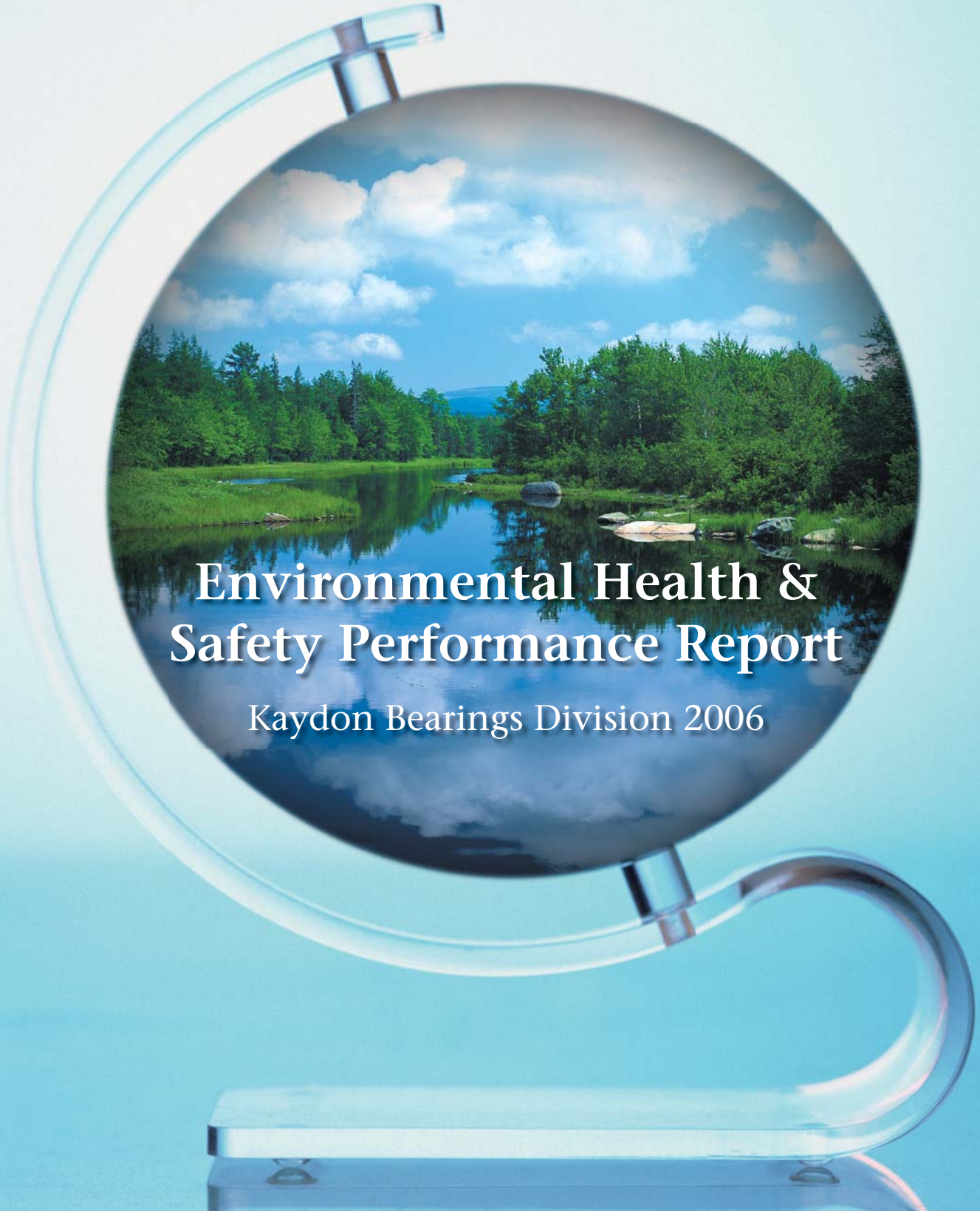
KAYDON®

Turning Ideas Into Engineered Solutions



Environmental Health & Safety Performance Report

Kaydon Bearings Division 2006

A Message from the President of Kaydon Bearings Division

To Our Valued Customers:

Kaydon Bearings Division, our suppliers and many of our customers have taken proactive steps to evaluate and reduce the impact of all of our products on the environment. A crucial part of this effort is understanding the environmental aspects of all elements of our businesses. We frequently receive – and respond to – environmental questionnaires from customers who are pursuing environmental improvements in their product and supply chains. We have developed this Environmental Health and Safety Performance Report to help them in these efforts.

Recognizing that we have an environmental impact, Kaydon Bearings is committed to meet all relevant compliance requirements. Independent third-party reviews of our operations have been conducted to help us identify our key environmental issues. Highlights of these issues are:

Environmental Compliance

In 2004, we completed third-party environmental compliance audits of all four of our U.S. manufacturing locations. In 2005, we implemented corrective-action tracking and follow-up programs in these facilities. We also completed an environmental site visit of our Monterrey, Mexico facility. The third-party audit program is continuing in 2006. In addition, we are reviewing the audit results and corrective actions to determine an appropriate site visit frequency for future audits. This information will form the baseline against which all audit/corrective action results will be assessed and progress measured.

Environmental Impact

The completion of these third-party reviews has allowed us to develop a set of key environmental performance metrics. These were developed to help Kaydon Bearings be responsive to customers' needs. We believe that this effectively meets the general intent of such standards as the ISO 14001 Environmental Management System.

Water Use: Water plays an important part in our manufacturing processes. It is used in many operations, from turning to the cleaning of parts. Water is both an environmental issue and a significant cost element. Since we pay for each gallon of fresh water consumed and for wastewater treatment, controlling water use has the dual benefit of reducing our environmental footprint and costs.

Hazardous Waste Generation: Bearing production generates a certain amount of hazardous waste. One primary waste material created is non-chlori-

nated solvent, which we recycle. Like water, this represents both an environmental issue and cost to Kaydon Bearings Division.

Non-metal Recycling: Our processes involve the use of various materials that can be recycled or reclaimed. Cutting oils, petroleum products and solvents make up the bulk of these materials, which we have recycled for years.

Metal Recycling: Clearly, various metals are our primary raw material, and our processes generate scrap. Kaydon Bearings has long practiced recycling here and continues to do so.

Alloy Formulation: Our customers have an array of needs that require specific properties, such as hardness, corrosion resistance, dimensional stability, and friction reduction. These properties are achieved through the use of alloys that contain various chemical elements. Kaydon Bearings manages the use of these elements in conjunction with the customer's product performance requirements.

Site Cleanup: Kaydon Bearings Division is involved in only one site remediation activity. This is at our Muskegon site, where primary removal efforts were begun and completed in 1986. Ever since, we have conducted groundwater removal and discharge to the municipal treatment facility in full compliance with local, state and federal requirements.

Other materials are used in the running of our business, such as packaging materials and office supplies. We encourage all employees to conserve and recycle whenever possible.

Safety Performance

Kaydon Bearings Division actively supports creating and maintaining a safe workplace. No job or activity is important enough to jeopardize the well-being of our employees. The incidence and severity of all recordable accidents are continuously tracked at all facilities and we take proactive steps to reduce or eliminate the potential of any occurrence. We are proud of our safety record and our trend of ongoing improvement.

We believe that environmental, health and safety improvement is a continuous journey that involves constant diligence. As a reflection of that continuous effort, we believe this report will evolve with time, experience and customer feedback.

We look forward to hearing from you about this report, its future and our journey together.

L. Jeffrey Manzagol
President,
Kaydon Bearings Division

Kaydon Bearings Division EHS Performance Metrics

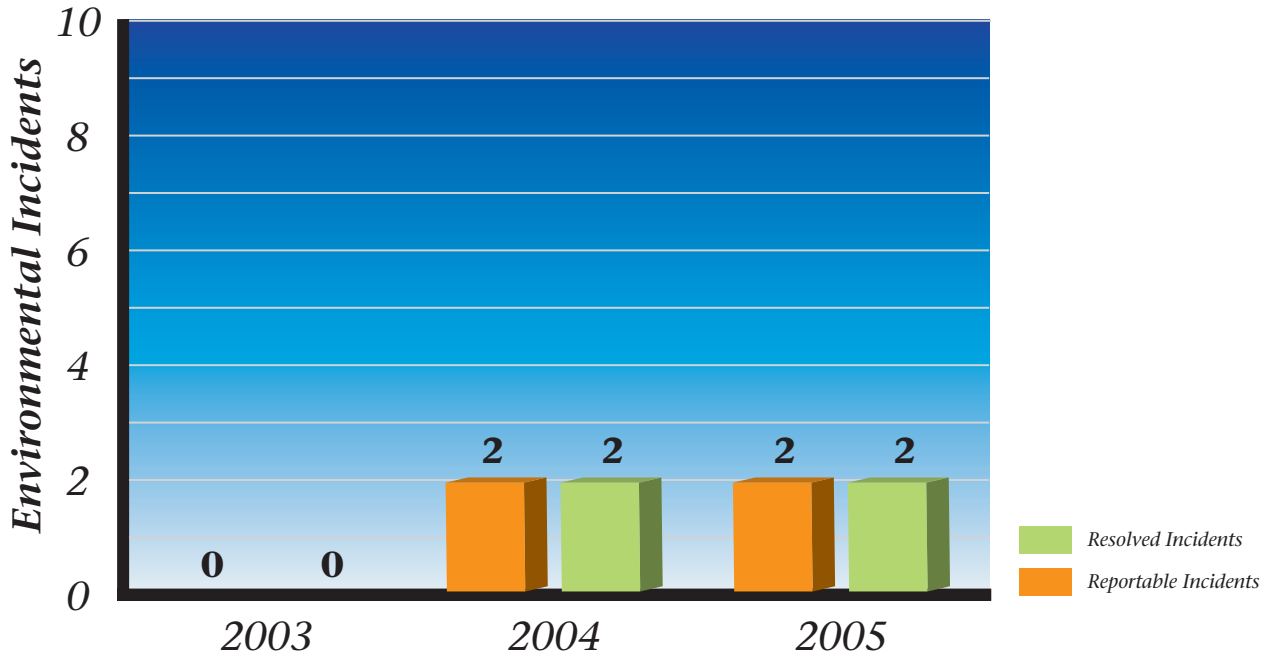
In developing specific EHS performance metrics during 2005, Kaydon Bearings Division has followed these guiding principles:

- ***Align our metrics with the EHS performance interests of our customers.*** We reviewed numerous customer questionnaires and related industry documentation to guide us in the selection of our metrics. While customers have their own individual needs, it is our intention that these metrics meet the majority of customer information requirements.
- ***Normalize to production.*** Because our business — and the associated material use/waste generation — is dependent on our production output, we have normalized our performance metrics to reflect production-based trends and efficiencies. These numbers are important in understanding the context of our EHS performance.
- ***Use the best available information.*** Significant effort was put into identifying existing information that could be used for these metrics. In some cases, there is a great deal of relevant data; in other cases, we were not able to obtain key information. We chose to develop some metrics despite those gaps because we felt they were of interest to a broad base of customers. Where information is limited, we have attempted to note that and have already begun to strengthen our data collection procedures for future reporting.
- ***Utilize a continuous improvement process for these metrics.*** As mentioned, we will implement continuous reviews and improvements for our EHS metrics and reporting. We anticipate that data availability will improve over time and that customers' EHS performance information needs will change as well. Data for our Mexican facility will be added in our next report.

Environmental Incidents

Kaydon Bearings Division has continually proven itself to be a responsible corporate citizen with the environmental regulatory authorities in the United States. This is highlighted by our compliance record.

Of the reportable incidents in the past three years, none involved the EPA, and all of the 2004 and 2005 incidents were resolved directly with the local sewer authority.

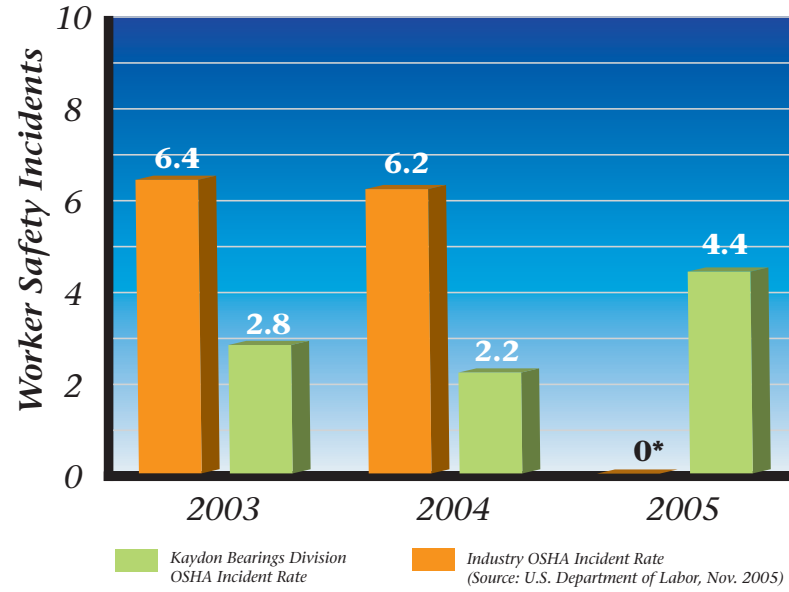


Worker Safety

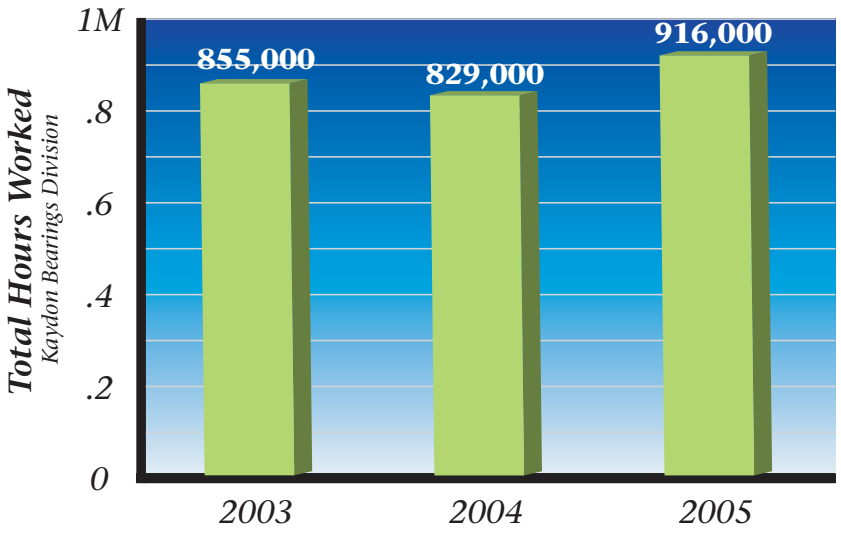
Kaydon Bearings Division has a strong and effective accident investigation and prevention program. Given the nature of our manufacturing processes — large and heavy metal parts handling combined with machining, chemical and heat-based metal treatment processes — we are very proud of our safety performance.

- Two of our plants have gone four years or more without a lost time accident.
- Three of our four U.S. plants have significantly increased hours worked over the past three years, an average of 22%. This compares to an average of 7% across all U.S. manufacturing.
- Kaydon Bearings Division's OSHA incident rate is well under the national average in our industry sector (machinery manufacturing) as reported by the U.S. Department of Labor, Bureau of Labor Statistics. In 2005, we worked 916,000 hours with an incident rate of just 4.4.

We continue to seek improvements and measure our performance in order to enrich the well-being of our employees.



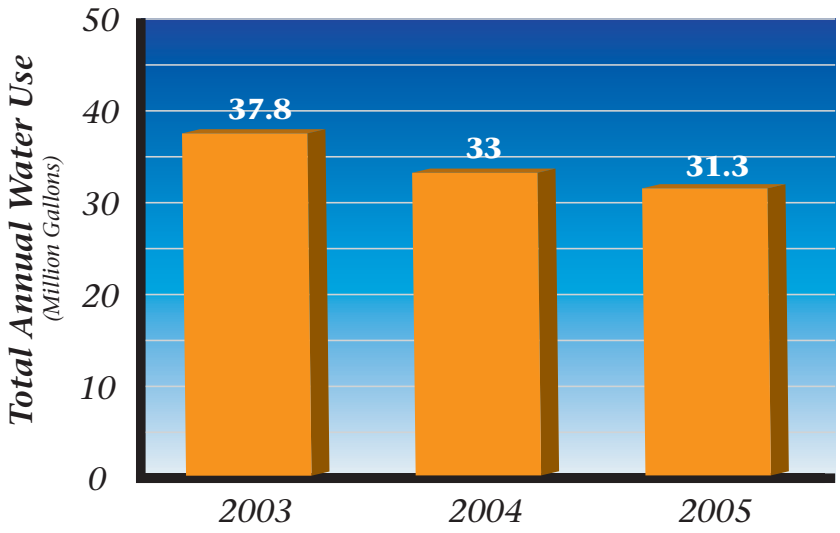
*2005 statistics have not yet been released by US DOL.

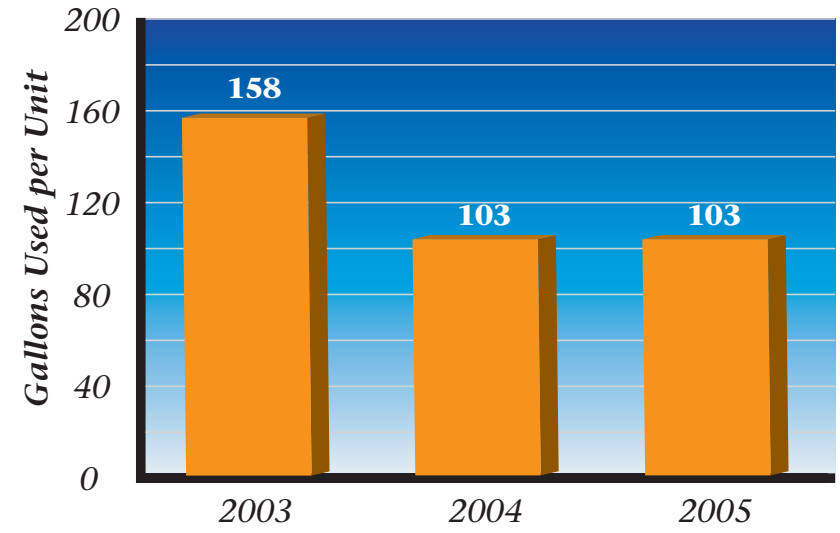


Water Use

As noted earlier, water is used in many Kaydon operations, and consuming less reduces costs (operating and treatment) as well as environmental impact.

We have substantially reduced both our overall fresh water use and our use per unit over the past three years, even as production has trended up. Kaydon Bearings Division has successfully implemented water use efficiencies.



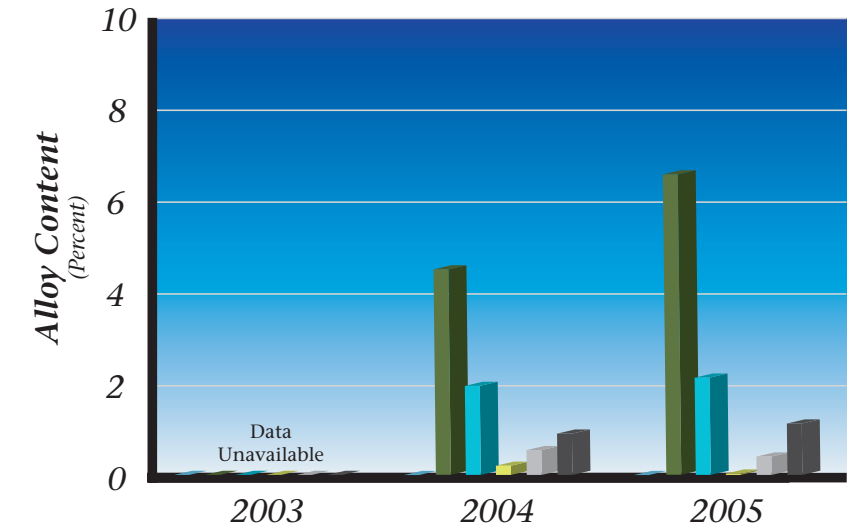


Alloy Content for Metals of Concern

With the advent of certain regulatory requirements outside the United States, we have seen heightened customer interest in the composition of the alloys we use. Steel, our primary raw material in various alloys, contains minimal amounts of other metals, as shown above.

Kaydon relies on the product information supplied by the manufacturer to make these determinations. Where a range of values is supplied, we have taken the upper limit (i.e., the largest value), which represents a conservative quantification of the alloy formulation.

None of our products contains arsenic, asbestos or benzene.

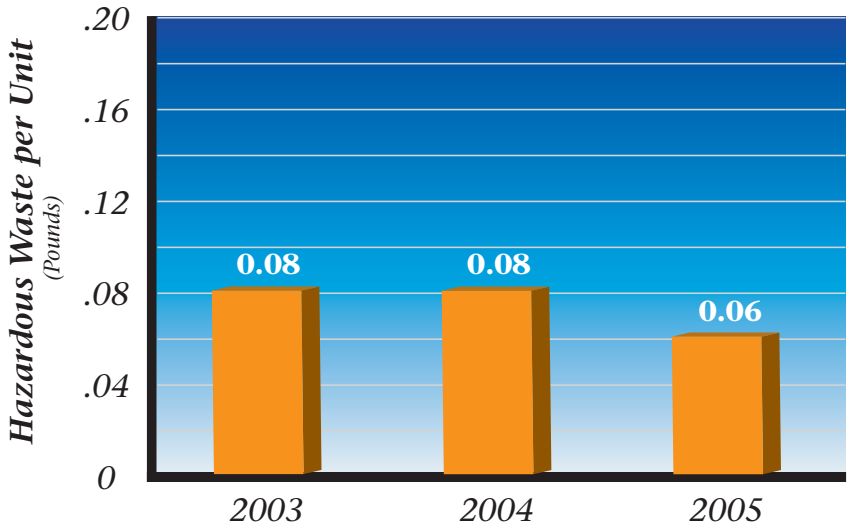


	2003	2004	2005
Cadmium		0	0
Chromium		4.48	6.55
Copper		1.94	2.12
Lead		0.2	0.03
Nickel		0.54	0.4
Zinc		0.9	1.12

Hazardous Waste Generation

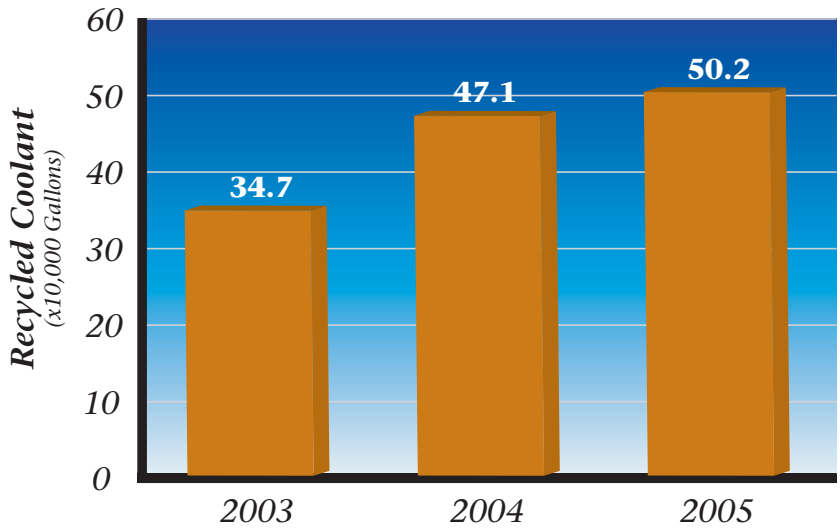
Hazardous waste produced by Kaydon Bearings Division is mainly comprised of solvents used for parts cleaning, as well as some metal treatment chemical wastes. We never use solvents known or suspected to be carcinogens, such as trichloroethylene.

Hazardous waste generation rates at all facilities are consistently less than 1.3 ounces per unit shipped, and are declining even as production increases. All waste is disposed of in accordance with applicable federal, state and local regulations.



Metalworking Coolant

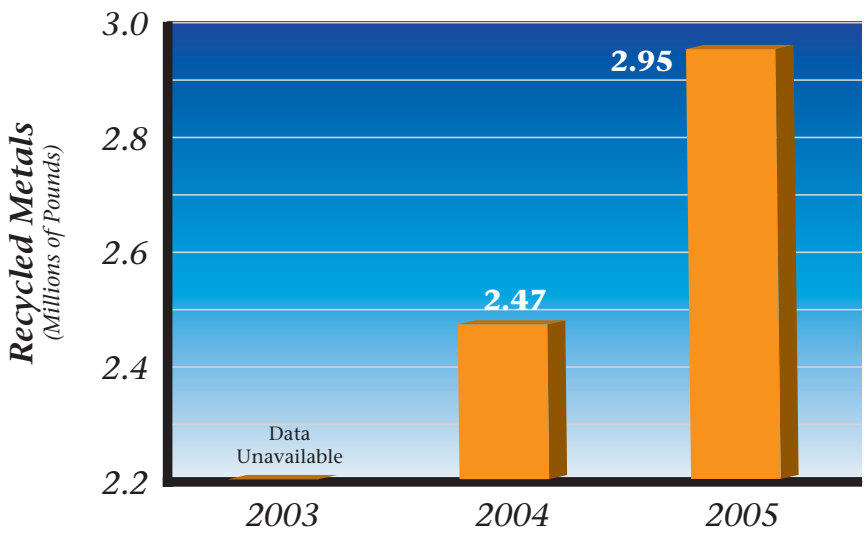
Continuing improvement in our metalworking coolant recycling rates reflects an increase in production (and coolant use) as well as improvements in our procedures for reducing waste and capturing more materials for beneficial reuse rather than disposal. Our Muskegon facility, in fact, recycles virtually all its coolant.



A filtering machine removes impurities from coolant so it can be recirculated and used again.

Recycled Metals

Not surprisingly, our most significant by-product is scrap metal. This material has economic value and we strive to recover and recycle as much as possible. In 2005, we recycled nearly 3 million pounds. As production increases, the amount of recycled metal will climb as well.



Precision machining uses a lot of coolant, and Kaydon was able to recycle over 500,000 gallons last year.

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