

# GENERAL BEARING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In Thousands, except for shares)

	July 1, 2006 <u>(Unaudited)</u>	December 31, 2005 <u></u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,009	\$ 9,751
Accounts receivable, net of allowance for doubtful accounts of \$618 in 2006 and \$547 in 2005	20,778	19,207
Inventories	35,119	33,927
Prepaid taxes and taxes recoverable	869	1,922
Prepaid expenses and other current assets	7,159	3,205
Advances to affiliates	52	53
Deferred tax assets	936	877
Total current assets	<u>73,922</u>	<u>68,942</u>
PROPERTY, PLANT AND EQUIPMENT	30,205	29,298
INVESTMENT IN, ADVANCES TO AND ACCOUNTS RECEIVABLE FROM JOINT VENTURES AND AFFILIATES	1,816	628
OTHER ASSETS	3,654	1,031
Total assets	<u>\$ 109,597</u>	<u>\$ 99,899</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable - banks	\$ 29,011	\$ 20,319
Accounts payable	14,472	13,936
Due to affiliates	-	8
Accrued expenses and other current liabilities	6,717	7,237
Current portion of long-term debt	2,505	2,505
Total current liabilities	<u>52,705</u>	<u>44,005</u>
LONG-TERM DEBT	5,751	7,676
DEFERRED TAXES	96	96
Total liabilities	<u>58,552</u>	<u>51,777</u>
MINORITY INTERESTS	<u>14,170</u>	<u>15,751</u>
COMMITMENTS AND CONTINGENCIES		
<b>STOCKHOLDERS' EQUITY</b>		
Common shares - par value \$.01 per share; authorized 19,000,000 shares; issued 4,174,450 and 4,174,450 shares	42	42
Paid-in capital	40,232	40,232
Accumulated other comprehensive income	427	270
Treasury stock, at cost; 321,228 and 354,728 shares	(1,037)	(1,272)
Accumulated deficit	(2,789)	(6,901)
Total stockholders' equity	<u>36,875</u>	<u>32,371</u>
Total liabilities and stockholders' equity	<u>\$ 109,597</u>	<u>\$ 99,899</u>

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

	<u>Twenty six Weeks Ended</u>		<u>Thirteen Weeks Ended</u>	
	<u>July 1, 2006</u>	<u>July 2, 2005</u>	<u>July 1, 2006</u>	<u>July 2, 2005</u>
<b>SALES</b>	\$ 57,655	\$ 55,271	\$ 29,707	\$ 28,052
COST OF SALES	<u>39,828</u>	<u>38,204</u>	<u>20,759</u>	<u>19,337</u>
GROSS PROFIT	<u>17,827</u>	<u>17,067</u>	<u>8,948</u>	<u>8,715</u>
SELLING, GENERAL AND ADMINISTRATIVE EXP.	<u>9,467</u>	<u>8,623</u>	<u>5,026</u>	<u>4,321</u>
OPERATING INCOME	<u>8,360</u>	<u>8,444</u>	<u>3,922</u>	<u>4,394</u>
OTHER EXPENSES, NET	<u>1,025</u>	<u>899</u>	<u>488</u>	<u>482</u>
INCOME BEFORE INCOME TAXES	<u>7,335</u>	<u>7,545</u>	<u>3,434</u>	<u>3,912</u>
INCOME TAXES	<u>2,061</u>	<u>2,518</u>	<u>732</u>	<u>1,196</u>
INCOME BEFORE MINORITY INTERESTS	<u>5,274</u>	<u>5,027</u>	<u>2,702</u>	<u>2,716</u>
MINORITY INTERESTS	<u>1,162</u>	<u>951</u>	<u>660</u>	<u>540</u>
<b>NET INCOME</b>	<u>\$ 4,112</u>	<u>\$ 4,076</u>	<u>\$ 2,042</u>	<u>\$ 2,176</u>
<b>Other Comprehensive Income</b>				
Foreign exchange translation	65	-	60	-
Mark to market-interest rate swap	<u>92</u>	<u>139</u>	<u>40</u>	<u>17</u>
<b>Total comprehensive income</b>	<u>\$ 4,269</u>	<u>\$ 4,215</u>	<u>\$ 2,142</u>	<u>\$ 2,193</u>
Net Income per common share				
Basic	\$ 1.07	\$ 1.07	\$ 0.53	\$ 0.57
Diluted	\$ 1.02	\$ 1.06	\$ 0.51	\$ 0.57
Weighted average number of common shares				
Basic	3,841,807	3,794,640	3,848,123	3,799,057
Diluted	4,025,190	3,840,416	4,028,081	3,844,694

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

	<u>Twenty six weeks ended</u>	
	<u>July 1, 2006</u>	<u>July 2, 2005</u>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 4,112	\$ 4,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	1,162	951
Depreciation and amortization	1,627	1,713
Deferred income taxes	(59)	-
Equity earnings in joint ventures and affiliates	(49)	(37)
Loss on sale of fixed assets	26	-
Other non cash charges and credits, net	10	-
Changes in:		
Accounts receivable	(1,571)	(3,128)
Inventories	(1,192)	(2,839)
Prepaid expenses and other assets	(5,836)	421
Advances to affiliates	(6)	(86)
Accounts payable and accrued expenses	343	1,068
Net cash provided by / (used in) operating activities	<u>(1,433)</u>	<u>2,139</u>
<b>INVESTING ACTIVITIES</b>		
Investment in affiliates	(813)	-
Dividends paid to minority interests	(589)	-
Return of capital paid to minority interests	(2,051)	-
Fixed asset purchases	(2,447)	(2,935)
Proceeds from sale of fixed assets	21	32
Net cash used in investing activities	<u>(5,879)</u>	<u>(2,903)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of capital lease	-	(34)
Increase in note payable - banks	8,103	3,176
Net proceeds from (repayment of) revolving credit facility	(1,461)	2,717
Proceeds from partner contributions in a joint venture	-	2,125
Net cash provided by financing activities	<u>6,642</u>	<u>7,984</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(670)</b>	<b>7,220</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(72)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Period</b>	<b><u>9,751</u></b>	<b><u>4,878</u></b>
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	<b><u>\$ 9,009</u></b>	<b><u>\$ 12,098</u></b>