



"At the Heart of What Drives Your World"

# NEWS RELEASE

FOR RELEASE ON OR AFTER: April 30, 2007

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

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## **REGAL BELOIT REPORTS 11% EARNINGS PER SHARE INCREASE ON STRENGTH OF INDUSTRIAL MARKETS**

April 30, 2007 (Beloit, WI): Regal Beloit Corporation (NYSE:RBC) today reported financial results for the first quarter ended March 31, 2007. Strong performances by our industrial businesses offset a weak residential HVAC market. The residential HVAC market experienced record year-over-year decline driven by the weak housing market and a comparison to a strong 2006 industry performance which was the result of the 13 SEER legislation that went into effect in January of 2006. The Company's initiatives continued to gain traction and had a significant impact on the Company's performance. New products and acquisition growth fueled sales growth, while Lean Six Sigma helped support operating margins.

Net sales increased 5.1% to \$418.6 million from \$398.3 million in the first quarter of 2006. In the Electrical segment, sales increased 6.2% as industrial motor and generator sales increases of 20% and 24% respectively, offset a 14% decline in residential HVAC revenues. Motors sales growth was also aided by \$17.9 million of sales attributed to the Sinya motor business acquired in the second quarter of 2006. Sales in the Mechanical segment were down 2.1% from the prior year period; however, the sale of substantially all of the assets of the Company's cutting tools business in May 2006 reduced segment sales by approximately \$4.7 million for the quarter.

The gross profit margin for the first quarter of 2007 was 23.2% as compared to the 23.4% reported for the first quarter of 2006. The reduction was a result of continued increases in material costs and lower liquidations in our HVAC business. Material cost increases were partially offset by higher selling prices and productivity improvements. Income from operations was \$47.3 million or 11.3% of sales, an 8.5% increase over the \$43.6 million or 11.0% of sales reported for the first quarter of 2006. Net income in the first quarter of 2007 was \$26.8 million, a 12.7% increase from \$23.8 million reported in the first quarter of 2006. Diluted earnings per share increased 11.1% to \$.80 as compared to \$.72 for the first quarter of 2006.

*"We are pleased with our results for the first quarter, especially considering the most challenging residential HVAC market in decades and the continued material cost pressures," commented Henry W. Knueppel, Chairman and CEO, "The two-thirds of our business that is commercial and industrial performed well during the quarter. While we are not expecting the HVAC market to strengthen significantly in the second quarter, we remain confident in our future as evidenced by the recent 7.1% increase in our quarterly dividend. We expect the EPS for the second quarter to be in the range of \$.99 to \$1.06."*

**Regal Beloit will be holding a conference call to discuss first quarter financial results at 1:30 PM CDT (2:30 PM EDT) today. Interested parties should call 800-288-8960, access code 871624. A replay of the call will be available through May 14, 2007 at 800-475-6701, access code 871624.**

Regal Beloit Corporation is a leading manufacturer of mechanical and electrical motion control and power generation products serving markets throughout the world. Regal Beloit is headquartered in Beloit, Wisconsin, and has manufacturing, sales, and service facilities throughout the United States, Canada, Mexico, Europe and Asia.

#### **CAUTIONARY STATEMENT**

**This news release contains “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995.** Forward-looking statements represent our management's judgment regarding future events. In many cases, you can identify forward-looking statements by terminology such as “may,” “will,” “plan,” “expect,” “anticipate,” “estimate,” “believe,” or “continue” or the negative of these terms or other similar words. Actual results and events could differ materially and adversely from those contained in the forward-looking statements due to a number of factors, including:

- economic changes in global markets where we do business, such as currency exchange rates, inflation rates, interest rates, recession, foreign government policies and other external factors that we cannot control;
- unanticipated fluctuations in commodity prices and raw material costs;
- cyclical downturns affecting the global market for capital goods;
- unexpected issues and costs arising from the integration of acquired companies and businesses;
- marketplace acceptance of new and existing products including the loss of, or a decline in business from, any significant customers;
- the impact of capital market transactions that we may effect;
- the availability and effectiveness of our information technology systems;
- unanticipated costs associated with litigation matters;
- actions taken by our competitors;
- difficulties in staffing and managing foreign operations;
- other risks and uncertainties including but not limited to those described in Item 1A-Risk Factors of the Company's Annual Report on Form 10-K filed on February 28, 2007 and from time to time in our reports filed with U.S. Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. The forward-looking statements included in this news release are made only as of their respective dates, and we undertake no obligation to update these statements to reflect subsequent events or circumstances. See also Item 1A - Risk Factors in the Company's Annual Report on Form 10-K filed on February 28, 2007.

## STATEMENTS OF INCOME

In Thousands of Dollars

	(Unaudited)	
	Three Months Ended	
	March 31, 2007	April 1, 2006
Net Sales .....	\$ 418,646	\$ 398,326
Cost of Sales .....	321,419	305,046
Gross Profit .....	97,227	93,280
Operating Expenses .....	49,896	49,662
Income From Operations .....	47,331	43,618
Interest Expense .....	5,066	4,795
Interest Income .....	89	120
Income Before Taxes & Minority Interest .....	42,354	38,943
Provision For Income Taxes .....	14,690	14,342
Income Before Minority Interest .....	27,664	24,601
Minority Interest in Income, Net of Tax .....	851	813
Net Income .....	\$ <u>26,813</u>	\$ <u>23,788</u>
Per Share of Common Stock:		
Earnings Per Share .....	\$ <u>.87</u>	\$ <u>.77</u>
Earnings Per Share – Assuming Dilution .....	\$ <u>.80</u>	\$ <u>.72</u>
Cash Dividends Declared .....	\$ <u>.14</u>	\$ <u>.13</u>
Average Number of Shares Outstanding .....	<u>30,814,312</u>	<u>30,700,533</u>
Average Number of Shares - Assuming Dilution .....	<u>33,547,519</u>	<u>32,957,209</u>

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## CONDENSED BALANCE SHEETS

In Thousands of Dollars

### ASSETS

	(Unaudited) March 31, 2007	(Audited) December 30, 2006
Current Assets:		
Cash and Cash Equivalents .....	\$ 43,086	\$ 36,520
Receivables and Other Current Assets .....	299,511	257,510
Inventories .....	269,488	275,138
Total Current Assets .....	612,085	569,168
Net Property, Plant and Equipment .....	273,024	268,880
Goodwill .....	546,187	546,152
Other Noncurrent Assets .....	50,910	53,359
Total Assets .....	\$ 1,482,206	\$ 1,437,559
Liabilities and Shareholders' Investment		
Accounts Payable .....	\$ 120,377	\$ 108,050
Commercial Paper Borrowings .....	49,125	49,000
Other Current Liabilities .....	108,735	101,871
Long-Term Debt .....	323,542	323,946
Other Noncurrent Liabilities .....	105,597	104,717
Shareholders' Investment .....	774,830	749,975
Total Liabilities and Shareholders' Investment .....	\$ 1,482,206	\$ 1,437,559

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## SEGMENT INFORMATION

In Thousands of Dollars

	(Unaudited)			
	Mechanical Segment		Electrical Segment	
	Three Months Ended		Three Months Ended	
	March 31, 2007	April 1, 2006	March 31, 2007	April 1, 2006
Net Sales .....	\$ 51,846	\$ 52,961	\$366,800	\$345,365
Income from Operations ..	\$ 6,326	\$ 3,707	\$ 41,005	\$ 39,911

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands of Dollars

	(Unaudited) Three Months Ended	
	March 31, 2007	April 1, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 26,813	\$ 23,788
Adjustments to reconcile net income to net cash provided by operating activities; net of effect of acquisitions		
Depreciation and amortization	9,883	8,115
Minority interest	851	813
Excess tax benefit from stock-based compensation	(3,310 )	(450 )
Loss (gain) on sale of assets	8	(8 )
Stock-based compensation expense	865	867
Change in assets and liabilities, net	(24,703 )	(35,377 )
Net cash provided by used in operating activities	10,407	(2,252 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property, plant and equipment	(12,163 )	(7,257 )
Purchases of short-term investments	-	(4,225 )
Business acquisitions, net of cash acquired	(565 )	(565 )
Sale of property, plant and equipment	-	5,207
Net cash (used) in investing activities	(12,728 )	(6,840 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term borrowing	9,200	-
Payments of long-term debt	(225 )	(197 )
Net (repayments) borrowings under revolving credit facility	(200 )	3,500
Proceeds from commercial paper borrowings, net	125	5,000
Dividends paid to shareholders	(4,345 )	(3,985 )
Proceeds from the exercise of stock options	747	1,363
Excess tax benefits from stock-based compensation	3,310	450
Net cash provided by financing activities	8,612	6,131
<b>EFFECT OF EXCHANGE RATE ON CASH</b>	275	(66 )
Net increase (decrease) in cash and cash equivalents	6,566	(3,027 )
Cash and cash equivalents at beginning of period	36,520	32,747
Cash and cash equivalents at end of period	\$ 43,086	\$ 29,720