RBC Bearings INC
Form 10-K
May 29, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
For the fiscal year ended March 30, 2013

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________to _________

Commission file number 333-124824

RBC BEARINGS INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**95-4372080**
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
One Tribology Center, Oxford, CT	**06478**
(Address of principal executive offices)	(Zip Code)

(203) 267-7001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, Par Value $0.01 per Share

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ 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 þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or Section 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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ 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. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

The aggregate market value of the registrant's Class A Common Stock held by non-affiliates of the registrant on September 29, 2012 (based on the September 28, 2012 closing sales price of $48.10 of the registrant's Class A Common Stock, as reported by the Nasdaq National Market) was approximately $1,090,822,000.

Number of shares outstanding of the registrant's Class A Common Stock at May 20, 2013:

22,991,894 Shares of Class A Common Stock, par value $0.01 per share.

Documents Incorporated by Reference:

Portions of the registrant's proxy statement to be filed within 120 days of the close of the registrant's fiscal year in connection with the registrant's Annual Meeting of Shareholders to be held September 12, 2013 are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

RBC Bearings Incorporated

We are an international manufacturer and marketer of highly engineered precision plain, roller and ball bearings. Bearings, which are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on highly technical or regulated bearing products for specialized markets that require sophisticated design, testing and manufacturing capabilities. We believe our unique expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. We have been providing bearing solutions to our customers since 1919. Over the past ten years, we have significantly broadened our end markets, products, customer base and geographic reach. We currently have 26 facilities of which 24 are manufacturing facilities in four countries.

The Bearing Industry

The bearing industry is a fragmented multi-billion dollar market. Purchasers of bearings include producers of commercial and military aerospace equipment, automotive and commercial truck manufacturers, industrial equipment and machinery manufacturers, agricultural machinery manufacturers and construction, mining and specialized equipment manufacturers.

Demand for bearings in the diversified industrial market is influenced by growth factors in industrial machinery and equipment shipments and construction, mining, energy and general industrial activity. In addition, usage of existing machinery will impact aftermarket demand for replacement bearing products. In the aerospace market, aging of the existing commercial aircraft fleet along with carrier traffic growth determines demand for our bearing solutions. Lastly, activity in the defense market is being influenced by modernization programs necessitating spending on new equipment, as well as continued utilization of deployed equipment supporting aftermarket demand for replacement bearings.

Customers and Markets

We serve a broad range of end markets where we can add value with our specialty, precision bearing products, components, and applications. We classify our customers into two principal categories: diversified industrial and aerospace and defense. These principal end markets utilize a large number of both commercial and specialized bearing products and components. Although we provide a relatively small percentage of total bearing products supplied to each of our overall principal markets, we believe we have leading market positions in many of the specialized bearing product markets in which we primarily compete. Financial information regarding geographic areas is set forth in Part II, Item 8. “Financial Statements and Supplementary Data,” Note 19 “Reportable Segments.”

·***Diversified Industrial Market (48% of net sales for the fiscal year ended March 30, 2013)***

We manufacture bearing products and components for a wide range of diversified industrial markets, including construction and mining, oil and natural resource extraction, heavy truck, rail, packaging and semiconductor machinery. Nearly all mechanical devices and machinery require bearings to relieve friction where one part moves relative to another. Our products target market applications in which our engineering and manufacturing capabilities provide us with a competitive advantage in the marketplace.

Our largest diversified industrial customers include AxleTech International, Caterpillar, Komatsu America, National Oilwell Varco and various aftermarket distributors including Applied Industrial, BDI Corporation, Kaman Corporation, McMaster Carr and Motion Industries. We believe that the diversification of our sales among the various segments of the industrial bearings market reduces our exposure to downturns in any individual market. We believe opportunities exist for growth and margin improvement in this market as a result of the introduction of new products, the expansion of aftermarket sales and continued cost reduction.

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·*Aerospace and Defense Market (52% of net sales for the fiscal year ended March 30, 2013)*

We supply bearings for use in commercial, private and military aircraft. We supply bearings for many of the commercial aircraft currently operating worldwide and are the primary supplier for many of their product lines. This includes military contractors for airplanes, helicopters, missile systems, and satellites. Commercial aerospace customers generally require precision products, often of special materials, made to unique designs and specifications. Many of our aerospace bearing products are designed and certified during the original development of the aircraft being served, which often makes us the primary bearing supplier for the life of the aircraft.

We manufacture bearing products used by the U.S. Department of Defense and certain foreign governments for use in fighter jets, troop transports, naval vessels, helicopters, gas turbine engines, armored vehicles, guided weaponry and satellites. We manufacture an extensive line of standard products that conform to many domestic military application requirements, as well as customized products designed for unique applications. We specialize in the manufacture of high precision ball and roller bearings, commercial ball bearings and metal-to-metal and self-lubricating plain bearings for the defense market. Our bearing products are manufactured to conform to U.S. military specifications and are typically custom designed during the original product design phase, which often makes us the sole or primary bearing supplier for the life of the product. In addition to products that meet military specifications, these customers often require precision products made of specialized materials to custom designs and specifications. Product approval for use on military equipment is often a lengthy process ranging from six months to six years.

Our largest aerospace and defense customers include Airbus, Boeing, Embraer, General Electric, Lockheed Martin, Primus International, Snecma Group, Spirit Aerosystems, U.S. Department of Defense and various aftermarket distributors including Wesco Aircraft, Dixie Aerospace, National Precision Bearing and W.S. Wilson. We estimate that over 39% of aerospace net sales are actually used as replacement parts, as bearings are regularly replaced on aircraft in conjunction with routine maintenance procedures. We believe our strong relationships with OEMs help drive our aftermarket sales since a portion of OEM sales are ultimately intended for use as replacement parts. We believe that growth and margin expansion in this market will be driven primarily by expanding our international presence, new commercial aircraft introductions, and the refurbishment and maintenance of existing commercial aircraft.

In fiscal 2013, 3.3% of our net sales were made directly, and we estimate that approximately an additional 20.7% of our net sales were made indirectly, to the U.S. government. These indirect net sales include 2.8% from military vehicle business from our diversified industrial customers. These contracts or subcontracts may be subject to renegotiation of profit or termination of contracts at the election of the government. We, based on experience, believe that no material renegotiations or refunds will be required. See Part I, Item 1A. “Risk Factors – Future reductions or changes in U.S. government spending could negatively affect our business.”

Products

Bearings are employed to fulfill several functions including reduction of friction, transfer of motion and carriage of loads. We design, manufacture and market a broad portfolio of bearing products. We operate through operating segments for which separate financial information is available, and for which operating results are evaluated regularly by our chief operating decision maker in determining resource allocation and assessing performance. Those operating segments with similar economic characteristics and that meet all other required criteria, including nature of the products and production processes, distribution patterns and classes of customers, are aggregated as reportable segments. Certain other operating segments that do not exhibit the common attributes mentioned above and do not meet the quantitative thresholds for separate disclosure are combined and disclosed as "Other".

The following table provides a summary of our four reportable product segments: Plain Bearings; Roller Bearings; Ball Bearings; and Other. Within the Plain Bearings, Roller Bearings and Ball Bearings reportable segments, we have not aggregated any operating segments. Within the Other reportable segment, we have aggregated operating segments because they do not meet the quantitative threshold for separate disclosure.

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Segment	Net Sales for the Fiscal Year Ended March 30, 2013	March 31, 2012	April 2, 2011	Representative Applications
Plain Bearings	$215,963 (53.6)%	$ 200,141 (50.3)%	$ 168,777 (50.3)%	· Aircraft engine controls and landing gear · Missile launchers · Mining, energy, and construction equipment
Roller Bearings	$115,021 (28.5)%	$ 123,803 (31.1)%	$ 98,942 (29.5)%	· Aircraft hydraulics · Military and commercial truck chassis · Packaging machinery and gear pumps
Ball Bearings	$41,366 (10.3)%	$ 42,330 (10.7)%	$ 40,637 (12.1)%	· Radar and night vision systems · Airframe control and actuation · Semiconductor equipment
Other	$30,701 (7.6)%	$ 31,237 (7.9)%	$ 27,269 (8.1)%	· Collets for machine tools · Industrial gears

Plain Bearings. Plain bearings are primarily used to rectify inevitable misalignments in various mechanical components, such as aircraft controls, helicopter rotors, or in heavy mining and construction equipment. Such misalignments are either due to machining inaccuracies or result when components change position relative to each other. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consist of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings.

Roller Bearings. Roller bearings are anti-friction products that utilize cylindrical rolling elements. We produce three main designs: tapered roller bearings, needle roller bearings and needle bearing track rollers and cam followers. We produce medium sized tapered roller bearings used primarily in heavy truck axle applications. We offer several needle roller bearing designs that are used in both industrial applications and certain U.S. military aircraft platforms. These products are generally specified for use where there are high loads and the design is constrained by space considerations. A significant portion of the sales of this product is to the aftermarket. Needle bearing track rollers and cam followers have wide and diversified use in the industrial market and are often prescribed as a primary component in articulated aircraft wings. We believe we are the world's largest producer of aircraft needle bearing track rollers.

Ball Bearings. Ball bearings are devices which utilize high precision ball elements to reduce friction in high speed applications. We specialize in four main types of ball bearings: high precision aerospace, airframe control, thin section and industrial ball bearings. High precision aerospace bearings are primarily sold to customers in the defense industry that require more technically sophisticated bearing products, such as missile guidance systems, providing higher degrees of fault tolerance given the criticality of the applications in which they are used. Airframe control ball bearings are precision ball bearings that are plated to resist corrosion and are qualified under a military specification. Thin section ball bearings are specialized bearings that use extremely thin cross sections and give specialized machinery manufacturers many advantages. We produce a general line of industrial ball bearings sold primarily to the aftermarket.

Other. Our other products consist primarily of precision mechanical components and machine tool collets. Precision mechanical components are used in all general industrial applications, where some form of movement is required. Machine tool collets are cone-shaped metal sleeves, used for holding circular or rodlike pieces in a lathe or other machine that provide effective part holding and accurate part location during machining operations.

Product Design and Development

We produce specialized bearings that are often tailored to the specifications of a customer or application. Our sales professionals are highly experienced engineers who collaborate with our customers on a continual basis to develop bearing solutions. The product development cycle can follow many paths which are dependent on the end market or sales channel. The process normally takes between 3-6 years from concept to sale depending upon the application and the market. A common route that is used for major OEM projects begins when our design engineers meet with their customer counterparts at the machine design conceptualization stage and work with them through the conclusion of the product development.

Often, at the early stage, a bearing design concept is produced that addresses the expected demands of the application. Environmental demands are many but normally include load, stress, heat, thermal gradients, vibration, lubricant supply and corrosion resistance, with one or two of these environmental constraints being predominant in the design consideration. A bearing design must perform reliably for a period of time specified by the customer's product objectives.

Once a bearing is designed, a mathematical simulation is created to replicate the expected application environment and thereby allow optimization with respect to these design variables. Upon conclusion of the design and simulation phase, samples are produced and laboratory testing commences at one of our test laboratories. The purpose of this testing phase is not only to verify the design and the simulation model but also to allow further design improvement where needed. Finally, upon successful field testing by the customer, the product is ready for sale.

For the majority of our products, the culmination of this lengthy process is the receipt of a product approval or certification, generally obtained from either the OEM, the Department of Defense or the Federal Aviation Administration, or "FAA," which allows us to supply the product to the customer. We currently have in excess of 36,500 of such approvals, which often gives us a significant competitive advantage, and in many of these instances we are the only approved supplier of a given bearing product**.**

Manufacturing and Operations

Our manufacturing strategies are focused on product reliability, quality and service. Custom and standard products are produced according to manufacturing schedules that ensure maximum availability of popular items for immediate sale while carefully considering the economies of lot production and special products. Capital programs and manufacturing methods development are focused on quality improvement and low production costs. A monthly review of product line production performance assures an environment of continuous attainment of profitability goals.

Capacity. Our plants currently run on a full first shift with second and third shifts at selected locations to meet the demands of our customers. We believe that current capacity levels and future annual estimated capital expenditures on equipment up to approximately 4% of net sales should permit us to effectively meet demand levels for the foreseeable future.

Inventory Management. Our increasing emphasis on the distributor/aftermarket sector has required us to maintain greater inventories of a broader range of products than the OEM market historically demanded. This requires a greater investment in working capital to maintain these levels. We operate an inventory management program designed to balance customer delivery requirements with economically optimal inventory levels. In this program, each product is categorized based on characteristics including order frequency, number of customers and sales volume. Using this classification system, our primary goal is to maintain a sufficient supply of standard items while minimizing warehousing costs. In addition, production cost savings are achieved by optimizing plant scheduling around inventory levels and customer delivery requirements. This leads to more efficient utilization of manufacturing facilities and minimizes plant production changes while maintaining sufficient inventories to service customer needs.

Sales, Marketing and Distribution

Our marketing strategy is aimed at increasing sales within our two primary markets, targeting specific applications in which we can exploit our competitive strengths. To affect this strategy, we seek to expand into geographic areas not previously served by us and we continue to capitalize on new markets and industries for existing and new products. We employ a technically proficient sales force and utilize marketing managers, product managers, customer service representatives and product application engineers in our selling efforts.

We have accelerated the development of our sales force through the hiring of sales personnel with prior bearing industry experience, complemented by an in-house training program. We intend to continue to hire and develop expert sales professionals and strategically locate them to implement our expansion strategy. Today, our direct sales force is located to service North America, Europe and Latin America and is responsible for selling all of our products. This selling model leverages our relationship with key customers and provides opportunities to market multiple product lines to both established and potential customers. We also sell our products through a well-established, global network of industrial and aerospace distributors. This channel primarily provides our products to smaller OEM customers and the end users of bearings that require local inventory and service. In addition, specific larger OEM customers are also serviced through this channel to facilitate requirements for "Just In Time" deliveries or "Kan Ban" systems. Our worldwide distributor network provides our customers with more than 4,500 points of sale for our products. We intend to continue to focus on building distributor sales volume.

The sale of our products is supported by a well-trained and experienced customer service organization. This organization provides customers with instant access to key information regarding their bearing purchase and delivery requirements. We also provide customers with updated information through our website, and we have developed on-line integration with specific customers, enabling more efficient ordering and timely order fulfillment for those customers.

We store product inventory in five leased and two company owned and operated warehouses located in the Midwest, Southwest and on the East and West coasts of the U.S. as well as in France and Switzerland. The inventory is located in these warehouses based on analysis of customer demand to provide superior service and product availability.

Competition

Our principal competitors include Kaydon Corporation, McGill Manufacturing Company, Inc., SKF, New Hampshire Ball Bearings and Timken although we compete with different companies for each of our product lines. We believe that for the majority of our products, the principal competitive factors affecting our business are product qualifications, product line breadth, service and price. Although some of our current and potential competitors may have greater financial, marketing, personnel and other resources than us, we believe that we are well positioned to compete with regard to each of these factors in each of the markets in which we operate.

Product Qualifications. Many of the products we produce are qualified for the application by the OEM, the U.S. Department of Defense, the FAA or a combination of these agencies. These credentials have been achieved for thousands of distinct items after years of design, testing and improvement. In many cases patent protection presides, in all cases there is strong brand identity and in numerous cases we have the exclusive product for the application.

Product Line Breadth. Our products encompass an extraordinarily broad range of designs which often create a critical mass of complementary bearings and components for our markets. This position allows many of our industrial and aircraft customers the ability for a single manufacturer to provide the engineering service and product breadth needed to achieve a series of OEM design objectives or aftermarket requirements. This ability enhances our value to the OEM considerably while strengthening our overall market position.

Service. Product design, performance, reliability, availability, quality and technical and administrative support are elements that define the service standard for this business. Our customers are sophisticated and demanding, as our products are fundamental and enabling components to the construction or operation of their machinery. We maintain inventory levels of our most popular items for immediate sale and service with over 14,000 voice and electronic contacts per month. Our customers have high expectations regarding product availability, and the primary emphasis of our service efforts is to ensure the widest possible range of available products and delivering them on a timely basis.

Price. We believe our products are priced competitively in the markets we serve. We continually evaluate our manufacturing and other operations to maximize efficiencies in order to reduce costs, eliminate unprofitable products from our portfolio and maximize our profit margins. While we compete with larger bearing manufacturers who direct the majority of their business activities, investments and expertise toward the automotive industries, our sales in this industry are only a small percentage of our business. We invest considerable effort to develop our price to value algorithms and we price to market levels where required by competitive pressures.

Suppliers and Raw Materials

We obtain raw materials, component parts and supplies from a variety of sources and generally from more than one supplier. Our principal raw material is steel. Our suppliers and sources of raw materials are based in the U.S., Europe and Asia. We purchase steel at market prices, which fluctuate as a result of supply and demand driven by economic conditions in the marketplace. For further discussion of the possible effects of changes in the cost of raw materials on our business, see Part I, Item 1A. “Risk Factors” in this Annual Report on Form 10-K.

Backlog

As of March 30, 2013, we had order backlog of $216.5 million compared to a backlog of $215.9 million in the prior fiscal year. The amount of backlog includes orders which we estimate will be fulfilled within the next 12 months; however, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. We sell many of our products pursuant to contractual agreements, single source relationships or long-term purchase orders, each of which may permit early termination by the customer. However, due to the nature of many of the products supplied by us and the lack of availability of alternative suppliers to meet the demands of such customers' orders in a timely manner, we believe that it is not practical or prudent for most of our customers to shift their bearing business to other suppliers.

Employees

We had 1,323 hourly employees and 822 salaried employees as of March 30, 2013, of whom 471 were employed in our European and Mexican operations. As of March 30, 2013, 155 of our hourly employees were represented by unions in the U.S. We believe that our employee relations are satisfactory.

We are subject to three collective bargaining agreements with the United Auto Workers covering substantially all of the hourly employees at our Fairfield, Connecticut, West Trenton, New Jersey and Plymouth, Indiana plants. These agreements expire on January 31, 2018, June 30, 2014 and October 30, 2015, respectively.

Intellectual Property

We own U.S. and foreign patents and trademark registrations and U.S. copyright registrations, and have U.S. trademark and patent applications pending. We currently have 104 issued or pending U.S. and foreign patents. We file patent applications and maintain patents to protect certain technology, inventions and improvements that are important to the development of our business, and we file trademark applications and maintain trademark registrations to protect product names that have achieved brand-name recognition among our customers. We also rely upon trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position. Many of our brands are well recognized by our customers and are considered valuable assets of our business. We currently have 174 issued or pending U.S. and foreign trademark registrations and applications. We do not believe, however, that any individual item of intellectual property is material to our business.

Regulation

Product Approvals. Essential to servicing the aerospace market is the ability to obtain product approvals. We have a substantial number of product approvals in the form of OEM approvals or Parts Manufacturer Approvals, or “PMAs,” from the FAA. We also have a substantial number of active PMA applications in process. These approvals enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation.

We are subject to various other federal laws, regulations and standards. Although we are not presently aware of any pending legal or regulatory changes that may have a material impact on us, new laws, regulations or standards or changes to existing laws, regulations or standards could subject us to significant additional costs of compliance or liabilities, and could result in material reductions to our results of operations, cash flow or revenues.

Environmental Matters

We are subject to federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. We also may be liable under the Comprehensive Environmental Response, Compensation, and Liability Act or similar state laws for the costs of investigation and clean-up of contamination at facilities currently or formerly owned or operated by us, or at other facilities at which we have disposed of hazardous substances. In connection with such contamination, we may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Agencies responsible for enforcing these laws have authority to impose significant civil or criminal penalties for non-compliance. We believe we are currently in material compliance with all applicable requirements of environmental laws. We do not anticipate material capital expenditures for environmental compliance in fiscal 2014.

Investigation and remediation of contamination is ongoing at some of our sites. In particular, state agencies have been overseeing groundwater monitoring activities at our facility in Hartsville, South Carolina and a corrective action plan at our Clayton, Georgia facility. At Hartsville, we are monitoring low levels of contaminants in the groundwater caused by former operations. Plans are currently underway to conclude remediation and monitoring activities. In connection with the purchase of our Fairfield, Connecticut facility in 1996, we agreed to assume responsibility for completing clean-up efforts previously initiated by the prior owner. We submitted data to the state that we believe demonstrates that no further remedial action is necessary although the state may require additional clean-up or monitoring. In connection with the purchase of our Clayton, Georgia facility, we agreed to take assignment of the hazardous waste permit covering such facility and to assume certain responsibilities to implement a corrective action plan concerning the remediation of certain soil and groundwater contamination present at that facility. The corrective action plan is ongoing. Although there can be no assurance, we do not expect expenses associated with these activities to be material.

Available Information

We file our annual, quarterly and current reports, proxy statements, and other documents with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934. The public may read and copy any materials filed with the SEC at the SEC’s Public Reference Room at 405 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The public can obtain any documents that are filed by us at http://www.sec.gov.

In addition, this Annual Report on Form 10-K, as well as our quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to all of the foregoing reports and our governance documents, are made available free of charge on our Internet website (http://www.rbcbearings.com) as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. A copy of the above filings will also be provided free of charge upon written request to us.

ITEM 1A. RISK FACTORS

Cautionary Statement As To Forward-Looking Information

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, cash flows, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; future growth rates in the markets we serve; increases in foreign sales; supply and cost of raw materials, any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "estimate," "intend," "continue," "believe," "expect," "anticipate," the negative of such terms or other comparable terminology.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition, results of operations and cash flows, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this Annual Report on Form 10-K. Factors that could cause our actual results, performance and achievements or industry results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

- Weaknesses and cyclicality in any of the industries in which our customers operate;
- Changes in marketing, product pricing and sales strategies or developments of new products by us or our competitors;
- Future reductions in U.S. governmental spending or changes in governmental programs, particularly military equipment procurement programs;
- Our ability to obtain and retain product approvals;
- Supply and costs of raw materials, particularly steel, and energy resources and our ability to pass through these costs on a timely basis;
- Our ability to acquire and integrate complementary businesses;
- Unexpected equipment failures, catastrophic events or capacity constraints;
- The costs of defending, or the results of, new litigation;
- Our ability to attract and retain our management team and other highly-skilled personnel;
- Increases in interest rates;
- Work stoppages and other labor problems for us and our customers or suppliers;
- Limitations on our ability to expand our business;
- Regulatory changes or developments in the U.S. and foreign countries;
- Developments or disputes concerning patents or other proprietary rights;
- Changes in accounting standards, policies, guidance, interpretation or principles;
- Risks associated with operating internationally, including currency translation risks;
- The operating and stock performance of comparable companies;
- Investors’ perceptions of us and our industry;
- General economic, geopolitical, industry and market conditions;
- Changes in tax requirements (including tax rate changes and new tax laws); and

· Health care reform could adversely affect our operating results.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this Annual Report on Form 10-K, including under Part I, Item 1. “Business,” Part I, Item 1A. “Risk Factors,” Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 8. “Financial Statements and Supplementary Data.”

We are not under any duty to update any forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the Securities and Exchange Commission. All forward-looking statements contained in this report and any subsequently filed reports are expressly qualified in their entirety by these cautionary statements.

Our business, operating results, cash flows or financial condition could be materially adversely affected by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should carefully consider these risks before investing in shares of our common stock.

Risk Factors Related to Our Company

The bearing industry is highly competitive, and competition could reduce our profitability or limit our ability to grow.

The global bearing industry is highly competitive, and we compete with many U.S. and non-U.S. companies, some of which benefit from lower labor costs and fewer regulatory burdens than us. We compete primarily based on product qualifications, product line breadth, service and price. Certain competitors may be better able to manage costs than us or may have greater financial resources than we have. Due to the competitiveness in the bearing industry we may not be able to increase prices for our products to cover increases in our costs, and we may face pressure to reduce prices, which could materially reduce our revenues, gross margin and profitability. Competitive factors, including changes in market penetration, increased price competition and the introduction of new products and technology by existing and new competitors could result in a material reduction in our revenues and profitability.

The loss of a major customer could result in a material reduction in our revenues and profitability.

Our top ten customers generated 29% and 28% of our net sales during fiscal 2013 and fiscal 2012, respectively. Accordingly, the loss of one or more of those customers or a substantial decrease in such customers' purchases from us could result in a material reduction in our revenues and profitability.

In addition, the consolidation and combination of defense or other manufacturers may eliminate customers from the industry and/or put downward pricing pressures on sales of component parts. For example, the consolidation that has occurred in the defense industry in recent years has significantly reduced the overall number of defense contractors in the industry. In addition, if one of our customers is acquired or merged with another entity, the new entity may discontinue using us as a supplier because of an existing business relationship with the acquiring company or because it may be more efficient to consolidate certain suppliers within the newly formed enterprise. The significance of the impact that such consolidation may have on our business is difficult to predict because we do not know when or if one or more of our customers will engage in merger or acquisition activity. However, if such activity involved our material customers it could materially impact our revenues and profitability.

Weakness in any of the industries in which our customers operate, as well as the cyclical nature of our customers' businesses generally, could materially reduce our revenues and profitability.

The commercial aerospace, mining and construction equipment and other diversified industrial industries to which we sell our products are, to varying degrees, cyclical and tend to decline in response to overall declines in industrial production. Margins in those industries are highly sensitive to demand cycles, and our customers in those industries historically have tended to delay large capital projects, including expensive maintenance and upgrades, during economic downturns. As a result, our business is also cyclical, and the demand for our products by these customers depends, in part, on overall levels of industrial production, general economic conditions and business confidence levels. Downward economic cycles could affect our customers and reduce sales of our products resulting in reductions in our revenues and net earnings. Any future material weakness in demand in any of these industries could materially reduce our revenues and profitability. Many of our customers have historically experienced periodic downturns, which often have had a negative effect on demand for our products. Previous industry downturns have negatively affected, and future industry downturns will negatively affect, our net sales, gross margin and net income.

Future reductions or changes in U.S. government spending could negatively affect our business.

In fiscal 2013, 3.3% of our net sales were made directly, and we estimate that, including our diversified industrial market, approximately an additional 20.7% of our net sales were made indirectly, to the U.S. government to support military or other government projects. Our failure to obtain new government contracts, the cancellation of government contracts or reductions in federal budget appropriations regarding our products could result in materially reduced revenue. In addition, the funding of defense programs also competes with non-defense spending of the U.S. government. Our business is sensitive to changes in national and international priorities and the U.S. government budget. A shift in government defense spending to other programs in which we are not involved or a reduction in U.S. government defense spending generally could materially reduce our revenues, cash flows from operations and profitability. If we, or our prime contractors for which we are a subcontractor, fail to win any particular bid, or we are unable to replace lost business as a result of a cancellation, expiration or completion of a contract, our revenues or cash flows could be reduced.

The U.S. government continues to focus on developing and implementing spending, tax, and other initiatives to stimulate the economy, create jobs, and reduce the deficit. One of these initiatives, the Budget Control Act of 2011 ("BCA"), imposed greater constraints around government spending. In an attempt to balance decisions regarding defense, homeland security, and other federal spending priorities, the BCA immediately imposed spending caps that contain approximately $487 billion in reductions to the Department of Defense ("DOD") base budgets over a ten-year period ending in 2021. The BCA also provides for an automatic sequestration process, originally slated to commence effective as of January 2, 2013, that imposes additional cuts of approximately $50 billion per year to the currently proposed DOD budgets for each fiscal year beginning with 2013 and continuing through 2021. On January 2, 2013, the American Taxpayer Relief Act of 2012 (“ATRA”) was signed into law, which among other things effectively delayed the implementation of the automatic sequestration process by approximately two months and reduced the spending cuts that were scheduled to occur during 2013 in proportion to the delay.

Although we cannot predict whether the automatic sequestration process will be allowed to proceed as set forth in ATRA and the BCA or will be further modified by new or additional legislation, we believe our portfolio of programs and product offerings are well positioned and will not be materially impacted by such proposed DOD budget cuts. However, one or more of our programs could be reduced, extended, or terminated as a result of the U.S. Government's continuing assessment of priorities, which could significantly impact our operations.

Fluctuating supply and costs of raw materials and energy resources could materially reduce our revenues, cash flow from operations and profitability.

Our business is dependent on the availability and costs of energy resources and raw materials, particularly steel, generally in the form of stainless and chrome steel, which are commodity steel products. The availability and prices of raw materials and energy sources may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and worldwide price levels. Although we currently maintain alternative sources for raw materials, our business is subject to the risk of price fluctuations and periodic delays in the delivery of certain raw materials. Disruptions in the supply of raw materials and energy resources could temporarily impair our ability to manufacture our products for our customers or require us to pay higher prices in order to obtain these raw materials or energy resources from other sources, which could thereby affect our net sales and profitability.

We seek to pass through a significant portion of our additional costs to our customers through steel surcharges or price increases. However, even if we are able to pass these steel surcharges or price increases to our customers, there may be a time lag of up to 3 months or more between the time a cost increase goes into effect and our ability to implement surcharges or price increases, particularly for orders already in our backlog. Competitive pressures and the terms of certain of our long-term contracts may require us to absorb at least part of these cost increases, particularly during periods of high inflation. As a result our gross margin percentage may decline, and we may not be able to implement other price increases for our products**.** We cannot provide assurances that we will be able to continue to pass these additional costs on to our customers at all or on a timely basis or that our customers will not seek alternative sources of supply if there are significant or prolonged increases in the price of steel or other raw materials or energy resources.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo ("DRC") and adjoining countries. As a result, in August 2012 the SEC adopted annual disclosure and reporting requirements for those companies who use materials containing conflict minerals in their products. mined from the DRC and adjoining countries. These new requirements will require due diligence efforts in calendar 2013, with initial disclosure requirements beginning in May 2014. There will be costs associated with complying with these disclosure requirements, including for diligence to determine the sources of materials containing conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of these verification activities. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in certain of our products. As there may be only a limited number of suppliers offering "conflict free" materials, we cannot ensure that we will be able to obtain necessary materials containing conflict free minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face negative reactions from customers if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all materials containing conflict minerals used in our products through the procedures we implement.

Our products are subject to certain approvals, and the loss of such approvals could materially reduce our revenues and profitability.

Essential to servicing the aerospace market is the ability to obtain product approvals. We have a substantial number of product approvals, which enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation. Product approvals are typically issued by the FAA to designated OEMs who are Production Approval Holders of FAA approved aircraft. These Production Approval Holders provide quality control oversight and generally limit the number of suppliers directly servicing the commercial aerospace aftermarket. Regulations enacted by the FAA provide for an independent process (the PMA process), which enables suppliers who currently sell their products to the Production Approval Holders, to sell products to the aftermarket. Our foreign sales may be subject to similar approvals or U.S. export control restrictions. Although we have not lost any material product approvals in the past, we cannot assure you that we will not lose approvals for our products in the future. The loss of product approvals could result in lost sales and materially reduce our revenues and profitability.

Work stoppages and other labor problems could materially reduce our ability to operate our business.

As of March 30, 2013, approximately 12% of our hourly employees were represented by labor unions in the U.S. and abroad. While we believe our relations with our employees are satisfactory, a lengthy strike or other work stoppage at any of our facilities, particularly at some of our larger facilities, could materially reduce our ability to operate our business. In addition, any attempt by our employees not currently represented by a union to join a union could result in additional expenses, including with respect to wages, benefits and pension obligations. We currently have three collective bargaining agreements, one agreement covering approximately 41 employees will expire in June 2014, one agreement covering approximately 80 employees will expire in January 2018 and one agreement covering approximately 34 employees will expire in October 2015.

In addition, work stoppages at one or more of our customers or suppliers, including suppliers of transportation services, many of which have large unionized workforces, for labor or other reasons could also cause disruptions to our business that we cannot control, and these disruptions may materially reduce our revenues and profitability.

Unexpected equipment failures, catastrophic events or capacity constraints may increase our costs and reduce our sales due to production curtailments or shutdowns.

Our manufacturing processes are dependent upon critical pieces of equipment, such as furnaces, continuous casters and rolling equipment, as well as electrical equipment, such as transformers, and this equipment may, on occasion, be out of service as a result of unanticipated failures. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions, earthquakes or violent weather conditions. In the future, we may experience material plant shutdowns or periods of reduced production as a result of these types of equipment failures or catastrophes. Interruptions in production capabilities will inevitably increase our production costs and reduce sales and earnings for the affected period.

Certain of our facilities are operating at a full first shift with second and third shifts at some locations, and additional demand may require additional shifts and/or capital investments at these facilities. We cannot assure you that we will be able to add additional shifts as needed in a timely way and production constraints may result in lost sales. In certain markets we refrain from making additional capital investments to expand capacity where we believe market expansion in a particular end market is not sustainable or otherwise does not justify the expansion or capital investment. Our assumptions and forecasts regarding market conditions in these end markets may be erroneous and may result in lost earnings, potential sales going to competitors and inhibit our growth.

We may not be able to continue to make the acquisitions necessary for us to realize our growth strategy.

The acquisition of businesses that complement or expand our operations has been and continues to be an important element of our business strategy. We frequently engage in evaluations of potential acquisitions and negotiations for possible acquisitions, some of which, if consummated, could be significant to us. We cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. Our inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on our business, financial position, cash flow and growth.

The costs and difficulties of integrating acquired businesses could impede our future growth.

We cannot assure you that any future acquisition will enhance our financial performance. Our ability to effectively integrate any future acquisitions will depend on, among other things, the culture of the acquired business matching with our culture, the ability to retain and assimilate employees of the acquired business, the ability to retain customers and integrate customer bases, the adequacy of our implementation plans, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operating efficiencies and sales goals. The integration of any acquired businesses might cause us to incur unforeseen costs, which would lower our future earnings and would prevent us from realizing the expected benefits of these acquisitions.

Even if we are able to integrate future acquired businesses with our operations successfully, we cannot assure you that we will realize all of the cost savings, synergies or revenue enhancements that we anticipate from such integration or that we will realize such benefits within the expected time frame. As a result of our acquisitions of other businesses, we may be subject to the risk of unforeseen business uncertainties or legal liabilities relating to those acquired businesses for which the sellers may not indemnify us. Future acquisitions may also result in potentially dilutive issuances of securities.

We depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects.

Our business is managed by a number of key executive officers, including Dr. Michael J. Hartnett. Our future success will depend on, among other things, our ability to keep the services of these executives and to hire other highly qualified employees at all levels.

We compete with other potential employers for employees, and we may not be successful in hiring and retaining executives and other skilled employees that we need. Our ability to successfully execute our business strategy, market and develop our products and serve our customers could be adversely affected by a shortage of available skilled employees or executives.

Our international operations are subject to risks inherent in such activities.

We have established operations in certain countries outside the U.S., including Mexico, France, Switzerland, China and England. Of our 26 facilities, 5 are located outside the U.S., including 4 manufacturing facilities**.**

In fiscal 2013, 14% of our net sales were generated by our international operations. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, including through acquisitions, particularly within the aerospace and defense markets. Our foreign operations are subject to the risks inherent in such activities such as: currency devaluations, logistical and communication challenges, costs of complying with a variety of foreign laws and regulations, greater difficulties in protecting and maintaining our rights to intellectual property, difficulty in staffing and managing geographically diverse operations, acts of terrorism or war or other acts that may cause social disruption which are difficult to quantify or predict and general economic conditions in these foreign markets. Our international operations may be negatively impacted by changes in government policies, such as changes in laws and regulations (or the interpretation thereof), restrictions on imports and exports, sources of supply, duties or tariffs, the introduction of measures to control inflation and changes in the rate or method of taxation. To date we have not experienced significant difficulties with the foregoing risks associated with our international operations.

Currency translation risks may have a material impact on our results of operations.

Our Swiss operation utilizes the Swiss Franc as the functional currency, our French operation utilizes the Euro as the functional currency and our English operation utilizes the British Pound Sterling as the functional currency. Foreign currency transaction gains and losses are included in earnings. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group and to foreign currency denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign subsidiaries' balance sheets to U.S. dollars. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings. We periodically enter into derivative financial instruments such as forward exchange contracts to reduce the effect of fluctuations in exchange rates on certain third-party sales transactions denominated in non-functional currencies. Currency fluctuations have not had a material impact on our financial performance in the past, but such fluctuations may affect our financial performance in the future and we cannot predict the impact of future exchange rate fluctuations on our results of operations. See Part II, Item 7A. "Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rates."

We may be required to make significant future contributions to our pension plan.

As of March 30, 2013, we maintained one noncontributory defined benefit pension plan. The plan was underfunded by $5.3 million as of March 30, 2013 and by $4.8 million as of March 31, 2012, which are the amounts by which the accumulated benefit obligations are more than the sum of the fair market value of the plan’s assets. We are required to make cash contributions to our pension plan to the extent necessary to comply with minimum funding requirements imposed by employee benefit laws and tax laws. The amount of any such required contributions is determined based on annual actuarial valuation of the plan as performed by the plan’s actuaries. The amount of future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a result, the amount we may elect or be required to contribute to our pension plan in the future may increase significantly. Additionally, there is a risk that if the Pension Benefit Guaranty Corporation concludes that its risk with respect to our pension plan may increase unreasonably if the plan continues to operate, if we are unable to satisfy the minimum funding requirement for the plan or if the plan becomes unable to pay benefits, then the Pension Benefit Guaranty Corporation could terminate the plan and take control of its assets. In such event, we may be required to make an immediate payment to the Pension Benefit Guaranty Corporation of all or a substantial portion of the underfunding as calculated by the Pension Benefit Guaranty Corporation based upon its own assumptions. The underfunding calculated by the Pension Benefit Guaranty Corporation could be substantially greater than the underfunding we have calculated because, for example, the Pension Benefit Guaranty Corporation may use a significantly lower discount rate. If such payment is not made, then the Pension Benefit Guaranty Corporation could place liens on a material portion of our assets and the assets of any members of our controlled group. Such action could result in a material increase in our pension related expenses and a corresponding reduction in our cash flow and net income. For additional information concerning our pension plan and plan liabilities, see Part II, Item 8. “Financial Statements and Supplementary Data,” Note 13 “Pension Plans.”

We may incur material losses for product liability and recall related claims.

We are subject to a risk of product and recall related liability in the event that the failure, use or misuse of any of our products results in personal injury, death, or property damage or our products do not conform to our customers' specifications. In particular, our products are installed in a number of types of vehicle fleets, including airplanes, trains, automobiles, heavy trucks and farm equipment, many of which are subject to government ordered as well as voluntary recalls by the manufacturer. If one of our products is found to be defective, causes a fleet to be disabled or otherwise results in a product recall, significant claims may be brought against us. Although we have not had any material product liability or recall related claims made against us, and we currently maintain product liability insurance coverage for product liability, although not for recall related claims, we cannot assure you that product liability or recall related claims, if made, would not exceed our insurance coverage limits or would be covered by insurance which, in turn, may result in material losses related to these claims, increased future insurance costs and a corresponding reduction in our cash flow and net income.

Environmental regulations impose substantial costs and limitations on our operations, and environmental compliance may be more costly than we expect.

We are subject to various federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. These laws and regulations could subject us to material costs and liabilities, including compliance costs, civil and criminal fines imposed for failure to comply with these laws and regulatory and litigation costs. We also may be liable under the Federal Comprehensive Environmental Response, Compensation, and Liability Act, or similar state laws, for the costs of investigation and clean-up of contamination at facilities currently or formerly owned or operated by us or at other facilities at which we have disposed of hazardous substances. In connection with such contamination, we may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Compliance with these laws and regulations may prove to be more limiting and costly than we anticipate. New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities that could cause a material increase in our environmental related compliance costs and a corresponding reduction in our cash flow and net income. Investigation and remediation of contamination at some of our sites is ongoing. Actual costs to clean-up these sites may exceed our current estimates. Although we have indemnities and other agreements for certain pre-closing environmental liabilities from the prior owners in connection with our acquisition of several of our facilities, we cannot assure you that the indemnities will be adequate to cover known or newly discovered pre-closing liabilities.

Our intellectual property and other proprietary rights are valuable, and any inability to protect them could adversely affect our business and results of operations; in addition, we may be subject to infringement claims by third parties.

Our ability to compete effectively is dependent upon our ability to protect and preserve the intellectual property and other proprietary rights and materials owned, licensed or otherwise used by us. We have numerous U.S. and foreign patents, trademark registrations and U.S. copyright registrations. We also have U.S. and foreign trademark and patent applications pending. We cannot assure you that our pending trademark and patent applications will result in trademark registrations and issued patents, and our failure to secure rights under these applications may limit our ability to protect the intellectual property rights that these applications were intended to cover. Although we have attempted to protect our intellectual property and other proprietary rights both in the United States and in foreign countries through a combination of patent, trademark, copyright and trade secret protection and non-disclosure agreements, these steps may be insufficient to prevent unauthorized use of our intellectual property and other proprietary rights, particularly in foreign countries where the protection available for such intellectual property and other proprietary rights may be limited. We cannot assure you that any of our intellectual property rights will not be infringed upon or that our trade secrets will not be misappropriated or otherwise become known to or independently developed by competitors. We may not have adequate remedies available for any such infringement or other unauthorized use. We cannot assure you that any infringement claims asserted by us will not result in our intellectual property being challenged or invalidated, that our intellectual property will be held to be of adequate scope to protect our business or that we will be able to deter current and former employees, contractors or other parties from breaching confidentiality obligations and misappropriating trade secrets. In addition, we may become subject to claims which could require us to pay damages or limit our ability to use certain intellectual property and other proprietary rights found to be in violation of a third party's rights, and, in the event such litigation is successful, we may be unable to use such intellectual property and other proprietary rights at all or on reasonable terms. Regardless of its outcome, any litigation, whether commenced by us or third parties, could be protracted and costly and could result in increased litigation related expenses, the loss of intellectual property rights or payment of money or other damages, which may result in lost sales and reduced cash flow and decrease our net income. See Part I, Item 1. "Business—Intellectual Property."

Cancellation of orders in our backlog of orders could negatively impact our revenues.

As of March 30, 2013, we had an order backlog of $216.5 million, which we estimate will be fulfilled within the next 12 months. However, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. For these reasons, we cannot assure you that orders included in our backlog will ultimately result in the actual receipt of revenues from such orders.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. To date, we have not detected any material weakness or significant deficiencies in our internal controls over financial reporting. However, we are continuing to evaluate and, where appropriate, enhance our policies, procedures and internal controls. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our financial condition. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Health care reform could adversely affect our operating results.

In 2010, the U.S. government enacted comprehensive health care reform legislation. Due to the breadth and complexity of this legislation, as well as its phased-in nature of implementation and lack of interpretive guidance, it is difficult for us to predict the overall effects it will have on our business over the coming years. To date, we have not experienced significant costs related to the health care reform legislation; however, it is possible that our operating results could be adversely affected in the future by increased costs, expanded liability exposure and requirements that change the ways we provide healthcare and other benefits to our employees.

Risk Factors Related to our Common Stock

Provisions in our charter documents may prevent or hinder efforts to acquire a controlling interest in us.

Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions which might benefit our stockholders or in which our stockholders might otherwise receive a premium for their shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management.

Our certificate of incorporation authorizes the issuance of preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors without stockholder approval. Holders of the common stock may not have preemptive rights to subscribe for a pro rata portion of any capital stock which may be issued by us. In the event of issuance, such preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of us or could impede our stockholders' ability to approve a transaction they consider in their best interests. Although we have no present intention to issue any new shares of preferred stock, we may do so in the future.

We have not paid and are unlikely to pay cash dividends in the foreseeable future.

We have not paid any cash dividends on our common stock and may not pay cash dividends in the future. Instead, we intend to apply earnings, if any, to the expansion and development of the business. Thus, the return on your investment, if any, will depend solely on an increase, if any, in the market value of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our principal executive office is located at One Tribology Center, Oxford, Connecticut 06478. We also use this facility for manufacturing.

We own facilities in the following locations:

Rancho Dominguez, California	Clayton, Georgia
Santa Ana, California	Bremen, Indiana
Fairfield, Connecticut	Plymouth, Indiana
Middlebury, Connecticut	Bishopville, South Carolina
Torrington, Connecticut	Hartsville, South Carolina
Ball Ground, Georgia	Houston, Texas
Delemont, Switzerland	

We have leases in effect with respect to the following facilities:

Location of Leased Facility	Lease Expiration Date	Location of Leased Facility	Lease Expiration Date
Baldwin Park, California	April 30, 2018	Reynosa, Mexico (1)	June 13, 2013
Fountain Valley, California	November 30, 2016	West Trenton, New Jersey	February 28, 2015
Tecate, Mexico	May 31, 2017	Oklahoma City, Oklahoma	September 30, 2021
Santa Fe Springs, California	November 30, 2015	Horsham, Pennsylvania	April 14, 2014
Shanghai, China	May 31, 2015	Bishopville, South Carolina	January 31, 2016
Oxford, Connecticut	September 30, 2014	Hartsville, South Carolina	September 30, 2014
Gloucestershire, England	April 30, 2018	Garden Grove, California	November 30, 2013
Les Ulis, France	June 30, 2016	Grand Prairie, Texas	February 28, 2015
Hoffman Estates, Illinois	August 31, 2015	Reynosa, Mexico (2)	February 28, 2014

We have several small field offices located in various locations to support field sales operations.

We believe that our existing property, facilities and equipment are generally in good condition, are well maintained and adequate to carry on our current operations. We also believe that our existing manufacturing facilities have sufficient capacity to meet increased customer demand. Substantially all of our owned domestic properties and most of our other assets are subject to a lien securing our obligations under our JP Morgan Credit Agreement.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in legal and administrative proceedings which arise in the ordinary course of our business. We do not believe that any litigation or proceeding in which we are currently involved, either individually or in the aggregate, is likely to have a material adverse effect on our business, financial condition, operating results, liquidity, cash flow or prospects.

Our wholly owned subsidiary, RBC Aircraft Products, Inc. is a plaintiff in a lawsuit against Precise Machining & Manufacturing LLC currently pending in the United States District Court, District of Connecticut’s Case Number 3:10 CV 878 (SRU). A jury award against Precise Machining & Manufacturing LLC and in favor of RBC Aircraft Products, Inc. in the amount of $2,986,089 was entered on April 9, 2013. Precise has filed a motion for judgment in its favor as a matter of law and a motion for a new trial. These motions are pending. On May 7, 2013 the judgment was registered with the United States District Court for the Northern District of Oklahoma under Case Number 4:13-mc-00010-CVE and the County Clerk.

We expect to prevail in this legal action above; however, as litigation is inherently unpredictable, there can be no assurance in this regard.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended March 30, 2013.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers are elected by the board of directors normally for a term of one year and until the election of their successors. Our executive officers of the company as of May 20, 2013 are as follows:

Name	Age		Current Position and Previous Positions During Last Five Years
Michael J. Hartnett	67	1992	Chairman, President and Chief Executive Officer
Daniel A. Bergeron	53	2003	Vice President and Chief Financial Officer and Assistant Secretary
Thomas C. Crainer	55	2008	Vice President and General Manager
Richard J. Edwards	57	1996	Vice President and General Manager
Thomas J. Williams	61	2006	Corporate General Counsel and Secretary
Thomas M. Burigo	61	2006	Corporate Controller

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price range of our Common Stock

Our common stock is quoted on the Nasdaq National Market under the symbol "ROLL." As of May 20, 2013, there were 50 holders of record of our common stock.

The following table shows the high and low sales prices of our common stock as reported by the Nasdaq National Market during the periods indicated:

	Fiscal 2013		Fiscal 2012	
	High	Low	High	Low
First Quarter	$49.47	$43.11	$40.78	$33.78
Second Quarter	50.76	45.01	40.57	29.39
Third Quarter	50.39	42.14	44.01	32.00
Fourth Quarter	54.40	48.46	48.05	41.09

The last reported sale price of our common stock on the Nasdaq National Market on May 20, 2013 was $47.34 per share.

Dividend Policy

We have never declared or paid any cash dividends on our common stock and do not expect to pay cash dividends for the foreseeable future. Our current policy is to retain all of our earnings to finance future growth. In addition, covenants in our credit facilities restrict our ability to pay dividends. Any future declaration of dividends will be determined by our board of directors, based upon our earnings, capital requirements, financial condition, debt covenants, tax consequences and other factors deemed relevant by our board of directors.

Issuer Purchases of Equity Securities

On February 7, 2013, our board of directors authorized us to repurchase up to $50.0 million of our common stock, from time to time on the open market, in block trade transactions and through privately negotiated transactions in compliance with Securities and Exchange Commission Rule 10b-18 depending on market conditions, alternative uses of capital and other relevant factors. Purchases may be commenced, suspended, or discontinued at any time without prior notice. This repurchase authorization terminates and replaces the existing $10.0 million stock repurchase program announced by us on June 15, 2007.

Total share repurchases for the three months ended March 30, 2013, all of which were made under this program, are as follows:

Period	Total number of shares purchased	Average price paid per share	Number of shares purchased as part of the publicly	Approximate dollar value of shares still available to be purchased

			announced program	under the program (000's)
12/30/2013 – 01/26/2013	—	$ —	—	$ 50,000
01/27/2013 – 02/23/2013	1,454	49.55	1,454	49,928
02/24/2013 – 03/30/2013	—	—	—	$ 49,928
Total	1,454	$ 49.55	1,454	

During the fourth quarter of fiscal 2013, we did not issue any common stock that was not registered under the Securities Act.

Equity Compensation Plans

Information regarding equity compensation plans required to be disclosed pursuant to this Item is included in Part II, Item 8. "Financial Statements and Supplementary Data," Note 16 "Stockholders' Equity-Stock Option Plans" of this Annual Report on Form 10-K.

Performance Graph

The following graph shows the total return to our stockholders compared to a peer group and the Nasdaq Composite Index over the period from March 29, 2008 to March 30, 2013. Each line on the graph assumes that $100 was invested in our common stock on March 29, 2008 or in the respective indices at the closing price on March 29, 2008. The graph then presents the value of these investments, assuming reinvestment of dividends, through the close of trading on March 30, 2013.

Comparison of Five-Year Cumulative Total Return*

Among RBC Bearings Incorporated, the Nasdaq Composite Index

and a Peer Group

	March 29, 2008	March 28, 2009	April 3, 2010	April 2, 2011	March 31, 2012	March 30, 2013
RBC Bearings Incorporated	$ 100.00	$ 44.74	$ 87.68	$ 107.38	$ 127.47	$ 139.71
Nasdaq Composite Index	100.00	69.04	108.36	127.14	142.42	152.93
Peer Group	100.00	60.64	116.87	146.87	164.08	182.63

The peer group consists of Kaydon Corporation, Moog Inc., NN Inc., Precision Industries Castparts Corp., Timken Company and Triumph Group Inc., which in our opinion, most closely represent the peer group for our business segments.

*The cumulative total return shown on the stock performance graph indicates historical results only and is not necessarily indicative of future results.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated historical financial and other data as of the dates and for the periods indicated. The selected financial data as of and for the years ended March 30, 2013, March 31, 2012, April 2, 2011, April 3, 2010 and March 28, 2009 have been derived from our historical consolidated financial statements audited by Ernst & Young LLP, independent registered public accounting firm. Historical results are not necessarily indicative of the results expected in the future. You should read the data presented below together with, and qualified by reference to, Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included in Part II, Item 8. “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

	Fiscal Year Ended				
	March 30, 2013	March 31, 2012	April 2, 2011	April 3, 2010	March 28, 2009
	(in thousands, except share and per share amounts)				
Statement of Operations Data:					
Net sales[1]	$403,051	$397,511	$335,625	$274,702	$355,796
Cost of sales	250,122	256,931	225,851	190,136	237,576
Gross margin	152,929	140,580	109,774	84,566	118,220
Selling, general and administrative	65,751	61,303	52,706	47,367	55,779
Other, net	9,077	1,629	875	2,529	7,471
Operating income	78,101	77,648	56,193	34,670	54,970
Interest expense, net	868	1,045	1,791	1,807	2,605
Loss on early extinguishment of debt[2]	—	—	—	—	319
Other non-operating expense (income)	(2,955)	624	1,525	(147)	645
Income before income taxes	80,188	75,979	52,877	33,010	51,401
Provision for income taxes	23,846	25,982	18,009	8,625	16,947
Net income	$56,342	$49,997	$34,868	$24,385	$34,454
Net income per common share:					
Basic	$2.52	$2.28	$1.61	$1.13	$1.60
Diluted	$2.47	$2.23	$1.58	$1.12	$1.58
Weighted average common shares:					
Basic	22,401,068	21,880,554	21,678,626	21,590,421	21,570,979
Diluted	22,810,793	22,390,914	22,078,711	21,747,082	21,738,812
Other Financial Data:					
Capital expenditures	$42,017	$17,841	$10,440	$9,906	$27,583

	As of March 30,	March 31,	April 2,	April 3,	March 28,
	2013	2012	2011	2010	2009
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$114,480	$68,621	$63,975	$21,389	$30,557
Working capital	326,953	270,434	215,791	202,714	205,904
Total assets	542,442	459,518	425,982	375,955	382,067
Total debt	10,300	1,041	31,296	38,453	68,151
Total stockholders' equity	462,195	385,815	330,067	283,547	256,011

(1) Net sales were $403.1 million in fiscal 2013 compared to $397.5 million in fiscal 2012, an increase of $5.6 million. Net sales in fiscal 2013 included net sales of $0.3 million for Western Precision Aero LLC (“WPA”), which was acquired in March 2013.

Net sales were $397.5 million in fiscal 2012 compared to $335.6 million in fiscal 2011, an increase of $61.9 million.

Net sales were 335.6 million in fiscal 2011 compared to $274.7 million in fiscal 2010, an increase of $60.9 million.

Net sales in fiscal 2011 included net sales of $4.4 million for Lubron (acquired in September 2009).

Net sales were $274.7 million in fiscal 2010 compared to $355.8 million in fiscal 2009, a decrease of $81.1 million. Net sales in the compared periods included net sales of $2.3 million for Lubron, which was acquired in September 2009.

(2) Loss on early extinguishment of debt in fiscal 2009 was $0.3 million for the non-cash write-off of deferred financing fees associated with the paydown of $15.5 million of industrial revenue bonds.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial and business analysis below provides information which we believe is relevant to an assessment and understanding of our consolidated financial position, results of operations and cash flows. This financial and business analysis should be read in conjunction with the consolidated financial statements and related notes. All references to "Notes" in this Item 7 refer to the Notes to Consolidated Financial Statements included in Item 8 of the Annual Report on Form 10-K.

The following discussion and certain other sections of this Annual Report on Form 10-K contain statements reflecting our views about our future performance that constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and our beliefs and assumptions. Any statements contained herein (including without limitation statements to the effect that we or our management "believes," "expects," "anticipates," "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. There are a number of important factors that could cause actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth, or incorporated by reference, below under the heading "Cautionary Statements." We do not intend to update publicly any forward-looking statements where as a result of new information, future events or otherwise.

Overview

We are a well known international manufacturer of highly engineered precision plain, roller and ball bearings. Our precision solutions are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on the higher end of the bearing market where we believe our value added manufacturing and engineering capabilities enable us to differentiate ourselves from our competitors and enhance profitability. We estimate that approximately two-thirds of our net sales during fiscal 2013 were generated by products for which we hold the number one or two market position. We have been providing bearing solutions to our customers since 1919. Over the past ten years, under the leadership of our current management team, we have significantly broadened our end markets, products, customer base and geographic reach. We currently operate 26 facilities of which 24 are manufacturing facilities in four countries.

Demand for bearings generally follows the market for products in which bearings are incorporated and the economy as a whole. Purchasers of bearings include industrial equipment and machinery manufacturers, producers of commercial and military aerospace equipment such as missiles and radar systems, agricultural machinery manufacturers, construction, energy, mining and specialized equipment manufacturers and automotive and commercial truck manufacturers. The markets for our products are cyclical, and general market conditions could negatively impact our operating results. We have endeavored to mitigate the cyclicality of our product markets by entering into sole-source relationships and long-term purchase orders, through diversification across multiple market segments within the aerospace and defense and diversified industrial segments, by increasing sales to the aftermarket and by focusing on developing highly customized solutions.

During fiscal 2013, the world economy experienced anemic growth with contractions in the international markets offset by slow growth in the U.S. markets. Our net sales to the aerospace and defense markets increased 12.1% year over year offset by a decline of 8.2% to the diversified industrial markets.

Approximately 14% to 25% of our costs, depending on product mix, are attributable to raw materials and purchased components, a majority of which are related to steel and related products. During fiscal 2013, steel prices remained flat with slight variances up and down throughout the fiscal year. When we do experience raw material inflation, we offset these cost increases by changing our buying patterns, expanding our vendor network and passing through price increases when possible. The overall impact on raw material costs for this fiscal year was not material as a percent change on a year over year basis.

Competition in specialized bearing markets is based on engineering design, brand, lead times and reliability of product and service. These markets are generally not as price sensitive as the markets for standard bearings.

We have demonstrated expertise in acquiring and integrating bearing and precision engineered component manufacturers that have complementary products or distribution channels and provide significant potential for margin enhancement. We have consistently increased the profitability of acquired businesses through a process of methods and systems improvement coupled with the introduction of complementary and proprietary new products. Since October 1992 we have completed 21 acquisitions, including the current acquisition of Western Precision Aero LLC, which have broadened our end markets, products, customer base and geographic reach.

Outlook

We ended fiscal 2013 with a backlog of $216.5 million compared to $215.9 million for the same period last fiscal year. Our net sales increased 1.4% year over year due to growth in the aerospace and defense markets offset by a decline in the diversified industrial markets. We expect to see strength in the diversified industrial markets resulting from recovery growth in the energy, construction, rail, machine tools and industrial distribution sectors as well as from the overall economic improvement of the general industrial markets. Our internal goal is to grow our diversified industrial business at a pace of 2.0 to 2.5 times Gross Domestic Product (“GDP”).

In the fourth quarter of fiscal 2013, we reached a decision to consolidate and restructure our large bearing manufacturing facilities and capacity. This decision was based on our intent to better align manufacturing abilities and product development. The consolidation of the Texas facility into the South Carolina operation will strengthen and bring critical engineering and manufacturing mass to the large bearing product line. The consolidation and restructuring includes (1) consolidation of the machinery and equipment from Texas into South Carolina resulting in a certain portion being impaired and the remaining portion used to service the large bearing product offering; (2) sale or lease of the Texas building; and (3) a reduction in workforce in Texas due to the realignment. The majority of the expense associated with the consolidation and restructuring was incurred in fiscal 2013 with continued effort to sell the equipment and sell or lease the building to be completed in fiscal 2014. As a result, we recorded a pre-tax charge of $6.7 million under operating expenses in the Other, net category of the income statement for fiscal 2013 associated with this consolidation and restructuring. This charge included $0.4 million in employee related costs, $0.1 million in moving and relocation costs, and $6.2 million impairment to fair value of certain equipment used in the manufacturing of large bearings. We determined that the market approach was the most appropriate method to estimate the fair value for the equipment and building using comparable sales data and actual quotes from potential buyers in the market place. These assets continue to be classified in fixed assets on the March 30, 2013 balance sheet. We will evaluate the fair value of the assets held for sale each quarter and may incur gains or losses due to changes in the fair value of the assets until they are sold, if they are sold during the period, and changes in market conditions that could require additional impairment tests and potentially additional future impairment charges. This analysis of fair value of assets resulted in a $6.2 million impairment loss in fiscal 2013 and is attributable to the Ball Bearings segment in which all of these assets reside. We estimate the potential for additional period costs of $1.2 million over fiscal 2014 and 2015 associated with the consolidation and relocation of the equipment and the ongoing costs associated with the building until it is sold or leased. The aggregate of the $6.7 million in 2013 and the potential $1.2 million over 2014 and 2015 is an expected amount of $7.9 million anticipated to be incurred due to the consolidation and restructuring.

During fiscal 2013, we experienced the favorable impact of increased activity from the worldwide commercial aircraft industry. Monthly build rates were up approximately 26% for Boeing and approximately 8% for Airbus in calendar year 2012, and they are both forecasting these levels to continue and grow as new ship models are introduced. This activity is expected to have a favorable impact on our business over the next twelve months. As a result of these trends, we have continued to increase our workforce and to expand and tool our plants to absorb additional volume and to design new products for new platforms.

Sources of Revenue

Revenue is generated primarily from sales of bearings to the diversified industrial market and the aerospace and defense markets. Sales are often made pursuant to sole-source relationships, long-term agreements and purchase orders with our customers. We recognize revenues principally from the sale of products at the point of passage of title, which is at the time of shipment, except for certain customers for which it occurs when the products reach their destination.

Sales to the diversified industrial market accounted for 48% of our net sales for the fiscal year ended March 30, 2013. Sales to the aerospace and defense markets accounted for 52% of our net sales for the same period.

Aftermarket sales of replacement parts for existing equipment platforms represented approximately 52.8% of our net sales for fiscal 2013. We continue to develop our OEM relationships which have established us as a leading supplier on many important aerospace and defense platforms. Over the past several years, we have experienced increased demand from the replacement parts market, particularly within the aerospace and defense sectors; one of our business strategies has been to increase the proportion of sales derived from this sector. We believe these activities increase the stability of our revenue base, strengthen our brand identity and provide multiple paths for revenue growth.

Approximately 14% of our net sales were generated by our international facilities for fiscal 2013, compared to 15 % for fiscal 2012. We expect that this proportion will increase as we seek to increase our penetration of foreign markets. Our top ten customers generated 29% and 28% of our net sales in fiscal 2013 and fiscal 2012, respectively. Out of the 29% of net sales generated by our top ten customers during the fiscal year ended March 30, 2013, 15% of net sales were generated by our top four customers compared to 14% for the comparable period last fiscal year.

Cost of Revenues

Cost of sales includes employee compensation and benefits, raw materials, outside processing, depreciation of manufacturing machinery and equipment, supplies and manufacturing overhead.

We monitor gross margin performance through a process of monthly operation reviews with all our divisions. We develop new products to target certain markets allied to our strategies by first understanding volume levels and product pricing and then constructing manufacturing strategies to achieve defined margin objectives. We only pursue product lines where we believe that the developed manufacturing process will yield the targeted margins. Management monitors gross margins of all product lines on a monthly basis to determine which manufacturing processes or prices should be adjusted.

Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A, expenses relate primarily to the compensation and associated costs of selling, general and administrative personnel, professional fees, insurance, incentive stock compensation, facility costs and information technology. We increased SG&A expenses by $4.5 million in fiscal 2013 compared to fiscal 2012. The increase of $4.5 million was primarily attributable to an increase of $3.0 million in personnel-related costs as a result of headcount and salary increases, $0.3 million in legal and professional fees, $0.4 million in other miscellaneous expenses and $1.2 million in incentive stock compensation offset by the impact of favorable foreign exchange rates of $0.4 million.

Results of Operations

The following table sets forth the various components of our consolidated statements of operations, expressed as a percentage of net sales, for the periods indicated that are used in connection with the discussion herein:

	Fiscal Year Ended		
	March 30, 2013	March 31, 2012	April 2, 2011
Statement of Operations Data:			
Net sales	100.0 %	100.0 %	100.0 %
Gross margin	37.9	35.4	32.7
Selling, general and administrative	16.3	15.4	15.7
Other, net	2.2	0.4	0.3
Operating income	19.4	19.6	16.7
Interest expense, net	0.2	0.3	0.5
Other non-operating expense (income)	(0.7)	0.2	0.4
Income before income taxes	19.9	19.1	15.8
Provision for income taxes	5.9	6.5	5.4
Net income	14.0 %	12.6 %	10.4 %

We have a fiscal year consisting of 52 or 53 weeks, ending on the Saturday closest to March 31. Based on this policy, fiscal years 2013, 2012 and 2011 contained 52 weeks.

Segment Information

We have four reportable product segments: Plain Bearings, Roller Bearings, Ball Bearings and Other. Other consists of three operating locations that do not fall into the above segmented categories, primarily machine tool collets, machining for integrated bearing assemblies and aircraft components and tight-tolerance, precision mechanical components. Within the Plain Bearings, Roller Bearings and Ball Bearings segments, we have not aggregated any operating segments. Within the Other reportable segment, we have aggregated operating segments because they do not meet the quantitative threshold for separate disclosure.

Fiscal 2013 Compared to Fiscal 2012

Net Sales.

	FY13	FY12	$ Change	% Change
Plain Bearings	$216.0	$200.2	$ 15.8	7.9 %
Roller Bearings	115.0	123.8	(8.8)	(7.1)%
Ball Bearings	41.4	42.3	(0.9)	(2.3)%
Other	30.7	31.2	(0.5)	(1.7)%
Total	$403.1	$397.5	$ 5.6	1.4 %

Net sales for fiscal 2013 were $403.1 million, an increase of $5.6 million, or 1.4%, compared to $397.5 million for the same period in fiscal 2012. The increase of $5.6 million was primarily attributable to $8.1 million of volume and $0.5 million of product mix/pricing offset by $3.0 million of unfavorable foreign exchange rates. Net sales to aerospace and defense customers increased 12.1% in fiscal 2013 compared to the same period last fiscal year, mainly driven by increased build rates by commercial aircraft and the aerospace aftermarket. This increase included $0.3 million attributable to WPA which was acquired in March 2013. This performance was offset by a decline of 8.2% from the diversified industrial markets, resulting primarily from slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets. Our industrial distribution business was slightly down by 0.4% mainly due to the semiconductor aftermarkets.

The Plain Bearings segment achieved net sales of $216.0 million in fiscal 2013, an increase of $15.8 million, or 7.9%, compared to $200.2 million for the same period in the prior fiscal year. This segment was favorably impacted by volume of approximately $15.3 million and $2.7 million in product mix/pricing offset by $2.2 million from unfavorable foreign exchange rates. Net sales to aerospace and defense customers increased $17.1 million offset by a decline of $1.3 million in net sales to diversified industrial customers compared with the same period in the prior fiscal year. This increase included $0.3 million attributable to WPA which was acquired in March 2013. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket offset by slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets.

The Roller Bearings segment achieved net sales of $115.0 million in fiscal 2013, a decrease of $8.8 million, or 7.1%, compared to $123.8 million for the same period in the prior fiscal year. This segment was unfavorably impacted by volume of $6.1 million and product mix/pricing of $2.7 million. Of this decline, net sales to the industrial sector contributed $12.4 million offset by an increase of $3.6 million in net sales to aerospace and defense customers. This segment was primarily affected by the slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets.

The Ball Bearings segment achieved net sales of $41.4 million in fiscal 2013, a decrease of $0.9 million, or 2.3%, compared to $42.3 million for the same period in the prior fiscal year. Of this decline, approximately $1.9 million was attributable to volume offset by improved product mix/pricing of $1.0 million. Net sales to diversified industrial customers contributed $0.6 million to this decline combined with a decrease of $0.3 million in the aerospace and defense sector.

The Other segment, which is focused mainly on the sale of machine tool collets and precision components, achieved net sales of $30.7 million in fiscal 2013, a decrease of $0.5 million, or 1.7%, compared to $31.2 million for the same period last fiscal year. The decrease in net sales was attributable to $0.8 million of unfavorable foreign exchange rates and $0.4 million of product mix/pricing offset by improved volume of $0.7 million. Of this decline, $2.3 million was attributable to lower net sales of machine tool collets mainly in Europe and Asia and $0.8 million to unfavorable foreign exchange rates offset by an increase of $2.6 million due to increased demand for mechanical components mainly in the U.S. market.

Gross Margin.

	FY13	FY12	$ Change	% Change
Plain Bearings	$85.4	$72.9	$ 12.5	17.2 %
Roller Bearings	45.1	45.2	(0.1)	(0.3)%
Ball Bearings	9.4	9.3	0.1	2.0 %
Other	13.0	13.2	(0.2)	(1.9)%
Total	$152.9	$140.6	$ 12.3	8.8 %

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Gross margin was $152.9 million, or 37.9% of net sales, in fiscal 2013, versus $140.6 million, or 35.4% of net sales, for the comparable period in fiscal 2012. The increase of $12.3 million in gross margin dollars was driven by approximately $8.8 million in cost reduction and manufacturing efficiencies, $2.8 million in product mix/pricing and $1.6 million in volume offset by $0.9 million of unfavorable foreign exchange rates across both the diversified industrial and aerospace and defense markets.

Gross margin for the Plain Bearings segment was $85.4 million, or 39.6%, in fiscal 2013 versus $72.9 million, or 36.4% in fiscal 2012. Of this increase, approximately $5.9 million was attributable to volume, $4.6 million to cost reduction and manufacturing efficiencies and $2.6 million to product mix/pricing offset by $0.6 million to unfavorable foreign exchange rates. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket offset by slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets. The acquisition of WPA contributed $0.1 million to this performance improvement.

The Roller Bearings segment reported gross margin of $45.1 million, or 39.2%, in fiscal 2013 compared to $45.2 million, or 36.5%, in the prior fiscal year. This segment was unfavorably impacted by approximately $2.4 million of lower volume offset by $2.0 million in cost reduction and manufacturing efficiencies, $0.2 million in product mix/pricing and $0.1 million of favorable foreign exchange rates. This segment was primarily affected by the slowing activity in mining, oil and gas, heavy construction and general industrial markets.

The Ball Bearings segment reported gross margin of $9.4 million, or 22.8%, in fiscal 2013 versus $9.3 million, or 21.8%, in fiscal 2012. Of this improvement, approximately $2.4 million was attributable to cost reduction and manufacturing efficiencies offset by lower volume of $2.3 million.

During fiscal 2013, the Other segment reported gross margin of $13.0 million, or 42.3%, compared to $13.2 million, or 42.4%, in the prior fiscal year. This decline in gross margin was primarily driven by approximately $0.3 million of cost increases, $0.3 million from unfavorable foreign exchange rates and $0.1 million of product mix/pricing offset by increased volume of $0.5 million. Of this decline, $0.7 million was attributable to lower machine tool collets activity mainly in Europe and Asia and $0.3 million to unfavorable foreign exchange rates offset by an increase of $0.8 million due to increased demand for mechanical components mainly in the U.S. market.

Selling, General and Administrative.

	FY13	FY12	$ Change	% Change	
Plain Bearings	$15.4	$14.4	$ 1.0	6.1	%
Roller Bearings	6.8	6.3	0.5	7.3	%

Ball Bearings	3.0	3.4	(0.4)	(10.4)%
Other	3.7	4.0	(0.3)	(7.1)%
Corporate	36.9	33.2	3.7	11.3 %
Total	$65.8	$61.3	$ 4.5	7.3 %

SG&A expenses increased by $4.5 million, or 7.3%, to $65.8 million in fiscal 2013 compared to $61.3 million for the same period in fiscal 2012. The increase of $4.5 million was primarily attributable to an increase of $3.0 million in personnel-related costs as a result of headcount and salary increases, $0.3 million in legal and professional fees, $0.4 million in other miscellaneous expenses and $1.2 million in incentive stock compensation offset by the impact of favorable foreign exchange rates of $0.4 million. As a percentage of net sales, SG&A was 16.3% in fiscal 2013 compared to 15.4% for the same period in fiscal 2012. While SG&A expenses increased $4.5 million in fiscal 2013, net sales during the 2013 fiscal period increased by $5.6 million, contributing to the higher SG&A percentage to net sales of 16.3%.

Other, Net. Other, net in fiscal 2013 was $9.1 million compared to $1.6 million for the same period in fiscal 2012. In fiscal 2013, other, net consisted of $6.9 million related primarily to the consolidation and restructuring of large bearing facilities, $1.6 million of amortization of intangibles, $0.2 million of bad debt expense, $0.2 million related to the disposal of fixed assets and $0.2 million of other miscellaneous costs. In fiscal 2012, other, net consisted of $1.5 million of amortization of intangibles, $0.2 million of bad debt expense and $0.1 million of other costs offset by $0.2 million of other income.

Operating Income.

	FY13	FY12	$ Change	% Change
Plain Bearings	$69.0	$57.9	$ 11.1	19.2 %
Roller Bearings	37.6	41.1	(3.5)	(8.5)%
Ball Bearings	(0.2)	3.5	(3.7)	(105.4)%
Other	9.0	9.0	—	(0.2)%
Corporate	(37.3)	(33.9)	(3.4)	(10.3)%
Total	$78.1	$77.6	$ 0.5	0.6 %

Operating income was $78.1 million, or 19.4% of net sales, in fiscal 2013 compared to $77.6 million, or 19.5% of net sales, in fiscal 2012. The increase of $0.5 million in operating income dollars was driven primarily by approximately $7.9 million in other cost reductions and manufacturing efficiencies, $2.8 million in product mix/pricing and $1.6 million in volume offset by $6.9 million related primarily to the consolidation and restructuring of large bearing facilities, $4.5 million related to higher SG&A expenses and $0.4 million from unfavorable exchange rates across both the diversified industrial and aerospace and defense markets.

The increase in operating income in one of our four segments was mostly attributable to increased commercial aircraft build rates and the aerospace aftermarket. This increase was offset by slowing activity in mining, oil and gas, heavy construction and general industrial markets, restructuring and consolidation activities, and higher SG&A expenses, primarily driven by higher personnel costs, legal and professional fees, and stock compensation expense.

The Plain Bearings segment achieved an operating income of $69.0 million in fiscal 2013 compared to $57.9 million for the same period last year. This improved contribution resulted from approximately a $5.9 million increase in volume, $2.9 million in cost reduction and manufacturing efficiencies and $2.6 million in product mix/pricing offset by $0.3 million of unfavorable foreign exchange rates. This segment was favorably impacted by commercial aircraft build rates and the aerospace aftermarket offset by slowing activity in mining, oil and gas, heavy construction and general industrial markets.

The Roller Bearings segment achieved an operating income of $37.6 million in fiscal 2013 compared to $41.1 million in fiscal 2012. The decrease of $3.5 million in operating income year over year was mainly the result of approximately $2.4 million of lower volume and $1.4 million of higher costs offset by $0.2 million of favorable product mix/pricing and $0.1 million from favorable exchange rates. This segment was primarily affected by the slowing OEM activity in mining, oil and gas, heavy construction and general industrial markets.

The Ball Bearings segment achieved an operating expense of $0.2 million in fiscal 2013 compared to operating income of $3.5 million for the same period last fiscal year. This segment's performance was unfavorably impacted by approximately $6.9 million of expenses related primarily to the consolidation and restructuring of large bearing facilities and $2.3 million of lower semiconductor and large bearing volume offset by $5.5 million of other cost reductions.

The Other segment achieved operating income of $9.0 million in both fiscal 2013 and 2012, respectively. This performance was favorably impacted by increased volume of approximately $0.5 million offset by $0.2 million of cost increases, $0.2 million of unfavorable exchange rates and by $0.1 million from product mix/pricing.

Interest Expense, Net. Interest expense, net was $0.9 million in fiscal 2013 and $1.0 million in fiscal 2012, respectively.

Other Non-Operating Expense (Income). Other non-operating income was $3.0 million in fiscal 2013 compared to expense of $0.6 million in fiscal 2012. The change of $3.6 million was due to the receipt of a CDSOA distribution payment in the amount of $3.6 million in fiscal 2013.

Income Before Income Taxes. Income before taxes was $80.2 million in fiscal 2013 compared to income before taxes of $76.0 million in fiscal 2012.

Income Taxes. Income tax expense in fiscal 2013 was $23.8 million compared to $26.0 million in fiscal 2012. The effective income tax rate in fiscal 2013 was 29.7% compared to 34.2% in fiscal 2012. In addition to discrete items, the effective income tax rates are different from the U.S. statutory rate due to a special manufacturing deduction in the U.S. and foreign income taxed at lower rates which decrease the rate, and state income taxes and an officers' compensation adjustment which increase the rate. For fiscal 2013, there were discrete items of $4.0 million comprised predominately of the release of certain unrecognized tax benefits associated with federal and state income tax audits closing and statute of limitations expiring. Also for fiscal 2013, on 1/2/2013, in the Company's fourth quarter, the American Taxpayer Relief Act of 2012 retroactively reinstated the research and development tax credit which had previously expired. The benefit of the discrete items, along with the benefit from the reinstatement of the research and development tax credit, have caused a decrease in the Company's fiscal 2013 annual effective income tax rate.

Net Income. Net income was $56.3 million in fiscal 2013 compared to net income of $50.0 million in fiscal 2012.

Fiscal 2012 Compared to Fiscal 2011

Net Sales.

	FY12	FY11	$ Change	% Change
Plain Bearings	$200.2	$168.8	$ 31.4	18.6 %
Roller Bearings	123.8	98.9	24.9	25.1 %
Ball Bearings	42.3	40.6	1.7	4.2 %
Other	31.2	27.3	3.9	14.6 %
Total	$397.5	$335.6	$ 61.9	18.4 %

Net sales for fiscal 2012 were $397.5 million, an increase of $61.9 million, or 18.4%, compared to $335.6 million for the same period in fiscal 2011. The increase of $61.9 million was primarily attributable to $48.0 million of volume, $7.9 million of product mix/pricing and $6.0 million of favorable foreign exchange rates. Net sales to diversified industrial customers grew 18.3% in fiscal 2012 compared to the same period last fiscal year. This was mainly the result of strong order volume in construction, energy, mining, semiconductor, military vehicles and the overall general industrial markets. Of this increase of 18.3%, approximately 0.9% was from favorable foreign exchange rates. Net sales to aerospace and defense customers increased 18.5% in fiscal 2012 compared to the same period last fiscal year, mainly driven by increased build rates by major aircraft manufacturers combined with higher demand from the general aerospace aftermarket.

The Plain Bearings segment achieved net sales of $200.2 million in fiscal 2012, an increase of $31.4 million, or 18.6%, compared to $168.8 million for the same period in the prior fiscal year. This segment was favorably impacted by volume of approximately $22.9 million, $4.5 million in product mix/pricing and $4.0 million from favorable foreign exchange rates. Net sales to diversified industrial customers increased $11.7 million combined with a $19.7 million increase in net sales to aerospace and defense customers compared with the same period in the prior fiscal year. This segment was favorably impacted by stronger demand for military vehicles, continued improvement in construction, mining, energy, rail and the general industrial markets as well as increased build rates by aircraft manufacturers.

The Roller Bearings segment achieved net sales of $123.8 million in fiscal 2012, an increase of $24.9 million, or 25.1%, compared to $98.9 million for the same period in the prior fiscal year. This segment was favorably impacted by volume of $22.1 million, product mix/pricing of $2.7 million and $0.1 million from favorable foreign exchange rates. Of this increase, net sales to the industrial sector contributed $16.6 million combined with an increase of $8.3 million in net sales to aerospace and defense customers. This performance was favorably impacted by growth in the construction and energy markets, as well as increased activity in the general industrial markets.

The Ball Bearings segment achieved net sales of $42.3 million in fiscal 2012, an increase of $1.7 million, or 4.2%, compared to $40.6 million for the same period in the prior fiscal year. Of this improvement, approximately $1.0 million was attributable to volume and $0.7 million to product mix/pricing. Net sales to diversified industrial customers contributed $1.5 million to this increase combined with an increase of $0.2 million in the aerospace and defense sector.

The Other segment, which is focused mainly on the sale of machine tool collets and precision components, achieved net sales of $31.2 million in fiscal 2012, an increase of $3.9 million, or 14.6%, compared to $27.3 million for the same period last fiscal year. The increase in net sales was favorably impacted by approximately $2.0 million of increased volume and $1.9 million of favorable foreign exchange rates. Of this increase, $1.2 million was attributable to improvement in net sales of machine tool collets mainly in Europe and Asia combined with an increase of $0.8 million due to increased demand for mechanical components mainly in the U.S. market.

Gross Margin.

	FY12	FY11	$ Change	% Change	
Plain Bearings	$72.9	$58.2	$ 14.7	25.3	%
Roller Bearings	45.2	32.1	13.1	40.9	%
Ball Bearings	9.3	9.2	0.1	0.5	%
Other	13.2	10.3	2.9	28.1	%
Total	$140.6	$109.8	$ 30.8	28.1	%

Gross margin was $140.6 million, or 35.4% of net sales, in fiscal 2012, versus $109.8 million, or 32.7% of net sales, for the comparable period in fiscal 2011. The increase of $30.8 million in gross margin dollars was driven by approximately $14.6 million in volume, $8.5 million in product mix/pricing, $6.1 million in cost reduction programs and $1.9 million from favorable exchange rates across both the diversified industrial and aerospace and defense markets. This was offset by a $0.3 million decrease in gross margin related to our large bearing facility.

Gross margin for the Plain Bearings segment was $72.9 million, or 36.4%, in fiscal 2012 versus $58.2 million, or 34.5% in fiscal 2011. Of this increase, approximately $5.5 million was attributable to volume, $3.5 million to cost reduction programs, $4.5 million to product mix/pricing and $1.2 million to favorable foreign exchange rates. This improvement was primarily driven by stronger demand for military vehicles, growth in construction, mining, energy, rail and the general industrial markets as well as increased build rates by aircraft manufacturers.

The Roller Bearings segment reported gross margin of $45.2 million, or 36.5%, in fiscal 2012 compared to $32.1 million, or 32.5%, in the prior fiscal year. This segment was favorably impacted by approximately $7.8 million in volume, $2.6 million in cost reduction programs and $2.7 million in product mix/pricing. This improved performance was impacted by growth in the construction and energy markets, as well as increased activity in the general industrial markets.

The Ball Bearings segment reported gross margin of $9.3 million, or 21.8%, in fiscal 2012 versus $9.2 million, or 22.6%, in fiscal 2011. Of this improvement, $0.2 million was attributable to volume and $0.2 million to product mix/pricing offset by a $0.3 million decrease in gross margin related to our large bearing facility.

During fiscal 2012, the Other segment reported gross margin of $13.2 million, or 42.4%, compared to $10.3 million, or 37.9%, in the prior fiscal year. This increase in gross margin was primarily driven by approximately $1.2 million from increased volume and $1.1 million in product mix/pricing combined with the impact of favorable foreign exchange of $0.6 million.

Selling, General and Administrative.

	FY12	FY11	$ Change	% Change	
Plain Bearings	$14.4	$13.0	$ 1.4	11.4	%
Roller Bearings	6.3	6.0	0.3	3.4	%
Ball Bearings	3.4	3.2	0.2	6.8	%
Other	4.0	3.6	0.4	11.6	%
Corporate	33.2	26.9	6.3	23.4	%
Total	$61.3	$52.7	$ 8.6	16.3	%

SG&A expenses increased by $8.6 million, or 16.3%, to $61.3 million in fiscal 2012 compared to $52.7 million for the same period in fiscal 2011. The increase of $8.6 million was primarily attributable to an increase of $6.8 million in personnel-related costs as a result of headcount and salary increases, $0.8 million from the impact of foreign exchange, $0.7 million in travel and entertainment expenses, $0.2 million in professional fees and $0.1 million in incentive stock compensation. As a percentage of net sales, SG&A was 15.4% in fiscal 2012 compared to 15.7% for the same period in fiscal 2011. While SG&A expenses increased $8.6 million in fiscal 2012, net sales during the 2012 fiscal period increased by $61.9 million, contributing to the lower SG&A percentage to net sales of 15.4%.

Other, Net. Other, net in fiscal 2012 was $1.6 million compared to $0.9 million for the same period in fiscal 2011. In fiscal 2012, other, net consisted of $1.5 million of amortization of intangibles, $0.2 million of bad debt expense and $0.1 million of other costs offset by $0.2 million of other income. In fiscal 2011, other, net consisted of a net gain of $1.1 million on the sale of assets and $0.1 million of other income offset by $1.4 million of amortization of intangibles, $0.5 million of bad debt expense and $0.2 million of restructuring costs.

Operating Income.

	FY12	FY11	$ Change	% Change
Plain Bearings	$57.9	$45.9	$ 12.0	26.2 %
Roller Bearings	41.1	28.0	13.1	46.8 %
Ball Bearings	3.5	3.6	(0.1)	(2.7)%
Other	9.0	6.6	2.4	35.5 %
Corporate	(33.9)	(27.9)	(6.0)	21.2 %
Total	$77.6	$56.2	$ 21.4	38.2 %

Operating income was $77.6 million, or 19.5% of net sales, in fiscal 2012 compared to $56.2 million, or 16.7% of net sales, in fiscal 2011. The increase of $21.4 million in operating income dollars was driven primarily by $5.9 million in volume, $8.5 million in product mix/pricing, $6.1 million in cost reduction programs and $1.2 million from favorable exchange rates across both the diversified industrial and aerospace and defense markets. This was offset by a $0.3 million decrease in operating income related to our large bearing facility.

The increase in operating income was driven primarily by the economic recovery experienced in both our aerospace and defense and diversified industrial markets. Our diversified industrial business was driven by volume increases in construction, energy, mining, semiconductor, military vehicles and the overall general industrial markets. This increase was offset by expansion into our large bearing facility.

The Plain Bearings segment achieved an operating income of $57.9 million in fiscal 2012 compared to $45.9 million for the same period last year. This improved contribution resulted from approximately a $3.2 million increase in volume, $3.5 million in cost reduction programs, $4.5 million in product mix/pricing and $0.8 million of favorable foreign exchange.

The Roller Bearings segment achieved an operating income of $41.1 million in fiscal 2012 compared to $28.0 million in fiscal 2011. The increase of $13.1 million in operating income year over year was mainly the result of approximately $7.8 million of higher volume, $2.6 million of cost reduction programs and $2.7 million of product mix/pricing. This improved performance was impacted by growth in the construction and energy markets, as well as increased activity in the general industrial markets.

The Ball Bearings segment achieved an operating income of $3.5 million in fiscal 2012 compared to $3.6 million for the same period last fiscal year. This segment’s performance was impacted by a $0.2 million improvement attributable to product mix/pricing offset by a $0.3 million decrease in operating income related to our large bearing facility.

The Other segment achieved an operating income of $9.0 million in fiscal 2012 compared to $6.6 million for the same period in fiscal 2011. The increase of $2.4 million was mainly due to approximately $0.9 million from increased volume and $1.1 million from product mix/pricing combined with the impact of favorable foreign exchange of $0.4 million.

Interest Expense, Net. Interest expense, net was $1.0 million in fiscal 2012 and $1.8 million in fiscal 2011, respectively.

Other Non-Operating Expense (Income). Other non-operating expense was $0.6 million in fiscal 2012 compared to $1.5 million in fiscal 2011. The decrease in expense of $0.9 million was primarily due to favorable foreign exchange rates on foreign currency deposits.

Income Before Income Taxes. Income before taxes was $76.0 million in fiscal 2012 compared to income before taxes of $52.9 million in fiscal 2011.

Income Taxes. Income tax expense in fiscal 2012 was $26.0 million compared to $18.0 million in fiscal 2011. The effective income tax rate in fiscal 2012 was 34.2% compared to 34.1% in fiscal 2011. In addition to discrete items, the effective income tax rates are different from the U.S. statutory rate due to a special manufacturing deduction in the U.S. and foreign income taxed at lower rates which decrease the rate, and state income taxes and an officers' compensation adjustment which increase the rate.

The effective income tax rate for fiscal 2011 of 34.1% includes the reversal of unrecognized tax benefits associated with the conclusion of our IRS audit. A U.S. federal income tax examination by the Internal Revenue Service for the years ended March 31, 2007 and March 31, 2008 was substantially completed during fiscal 2011. The effective income tax rate for fiscal 2011 without this discrete item would have been 35.2%.

Net Income. Net income was $50.0 million in fiscal 2012 compared to net income of $34.9 million in fiscal 2011.

Liquidity and Capital Resources

Our business is capital intensive. Our capital requirements include manufacturing equipment and materials. In addition, we have historically fueled our growth in part through acquisitions. We have historically met our working capital, capital expenditure requirements and acquisition funding needs through our net cash flows provided by operations, various debt arrangements and sale of equity to investors. We believe that operating