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Regal Beloit's Acquisition of AO Smith's Electrical Products Company (EPC)

- Transaction Rationale
- Transaction Overview
- Integration Update
- Combination Of RBC And EPC
- New Product Review
- Financial Expectations

Fundamental Reasons to Acquire EPC

Offers New Technology and Products

- Combined Energy Efficient Technology Provides Ability To Deliver Additional Value To Customers
- Complementary Product Offerings
- Commercial And Residential Hermetic

Offers Stronger Global Footprint

- Strengthens Presence In High Growth Regions
- Augments Low Cost Manufacturing Locations
- Talented Global Management

Delivers Synergistic Value

- \$35 Million Annual Synergies Building Over Four Years
- Synergies From Facility Rationalization & Material Consolidation
- Excellent Cultural Fit

EPC Acquisition Consistent With Regal Beloit's Strategic Objectives



Transaction Overview

Consideration

- \$700 Million Of Cash
- 2,834,026 Shares Of RBC Stock

Required Divestitures

- Divested RBC's U.S. Pool And Spa Business With Revenues of \$23 Million For a Purchase Price of \$15 Million
- Certain EPC Draft Inducer Designs Not Yet In Production

Financial Impact

- Accretive In The First Full Year Following The Acquisition¹
- Tax Benefits Expected To Be Approximately \$46 Million
- Generates Significant Free Cash Flow

¹Excluding one-time transaction-related expenses and purchase accounting adjustments

Integration Update

- Organization
 - ✓ EPC Management Team Will Have Key Roles
 - ✓ Combining Organization Structures
- Branding
 - ✓ Consolidating Brands Within Residential HVAC
 - ✓ Maintaining EPC Century Brand in Distribution
- Transitions and Synergies
 - ✓ Finance, IT and Human Resources Ahead of Schedule
 - ✓ Marketing, Sales, Manufacturing and Engineering Ready to Talk
 - ✓ Synergies Expectations in Sight

Organization

Business Leaders



Dan Drexler
VP Hermetic
Motors



Mike Metzler
HVAC
Business Leader



Jim Mosman
Distribution
Business Leader



Erik Nordquist
Pump
Business Leader



Steve O'Brien
VP Pump &
General Industries

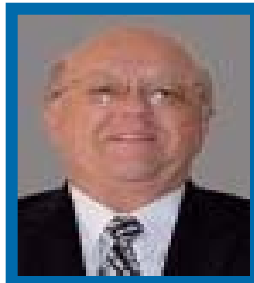


Randy Oyster
Hermetic
Business Leader

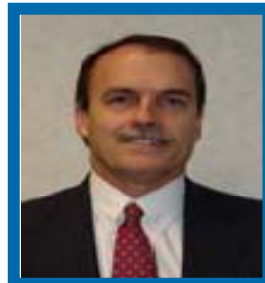
Functional Leaders



David Deakin
VP Business
Systems



Steve Donithan
VP/GM China
Operations



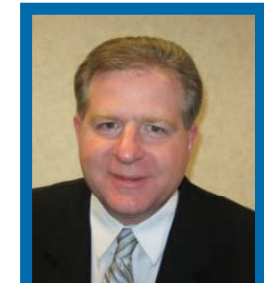
Steve Robbins
VP Global
Engineering
Services



Curt Selby
VP International
Human Resources



Sarah Sutton
VP Financial
Planning &
Analysis



Rick Zajchowski
VP Global Supply
Chain



EPC Adds Management Depth

Branding

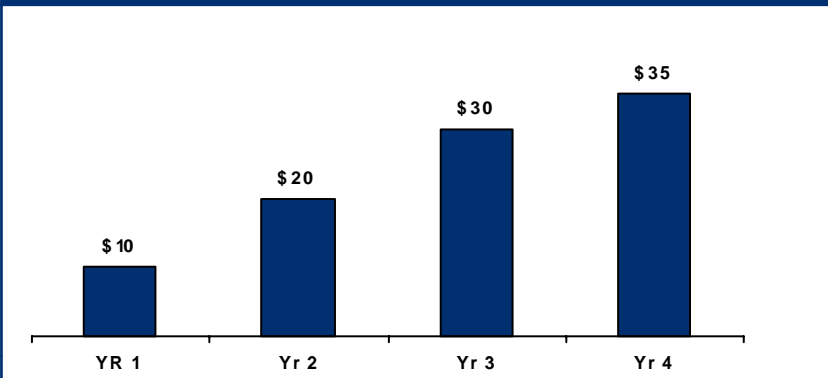


Optimizing Brand Strategy



Synergy Capture

Anticipated Gross Synergies



Anticipated Integration Capital and Expense



Explanation of Synergies

■ Procurement Synergies

- Select Favorable Materials Pricing
- Materials Specification Consolidation

■ Logistics Synergies

- Truck Route Consolidation
- Load Consolidations

■ Manufacturing Synergies

- Facility Rationalization
- Design Platform Consolidation

■ Revenue Synergies

- New Energy Saving Products
- Existing Products Through New Channels

Synergies Add to Strategic Rational For EPC



Integration Summary

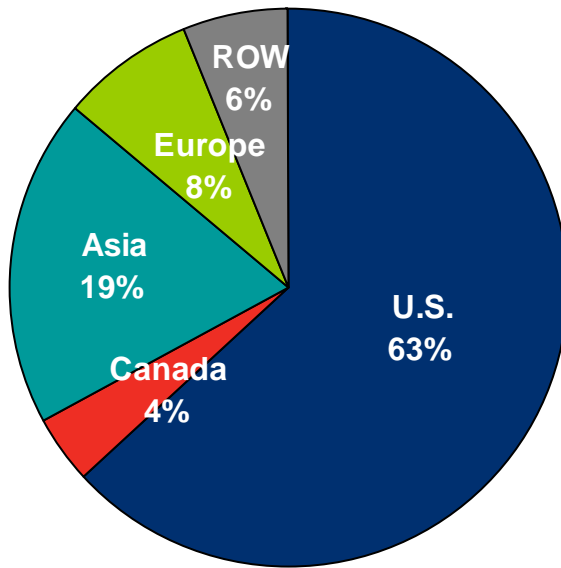
- Formed Teams Back in February 2011 to Plan for the Integration and Synergy Capture
- Excellent Team Work With Significant Detail
- Ready to Go on IT, Finance and Human Resource Integration
- Ready For First Meetings on Customers, Products, Markets
- Based on Initial Findings, We Are Increasingly Confident That We Can Deliver the Expected Benefits
- But...There is Still Much Work To Do and the Added Work From the Divestiture

Ready For Integration



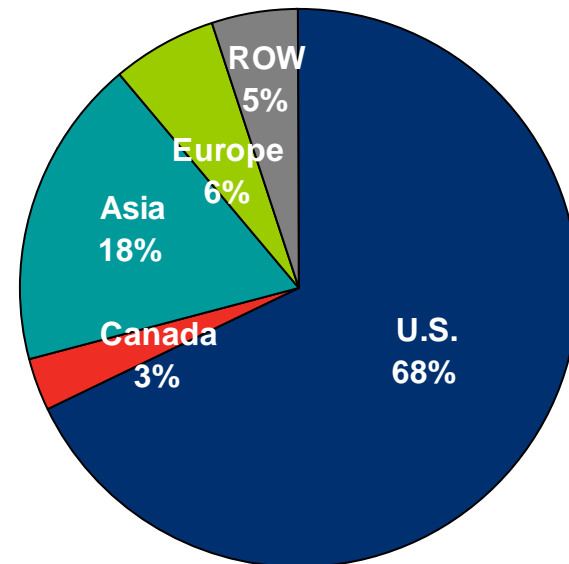
Pro Forma Combination – Sales by Geography

RBC Sales by Geography



\$2.3B

RBC + EPC Sales by Geography



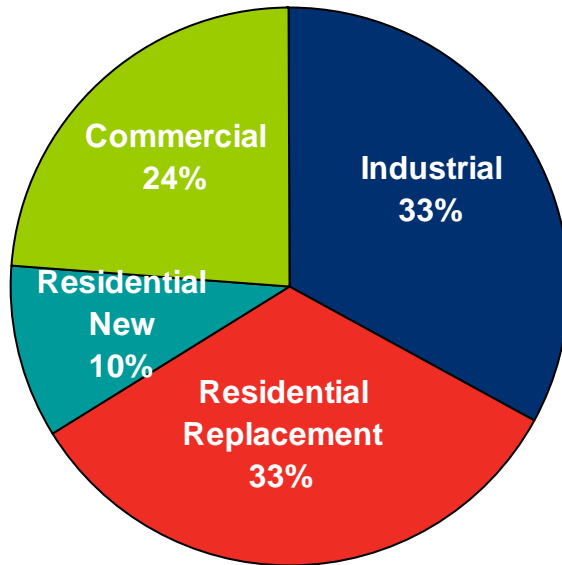
+\$3.0B

Combination Creates Larger Enterprise With a Growing Global Reach



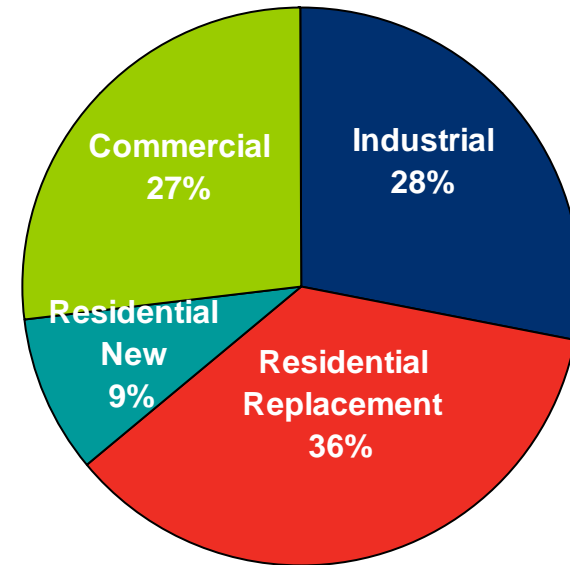
Pro Forma Combination – Sales by End Market

RBC Sales by End Market



\$2.3B

RBC + EPC Sales by End Market



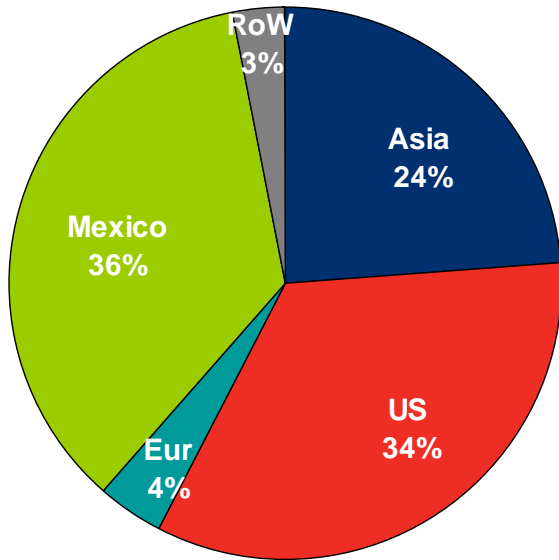
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Combination Maintains Diversity in End Markets

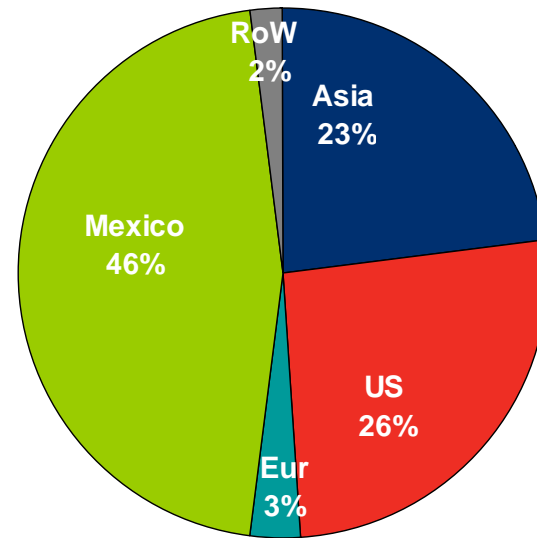


Pro Forma Combination – Production by Region

RBC Production by Region



RBC + EPC Production by Region



Manufacturing and Engineering Footprint Expanding in Higher Growth, Lower Cost Regions



Source: Management estimates based on 2010 individual business segment sales.

New Products

- EPC Motor + UNICO Drive
- Screw Compressor Motor And Control For High Efficiency Commercial Chiller Systems
- Combination Offers:
 - ✓ Best Efficiency Over A Speed Range
 - ✓ One Source Of Motor And Control For a Single Point of Contact



EPC



New Products

- V-green® Variable Speed ECM Pool Motor
- Targeting Both OEM And Replacement Segments
- Features:
 - ✓ ~20% More Efficient Than a Standard Motor
 - ✓ State-of-the Art User Interface
 - ✓ Optional Off-board Mounting
 - ✓ Preset Programs For Out-of-the-box Operation



New Products

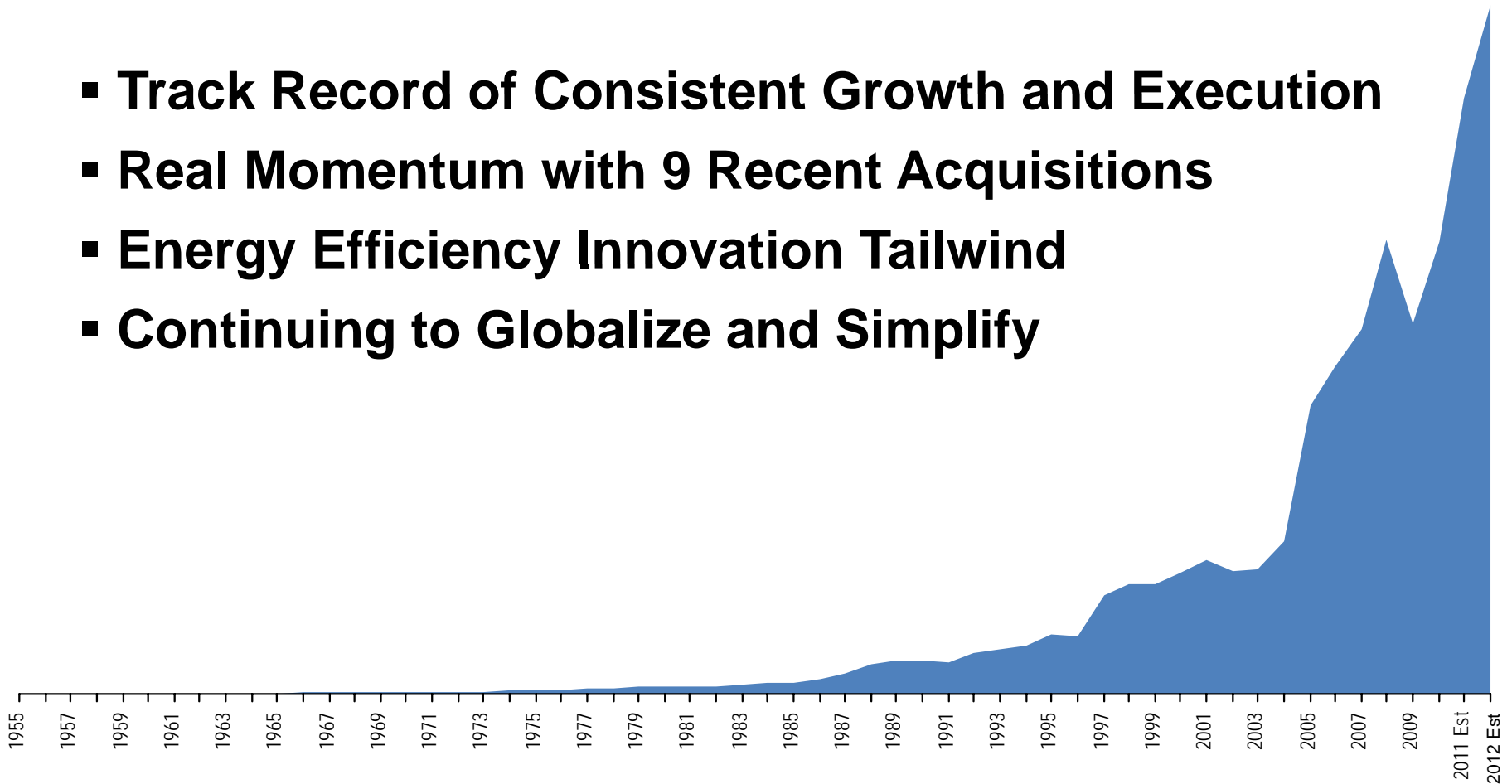
- Smaller ECM-Type Energy Efficient Motors For Lower End Applications
 - ✓ Variable Or Fixed Speed Capabilities
 - ✓ Efficiency Gain/Savings Of Up To 30%
 - ✓ Launch – Q1 2012

Small ECM Type Motors



Record of Strong, Continuous Growth

- Track Record of Consistent Growth and Execution
- Real Momentum with 9 Recent Acquisitions
- Energy Efficiency Innovation Tailwind
- Continuing to Globalize and Simplify



Acquisition Funding

Dollars in Millions except EPS

| | <u>4Q2011</u> | <u>EPS</u> |
|--|----------------------|---------------|
| | <u>Interest Exp.</u> | |
| \$ 150 Cash | | |
| \$ 500 Long Term Debt @ 4.74% | \$ 6.0 | \$ (0.10) |
| <u>\$ 100 Revolving Credit Debt @ 2.0%</u> | <u>\$ 0.5</u> | <u>(0.01)</u> |
| \$ 750 Total | \$ 6.5 | \$ (0.11) |

+
Equity →

2,834,026 Shares of RBC Stock

Increase in Fully Diluted Shares

| | |
|---------|--------------|
| 2Q 2011 | 39.2 million |
| 3Q 2011 | 40.5 million |
| 4Q 2011 | 42.0 million |

Combination of Debt, Cash and RBC Stock Provides
Balanced Funding for EPC Acquisition



Closing and Purchase Accounting Adjustments and Tax Benefits

Dollars in Millions

| | <u>Amount</u> | <u>Timing</u> |
|--|---------------|---------------|
| Inventory Fair Market Value Step Up | \$ 22.1 | 3Q11-4Q11 |
| Transaction Costs | <u>\$ 7.5</u> | 3Q11 |
| Total One-Time Costs in 2011 | \$ 29.6 | |
| Higher Depreciation and Amortization | \$ 1.5 | 3Q11 |
| | \$ 3.5 | 4Q11 |
| | \$ 13.6 | 2012 |
| NPV of Tax Benefits of Goodwill Amortization | \$ 46.3 | 15 years |



EPC 2011 Guidance

3Q 2011 EPS \$ (0.25) to \$ (0.30)

Includes PAA and Transaction Costs of \$ (0.25)

- 3Q 2011 is a Stub Period from 8/22/11

4Q 2011 EPS \$ (0.25) to \$ (0.30)

Includes PAA of \$ (0.25)

- 4Q is seasonally the weakest quarter

EPC 2012 Guidance

2012 EPS

\$ 0.35 to \$ 0.45

- Includes Impact of Divested Business
- Excludes Commodity and Currency Hedge Gains
- Synergies on a Run Rate Basis
- Includes \$13.6 million of Incremental Depreciation and Amortization
- Includes Interest Expense of \$26 million
- EPS Calculated using 42.0 million Shares in 2012

Summary

- Great Acquisition With a Complementary Fit
- Consistent With Our Strategic Objectives
- Excellent Team of Talented People
- Ready to Go on Integration but a lot of Work Ahead of Us
- Confident That We Can Deliver the Expected Benefits
- Creates a Larger, More Diversified and Well Positioned Business
- Profit Contributor. Especially 2012 & Beyond. Expected to add \$0.35 to \$0.45 EPS in 2012.



Q & A

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