually.

The Company's Hong Kong subsidiary has an unsecured line of credit of approximately \$2,000,000 which expires in August, 1998 and was unused at December 31, 1997. Borrowing on the line of credit is guaranteed by the U.S. parent.

F-14

## BEL FUSE INC. AND SUBSIDIARIES

### SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997	TOTAL YEAR ENDED DECEMBER 31, 1997
Net sales .....	\$15,962,204	\$18,748,690	\$18,409,054	\$20,410,928	\$73,530,876
Gross Profit .....	4,592,089	5,640,788	5,721,974	6,852,212	22,807,063
Net earnings .....	1,309,859	2,132,762	2,174,843	3,232,998	8,850,462
Earnings per share					
- --basic (1) .....	\$ .26	\$ .42	\$ .43	\$ .63	\$1.74
Earnings per share					
- --diluted (1) .....	\$ .26	\$ .42	\$ .42	\$ .63	\$1.72

	MARCH 31, 1996	JUNE 30, 1996	SEPTEMBER 30, 1996	DECEMBER 31, 1996	TOTAL YEAR ENDED DECEMBER 31, 1996
Net sales .....	\$17,262,328	\$16,143,604	\$14,426,471	\$17,625,118	\$65,457,521
Gross profit .....	5,221,978	4,820,460	3,805,931	5,069,687	18,918,056
Net earnings .....	2,232,909	2,186,273	1,231,936	2,154,412	7,805,530
Earnings per share					
- --basic (1) .....	\$ .44	\$ .43	\$ .24	\$ .42	\$1.54
Earnings per share					
- --diluted (1) .....	\$ .44	\$ .43	\$ .24	\$ .41	\$1.52

(1) Earnings per share is computed on a quarterly basis. The quarterly amounts of earnings per share may not agree to the total for the year.

## BEL FUSE INC. AND SUBSIDIARIES

## SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
-----	-----	-----	-----	-----	-----
		ADDITIONS			
		(1)	(2)		
DESCRIPTION	BALANCE AT	CHARGED	CHARGED	DEDUCTIONS	BALANCE
-----	BEGINNING	TO PROFIT	TO OTHER	(DESCRIBE)	AT CLOSE
	OF PERIOD	AND LOSS	ACCOUNTS		OF PERIOD
	-----	OR INCOME	(DESCRIBE)	-----	-----
Year ended December 31, 1997					
Allowance for doubtful accounts .....	\$195,000	\$ 32,000	\$ --	\$ --	\$227,000
	=====	=====	=====	=====	=====
Allowance for excess and obsolete inventory .....	\$100,000	\$422,000	\$ --	\$ --	\$522,000
	=====	=====	=====	=====	=====
Year ended December 31, 1996					
Allowance for doubtful accounts .....	\$155,000	\$ 40,000	\$ --	\$ --	\$195,000
	=====	=====	=====	=====	=====
Allowance for excess and obsolete inventory .....	\$141,000	\$600,000	\$ --	\$641,000 (a)	\$100,000
	=====	=====	=====	=====	=====
Year ended December 31, 1995					
Allowance for doubtful accounts .....	\$ 70,000	\$ 85,000	\$ --	\$ --	\$155,000
	=====	=====	=====	=====	=====
Allowance for excess and obsolete inventory .....	\$ --	\$141,000	\$ --	\$ --	\$141,000
	=====	=====	=====	=====	=====

-----  
(a) Write offs.

bel BEL FUSE INC.

-----  
198 Van Vorst Street, Jersey City, New Jersey 07302 o 201-432-0463  
TWX 710-730-5301  
FAX 201-432-9542

October 29, 1997

Mr. Elliot Bernstein  
Ridge Road  
Glen Cove, New York 11542

Re: EMPLOYMENT AGREEMENT

Dear Elliot:

The Board of Directors of Bel Fuse Inc. ("Bel" or the "Company") have requested that we submit to you the following Agreement concerning your continued employment by the Company.

1. DUTIES: The Company shall continue to employ you in the capacity of Chairman of the Board of Directors. Your duties shall include those normally performed by individuals employed by a public company in such capacity. In addition, Bel requests that you continue to provide to the Company, your expertise in the development of products and production. You shall not be responsible to perform any tasks as may be required in the day-to-day administrative management of the Company.

2. COMPENSATION: The Company shall pay to you compensation (base salary) during the term of this Agreement, at an annual rate of \$350,000.00.

3. TERM: The Company agrees to continue to employ you and you hereby agree to continue to serve the Company until October 31, 2000, unless further extended or sooner terminated as hereinafter provided. On the last day of the month of October in the year 2000, and on the last day of such month in each preceding year, the term of this employment agreement shall be automatically extended for one additional year unless, prior to such date, Bel shall give you or you shall have given Bel written notice that this employment agreement shall not be extended.

4. BENEFITS: In addition to your base salary, the Company shall continue to provide to you all benefits that you are presently receiving including, but not limited to, the health care and insurance benefits now provided to you.

5. PERMANENT DISABILITY OR DEATH: If you shall become disabled, the Company shall continue to pay your base salary for a maximum of twelve (12) months. Should you become disabled and be prevented from performing your duties under this agreement for a period of twelve (12) consecutive months, this agreement shall

bel BEL FUSE INC.

-----  
198 Van Vorst Street, Jersey City, New Jersey 07302 o 201-432-0463  
TWX 710-730-5301  
FAX 201-432-9542

terminate at the option of the Company, at the end of such twelve (12) month period. However, the Company shall continue to pay your base salary after the termination for the balance of the term of this agreement in effect at the time of termination.

In the event of your death during the period of your employment, this agreement shall automatically terminate. However, the Company shall continue to

pay your base salary after your death for the balance of the term of this agreement in effect at the time of your death. Such payment shall be made to your widow, or, if she is not then living, to your estate. This payment is in addition to any other rights that you may have with respect to pensions, profit sharing or other employee benefits.

6. NON-COMPETITION: During the term of this agreement or any extension thereof and for a period of one year after termination of your employment, you agree not to directly or indirectly own, manage, operate, control, participate in, or be connected in any manner with the ownership, management, operation or control of any business similar to the type of business conducted by Bel Fuse Inc., and/or its subsidiaries or affiliates at the time of termination of employment.

7. APPLICABLE LAW: This agreement shall be subject to and governed by the laws of the State of New Jersey.

If you are in agreement with the abovementioned terms, please signify your approval on the enclosed copy of this letter and return it to me.

Sincerely yours,

BEL FUSE INC.

By /s/ PETER GILBERT

-----

PETER GILBERT  
Compensation Committee

By /s/ ROBERT E. SIMANDL

-----

ROBERT E. SIMANDL  
Compensation Committee

Approved and Accepted,

/s/ ELLIOT BERNSTEIN

-----

ELLIOT BERNSTEIN

Dated: October 29th, 1997

SUBSIDIARIES OF BEL FUSE INC.

NAME -----	JURISDICTION OF INCORPORATION -----
Bel Fuse Limited .....	Hong Kong
Bel Fuse Macau LDA .....	Macau
Bel Hybrids and Magnetics Inc. ....	Indiana
Bel Delaware LLC .....	Delaware
Bel Fuse Europe Ltd. ....	United Kingdom

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statements (2-93572, 33-45809 and 33-53462) on Forms S-8 of Bel Fuse of our report dated March 4, 1998 appearing in this Annual Report on Form 10-K of Bel Fuse Inc. for the year ended December 31, 1997.

DELOITTE & TOUCHE LLP

March 27, 1998  
New York, New York

<ARTICLE>

5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BEL FUSE INC. AND SUBSIDIARIES FINANCIAL STATEMENTS AT DECEMBER 31, 1997 AND YEAR THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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