



**Robert W. Baird & Co.**  
**2011 Industrial Conference**  
**November 8, 2011**



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This presentation, and commentary, may contain statements reflecting our views about the Company's future performance. These statements are "Forward-Looking Statements" under the Private Securities Litigation Reform Act of 1995. Participants should refer to the comments contained in our Annual Report, which explain that various factors may affect our future performance.

This presentation also includes non-GAAP financial measures. A copy of this presentation, and earnings press releases which include reconciliations of the non-GAAP financial measures with the most comparable measures calculated and presented in accordance with GAAP, are available on our website at [www.kaydon.com](http://www.kaydon.com)

# *Executive Summary*

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- Market leading businesses serving world class customers in diverse, high value added niches
- Highly engineered products providing critical functionality in significantly larger systems
- Global but with “headroom” to expand further internationally
- Financial metrics among the “elite” in the industrial sector
- Debt-free balance sheet with over \$200 million cash for both expansion and shareholder returns

# *Market Leader in High Value Niches*

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*Leadership products generate the majority of Kaydon's total sales*

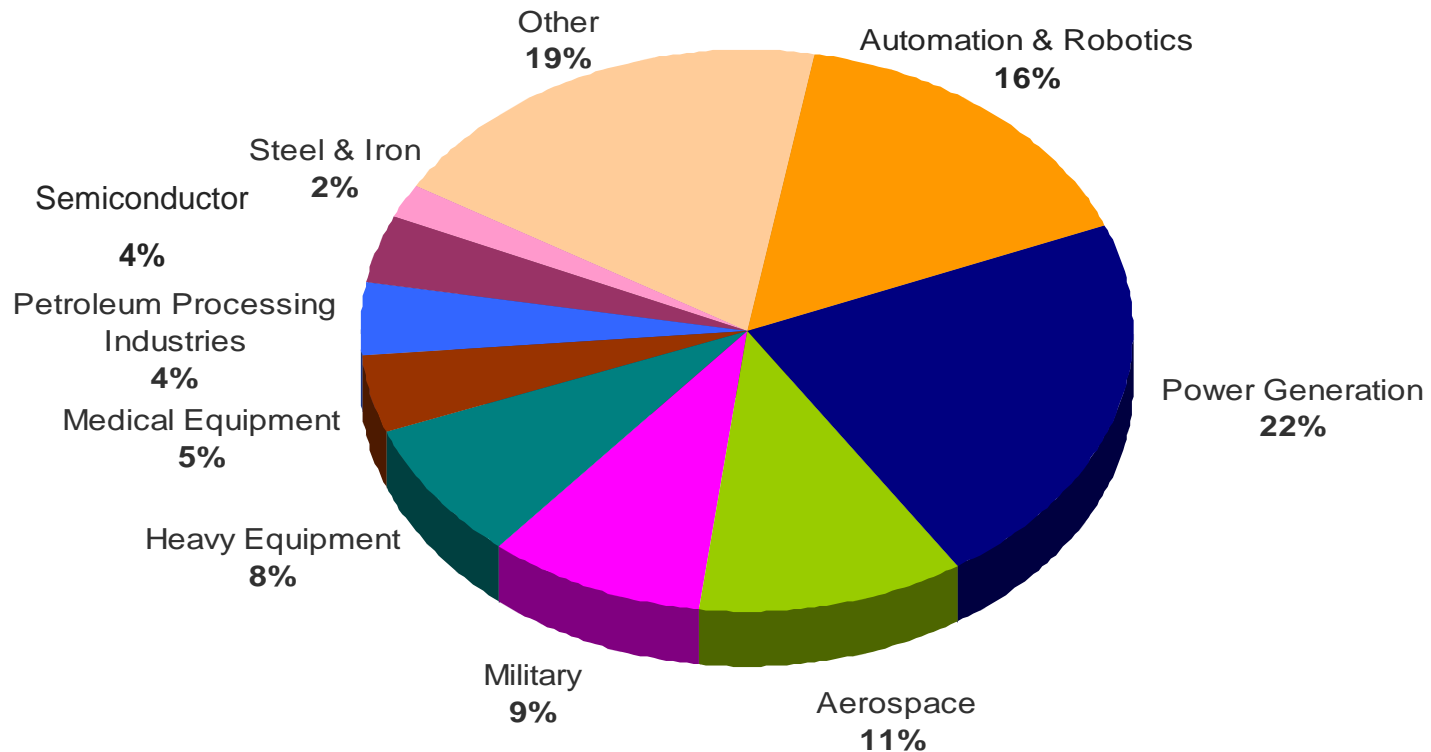
<u>Products</u>	<u>Market Share</u>	<u>Market Position</u>
Custom Thin Section Bearings	50% - 60%	#1
North American Wind Power	65%	#1
Global CT Scanner Bearings	40% - 50%	#1
Linear Deceleration Products	35% - 40%	#1
Split Roller Bearings	55%	#1
Gas Phase Filtration Products	45%	#1

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*(management estimates)*

# *Diverse End Markets*

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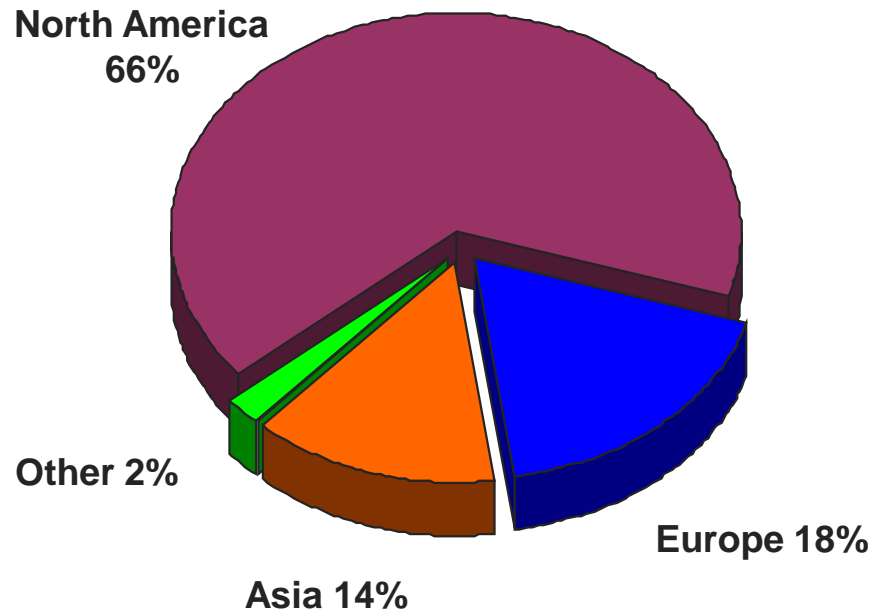
*(management revenue estimates as of 12/31/10)*

# *Global Breadth but with “headroom”*

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*Global operations but with considerable further opportunity*

## **Sales by Region**



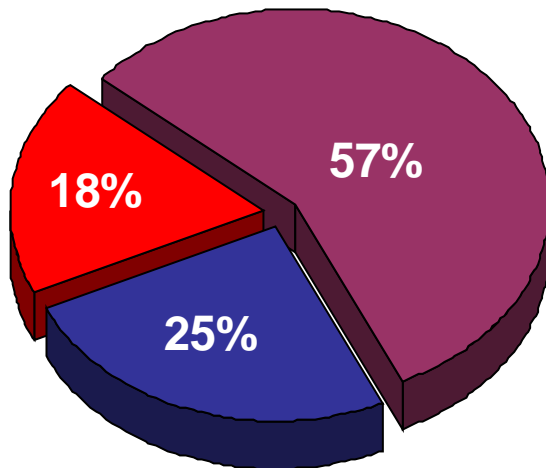
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*(as of 12/31/10)*

# Segment Overview (2011 LTM)

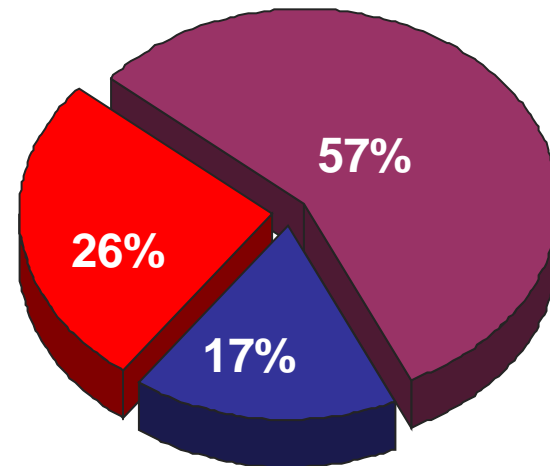
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## Revenue



Friction Control Products \$258.1  
Velocity Control Products \$84.3  
Other Industrial Products \$114.6

## EBIT



Friction Control Products \$44.2  
Velocity Control Products \$20.6  
Other Industrial Products \$13.4

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(\$s in millions)

# *Friction Control Products*

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- Businesses include Kaydon Bearings, Cooper Bearings and ITI Bearings
- Markets served include wind energy, military, heavy equipment, medical technology and industrial automation
- Products include custom thin section bearings, turntable bearings, and split roller bearings
- Growth opportunities include continued and accelerated international expansion



# *Velocity Control Products*

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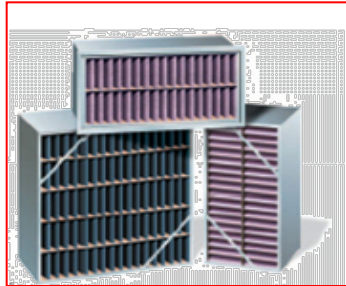
- Principal businesses are ACE Controls and HAHN gas springs
- Markets served include materials handling, robotics, machine tool, medical and general industrial
- Products include industrial shock absorbers, safety shock absorbers and industrial gas springs
- Growth opportunities include adjacent product expansion and further international expansion



# *Other Industrial Products*

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- Includes ring and seal operations, filtration operations, a metal alloy company, and a machine tool manufacturer
- Opportunity to expand internationally in Filtration and to reduce fixed costs in Ring and Seals
- All Other Industrial Products' businesses, while periodically reviewed for "fit," are profitable and cash flow accretive





# **Financial Performance and Business Update**



# Quarter 3 Actual

(in \$ thousands, except EPS)

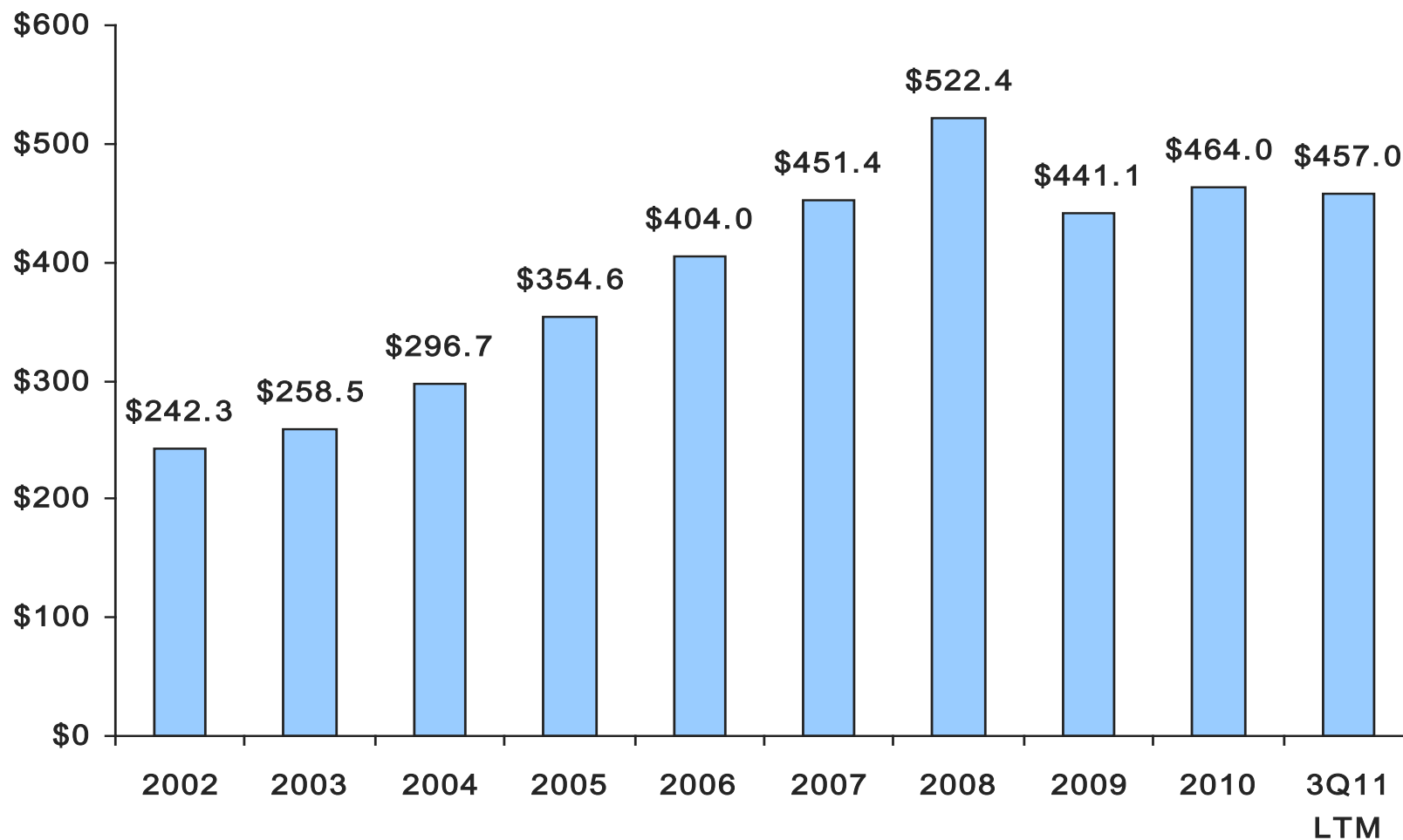
	Actual Q3		Actual Q3	
	2011 <sup>(1)</sup>	% Sales	2010 <sup>(2)</sup>	% Sales
<b>Net sales</b>	<b>\$ 121,637</b>		<b>\$ 118,280</b>	
<b>Gross profit</b>	<b>42,842</b>	<b>35.2%</b>	<b>38,386</b>	<b>32.5%</b>
<b>SG&amp;A</b>	<b>22,498</b>	<b>18.5%</b>	<b>19,812</b>	<b>16.7%</b>
<b>EBIT</b>	<b>20,344</b>	<b>16.7%</b>	<b>18,574</b>	<b>15.7%</b>
<b>Net Interest income (expense)</b>	<b>(10)</b>		<b>184</b>	
<b>Income before income taxes</b>	<b>20,334</b>	<b>16.7%</b>	<b>18,758</b>	<b>15.9%</b>
<b>Provision for income taxes</b>	<b>5,830</b>		<b>5,670</b>	
<b>Net income</b>	<b>\$ 14,504</b>	<b>11.9%</b>	<b>\$ 13,088</b>	<b>11.1%</b>
<b>Average diluted common shares</b>	<b>31,950</b>		<b>33,146</b>	
<b>Diluted EPS</b>	<b>\$0.45</b>		<b>\$0.39</b>	
<b>EBITDA</b>	<b>\$ 27,707</b>	<b>22.8%</b>	<b>\$ 26,242</b>	<b>22.2%</b>

(1) 2011 includes consolidation, due diligence and acquisition costs of \$(0.9)M in 3Q11.

(2) 2010 includes consolidation and due diligence costs of \$(2.6)M in 3Q10.

# Sales History

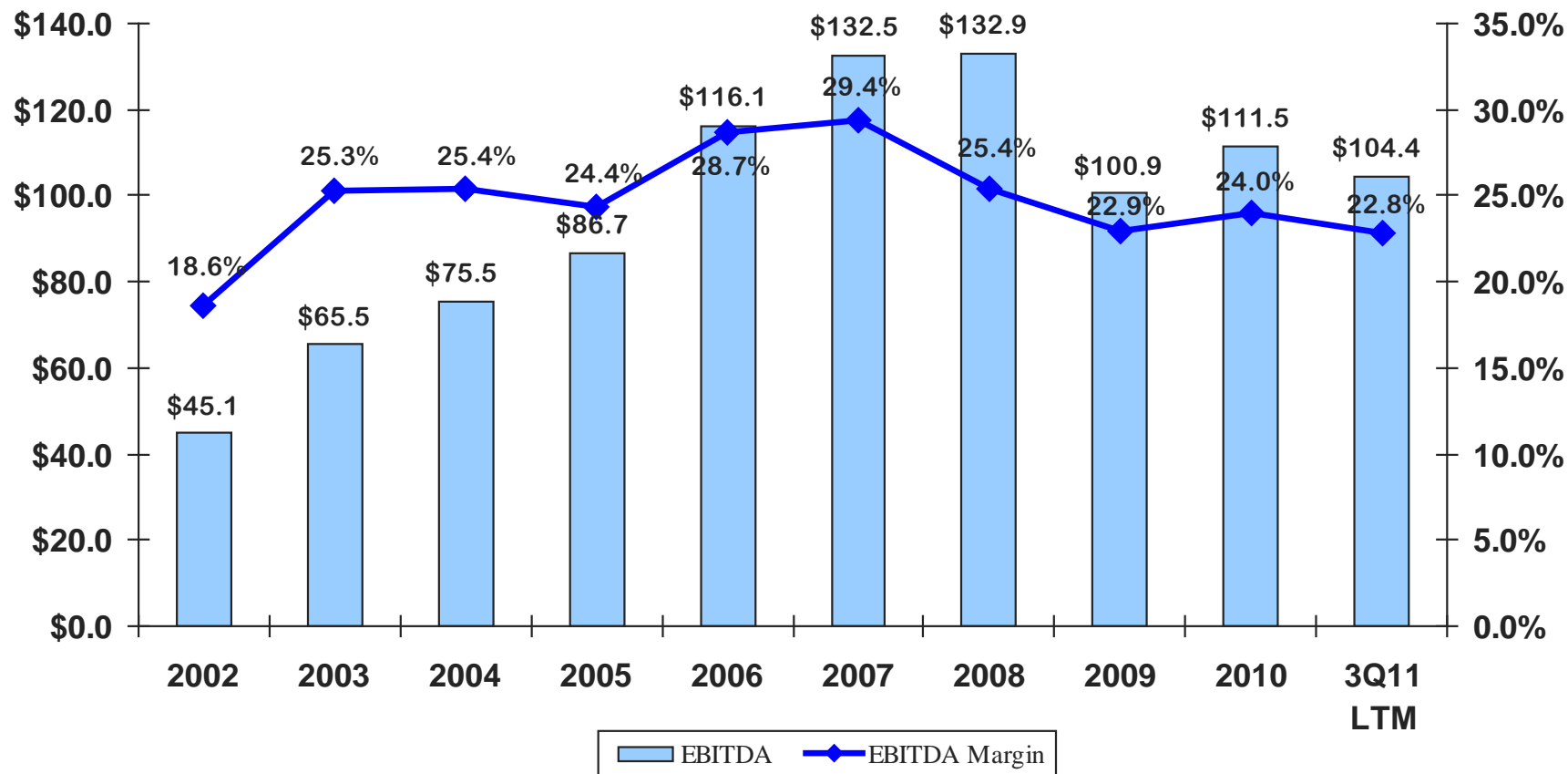
(In millions)



Note: amounts reflect continuing operations

# EBITDA History

(EBITDA in millions)



Note: amounts reflect continuing operations and adjustment for new guidance on debt and EPS adopted in 2009 to all periods.

# EPS - Continuing Operations History



Note: amounts reflect continuing operations and adjustment for new guidance on debt and EPS adopted in 2009 to all periods.  
 \* 2007 Includes a \$0.09 per share gain on the sale of a component of the Friction Control Products reporting segment.

# *Strategic Priorities*

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- Leverage brands, reputation, expertise and customer base to gain greater share of customer and deeper penetration in existing and adjacent markets
- Accelerate and broaden international growth company-wide
- Maintain cost discipline throughout all cycles, a philosophy that served us well in the “Great Recession” and at the current point in the recovery
- Opportunistically pursue both complementary “bolt-on” acquisitions and larger, free standing businesses that meet our qualitative criteria within the industrial sector while selectively returning free cash flow to our shareholders

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