

News Release

For Immediate Release	Contact: See Below
Date: February 18, 2005	
Michell Bearings and Pioneer Motor Bearing Establish Broad Alliance	

(Kings Mountain, North Carolina) On February 15, 2005, Michell Bearings of Newcastle, U.K., a member of the Rolls-Royce Group, and Pioneer Motor Bearing Company of North Carolina, U.S.A., entered into a comprehensive alliance. Michell and Pioneer will share their respective technologies, engineering services and associated technical support in each other's geographic areas, Europe and North America, under cross trade secret license agreements. Senior management of the two companies said their close cooperation will result in better service and value to their customers in the power generation, marine and industrial markets.

The alliance includes the following segments:

- 1. PTFE Trade Secret License Agreement:** Michell has appointed Pioneer its exclusive U.S. licensee to manufacture Michell's custom-engineered proprietary polytetrafluoroethylene-faced ("PTFE") oil lubricated bearings for customers in the U.S. and Puerto Rico and to repair Michell PTFE bearings for customers throughout North America, including Canada. This agreement is expected to have an impact first in the North American hydroelectric industry, where Michell's oil lubricated PTFE bearings already operate in large vertical hydro turbines. Pioneer has thus become the only bearing company capable of manufacturing and supporting this groundbreaking technology in the United States. PTFE-faced bearings offer increased load carrying capacity (so they can be smaller and lighter), reduced power losses (as a result of their smaller size), and significantly reduced breakaway torque (because of their lower coefficient of friction). PTFE technology can eliminate the need for oil lift systems for starting up large turbomachinery. Michell's advanced PTFE-faced oil lubricated bearings are currently in service on four continents.
- 2. Babbitt (Whitemetal) Bearing Repair Trade Secret License Agreement:** Michell has appointed Pioneer its exclusive licensee in North America to use its manufacturing drawings, engineering data, specifications and other intellectual property in the performance of repair and refurbishment services on babbitted thrust and journal bearings designed by Michell and operated by end users in Canada, the U.S. and Puerto Rico. Pioneer will perform directly for end users repair services for Michell bearings to insure a rapid response to customer requirements.

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3. **Fluid Pivot® Tilting Pad Bearing Trade Secret License Agreement:** Pioneer has appointed Michell Bearings its exclusive licensee to manufacture in the U.K. for sale in Europe Pioneer's proprietary Fluid Pivot tilting pad journal bearings.

Dr. Lyle A. Branagan, Pioneer's engineering manager, said: "Since 1905, when Michell's founder received the first patent ever issued for a hydrodynamic tilting pad bearing, the name 'Michell' has been synonymous with bearing engineering excellence. We're excited that a global leader in bearing designs approached us and asked for access to our Fluid Pivot tilting pad bearing technology. This is a nice way to celebrate our 85th anniversary."

4. **Engineering Collaboration Agreement to Develop Fluid Pivot® JS Tilting Pad Bearings for Naval and Commercial Marine Applications:** Michell and Pioneer are bringing together their extensive test facilities and design expertise to develop for naval and commercial marine applications Pioneer's "JS" style of Fluid Pivot Tilting Pad Journal Bearings, a design with unique properties that make Fluid Pivot JS bearings more capable than any other fluid film tilting pad bearing to accommodate dynamic misalignment. These self-aligning properties promise to achieve improved bearing performance in demanding marine applications. Fluid Pivot JS bearings are currently running in large fossil fuel turbine-generator sets at multiple power plants in the U.S.
5. **Teaming Agreement to Support Rolls-Royce's Naval and Commercial Marine Business:** Michell and Pioneer have signed a Teaming Agreement which calls for close cooperation and coordination with Rolls-Royce Marine Inc. and Rolls-Royce Commercial Marine, Inc. in supporting both new build and aftermarket activities for the Naval and cruise industries in the U.S. Michell, Pioneer, Rolls-Royce Naval Marine, Inc. and Rolls-Royce Commercial Marine, Inc. will closely coordinate their marketing, sales, engineering, manufacturing and repair services for marine bearings. The alliance further expands Rolls-Royce's capability to provide a local presence worldwide, supplying rapid and flexible through-life product support for Michell's extensive product base.

Gordon Bardet, President of Pioneer Motor Bearing Company, said: "We're pleased to ally ourselves with Michell Bearings and its parent company, Rolls-Royce, a global leader in integrated marine systems. Bearings designed and built by Michell are on over 200 active warships and submarines in 35 navies of the world and on numerous ships of all the major cruise operators. Rolls-Royce marine service and support engineers are highly experienced and we look forward to supporting them to insure customer satisfaction. The name 'Michell' is a leading brand name for thrust and propeller shaft bearings in the cruise ship industry. Our location in the mid-Atlantic region, our experience and our ability to work hand-in-hand with Michell, combined with Rolls-Royce's close cooperation with Michell's service team, means that Rolls-Royce can respond faster to customers' requests for technical and service assistance."

6. **American and European Sales Representation Agreements:** Michell has become Pioneer's exclusive engineering sales representative in Europe and Pioneer is now the

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exclusive engineering sales representative of Michell Bearings in the U.S. and Puerto Rico for Michell's full range of industrial products, which include bearings for horizontal and vertical shaft electric machines, hydro generators, water turbines, pumps, industrial gear boxes, fans, gas and steam turbines, and turbo-compressors.

Rolls-Royce is one of the world's foremost global engineering companies, supplying power systems and services to four growth markets: civil aerospace, defense, marine and energy. Its marine products are in service with 70 of the world's navies. With the broadest product portfolio in the marine sector and a proven system modeling, integration and ship design capability, Rolls-Royce delivers a wide range of propulsion and system solutions, including through-life support. Moreover, Rolls-Royce is the world's leading expert in waterjet technology. Its Kamewa range of waterjets is the broadest in the business and can be found on 20 different classes of naval vessel. Using advanced waterjet technology, Rolls-Royce is also developing and testing a demonstrator vessel for the U.S. Navy, the underwater discharge AWJ-21™, for future naval vessels requiring reduced signatures and improved maneuverability. Michell Bearings has designed and is manufacturing bearings for the AWJ-21.

Michell Bearings, founded in 1920, is part of Rolls-Royce's Marine Systems group and is acknowledged as a premier supplier of self-contained babbitt (whitemetal) and polytetrafluoroethylene-faced ("PTFE") hydrodynamic thrust and journal bearings for a wide range of marine and industrial applications worldwide. The company's pedigree in hydrodynamic bearing design and manufacture dates back to 1905, when its founder, A.G.M. Michell, was awarded the first patent ever issued for a tilting pad bearing. Today, Michell's engineered products include sophisticated bearing systems for marine applications, such as thrust bearing assemblies and propeller shaft bearings used in naval vessels, the cruise and ferry industry and merchant ships. Michell bearings are also incorporated into products for industrial applications, such as power generation, petrochemicals, offshore oil and gas operations, and material processing, water supply, sewage and desalination sectors.

Pioneer Motor Bearing Company was founded in 1920 and is still privately owned and managed by the same family. It is one of the leading U.S. companies engaged in engineering, manufacturing, service and repair of fluid film babbitt bearings and seals, primarily in the power generation, marine, petro-chemical, oil and gas industries. Pioneer sells engineering services, manufactured products, and technical service and repairs to original equipment manufacturers and end users of turbomachinery. Pioneer holds certain patent rights to its proprietary journal and thrust bearing designs and technology referred to as "Fluid Pivot" (a trademark registered with the United States Patent and Trademark Office). Pioneer also holds licenses from Alstom

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Power and Siemens Westinghouse Power Corporation relating to the repair of bearings those firms have designed and which are components in turbines and generators they have manufactured for the power generation market. Pioneer expanded its business from California in July, 1990 when it built a new manufacturing plant near Charlotte, North Carolina and in 2000 consolidated all manufacturing operations there, enlarging the plant in 2003. The year 2005 marks the company's 85th anniversary and 15th year in North Carolina.

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Fluid Pivot is a registered trademark of Pioneer Motor Bearing Co.