

News From:

For Immediate Release



Kaydon Corporation

Global Engineered Solutions

KAYDON CORPORATION REPORTS THIRD QUARTER RESULTS

Ann Arbor, Michigan – October 29, 2009

Kaydon Corporation (NYSE: KDN) today announced its results for the third fiscal quarter ended October 3, 2009.

Third Quarter Results

Sales in the third fiscal quarter of 2009 were \$123.6 million, compared to \$126.8 million in the third quarter of 2008. Wind energy sales in the third quarter of 2009 were \$41.0 million, an increase of \$19.4 million compared to the third quarter of 2008. The 90 percent increase in wind energy sales offset much of the sales declines in our other end markets in the third quarter of 2009 as compared to the prior third quarter.

Operating income was \$24.6 million in the third quarter of 2009, compared to \$24.8 million in the third quarter of 2008. EBITDA, a non-GAAP measure and as defined by the Company, was \$32.1 million, or 25.9 percent of sales, during the third quarter of 2009, compared to \$31.8 million, or 25.1 percent of sales, during the third quarter of 2008. Both operating income and EBITDA in the 2009 period include a pre-tax gain of \$5.4 million associated with changes to certain benefit plans as described below. Readers should refer to the attached *Reconciliation of Non-GAAP Measures* exhibit for the calculation of EBITDA and the reconciliation of EBITDA to the most comparable GAAP measure.

The Company recently initiated several changes to its postretirement employment benefits which will benefit future cash flow and earnings. The curtailment of these benefits has resulted in a pre-tax gain of \$5.4 million, or \$.10 per share on a diluted basis, in the third quarter of 2009.

Comparisons are also impacted by significantly reduced interest income due to negligible market rates available for cash balances as management continues to prioritize preservation of capital over short term returns. Interest income in the third quarter of 2009 was \$0.2 million, compared to \$1.5 million in the third quarter of 2008, which resulted in a year-over-year reduction of approximately \$.03 per share on a diluted basis.

Net income was \$16.1 million in the third quarter of 2009, or \$.48 per share on a diluted basis, compared to net income of \$16.3 million in the third quarter of 2008, or \$.50

per share on a diluted basis. Third quarter 2008 results have been adjusted to reflect the required retrospective application of a new accounting standard related to earnings per share effective January 1, 2009. This new standard required retrospective application to prior periods and the required adjustment reduced previously reported third quarter 2008 basic earnings per share by \$.01 and had no effect on diluted earnings per share.

Backlog was \$250.1 million at October 3, 2009 compared to \$242.8 million at July 4, 2009, the end of the second fiscal quarter of 2009, and \$354.5 million at September 27, 2008. Wind energy backlog was \$129.6 million at October 3, 2009 compared to \$124.1 million at July 4, 2009 and \$181.6 million at September 27, 2008.

Management Commentary

James O' Leary, Chairman and Chief Executive Officer commented, "We are pleased with our execution in an extremely difficult operating environment. The cost reduction and containment measures initiated early and aggressively in this downturn, together with a solid performance from our wind energy business, yielded results that are relatively stronger than those experienced earlier this year. We are especially pleased with our cash flow performance, which reflected both these measures and our disciplined approach to managing capital expenditures during this challenging period.

"Overall, our industrial end markets appear to have stabilized at the relatively low levels noted in our previous quarter. Certain markets, notably wind energy and medical, were stronger as they benefited from strategic positioning and the capital investments made in prior periods. Also noteworthy, our military end market, while below prior year's level due to the timing of certain program releases, was solid sequentially and the current quarter saw higher orders and shipments of military vehicle products.

"While the current quarter showed sequential strength in our wind energy, medical, and military markets, it is important to note that their longer term outlooks will be heavily influenced by governmental policy issues including clear, long term support for renewable energy initiatives and funding for military spending. That said, we are pleased with our position in these markets given the current environment.

"The aggressive, proactive cost reduction and containment measures initiated by our leadership team, coupled with the underlying strength of our businesses, should allow us to exit this downturn in better shape than when we entered it. We continue to seek opportunities across the Company to improve our structural cost base in the event that business does not improve from the current level in the intermediate term.

"The strength of our balance sheet and the cash generating ability of our businesses will allow us to fund important initiatives and take advantage of opportunities that may arise over time. The recent increase in our dividend reflects the confidence of our management team and our Board in the fundamental strengths of our Company."

Segment Review

Friction control product sales in the third quarter of 2009 were \$87.1 million, compared to \$79.3 million in the third quarter of 2008. Sales to the wind energy and medical markets exceeded prior year's levels offsetting declines in our industrial markets. Our industrial end markets have presently settled at the relatively low levels noted in our prior quarter. While certain markets, such as medical and semiconductor, have shown some signs of strengthening, our higher margin, industrial machinery businesses remain depressed, although no longer worsening.

Wind energy sales in the third quarter of 2009 were \$41.0 million, an increase of \$19.4 million compared to the third quarter of 2008. Wind energy sales for the first three quarters of 2009 were \$81.7 million, an increase of 45 percent compared to the first three quarters of 2008. During the recent quarter, there was a discernable improvement in trade credit conditions which benefitted shipments during the period as availability of letters of credit improved significantly.

Third quarter 2009 friction control products operating income was \$15.4 million, compared to \$16.4 million in the third quarter of 2008. The decline in operating income was primarily attributable to unfavorable mix, higher depreciation, and higher pension costs.

Velocity control product sales in the third quarter of 2009 were \$12.2 million, compared to \$17.1 million in the third quarter of 2008, due principally to reduced demand related to the general economic decline in both Europe and North America. Third quarter 2009 velocity control products operating income was \$2.1 million, compared to \$4.5 million in the third quarter of 2008 due principally to lower volume.

Sealing product sales in the third quarter of 2009 were \$8.8 million, compared to \$10.8 million in the third quarter of 2008, due to lower demand stemming from the general economic decline. Third quarter 2009 sealing products operating income was \$0.8 million, compared to \$1.0 million in the third quarter of 2008 due principally to lower volume.

Sales from the Company's remaining businesses in the third quarter of 2009 were \$15.5 million, compared to \$19.7 million in the third quarter of 2008 resulting from lower demand related to the general economic decline. Third quarter 2009 other business operating income was \$1.4 million, compared to \$1.8 million in the third quarter of 2008, due principally to lower volume.

Financial Position and Free Cash Flow

Free cash flow, a non-GAAP measure defined by the Company as net cash from operating activities less capital expenditures, net of dispositions, was \$40.5 million in the third quarter of 2009 compared to \$7.8 million during the third quarter of 2008. Readers should refer to the attached *Reconciliation of Non-GAAP Measures* exhibit for the calculation of free cash flow and the reconciliation of free cash flow to the most comparable GAAP measure.

During the third quarter of 2009, the Company reduced inventory levels relative to the prior quarter by approximately \$19.7 million. In addition, capital expenditures, net of dispositions declined significantly from the prior year's level as the Company completed its expansion plan in wind energy and responded to current business conditions.

On July 6, 2009, the Company paid common stock dividends of \$.17 per share or \$5.7 million. The Company's third quarter dividend, paid on October 5, 2009, was at a rate of \$.18 per share, an increase of 5.9 percent from the previous \$.17 per share.

The Company had unrestricted cash totaling \$247.8 million, \$295.1 million in committed available credit and no debt outstanding as of October 3, 2009.

About Kaydon

Kaydon Corporation is a leading designer and manufacturer of custom-engineered, performance-critical products, supplying a broad and diverse group of alternative-energy, industrial, aerospace, medical and electronic equipment, and aftermarket customers.

Conference call information: At 8:30 a.m. Eastern time today, Kaydon will host a third quarter 2009 earnings conference call. The conference call can be accessed telephonically in a listen-only mode by dialing 1-888-218-8176 and providing the following passcode number: 800500. Participants are asked to dial in 10 minutes prior to the scheduled start time of the call.

Alternatively, interested parties are invited to listen to the conference call on the Internet at:

<http://webcast.premiereglobal.com/view/wl/r.htm?e=168605&s=1&k=D580923F67D44E8A915C3888BE9A756E>

or by logging on to the Kaydon Corporation website at: <http://www.kaydon.com> and accessing the conference call at the "Third Quarter 2009 Conference Call" icon.

To accommodate those that are unable to listen at the scheduled start time, a replay of the conference call will be available telephonically beginning at 11:30 a.m. Eastern time today through November 5, 2009 at 11:59 p.m. Eastern time. The replay is accessible by dialing 1-888-203-1112 and providing the following passcode number: 4558850.

Additionally, interested parties can access an archive of the conference call on the Kaydon Corporation website at <http://www.kaydon.com>.

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This press release contains forward-looking statements within the meaning of the Securities Exchange Act of 1934 regarding the Company's plans, expectations, estimates and beliefs. Forward-looking statements are typically identified by words such as

“believes,” “anticipates,” “estimates,” “expects,” “intends,” “will,” “may,” “should,” “could,” “potential,” “projects,” “approximately,” and other similar expressions, including statements regarding pending litigation, general economic conditions, competitive dynamics and the adequacy of capital resources. These forward-looking statements may include, among other things, projections of the Company’s financial performance, anticipated growth, characterization of and the Company’s ability to control contingent liabilities, and anticipated trends in the Company’s businesses. These statements are only predictions, based on the Company’s current expectation about future events. Although the Company believes the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, performance or achievements or that predictions or current expectations will be accurate. These forward-looking statements involve risks and uncertainties that could cause the Company’s actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements.

In addition, the Company or persons acting on its behalf may from time to time publish or communicate other items that could also be construed to be forward-looking statements. Statements of this sort are or will be based on the Company’s estimates, assumptions, and projections and are subject to risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. Kaydon does not undertake any responsibility to update its forward-looking statements or risk factors to reflect future events or circumstances except to the extent required by applicable law.

Certain non-GAAP measures are presented in this press release. These measures should be viewed as supplemental data, rather than as substitutes or alternatives to the most comparable GAAP measures.

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READ IT ON THE WEB
<http://www.kaydon.com>

KAYDON CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

| | Third Quarter Ended | | First Three Quarters Ended | |
|---|----------------------|--|----------------------------|--|
| | October 3, 2009 | As adjusted (1) September 27, 2008 | October 3, 2009 | As adjusted (1) September 27, 2008 |
| Net sales | \$ 123,637,000 | \$ 126,803,000 | \$ 332,290,000 | \$ 389,992,000 |
| Cost of sales | 85,590,000 | 82,270,000 | 226,113,000 | 243,969,000 |
| Gross profit | 38,047,000 | 44,533,000 | 106,177,000 | 146,023,000 |
| Selling, general, and administrative expenses | 13,418,000 | 19,754,000 | 52,800,000 | 62,942,000 |
| Operating income | 24,629,000 | 24,779,000 | 53,377,000 | 83,081,000 |
| Interest expense | (62,000) | (1,393,000) | (185,000) | (9,302,000) |
| Interest income | 190,000 | 1,520,000 | 429,000 | 5,198,000 |
| Income before income taxes | 24,757,000 | 24,906,000 | 53,621,000 | 78,977,000 |
| Provision for income taxes | 8,690,000 | 8,571,000 | 19,071,000 | 27,691,000 |
| Net income | <u>\$ 16,067,000</u> | <u>\$ 16,335,000</u> | <u>\$ 34,550,000</u> | <u>\$ 51,286,000</u> |
| | | | | |
| Earnings per share: | | | | |
| Basic | <u>\$0.48</u> | <u>\$0.54</u> | <u>\$1.03</u> | <u>\$1.80</u> |
| Diluted | <u>\$0.48</u> | <u>\$0.50</u> | <u>\$1.03</u> | <u>\$1.65</u> |
| | | | | |
| Dividends declared per share | <u>\$0.18</u> | <u>\$0.17</u> | <u>\$0.52</u> | <u>\$0.47</u> |

(1) Results for the Third Quarter and First Three Quarters Ended September 27, 2008 have been adjusted, as required, for the retrospective application of new Financial Accounting Standards Board guidance on debt and earnings per share.

KAYDON CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

| | <u>October 3,</u> 2009 | <u>December 31,</u> 2008 |
|--|---------------------------|-----------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 247,841,000 | \$ 232,998,000 |
| Accounts receivable, net | 75,907,000 | 78,918,000 |
| Inventories, net | 95,070,000 | 97,748,000 |
| Other current assets | <u>15,256,000</u> | <u>18,395,000</u> |
| Total current assets | 434,074,000 | 428,059,000 |
| | | |
| Property, plant and equipment, net | 178,101,000 | 185,642,000 |
| | | |
| Goodwill, net | 143,868,000 | 142,424,000 |
| Other intangible assets, net | 22,584,000 | 25,746,000 |
| Other assets | <u>1,602,000</u> | <u>7,911,000</u> |
| Total assets | <u>\$ 780,229,000</u> | <u>\$ 789,782,000</u> |
| | | |
| Liabilities and Shareholders' Equity: | | |
| | | |
| Accounts payable | \$ 21,380,000 | \$ 35,080,000 |
| Accrued expenses | <u>30,512,000</u> | <u>27,682,000</u> |
| Total current liabilities | 51,892,000 | 62,762,000 |
| | | |
| Long-term liabilities | 39,864,000 | 54,390,000 |
| | | |
| Shareholders' equity | <u>688,473,000</u> | <u>672,630,000</u> |
| Total liabilities and shareholders' equity | <u>\$ 780,229,000</u> | <u>\$ 789,782,000</u> |

KAYDON CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

| | Third Quarter Ended | | First Three Quarters Ended | |
|--|-----------------------|-----------------------|----------------------------|--|
| | October 3, 2009 | September 27, 2008 | October 3, 2009 | As adjusted (1) September 27, 2008 |
| Cash flows from operating activities: | | | | |
| Net income | \$ 16,067,000 | \$ 16,335,000 | \$ 34,550,000 | \$ 51,286,000 |
| Adjustments to reconcile net income to net cash from operating activities: | | | | |
| Depreciation | 5,060,000 | 4,240,000 | 14,635,000 | 11,844,000 |
| Amortization of intangible assets | 1,071,000 | 1,366,000 | 3,211,000 | 4,097,000 |
| Amortization of stock awards | 1,034,000 | 1,126,000 | 3,104,000 | 3,353,000 |
| Stock option compensation expense | 289,000 | 311,000 | 981,000 | 901,000 |
| Excess tax benefits from stock-based compensation | 18,000 | (262,000) | 61,000 | (179,000) |
| Deferred financing fees | 62,000 | 62,000 | 186,000 | 728,000 |
| Net change in receivables, inventories and trade payables | 11,025,000 | 869,000 | (6,744,000) | (30,261,000) |
| Contributions to qualified pension plans | - | - | (14,846,000) | - |
| Net change in other assets and liabilities | 6,721,000 | (281,000) | 8,989,000 | 7,929,000 |
| Net cash from operating activities | 41,347,000 | 23,766,000 | 44,127,000 | 49,698,000 |
| Cash flows from investing activities: | | | | |
| Capital expenditures | (1,886,000) | (16,033,000) | (9,585,000) | (45,949,000) |
| Dispositions of property, plant and equipment | 1,076,000 | 91,000 | 1,186,000 | 99,000 |
| Proceeds from sales of investments | 2,170,000 | 3,392,000 | 4,063,000 | 63,408,000 |
| Acquisition of business, net of cash received | - | - | - | 489,000 |
| Net cash from (used in) investing activities | 1,360,000 | (12,550,000) | (4,336,000) | 18,047,000 |
| Cash flows from financing activities: | | | | |
| Cash dividends paid | (5,707,000) | (4,148,000) | (17,164,000) | (12,485,000) |
| Purchase of treasury stock | - | (9,755,000) | (8,871,000) | (21,837,000) |
| Excess tax benefits from stock-based compensation | (18,000) | 262,000 | (61,000) | 179,000 |
| Proceeds from exercise of stock options | 24,000 | 79,000 | 24,000 | 242,000 |
| Net cash used in financing activities | (5,701,000) | (13,562,000) | (26,072,000) | (33,901,000) |
| Effect of exchange rate changes on cash and cash equivalents | 168,000 | (3,426,000) | 1,124,000 | (1,106,000) |
| Net increase (decrease) in cash and cash equivalents | 37,174,000 | (5,772,000) | 14,843,000 | 32,738,000 |
| Cash and cash equivalents - Beginning of period | 210,667,000 | 268,503,000 | 232,998,000 | 229,993,000 |
| Cash and cash equivalents - End of period | <u>\$ 247,841,000</u> | <u>\$ 262,731,000</u> | <u>\$ 247,841,000</u> | <u>\$ 262,731,000</u> |

(1) Results for the First Three Quarters Ended September 27, 2008 have been adjusted, as required, for the retrospective application of new Financial Accounting Standards Board guidance on debt.

KAYDON CORPORATION
EARNINGS PER SHARE

| | Third Quarter Ended | | First Three Quarters Ended | |
|---|---------------------|--|----------------------------|--|
| | October 3, 2009 | As adjusted (1) September 27, 2008 | October 3, 2009 | As adjusted (1) September 27, 2008 |
| Earnings per share - Basic | | | | |
| Net income | \$ 16,067,000 | \$ 16,335,000 | \$ 34,550,000 | \$ 51,286,000 |
| Less: Net earnings allocated to participating securities - Basic | <u>(174,000)</u> | <u>(218,000)</u> | <u>(395,000)</u> | <u>(767,000)</u> |
| Income available to common shareholders - Basic | \$ 15,893,000 | \$ 16,117,000 | \$ 34,155,000 | \$ 50,519,000 |
| Weighted average common shares outstanding - Basic | <u>33,226,000</u> | <u>29,679,000</u> | <u>33,258,000</u> | <u>28,118,000</u> |
| Earnings per share - Basic | <u>\$ 0.48</u> | <u>\$ 0.54</u> | <u>\$ 1.03</u> | <u>\$ 1.80</u> |
| Earnings per share - Diluted | | | | |
| Net income | \$ 16,067,000 | \$ 16,335,000 | \$ 34,550,000 | \$ 51,286,000 |
| Less: Net earnings allocated to participating securities - Diluted | (174,000) | (210,000) | (395,000) | (742,000) |
| Plus: Interest and debt issuance costs amortization related to Contingent Convertible Notes, net of tax | <u>-</u> | <u>852,000</u> | <u>-</u> | <u>5,833,000</u> |
| Income available to common shareholders - Diluted | \$ 15,893,000 | \$ 16,977,000 | \$ 34,155,000 | \$ 56,377,000 |
| Weighted average common shares outstanding - Diluted | | | | |
| Weighted average common shares outstanding - Basic | 33,226,000 | 29,679,000 | 33,258,000 | 28,118,000 |
| Potential dilutive shares resulting from stock options | 19,000 | 57,000 | 15,000 | 46,000 |
| Dilutive shares resulting from Contingent Convertible Notes | <u>-</u> | <u>4,255,000</u> | <u>-</u> | <u>5,979,000</u> |
| Weighted average common shares outstanding - Diluted | <u>33,245,000</u> | <u>33,991,000</u> | <u>33,273,000</u> | <u>34,143,000</u> |
| Earnings per share - Diluted | <u>\$ 0.48</u> | <u>\$ 0.50</u> | <u>\$ 1.03</u> | <u>\$ 1.65</u> |

(1) Results for the Third Quarter and First Three Quarters Ended September 27, 2008 have been adjusted, as required, for the retrospective application of new Financial Accounting Standards Board guidance on earnings per share.

KAYDON CORPORATION
REPORTABLE SEGMENT INFORMATION
(Amounts in thousands)

| | Third Quarter Ended | | First Three Quarters Ended | |
|---|---------------------|-----------------------|----------------------------|--|
| | October 3, 2009 | September 27, 2008 | October 3, 2009 | September 27, 2008 |
| Net sales | | | | |
| Friction Control Products | \$ 87,076 | \$ 79,255 | \$ 223,491 | \$ 240,159 |
| Velocity Control Products | 12,202 | 17,114 | 34,602 | 55,832 |
| Sealing Products | 8,835 | 10,782 | 28,998 | 34,007 |
| Other | 15,524 | 19,652 | 45,199 | 59,994 |
| Total consolidated net sales | <u>\$ 123,637</u> | <u>\$ 126,803</u> | <u>\$ 332,290</u> | <u>\$ 389,992</u> |
| | | | | |
| | Third Quarter Ended | | First Three Quarters Ended | |
| | October 3, 2009 | September 27, 2008 | October 3, 2009 | As adjusted (1) September 27, 2008 |
| Operating income | | | | |
| Friction Control Products | \$ 15,392 | \$ 16,431 | \$ 37,633 | \$ 56,130 |
| Velocity Control Products | 2,124 | 4,516 | 5,191 | 16,197 |
| Sealing Products | 845 | 990 | 2,209 | 4,031 |
| Other | 1,383 | 1,849 | 3,258 | 7,309 |
| Total segment operating income | 19,744 | 23,786 | 48,291 | 83,667 |
| Items not allocated to segment operating income | 4,885 | 993 | 5,086 | (586) |
| Interest expense | (62) | (1,393) | (185) | (9,302) |
| Interest income | 190 | 1,520 | 429 | 5,198 |
| Income before income taxes | <u>\$ 24,757</u> | <u>\$ 24,906</u> | <u>\$ 53,621</u> | <u>\$ 78,977</u> |

(1) Results for the First Three Quarters Ended September 27, 2008 have been adjusted, as required, for the retrospective application of new Financial Accounting Standards Board guidance on debt. The state income tax provision is no longer included in segment operating income and amounts in the third quarter and first three quarters of 2008 have been reclassified to conform to this presentation.

KAYDON CORPORATION
RECONCILIATION OF NON-GAAP MEASURES
(Amounts in thousands)

| | Third Quarter Ended | | First Three Quarters Ended | | LTM | |
|--|---------------------|-----------------------|----------------------------|-----------------------|--------------------|-----------------------|
| | October 3, 2009 | September 27, 2008 | October 3, 2009 | September 27, 2008 | October 3, 2009 | September 27, 2008 |
| Free cash flow, as defined (non-GAAP) | | | | | | |
| Net cash from operating activities (GAAP) | \$ 41,347 | \$ 23,766 | \$ 44,127 | \$ 49,698 | \$ 52,329 | \$ 76,595 |
| Capital expenditures, net of dispositions | (810) | (15,942) | (8,399) | (45,850) | (22,059) | (62,922) |
| Free cash flow, as defined (non-GAAP) | <u>\$ 40,537</u> | <u>\$ 7,824</u> | <u>\$ 35,728</u> | <u>\$ 3,848</u> | <u>\$ 30,270</u> | <u>\$ 13,673</u> |

Kaydon's management believes free cash flow, as defined above and a non-GAAP measure, is an important indicator of the Company's ability to generate excess cash above levels required for capital investment to support future growth. However, it should be viewed as supplemental data, rather than as a substitute or alternative to the comparable GAAP measure.

| | Third Quarter Ended | | First Three Quarters Ended | | LTM | |
|--|---------------------|-----------------------|----------------------------|--|--------------------|--|
| | October 3, 2009 | September 27, 2008 | October 3, 2009 | As adjusted (1) September 27, 2008 | October 3, 2009 | As adjusted (1) September 27, 2008 |
| EBITDA, as defined (non-GAAP) | | | | | | |
| Net income (GAAP) | \$ 16,067 | \$ 16,335 | \$ 34,550 | \$ 51,286 | \$ 48,327 | \$ 72,707 |
| Net interest (income)/expense | (128) | (127) | (244) | 4,104 | 155 | 4,591 |
| Provision for income taxes | 8,690 | 8,571 | 19,071 | 27,691 | 27,325 | 37,950 |
| Depreciation and amortization of intangible assets | 6,131 | 5,606 | 17,846 | 15,941 | 23,550 | 20,118 |
| Stock-based compensation expense (2) | 1,323 | 1,437 | 4,085 | 4,254 | 5,558 | 5,778 |
| EBITDA, as defined (non-GAAP) | <u>\$ 32,083</u> | <u>\$ 31,822</u> | <u>\$ 75,308</u> | <u>\$ 103,276</u> | <u>\$ 104,915</u> | <u>\$ 141,144</u> |

(1) Results have been adjusted, as required, for the retrospective application of new Financial Accounting Standards Board guidance on debt.

(2) Includes non-cash stock amortization expense and non-cash stock option expense.

Kaydon's management believes EBITDA, as defined above and a non-GAAP measure, is a determinant of the Company's capacity to incur additional senior capital to enhance future profit growth and cash flow growth. In addition, EBITDA is widely used by financial analysts and investors, and is utilized in measuring compliance with financial covenants in the Company's credit agreement. Also, EBITDA is the metric used to determine payments under the Company's annual incentive compensation program for senior managers. However, EBITDA, as defined, should be viewed as supplemental data, rather than as a substitute or alternative to the comparable GAAP measure.