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Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
 (Do not check if a smaller reporting company)

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

Title of Each Class	Number of Shares of Common Stock Outstanding as of November 1, 2012
Class A Common Stock (\$0.10 par value)	2,174,912
Class B Common Stock (\$0.10 par value)	9,518,216

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BEL FUSE INC.

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PART I. Financial Information

Item 1. Financial Statements (Unaudited)

Certain information and footnote disclosures required under accounting principles generally accepted in the United States of America have been condensed or omitted from the following condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. The following condensed consolidated financial statements should 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, 2011.

The results of operations for the three and nine months ended September 30, 2012 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  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (dollars in thousands, except share and per share data)  
 (Unaudited)

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$69,525	\$88,241
Marketable securities	5,248	5,731
Accounts receivable - less allowance for doubtful accounts of \$672 and \$771 at September 30, 2012 and December 31, 2011, respectively	46,537	39,107
Inventories	56,265	53,361
Restricted cash, current	12,993	12,991
Prepaid expenses and other current assets	4,869	4,092
Refundable income taxes	1,653	2,871
Deferred income taxes	2,136	1,295
<b>Total Current Assets</b>	<b>199,226</b>	<b>207,689</b>
Property, plant and equipment - net	37,237	39,414
Deferred income taxes	3,083	2,814
Intangible assets - net	10,727	10,877
Goodwill	22,279	4,163
Other assets	12,503	11,954
<b>TOTAL ASSETS</b>	<b>\$285,055</b>	<b>\$276,911</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$20,522	\$18,459
Accrued expenses	25,955	22,936
Accrued restructuring costs	1,159	-
Notes payable	169	-
Income taxes payable	900	224
Dividends payable	883	806
<b>Total Current Liabilities</b>	<b>49,588</b>	<b>42,425</b>
Long-term Liabilities:		
Liability for uncertain tax positions	2,113	4,132
Minimum pension obligation and unfunded pension liability	9,915	9,274
Other long-term liabilities	220	-
<b>Total Long-term Liabilities</b>	<b>12,248</b>	<b>13,406</b>
<b>Total Liabilities</b>	<b>61,836</b>	<b>55,831</b>
Commitments and Contingencies		
Stockholders' Equity:		

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Preferred stock, no par value, 1,000,000 shares authorized; none issued	-	-
Class A common stock, par value \$.10 per share, 10,000,000 shares authorized; 2,174,912 shares outstanding at each date (net of 1,072,769 treasury shares)	217	217
Class B common stock, par value \$.10 per share, 30,000,000 shares authorized; 9,653,552 and 9,635,643 shares outstanding, respectively (net of 3,218,307 treasury shares)	965	964
Additional paid-in capital	24,915	25,420
Retained earnings	198,541	196,029
Accumulated other comprehensive loss	(1,419 )	(1,550 )
Total Stockholders' Equity	223,219	221,080
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$285,055	\$276,911

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(dollars in thousands, except share and per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net Sales	\$76,059	\$75,903	\$214,842	\$226,479
Costs and expenses:				
Cost of sales	63,404	63,865	179,587	186,365
Selling, general and administrative	9,851	9,856	28,136	30,327
Restructuring charge	1,778	-	2,160	-
Litigation charges	-	247	26	3,471
Loss on disposal of property, plant and equipment	1	(3)	111	4
	75,034	73,965	210,020	220,167
Income from operations	1,025	1,938	4,822	6,312
Impairment of investment	(297)	-	(775)	-
Gain on sale of investment	-	-	-	119
Interest income and other, net	63	120	216	281
Earnings before provision for income taxes	791	2,058	4,263	6,712
(Benefit) provision for income taxes	(1,809)	1,046	(676)	3,030
Net earnings	\$2,600	\$1,012	\$4,939	\$3,682
Earnings per share:				
Class A common share - basic and diluted	\$0.20	\$0.08	\$0.38	\$0.29
Class B common share - basic and diluted	\$0.22	\$0.09	\$0.42	\$0.32
Weighted-average shares outstanding:				
Class A common share - basic and diluted	2,174,912	2,174,912	2,174,912	2,174,912
Class B common share - basic and diluted	9,697,097	9,643,641	9,668,785	9,584,444
Dividends paid per share:				
Class A common share	\$0.06	\$0.06	\$0.18	\$0.18
Class B common share	\$0.07	\$0.07	\$0.21	\$0.21

See notes to unaudited condensed consolidated financial statements.





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BEL FUSE INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(dollars in thousands)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net earnings	\$2,600	\$1,012	\$4,939	\$3,682
Other comprehensive income (loss):				
Currency translation adjustment	51	(588 )	(283 )	350
Reclassification adjustment for write-down of marketable securities included in net earnings, net of tax of \$113 and \$295, respectively	185	-	481	-
Reclassification adjustment for gain on sale of marketable securities included in net earnings, net of tax of \$45	-	-	-	(74 )
Unrealized holding losses on marketable securities arising during the period, net of taxes of (\$59), (\$234), (\$118) and (\$305), respectively	(95 )	(380 )	(187 )	(499 )
Change in unfunded SERP liability, net of taxes of \$18 and \$53, respectively	40	-	120	-
Other comprehensive income (loss)	181	(968 )	131	(223 )
Comprehensive income	\$2,781	\$44	\$5,070	\$3,459

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(dollars in thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net earnings	\$4,939	\$3,682
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	6,457	6,448
Stock-based compensation	1,294	1,275
Loss on disposal of property, plant and equipment	111	4
Impairment of investment	775	-
Gain on sale of investment	-	(119 )
Other, net	(275 )	886
Deferred income taxes	(1,501 )	180
Changes in operating assets and liabilities (see page 6)	(4,002 )	9,365
Net Cash Provided by Operating Activities	7,798	21,721
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,374 )	(2,196 )
Purchase of marketable securities	(19 )	(5,128 )
Payments for business acquisitions, net of cash acquired	(19,187 )	-
Proceeds from sale of property, plant and equipment	36	10
Proceeds from sale of marketable securities	-	433
Cash transferred from restricted cash	-	162
Net Cash Used in Investing Activities	(22,544 )	(6,719 )
Cash flows from financing activities:		
Dividends paid to common shareholders	(2,350 )	(2,336 )
Repayment of notes payable	(48 )	-
Purchase and retirement of Class B common stock	(1,705 )	-
Net Cash Used In Financing Activities	(4,103 )	(2,336 )
Effect of exchange rate changes on cash	133	8
Net (Decrease) Increase in Cash and Cash Equivalents	(18,716 )	12,674
Cash and Cash Equivalents - beginning of period	88,241	83,829
Cash and Cash Equivalents - end of period	\$69,525	\$96,503

(Continued)

See notes to unaudited condensed consolidated financial statements.



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BEL FUSE INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
 (dollars in thousands)  
 (Unaudited)

Nine Months Ended  
 September 30,  
 2012                      2011

## Changes in operating assets and liabilities consist of:

(Increase) decrease in accounts receivable	\$(3,562 )	\$7,568
(Increase) decrease in inventories	(1,718 )	2,924
Increase in prepaid expenses and other current assets	(668 )	(2,275 )
(Increase) decrease in other assets	(189 )	1
Increase (decrease) in accounts payable	288	(2,442 )
Increase in accrued expenses	1,174	1,330
Increase (decrease) in accrued restructuring costs	1,159	(123 )
(Decrease) increase in income taxes payable	(486 )	2,382
	\$(4,002 )	\$9,365

## Supplementary information:

## Cash paid during the period for:

Income taxes, net of refunds received	\$1,234	\$490
Interest	2	-

## Details of acquisitions:

Fair value of identifiable net assets acquired	\$4,220	\$-
Goodwill	17,965	-
Fair value of net assets acquired	\$22,185	\$-
Fair value of consideration transferred	\$22,185	\$-
Less: Cash acquired in acquisitions	(2,991 )	-
Deferred consideration	(7 )	-
Cash paid for acquisitions, net of cash acquired	\$19,187	\$-

See notes to unaudited condensed consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated balance sheet as of September 30, 2012, and the condensed consolidated statements of operations, comprehensive income 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 results for the three and nine months ended September 30, 2012 should not be viewed as indicative of the Company’s annual results or the Company’s results for any other period. The information for the condensed consolidated balance sheet as of December 31, 2011 was derived from audited financial statements. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Bel Fuse Annual Report on Form 10-K for the year ended December 31, 2011.

On March 9, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of GigaCom Interconnect AB. On July 31, 2012, the Company consummated its acquisition of 100% of the issued and outstanding capital stock of Fibreco Ltd. On September 12, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Powerbox Italia S.r.L. Accordingly, as of the respective acquisition dates, all of the assets acquired and liabilities assumed were recorded at their preliminary fair values and the Company’s condensed consolidated results of operations for the three and nine months ended September 30, 2012 include the operating results of the acquired companies from their respective acquisition date through September 30, 2012.

Recent Accounting Pronouncements

The Company’s significant accounting policies are summarized in Note 1 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2011. There were no significant changes to these accounting policies during the nine months ended September 30, 2012, except as noted below. Recent accounting pronouncements adopted during 2012 are as follows:

Accounting Standards Update No. 2011-04 – Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (“ASU No. 2011-04”)

ASU No. 2011-04 clarified some existing concepts, eliminated wording differences between accounting principles generally accepted in the United States of America (“GAAP”) and International Financial Reporting Standards (“IFRS”), and in some limited cases, changed some principles to achieve convergence between U.S. GAAP and IFRS. ASU No. 2011-04 resulted in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU No. 2011-04 also expanded the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. The Company implemented the provisions of ASU No. 2011-04 effective January 1, 2012. The adoption of the provisions of ASU No. 2011-04 did not have a material effect on the Company’s consolidated financial position, results of operations or cash flows, nor did it materially modify or expand the Company’s financial statement footnote disclosures.

Accounting Standards Update No. 2011-05 – Comprehensive Income (Topic 220): Presentation of Comprehensive Income (“ASU No. 2011-05”)

ASU No. 2011-05 amended existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. ASU No. 2011-05 eliminated the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in ASU No. 2011-05 did not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU No. 2011-05 required retrospective application, and was effective for the Company on January 1, 2012. The Company implemented the provisions of ASU No. 2011-05 during the first quarter of 2012 by presenting herein the components of net income and other comprehensive income in two separate but consecutive financial statements.

Accounting Standards Update No. 2011-08 – Testing Goodwill for Impairment (Topic 350): Intangibles—Goodwill and Other (“ASU No. 2011-08”)

ASU No. 2011-08 updated existing guidance regarding testing of goodwill for impairment. ASU No. 2011-08 gives entities the option to perform a qualitative assessment to first assess whether the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. ASU No. 2011-08 became effective during the Company's first quarter of 2012. The adoption of this standard did not have any impact on the Company's results of operations or financial condition.

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Accounting Standards Update No. 2012-02 – Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (“ASU No. 2012-02”)

ASU No. 2012-02 amends ASU No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment, and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles - Goodwill and Other - General Intangibles Other than Goodwill. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The adoption of ASU No. 2012-02 is not expected to have a material impact on the Company’s financial position or results of operations.

## 2. EARNINGS PER SHARE

The Company utilizes the two-class method to report its earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and participation rights in undistributed earnings. The Company’s Certificate of Incorporation, as amended, states that Class B common shares are entitled to dividends at least 5% greater than dividends paid on Class A common shares, resulting in the two-class method of computing earnings per share. In computing earnings per share, the Company has allocated dividends declared to Class A and Class B based on amounts actually declared for each class of stock and 5% more of the undistributed earnings has been allocated to Class B shares than to the Class A shares on a per share basis. Basic earnings per common share is computed by dividing net earnings by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share, for each class of common stock, is computed by dividing net earnings by the weighted-average number of common shares and potential common shares outstanding during the period. There were no potential common shares outstanding during the three or nine months ended September 30, 2012 or 2011 which would have had a dilutive effect on earnings per share.



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The earnings and weighted-average shares outstanding used in the computation of basic and diluted earnings per share are as follows (dollars in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>Numerator:</b>				
Net earnings	\$ 2,600	\$ 1,012	\$ 4,939	\$ 3,682
<b>Less Dividends:</b>				
Class A	130	130	391	391
Class B	681	670	2,036	2,003
Undistributed earnings	\$ 1,789	\$ 212	\$ 2,512	\$ 1,288
<b>Undistributed earnings allocation - basic and diluted:</b>				
Class A undistributed earnings	\$ 315	\$ 37	\$ 443	\$ 229
Class B undistributed earnings	1,474	175	2,069	1,059
Total undistributed earnings	\$ 1,789	\$ 212	\$ 2,512	\$ 1,288
<b>Net earnings allocation - basic and diluted:</b>				
Class A allocated earnings	\$ 445	\$ 167	\$ 834	\$ 620
Class B allocated earnings	2,155	845	4,105	3,062
Net earnings	\$ 2,600	\$ 1,012	\$ 4,939	\$ 3,682
<b>Denominator:</b>				
<b>Weighted-average shares outstanding:</b>				
Class A common share - basic and diluted	2,174,912	2,174,912	2,174,912	2,174,912
Class B common share - basic and diluted	9,697,097	9,643,641	9,668,785	9,584,444
<b>Earnings per share:</b>				
Class A common share - basic and diluted	\$ 0.20	\$ 0.08	\$ 0.38	\$ 0.29
Class B common share - basic and diluted	\$ 0.22	\$ 0.09	\$ 0.42	\$ 0.32

## 3. ACQUISITIONS

On March 9, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of GigaCom Interconnect AB (“GigaCom Interconnect”) with a cash payment of approximately \$2.7 million (£1.7 million). GigaCom Interconnect, located in Gothenburg, Sweden, is a supplier of expanded beam fiber optic technology and a participant in the development of next-generation commercial aircraft components. GigaCom Interconnect has become part of Bel’s Cinch Connector business. Management believes that GigaCom’s offering of expanded beam fiber optic products will enhance the Company’s position within the growing aerospace and military markets.

On July 31, 2012, the Company consummated its acquisition of 100% of the issued and outstanding capital stock of Fibreco Ltd. (“Fibreco”) with a cash payment, net of \$2.7 million of cash acquired, of approximately \$13.7 million (£8.7 million). Fibreco, located in the United Kingdom, is a supplier of a broad range of expanded beam fiber optic components for use in military communications, outside broadcast and offshore exploration applications. Fibreco will become part of Bel’s interconnect product group under the Cinch Connector business. Management believes that the addition of Fibreco’s fiber optic-based product line to Cinch’s broad range of copper-based products will increase Cinch’s presence in emerging fiber applications within the military, aerospace and industrial markets. In addition, management believes the acquisition provides access to a range of customers for the recently acquired GigaCom Interconnect EBOSA® product.

On September 12, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Powerbox Italia S.r.L. and its subsidiary, Powerbox Design (collectively “Powerbox Italy”), with a cash payment, net of \$0.2 million of cash acquired, of approximately \$2.8 million in addition to a working capital adjustment of \$0.2 million. The working capital adjustment was finalized and paid in November 2012 and will be recorded as a measurement period adjustment in the fourth quarter of 2012. The Company also granted 30,000 restricted shares of the Company’s Class B common stock in connection with this acquisition. Compensation expense equal to the grant date fair value of these restricted shares of \$0.6 million will be recorded ratably through September 2014. Powerbox Italy, located near Milan, Italy, develops high-power AC-DC power conversion solutions targeted at the broadcasting market. The acquisition of Powerbox Italy will allow Bel to expand its portfolio of power product offerings to include AC-DC products and will also establish a European design center located close to several of Bel’s existing customers.

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The acquisitions of GigaCom Interconnect, Fibreco and Powerbox Italy may hereafter be referred to collectively as either the “2012 Acquisitions” or the “2012 Acquired Companies”. During the three and nine months ended September 30, 2012, the Company incurred \$0.6 million and \$0.6 million, respectively, of acquisition-related costs relating to the 2012 Acquisitions. These costs are included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations for the three and nine months ended September 30, 2012.

While the initial accounting related to the 2012 Acquisitions is not complete as of the filing date of this Form 10-Q, the following table depicts the Company’s estimated acquisition date fair values of the combined consideration transferred and identifiable net assets acquired in these transactions (in thousands):

	Acquisition-Date Fair Values	Measurement Period Adjustments	Acquisition-Date Fair Values (As adjusted)
Cash and cash equivalents	\$ 2,991	\$ -	\$ 2,991
Accounts receivable	3,750	-	3,750
Inventories	1,061	-	1,061
Other current assets	90	-	90
Property, plant and equipment	502	-	502
Intangible assets	30	-	30
Total identifiable assets	8,424	-	8,424
Accounts payable	(1,702 )	-	(1,702 )
Accrued expenses	(1,736 )	-	(1,736 )
Notes payable	(216 )	-	(216 )
Income taxes payable	(264 )	-	(264 )
Deferred income tax liability, current	(70 )	-	(70 )
Other long-term liabilities	(216 )	-	(216 )
Total liabilities assumed	(4,204 )	-	(4,204 )
Net identifiable assets acquired	4,220	-	4,220
Goodwill	17,965	-	17,965
Net assets acquired	\$ 22,185	\$ -	\$ 22,185
Cash paid	\$ 22,138	40	\$ 22,178
Deferred consideration	47	(40 )	7
Fair value of consideration transferred	\$ 22,185	\$ -	\$ 22,185

The Company has identified intangible assets, including but not limited to trademarks, patents, non-compete agreements, customer lists and unpatented technology, as well as tangible property including inventory and property, plant and equipment, which are currently in the process of being valued. The Company expects to finalize these valuations and complete the purchase price allocation as soon as practicable but no later than one year from the respective acquisition dates.

The Company is also still in the process of determining the allocation of the goodwill by reportable operating segment. This allocation will be based on those reportable operating segments expected to benefit from the 2012 Acquisitions. The Company is uncertain at this time how much of the goodwill, if any, will be deductible for tax purposes.

The results of operations of the 2012 Acquired Companies have been included in the Company's condensed consolidated financial statements for the periods subsequent to their respective acquisition dates. During the three and nine months ended September 30, 2012, the 2012 Acquisitions contributed revenues of \$0.9 million and \$1.0 million, respectively, and estimated net earnings of \$0.1 million and \$0.1 million, respectively, to the Company since their respective acquisition dates. The unaudited pro forma information below presents the combined operating results of the Company and the 2012 Acquired Companies. The unaudited pro forma results are presented for illustrative purposes only. They do not reflect the realization of any potential cost savings, or any related integration costs. Certain cost savings may result from the 2012 Acquisitions; however, there can be no assurance that these cost savings will be achieved. These pro forma results do not purport to be indicative of the results that would have actually been obtained if the 2012 Acquisitions had occurred as of January 1, 2011, nor is the pro forma data intended to be a projection of results that may be obtained in the future.

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The following unaudited pro forma consolidated results of operations assume that the acquisition of the 2012 Acquired Companies was completed as of January 1, 2011 (dollars in thousands except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 77,497	\$ 77,846	\$ 222,161	\$ 232,707
Net earnings	2,814	1,213	6,296	4,457
Earnings per Class A common share - basic and diluted	0.22	0.09	0.49	0.35
Earnings per Class B common share - basic and diluted	0.24	0.10	0.54	0.39

## 4. RESTRUCTURING ACTIVITIES

On July 12, 2012, as part of the Company's 2012 Restructuring Program (as described in Item 2 of this Quarterly Report), Bel announced that it will close its Cinch North American manufacturing facility in Vinita, Oklahoma by year end, and move the operation to a new facility in McAllen, Texas. The new facility is just across the Mexican border from Bel's existing Reynosa factory, where some of the processing for many of the Vinita parts is currently performed. Management believes that having the facilities closer together will lower transportation and logistics costs and improve service for customers by reducing manufacturing cycle times. The Company began to accrue termination benefits related to the Vinita, Oklahoma employees during the third quarter of 2012, as noted in the table below.

In May 2012, the Company entered into a new facility lease in McAllen, Texas in conjunction with this transition. The Company's overall commitment under the terms of the lease is approximately \$1.9 million, and will be incurred over the term of the lease, which commenced in September 2012 and is due to expire in March 2023.

The Company also implemented certain overhead cost reductions in Asia during the third quarter of 2012 as part of the Restructuring Program. The Asia portion of the program was completed during the third quarter of 2012. Termination benefits paid in connection with the Asia portion are included as cash payments in the table below.

Activity and liability balances related to restructuring costs for the nine months ended September 30, 2012 are as follows:

	Liability at December 31, 2011	New Charges	Cash Payments & Other Settlements	Liability at September 30, 2012
Termination benefits	\$ -	\$ 2,001	\$ (842 )	\$ 1,159
Transportation of equipment	-	97	(97 )	-
Set-up costs	-	38	(38 )	-
Other restructuring costs	-	24	(24 )	-
Total	\$ -	\$ 2,160	\$ (1,001 )	\$ 1,159

The remaining accrued restructuring costs at September 30, 2012 consist solely of termination benefits associated with the Vinita, Oklahoma employees. As it is anticipated that these benefits will be paid in the fourth quarter of 2012, the Company has classified the \$1.2 million of accrued restructuring costs as a current liability in the condensed consolidated balance sheet at September 30, 2012.

#### 5. FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based upon the best use of the asset or liability at the measurement date. Entities are required to use a fair value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

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Level 1 – Observable inputs such as quoted market prices in active markets

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3 – Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions

As of September 30, 2012 and December 31, 2011, the Company held certain financial assets that are measured at fair value on a recurring basis. These consisted of securities that are among the Company's investments in a Rabbi Trust, which are intended to fund the Company's Supplemental Executive Retirement Plan ("SERP") obligations, and other marketable securities described below. The securities that are held in the Rabbi Trust are categorized as available-for-sale securities and are included as other assets in the accompanying condensed consolidated balance sheets at September 30, 2012 and December 31, 2011. As of September 30, 2012 and December 31, 2011, the securities held in the Rabbi Trust had a fair value of \$6.0 million and \$5.8 million, respectively, and gross unrealized gains of \$0.4 million and \$0.2 million, respectively, which are included, net of tax, in accumulated other comprehensive loss.

As of September 30, 2012 and December 31, 2011, the Company had marketable securities with a combined fair value of \$5.2 million and \$5.7 million, respectively, and gross unrealized losses of less than \$0.1 million and \$0.3 million, respectively. Such unrealized losses are included, net of tax, in accumulated other comprehensive loss. At June 30, 2012, the Company had determined that its investment in Pulse Electronics common stock was other-than-temporarily impaired and recorded a related impairment charge of \$0.5 million during the second quarter of 2012. At September 30, 2012, the Company determined that its investment in Pulse was further impaired and the Company recorded an additional impairment charge of \$0.3 million during the third quarter of 2012. The fair value of the equity securities is determined based on quoted market prices in public markets and is categorized as Level 1 in the table below. The fair value of the fixed income securities is determined based on other observable inputs, and is therefore categorized as Level 2 in the table below. The Company does not have any financial assets measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 1, Level 2 or Level 3 during the nine months ended September 30, 2012 and 2011. There were no changes to the Company's valuation techniques used to measure asset fair values on a recurring or nonrecurring basis during the nine months ended September 30, 2012.

The following table sets forth by level, within the fair value hierarchy, the Company's financial assets accounted for at fair value on a recurring basis as of September 30, 2012 and December 31, 2011 (dollars in thousands).

	Total	Assets at Fair Value Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2012				
Available-for-sale securities:				
Investments held in Rabbi Trust	\$ 5,983	\$ 5,983	\$ -	\$ -
Marketable securities:				
Publicly-traded equity securities	214	214	-	-

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Fixed income securities	5,034	-	5,034	-
<b>Total</b>	<b>\$ 11,231</b>	<b>\$ 6,197</b>	<b>\$ 5,034</b>	<b>\$ -</b>
As of December 31, 2011				
Available-for-sale securities:				
Investments held in Rabbi Trust	\$ 5,786	\$ 5,786	\$ -	\$ -
Marketable securities:				
Publicly-traded equity securities	727	727	-	-
Fixed income securities	5,004	-	5,004	-
<b>Total</b>	<b>\$ 11,517</b>	<b>\$ 6,513</b>	<b>\$ 5,004</b>	<b>\$ -</b>



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The Level 2 fixed income securities noted in the table above represent the Company's investment in a fund that consists of debt securities (bonds), primarily U.S. government securities, corporate bonds, asset-backed securities and mortgage-backed securities. The value of the fund is determined based on quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data.

The Company has other financial instruments, such as cash equivalents, accounts receivable, accounts payable, notes payable and accrued expenses, which are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. The Company did not have any other financial liabilities within the scope of the fair value disclosure requirements as of September 30, 2012 or December 31, 2011.

Nonfinancial assets and liabilities, such as goodwill, indefinite-lived intangible assets and long-lived assets, are accounted for at fair value on a nonrecurring basis. These items are tested for impairment on the occurrence of a triggering event or, in the case of goodwill and indefinite-lived intangible assets, on at least an annual basis. There were no triggering events that occurred during the nine months ended September 30, 2012 or 2011 that would warrant interim impairment testing.

## 6. INVENTORIES

The components of inventories are as follows (dollars in thousands):

	September 30, 2012	December 31, 2011
Raw materials	\$ 28,159	\$ 27,975
Work in progress	8,271	7,025
Finished goods	19,835	18,361
	\$ 56,265	\$ 53,361

## 7. BUSINESS SEGMENT INFORMATION

The Company operates in one industry with three reportable operating segments, which are geographic in nature. The segments consist of North America, Asia and Europe. The primary criteria by which financial performance is evaluated and resources are allocated are sales and income from operations. The following is a summary of key financial data (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Total segment sales:				
North America	\$ 34,370	\$ 37,842	\$ 106,349	\$ 113,195
Asia	47,238	46,501	125,881	136,638
Europe	8,983	8,577	24,200	26,742
Total segment sales	90,591	92,920	256,430	276,575
Reconciling item:				
Intersegment sales	(14,532 )	(17,017 )	(41,588 )	(50,096 )
Net sales	\$ 76,059	\$ 75,903	\$ 214,842	\$ 226,479

<b>Income from operations:</b>				
North America	\$ (189 )	\$ 1,785	\$ 4,074	\$ 6,061
Asia	1,046	(143 )	7	(1,272 )
Europe	168	296	741	1,523
	\$ 1,025	\$ 1,938	\$ 4,822	\$ 6,312

The following items are included in the income from operations presented above:

Recent Acquisitions – During the three and nine months ended September 30, 2012, the 2012 Acquired Companies contributed combined revenues of \$0.9 million and \$1.0 million, respectively, and estimated income from operations of \$0.1 million and \$0.1 million, respectively, to the Company’s Europe operating segment since their respective acquisition dates.

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**Restructuring Charges** – During the three and nine months ended September 30, 2012, the Company recorded \$1.8 million and \$2.2 million, respectively, of restructuring charges. These charges related to severance and equipment transportation costs associated with the Company’s 2012 restructuring program. During the three and nine months ended September 30, 2012, \$0.6 million of severance costs were incurred by the Company’s Asia operating segment. The remaining restructuring charges were incurred by the Company’s North America operating segment.

**Litigation Charges** – During the three and nine months ended September 30, 2011, the Company recorded \$0.2 million and \$3.5 million, respectively, of litigation charges related to the Halo and SynQor lawsuits. These charges primarily impacted the Company’s Asia operating segment.

**Segment Sales** – Segment sales are attributed to individual segments based on the geographic source of the billing for such customer sales. Transfers between geographic areas include finished products manufactured in foreign countries which are then transferred to the United States and Europe for sale; finished goods manufactured in the United States which are transferred to Europe and Asia for sale; and semi-finished components manufactured in the United States which are sold to Asia for further processing. Income (loss) from operations represents net sales less operating costs and expenses.

## 8. INCOME TAXES

As of September 30, 2012 and December 31, 2011, the Company has approximately \$2.7 million and \$4.1 million, respectively, of liabilities for uncertain tax positions (\$0.6 million and \$0, respectively, included in income taxes payable and \$2.1 million and \$4.1 million, respectively, included in liability for uncertain tax positions) which, if reversed, would reduce the Company’s effective tax rate.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2010 and for state examinations before 2007. Regarding foreign subsidiaries, the Company is no longer subject to examination by tax authorities for years before 2004 in Asia and generally 2006 in Europe. During September 2010 and April 2011, the Company was notified of an Internal Revenue Service (“IRS”) tax audit for the years ended December 31, 2004 through 2009. The Company settled the domestic and international audits with the IRS for an amount due to the IRS of \$0.1 million, net of interest income paid by the IRS to the Company. The tax issues related to the \$0.1 million tax were included in the liability for uncertain tax positions and were reversed during the quarter ended March 31, 2012. This resulted in a reduction of the tax provision in the condensed consolidated statement of operations. Additionally, the Company’s wholly-owned subsidiary in Germany was subject to a tax audit for the tax years 2008 through 2010. This audit has been completed and resulted in no additional tax assessment.

As a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized benefits for tax positions taken regarding previously filed tax returns may change materially from those recorded as liabilities for uncertain tax positions in the Company’s condensed consolidated financial statements at September 30, 2012. A total of \$0.6 million of previously recorded liabilities for uncertain tax positions relates principally to the 2007 tax year. The statute of limitations related to these liabilities is scheduled to expire September 15, 2013. Additionally, a total of \$2.5 million of previously recorded liabilities for uncertain tax positions, interest, and penalties relating to the 2007 through 2009 tax years were reversed during the quarter ended September 30, 2012, as these years have been settled with the IRS and are no longer under audit. This has been offset in part by an increase in the liability for uncertain tax positions in the amount of \$1.2 million during the quarter ended September 30, 2012.

The Company’s policy is to recognize interest and penalties related to uncertain tax positions as a component of the current provision for income taxes. During the nine months ended September 30, 2012 and 2011, the Company reversed \$0.4 million of previously recorded interest and penalties and recognized \$0.2 million of interest and

penalties, respectively, in the condensed consolidated statements of operations. The Company has approximately \$0.3 million and \$0.7 million accrued for the payment of interest and penalties at September 30, 2012 and December 31, 2011, which is included in the liability for uncertain tax positions in the accompanying condensed consolidated balance sheets at each date.

In connection with the 2012 Acquisitions, the Company has not completed a preliminary fair market value report of property, plant and equipment and intangibles. The Company acquired a deferred tax liability in the amount of \$0.1 million. At September 30, 2012, there were no additional deferred tax amounts reported on the condensed consolidated balance sheet as the fair market value report has not been completed.

The Company intends to make an election under Internal Revenue Code (“IRC”) Section 338(g) to step up the tax basis of assets acquired from GigaCom, Fibreco and Powerbox to fair value. The elections made under Section 338(g) only affect U.S. income taxes (not those of the foreign country where GigaCom, Fibreco and Powerbox are incorporated).

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On August 10, 2010, President Obama signed into law the “Education Jobs & Medicaid Assistance Act” (H.R. 1586) (the “Act”). The Act’s international tax provisions place certain restrictions on the use of foreign tax credits. The Company has evaluated the international tax provisions and determined that they do not materially affect the Company’s operating results or financial condition.

The Company continues to monitor proposed legislation affecting the taxation of transfers of U.S. intangible property and other potential tax law changes.

## 9. ACCRUED EXPENSES

Accrued expenses consist of the following (dollars in thousands):

	September 30, 2012	December 31, 2011
Sales commissions	\$ 1,411	\$ 1,291
Subcontracting labor	2,376	2,343
Salaries, bonuses and related benefits	6,337	5,315
Litigation reserve	11,549	11,549
Other	4,282	2,438
	\$ 25,955	\$ 22,936

## 10. DEBT

At September 30, 2012 and December 31, 2011, a \$30 million line of credit, which expires on June 30, 2014, was available to the Company to borrow. Amounts outstanding under this line of credit are collateralized with a first priority security interest in 100% of the issued and outstanding shares of the capital stock of the Company’s material domestic subsidiaries and 65% of all the issued and outstanding shares of the capital stock of certain of the foreign subsidiaries of the Company. There have not been any borrowings under the credit agreement during 2012 or 2011 and, as a result, there was no balance outstanding as of September 30, 2012 or December 31, 2011. The credit agreement bears interest at LIBOR plus 0.75% to 1.25% based on certain financial statement ratios maintained by the Company. Under the terms of the credit agreement, the Company is required to maintain certain financial ratios and comply with other financial conditions. As a result of the Company’s recent acquisitions, which resulted in a lower cash balance and increased intangible assets, the Company was not in compliance with its tangible net worth debt covenant as of September 30, 2012. In the event the Company seeks borrowings under this credit agreement, a waiver would need to be obtained from the lender.

## 11. RETIREMENT FUND AND PROFIT SHARING PLAN

The Company maintains a domestic 401(k) plan, which allows individual voluntary savings to provide non-defined retirement benefits for plan participants, and also provides an employer match based upon employee deferrals. The Company amended its 401(k) plan effective January 1, 2012 whereby the Company will match 100% of the first 1% of employee deferrals and 50% of the next 5% of employee deferrals. Matching contributions will be made in cash beginning in 2012. The expense for the three months ended September 30, 2012 and 2011 amounted to approximately \$0.1 million and \$0.3 million, respectively. The expense for the nine months ended September 30, 2012 and 2011 amounted to approximately \$0.4 million and \$0.7 million, respectively. Prior to January 1, 2012, the plan’s structure provided for a Company match and discretionary profit sharing contributions that were made in the form of the Company’s common stock. As of September 30, 2012, the plan owned 15,366 and 225,445 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The Company's subsidiaries in Asia have a non-defined retirement fund covering substantially all of their Hong Kong-based full-time employees. The expense for the three months ended September 30, 2012 and 2011 amounted to approximately \$0.1 million in each period. The expense for the nine months ended September 30, 2012 and 2011 amounted to approximately \$0.2 million in each period. As of September 30, 2012, the plan owned 3,323 and 17,342 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The SERP is designed to provide a limited group of key management and highly compensated employees of the Company with supplemental retirement and death benefits.

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The components of SERP expense are as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Service cost	\$ 109	\$ 93	\$ 327	\$ 279
Interest cost	104	101	312	303
Amortization of adjustments	58	37	174	111
Total SERP expense	\$ 271	\$ 231	\$ 813	\$ 693

	September 30, 2012	December 31, 2011
Balance sheet amounts:		
Minimum pension obligation and unfunded pension liability	\$ 9,915	\$ 9,274
Amounts recognized in accumulated other comprehensive loss, pretax:		
Prior service cost	\$ 911	\$ 1,010
Net gains	1,991	2,065
	\$ 2,902	\$ 3,075

## 12. COMMON STOCK

On July 25, 2012, the Company's Board of Directors authorized the repurchase, from time to time, of up to \$10 million of the Company's outstanding Class B common shares in open market, privately negotiated or block transactions at the discretion of Bel's management. As of September 30, 2012, the Company had purchased and retired 89,991 Class B common shares at a cost of \$1.7 million.

## 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss at September 30, 2012 and December 31, 2011 are summarized below (dollars in thousands):

	September 30, 2012	December 31, 2011
Currency translation adjustment	\$ 363	\$ 646
Unrealized holding gains (losses) on available-for-sale securities, net of taxes of \$144 and (\$33) as of September 30, 2012 and December 31, 2011	232	(62 )

Unfunded SERP liability, net of taxes of (\$888) and (\$941) as of September 30, 2012 and December 31, 2011	(2,014 )	(2,134 )
Accumulated other comprehensive loss	\$ (1,419 )	\$ (1,550 )

#### 14. LEGAL PROCEEDINGS

The Company is, from time to time, a party to litigation arising in the normal course of its business, including various claims of patent infringement. See the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for the details of all of Bel's material lawsuits pending as of the filing of the Company's Annual Report on Form 10-K. Legal developments subsequent to the filing of the Company's Annual Report on Form 10-K are set forth below.

As further described in the Company's 2011 Annual Report on Form 10-K, the Company is currently appealing the verdict in the SynQor case. By the end of 2011, the Company had ceased the manufacturing of products that were subject to SynQor's claim and there were no sales of such products during the nine months ended September 30, 2012. The United States Court of Appeals for the Federal Circuit ("CAFC") heard oral argument in the SynQor case on October 2, 2012. The parties expect a ruling by the CAFC by the end of the year.



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The Company is a plaintiff in a lawsuit captioned Bel Fuse Inc. et al. v. Molex Inc. brought in the United District Court of New Jersey in April 2012. The Company claims that Molex infringed three of the Company's patents related to integrated magnetic connector products.

The Company, through its subsidiary Cinch Connectors Inc., is a defendant in an asbestos lawsuit captioned Richard G. Becker vs. Adience Inc., et al. The lawsuit was filed in the Circuit Court for the County of Wayne in the State of Michigan. The complaint was amended to include Cinch Connectors Inc. and other defendants on August 13, 2012. The Company filed its answer to the complaint on October 19, 2012.

#### 15. RELATED PARTY TRANSACTIONS

As of September 30, 2012, the Company has \$2.0 million invested in a money market fund with GAMCO Investors, Inc., a current stockholder of the Company, with holdings of approximately 31.6% of the Company's outstanding Class A stock. This amount is included within cash and cash equivalents in the accompanying condensed consolidated balance sheet at September 30, 2012.

#### 16. SUBSEQUENT EVENT

In late October 2012, Hurricane Sandy caused damage and business interruption to the Company's corporate headquarters in Jersey City, New Jersey and its manufacturing operations in Inwood, New York. The Company is still in the early stages of assessing the financial and operational impacts of the storm and is, therefore, unable to estimate its full financial and operational impact. The Company would be responsible for a deductible of up to \$0.5 million before any possible insurance recovery related to these damages.

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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 impacted 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, 2011. 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 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2011, 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 such statements are made 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.

Overview

Our Company

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. These products are designed to protect, regulate, connect, isolate or manage a variety of electronic circuits. Bel's products are primarily used in the networking, telecommunications, computing, military, aerospace and transportation industries. Bel's portfolio of products also finds application in the automotive, medical and consumer electronics markets.

Bel's business is operated through three geographic segments: North America, Asia and Europe. During the nine months ended September 30, 2012, 45% of the Company's revenues were derived from North America, 44% from Asia and 11% from its Europe operating segment. Sales of the Company's interconnect products represented approximately 39% of our total net sales for the nine months ended September 30, 2012. The remaining revenues related to sales of the Company's magnetic products (34%), module products (24%) and circuit protection products (3%).

The Company's expenses are driven principally by the cost of labor where the factories that Bel uses are located, the cost of the materials that it uses and its ability to efficiently manage overhead costs. As labor and material costs vary by product line, any significant shift in product mix has an associated impact on the Company's costs of sales. Costs are recorded as incurred for all products manufactured. 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's products are manufactured at various facilities in: the People's Republic of China ("PRC"); Glen Rock, Pennsylvania; Inwood, New York; Haina, Dominican Republic; Reynosa and Cananea, Mexico; Louny, Czech Republic; Vinita, Oklahoma; Worksop, England and Great Dunmow, England. In July 2012, the Company announced that it plans to close its Vinita, Oklahoma manufacturing facility by the end of 2012 and will be moving a portion of the Vinita operations to a new manufacturing facility in McAllen, Texas.

In the PRC, where the Company generally enters into processing arrangements with several independent third-party contractors and also has its own manufacturing facilities, the availability of labor is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday as well as economic conditions in the PRC. In addition, the Company has little visibility into the ordering habits of its customers and can be subjected to large and unpredictable variations in demand for its products. Accordingly, the Company must continually recruit and train new workers to replace those lost to attrition each year and to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, and overtime required in order to meet demand, can add volatility to the costs incurred by the Company for labor in the PRC.

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Trends Affecting our Business

The Company believes the key factors affecting Bel's three and nine months ended September 30, 2012 and/or future results include the following:

- 2012 Acquisitions – During the third quarter of 2012, the Company completed two acquisitions. U.K.-based Fibreco Ltd. (“Fibreco”) has joined GigaCom Interconnect AB (“GigaCom”), which Bel acquired in March 2012, as part of the Company’s Cinch Connectors business. Fibreco’s fiber optic-based products complement Cinch’s copper-based products, increasing Cinch’s reach into the aerospace, military and industrial markets, while providing Fibreco with access to well-established sales channels it had not previously explored. The Company’s most recent acquisition of Powerbox Italia S.r.L. (“Powerbox”) will add established AC-DC products to Bel’s existing power portfolio, bringing additional product offerings to Bel’s key power customers. Since their respective dates of acquisition, the 2012 Acquired Companies contributed revenues of \$0.9 million and \$1.0 million during the three and nine months ended September 30, 2012, respectively.
  - Revenues – Sales for the nine months ended September 30, 2012 were down by 5.1% from the same period of 2011. The decline in sales related primarily to the Company’s module product line, where sales were \$18.9 million lower in the nine months ended September 30, 2012 versus the same period of 2011 reflecting a change in the ordering pattern of two major customers. This decline in sales was partially offset by increased revenues generated by Bel’s MagJack products, which are integrated connector modules within the Company’s magnetic product line (“MagJacks”), and Cinch Connector’s commercial aerospace business within the Company’s interconnect product line.
- Product Mix – Material and labor costs vary by product line and any significant shift in product mix between higher- and lower-margin product lines will have a corresponding impact on the Company’s gross margin percentage. During the first nine months of 2012, the Company experienced a favorable shift in the mix of products sold, which partially mitigated the effects of higher labor and material costs during the period.
- Pricing and Availability of Materials – Component pricing and availability have been stable for most of the Company’s product lines, though lead times on electrical components have recently been extended. With regard to commodities, while the Company started to experience some price decreases related to precious metals through the middle of the third quarter of 2012, costs for commodities including gold, copper, and petroleum-based plastics remain high in comparison to the prior year. Any fluctuations in component prices and other commodity prices associated with Bel’s raw materials will have a corresponding impact on Bel’s profit margins. Due to their relatively high material content, margins in the Company’s module product line were most dramatically affected by the continued high cost of materials as well as lower sales volume during the first nine months of 2012.
- Labor Costs – Labor costs in the first nine months of 2012 increased significantly both in dollar amount and as a percentage of sales, in spite of decreased sales in comparison to the same period in 2011. Approximately one-third of Bel’s total sales are generated from labor intensive magnetic products, which are primarily manufactured in the PRC. Wage rates in the PRC, which are mandated by the government, now have higher minimum wage and overtime requirements and have been steadily increasing. Furthermore, fluctuation in the exchange rate related to the Chinese Renminbi has been further increasing the cost of labor in terms of U.S. dollars. Finally, there has been a shift in product mix such that Bel’s labor-intensive MagJacks represented a larger proportion of the Company’s total sales during the first nine months of 2012 than during the same period of 2011. The increased demand for these products early in 2012 resulted in recruiting, training and overtime costs, in addition to the relative inefficiency of the new workers hired after the Lunar New Year holiday. Because of the relatively high labor content in MagJacks, margins in Bel’s magnetic product line were particularly impacted by higher labor costs during 2012.

- 2012 Restructuring Program – The Company began implementing its plan to effect operational efficiencies, and recorded expenses related to these actions of \$2.2 million during the nine months ended September 30, 2012. On July 12, 2012, the Company announced that it would close its Cinch manufacturing facility in Vinita, Oklahoma and move the operations to McAllen, Texas. The Company also identified and implemented further cost cutting initiatives in Asia during the third quarter of 2012. It is currently estimated that additional pre-tax costs associated with the 2012 Restructuring Program will be approximately \$2.9 million, and annual savings of approximately \$5.5 million are expected from these initiatives once fully implemented.
- Impact of Pending Lawsuits – As further described in the Company’s 2011 Annual Report on Form 10-K, the Company is currently appealing the verdict in the SynQor case. By the end of 2011, the Company had ceased the manufacturing of products that were subject to SynQor’s claim and there were no sales of such products during the nine months ended September 30, 2012.

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- **Acquisition-Related Costs** – During the first nine months of 2012, Bel completed its acquisitions of GigaCom, Fibreco and Powerbox. These acquisitions, along with other potential acquisition candidates, gave rise to acquisition-related costs of \$0.7 million and \$0.8 million during the three and nine months ended September 30, 2012, respectively. Bel’s continuing strategy to actively consider potential acquisitions could result in additional legal and other professional costs in future periods.
- **Effective Tax Rate** – The Company’s effective tax rate will fluctuate based on the geographic segment in which the pretax profits are earned. Of the geographic segments in which the Company operates, the U.S. has the highest tax rates; Europe’s tax rates are generally lower than U.S. tax rates; and Asia has the lowest tax rates of the Company’s three geographical segments. The Company’s effective tax rate was significantly lower during the first nine months of 2012 as compared to the same period of 2011, primarily due to the net reversal of liabilities for uncertain tax positions and lower pretax earnings in the North America and European segments. The higher effective rate in 2011 was primarily due to litigation charges and other factors which resulted in losses in Asia with minimal income tax benefit.

With the completion of three acquisitions so far this year, and another potential acquisition representing annual sales in excess of \$60 million currently under consideration by the Company, management is optimistic that the opportunities created by these acquisitions will fuel the growth of our existing product groups in future periods. Bel also made significant progress on its Restructuring Program during the third quarter with the goal of being complete by year-end. Management believes that Bel is well positioned for the future as a result of these active measures. Statements regarding future results constitute Forward-Looking Statements and could be materially adversely affected by the risk factors identified by the Company in its Annual Report on Form 10-K for the year ended December 31, 2011 and other public statements made by the Company.

## Summary by Reportable Operating Segment

Net sales to external customers by reportable operating segment for the three and nine months ended September 30, 2012 and 2011 were as follows (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
North America	\$ 31,370	41 %	\$ 34,298	45 %	\$ 96,866	45 %	\$ 102,229	45 %
Asia	36,074	48 %	33,308	44 %	94,963	44 %	98,484	44 %
Europe	8,615	11 %	8,297	11 %	23,013	11 %	25,766	11 %
	\$ 76,059	100 %	\$ 75,903	100 %	\$ 214,842	100 %	\$ 226,479	100 %

Net sales and income from operations by reportable operating segment for the three and nine months ended September 30, 2012 and 2011 were as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Total segment sales:				
North America	\$ 34,370	\$ 37,842	\$ 106,349	\$ 113,195
Asia	47,238	46,501	125,881	136,638
Europe	8,983	8,577	24,200	26,742

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Total segment sales	90,591	92,920	256,430	276,575
<b>Reconciling item:</b>				
Intersegment sales	(14,532 )	(17,017 )	(41,588 )	(50,096 )
Net sales	\$ 76,059	\$ 75,903	\$ 214,842	\$ 226,479
<b>Income (loss) from operations:</b>				