REGAL BELOIT CORP
Form 10-K
February 28, 2007

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

FORM 10-K

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

For the fiscal year ended December 30, 2006
Commission file number 1-7283

Regal Beloit Corporation
(Exact Name of Registrant as Specified in Its Charter)

Wisconsin	**39-0875718**
(State of Incorporation)	(IRS Employer Identification No.)

200 State Street, Beloit, Wisconsin 53511
(Address of principal executive offices)

(608) 364-8800
(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
Common Stock ($.01 Par Value)	**New York Stock Exchange**
Rights to Purchase Common Stock	**New York Stock Exchange**

Securities registered pursuant to Section 12 (g) of the Act	**None** (Title of Class)

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes T No £

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No T

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes T 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. T

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer T Accelerated filer £ Non-accelerated filer £

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes £ No T

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 1, 2006 was approximately $1.3 billion.

On February 26, 2007, the registrant had outstanding 31,164,732 shares of common stock, $.01 par value, which is registrant’s only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the Annual Meeting of Shareholders to be held on April 20, 2007 is incorporated by reference into Part III, hereof.

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REGAL BELOIT CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR YEAR ENDED DECEMBER 30, 2006

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CAUTIONARY STATEMENT

This Annual Report 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," "anticipat "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;

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- other risks and uncertainties including but not limited to those described in **Item 1A-Risk Factors** of this Form 10-K 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 Form 10-K 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**.

PART I

Unless the context requires otherwise, references in this Annual Report to "we," "us," "our" or the "Company" refe collectively to Regal Beloit Corporation and its subsidiaries.

References in an Item of this Annual Report on Form 10-K to information contained in our Proxy Statement for the Annual Meeting of Shareholders of the Company to be held on April 20, 2007 (the "2007 Proxy Statement") or to information contained in specific sections of the Proxy Statement, incorporate the information into that Item by reference.

ITEM 1 - BUSINESS

OUR COMPANY

We are one of the largest global manufacturers of commercial, industrial, and HVAC electric motors, electric generators and controls, and mechanical motion control products. Many of our products hold leading market positions in a variety of essential commercial, industrial and residential applications, and we believe we have one of the most comprehensive product lines in the markets we serve. We sell our products to a diverse global customer base using more than 20 recognized brand names through a multi-channel distribution model to leading original equipment manufacturers ("OEMs"), distributors and end users across many markets. We believe this strategy, coupled with a high level of customer service, provides us with a competitive selling advantage and allows us to more fully penetrate our target markets.

We manufacture and market electrical and mechanical products. Our electrical products include HVAC motors, a full line of AC and DC commercial and industrial electric motors, electric generators and controls, capacitors and electrical connecting devices. Our mechanical products include gears and gearboxes, marine transmissions, high-performance automotive transmissions and ring and pinions and manual valve actuators. OEMs and end users in a variety of motion control and other industrial applications increasingly combine the types of electrical and mechanical products we offer. We seek to take advantage of this trend and to enhance our market penetration by leveraging cross-marketing and product line combination opportunities between our electrical and mechanical products.

We market our products through multiple business units, with each typically having its own branded product offering and sales organization. These sales organizations consist of varying combinations of our own internal direct sales people as well as exclusive and non-exclusive manufacturers' representative organizations. We manufacture the vast majority of the products that we sell, and we have manufacturing, sales, engineering and distribution facilities throughout the United States and Canada as well as in Mexico, India, China and Europe.

We believe our competitive strengths include:

- management experience and depth;

- strategic product offering;
- leading market positions;
- multi-channel/multi-brand distribution;
- broad and diverse customer base;
- differentiated and innovative technology, and
- strategic global and rapid response operations.

Our business strategy includes:

- capitalizing on new product opportunities;
- capitalizing on our Asian manufacturing and commercial base;
- leveraging our global manufacturing and sourcing structures to achieve operating margin improvements;
- leveraging Lean Six Sigma;
- innovating new products;
- people and process excellence, and
- industry consolidation through acquisitions.

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OPERATING SEGMENTS

We have two operating segments: Electrical and Mechanical. Financial information on our operating segments for the three years ending December 30, 2006 is contained in Footnote 12 of the Financial Statements.

ELECTRICAL SEGMENT

Our Electrical segment includes a full line of AC and DC commercial and industrial electric motors, HVAC motors, electric generators and controls, capacitors and electrical connecting devices. Our Electrical segment developed in the mid 1990's with a new strategic focus to establish our Company as a significant manufacturer of industrial electric motors, complementing our mechanical products businesses which serve similar markets and whose products were often used in combination with a motor. Beginning with our acquisitions of Marathon Electric Manufacturing Corporation in 1997, the Lincoln Motors business of Lincoln Electric Holdings, Inc. in 1999 and LEESON Electric Corporation in 2000, we believe we became one of the largest producers of industrial electric motors serving the North American market. In 2004, we separately acquired two electric motor businesses from General Electric Company ("GE") which were natural extensions to our core electric motor lines. We acquired GE's commercial AC motors business, which manufactures a full line of alternating current motors for pump, compressor and commercial heating, ventilating and air conditioning ("HVAC") applications, as well as GE's HVAC motors and capacitors businesses, which produce a full line of electric motors for use principally in residential HVAC systems, as well as capacitors for HVAC systems, high intensity lighting and other applications. The acquisitions of these GE businesses complemented our existing electrical products businesses, providing us with:

- a leading market position and brand name in the HVAC motor market;
- diversification of our served markets and a broad base of leading HVAC customers;
- patented electronically commutated motor (ECM) technology;
- a strong management team and infrastructure in place to support growth; and
- significant scale and low cost manufacturing capabilities in Mexico and India.

We manufacture and market AC and DC commercial, industrial and HVAC electric motors ranging in size from sub-fractional to small integral horsepowers to larger commercial and industrial motors from 50 through 800 horsepower. We offer thousands of stock models of electric motors in addition to the motors we produce to specific customer specifications. We also produce and market precision servo motors, electric generators ranging in size from five kilowatts through four megawatts, automatic transfer switches and paralleling switchgear to interconnect and control electric power generation equipment and electrical connecting devices such as terminal blocks, fuse holders and power blocks. Additionally, our Electrical segment markets a line of AC and DC adjustable speed drives. We manufacture capacitors for use in HVAC systems, high intensity lighting and other applications. We sell our Electrical segment's products to distributors, original equipment manufacturers and end users across many markets.

Our power generation business, which includes electric generators and power generation components and controls, represents a growing portion of our Electrical segment's net sales. The market for electric power generation components and controls has grown in recent years as a result of a desire on the part of end users to reduce losses due to power disturbances. Our generators are used in industrial, agricultural, marine, military, transportation and other applications.

We leverage efficiencies across our motor operations. We centralize the manufacturing, purchasing, engineering, accounting, information technology and quality control activities of our Electrical segment. Furthermore, we specifically foster the sharing of best practices across each of the Electrical segment and create focused centers of excellence in each of our manufacturing functions. The following is a description of our major Electrical product businesses and the primary products that they manufacture and market:

GE Commercial Motors by REGAL BELOIT. Manufactures a full line of motors for pump, compressor, commercial and residential HVAC applications. Manufactures capacitors for use in HVAC systems, high intensity lighting and other applications.

LEESON Electric. Manufactures AC motors up to 800 horsepower and DC motors up to five horsepower, gear reducers, gearmotors and drives primarily for the power transmission, pump, food processing, fitness equipment and industrial machinery markets.

Lincoln Motors. Manufactures AC motors from 1/4 horsepower to 800 horsepower primarily for industrial and commercial pumps, compressors, elevators, machine tools, and specialty products.

Marathon Electric. Manufactures AC motors up to 800 horsepower primarily for HVAC, pumps, power transmissions, fans and blowers, compressors, agriculture products, processing and industrial manufacturing equipment.

Marathon Generators. Manufactures AC generators from five kilowatts to four megawatts that primarily serve the standby power, prime power, refrigeration, industrial and irrigation markets.

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Marathon Special Products. Manufactures fuse holders, terminal blocks, and power blocks primarily for the HVAC, telecommunications, electric control panel, utilities and transportation markets.

Thomson Technology. Manufactures automatic transfer switches, paralleling switchgear and controls, and systems controls primarily for the electric power generation market.

MECHANICAL SEGMENT

Our Mechanical segment includes a broad array of mechanical motion control products including: standard and custom worm gear, bevel gear, helical gear and concentric shaft gearboxes; marine transmissions; high-performance after-market automotive transmissions and ring and pinions; custom gearing; gearmotors; and manual valve actuators. Our gear and transmission related products primarily control motion by transmitting power from a source, such as a motor or engine, to an end use, such as a conveyor belt, usually reducing speed and increasing torque in the process. Our valve actuators are used primarily in oil and gas, water distribution and treatment and chemical processing applications. Mechanical products are sold to original equipment manufacturers, distributors and end users across many industry segments.

In May 2006 we sold substantially all of the assets of our cutting tools business.

The following is a description of our major Mechanical segment businesses and the primary products they manufacture and market:

CML (Costruzioni Meccaniche Legananesi S.r.L.). Manufactures bevel gear valve actuators primarily for the oil, gas, wastewater and water distribution markets.

Durst. Manufactures standard and specialized industrial transmissions and hydraulic pump drives primarily for the construction, agriculture, energy, material handling, forestry, lawn and garden and railroad maintenance markets.

Grove Gear/Electra-Gear. Manufactures standard and custom industrial gear reducers and specialized aluminum gear reducers and gearmotors primarily for the material handling, food processing, robotics, healthcare, power transmission, medical equipment and packaging markets.

Hub City/Foote-Jones. Manufactures gear drives, sub-fractional horsepower gearmotors, mounted bearings, large-scale parallel shaft and right-angle gear drives and accessories primarily for the packaging, construction, material handling, healthcare, food processing markets, mining, oil, pulp and paper, forestry, aggregate, construction and steel markets.

Mastergear. Manufactures manual valve actuators for liquid and gas flow control primarily for the petrochemical processing, fire protection and wastewater markets.

Opperman Mastergear, Ltd. Manufactures valve actuators and industrial gear drives primarily for the material handling, agriculture, mining and liquid and gas flow control markets.

Richmond Gear/Velvet Drive Transmissions. Manufactures ring and pinions and transmissions primarily for the high-performance automotive aftermarket, and marine and industrial transmissions primarily for the pleasure boat, off-road vehicle and forestry markets.

THE BUILDING OF OUR BUSINESS

Our growth from our founding as a producer of high-speed cutting tools in 1955 to our current size and status has largely been the result of the acquisition and integration of businesses to build a strong multi-product offering. Our senior management has substantial experience in the acquisition and integration of businesses, aggressive cost management, and efficient manufacturing techniques, all of which represent activities that are critical to our long-term growth strategy. In the preceeding ten years we have acquired and developed our Electrical segment businesses into one of the largest producers of electric motors serving the North America market. The following table summarizes select Electrical Segment acquisitions since 1997.

Product Line	**Year Acquired**	**Annual Revenues at Acquisition** *(in millions)*		**Product Listing at Acquisition**
Electrical Products				
Sinya Motors	2006	$	39	Fractional and sub-fractional HVAC motors
GE Commercial AC Motors	2004		144	AC motors for pump, compressor, equipment and commercial HVAC
GE HVAC Motors and Capacitors	2004		442	Full line of motors and capacitors for residential and commercial HVAC systems
LEESON Electric Corporation	2000		175	AC motors (to 350 horsepower) gear reducers, gearmotors and drives
Thomson Technology, Inc.	2000		14	Automatic transfer switches, paralleling switchgear and controls and controls systems
Lincoln Motors	1999		50	AC motors (1/4 to 800 horsepower)
Marathon Electric Manufacturing Corporation	1997		245	AC motors (to 500 horsepower), AC generators (5 kilowatt to 2.5 megawatt), fuse holders, terminal blocks and power blocks

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SALES, MARKETING AND DISTRIBUTION

We sell our products directly to original equipment manufacturers ("OEMs"), distributors and end-users across many markets. We have multiple business units, with each unit typically having its own branded product offering and sales organization. These sales organizations consist of varying combinations of our own internal direct sales people as well as exclusive and non-exclusive manufacturers' representative organizations.

Our motors are vital components of an HVAC system and are used to move air into and away from furnaces, heat pumps, air conditioners, ventilators, fan filter boxes and humidifiers. We believe that a majority of our HVAC motors are used in applications that replace existing equipment, with the remainder used in new equipment applications. The business enjoys a large installed base of equipment and long-term relationships with its major customers.

MARKETS AND COMPETITORS

The worldwide market for electric motors is estimated in excess of $25 billion. The overall domestic market for electric motors is estimated at $9 billion annually, although we estimate the sectors in which we primarily compete, commercial and industrial electric motors and HVAC/refrigeration motors, to be approximately a $5.0 billion segment of the overall domestic market. We believe approximately 60% of all electricity generated in the U.S. runs through electric motors. We believe we are among the largest producers of commercial and industrial motors and the largest producer of HVAC motors. In addition, we believe that we are the largest electric generator manufacturer in the United States that is not affiliated with a diesel engine manufacturer. Major domestic competitors for our electrical products include Baldor Electric, U.S. Electric Motors (a division of Emerson Electric Co.), A. O. Smith Corporation, General Electric Company and Newage (a division of Cummins, Inc). Major foreign competitors include Siemens AG, Toshiba Corporation, Weg S.A., Leroy-Somer, Inc. and ABB Ltd.

We serve various mechanical product markets and compete with a number of different companies depending on the particular product offering. We believe that we are a leading manufacturer of several mechanical products and that we are the leading manufacturer in the United States of worm gear drives and bevel gear drives. Our competitors in these markets include Boston Gear (a division of Altra Industrial Motion, Inc.), Dodge (a division of Baldor Electric), Emerson Electric Co. and Winsmith (a division of Peerless-Winsmith, Inc.). Major foreign competitors include SEW Eurodrive GmbH & Co., Flender GmbH, Nord, Sumitomo Corporation and Zahnrad Fabrik GmbH Co.

During the past several years, niche product market opportunities have become more prevalent due to changing market conditions. Manufacturers, who historically may have made component products for inclusion in their finished goods, have chosen to outsource their requirements to specialized manufacturers like us because we can make these products more cost effectively. In addition, we have capitalized on this competitive climate by making acquisitions and increasing our manufacturing efficiencies. Some of these acquisitions have created new opportunities by allowing us to enter new markets in which we had not been involved. In practice, our operating units have sought out specific niche markets concentrating on a wide diversity of customers and applications. We believe that we compete primarily on the basis of quality, price, service and our promptness of delivery. We had one customer that accounted for more than 10% of our sales in 2006 and 2005. There were no customers that accounted for 10% of sales in 2004.

PRODUCT DEVELOPMENT AND ENGINEERING

Each of our business segments has its own product development and design teams that continuously enhance our existing products and develop new products for our growing base of customers that require custom and standard solutions. We have one of the electric motor industry's most sophisticated product development and testing laboratories. We believe these capabilities provide a significant competitive advantage in the development of high quality motors and electric generators incorporating leading design characteristics such as low vibration, low noise, improved safety, reliability and enhanced energy efficiency.

We are continuing to expand our business by developing new, differentiated products in each of our business segments. We work closely with our customers to develop new products or enhancements to existing products that improve performance and meet their needs.

As part of our 2004 HVAC motors and capacitors acquisition, we acquired new ECM motor technology. An ECM motor is a brushless DC electric motor with integrated speed control made possible through sophisticated electronic and sensing technology. ECM motors operate at variable speeds with attractive performance characteristics versus competitive variable speed solutions in comfort, energy efficiency, motor life and noise. GE developed the first generation ECM motors over 15 years ago. ECM technology is protected by over 125 patents, and we acquired from GE intellectual property and usage rights relating to ECM technology. ECM motors offer significantly greater temperature and air quality control as well as increased energy efficiency.

While we believe that our brands and innovation are important to our continued growth and strong financial results, we do not consider any individual brand or patent, except for the ECM related patents, to be material.

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MANUFACTURING AND OPERATIONS

We have developed and acquired global operations in lower cost locations such as Mexico, India, and China that complement our flexible, rapid response operations in the United States, Canada and Europe. Our vertically integrated manufacturing operations, including our own aluminum die casting and steel stamping operations are an important element of our rapid response capabilities. In addition, we have an extensive internal logistics operation and a network of distribution facilities with the capability to modify stock products to quickly meet specific custom requirements in many instances. This gives us a competitive advantage as we are able to deliver a customer's unique product when and where they want it.

We manufacture a majority of the products that we sell, but also strategically outsource components and finished goods to an established global network of suppliers. Although we have aggressively pursued global sourcing to reduce our overall costs, we still maintain a dual sourcing capability in our existing domestic facilities to ensure a reliable supply source for our customers. We regularly invest in machinery and equipment and other improvements to, and maintenance of, our facilities. Additionally, we have typically obtained significant amounts of quality capital equipment as part of our acquisitions, often increasing overall capacity and capability. Base materials for our products consist primarily of: steel in various types and sizes, including bearings and weldments; copper magnet wire; and ferrous and non-ferrous castings. We purchase our raw materials from many suppliers and, with few exceptions, do not rely on any single supplier for any of our base materials.

We have also continued to upgrade our manufacturing equipment and processes, including increasing our use of computer aided manufacturing systems, developing our own testing systems, redesigning plant layout and redesigning products to take full advantage of our more productive equipment and to improve product flow. We believe that our continued product redesign and efficient plant layout often provide us with a competitive cost advantage in our manufacturing operation. Our goal is to be a low cost producer in our core product areas.

FACILITIES

We have manufacturing, sales and service facilities throughout the United States and Canada and in Mexico, Europe, China and India. Our Electrical segment currently includes 63 manufacturing, service and distribution facilities, of which 21 are principal manufacturing facilities. The Electrical segment's present operating facilities contain a total of approximately 4,298,000 square feet of space of which approximately 1,281,000 square feet are leased. Our Mechanical segment currently includes 15 manufacturing, service and distribution facilities, of which 5 are principal manufacturing facilities. The Mechanical segment's present operating facilities contain a total of approximately 1,233,000 square feet of space of which approximately 56,000 square feet are leased. Our principal executive offices are located in Beloit, Wisconsin in an owned approximately 54,000 square foot office building. We believe our equipment and facilities are well maintained and adequate for our present needs.

BACKLOG

Our business units have historically shipped the majority of their products in the month the order is received. Since total backlog is less than 10% of our annual sales, we believe that backlog is not a reliable indicator of our future sales. As of December 30, 2006, our backlog was $174.6 million, as compared to $140.4 million on December 31, 2005. We believe that virtually all of our backlog is shippable in 2007.

PATENTS, TRADEMARKS AND LICENSES

We own a number of United States patents and foreign patents relating to our businesses. While we believe that our patents provide certain competitive advantages, we do not consider any one patent or group of patents essential to our business other than our ECM patents which relate to a material portion of our sales. We also use various registered and unregistered trademarks, and we believe these trademarks are significant in the marketing of most of our products. However, we believe the successful manufacture and sale of our products generally depends more upon our technological, manufacturing and marketing skills.

EMPLOYEES

As of the close of business on December 30, 2006, the Company employed approximately 13,600 worldwide employees. We consider our employee relations to be very good.

ENVIRONMENTAL MATTERS

We are currently involved with environmental proceedings related to certain of our facilities (see also **Item 3 - Legal Proceedings**). Based on available information, we believe that the outcome of these proceedings and future known environmental compliance costs will not have a material adverse effect on our financial position or results of operations.

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EXECUTIVE OFFICERS OF THE COMPANY

The names, ages, and positions of the executive officers of the Company as February 15, 2007, are listed below along with their business experience during the past five years. Officers are elected annually by the Board of Directors at the Meeting of Directors immediately following the Annual Meeting of Shareholders in April. There are no family relationships among these officers, nor any arrangements of understanding between any officer and any other persons pursuant to which the officer was selected.

Name	Age	Position	Business Experience and Principal Occupation
Henry W. Knueppel	58	Chairman and Chief Executive Officer	Elected Chairman in April 2006; elected Chief Executive Officer April 2005; served as President from April 2002 to December 2005 and Chief Operating Officer from April 2002 to April 2005; served as Executive Vice President from 1987 to April 2002; joined the Company in 1979.
Mark Gliebe	46	President and Chief Operating Officer	Elected President and Chief Operating Officer in December 2005. Joined the Company in January 2005 as Vice President and President - Electric Motors Group, following our acquisition of the HVAC motors and capacitors businesses from GE; previously employed by GE as the General Manager of GE Motors & Controls in the GE Consumer & Industrial business unit from June 2000 to December 2004.
David A. Barta	44	Vice President and Chief Financial Officer	Joined the Company in June 2004 and was elected Vice President, Chief Financial Officer in July 2004. Prior to joining the Company, Mr. Barta served in several financial management positions for Newell Rubbermaid Inc. from 1995 to June 2004, serving most recently as Chief Financial Officer Levolor/Kirsch Division. His prior positions during this time included Vice President - Group Controller Corporate Key Accounts, Vice President - Group Controller Rubbermaid Group and Vice President Investor Relations.
David L. Eisenreich	63	Vice President and President, Industrial Power Transmission and Power Generation	Elected Vice President and President of Industrial Power Transmission and Power General in April 2006; Elected Vice President and President, Power Generation and Mechanical Components in 2005. Served as Vice President and

			President of Motor Technologies Group from 2001 to 2005; Joined the Company in 1997 with acquisition of Marathon Electric.
Paul J. Jones	36	Vice President General Counsel and Corporate Secretary	Joined the Company in September 2006 and was elected Vice President, General Counsel and Secretary in September 2006. Prior to joining the Company, Mr. Jones was a partner with Foley & Lardner LLP where he worked since 1998.
Terry R. Colvin	51	Vice President Corporate Human Resources	Joined the Company in September 2006 and was elected Vice President Corporate Human Resources in January 2007. Prior to joining the Company, Mr. Colvin was Vice President of Human Resources for Stereotaxis Corporation from 2005 to 2006. From 2003 to 2005, Mr. Colvin was a Plant Operations consultant. In 2003 and prior, Mr. Colvin served in several human resources positions for Sigma-Aldrich Corporation, serving most recently as Vice President of Human Resources from 1995 to 2003.

WEBSITE DISCLOSURE

The Company's Internet address is www.regalbeloit.com. We make available free of charge (other than an investor's own Internet access charges) through our Internet website our Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. We are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

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ITEM 1A - RISK FACTORS

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to our securities. If any of the following risks develop into actual events, our business, financial condition or results operations could be materially and adversely affected and you may lose all or part of your investment.

We operate in highly competitive electric motor, power generation and mechanical motion control markets.

The electric motor, power generation and mechanical motion control markets are highly competitive. Some of our competitors are larger and have greater financial and other resources than we do. There can be no assurance that our products will be able to compete successfully with the products of these other companies.

The failure to obtain business with new products or to retain or increase business with redesigned existing or customized products could also adversely affect our business. It may be difficult in the short-term for us to obtain new sales to replace any unexpected decline in the sale of existing or customized products. We may incur significant expense in preparing to meet anticipated customer requirements, which may not be recovered.

Cyclicality adversely affects us.

Our business is cyclical and dependent on industrial and consumer spending and is therefore impacted by the strength of the economy generally, interest rates and other factors. Economic factors adversely affecting OEM production and consumer spending could adversely impact us. During periods of expansion in OEM production, we generally have benefited from increased demand for our products. Conversely, during recessionary periods, we have been adversely affected by reduced demand for our products.

In our HVAC motor business, we depend on revenues from several significant customers, and any loss, cancellation or reduction of, or delay in, purchases by these customers may have a material adverse effect on our business.

Several significant customers of our HVAC motors business represent a significant portion of our revenues. Our success will depend on our continued ability to develop and manage relationships with these customers. We expect that significant customer concentration will continue for the foreseeable future in our HVAC motor business. Our dependence in the HVAC motor business on sales from a relatively small number of customers makes our relationship with each of these customers important to our business. We cannot assure you that we will be able to retain significant customers. Some of our customers may in the future shift some or all of their purchases of products from us to our competitors or to other sources. The loss of one or more of our largest customers, any reduction or delay in sales to these customers, our inability to develop relationships successfully with additional customers, or future price concessions that we may make could have a material adverse effect on our business.

Our sales of products incorporated into HVAC systems are seasonal and affected by the weather; mild or cooler weather could have an adverse effect on our operating performance.

Many of our motors are incorporated into HVAC systems that OEMs sell to end users. The number of installations of new and replacement HVAC systems or components is higher during the spring and summer seasons due to the increased use of air conditioning during warmer months. Mild or cooler weather conditions during the spring and summer season often result in end users deferring the purchase of new or replacement HVAC systems or components. As a result, prolonged periods of mild or cooler weather conditions in the spring or summer season in broad geographical areas could have a negative impact on the demand for our HVAC motors and, therefore, could have an adverse effect on our operating performance. In addition, due to variations in weather conditions from year to year, our operating performance in any single year may not be indicative of our performance in any future year.

Our dependence on, and the price of, raw materials may adversely affect our profits.

The principal raw materials used to produce our products are copper, aluminum and steel. We source raw materials on a global or regional basis, and the prices of those raw materials are susceptible to significant price fluctuations due to supply/demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. If we are unable to pass on raw material price increases to our customers, our future profitability may be materially adversely affected.

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We increasingly manufacture our products outside the United States, which may present additional risks to our business.

As a result of our recent acquisitions, a significant portion of our net sales are attributable to products manufactured outside of the United States, principally in Mexico, India and China. Approximately 8,700 of our over 13,600 total employees and 13 of our 29 principal manufacturing facilities are located outside the United States. International operations generally are subject to various risks, including political, societal and economic instability, local labor market conditions, the imposition of foreign tariffs and other trade restrictions, the impact of foreign government regulations, and the effects of income and withholding taxes, governmental expropriation and differences in business practices. We may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international manufacturing and sales that could cause loss of revenue. Unfavorable changes in the political, regulatory, and business climate in countries where we have operations could have a material adverse effect on our financial condition, results of operations and cash flows.

We may be adversely impacted by an inability to identify and complete acquisitions.

A substantial portion of our growth has come through acquisitions, and an important part of our growth strategy is based upon acquisitions. We may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms or otherwise complete acquisitions in the future. If we are unable to successfully complete acquisitions, our ability to grow our company significantly will be limited.

Goodwill comprises a significant portion of our total assets, and if we determine that goodwill has become impaired in the future, net income in such years may be materially and adversely affected.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. We review goodwill and other intangibles annually for impairment and any excess in carrying value over the estimated fair value is charged to the results of operations. A reduction in net income resulting from the write down or impairment of goodwill would affect financial results and could have a material and adverse impact upon the market price of our common stock.

Our leverage could adversely affect our financial health and make us vulnerable to adverse economic and industry conditions.

We have incurred indebtedness that is substantial relative to our shareholders' investment. Our indebtedness has important consequences. For example, it could:

- make it difficult for us to fulfill our obligations under our credit and other debt agreements;
- make it more challenging for us to obtain additional financing to fund our business strategy and acquisitions, debt service requirements, capital expenditures and working capital;
- increase our vulnerability to interest rate changes and general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the availability of our cash flow to finance acquisitions and to fund working capital, capital expenditures, research and development efforts and other general corporate activities;
- limit our flexibility in planning for, or reacting to, changes in our business and our markets; and
- place us at a competitive disadvantage relative to our competitors that have less debt.

In addition, our credit facility requires us to maintain specified financial ratios and satisfy certain financial condition tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. If an event of default under our credit facility occurs, then the lenders could elect to declare all amounts outstanding under the credit facility, together with accrued interest, to be immediately due and payable, and a cross default could occur under the terms of our senior subordinated convertible notes allowing the trustee or the holders of the notes to declare the principal amount of the notes, together with accrued interest, to be immediately due and payable.

The success of the Company is highly dependent on qualified and sufficient staffing. Our failure to attract or retain qualified personnel could lead to a loss of revenue or profitability.

Our success depends, in part, on the efforts and abilities of our senior management team and key employees. Their skills, experience and industry contacts significantly benefit our operations and administration. The failure to attract or retain members of our senior management team and key employees could have a negative effect on our operating results.

The Company's operations are highly dependent on information technology infrastructure and failures could significantly affect our business.

We depend heavily on our information technology infrastructure in order to achieve our business objectives. If we experience a problem that impairs this infrastructure, such as a computer virus, a problem with the functioning of an important IT application, or an intentional disruption of our IT systems by a third party, the resulting disruptions could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on our business in the ordinary course. Any such events could cause us to lose customers or revenue and could require us to incur significant expense to eliminate these problems and address related security concerns.

We are in the process of introducing a global Enterprise Resource Planning (ERP) system that will redesign and deploy a common information system over a period of several years. As we implement the ERP system, the new system may not perform as expected. This could have an adverse effect on our business.

We are subject to litigation that may adversely affect our business and results of operations.

We are, from time to time, a party to litigation that arises in the normal course of our business operations, including, among other things, contract disputes, product warranty and liability claims, and environmental, asbestos, employment and other litigation matters. Litigation may have an adverse effect on us because of potential adverse outcomes, the costs associated with defending lawsuits, the diversion of our management's resources and other factors.

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We may be adversely affected by environmental, health and safety laws and regulations.

We are subject to various laws and regulations relating to the protection of the environment and human health and safety and have incurred and will continue to incur capital and other expenditures to comply with these regulations. Failure to comply with any environmental regulations could subject us to future liabilities, fines or penalties or the suspension of production. In addition, we are currently involved in some remediation activities at certain sites. If unexpected obligations at these or other sites or more stringent environmental laws are imposed in the future, we could be adversely affected.

We may suffer losses as a result of foreign currency fluctuations.

The net assets, net earnings and cash flows from our foreign subsidiaries are based on the U.S. dollar equivalent of such amounts measured in the applicable functional currency. These foreign operations have the potential to impact our financial position due to fluctuations in the local currency arising from the process of re-measuring the local functional currency in the U.S. dollar. Any increase in the value of the U.S. dollar in relation to the value of the local currency will adversely affect our revenues from our foreign operations when translated into U.S. dollars. Similarly, any decrease in the value of the U.S. dollar in relation to the value of the local currency will increase our development costs in foreign operations, to the extent such costs are payable in foreign currency, when translated into U.S. dollars.

The operations and success of the Company can be impacted by natural disasters, terrorism, acts of war, international conflict, political and governmental actions which could harm our business.

Natural disasters, acts or threats of war or terrorism, international conflicts, and the actions taken by the United States and other governments in response to such events could cause damage or disrupt our business operations, our suppliers, or our customers, and could create political or economic instability, any of which could have an adverse effect on our business. Although it is not possible to predict such events or their consequences, these events could decrease demand for our products, could make it difficult or impossible for us to deliver products, or could disrupt our supply chain. The Company may also be impacted by actions by foreign governments, including currency devaluation, tariffs and nationalization, where our facilities are located which could disrupt manufacturing and commercial operations.

The Company is subject to tax laws and regulations in many jurisdictions and the inability to successfully defend claims from taxing authorities related to our current and/or acquired businesses could adversely affect our operating results and financial position.

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those taxing jurisdictions. Due to the subjectivity of tax laws between those jurisdictions as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from taxing authorities related to these differences could have an adverse impact on our operating results and financial position.

The Company has numerous pension plans and future legislation or regulations intended to reform the funding and reporting of pension benefit plans could adversely affect our operating results and cash flows, as could changes in market conditions that impact the assumptions we use to measure our liabilities under these plans.

Legislators and agencies of the U.S. government have proposed legislation and regulations to amend, restrict or eliminate various features of, and mandate additional funding of, pension benefit plans. If legislation or new regulations are adopted, we may be required to contribute additional cash to these plans, in excess of our current estimates. Market volatility in interest rates, investment returns and other factors could also adversely affect the funded status of our pension plans. Moreover, future changes to the accounting and reporting standards related to pension plans could create significant volatility in our operating results.

Our stock may be subject to significant fluctuations and volatility.

The market price of shares of our common stock may be volatile. Among the factors that could affect our common stock price are those discussed above under **"Risks Factors"** as well as:

- quarterly fluctuation in our operating income and earnings per share results;
- decline in demand for our products;
- significant strategic actions by our competitors, including new product introductions or technological advances;
- fluctuations in interest rates;
- cost increases in energy, raw materials or labor;
- changes in revenue or earnings estimates or publication of research reports by analysts; and
- domestic and international economic and political factors unrelated to our performance.

In addition, the stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

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ITEM 2 - PROPERTIES

We have manufacturing, sales and service facilities throughout the United States and Canada and in Mexico, Europe, China and India.

Our Electrical segment currently includes 63 manufacturing, service and distribution facilities, of which 21 are principal manufacturing facilities. The Electrical segment's present operating facilities contain a total of approximately 4.3 million square feet of space of which approximately 30% are leased.

Our Mechanical segment currently includes 15 manufacturing, service and distribution facilities, of which 8 are principal manufacturing facilities. The Mechanical segment's present operating facilities contain a total of approximately 1.2 million square feet of space of which approximately 5% are leased.

At December 30, 2006, three Mechanical segment buildings totaling approximately 443,000 square feet were available for sale due to consolidation of manufacturing in other locations.

Our principal executive offices are located in Beloit, Wisconsin in an owned approximately 54,000 square foot office building. We believe our equipment and facilities are well maintained and adequate for our present needs.

Location	Square Footage	Status	Description of Use
Electrical Segment			
Wausau, WI	498,329	Owned	Manufacturing
Juarez, Mexico	335,000	Owned	Manufacturing
Changzhou, China	322,500	Leased	Manufacturing
Reynosa, Mexico	320,000	Owned	Manufacturing
Springfield, MO	290,000	Owned	Manufacturing
Shanghai, China	226,000	Owned	Manufacturing
Indianapolis, IN	220,832	Leased	Warehouse
Faridabad, India	220,000	Owned	Manufacturing
Lebanon, MO	186,900	Owned	Manufacturing
Lincoln, MO	120,000	Owned	Manufacturing
Monterrey, Mexico	108,103	Leased	Manufacturing
Lima, OH	107,000	Owned	Manufacturing
Blytheville, AR	107,000	Leased	Manufacturing
West Plains, MO	106,000	Owned	Manufacturing
Black River Falls, WI	103,000	Owned	Manufacturing
All Other (36)	1,027,275[1]		[1]
Mechanical Segment			
Chicago, IL	282,973	Owned	Manufacturing
Liberty, SC	173,516	Owned	Manufacturing
Aberdeen, SD	164,960	Owned	Manufacturing
Shopiere, WI	132,000	Owned	Manufacturing
Union Grove, WI	122,000	Owned	Manufacturing
All Other (10)	357,164[2]		[2]

[1] Less significant manufacturing, service and distribution and engineering facilities located in the United States, Canada, Europe, and

Asia: Electrical leased square footage 1,281,397.
(2) Mechanical leased square footage 56,492.

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ITEM 3 - LEGAL PROCEEDINGS

An action was filed on June 4, 2004, and amended in September 2004, against one of the Company's subsidiaries, Marathon Electric Manufacturing Corporation ("Marathon"), by Enron Wind Energy Systems, LLC, Enron Wind Contractors, LLC and Zond Minnesota Construction Company, LLC (collectively, "Enron Wind"). The action was filed in the United States Bankruptcy Court for the Southern District of New York where each of the Enron Wind entities has consolidated its Chapter 11 bankruptcy petition as part of the Enron Corporation bankruptcy proceedings. In the action against Marathon, Enron Wind has asserted various claims relating to the alleged failures and/or degradations of performance of about 564 generators sold by Marathon to Enron Wind from 1997 to 1999. In January 2001, Enron Wind and Marathon entered into a "Generator Warranty and Settlement Agreement and Release of All Claims" ("Warranty Agreement"). This Warranty Agreement resolved various issues related to past performance of the generators, provided a limited warranty related to the generators going forward, and contained a release by all parties of any claims related to the generators other than those arising out of the obligations contained in the Warranty Agreement.

Enron Wind is seeking to recover the purchase price of the generators and transportation costs totaling about $21 million. In addition, although the Warranty Agreement contains a waiver of consequential, incidental, and punitive damages, Enron Wind claims that this limitation is unenforceable and seeks recovery of consequential, incidental and punitive damages incurred by it and by its customers, totaling an additional $100 million. Enron Wind has asserted claims of breach of contract, breach of the implied covenant of good faith and fair dealing, promissory fraud, and intentional interference with contractual relations. Marathon has filed a motion with the court seeking to have many of Enron Wind's claims dismissed. Enron Wind recently has filed a motion with the court seeking a declaration that Marathon had an obligation under the Warranty Agreement to repair or replace the generators in the first instance regardless of whether an actual breach of warranty had occurred. The court has held hearings on both motions, but has not yet ruled.

The Company believes that this action is without merit and that it has meritorious defenses to the action. The Company intends to defend vigorously all of the asserted claims. The litigation is in an early discovery phase and it is difficult for the Company to predict the impact the litigation may ultimately have on the Company's results of operations or financial condition, including the expenses the Company may incur to defend against the action. As of December 30, 2006, the Company continues to accrue for anticipated costs in defending against this matter and such accumulated reserves as of December 30, 2006 are immaterial.

During the third quarter of 2006, the Company received notice that the U.S. Environmental Protection Agency ("U.S. EPA") was seeking reimbursement for certain costs incurred in cleaning up an environmental site in Illinois. In 2004, the Company had previous communication from the U.S. EPA that it was identified as one of three potentially responsible parties ("PRP's") regarding this site. The Company had previously reached a settlement in 1999 with the U.S. EPA regarding this secure site. In 2004, management provided its expert's assessment of the site to the U.S. EPA, which had not proceeded with any enforcement action. The Company believes that it is not a PRP and intends to defend vigorously the associated claim. As of December 30, 2006 amounts that have been recorded in the Company's financial statements related to this contingency are immaterial.

From time to time, the Company, in the normal course of business, is involved in various claims and legal actions arising out of its operations. The Company does not believe that the ultimate disposition of any currently pending claims or actions would have a material adverse effect on the Company or its financial condition.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the quarter ended December 30, 2006.

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PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock, $.01 par value ("Common Stock"), is traded on the New York Stock Exchange under the symbol "RBC." Prior to January 21, 2005, the Company's stock was traded on the American Stock Exchange under the symbol "RBC." The following table sets forth the range of high and low closing sales prices for the Common Stock for the period from January 1, 2005 through December 30, 2006. The Company submitted its Section 303A.12(a) CEO Certification to the NYSE on February 26, 2007.

	2006 Price Range			2005 Price Range		
	High	**Low**	**Dividend Declared**	High	Low	Dividend Declared
1st Quarter	**$ 42.87**	**$ 34.82**	**$ .13**	$ 32.08	$ 27.69	$ .12
2nd Quarter	**53.99**	**40.39**	**.14**	29.41	25.25	.13
3rd Quarter	**46.58**	**38.61**	**.14**	33.70	28.15	.13
4th Quarter	**54.18**	**42.78**	**.14**	38.94	30.30	.13

The Company has paid 186 consecutive quarterly dividends through January 2007. The number of registered holders of Common Stock as of February 26, 2007 was 711.

The following table contains detail related to the repurchase of common stock based on the date of trade during the quarter ended December 30, 2006.

2006 Fiscal Month	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Be Purchased Under the Plan or Programs**
October 1 to November 4	-	-	-	1,225,900
November 5 to December 2	41,931	$ 50.46	-	1,225,900
December 3 to December 30	-		-	1,225,900

Total	41,931	-

Under the Company's equity incentive plans, participants may pay the exercise price or satisfy all or a portion of the federal, state and local withholding tax obligations arising in connection with plan awards by electing to (a) have the Company withhold shares of common stock otherwise issuable under the award, (b) tender back shares received in connection with such award or (c) deliver other previously owned shares of common stock, in each case having a value equal to the exercise price or the amount to be withheld. During the fourth quarter of 2006, the Company acquired 41,931 shares of common stock that were presented to the Company by employees to pay the exercise price or to satisfy withholding taxes in connection with the exercise and/or vesting of stock awards. These shares were then cancelled by the Company.

The Board of Directors approved, in 2000, a repurchase program of up to 2,000,000 common shares of Company stock. Management was authorized to effect purchases from time to time in the open market or through privately negotiated transactions. The Company has repurchased 774,100 shares at an average purchase price of $19.67 per share under this program.

GE sold 4,559,048 shares issued to it as part of the consideration for our December 2004 acquisition of the HVAC motor and capacitor business during the Company’s secondary offering which closed August 10, 2005. Regal Beloit also issued 1,530,321 primary shares as part of the August 2005 offering.

Item 12 of this Annual Report on Form 10-K contains certain information relating to the Company's equity compensation plans.

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Stock Performance

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 (the "Exchange Act") or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically incorporate it by reference into such a filing.

The following graph compares the hypothetical total shareholder return (including reinvestment of dividends) on an investment in (1) the Common Stock of the Company, (2) the Standard & Poor's Small Cap 600 Index and (3) the Standard & Poor's 600 Electrical Components and Equipment Index for the period December 31, 2001 through December 30, 2006. In each case, the graph assumes the investment of $100.00 on December 31, 2001.

	2002	**2003**	**2004**	**2005**	**2006**
Regal Beloit Corporation	**97.10**	**105.85**	**140.46**	**176.71**	**265.31**
S&P Small Cap 600 Index	**85.37**	**118.48**	**145.32**	**156.48**	**180.14**
S&P 600 Electrical Components & Equipment	**79.29**	**100.00**	**120.66**	**134.05**	**181.44**

ITEM 6 - SELECTED FINANCIAL DATA

The selected statement of income data for the years ended December 30, 2006 and December 31, 2005 and 2004 and the balance sheet data at December 30, 2006 and December 31, 2005 are derived from, and are qualified by reference to, the audited financial statements of the Company included elsewhere in this Annual Report on Form 10-K. The selected statement of income data for the years ended December 31, 2003 and 2002 and the balance sheet data at December 31, 2004, 2003 and 2002 are derived from audited financial statements not included herein.

(In Thousands, Except Per Share Data)

	Year Ended December 30	Year Ended December 31			
	2006	2005	2004	2003	2002
Net Sales	**$ 1,619,545**	$ 1,428,707	$ 756,557	$ 619,098	$ 605,292
Income from Operations	**194,017**	134,572	55,162	47,226	47,227
Net Income	**109,806**	69,557	30,435	25,206	24,518
Total Assets	**1,437,559**	1,342,554	1,352,052	734,445	733,988
Long-term Debt	**323,946**	386,332	547,350	195,677	222,812
Shareholders' Investment	**749,975**	647,996	538,179	398,704	381,423
Per Share of Common Stock:					
Earnings Per Share	**3.56**	2.34	1.24	1.01	1.01
Earnings Per Share - Assuming					

Dilution	**3.28**	2.25	1.22	1.00	1.01
Cash Dividends Declared	**.55**	.51	.48	.48	.48
Shareholders' Investment	**24.31**	21.84	21.87	15.93	15.24
Basic Average Shares Outstanding	**30,847**	29,675	24,603	25,030	24,187
Diluted Average Shares Outstanding	**33,504**	30,879	24,904	25,246	24,310

The significant increase in sales and income from 2004 to 2005 was driven by the Company's purchase of the Commercial AC motor and HVAC motor and capacitor businesses from General Electric Company in late 2004.

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ITEM 7 -MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

OVERVIEW

Regal Beloit Corporation seeks to deliver strong, consistent business results and superior shareholder returns by providing value added products to our customers who serve the commercial, industrial, and residential markets.

To this end, we are focused on two product segments: Electrical and Mechanical. Within these segments, we follow a closely defined business strategy to develop and increase market leadership positions in key product categories and improve financial performance. On an ongoing basis, we focus on a variety of key indicators to monitor business performance. These indicators include organic and total sales growth (including volume and price components), market share, gross profit margin, operating profit, net income and earnings per share, and measures to optimize the management of working capital, capital expenditures, cash flow and return on capital. The monitoring of these indicators, as well as our corporate governance practices (including the Company's Code of Conduct), are used to ensure that business health and strong internal controls are maintained.

To achieve our financial objectives, we are focused on initiatives to drive and fund growth. We seek to capture significant opportunities for growth by identifying and meeting customer needs within our core categories and identifying category expansion opportunities. These product needs are met through extensive product research and development efforts as well as through a disciplined acquisition strategy. Growth opportunities are emphasized that offer stronger market growth potential as a result of geographic based expansion or industry expansion. The investments needed to fund our growth are developed through continuous, corporate-wide initiatives to lower costs and increase effective asset utilization. We also prioritize investments toward higher return on capital businesses.

Net Sales in 2006 increased 13.4% to $1.620 billion. Net income rose 57.9% to $109.8 million.

Given the continued competitive marketplace and high raw material and energy costs, we anticipate that the near-term operating environment will remain challenging. However, we anticipate that the impact of new products and the impact of our Lean Six Sigma program will provide additional funds for investment in support of key categories and new product development while also supporting an increased level of profitability.

RESULTS OF OPERATIONS

2006 versus 2005

Net Sales

Worldwide sales were $1.620 billion in 2006. Sales increased 13.4% from the $1.429 billion reported for 2005. The 2006 acquisition of the Sinya Motor business (see Footnote 3 of our Financial Statements) accounted for $36.5 million of the increase. Also impacting sales was the May 2005 divestiture of the Illinois Gear business and the May 2006 sale of substantially all of the assets of the Company's cutting tools business. The sale of these businesses decreased sales by approximately $14.0 million for 2006.

Sales in the Electrical segment were $1.419 billion, up 15.6% from the $1.228 billion for 2005. Sales for the HVAC motor business were positively impacted by several factors including hotter than normal weather and the legislated SEER 13 efficiency requirement which was effective on January 23, 2006. We also saw strength in sales of commercial and industrial motors that have benefited from overall economic strength.

Sales in the Mechanical segment were equal to 2005 sales at $201.0 million. 2006 sales in this segment were reduced approximately $14.0 million as a result of the sale of substantially all of the assets of the Company’s cutting tools business in May 2006 and Illinois Gear business in May of 2005. Individual division results varied significantly with several divisions benefiting from the continued strength of the industrial economy.

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Gross Profit

Our gross profit margin was 24.0% in 2006 as compared to 21.8% in 2005. The increase in gross profit margin during 2006 resulted primarily from productivity and Lean Six Sigma projects, partially offset by increases in material costs, particularly copper. The price of copper was particularly volatile in 2006, ranging from around $2.00 to over $4.00 per pound. The increase in material costs was offset by price increases implemented in all of our channels and the benefits from productivity and Lean Six Sigma projects. The gross profit margin for the Electrical segment reflected these impacts and increased to 23.7% from 21.4% in 2005. Mechanical segment gross profit margin increased to 26.4% from 23.7% in 2005 primarily as a result of productivity projects.

Operating Expenses

Operating expenses as a percentage of sales were 12.1% in 2006 as compared to 12.3% in 2005. The decrease in operating expense as a percent of sales results from leveraging of fixed costs on the higher sales levels. Additionally, the HVAC and CAC businesses operate with a lower operating expense structure due, in part, to the concentration of sales with their large OEM customer base. Operating expenses in 2006 also include approximately $3.6 million of share-based compensation due to the adoption of SFAS123(R), as compared to $0.5 million of share-based compensation in 2005. Electrical segment operating expenses were 11.6% of sales in 2006 and 11.8% of sales in 2005. Mechanical operating expenses as a percent of sales decreased to 15.3% from 15.6% in 2005.

Income from Operations (Operating Profit)

In 2006, operating profit increased 44.2% to $194.0 million from the $134.6 million reported in 2005. As a percent of sales, operating profit increased to 12.0% of sales for 2006 from 9.4% in 2005. Electrical segment income from operations increased 45.0% in 2006 to $171.8 million from $118.5 million in 2005, and operating income margin increased to 12.1% in 2006 from 9.7% in 2005. The contributions from the 2004 acquisitions of GE's HVAC and CAC businesses, price increases, favorable volume impacts, and the operating expense fixed cost leveraging and productivity were the main drivers of the improved performance. Electrical segment operating profit was negatively impacted by increases in raw material costs, particularly copper and aluminum. Mechanical segment income from operations increased 38.8% to $22.2 million in 2006 from $16.0 million in 2005. The Mechanical segment operating income margin for 2006 improved to 11.1% from 8.0% in 2005. The results of the Mechanical segment reflect the positive impacts of increased volume and price increases, partially offset by increases in raw material costs.

Interest Expense, Net

Interest expense, net was $19.2 million in 2006 compared with $21.6 million in 2005. Lower average debt levels resulted in decreased interest expense in 2006. The average balance outstanding under the Facility in 2006 was $238.8 million and in 2005 was $396.0 million. The average interest rate paid under the Company's revolving credit facility was 5.9% in 2006 and 4.7% in 2005.

Income Taxes

The effective income tax rate for 2006 was 35.5% compared with 35.3% in 2005. The 2006 effective rate reflected a benefit of approximately .9% due to research and engineering tax credits, and a benefit of approximately .6% due to the Domestic Production Activity Deduction that was incorporated in the American Jobs Creation Act of 2004. The 2005 effective tax rate reflected a benefit of approximately .5% attributable to the Domestic Production Activities Deduction and a one-time benefit for a China tax holiday of approximately 1.0%. (See also Note 8 to Notes to Consolidated Financial Statements.)

Net Income

Net income was $109.8 million in 2006 or $3.28 per share on a diluted basis compared with $69.6 million in 2005 or $2.25 per share.

2005 versus 2004

Net Sales

Worldwide sales were $1.429 billion in 2005. Sales increased 89% from the $756.6 million reported for 2004. The 2004 acquisitions of the Commercial AC motor and HVAC motor and capacitor businesses from GE accounted for $615.0 million of the increase. Also impacting sales was the divestiture of the Illinois Gear business that was sold by the Company in May of 2005. The sale of this business decreased sales by approximately $5.0 million for 2005.

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Sales in the Electrical segment were $1.228 billion, up 120% from 2004, including the $615.0 million from the businesses acquired from GE. Excluding the sales from the acquired businesses, sales increased 10%. Sales for the HVAC motor business were positively impacted by the convergence of several factors including hotter than normal weather and the increase in HVAC system inventory levels in the OEM and distributor channels in anticipation of the government legislated SEER 13 efficiency requirement which was effective on January 23, 2006. We estimate that this industry-wide volume increase favorably impacted our sales by approximately $30 million in the fourth quarter of 2005. We also saw strength in sales of commercial and industrial motors that benefited from overall economic strength.

Sales in the Mechanical segment grew 1% to $201.0 million. Sales in this segment were reduced approximately $5.0 million as a result of the sale of the Illinois Gear business in May of 2005. Individual division results varied significantly in 2005 with several divisions benefiting from the continued strength of the industrial economy.

Gross Profit

Our gross profit margin was 21.8% in 2005 as compared to 22.1% in 2004. The reduction in gross profit during 2005 resulted primarily from increases in raw material costs, particularly copper. The price of copper increased from approximately $1.40 per pound at the end of 2004 to over $2.00 per pound at the end of 2005. The increase in material costs was only partially offset by price increases implemented in all of our channels and the benefits from productivity and Lean Six Sigma projects. The gross profit margin for the Electrical segment reflected these impacts and decreased to 21.4% from 21.7% in 2004. Mechanical segment gross profit margin increased from 23.2% in 2004 to 23.7% primarily as a result of net benefits from plant consolidations and productivity projects.

Operating Expenses

Operating expenses as a percentage of sales were 12.3% in 2005 as compared to 14.8% in 2004. The decrease in operating expense as a percent of sales resulted from leveraging of fixed costs on the higher sales levels. Additionally, the HVAC and CAC businesses operate with a lower operating expense structure due, in part, to the concentration of sales with their large OEM customer base. Electrical segment operating expenses decreased to 11.8% of sales in 2005 from 15.3% of sales in 2004 as a result of these factors. Mechanical operating expenses as a percent of sales increased from 15.0% in 2004 to 15.6% in 2005.

Income from Operations (Operating Profit)

In 2005, operating profit increased 143.8% to $134.6 million from the $55.2 million reported in 2004. As a percent of sales, operating profit increased to 9.4% of sales for 2005 from 7.3% in 2004. Electrical segment income from operations increased 200.8% in 2005 to $118.5 million from $39.4 million in 2004, and operating income margin increased to 9.7% in 2005 from 7.1% in 2004. The contributions from the 2004 acquisitions of GE's HVAC and CAC businesses, price increases, favorable volume impacts, and the operating expense fixed cost leveraging and productivity were the main drivers of the improved performance. Electrical segment operating profit was negatively impacted by increases in raw material costs, particularly copper and aluminum. Mechanical segment income from operations increased 1.9% to $16.0 million in 2005 from $15.7 million in 2004. The Mechanical segment operating income margin for 2005 improved to 8.0% from 7.9% in 2004. The results of the Mechanical segment reflect the positive impacts of increased volume and price increases, partially offset by increases in raw material costs and the non-repeat of the 2004 sale of property located in the United Kingdom ($1.5 million pretax).

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Interest Expense, Net

Interest expense, net was $21.6 million in 2005 compared with $6.6 million in 2004. Higher interest rates and higher average debt levels, due primarily to debt incurred as a result of the HVAC and CAC acquisitions, resulted in increased interest expense in 2005. The average interest rate paid under the Company's revolving credit facility was 4.7% in 2005 and 2.7% in 2004. The average balance outstanding under the Facility in 2005 was $396.0 million and in 2004 was $150.6 million.

Income Taxes

The effective income tax rate for 2005 was 35.3% compared with 32.4% in 2004. The increase to the effective rate was primarily due to the one-time realization of benefits in 2004 for the resolution of tax audits. The 2005 effective rate reflected a benefit of approximately .5% attributable to the Domestic Production Activities Deduction that was incorporated in the American Jobs Creation Act of 2004. (See also Note 8 to Notes to Consolidated Financial Statements.)

Net Income

Net income was $69.6 million in 2005 or $2.25 per share on a diluted basis compared with $30.4 million in 2004 or $1.22 per share.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital was $310.2 million at December 30, 2006, an increase of 15.5% from $268.5 million at year-end 2005. The $41.7 million increase was driven by a $50.8 million rise in inventories and a $20.9 million increase in accounts receivable during 2006, partially offset by a $25.5 million increase in accounts payable. At December 30, 2006 our current ratio, the ratio of our current assets to current liabilities, was unchanged at 2.2:1 from the previous year-end.

Cash flow provided by operating activities ("operating cash flow") was $93.5 million in 2006, a $18.7 million decrease from 2005. Increased net income of $40.2 million was more than offset by a $47.1 million use of cash to increase inventory levels in 2006. Cash flow used in investing activities was $43.3 million in 2006, $31.5 million greater than in 2005. Capital spending increased to $52.5 million in 2006 from $28.3 million a year earlier due primarily to increased spending for productivity improvements and capacity increases. Our commitments for property, plant and equipment as of December 30, 2006 were approximately $35.6 million. We believe that our present facilities, augmented by planned capital expenditures, are sufficient to provide adequate capacity for our operations in 2007.

Cash flow used in financing activities was $47.0 million in 2006 compared to $98.1 million used in 2005. Our total debt was reduced by $38.7 million in 2006 and by $135.6 during 2005. The higher level of debt reduction in 2005 was due primarily to the $53.0 million stock offering proceeds, $18.7 million of higher operating cash flow and $24.3 million lower property, plant and equipment expenditures. We paid $16.6 million in dividends to shareholders in 2006, with our quarterly dividend increasing from $.13 to $.14 per share starting with the second quarter dividend payment. In 2006, we increased our $35.0 million unsecured, short-term commercial paper facility with one of our banks to $50.0 million. At December 30, 2006, $49.0 million was outstanding under this commercial paper facility. During 2006 the Company borrowed $8.5 million secured by certain equipment. The note bears interest at 6.3% and is payable in monthly installments of principal and interest with a $6.5 million balloon payment in ten years.

Our primary financing source is our $475.0 million long-term unsecured revolving credit facility (the "Facility") that terminates on May 5, 2009. The Company has the option through May 5, 2008, to increase the Facility up to $550.0

million subject to achievement of certain approvals and covenants. The Facility requires us to maintain specified financial ratios and to satisfy certain financial condition tests. We were in compliance with all of these ratios and tests as of December 30, 2006. The tests consist of a minimum interest coverage ratio of 3.75 to 1, a maximum funded debt to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio of 3.75 to 1 and a maximum senior funded debt to EBITDA ratio of 2.75 to 1, and a minimum net worth consisting of the sum of $435.0 million plus 50% of net income for each quarter ending on or after March 31, 2005 plus 75% of the net proceeds of all issuances of equity securities by the Company. At year-end 2006, we had $223.1 million of available borrowing capacity. We believe we will satisfy the Facility's financial ratios and tests for the foreseeable future. We further believe that the combination of our operating cash flow and borrowing availability under the Facility will provide sufficient cash flow to finance our existing operations for the foreseeable future. (See also Note 5 of Notes to Consolidated Financial Statements.)

The Company is exposed to interest rate risk on certain of its short-term and long-term debt obligations used to finance our operations and acquisitions. At December 30, 2006, we had $124.1 million of fixed rate debt and $249.2 million of variable rate debt, the latter subject to interest rate risk. The variable rate debt is primarily under our credit facility with an interest rate based on a margin above LIBOR and our short-term commercial paper facility. As a result, interest rate changes impact future earnings and cash flow assuming other factors are constant. A hypothetical 10% change in our weighted average borrowing rate on outstanding variable rate debt at December 30, 2006 would result in a change in after-tax annualized earnings of approximately $0.9 million.

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OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following is a summary of the Company's contractual obligations and payments due by period as of December 30, 2006 (in thousands):

Payments due by Period	Debt Including Estimated* Interest Payments	Operating Leases	Purchase and Other Obligations	Total Contractual Obligations
Less than 1 Year	$ 16,217	$ 6,914	$ 135,480	$ 158,611
1 - 3 Years	333,954	7,803	-	341,757
3 - 5 Years	1,500	4,520	-	6,020
More than 5 Years	13,770	3,186	-	16,956
Total	$ 365,441	$ 22,423	$ 135,480	$ 523,344

*Variable rate debt based on December 30, 2006 rates.

We utilize blanket purchase orders ("blankets") to communicate expected annual requirements to many of our suppliers. Requirements under blankets generally do not become "firm" until a varying number of weeks before our scheduled production. The purchase obligations shown in the above table represent the value we consider "firm".

At December 30, 2006, the Company had outstanding standby letters of credit totaling $12.5 million. We had no other material commercial commitments.

The Company did not have any variable interest entities as of December 30, 2006 and December 31, 2005. Other than disclosed in the table above and the previous paragraph, the Company had no other material off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States, requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. We believe the following critical accounting policies could have the most significant effect on our reported results.

Revenue Recognition

We recongnize revenue when all of the following have occurred: an agreement of sale exists; pricing is determinable; collection is reasonably assured; and product has been delivered and acceptance has occurred according to contract terms.

We use contracts and customer purchase orders to determine the existence of an agreement of sale. We use shipping documents and customer acceptance, when applicable, to verify delivery. We assess whether the sales price is subject to refund or adjustment, and we assess collectibility based on the creditworthiness of the customer as well as the customer's payment history.

Returns, Rebates and Incentives

Our primary incentive program provides distributors with cash rebates or account credits based on agreed amounts that vary depending on the end user or original equipment manufacturing (OEM) customer to whom our distributor ultimately sells the product. We also offer various other incentive programs that provide distributors and direct sale customers with cash rebates, account credits or additional products and services based on meeting specified program criteria. Certain distributors are offered a right to return product, subject to contractual limitations.

We record accruals for customer returns, rebates and incentives at the time of revenue recognition based primarily on historical experience. Adjustments to the accrual may be required if actual returns, rebates and incentives differ from historical experience or if there are changes to other assumptions used to estimate the accrual.

Impairment of Long-Lived Assets or Goodwill and Other Intangibles

We evaluate the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable through future cash flows. We evaluate the recoverability of goodwill and other intangible assets with indefinite useful lives annually or more frequently if events or circumstances indicate that an asset might be impaired. We use judgment when applying the impairment rules to determine when an impairment is necessary. Factors that could trigger an impairment review include significant underperformance relative to historical or forecasted operating results, a significant decrease in the market value of an asset or significant negative industry or economic trends. We perform our annual impairment test in accordance with SFAS 142, "Goodwill and Other Intangible Assets."

Retirement Plans

Approximately half of our domestic employees are covered by defined benefit pension plans with the remaining employees covered by defined contribution plans. Most of our foreign employees are covered by government sponsored plans in the countries in which they are employed. Our obligations under our domestic defined benefit plans are determined with the assistance of actuarial firms. The actuaries make certain assumptions regarding such factors as withdrawal rates and mortality rates. The actuaries also provide us with information and recommendations from which management makes further assumptions on such factors as the long-term expected rate of return on plan assets, the discount rate on benefit obligations and where applicable, the rate of annual compensation increases. Based upon the assumptions made, the investments made by the plans, overall conditions and movement in financial markets, particularly the stock market and how actual withdrawal rates, life-spans of benefit recipients and other factors differ from assumptions, annual expenses and recorded assets or liabilities of these defined benefit plans may change significantly from year to year. Based on our annual review of actuarial assumptions as well as historical rates of return on plan assets and existing long-term bond rates, we set the long-term rate of return on plan assets at 8.5% and an average discount rate at 5.9% for our defined benefit plans as of December 30, 2006. (See also Note 6 of Notes to Consolidated Financial Statements).

Income Taxes

We operate in numerous taxing jurisdictions and are subject to regular examinations by various U.S. Federal, state and foreign jurisdictions for various tax periods. Our income tax positions are based on research and interpretations of the income tax laws and rulings in each of the jurisdictions in which we do business. Due to the subjectivity of interpretations of laws and rulings in each jurisdiction, the differences and interplay in tax laws between those jurisdictions as well as the inherent uncertainty in estimating the final resolution of complex tax audit matters, our estimates of income tax liabilities may differ from actual payments or assessments.

Additional information regarding income taxes is contained in Note 8 in the Financial Statements.

Further discussion of the Company's accounting policies is contained in Note 2 of Notes to Consolidated Financial Statements. The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS 157, *Fair Value Measurements* (“SFAS” 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 will be effective beginning in fiscal 2008. We are evaluating the new standard to determine the effect on our financial statements and related disclosures.

In September 2006, the FASB issued SFAS 158, *Employers’ Accounting for Deferred Benefit Pension and Other Postretirement Plans* (“SFAS 158”). SFAS 158 requires that public companies prospectively recognize through Accumulated Other Comprehensive Income the overfunded or underfunded status of their defined benefit plans as an asset or liability beginning in their 2006 year-end balance sheet. The Company has adopted SFAS 158 as of December 30, 2006. See Note 6 of Notes to Consolidated Financial Statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 will be effective for us beginning in fiscal 2007. We are evaluating the requirements of FIN 48 and its impact on our consolidated financial statements.

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In December 2004, the FASB issued SFAS No. 123(R), “Share-Based Payment (“SFAS 123(R)”)”, which requires companies to expense the value of employee stock options and similar equity-based awards. This SFAS 123(R) is a revision of FASB Statement 123, “Accounting for Stock-Based Compensation”. SFAS 123(R) was adopted by the Company on January 1, 2006. Prior to the adoption of SFAS 123(R) the Company accounted for equity-based awards under APB No. 25and compensation expense is included in a proforma footnote disclosure (see Note 2 of Notes to Consolidated Financial Statements). For the years ended December 30, 2006 and December 31, 2005, operating income was reduced by $3.6 million and $0.5 million, respectively, for equity-based compensation.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk relating to the Company’s operations due to changes in interest rates, foreign currency exchange rates and commodity prices of purchased raw materials. We manage the exposure to these risks through a combination of normal operating and financing activities and derivative financial instruments such as commodity cash flow hedges and foreign currency forward exchange contracts.

The Company is exposed to interest rate risk on certain of its short-term and long-term debt obligations used to finance our operations and acquisitions. At December 30, 2006, we had $124.1 million of fixed rate debt and $249.2 million of variable rate debt, the latter subject to interest rate risk. The variable rate debt is primarily under our credit facility with an interest rate based on a margin above LIBOR and our short-term commercial paper facility. As a result, interest rate changes impact future earnings and cash flow assuming other factors are constant. A hypothetical 10% change in our weighted average borrowing rate on outstanding variable rate debt at December 30, 2006, would result in a change in after-tax annualized earnings of approximately $0.9 million.

The Company periodically enters into commodity futures and options hedging transactions to reduce the impact of changing metal and natural gas commodity prices. Contract terms of commodity hedge instruments generally mirror those of the hedged item, providing a high degree of risk reduction and correlation.

We are also exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances of foreign subsidiaries, intercompany loans with foreign subsidiaries and transactions denominated in foreign currencies. Our objective is to minimize our exposure to these risks through a combination of normal operating activities and the utilization of foreign currency hedging contracts to manage our exposure on the transactions denominated in currencies other than the applicable functional currency. In the first half of 2005, we began to enter into contracts to hedge foreign-currency denominated forecasted transactions. Contracts are executed with creditworthy banks and are denominated in currencies of major industrial countries. It is our policy not to enter into derivative financial instruments for speculative purposes.

All hedges are recorded on the balance sheet at fair value and are treated as cash flow hedges, with changes in fair value recorded in accumulated other comprehensive income (“AOCI”) in each accounting period to the extent the hedges are deemed effective.

At December 30, 2006 we had a balance of $4.9 million in hedge assets, and $0.4 million in hedge liabilities, representing the fair value of commodity and foreign currency hedges. Of the hedge assets and hedge liabilities at December 30, 2006, $1.7 million and $0.4 million, respectively, relate to commodity hedges with the balance of $3.2 in hedge assets relating to foreign currency.

At December 30, 2006 we had a $3.0 million gain, net of tax, in AOCI related to hedging activities. Of this amount, $2.0 million related to foreign currency hedges with the balance of $1.0 million representing commodity hedges.

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ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Quarterly Financial Information (Unaudited)

	(In Thousands, Except Per Share Data)							
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Net Sales	**$398,326**	$ 337,823	**$435,269**	$ 368,768	**$ 419,301**	$ 345,894	**$366,649**	$ 376,222
Gross Profit	**93,280**	68,444	**104,025**	79,800	**103,070**	76,598	**88,996**	85,922
Income from Operations	**43,618**	25,865	**57,866**	35,811	**53,049**	34,608	**39,484**	38,290
Net Income	**23,788**	12,286	**33,309**	18,445	**29,740**	18,517	**22,969**	20,309
Earnings Per Share	**.77**	.42	**1.08**	.63	**.96**	.62	**.74**	.66
Earnings Per Share - Assuming Dilution	**.72**	.41	**.99**	.62	**.89**	.59	**.68**	.63
Average Number of Shares Outstanding	**30,701**	29,034	**30,816**	29,065	**30,888**	29,913	**30,981**	30,644
Average Number of Shares - Assuming Dilution	**30,957**	30,244	**33,645**	29,720	**33,440**	31,234	**33,973**	32,317

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MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Regal Beloit Corporation (the "Company") is responsible for the accuracy and internal consistency of the preparation consolidated financial statements and footnotes contained in this annual report.

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting. Regal Beloit Corporation operates under a system of internal accounting controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles. The internal accounting control system is evaluated for effectiveness by management and is tested, monitored and revised as necessary. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 30, 2006. In making its assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on the results of its evaluation, the Company's management concluded that, as of December 30, 2006, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent auditors, Deloitte & Touche LLP, have audited the financial statements prepared by the management of Regal Beloit Corporation and management's assessment of internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Regal Beloit Corporation:

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Regal Beloit Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 30, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 30, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 30, 2006 of the Company and our report dated February 28, 2007, expressed an unqualified opinion on those financial statements and included explanatory paragraphs relating to the Company's adoption of Statement of Financial Accounting Standard No. 123R, *Share Based Payment,* and No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans.*

DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin
February 28, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Regal Beloit Corporation:

We have audited the accompanying consolidated balance sheets of Regal Beloit Corporation and subsidiaries (the "Company") as of December 30, 2006 and December 31, 2005, and the related consolidated statements of income, shareholders' investment, comprehensive income and cash flows for each of the three years in the period ended December 30, 2006. 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 the standards of the Public Company Accounting Oversight Board (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, such consolidated financial statements present fairly, in all material respects, the financial position of Regal Beloit Corporation and subsidiaries for the above stated periods, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the consolidated financial statements, on January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123R, *Share Based Payment.*

As discussed in Note 6 to the consolidated financial statements, as of December 30, 2006, the Company adopted Statement of Financial Accounting Standard No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans.*

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 30, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin
February 28, 2007

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REGAL BELOIT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands of Dollars, Except Shares Outstanding and Per Share Data)

	For the Year Ended		
	December 30, 2006	December 31, 2005	2004
Net Sales	**$ 1,619,545**	$ 1,428,707	$ 756,557
Cost of Sales	**1,230,174**	1,117,943	589,497
Gross Profit	**389,371**	310,764	167,060
Operating Expenses	**195,354**	176,192	111,898
Income From Operations	**194,017**	134,572	55,162
Interest Expense	**19,886**	22,090	6,787
Interest Income	**711**	442	183
Income Before Taxes & Minority Interest	**174,842**	112,924	48,558
Provision For Income Taxes	**62,051**	39,829	15,728
Income Before Minority Interest	**112,791**	73,095	32,830
Minority Interest in Income, Net of Tax	**2,985**	3,538	2,395
Net Income	**$ 109,806**	$ 69,557	$ 30,435
Per Share of Common Stock:			
Earnings Per Share - Basic	**$ 3.56**	$ 2.34	$ 1.24
Earnings Per Share - Assuming Dilution	**$ 3.28**	$ 2.25	$ 1.22
Average Number of Shares Outstanding-Basic	**30,846,854**	29,675,206	24,602,868
Average Number of Shares Outstanding - Assuming Dilution	**33,504,190**	30,878,981	24,904,287

See Accompanying Notes to Consolidated Financial Statements.

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REGAL BELOIT CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars)

ASSETS	**December 30, 2006**	December 31, 2005
Current Assets:		
Cash and Cash Equivalents	**$ 36,520**	$ 32,747
Receivables, less Allowances for Doubtful Accounts of $5,886 in 2006 and $2,653 in 2005	**218,036**	197,118
Inventories	**275,138**	224,316
Prepaid Expenses and Other Current Assets	**16,597**	16,121
Future Income Tax Benefits	**22,877**	16,978
Total Current Assets	**569,168**	487,280
Property, Plant and Equipment:		
Land and Improvements	**18,400**	18,624
Buildings and Improvements	**105,425**	100,036
Machinery and Equipment	**360,674**	336,171
Property, Plant and Equipment, at Cost	**484,499**	454,831
Less - Accumulated Depreciation	**(215,619)**	(210,502)
Net Property, Plant and Equipment	**268,880**	244,329
Goodwill	**546,152**	546,168
Intangible Assets, Net of Amortization	**43,257**	45,674
Other Noncurrent Assets	**10,102**	19,103
Total Assets	**$ 1,437,559**	$ 1,342,554
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts Payable	**$ 108,050**	$ 82,513
Commercial Paper Borrowings	**49,000**	25,000
Dividends Payable	**4,345**	3,985
Accrued Compensation and Employee Benefits	**51,192**	41,127
Other Accrued Expenses	**45,578**	46,559
Income Taxes Payable	**380**	18,923
Current Maturities of Long-Term Debt	**376**	684
Total Current Liabilities	**258,921**	218,791
Long-Term Debt	**323,946**	386,332
Deferred Income Taxes	**65,937**	59,993
Other Noncurrent Liabilities	**5,962**	18,394
Minority Interest in Consolidated Subsidiaries	**9,634**	11,048
Pension and other Post Retirement Benefits	**23,184**	-
Shareholders' Investment:		
Common Stock $.01 par value, 50,000,000 shares authorized 31,812,043 issued in 2006 and 31,429,736 issued in 2005	**318**	315
Additional Paid-In Capital	**329,142**	316,426

Less-Treasury Stock, at cost, 774,100 shares in 2006 and 2005		**(15,228)**		(15,228)
Retained Earnings		**435,971**		343,161
Unearned Compensation		**-**		(657)
Accumulated Other Comprehensive Income		**(228)**		3,979
Total Shareholders' Investment		**749,975**		647,996
Total Liabilities and Shareholders' Investment	**$**	**1,437,559**	$	1,342,554

See accompanying Notes to Consolidated Financial Statements.

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REGAL BELOIT CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT
(In Thousands of Dollars, Except Per Share Data)

	Common Stock $.01 Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Unearned Compensation	Accumulated Other Compre-hensive Income (Loss)	Total
Balance, December 31, 2003	$ 250	$ 132,313	$ (2,727)	$ 270,760	$ --	$ (1,892)	$ 398,704
Net Income	--	--	--	30,435	--	--	30,435
Dividends Declared ($.48 per share)	--	--	--	(12,358)	--	--	(12,358)
Unearned Compensation, Net of Amortization	--	288	--	--	(224)	--	64
Shares Issued for Acquisition	46	130,343	--	--	--	--	130,389
Common Stock Repurchased	--	--	(12,501)	--	--	--	(12,501)
Stock Options Exercised	2	846	--	--	--	--	848
Other Comprehensive Income (see detail Comprehensive Income Statement)	--	--	--	--	--	2,598	2,598
Balance, December 31, 2004	$ 298	$ 263,790	$ (15,228)	$ 288,837	$ (224)	$ 706	$ 538,179
Net Income	--	--	--	69,557	--	--	69,557
Dividends Declared ($.51 per share)	--	--	--	(15,233)	--	--	(15,233)
Unearned Compensation, Net of Amortization	--	891	--	--	(433)	--	458
Stock Proceeds from Shares Sold by GE in Stock Offering, Net of Tax	--	5,887	--	--	--	--	5,887
Shares issued in Stock Offering	15	43,524	--	--	--	--	43,539
Stock Options Exercised, including income tax benefit	2	2,334	--	--	--	--	2,336

Other Comprehensive Income (see detail Comprehensive Income Statement)	--	--	We are also subject to a variety of environmental laws and regulations in China, which impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage, and disposal of solid and hazardous wastes. The manufacturing of our products generates gaseous chemical wastes, liquid wastes, waste water, and other industrial wastes from various stages of the manufacturing process. Production sites in China are subject to regulation and periodic monitoring by the relevant environmental protection authorities. Environmental claims or the failure to comply with current or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production, or cessation of operations. The process to manufacture PCBs requires adherence to city, county, state, federal, and foreign environmental regulations regarding the storage, use, handling, and disposal of chemicals, solid wastes, and other hazardous materials, as well as compliance with air quality standards and chemical use reporting. In China, governmental authorities have adopted new rules and regulations governing environmental issues. An update to Chinese environmental waste water law was issued in late 2012, allowing for an interim period in

which plants subject to such law may install equipment that meets the new regulatory regime. Our plants in China are not yet in full compliance with the newly adopted environmental regulations. There can be no assurance that violations will not occur in the future.

Employee theft or fraud could result in loss.

Certain of our employees have access to, or signature authority with respect to, bank accounts or other company assets, which could expose us to fraud or theft. In addition, certain employees have access to certain precious metals used in connection with our manufacturing and key information technology (IT) infrastructure and to customer and other information that is commercially valuable. Should any employee, for any reason, steal any such precious metals (which has occurred from time to time), compromise our IT systems, or misappropriate customer or other information, we could incur losses, including losses relating to claims by our customers against us, and the willingness of customers to do business with us may be damaged. Additionally, in the case of our defense business, we could be debarred from future participation in government programs. Any such losses may not be fully covered by insurance.

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Because we sell on a purchase order basis, we are subject to uncertainties and variability in demand by our customers that could decrease revenues and harm our operating results.

Although we have long-term contracts with many customers, those contracts generally do not contain volume commitments. We generally sell to customers on a purchase order basis. Our quick-turn orders are subject to particularly short lead times. Consequently, our sales are subject to short-term variability in demand by our customers. Customers submitting purchase orders may cancel, reduce, or delay their orders for a variety of reasons, subject to negotiations. The level and timing of orders placed by our customers may vary due to:

- customer attempts to manage inventory;
- changes in customers manufacturing strategies, such as a decision by a customer to either diversify or consolidate the number of PCB manufacturers or backplane assembly service providers used or to manufacture or assemble its own products internally;
- variation in demand for our customers products; and

changes in new product introductions. We have periodically experienced terminations, reductions, and delays in our customers orders. Further terminations, reductions, or delays in our customers orders could materially adversely affect our business, financial condition, and results of operations.

Increasingly, our customers are requesting that we enter into supply agreements with them that have restrictive terms and conditions. These agreements typically include provisions that increase our financial exposure, which could result in significant costs to us.

Increasingly, our customers are requesting that we enter into supply agreements with them. These agreements typically do not include volume commitments, but do include provisions that generally serve to increase our exposure for product liability and limited sales returns, which could result in higher costs to us as a result of such claims. In addition, these agreements typically contain provisions that seek to limit our operational and pricing flexibility and extend payment terms, which could materially adversely affect our cash flow, business, financial condition, and results of operations.

Our business has benefited from OEMs

deciding to outsource their PCB manufacturing and backplane assembly needs to us. If OEMs choose to provide these services in-house or select other providers, our business could suffer.

Our future revenue growth partially depends on new outsourcing opportunities from OEMs. Current and prospective customers continuously evaluate our performance against other providers. They also evaluate the potential benefits of manufacturing their products themselves. To the extent that outsourcing opportunities are not available either due to OEM decisions to produce these products themselves or to use other providers, our financial results and future growth could be materially adversely affected.

Consolidation among our customers could materially adversely affect our business, financial condition, and results of operations.

Recently, some of our large customers have consolidated, and further consolidation of customers may occur. Depending on which organization becomes the controller of the supply chain function following the consolidation, we may not be retained as a preferred or approved supplier. In addition, product duplication could result in the termination of a product line that we currently support. While there is potential for increasing our position with the combined customer, there does exist the potential for decreased revenue if we are not retained as a continuing supplier. We also face the risk of increased pricing pressure from the combined customer because of its increased market share.

We may need additional capital in the future to fund investments in our operations, refinance our indebtedness, and to maintain and grow our business, and such capital may not be available on a timely basis, on acceptable terms, or at all.

Our business is capital-intensive, and our ability to increase revenue, profit, and cash flow depends upon continued capital spending. To the extent that the funds generated by our ongoing operations are insufficient to cover our liquidity requirements, we may need to raise additional funds through financings. If we are unable to fund our operations and make capital expenditures as currently planned or if we do not have sufficient liquidity to service the interest and principal payments on our debt, it would have a material adverse effect on our business, financial condition, and results of operations. If we do not achieve our expected operating results, we would need to reallocate our sources and uses of operating cash flows. This may include borrowing additional funds to service debt payments, which may impair our ability to make investments in our business. Looking ahead at long-term needs, we may need to raise additional funds for a number of purposes, including the following:

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- to fund capital equipment purchases to increase production capacity, upgrade and expand our technological capabilities and replace aging equipment or introduce new products;
- to refinance our existing indebtedness;
- to fund our operations beyond 2017;
- to fund working capital requirements for future growth that we may experience;
- to enhance or expand the range of services we offer;
- to increase our sales and marketing activities; or
- to respond to competitive pressures or perceived opportunities, such as investment, acquisition, and international expansion activities.

Should we need to raise funds through incurring additional debt, we may become subject to covenants even more restrictive than those contained in our current debt instruments. There can be no assurance that additional capital, including any future equity or debt financing, would be available on a timely basis, on favorable terms, or at all. If such funds are not available to us when required or on acceptable terms, our business, financial condition, and results of operations could be materially adversely affected.

Our operations could be materially adversely affected by a shortage of utilities or a discontinuation of priority supply status offered for such utilities.

The manufacturing of PCBs requires significant quantities of electricity and water. Our operations in Asia have historically purchased substantially all of the electrical power for their manufacturing plants in China from local power plants. Because China s economy has recently been in a state of growth, the strain on the nation s power plants is increasing, which has led to continuing power outages in various parts of the country. There may be times when our operations in China may be unable to obtain adequate sources of electricity to meet production requirements. Various regions in China have in the past experienced shortages of both electricity and water and unexpected interruptions of power supply. From time to time, the Chinese government rations electrical power, which can lead to unscheduled production interruptions at our manufacturing facilities.

In addition, certain of the areas in which our North America operations have manufacturing facilities, particularly in California, have experienced power and resource shortages from time to time, including mandatory periods without electrical power, changes to water availability, and significant increases in utility and resource costs. California has also recently experienced drought conditions, prompting the Governor of California to proclaim a Drought State of Emergency. Due to the severe drought conditions, some local and regional water districts and the state government are implementing policies or regulations that restrict water usage and increase the cost of water.

We do not generally maintain any back-up power generation facilities or reserves of water for our operations, so if we were to lose supplies of power or water at any of our facilities, we would be required to cease operations until such supply was restored. Any resulting cessation of operations could materially adversely affect our ability to meet our customers orders in a timely manner, thus potentially resulting in a loss of business, along with increased costs of manufacturing, and under-utilization of capacity. In addition, the sudden cessation of our power or water supply could damage our equipment, resulting in the need for costly repairs or maintenance, as well as damage to products in production, resulting in an increase in scrapped products.

We may be unable to hire and retain sufficient qualified

personnel, and the loss of any of our key executive officers could materially adversely affect our business, financial condition, and results of operations.

We believe that our future success will depend in large part on our ability to attract and retain highly skilled, knowledgeable, sophisticated, and qualified managerial and professional personnel. We may not be able to retain our executive officers and key personnel or attract additional qualified management in the future. We can make no assurances that future changes in executive management will not have a material adverse effect on our business, financial condition, or results of operations. Our business also depends on our continuing ability to recruit, train, and retain highly qualified employees, particularly engineering and sales and marketing personnel. The competition for these employees is intense, and the loss of these employees could harm our business. Further, our ability to successfully integrate acquired companies depends in part on our ability to retain key management and existing employees at the time of the acquisition.

Our manufacturing processes depend on the collective industry experience of our employees. If a significant number of

these employees were to leave us, it could limit our ability to compete effectively and could materially adversely affect our business, financial condition, and results of operations.

We have limited patent or trade secret protection for our manufacturing processes. We rely on the collective experience of our employees involved in our manufacturing processes to ensure that we continuously evaluate and adopt new technologies in our industry. Although we are not dependent on any one employee or a small number of employees, if a significant number of our employees involved in our manufacturing processes were to leave our employment, and we were not able to replace these people with new employees with comparable experience, our manufacturing processes might suffer as we might be unable to keep up with innovations in the industry. As a result, we may lose our ability to continue to compete effectively. For example, we have experienced a significant amount of employee attrition in our China operations each year, which has negatively impacted our yield, costs of production, and service times.

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We may be exposed to intellectual property infringement claims by third parties that could be costly to defend, could divert management s attention and resources, and if successful, could result in liability.

We rely on a combination of copyright, patent, trademark, and trade secret laws, confidentiality procedures, contractual provisions, and other measures to protect our proprietary information. All of these measures afford only limited protection. These measures may be invalidated, circumvented, or challenged, and others may develop technologies or processes that are similar or superior to our technology. We may not have the controls and procedures in place that are needed to adequately protect proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy our products or obtain or use information that we regard as proprietary, which could materially adversely affect our business, financial condition, and results of operations.

Furthermore, there is a risk that we may infringe on the intellectual property rights of others. As is the case with many other companies in the PCB industry, we from time to time receive communications from third parties asserting patent rights to our products and enter into discussions with such third parties. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes alleging infringement. If any claims are brought against the customers for such infringement, whether or not these have merit, we could be required to expend significant resources in defending such claims. In the event we are subject to any infringement claims, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or in obtaining such licenses on reasonable terms or at all, which could disrupt the production processes, damage our reputation, and materially adversely affect our business, financial condition, and results of operations.

Future sales of our common stock or other securities by the Company or its large shareholders may adversely affect the market price of our common stock.

In the future, we may issue additional equity securities or one or more of our large shareholders may offer their shares for sale through public or private offerings. Pursuant to our certificate of incorporation, our board of directors has the authority, without action by stockholders, to designate and issue preferred stock in one or more series. Our board of directors may also designate the rights, preferences and privileges of each series of preferred stock, any or all of which may be superior to the rights of the common stock. Any such issuance of additional shares would reduce your influence over matters on which our stockholders vote, would dilute the percentage of ownership interest of existing stockholders and may dilute the per share book value of the common stock. In addition, option holders may exercise their options at a time when we would otherwise be able to obtain additional equity capital on more favorable terms. Any issuances of preferred stock would likely result in your interest being subject to the priority rights of holders of that preferred stock. Also, we may have shareholders that hold large quantities of our shares. If one or more of these shareholders offered their shares for sale, it could result in a decrease in demand for our shares which could have the effect of decreasing our share price. The market price of our common stock could decline as a result of any future offering as well as sales of shares of our common stock made after such offerings or the perception that such sales could occur.

Because we do not expect to pay any cash dividends for the foreseeable future, shareholders may not receive any return on investment unless the shareholders sell their common stock for a price greater than that which was paid.

We have not declared or paid any dividends since 2000 and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any payment of cash dividends will be at the discretion of our board of directors and will depend on our financial condition, anticipated cash needs, capital requirements, legal requirements, earnings and other factors. Our ability to pay dividends is restricted by the terms of our debt agreements and might be restricted by the terms of any indebtedness that we incur in the future. Consequently, shareholders should not rely on dividends in order to receive a return on your investment. See our dividend policy in Item 5. *Market for Registrants Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities,* in our Annual Report Form 10-K for the fiscal year ended January 2, 2017.

Our business, financial condition, and results of operations could be materially adversely

affected by climate change initiatives.

Our manufacturing processes require that we purchase significant quantities of energy from third parties, which results in the generation of greenhouse gases, either directly on-site or indirectly at electric utilities. Both domestic and international legislation to address climate change by reducing greenhouse gas emissions could create increases in energy costs and price volatility. Considerable international attention is now focused on development of an international policy framework to guide international action to address climate change. Proposed and existing legislative efforts to control or limit greenhouse gas emissions could affect our energy sources and supply choices, as well as increase the cost of energy and raw materials that are derived from sources that generate greenhouse gas emissions.

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Failure to maintain good relations with the noncontrolling shareholder of a majority-owned subsidiary of TTM in China could materially adversely affect our ability to manage that operation.

A noncontrolling interest holder owns a 5% interest in a subsidiary of TTM that operates the Huiyang, China facility that became a part of our operations through the acquisition of Viasystems. The noncontrolling interest holder is affiliated with the Chinese government and has close ties to local economic development and other Chinese government agencies. The noncontrolling interest holder has certain rights to be consulted and to consent to certain operating and investment matters concerning the Huiyang facility and the board of directors of our subsidiary that operates the Huiyang facility. Failure to maintain good relations with the noncontrolling interest holder could materially adversely affect our ability to manage the operations of the plant.

Security breaches and other disruptions could compromise our information and expose us to liability, which could cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data in our data centers and on our networks, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our employees. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence in our products and services, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Item 6. ***Exhibits***

Exhibit Number	Exhibits
31.1	CEO Certification Pursuant to

	Section 302 of the Sarbanes Oxley Act of 2002.
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1	CEO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2	CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Documents
101.DEF	XBRL Taxonomy Extension Definition Linkbase Documents
101.LAB	XBRL Taxonomy Extension Label Linkbase Documents
101.PRE	XBRL Taxonomy

Extension
Presentation
Linkbase
Documents

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SIGNATURES

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.

	TTM Technologies, Inc.
	/s/ Thomas T. Edman
Dated: August 8, 2017	**Thomas T. Edman**
	President and Chief Executive Officer
	/s/ Todd B. Schull
Dated: August 8, 2017	**Todd B. Schull**
	Executive Vice President and Chief Financial Officer

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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Documents

101.DEF	XBRL Taxonomy Extension Definition Linkbase Documents
101.LAB	XBRL Taxonomy Extension Label Linkbase Documents
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Documents