

Board of Directors and Stockholders  
General Bearing Corporation and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of General Bearing Corporation and Subsidiaries (the "Company") as of January 1, 2005 and January 3, 2004, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended (not presented herein); and in our report dated March 31, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

*UHY LLP*

New York, New York  
March 31, 2005

# GENERAL BEARING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In Thousands, except for shares)

	<u>January 1, 2005</u>	<u>January 3, 2004</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,878	\$ 1,701
Accounts receivable, net of allowance for doubtful accounts of \$541 in 2004 and \$330 in 2003	16,812	12,378
Inventories	27,113	22,637
Prepaid taxes and taxes recoverable	854	3,729
Prepaid expenses and other current assets	2,447	1,864
Advances to affiliates	80	95
Deferred tax assets	1,898	1,652
Total current assets	<u>54,082</u>	<u>44,056</u>
PROPERTY, PLANT AND EQUIPMENT	24,667	21,482
INVESTMENT IN, ADVANCES TO AND ACCOUNTS RECEIVABLE FROM JOINT VENTURES AND AFFILIATES	576	3,362
OTHER ASSETS	989	1,347
Total assets	<u>\$ 80,314</u>	<u>\$ 70,247</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable - banks	\$ 8,632	\$ 9,021
Accounts payable	11,935	6,387
Due to affiliates	92	1,683
Accrued expenses and other current liabilities	7,273	4,844
Current portion of long-term debt	240	412
Total current liabilities	<u>28,172</u>	<u>22,347</u>
LONG-TERM DEBT	14,029	15,266
OTHER LONG-TERM LIABILITIES, AFFILIATE	-	124
DEFERRED TAXES	676	886
Total liabilities	<u>\$ 42,877</u>	<u>\$ 38,623</u>
MINORITY INTERESTS	13,135	9,153
COMMITMENTS AND CONTINGENCIES		
<b>STOCKHOLDERS' EQUITY</b>		
Common shares - par value \$.01 per share; authorized 19,000,000 shares; issued 4,174,450 and 7,102,200 shares	42	71
Paid-in capital	40,232	40,133
Accumulated other comprehensive loss	(458)	(792)
Treasury stock, at cost; 384,228 and 3,348,228 shares	(1,395)	(1,438)
Accumulated deficit	(14,119)	(15,503)
Total stockholders' equity	<u>24,302</u>	<u>22,471</u>
Total liabilities and stockholders' equity	<u>\$ 80,314</u>	<u>\$ 70,247</u>

**GENERAL BEARING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(In Thousands, Except for Shares and Per Share Data)

	Years Ended	
	January 1, 2005	January 3, 2004
<b>SALES</b>	\$ 84,116	\$ 61,463
COST OF SALES	<u>62,838</u>	<u>43,600</u>
GROSS PROFIT	21,278	17,863
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	15,793	13,158
IMPAIRMENT OF INVESTMENT	-	2,289
OPERATING INCOME	<u>5,485</u>	2,416
OTHER EXPENSES, NET	<u>1,856</u>	1,297
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	3,629	1,119
INCOME TAXES	<u>1,461</u>	<u>340</u>
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	2,168	779
MINORITY INTERESTS	<u>(784)</u>	<u>80</u>
INCOME FROM CONTINUING OPERATIONS	<u>1,384</u>	<u>859</u>
INCOME FROM DISCONTINUED OPERATIONS	-	483
INCOME TAX EXPENSE	-	180
INCOME FROM DISCONTINUED OPERATIONS	<u>-</u>	<u>303</u>
<b>NET INCOME</b>	<u>\$ 1,384</u>	<u>\$ 1,162</u>
<b>Other Comprehensive Income</b>		
Mark to market-interest rate swap	334	292
<b>Total comprehensive income</b>	<u>\$ 1,718</u>	<u>\$ 1,454</u>
Income per common share from continuing operations:		
Basic	\$ 0.37	\$ 0.22
Diluted	\$ 0.37	\$ 0.22
Income per common share from discontinued operations:		
Basic	\$ -	\$ 0.08
Diluted	\$ -	\$ 0.08
Net income per common share:		
Basic	\$ 0.37	\$ 0.30
Diluted	\$ 0.37	\$ 0.30
Weighted average number of common shares		
Basic	\$ 3,772,152	\$ 3,822,442
Diluted	\$ 3,785,995	\$ 3,828,845

**GENERAL BEARING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Years Ended January 1, 2005 and January 3, 2004**  
(In Thousands, except for shares)

	<u>Common Shares</u>		<u>Paid-In Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Treasury Stock</u>		<u>Accum. Deficit</u>
	<u>Shares</u>	<u>Amt.</u>			<u>Shares</u>	<u>Amt.</u>	
<b>Balance, December 28, 2002</b>	7,102,200	\$ 71	\$ 40,133	\$ (1,084)	3,234,820	\$ (996)	\$ (16,665)
Shares issued - board compensation	-	-	-	-	(12,000)	34	-
Treasury shares, at cost	-	-	-	-	125,408	(476)	-
Mark to market - interest rate swap	-	-	-	292	-	-	-
Net income	-	-	-	-	-	-	1,162
<b>Balance, January 3, 2004</b>	7,102,200	71	40,133	(792)	3,348,228	(1,438)	\$ (15,503)
Shares issued - board compensation					(14,000)	43	
Options exercised	22,250		70				
Treasury shares, at cost	(2,950,000)	(29)	29		(2,950,000)		
Mark to market - interest rate swap	-	-	-	334	-	-	-
Net income	-	-	-	-	-	-	1,384
<b>Balance, January 1, 2005</b>	<u>4,174,450</u>	<u>\$ 42</u>	<u>\$ 40,232</u>	<u>\$ (458)</u>	<u>384,228</u>	<u>\$ (1,395)</u>	<u>\$ (14,119)</u>

**GENERAL BEARING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)

	<b>Years Ended</b>	
	<b>January 1, 2005</b>	<b>January 3, 2004</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 1,384	\$ 1,162
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	784	(80)
Depreciation and amortization	3,313	2,458
Loss on impairment of Rockland	-	1,574
Deferred income taxes	(457)	946
Equity earnings in joint ventures and affiliates	(15)	(107)
Loss on disposal of property, plant and equipment	4	17
Other non - cash items charged to income	6	34
Changes in:		
Accounts receivable	(2,427)	(1,636)
Inventories	(1,092)	3,757
Prepaid expenses and other assets	3,267	(515)
Advances to affiliates	(441)	(553)
Accounts payable and accrued expenses	3,550	802
Net cash provided by operating activities	<u>7,876</u>	<u>7,859</u>
<b>INVESTING ACTIVITIES</b>		
Investments in affiliates, net	-	(281)
Increase in equity interests, net of cash acquired	871	-
Fixed asset purchases	(1,958)	(2,928)
Dividends paid to minority stockholders	-	(744)
Proceeds from sale of fixed assets	40	1
Net cash used in investing activities	<u>(1,047)</u>	<u>(3,952)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of capital lease	(231)	(171)
Increase (decrease) in note payable - banks	(2,745)	760
Decrease in note payable - other	(200)	(200)
Net repayment of revolving credit facility	(916)	(5,277)
Proceeds from partner contributions in a joint venture	370	-
Proceeds from the exercise of common stock options	70	-
Purchase of treasury stock	-	(476)
Net cash used in financing activities	<u>(3,652)</u>	<u>(5,364)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,177</b>	<b>(1,457)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>1,701</b>	<b>3,158</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 4,878</b>	<b>\$ 1,701</b>