



"At the Heart of What Drives Your World"

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# NEWS RELEASE

FOR RELEASE ON OR AFTER: February 10, 2005

FOR ADDITIONAL INFORMATION CONTACT:

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## **REGAL-BELOIT REPORTS 22% INCREASE IN FULL YEAR 2004 EARNINGS PER SHARE**

February 10, 2005 (Beloit, WI): James L. Packard, Chairman and Chief Executive Officer of REGAL-BELOIT CORPORATION (NYSE:RBC), today announced fourth quarter and full year 2004 financial results.

Net income in the fourth quarter of 2004 was \$7.0 million, a 14.2% increase from \$6.1 million reported in the fourth quarter of 2003. For the full year, net income rose 20.7% to \$30.4 million as compared to the \$25.2 million reported for the full year of 2003. Diluted earnings per share were \$.28 and \$1.22 for the fourth quarter and full year, respectively, increases of 16.7% and 22.0% from \$.24 and \$1.00 per share in the comparable periods of 2003. The fourth quarter results also included the impact of the favorable resolution of certain tax matters which offset, on an after tax basis, the non-cash adjustment of certain pension plans. The pension plan adjustment reduced income from operations by \$2.1 million, or \$1.3 million after-tax. The resolution of the tax matters resulted in a favorable income tax adjustment of \$1.4 million.

Fourth quarter net sales of the Company increased 45.9% to \$221.9 million from \$152.1 million in the fourth quarter of 2003, establishing another quarterly sales record for the Company. Excluding the impact of the Commercial AC motor acquisition in August 2004, sales were \$181.9 million, an increase of 19.6%. The record sales performance was driven by strong demand throughout the Company's various markets. Sales for the quarter were strong in both operating segments with Mechanical Group sales increasing 15.0% and Electrical Group sales increasing 21.5% excluding the impact of the acquisition. For the full year, sales increased 22.2% to \$756.6 million as compared to \$619.1 million in 2003. Excluding the impact of the acquisition of the Commercial AC motor business, sales increased 13.5%.

Income from operations increased 13.8% to \$13.0 million from \$11.4 million reported for the fourth quarter of 2003. The gross profit for the quarter was 20.3% of sales as compared to 24.1% in the same period last year. Material inflation continued to reduce the margin performance of the Company as previous price increases by the Company did not offset the added levels of inflation that occurred in the quarter. Additionally, the Company experienced a significant increase in health benefit costs during the quarter. For the full year, income from operations increased 16.8% to \$55.2 million from \$47.2 million. Gross margins finished the year at 22.1% versus the 23.7% reported in 2003.

The Company's debt increased to \$547.6 million at the end of the year from \$275.3 million at the end of the third quarter. The increase was primarily due to the purchase of General Electric's HVAC motor business which was completed on December 31, 2004 at a price of approximately \$400 million, of which \$270 million was paid in cash and the balance in common stock of the Company. A balance sheet will not be published until a valuation for the recent acquisition is complete.



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"While 2004 certainly presented challenges related to raw material costs, we are extremely pleased with our overall results and are excited about the future for REGAL-BELOIT," said Packard, Chairman and CEO. "We have continued to execute our strategy and are continuing to see the benefits. The recent acquisitions, including the acquisition of CMT announced this week, have doubled the size of our Company on an annualized basis and firmly positioned REGAL-BELOIT as a market leader in both the electric motor and the mechanical power transmission businesses."

"Earnings for the first quarter are projected to be in a range of \$.37 - \$.41 per share," Packard added. "This guidance is inclusive of the guidance previously provided for the businesses acquired from GE and reflects the seasonality of the HVAC business."

**REGAL-BELOIT will be holding a telephone conference call pertaining to this news release at 10:00 AM CST (11:00 AM EST) on Thursday, February 10, 2005. Interested parties should call 866-297-6315, referencing the REGAL-BELOIT conference call. A replay of the call will be available through February 18, 2005 at 877-213-9653, access code 10870377.**

REGAL-BELOIT CORPORATION is a leading manufacturer of electrical and mechanical 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 United States, and in Canada, Mexico, Europe and Asia.

## 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 new release may be forward looking statements. Actual results may differ from those contemplated. Forward looking statements involve risks and uncertainties, including but not limited to, the following risks: 1) cyclical downturns affecting the markets for capital goods, 2) substantial increases in interest rates that impact the cost of the Company's outstanding debt, 3) our success in increasing sales and maintaining or improving the operating margins of our businesses, 4) the availability of or material increases in the costs of select raw materials or parts, 5) actions taken by our competitors, and 6) our ability to satisfy various covenant requirements under our credit facility. Investors are directed to the Company's documents, such as our Annual Report on Form 10-K and Form 10-Q's filed with the Securities and Exchange Commission.



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## STATEMENT OF INCOME

In Thousands of Dollars

	(Unaudited)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2004	2003	2004	2003
Net Sales .....	\$ 221,933	\$ 152,098	\$ 756,557	\$ 619,098
Cost of Sales .....	176,845	115,392	589,497	472,343
Gross Profit .....	45,088	36,706	167,060	146,755
Operating Expenses .....	32,135	25,324	111,898	99,529
Income From Operations.....	12,953	11,382	55,162	47,226
Interest Expense.....	2,229	1,555	6,787	6,462
Interest Income .....	95	29	182	79
Income Before Income Taxes and Minority Interest .....	10,819	9,856	48,557	40,843
Provision For Income Taxes .....	2,732	3,401	15,728	14,791
Income Before Minority Interest .....	8,087	6,455	32,829	26,052
Minority Interest in Income, Net of Tax .....	1,069	310	2,395	846
Net Income .....	<u>\$ 7,018</u>	<u>\$ 6,145</u>	<u>\$ 30,434</u>	<u>\$ 25,206</u>
Per Share of Common Stock:				
Earnings Per Share .....	<u>\$ .29</u>	<u>\$ .25</u>	<u>\$ 1.24</u>	<u>\$ 1.01</u>
Earnings Per Share-Assuming Dilution.....	<u>\$ .28</u>	<u>\$ .24</u>	<u>\$ 1.22</u>	<u>\$ 1.00</u>
Cash Dividends Declared .....	<u>\$ .12</u>	<u>\$ .12</u>	<u>\$ .48</u>	<u>\$ .48</u>
Average Number of Shares Outstanding .....	<u>24,463,251</u>	<u>25,031,656</u>	<u>24,602,868</u>	<u>25,029,942</u>
Average Number of Shares-Assuming Dilution.....	<u>24,936,956</u>	<u>25,268,363</u>	<u>24,904,287</u>	<u>25,246,088</u>

## SEGMENT INFORMATION

In Thousands of Dollars

	(Unaudited)							
	Mechanical Group				Electrical Group			
	Three Months Ended December 31,		Twelve Months Ended December 31,		Three Months Ended December 31,		Twelve Months Ended December 31,	
	2004	2003	2004	2003	2004	2003	2004	2003
Net Sales .....	\$ 51,431	\$ 44,744	\$ 199,590	\$ 180,741	\$ 170,502	\$ 107,354	\$ 556,967	\$ 438,357
Income From Operations .....	\$ 4,065	\$ 3,158	\$ 15,720	\$ 13,349	\$ 8,888	\$ 8,224	\$ 39,442	\$ 33,877

## NOTES TO FINANCIAL STATEMENTS

1. Certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted from these statements, and therefore these statements should be read in conjunction with the Company's 2003 Annual Report and Securities and Exchange Commission filings.

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