



NEWS RELEASE

Regal Beloit Corporation Announces Third Quarter 2013 Financial Results

10/28/2013

- Results In Line with Guidance
- Strong Free Cash Flow*

BELOIT, Wis., Oct. 28, 2013 /PRNewswire/ -- Regal Beloit Corporation (NYSE: RBC) today reported financial results for the third quarter 2013. Net sales for the third quarter 2013 were \$768.2 million compared to \$779.5 million for the third quarter 2012. Net income for the third quarter 2013 was \$52.6 million compared to \$54.3 million for the third quarter 2012. Diluted earnings per share for the third quarter 2013 were \$1.16, reflecting the higher share count, compared to \$1.29 for the third quarter of 2012.

"Our operating results for the third quarter were in line with our expectations and, including the added benefit from a lower than expected tax provision, we achieved the high end of our guidance for the quarter," said Regal Chairman and CEO Mark Gliebe. "Sales in our North American commercial and industrial motor business were down slightly, offset by stronger sales in our power generation businesses. We experienced a sales decline in our North American residential HVAC business, however, revenues in non-HVAC residential, Unico and China were all up year over year."

ADJUSTED DILUTED EARNINGS PER SHARE*

	Three Months Ended		Nine Months Ended	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
GAAP Diluted Earnings Per Share	\$ 1.16	\$ 1.29	\$ 3.38	\$ 3.94
Restructuring Costs	0.02	0.08	0.05	0.09

Gain on Disposal of Real Estate	—	—	—	(0.02)
Purchase Accounting Costs	—	—	—	0.01
Tax Benefit Recorded Attributable to Prior Year	—	(0.05)	(0.04)	(0.05)
Adjusted Diluted Earnings Per Share	<u>\$ 1.18</u>	<u>\$ 1.32</u>	<u>\$ 3.39</u>	<u>\$ 3.97</u>

*This earnings release includes non-GAAP financial measures. Schedules that reconcile these non-GAAP financial measures to the most comparable GAAP figures are included with this earnings release.

NET SALES

(Dollars in Millions)

	Three Months Ended			Nine Months Ended		
	Sep 28, 2013	Sep 29, 2012	% Change	Sep 28, 2013	Sep 29, 2012	% Change
Net Sales	\$ 768.2	\$ 779.5	(1.4)%	\$ 2,368.4	\$ 2,451.3	(3.4)%
Net Sales by Segment:						
Electrical segment	707.5	708.3	(0.1)%	2,171.8	2,223.3	(2.3)%
Mechanical segment	60.7	71.2	(14.7)%	196.6	228.0	(13.8)%

Electrical segment net sales in the third quarter 2013 included \$5.6 million from businesses acquired within the last year. North American residential HVAC net sales decreased 3.6% for the third quarter 2013 compared to the third quarter of 2012. North American commercial and industrial motor net sales decreased 2.5%, of which 1.6% was related to the expiration of our supply agreement with the purchaser of our divested pool and spa business.

Mechanical segment net sales in North America decreased 11.4% for the third quarter 2013, primarily due to weaker demand from oil and gas customers.

Third quarter 2013 net sales to regions outside the United States increased 2.7% compared to third quarter 2012 and represented 33.2% of total net sales. Foreign currency exchange rates negatively impacted total net sales by 1.1% and international sales by 3.4% for the third quarter 2013 compared to the third quarter 2012.

In the third quarter 2013, sales of high efficiency products represented 21.5% of net sales.

GROSS PROFIT

(Dollars in Millions)

	Three Months Ended	Nine Months Ended
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	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
Gross Profit	\$ 196.5	\$ 192.6	\$ 605.2	\$ 610.3
As a percentage of net sales	25.6%	24.7%	25.6%	24.9%
Gross Profit				
Electrical segment	\$ 180.1	\$ 173.2	\$ 552.9	\$ 549.3
As a percentage of net sales	25.5%	24.5%	25.5%	24.7%
Mechanical segment	\$ 16.4	\$ 19.4	\$ 52.3	\$ 61.0
As a percentage of net sales	27.0%	27.2%	26.6%	26.8%

Electrical segment gross profit for the third quarter 2013 included \$1.2 million of restructuring expenses, as well as a LIFO benefit of \$0.9 million resulting from lower commodity costs. Third quarter 2012 Electrical segment gross profit included \$2.8 million of restructuring expense and \$2.4 million of LIFO expense.

OPERATING EXPENSES

(Dollars in Millions)

	Three Months Ended		Nine Months Ended	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
Operating Expenses	\$ 117.7	\$ 109.3	\$ 369.4	\$ 344.6
As a percentage of net sales	15.3%	14.0%	15.6%	14.1%
Operating Expenses by Segment				
Electrical segment	\$ 109.0	\$ 99.9	\$ 341.8	\$ 315.2
As a percentage of net sales	15.4%	14.1%	15.7%	14.2%
Mechanical segment	\$ 8.7	\$ 9.4	\$ 27.6	\$ 29.4
As a percentage of net sales	14.3%	13.2%	14.0%	12.9%

For the third quarter 2013, no restructuring costs were incurred in operating expenses. Electrical segment operating expenses for the third quarter 2012 included \$2.4 million of restructuring charges.

INCOME FROM OPERATIONS

(Dollars in Millions)

	Three Months Ended		Nine Months Ended	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
Income from Operations	\$ 78.8	\$ 83.3	\$ 235.8	\$ 265.7
As a percentage of net sales	10.3%	10.7%	10.0%	10.8%
Income from Operations by Segment				
Electrical segment	\$ 71.1	\$ 73.2	\$ 211.1	\$ 234.1
As a percentage of net sales	10.0%	10.3%	9.7%	10.5%
Mechanical segment	\$ 7.7	\$ 10.1	\$ 24.7	\$ 31.6
As a percentage of net sales	12.7%	14.2%	12.6%	13.9%

The effective tax rate for the third quarter 2013 was 21.6% compared to 24.5% for the third quarter 2012. The change in the third quarter effective rate was primarily driven by the favorable adjustments related to the finalization of the 2012 U.S. Federal income tax return and the global distribution of earnings compared to the third quarter 2012.

For the third quarter 2013, net cash provided by operating activities was \$81.2 million. For the third quarter 2013, free cash flow* represented 122.8% of net income.

"Our fourth quarter guidance includes our typical seasonality in residential HVAC, strong growth in our power generation businesses and modest growth in China. In our North American commercial and industrial motors business we expect performance similar to what we experienced in the third quarter," continued Mark Gliebe. "In the fourth quarter, we expect diluted earnings per share to be \$0.77 to \$0.85 which benefits from an expected income tax rate of approximately 18%. Adding back \$0.05 of restructuring charges, adjusted diluted earnings per share is expected to be \$0.82 to \$0.90."

Regal management will hold a conference call to discuss the earnings release at 9:00 AM CDT (10:00 AM EDT) on Tuesday, October 29, 2013. Individuals who would like to participate by phone should dial 888-317-6003 and enter 9199842# when prompted. International callers should dial 412-317-6061 and enter 9199842# when prompted. To view the presentation during the call, please follow this link to Regal's Investors page:

<http://investors.regalbeloit.com/phoenix.zhtml?c=116222&p=irol-presentations>.

To listen to the live audio and view the presentation via the internet, please go to:

<http://www.videonewswire.com/event.asp?id=96311>.

A telephone replay of the call will be available through January 29, 2014, at 877-344-7529, conference ID

10034719. International callers should call 412-317-0088 using the same conference ID. A webcast replay will be available until January 29, 2014, and can be accessed at <http://investors.regalbeloit.com/phoenix.zhtml?c=116222&p=irol-calendarPast> or at <http://www.videonewswire.com/event.asp?id=96311>.

Regal Beloit Corporation is a leading manufacturer of electric motors, mechanical and electrical motion controls 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. Regal Beloit's common stock is a component of the S&P Mid Cap 400 Index and the Russell 2000 Index.

CAUTIONARY STATEMENT

The following is a cautionary statement made under the Private Securities Litigation Reform Act of 1995: With the exception of historical facts, the statements contained in this press release may be forward looking statements. 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: uncertainties regarding our ability to execute our restructuring plans within expected costs and timing; actions taken by our competitors and our ability to effectively compete in the increasingly competitive global electric motor, power generation and mechanical motion control industries; our ability to develop new products based on technological innovation and the marketplace acceptance of new and existing products; fluctuations in commodity prices and raw material costs; our dependence on significant customers; issues and costs arising from the integration of acquired companies and businesses, including the timing and impact of purchase accounting adjustments; unanticipated costs or expenses we may incur related to product warranty issues; our dependence on key suppliers and the potential effects of supply disruptions; infringement of our intellectual property by third parties, challenges to our intellectual property, and claims of infringement by us of third party technologies; increases in our overall debt levels as a result of acquisitions or otherwise and our ability to repay principal and interest on our outstanding debt; product liability and other litigation, or the failure of our products to perform as anticipated, particularly in high volume applications; economic changes in global markets where we do business, such as reduced demand for the products we sell, currency exchange rates, inflation rates, interest rates, recession, foreign government policies and other external factors that we cannot control; unanticipated liabilities of acquired businesses; cyclical downturns affecting the global market for capital goods; difficulties associated with managing foreign operations; and 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(A) filed on March 26, 2013 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 presentation are made only as of their respective dates, and we undertake no obligation to update these statements to reflect subsequent events or circumstances.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(Dollars in Millions, Except per Share Data)

	Three Months Ended		Nine Months Ended	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
Net Sales	\$ 768.2	\$ 779.5	\$ 2,368.4	\$ 2,451.3
Cost of Sales	571.7	586.9	1,763.2	1,841.0
Gross Profit	196.5	192.6	605.2	610.3
Operating Expenses	117.7	109.3	369.4	344.6
Income From Operations	78.8	83.3	235.8	265.7
Interest Expense	10.6	10.6	31.9	33.6
Interest Income	1.3	0.4	3.1	1.2
Income Before Taxes	69.5	73.1	207.0	233.3
Provision For Income Taxes	15.0	17.9	48.2	63.9
Net Income	54.5	55.2	158.8	169.4
Less: Net Income Attributable to Noncontrolling Interests	1.9	0.9	5.6	3.7
Net Income Attributable to Regal Beloit Corporation	\$ 52.6	\$ 54.3	\$ 153.2	\$ 165.7
Earnings Per Share Attributable to Regal Beloit Corporation:				
Basic	\$ 1.17	\$ 1.30	\$ 3.40	\$ 3.98
Assuming Dilution	\$ 1.16	\$ 1.29	\$ 3.38	\$ 3.94
Cash Dividends Declared	\$ 0.20	\$ 0.19	\$ 0.59	\$ 0.56
Weighted Average Number of Shares Outstanding:				
Basic	45.1	41.7	45.0	41.7
Assuming Dilution	45.4	42.0	45.3	42.0

SEGMENT INFORMATION

Unaudited

(Dollars In Millions)

	Three Months Ended			
	Electrical Segment		Mechanical Segment	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
Net Sales	\$ 707.5	\$ 708.3	\$ 60.7	\$ 71.2
Income from Operations	71.1	73.2	7.7	10.1

	Nine Months Ended			
	Electrical Segment		Mechanical Segment	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
Net Sales	\$ 2,171.8	\$ 2,223.3	\$ 196.6	\$ 228.0
Income from Operations	211.1	234.1	24.7	31.6

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in Millions)

	Sep 28, 2013	Dec 29, 2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 462.7	\$ 375.3
Trade Receivables, less Allowances of \$11.9 million in 2013 and \$10.2 million in 2012	481.9	446.0
Inventories	606.1	557.0
Prepaid Expenses and Other Current Assets	118.5	112.9
Deferred Income Tax Benefits	48.3	48.7
Total Current Assets	1,717.5	1,539.9
Net Property, Plant, Equipment and Noncurrent Assets	1,991.8	2,029.2
Total Assets	\$ 3,709.3	\$ 3,569.1

LIABILITIES AND EQUITY

Current Liabilities:

Accounts Payable	\$ 319.3	\$ 251.8
Other Accrued Expenses	241.2	218.3
Current Maturities of Debt	159.6	63.8
Total Current Liabilities	<u>720.1</u>	<u>533.9</u>
Long-Term Debt	609.1	754.7
Other Noncurrent Liabilities	263.9	284.0
Equity:		
Total Regal Beloit Corporation Shareholders' Equity	2,070.4	1,953.4
Noncontrolling Interests	45.8	43.1
Total Equity	<u>2,116.2</u>	<u>1,996.5</u>
Total Liabilities and Equity	<u>\$ 3,709.3</u>	<u>\$ 3,569.1</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

Unaudited

(Dollars in Millions)

	Three Months Ended		Nine Months Ended	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 54.5	\$ 55.2	\$ 158.8	\$ 169.4
Adjustments to reconcile net income and changes in assets and liabilities (net of acquisitions) to net cash provided by operating activities:				
Depreciation and amortization	31.7	31.9	95.1	95.0
Excess tax benefits from share-based compensation	—	(0.8)	(0.7)	(1.7)
Loss (gain) on disposition of property, net	(0.2)	(0.3)	0.1	(1.7)
Share-based compensation expense	2.9	2.2	8.3	6.7
Change in operating assets and liabilities	(7.7)	(16.4)	(23.1)	8.5
Net cash provided by operating activities	<u>81.2</u>	<u>71.8</u>	<u>238.5</u>	<u>276.2</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions to property, plant, and equipment	(18.2)	(21.3)	(65.4)	(66.1)
Purchases of investment securities	(8.6)	(4.7)	(24.6)	(4.7)
Sales of investment securities	8.5	1.5	24.3	1.5
Business acquisitions, net of cash acquired	(0.4)	(7.7)	(6.4)	(103.0)
Additions of equipment on operating leases	(3.6)	—	(3.6)	—
Grants received for capital expenditures	1.6	4.7	1.6	7.1
Proceeds from sale of assets	1.7	—	1.7	2.7
Net cash used in investing activities	<u>(19.0)</u>	<u>(27.5)</u>	<u>(72.4)</u>	<u>(162.5)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				

Borrowings under revolving credit facility	—	50.0	20.0	281.0
Repayments under revolving credit facility	(3.0)	(23.0)	(20.0)	(263.0)
Net proceeds (repayments) of short-term borrowings	(1.3)	2.7	1.0	3.5
Repayments of long-term debt	(0.6)	(75.1)	(55.8)	(75.2)
Dividends paid to shareholders	(9.1)	(7.9)	(26.1)	(22.9)
Proceeds from the exercise of stock options	0.1	1.4	2.3	3.5
Excess tax benefits from share-based compensation	—	0.8	0.7	1.7
Purchase of subsidiary shares from noncontrolling interest	(1.7)	—	(1.7)	—
Net cash used in financing activities	(15.6)	(51.1)	(79.6)	(71.4)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	1.7	1.7	0.9	0.9
Net increase decrease) in cash and cash equivalents	48.3	(5.1)	87.4	43.2
Cash and cash equivalents at beginning of period	414.4	190.9	375.3	142.6
Cash and cash equivalents at end of period	<u>\$ 462.7</u>	<u>\$ 185.8</u>	<u>\$ 462.7</u>	<u>\$ 185.8</u>

NON-GAAP MEASURES

Unaudited

(Dollars in Millions)

We prepare financial statements in accordance with accounting principles generally accepted in the United States (GAAP). We also disclose adjusted diluted earnings per share (EPS), adjusted gross profit, adjusted gross profit as a percentage of net sales, adjusted income from operations, free cash flow and free cash flow as a percentage of net income attributable to Regal Beloit Corporation (collectively, "non-GAAP financial measures"). We use these measures in our internal performance reporting and for reports to the Board of Directors. We also periodically disclose certain of these measures in our quarterly earnings releases, on investor conference calls, and in investor presentations and similar events. We believe that these non-GAAP financial measures are useful measures for providing investors with additional insight into our operating performance. This additional information is not meant to be considered in isolation or as a substitute for our results of operations prepared and presented in accordance with GAAP. Free cash flow is defined as net cash provided by operating activities less additions to property, plant and equipment adjusted for grants received for capital expenditures.

Three Months Ended		Nine Months Ended	
Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012

GAAP Gross Profit	\$ 196.5	\$ 192.6	\$ 605.2	\$ 610.3
Purchase Accounting Costs	—	—	—	0.7
Restructuring Costs	1.2	2.8	2.7	3.3
Adjusted Gross Profit	<u>\$ 197.7</u>	<u>\$ 195.4</u>	<u>\$ 607.9</u>	<u>\$ 614.3</u>

Adjusted Gross Profit as a Percentage of Net Sales	25.7%	25.1%	25.7% %	25.1%
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	Three Months Ended		Nine Months Ended	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
GAAP Income from Operations	\$ 78.8	\$ 83.3	\$ 235.8	\$ 265.7
Purchase Accounting Costs	—	—	—	0.7
Restructuring Costs	1.2	5.2	3.5	5.7
Gain on Disposal of Real Estate	—	—	—	(1.3)
Adjusted Income from Operations	<u>\$ 80.0</u>	<u>\$ 88.5</u>	<u>\$ 239.3</u>	<u>\$ 270.8</u>

	Three Months Ended		Nine Months Ended	
	Sep 28, 2013	Sep 29, 2012	Sep 28, 2013	Sep 29, 2012
GAAP Net Cash Provided by Operating Activities	\$ 81.2	\$ 71.8	\$ 238.5	\$ 276.2
Additions to Property Plant and Equipment	(18.2)	(21.3)	(65.4)	(66.1)
Grants Received for Capital Expenditures	1.6	4.7	1.6	7.1
Free Cash Flow	<u>\$ 64.6</u>	<u>\$ 55.2</u>	<u>\$ 174.7</u>	<u>\$ 217.2</u>
Free Cash Flow as a Percentage of Net Income Attributable to Regal Beloit	122.8%	101.7%	114.0%	131.1%

SOURCE Regal Beloit Corporation

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