UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K/A

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

For the Fiscal Year Ended December 31, 2004
Commission file number 1-804

SEQUA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**13-1885030**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
200 Park Avenue, New York, New York	**10166**
(Address of principal executive offices)	*(Zip Code)*

(212) 986-5500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, no par value	New York Stock Exchange
Class B Common Stock, no par value	New York Stock Exchange
$5.00 Cumulative Convertible Preferred Stock, $1.00 Par Value	New York Stock Exchange
9% Senior Notes, Due August 1, 2009	New York Stock Exchange
8 7/8% Series B Senior Notes, Due April 1, 2008	-

Securities registered pursuant to Section 12(g) of the Act:
None

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, 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]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No __

The aggregate market value of registrant's voting stock (Class A Common Stock, Class B Common Stock and $5.00 Cumulative Convertible Preferred Stock) held by nonaffiliates as of the last business day of the registrant's most recently completed second fiscal quarter was $375,278,389.

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock:

Class	Outstanding at March 1, 2005
Class A Common Stock, no par value	7,218,341
Class B Common Stock, no par value	3,321,772

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's definitive proxy statement for its annual meeting of stockholders scheduled to be held on May 5, 2005 are incorporated by reference into Part III of Form 10-K.

SEQUA CORPORATION
FORM 10-K/A
AMENDMENT No. 1
FOR THE YEAR ENDED DECEMBER 31, 2004

Sequa Corporation (Sequa) hereby amends Item 8, Financial Statements and Supplementary Data, of its Annual Report on Form 10-K for the year ended December 31, 2004 by including the separate audited financial statements of its significant equity investee as required under Rule 3-09 of Regulation S-X.

Explanatory Note

This Form 10-K/A is being filed in order to provide the audited financial statements of Sequa's 52.6%-owned component manufacturing operation, BELAC LLC (BELAC), which qualified as a significant equity investee as of and for the year ended December 31, 2003. While BELAC is not considered a significant equity investee in 2004 under Rule 3-09 (equity earnings less than 20% of Sequa's consolidated pre-tax earnings), 2004 separate financial statements are being filed for comparative purposes as required. The audited financial statements of BELAC are being filed as an amendment to Sequa's Annual Report on Form 10-K within 90 days of Sequa's fiscal year-end, as permitted by Rule 3-09 of Regulation S-X. BELAC was not consolidated with the financial statements of Sequa at December 31, 2004, as Sequa's 52.6% ownership interest does not equate to a controlling interest, primarily due to a super majority vote requirement (at least 75% approval) on certain key operational decisions. In addition, BELAC has been determined not to be a Variable Interest Entity, and therefore its financial statements are not required to be consolidated with those of Sequa under Financial Accounting Standard Board Interpretation No. 46, "*Consolidation of Variable Interest Entities*."

This Amendment No. 1 does not reflect events occurring after the filing of the original Form 10-K. Such events include, among others, the events described in the company's current reports on Form 8-K filed after the date of the original Form 10-K. This Amendment No. 1 is effective for all purposes as of the filing date of the original Form 10-K.

Item 8. SEPARATE AUDITED FINANCIAL STATEMENTS OF SIGNIFICANT EQUITY INVESTEES

BELAC LLC

FINANCIAL STATEMENTS

Contents

Years ended December 31, 2004 and 2003

Years ended December 31, 2003 and 2002

INDEPENDENT AUDITORS' REPORT

The Members
BELAC LLC

We have audited the accompanying balance sheet of BELAC LLC (hereinafter "Company") as of December 31, 2004 and the related statements of operations, members' capital and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year information has been derived from the Company's 2003 financial statements, which were audited by other auditors whose report was dated January 19, 2004, and who expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BELAC LLC as of December 31, 2004 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kerkering, Barberio & Co., P.A.

Sarasota, Florida
January 18, 2005

BELAC LLC

BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

	2004	2003
Assets		
Current Assets		
Cash and cash equivalents	$ 6,382,825	$ 7,433,582
Accounts receivable	1,272,986	1,197,359
Inventory	2,436,365	1,999,503
Prepaid expenses	34,358	18,949
Total current assets	10,126,534	10,649,393
Long-term Assets		
Property and equipment, net	4,658,654	5,351,863
Other assets	47,325	47,325
Total long-term assets	4,705,979	5,399,188
Total Assets	$ 14,832,513	$ 16,048,581
Liabilities and Members' Capital		
Current Liabilities		
Accounts payable	$ 760,430	$ 819,404
Accrued liabilities	792,495	1,332,198
Total current liabilities	1,552,925	2,151,602
Long-term Liabilities		
Accrued deferred rent	75,952	86,310
Total liabilities	1,628,877	2,237,912
Members' Capital		
Members' capital contributions	14,000,000	19,000,000
Accumulated deficit	(796,364)	(5,189,331)
Total members' capital	13,203,636	13,810,669
Total Liabilities and Members' Capital	$ 14,832,513	$ 16,048,581

The accompanying notes are an integral part of these financial statements.

BELAC LLC

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Net sales	$ 12,832,416	$ 7,278,912
Cost of goods sold	6,601,596	3,908,096
Gross profit	6,230,820	3,370,816
Operating Expenses		
Selling, general and administrative	1,371,811	1,327,397
Research and development	549,979	1,937,037
Total operating expenses	1,921,790	3,264,434
Operating Income	4,309,030	106,382
Interest and other income	83,937	7,574,599
Net Income	$ 4,392,967	$ 7,680,981

The accompanying notes are an integral part of these financial statements.

BELAC LLC

STATEMENTS OF MEMBERS' CAPITAL

YEARS ENDED DECEMBER 31, 2004 AND 2003

	Members' Capital	Accumulated Deficit	Total
Balance, December 31, 2002	$ 25,000,000	$ (12,870,312)	$ 12,129,688
Distributions	(6,000,000)		(6,000,000)
Net income		7,680,981	7,680,981
Balance, December 31, 2003	19,000,000	(5,189,331)	13,810,669
Distributions	(5,000,000)		(5,000,000)
Net income		4,392,967	4,392,967
Balance, December 31, 2004	$ 14,000,000	$ (796,364)	$ 13,203,636

The accompanying notes are an integral part of these financial statements.

BELAC LLC

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Cash Flows from Operating Activities		
Net income	$ 4,392,967	$ 7,680,981
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization expense	1,336,951	1,244,138
Deferred rent	(10,357)	(10,357)
(Increase) decrease in operating assets		
Accounts receivable	(75,627)	(602,055)
Inventory	(436,862)	(492,199)
Prepaid expenses	(15,409)	(10,927)
Increase (decrease) in operating liabilities		
Accounts payable	(58,974)	454,884
Accrued liabilities	(539,703)	608,869
Total adjustments	200,019	1,192,353
Net cash provided by operating activities	4,592,986	8,873,334
Cash Flows from Investing Activities		
Purchases of property and equipment	(643,743)	(829,530)
Maturities of investments	-	2,643,407
Net cash provided by (used in) investing activities	(643,743)	1,813,877
Cash Flows from Financing Activities		
Distributions to members	(5,000,000)	(6,000,000)
Net cash used in financing activities	(5,000,000)	(6,000,000)
Change in cash and cash equivalents	(1,050,757)	4,687,211
Cash and cash equivalents - beginning of year	7,433,582	2,746,371
Cash and cash equivalents - end of year	$ 6,382,825	$ 7,433,582

The accompanying notes are an integral part of these financial statements.

BELAC LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

Note 1 - **Summary of Significant Accounting Policies**

Organization and Nature of Operations

BELAC LLC (hereinafter "Company") was formed on July 6, 1998. The Company was formed to develop, manufacture, market, distribute and sell first and second stage blades for jet engines from its main manufacturing and operating facility located in Oldsmar, Florida. The Company's strategy is to be an alternate supplier in the airline industry for high-volume jet engine blades to compete against the companies that hold the original Type Certificate for the parts. The Company expects to distribute the majority of its products to its members and their affiliates both domestically and internationally.

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Financial Statements

The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These 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 and assumptions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with an original maturity of ninety days or less to be cash equivalents.

Inventory

Inventories consist mainly of jet engine blades and related materials and are stated at the lower of cost or market on a first in, first out basis. Inventory consists of raw materials, work-in-process and finished goods.

Note 1 - **Summary of Significant Accounting Policies (Continued)**

Property and Equipment

Property and equipment consists principally of machinery and equipment used in the manufacturing of jet engine blades, which is recorded at cost and is being depreciated using the straight-line method. A summary of estimated useful lives is as follows:

Leasehold improvements	10 years
Machinery and equipment	7 years
Furniture and fixtures	10 years
Computers and office equipment	5 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Property and equipment to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. There were no impairment losses recognized for the years ended December 31, 2004 and 2003.

Accounts Receivable and Bad Debts

The Company uses the allowance method for recognizing potential bad debts relating to accounts receivable. The Company routinely reviews all accounts receivable outstanding and assesses collectibility based on aging and payment history of each customer. All accounts receivable are considered to be collectible at December 31, 2004 and 2003.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable and accounts payable. The carrying amounts reported in the balance sheet approximate fair value because of the short-term nature of these financial instruments.

Net Sales

The Company recognizes sales at the time the blades are shipped to the customer, net of estimated sales returns.

Note 1 - **Summary of Significant Accounting Policies (continued)**

Income Taxes

The Company, with the consent of its members, has elected under the Internal Revenue Code and the laws of the State of Florida to be a limited liability company (LLC). Under LLC status, the members report their share of the Company's taxable earnings or losses in their respective federal and state income tax returns. Consequently, the accompanying financial statements of the Company do not include a provision for current or deferred income taxes.

This position is subject to federal and state taxing authority review, and potential changes could affect the members' share of the Company's taxable earnings or losses.

Economic Risk

The United States (U.S.) airline industry is experiencing a period of financial instability. To the extent that the Company manufactures and sells to the U.S. airline industry, the impact of this instability on the Company is not easily determined.

Research and Development Expense

The Company records research and development expense as incurred. Research and development expense charged to operations totaled $549,979 and $1,937,037 for the years ended December 31, 2004 and 2003, respectively.

Advertising Expense

The Company has elected to report advertising costs as incurred, rather than when the advertising first takes place. Advertising expense charged to operations totaled $7,693 and $2,113 for the years ended December 31, 2004 and 2003, respectively.

Note 2 - **Inventory**

Inventory consisted of the following at December 31:

	2004	2003
Raw materials	$ 590,727	$ 187,500
Work in process	1,717,260	840,808
Finished goods	128,378	971,195
Total inventory	$ 2,436,365	$ 1,999,503

Note 3 - **Property and Equipment**

Property and equipment consisted of the following at December 31:

	2004	2003
Leasehold improvements	$ 338,037	$ 289,876
Machinery and equipment	8,685,776	7,881,306
Furniture and fixtures	130,094	120,286
Computers and office equipment	523,628	498,702
Construction-in-process, including deposits on equipment	145,499	389,122
	9,823,034	9,179,292
Less accumulated depreciation	(5,164,380)	(3,827,429)
Property and equipment, net	$ 4,658,654	$ 5,351,863

Depreciation and amortization expense totaled $1,336,951 and $1,244,138 for the years ended December 31, 2004 and 2003, respectively.

Note 4 - **Members' Capital**

The ownership of the Company and total capital as of December 31, 2004 and 2003 are as follows:

	Approximate Ownership Percentage December 31,		Contributed Capital December 31,	
	2004	2003	2004	2003
Chromalloy Gas Turbine Corporation	52.63%	52.63%	$ 6,710,700	$ 9,342,200
Lufthansa Technik AG	21.05%	21.05%	2,684,500	3,737,000
United Airlines Ventures, Inc.	21.05%	21.05%	2,684,500	3,737,000
Alitalia Linee Aeree Italiane S.p.A.	5.27%	5.27%	670,300	933,800
Unallocated capital	-	-	1,250,000	1,250,000
Total members' capital			$ 14,000,000	$ 19,000,000

<u>Note 4</u> - <u>Members' Capital (Continued)</u>

Profit and losses of the Company are shared by the members, generally in accordance with their respective ownership percentages, unless prior disproportionate allocations have occurred. The Company's Operating Agreement specifies that if the distributions to the members are not expected to cover each member's federal and state taxes on its distributive share of the Company's taxable income for each fiscal year, then the Company shall be required to make additional distributions to the members in accordance with their membership interest to the extent the Company has sufficient net cash, as defined. In the event of liquidation of the Company, net assets are to be distributed (a) to the Company's creditors, including member creditors; and (b) then to the members in accordance with their capital account balances.

<u>Note 5</u> - <u>Tax Deferred Savings</u>

The Company offers a tax-deferred savings plan which qualifies as a voluntary contribution savings plan under Internal Revenue Code Section 401(k). Employees who are eligible may provide tax-deferred contributions to fully vested individual retirement accounts up to the Internal Revenue Code limit. The plan covers substantially all employees twenty-one (21) years of age and having three (3) months of employment. The Company provides contributions matching one hundred percent (100%) of the first six percent (6%) of the employee contribution. Amounts contributed by the Company on behalf of employees vest at a rate of twenty percent (20%) per year. For the years ended December 31, 2004 and 2003, the Company contributed $94,000 and $80,000 to the plan, respectively.

<u>Note 6</u> - <u>Operating Lease Commitments</u>

The Company has entered into a non-cancelable operating lease for its main manufacturing and headquarters facility with a term of one hundred twenty-six (126) months, expiring June 30, 2010. Base rent for the first four (4) years is fixed and will escalate starting in the fifth year based on the Consumer Price Index (CPI), capped at four percent (4%) per annum. At the end of the fifth year, the Company will have the option to purchase the leased facility based on the landlord's cost of the facility plus ten percent (10%). The first six (6) months of lease payments were abated. Lease expense is being recognized on a straight-line basis over the entire term of the lease, excluding the effects of CPI escalations.

Note 6 - Operating Lease Commitments (Continued)

Future minimum payments under this lease for the next five years and in the aggregate computed using base rent amounts, at December 31, 2004, are as follows:

2005	$ 217,500
2006	217,500
2007	217,500
2008	217,500
2009	217,500
Thereafter	108,750
Total operating lease commitment	$ 1,196,250

Rent includes the base rent, common area maintenance, association fees, management fees and sales tax at seven percent. For the years ended December 31, 2004 and 2003, lease expense amounted to $295,000 and $298,000, respectively.

Note 7 - Concentrations of Economic and Credit Risk

The Company maintains its cash and cash equivalents with a single financial institution in accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

The Company extends unsecured credit to customers as a part of normal operations.

Note 8 - Transactions with Related Parties

The Company purchases raw material and services from Chromalloy Gas Turbine Corporation (Chromalloy), United Airlines, Inc. and Lufthansa Technik AG. Purchases of raw material and related services, for the years ended December 31, 2004 and 2003, were approximately $4,114,000 and $1,502,000, respectively. The Company also purchases certain administrative services, primarily insurance coverage and employee benefits, from Chromalloy. The value of these services for the years ended December 31, 2004 and 2003, were approximately $628,000 and $420,000, respectively. As of December 31, 2004 and 2003, amounts due to Chromalloy were approximately $542,000 and $601,000, respectively, and are included in accounts payable and accrued liabilities in the accompanying balance sheets. As of December 31, 2004 and 2003, no significant amounts were owed to United Airlines, Inc. or Lufthansa Technik AG.

Note 8 - Transactions with Related Parties (Continued)

In 2002, the Company contracted with Alitalia Linee Aerre Italiane S.p.A. (Alitalia) to perform engine tests in an effort to obtain FAA approval for its blades. The amount paid to Alitalia for the engine test was approximately $202,000 and $384,000 for the years ended December 31, 2004 and 2003, respectively.

Of the total sales for the years ended December 31, 2004 and 2003, eighty-nine percent (89%) and ninety-six percent (96%) were to its members and their affiliates, respectively. One hundred percent (100%) and ninety-one percent (91%) of the total accounts receivable of $1,272,986 and $1,197,359 at December 31, 2004 and 2003 is due from members and their affiliates, respectively.

Note 9 - Separation Agreement with Member

Effective December 31, 2002 (the Effective Date), the Company's Executive Committee approved Blue Yonder VII B.V.'s (KLM) withdrawal from the Company. Pursuant to the provisions of the Amended and Restated Operating Agreement (the Operating Agreement), KLM forfeited its capital contributions on the Effective Date and was obligated to either (1) pay an amount equal to the gross profit which the Company projects it would have earned from projected purchases made by KLM during the five-year period (the Buy-out) beginning with the Effective Date of the withdrawal or (2) be obligated to the purchase commitments, as defined, through the same five-year period. In addition, KLM remained responsible for the future capital contribution requirements.

During 2003, KLM and the Company reached a settlement of $7.5 million to terminate the financial requirements under the Operating Agreement. This settlement payment is included in other income in the statement of operations.

As a result of KLM's withdrawal from the Company, a portion of KLM's ownership interest was allocated to remaining members in relation to their respective proportional ownership percentages. The remainder of KLM's capital contributions remained with the Company and was not allocated to the remaining members, as specified in the Operating Agreement. See the schedule of members' capital at Note 4.

Note 10 - Warranty Reserve

The Company manufactures and sells to the end user, first and second stage blades for jet engines that have been approved for use by the United States Federal Aviation Authority (FAA) within the last four (4) years. These blades generally provide a warranty for full replacement of the defective blade for a predetermined number of hours of operation. Based on the historical performance and limited number of blades in use, the Company considers the warranty exposure to be immaterial at December 31, 2004 and 2003.

<u>Note 11</u> - <u>Commitments and Contingencies</u>

As part of the Operating Agreement, each of the members commits that it and its affiliates will purchase from the Company the blades, which the Company manufactures and sells for use in jet engines, subject to certain pricing maximums as specified in the Operating Agreement. During the years ended December 31, 2004 and 2003, the majority of the Company's sales were to its members and their affiliates.

Report of Independent Certified Public Accountant

Members
BELAC LLC

We have audited the accompanying balance sheets of BELAC LLC as of December 31, 2003 and 2002, and the related statements of operations, members' capital and cash flows for each of the two years in the period ending December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, financial statements referred to above present fairly, in all material respects, the financial position of BELAC LLC at December 31, 2003 and 2002, and the results of its operations and its cash flows for the two years in the period ending December 31, 2003, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Tampa, Florida
January 19, 2004

BELAC LLC

Balance Sheets

	December 31, 2003	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 7,433,582	$ 2,746,371
Investments	-	2,643,407
Accounts receivable	1,197,359	595,304
Inventories	1,999,503	1,507,304
Other current assets	18,949	8,022
Total current assets	10,649,393	7,500,408
Property and equipment, net	5,351,863	5,766,471
Other assets	47,325	47,325
Total assets	$ 16,048,581	$ 13,314,204
Liabilities and members' capital		
Current liabilities		
Accounts payable	$ 819,404	$ 364,520
Accrued liabilities	1,332,198	723,329
Total current liabilities	2,151,602	1,087,849
Deferred rent	86,310	96,667
Members' capital:		
Members' capital contributions	19,000,000	25,000,000
Accumulated deficit	(5,189,331)	(12,870,312)
Total members' capital	13,810,669	12,129,688
Total liabilities and members' capital	$ 16,048,581	$ 13,314,204

See accompanying notes.

BELAC LLC

Statements of Operations

	Year ended December 31,	
	2003	**2002**
Net sales	$ 7,278,912	$ 2,064,211
Cost of sales and unfavorable variances	3,908,096	2,325,834
Gross margin	3,370,816	(261,623)
Operating expenses:		
Selling, general and administrative	1,327,397	1,161,509
Research and development	1,937,037	2,027,570
Total operating expenses	3,264,434	3,189,079
Operating income (loss)	106,382	(3,450,702)
Interest and other income	7,574,599	79,606
Net income (loss)	$ 7,680,981	$ (3,371,096)

See accompanying notes.

BELAC LLC

Statements of Members' Capital

	Members' Capital	Accumulated Deficit	Total Members' Capital
Balance, January 1, 2002	$ 22,000,000	$ (9,499,216)	$ 12,500,784
Capital contributions	3,000,000	-	3,000,000
Net loss	-	(3,371,096)	(3,371,096)
Balance, December 31, 2002	25,000,000	(12,870,312)	12,129,688
Distribution	(6,000,000)	-	(6,000,000)
Net income	-	7,680,981	7,680,981
Balance, December 31, 2003	$ 19,000,000	$ (5,189,331)	$ 13,810,669

See accompanying notes.

BELAC LLC

Statements of Cash Flows

	Year ended December 31, 2003	2002
Cash flows from operating activities		
Net income (loss)	$ 7,680,981	$ (3,371,096)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,244,138	1,192,562
Deferred rent	(10,357)	(10,357)
Change in operating assets and liabilities:		
Accounts receivable	(602,055)	(595,304)
Inventories	(492,199)	(621,471)
Other current assets	(10,927)	(7,822)
Accounts payable	454,884	(62,279)
Accrued liabilities	608,869	291,650
Net cash provided by (used in) operating activities	8,873,334	(3,184,117)
Cash flows from investing activities		
Purchases of property and equipment	(829,530)	(664,165)
Purchases of investments	-	(3,679,236)
Maturities of investments	2,643,407	984,461
Net cash provided by (used in) investing activities	1,813,877	(3,358,940)
Cash flows from financing activities		
Contributed capital	-	3,000,000
Capital distributions	(6,000,000)	-
Net cash (used in) provided by financing activities	(6,000,000)	3,000,000
Net change in cash and cash equivalents	4,687,211	(3,543,057)
Cash and cash equivalents, beginning of year	2,746,371	6,289,428
Cash and cash equivalents, end of year	$ 7,433,582	$ 2,746,371

See accompanying notes.

BELAC LLC

Notes to Financial Statements

December 31, 2003

1. Organization and Nature of Business

BELAC LLC (the Company), a Delaware limited liability company, was formed on July 6, 1998. The Company was formed to develop, manufacture, market, distribute and sell first and second stage blades for jet engines from its main manufacturing and operating facility located in Florida. The Company's strategy is to be an alternate supplier in the airline industry for high-volume jet engine blades to compete against the companies that hold the original Type Certificate for the parts. The Company expects to distribute the majority of its products to its members (see Note 4) and their affiliates both domestically and internationally.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

For all periods presented, the Company made no payments for interest or income taxes.

Accounts Receivable

Accounts receivable in the accompanying balance sheets are reported net of any necessary allowance. As of December 31, 2003 and 2002, there were no accounts for which an allowance was deemed necessary. These receivables potentially subject the Company to concentrations of credit risk, as the Company currently contracts with a few customers.

Investments

As of December 31, 2002, all investments consist of government securities and are classified as held-to-maturity with maturities of less than a year. Accordingly, the Company's investments are stated at amortized cost, adjusted for amortization of premiums. As of December 31, 2003, there are no investments.

2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost, based on the first-in, first-out basis, or market. Inventories consist of the following at December 31, 2003 and 2002:

Inventory Type	2003	2002
Raw materials	$ 187,500	$ 18,585
Work in process	840,808	448,961
Finished goods	971,195	1,039,758
Total	$ 1,999,503	$ 1,507,304

As of December 31, 2003, approximately $289,000 of inventory relates to a jet engine blade that has not been approved by the Federal Aviation Administration (FAA). Management believes they will obtain FAA approval during 2004.

Property and Equipment

Property and equipment consists principally of machinery and equipment used in the manufacturing process of jet engine blades and is recorded at cost. Depreciation is recognized over the estimated economic lives of the assets using the straight-line method. Repair and maintenance costs are expensed as incurred. The estimated useful lives and cost basis of property and equipment at December 31, 2003 and 2002 are as follows:

Asset Description	2003	2002	Estimated Useful Life
Leasehold improvements	$ 289,876	$ 287,516	10 years
Machinery and equipment	7,881,306	7,418,854	7 years
Furniture and fixtures	120,286	117,824	10 years
Computers and office equipment	498,702	479,026	5 years
Construction-in-process, including deposits on equipment	389,122	46,542	
	9,179,292	8,349,762	
Less accumulated depreciation	(3,827,429)	(2,583,291)	
Property and equipment, net	$ 5,351,863	$ 5,766,471	

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. There were no impairment losses recognized during the years ended December 31, 2003 and 2002.

Net Sales

The Company recognizes sales at the time the blades are shipped to the customer, net of estimated sales returns.

Income Taxes

The Company is a limited liability company (LLC) under state law. It has elected to be treated as a Partnership for federal income tax purposes. As such, the members report their share of the Company's taxable earnings or losses in their respective federal and state income tax returns. Consequently, the accompanying financial statements of the Company do not include a provision for current or deferred income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable and accounts payable. The carrying amounts reported in the balance sheets approximate fair value because of the short-term nature of these financial instruments.

2. Summary of Significant Accounting Policies (continued)

Impact of Recently Issued Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* (SFAS No. 145). The Company adopted SFAS No. 145 on December 31, 2002. SFAS No. 145 requires the Company to include gains and losses on extinguishment of debt as income or loss from continuing operations rather than as extraordinary items as previously required under SFAS No. 4, *Reporting Gains and Losses from Extinguishment of Debt.* The Company is also required to reclassify any gain or loss on extinguishment of debt previously classified as an extraordinary item in prior periods presented. SFAS No. 145 also provides accounting standards for certain lease modifications that have economic effects similar to sale-leaseback transactions and various other technical corrections. It is not anticipated that the provisions of SFAS No. 145 will have an impact on the Company's financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (SFAS No. 149). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 is generally effective for derivative instruments embedded in certain contracts, entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. It is not anticipated that the provisions of SFAS No. 149 will have an impact on the Company's financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (SFAS No. 150). The statement modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in a company's statement of financial position. This statement is effective for the year-end period beginning after December 31, 2003. It is not anticipated that the provisions of SFAS No. 150 will have an impact on the Company's financial position, results of operations or cash flows.

2. Summary of Significant Accounting Policies (continued)

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 supersedes Interpretation No. 34, *Disclosure of Indirect Guarantees of Indebtedness of Others*, and provides guidance on the recognition and disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees. The initial recognition and measurement provisions of FIN 45 are effective for guarantees issued or modified after December 31, 2002 and are to be applied prospectively. The disclosure requirements are effective for financial statements for interim or annual periods ending after December 15, 2002. It is not anticipated that the provisions of FIN 45 will have an impact on the Company's financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). FIN 46 requires a company to consolidate a variable interest entity (VIE), as defined, when the company will absorb a majority of the VIE's expected losses, receives a majority of the VIE's expected residual returns or both. FIN 46 also requires consolidation of existing, non-controlled affiliates if the VIE is unable to finance its operations without investor support, or where the other investors do not have exposure to the significant risks and rewards of ownership. FIN 46 applies immediately to a VIE created or acquired after January 31, 2003. For a VIE created before February 1, 2003, FIN 46 applies in the first fiscal year or interim period beginning after March 15, 2004. Application of FIN 46 is also required in financial statements that have interests in structures that are commonly referred to as special-purpose entities for periods ending after December 15, 2003. It is not anticipated that the provisions of FIN 46 will have an impact on the Company's financial position, results of operations or cash flows.

3. Benefit Plan

In 1999, the Company began providing a 401(k) savings plan for its employees. Employees who are 21 years of age with 90 continuous days of employment are eligible to participate, with the Company making matching contributions on a dollar-for-dollar basis up to a maximum of 6% of the employee contribution. Amounts contributed by the Company vest at the rate of 20% per year. During 2003 and 2002, the Company recorded approximately $80,000 and $71,000, respectively, in matching 401(k) contributions.

4. Members' Capital

The ownership of the Company and total capital as of December 31, 2003 and 2002 are as follows:

	Approximate Ownership Percentage December 31,		Capital Contributions December 31,	
	2003	2002	2003	2002
Chromalloy Gas Turbine Corporation (Chromalloy)	52.63%	52.63%	$ 9,342,200	$ 12,500,000
Lufthansa Technik AG (Lufthansa)	21.05%	21.05%	3,737,000	5,000,000
United Airlines, Inc. (United)	21.05%	21.05%	3,737,000	5,000,000
Alitalia Linee Aeree Italiane S.p.A. (Alitalia)	5.27%	5.27%	933,800	1,250,000
Travel Industry Systems B.V. (KLM)	-	-	-	-
Unallocated capital	-	-	1,250,000	1,250,000
Total			$ 19,000,000	$ 25,000,000

Effective December 31, 2002 (the Effective Date), the Company's Executive Committee approved KLM's withdrawal from the Company. Pursuant to the provisions of the Amended and Restated Operating Agreement (the Operating Agreement), KLM forfeited its capital contributions on the Effective Date and was obligated to either (1) pay an amount equal to the gross profit which the Company projects it would have earned from projected purchases made by KLM during the five-year period (the Buy-out) beginning with the Effective Date of the withdrawal or (2) be obligated to the purchase commitments, as defined, through the same five-year period (see Note 5). In addition, KLM remained responsible for future capital contribution requirements.

During 2003, KLM and the Company reached a settlement of $7.5 million to terminate the financial requirements under the Operating Agreement. This settlement payment is included in other income in the statement of operations.

As a result of KLM's withdrawal from the Company, a portion of KLM's ownership interest was allocated to the remaining members in relation to their respective proportional ownership percentages. The remainder of KLM's capital contributions remained with the Company and were not allocated to the remaining members, as specified in the Operating Agreement.

4. Members' Capital (continued)

Profits and losses of the Company are shared by the members, generally in accordance with their respective ownership percentages, unless prior disproportionate allocations have occurred. The Company's Operating Agreement specifies that if the distributions to the members are not expected to cover each member's federal and state taxes on its distributive share of the Company's taxable income for each fiscal year, then the Company shall be required to make additional distributions to the members in accordance with their membership interests to the extent the Company has sufficient net cash, as defined. In the event of liquidation of the Company, net assets are to be distributed (a) to the Company's creditors, including member creditors, and (b) then to the members in accordance with their capital account balances.

5. Major Customers and Risk Concentration

As part of the Operating Agreement, each of the members commits that it and its affiliates will purchase from the Company the blades, which the Company manufactures and sells for use in jet engines, subject to certain pricing maximums as specified in the Operating Agreement. During the years ended December 31, 2003 and 2002, the majority of the Company's sales were to its members and their affiliates.

6. Transactions with Related Parties

The Company purchases raw materials and services from Chromalloy, United and Lufthansa. Purchases of raw materials and related services, during the years ended December 31, 2003 and 2002, were approximately $1,502,000 and $1,271,000, respectively. The Company also purchases certain administrative services, primarily insurance coverage and employee services, from Chromalloy. Payments for these services during the years ended December 31, 2003 and 2002 were approximately $420,000 and $273,000, respectively. As of December 31, 2003 and 2002, amounts due to Chromalloy were approximately $601,000 and $421,000, respectively, and are included in accounts payable and accrued liabilities in the accompanying balance sheets. As of December 31, 2003 and 2002, no amounts were owed to United or Lufthansa.

In 2002, the Company contracted with Alitalia to perform engine tests in an effort to obtain FAA approval for its blades. The amount paid to Alitalia for the engine test was approximately $384,000 as of December 31, 2003.

7. Leases

The Company has entered into a noncancelable operating lease for its main manufacturing and headquarters facility with a term of 126 months, expiring June 30, 2010. Base rent for the first four years is fixed and will escalate starting in the fifth year based on the Consumer Price Index (CPI), capped at 4% per annum. At the end of the fifth year, the Company will have the option to purchase the leased facility based on the landlord's cost of the facility plus 10%. The first six months of lease payments were abated. Lease expense is being recognized on a straight-line basis over the entire term of the lease, excluding the effects of CPI escalations.

Future minimum payments computed using base rent amounts, under this lease at December 31, 2003 are as follows:

Year ending December 31:	**Amount**
2004	$ 217,500
2005	217,500
2006	217,500
2007	217,500
2008	217,500
Thereafter	326,250
	$ 1,413,750

Total rent expense under the operating lease for the years ended December 31, 2003 and 2002 was approximately $298,000 and $284,000, respectively.

8. Supplemental Financial Information

Accrued expenses consisted of the following at December 31, 2003 and 2002:

	2003	**2002**
Accrued test costs	$ 923,057	$ 381,120
Accrued salaries and benefits	300,495	295,232
Other	108,646	46,977
	$ 1,332,198	$ 723,329

ITEM 15. EXHIBITS

23.2 - Consent of Independent Auditors (filed herewith).

23.3 - Consent of Independent Certified Public Accountant (filed herewith)

31.1 - Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

31.2 - Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.1 - Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.2 - Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEQUA CORPORATION

BY /s/ HOWARD M. LEITNER
Howard M. Leitner
Senior Vice President, Finance
(Chief Financial Officer)

March 29, 2005