

K-Tron International, Inc. and Subsidiaries

STATEMENT OF CORPORATE ETHICS AND CODE OF BUSINESS CONDUCT

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STATEMENT OF CORPORATE ETHICS

A business enterprise is usually thought of in economic terms. But it is more realistically, and more importantly, an institution of people. As such, a business has moral standards and ethical responsibilities which are as significant as its economic responsibilities. It must understand and conform to law, to custom, if within the law, and to human values. Consequently, we are publishing this Statement of Corporate Ethics in order to provide the directors and employees of K-Tron International, Inc. and all of our subsidiaries around the world (the "Company") with clear guidelines respecting their conduct as representatives of the Company.

While moral standards are absolute, ethical behavior is a matter of spirit and intent as well as a matter of law. Consequently, our policy starts with these general principles:

- Honesty and integrity are characterized by truthfulness and freedom from deception or fraud. These qualities are unchanging, not relative, and should vary neither by country nor by culture. They dictate one standard of conduct worldwide. If we are steadfast in this belief, ethical behavioral questions are easily answered in most situations.
- We value individual responsibility and we accept responsibility for our actions. We have a responsibility to acquire knowledge, make decisions and use the authority given to us by the Company in the best interest of the Company. We have a responsibility to those with whom we work, other Company employees and people outside the Company, to treat them fairly and deal with them honestly.
- Ethics is by definition a philosophy of human conduct, and it is axiomatic that all things human change. This means that our view of ethical behavior must be dynamic -- sensitive to changes in values and customs that are certain to take place over time and between cultures. This document is simply our assertion of a policy that will be subject to continuous refinement and updating.
- No "Code of Business Conduct" can hope to spell out the appropriate moral conduct and ethical behavior for every situation with which we will be confronted. In the last analysis, we must rely on our own good judgment. Whenever we find ourselves with a hard decision to make, we must seek counsel -- from our colleagues, our management, the Corporate Ethics Officer and, most importantly, our own conscience.

- One of the most important tenets of our policy is openness. Every transaction we engage in must be correctly recorded. We should have no fear of inspection.
- We see no conflict between attention to profit and attention to ethics. In fact, the two should go hand in hand. We will prosper most in an environment that is fair, open and morally secure; and as we contribute to such an environment we will also contribute to the good health of the Company.

CODE OF BUSINESS CONDUCT

The Company's Code of Business Conduct requires all of us to respect and observe the policies and admonitions described below, with specific respect for and reference to our Statement of Corporate Ethics. The following components of our Code of Business Conduct are intended to guide us generally and alert us to situations in which it is prudent to seek further advice or counsel from the Corporate Ethics Officer.

ANTITRUST LAWS

K-Tron International, Inc. is a United States public company and, therefore, must be guided by United States laws.

Our policy is to comply fully with both the letter and spirit of all of the United States antitrust laws. It is important to understand that while certain actions may not be illegal in some countries, they could be considered illegal in the United States. Therefore, directors and Company employees need to be aware of the scope of this law. While this policy statement is, again, not intended to provide specific legal advice, it is nonetheless worth describing some fundamental policies in this area.

1. Competitors cannot agree on the prices they will charge for their products. This is the clearest of all antitrust rules, and violation of this principle is almost always prosecuted criminally. Not only may the Company suffer large damage awards and heavy fines, but the individuals involved in the price-fixing activity could also be sent to jail. Because of the very serious nature of this crime, no director or Company employee should ever discuss our pricing or pricing practices with a competitor except where that competitor may also be a customer and where the discussion is in conjunction with a specific transaction in the normal course of the Company's business. Any Company employees who may find themselves present at any meeting at which competitors are discussing prices must immediately leave that meeting and contact the Corporate Ethics Officer.

2. In addition to the illegality of agreeing on pricing with competitors, it may also be illegal for the Company to agree with competitors on any of the following:

- a. the territories in which each company will sell its products;
- b. the customers to which each company will offer its products; or
- c. the types of products or the amount of any product that the Company will produce or offer for sale in the marketplace.

Since these practices can be illegal, no director or Company employee should discuss them with any competitors.

Violation of the above antitrust rules would almost always be illegal. In addition to these rules, there are a number of other business practices that may arise under certain circumstances that would also violate the antitrust laws. We should, therefore, be sensitive to these practices and not engage in any of them unless we have previously discussed the situation with the Corporate Ethics Officer. Some of these potential antitrust problems are discussed below.

Tying Arrangements

Tying arrangements exist when the Company conditions the sale of one product on the buyer purchasing some other separate and unrelated product. This can raise antitrust implications. The Company's products and services should all be able to stand up in the marketplace on their own.

Boycotts

The Company has a clear legal right to decide to whom it will sell its products. This right, however, must be exercised by the Company itself and not in conjunction with other companies. Agreements between two or more companies not to do business with some third company can, if such refusal to deal has an adverse effect on competition, be a violation of the antitrust laws. Directors and Company employees should not discuss with others who we will or will not do business with and should not attempt to persuade any other company to deny business to others.

Restrictions on Dealing in Goods of a Competitor

A Company requirement that we will sell our products to a customer only on the condition that the customer refuse to deal in goods of one of our competitors can raise antitrust implications. It could also be held to be an unfair method of competition. Company sales people should not condition the sale of our products on any customer's refusal to deal with other suppliers.

Other Problems

The following activities have the potential of raising serious antitrust questions. They should, therefore, not be undertaken without the prior approval of an appropriate Company officer. (The Corporate Ethics Officer is also available for assistance in interpreting unusual circumstances and situations.)

- (1) termination of a long-standing business relationship, such as with a long-term Company distributor;
- (2) filing patent applications or granting/buying licenses;
- (3) any joint bidding or team bidding not in the ordinary course of business or other joint venture type arrangement;
- (4) the acquisition of any company (whether by acquiring stock or assets); and
- (5) the institution of any legal action against any other company or individual (the danger here is the assertion of possible antitrust counterclaims).

Marketing our Products

In marketing our products, we must, of course, observe all of the basic antitrust principles noted above. There are, however, some additional legal and ethical principles that should govern our conduct.

Our advertising should always be truthful. If we make specific claims about our products or the performance of our products, we should have evidence to substantiate those claims. We should not label or market our products in any way that might cause confusion between our products and those of any of our competitors. Similarly, we should be alert to any situation where a competitor may be attempting to mislead potential customers as to the origin of products and inform appropriate management or the Company's legal counsel of any such cases.

We should not disparage any of the products or services or employees of any of our competitors. If we do engage in any comparison of our products against those of any of our competitors, such comparisons should be fair. All use of the Company's trademarks and trade names should be in accordance with our policies governing such use.

If we supply any estimates -- such as cost estimates -- they must be fair and reasonable. To the maximum extent possible, they should be backed up by objective facts and experience. To the extent that an estimate cannot be objectively verified, it should be based upon the good faith judgments of those making the estimate. If it is necessary to forecast future delivery dates, such forecasts should be made in the same way as an estimate -- backed up by objective evidence to the maximum extent possible and based upon good faith judgment where required.

We will not use gifts, excessive entertainment or any other ways to improperly influence our customers or potential customers. We will market our products on the basis of our price, quality and service. The Company will not pay any bribe, gratuity, kickback or any similar payment to anyone, including agents of our customers or members of their families, in connection with the sale of any of our products. Should any such payments be requested, the Corporate Ethics Officer should be contacted immediately. Company policy is to forego any business which can only be obtained by improper or illegal payments. The Company will not pay any "push money" or any secret payments to employees of our customers in order to induce them to buy our products over those of our competitors. The admonitions herein are intended to complement and supplement our separate policy in this Code of Business Conduct with respect to "Acceptance of Gifts, Favors and Entertainment."

Dealing with Suppliers

It is the policy of the Company to select suppliers in a completely impartial manner on the basis of price, quality, performance and suitability of the product or

service. Each employee is expected to avoid doing anything that could imply selection of a supplier on any basis other than the best interests of the Company or which could give any supplier an improper advantage over another.

A supplier is any business that furnishes materials, equipment, supplies or services of any kind to any unit of the Company. "Services" would include, for example, such activities as banking, insurance, advertising, transportation, building construction, auditing, engineering, legal and consulting services.

A "supplier" would also include (a) anyone who acts for or represents the supplier, or (b) a subcontractor for a substantial component or service furnished by a supplier.

There may be situations in which a director or an employee has an interest in a business which supplies an incidental or occasional item or service which would not be the basis of a conflict of interest problem. In this regard, the management of the Company would normally be expected to approve particular transactions, such as isolated purchases of special items not generally available elsewhere, if all facts are disclosed and no significant conflict is present. In such cases, however, it is intended that directors and employees will disclose the relationship and, so long as it continues, will exercise reasonable judgment in following the policy.

CONFLICTS OF INTEREST

It is very important for all of us to avoid any actual or even any apparent conflict of interest. Any time any such conflict appears, or an employee is afraid any such conflict might develop, the employee is required to discuss the matter with his or her immediate supervisor or with the Corporate Ethics Officer, and a director should discuss it with the Chairperson of the Audit Committee of our Board of Directors and the Chief Executive Officer.

Some clear conflict of interest situations which should always be avoided include the following:

- (1) any ownership interest (other than less than 1% of the outstanding relevant class of stock in publicly traded companies) in any material supplier, customer or competitor;
- (2) any consulting or employment relationship with any material supplier, customer or competitor, except that in the case of directors of K-Tron International who are not employees of the Company, consulting relationships in the ordinary course of their business should not be prohibited but they must be managed in an ethical and responsible manner and, if material, and if the director is aware of a possible conflict, it should be brought to the attention of the K-Tron International Board;
- (3) any outside business activity which is competitive with any of the Company's businesses;
- (4) the receipt of any gifts, gratuities or excessive entertainment from any company with which we have business dealings (see pages 11-12); the receipt of any such gifts, gratuities or excessive entertainment by anyone in the Company is against our policy. Any such gifts should immediately be returned and reported to your immediate supervisor. If immediate return is not practical, they should be given to the Company for charitable disposition or such other disposition as the Company feels appropriate. All employees are urged to make our policy known to those with whom they deal so that these situations do not arise;
- (5) any outside activity of any type which is so substantial as to call into question your ability to devote appropriate time and attention to your job responsibilities with the Company (this prohibition is not meant to discourage participation in recognized community service endeavors, such as serving as a volunteer fireman or in the United Way campaign);

- (6) the service on any board of directors of any material customer, supplier or competitor unless such board service has been disclosed to the Company and approved by the K-Tron International Board of Directors in the case of a director or executive officer and by an executive officer, after consultation with the Chief Executive Officer, in the case of any other employee;
- (7) being in the position of supervising, reviewing or having any influence on the job evaluation, pay or benefits of any close relative or any person with whom you have a serious personal relationship;
- (8) taking advantage of an opportunity which you learned of in the course of your role with the Company, such as by acquiring property or leases in which the Company may be interested; and
- (9) selling anything to the Company or buying anything from the Company (except pursuant to any normal program of disposal of surplus Company property which is offered to employees generally).

Anything which presents a conflict for the employee would probably also present a conflict if it is related to a member of the employee's family or a close relative. For example, ownership of stock in competitors or suppliers, or receipt of gifts or entertainment by members of the employee's immediate family would likely create the same conflict of interest as if the stock were owned or the entertainment received by the employee. In marginal situations, employees are asked to discuss the situation with the Corporate Ethics Officer in order to prevent possible misunderstandings and embarrassment at a later date.

FOREIGN CORRUPT PRACTICES ACT

The U.S. Foreign Corrupt Practices Act ("FCPA") was originally enacted in 1977 as a response to numerous bribes that had been made by domestic corporations to foreign officials in order to gain preferential treatment for exporting overseas the corporations' products.

The FCPA requires that we be very careful in making any payments to any foreign agents under circumstances in which it may appear, in hindsight, that these payments were made to foreign officials to induce them to give the Company business or buy the Company's products. The FCPA prohibits the bribing of any government official, and other laws, as well as the Company's policy, prohibit any commercial bribery of any other nature. Payments that we make to agents or distributors should always be strictly for services rendered, and they should be reasonable in amount given the nature of those services.

A corporation that would otherwise be in violation of the FCPA has two possible defenses which, if proven, will avoid liability under the Act. First, it constitutes a defense to FCPA liability if the payment is considered lawful according to the written laws of the foreign country where the payment was directed. Second, payments made by a corporation to a foreign official that are directly related either to promoting the corporation's products or to executing a contract between the corporation and a foreign government do not constitute a violation of the Act. Examples of such justifiable payments include reimbursement of a foreign official's travel and lodging expenses.

The FCPA also provides an exception to liability for certain payments made to foreign officials in order to facilitate or expedite a so-called "routine government action." According to the Act, "routine government actions" are actions commonly or ordinarily taken by foreign officials. Such actions include obtaining licenses necessary to conduct business in a foreign country, processing government paperwork such as visas, providing services such as police and mail service, and providing public utilities. "Routine government action" does not, however, include decisions by a foreign official to award or continue business with a specific party.

The Attorney General of the United States has promulgated a rule that establishes an FCPA Opinion Procedure. This procedure theoretically enables a corporation to obtain from the Attorney General an opinion regarding the legality under the FCPA of prospective action by the corporation. This procedure should only be invoked in consultation with our legal counsel.

ACCEPTANCE OF GIFTS, FAVORS AND ENTERTAINMENT

In our relationship with suppliers, we must maintain an objective point of view. That is the only way to ensure that we make fair, unbiased decisions. On the other hand, our relationships with suppliers are based on trust and respect. It is not unusual to develop a friendship -- even in the context of business -- with a supplier we like and trust.

At some point, a supplier may want to express his or her appreciation for the relationship we have developed. But sometimes, "appreciation" is given in a way that compromises our objectivity. For this reason, we are adopting specific policies on the acceptance of gifts, favors and entertainment from suppliers.

- We may not solicit any favors or gratuities from any supplier or prospective supplier.
- Whether we call them fees or commissions, kickbacks are morally wrong and legally criminal. The price for accepting kickbacks can be high: loss of employment and criminal prosecution.
- Favors extended to family members, whether in the form of gifts, entertainment or services, are not permitted and must be declined.
- Lunches and dinners with a supplier are acceptable if there is a good business reason. We must not encourage or allow suppliers to buy lunch in order to obtain business from the Company. In the course of doing business over a meal, we are expected to pick up the tab on behalf of the Company from time to time, especially when we are on home ground.
- Entertainment, whether a meal, a sporting event, a show or something similar, is considered a "gift" and may be accepted only if it represents nominal value or is necessary to conduct business. Generally, under \$200 is a good rule of thumb. There may be occasions when an exception to this rule is appropriate. For example, participating in a supplier-sponsored golf tournament may be acceptable. One way to make a good judgment on entertainment: ask whether the Company would be willing to pay half the tab. If we agree that this would be an appropriate Company expenditure, then it is probably appropriate to accept the invitation.
- We may accept advertising items and mementos of nominal value such as pens, paperweights or memo pads. Any gift, service or consideration that exceeds nominal value cannot be accepted. Similarly, any gift or service that is intended to benefit us personally cannot be accepted. We may never accept cash or cash equivalents in any amount.

- In any activity involving our suppliers, we may not extend any favors beyond common courtesy. To do otherwise would be to extend our relationship with the supplier outside the boundaries of our business.
- If anyone is ever faced with an offer of a favor, gratuity or payment from a supplier, inform your supervisor immediately.

SECURITIES AND INSIDER TRADING

It is both illegal and against Company policy for any individual to profit from undisclosed information relating to the Company or any company with which we do business. Anyone who is in possession of any material inside information that the Company has not yet disclosed to the public may not purchase (other than from the Company pursuant to existing stock options) or sell any of the Company's securities. Also, it is against Company policy for any individual in our Company who may have inside or unpublished knowledge about any of our suppliers, customers or any other companies we do business with to purchase or sell the securities of those companies.

If you are uncertain about the legal rules involving your purchase or sale of any K-Tron securities or any securities in companies that you are familiar with by virtue of your work with the company, you should consult with the Corporate Ethics Officer before making any such purchase or sale.

The Company, and all supervisory employees within the Company, also have an obligation to be alert to situations where others within the Company -- particularly those over whom you have some supervisory authority -- may not be observing the rules against insider trading. The securities laws provide for penalties not only for those who engage in insider trading, but also for those "controlling persons" who fail to take appropriate actions when they either knew or should have known that those people within their control were violating those rules.

It is clearly against Company policy, and possibly illegal as well, to trade K-Tron's securities or the securities of any other company, in a way which attempts to hide the true identity of the trader or to mislead others as to exactly who is doing the trading. Any employee trading in the Company's securities using fictitious names, names of relatives or friends, or brokerage accounts under fictitious names located in foreign jurisdictions shall be subject to immediate disciplinary action. Should the Company discover any such trading, it will disclose it to the relevant authorities.

This general policy may be supplemented from time-to-time by more detailed and specific Company policies in the area of securities and insider trading.

RELATIONSHIPS WITH GOVERNMENT EMPLOYEES

U.S. federal law prohibits the giving of anything of value to or for the benefit of a government official for or because of any official act performed or to be performed, or to influence any official act. Violations can result in severe fines as well as imprisonment for a significant period.

Thus, no one, acting either directly or indirectly, for or on behalf of the Company, shall give money to or for the benefit of any government official or employee, or provide a gift, meal or entertainment which has other than nominal value, to or for the benefit of any government official or employee.

It is consistent with the law and Company policy for an employee to give a government official or employee specialty advertising or promotional material of relatively nominal or trivial intrinsic value such as a cap or jacket, or to buy for such an official or employee an occasional meal of relatively nominal value in the ordinary course of a business meeting.

TRADE SECRETS AND CONFIDENTIAL INFORMATION

It is very important for all employees to appropriately safeguard the Company's trade secrets and confidential information and to refuse any improper access to trade secrets and confidential information of any other company, including our competitors.

In terms of our own trade secrets, confidential and proprietary information, our basic guidelines are as follows:

1. Any Company proprietary information to which we may have access should be discussed with others within the Company only on a need-to-know basis.
2. If we wish to disclose our own trade secret or confidential information to any people outside of our Company, it should be done only in conjunction with appropriate trade secret or confidential information disclosure agreements which can be provided by the Company's counsel.
3. We should always be alert to inadvertent disclosures which may arise in social conversations or in normal business relations with our suppliers and customers.
4. We should not provide or receive any such trade secret, confidential or proprietary information except pursuant to written confidentiality agreements which can be supplied by our Company's lawyers. Since we may incur some liability, or at least embarrassment, if we improperly disclose information which has been provided to us in confidence, we should receive such information only when there is a clear commercial reason for doing so and then only under the terms and conditions of a properly drawn agreement which protects both parties' interests.
5. While we should always be alert to our competitive surroundings and obtain as much information as possible about the marketplaces in which we operate, we must do that only in accordance with sound and ethical commercial practices. We must never be a party to any situation in which such proprietary or confidential information has been improperly obtained from any other company such as by a former employee. If any employee is approached with any offer of confidential information which the employee has reason to believe may have been obtained improperly, the employee must immediately discuss this matter with the Corporate Ethics Officer.

Confidential or proprietary information of our Company, and of other companies, includes any information which is not generally disclosed and which is useful or helpful to the Company or which would be useful or helpful to competitors of the Company. Common examples include such things as financial data, sales figures for individual products or groups of products, planned new products or planned advertising programs, areas where the company intends to expand, ways in which we manufacture our products, lists of suppliers, lists of customers, wage and salary data, capital investment

plans, projected earnings, changes in management or policies of the company, testing data, drawings, manufacturing methods, suppliers' prices to us or any plans we may have for improving any of our products. Of course, such information also includes any documents which may be labeled confidential or proprietary.

EXPORT/IMPORT CONTROLS

Exports

In general, anything we ship out of the United States must be covered by an export license, and this may also be true with respect to shipments from other countries. There are certain statutory licenses which allow us to export some things -- generally non-military or non-high technology goods -- to our allied countries without any specific license. Export control regulations are, however, quite complex, and any employees involved in any export transaction must observe at least these two rules:

- a. Satisfy themselves that there is some regulation or specific export license which covers the export they want to make. This includes exports of technology, as well as exports of goods or services.
- b. Any information which any of our employees furnishes either to our own Company people, to the government or to companies that we may have hired to facilitate our export transactions must be truthful and accurate. This includes both information as to the technology in question and information as to the economic value of the exports.

Company employees involved in export business also have an obligation to be reasonably alert to situations in which inaccurate information may have been furnished, either to us or to any of our agents, involving the ultimate destination or use of the goods. This is particularly important for goods of the type which are allowed to be shipped to our European allies, but are not permitted to be shipped to Third World or other nations. If any Company employee feels that there is any doubt as to the truthfulness of the information being furnished to us regarding the ultimate destination or use of anything we export, the employee should contact his immediate supervisor or the Corporate Ethics Officer.

The definition of export is quite broad and can include conversations of a technical nature with a citizen of another country even though that conversation takes place entirely within the United States. Another example of a possible export would be plant tours where foreign visitors are touring our facilities in a way in which they may obtain technical information. If there is any doubt as to whether any situation involves an "export" within the meaning of our export control laws, the Corporate Ethics Officer or other experts should be consulted.

Imports

All goods imported into the United States must pass through U.S. Customs and, except in some limited cases where there are exemptions, a duty must be paid. The same rule applies in many other countries where we have facilities. The amount of that

duty is based upon the classification of the goods and the value of the goods. The Company's policy is to be accurate and truthful as to both of these and also about any other relevant items. All information which anyone in the Company may furnish to any Customs official or to any agent which the Company may have hired to facilitate our imports must be accurate and truthful.

ENVIRONMENT, SAFETY AND HEALTH

We will conduct our business in such manner that employees, potential employees and the community will perceive our Company as a desirable employer for which to work. Wages, salaries and benefits will be fair and competitive. We will maintain a work environment that results in excellent performance and rewards accomplishment.

We will conduct our operations with the highest regard for safe and healthful working conditions for employees and for the protection of the general public. In these practices we will make every effort to comply with the letter and the spirit of existing governmental legislation and established regulations. All inspections carried out under the authority of governmental agencies shall be responded to promptly and practical corrective actions taken as indicated.

Our policy is to preserve natural resources to the maximum extent reasonably possible. We will also conduct all of our business operations in such a way as to avoid or minimize any possible adverse impact on the environment. Of course, we will also comply with all environmental laws and regulations. Specifically, this includes the responsibility of the Company and its employees to provide truthful and accurate information to government permitting authorities in connection with any application for any environmental permit or any periodic reports that may be called for under such permit.

COMPLIANCE WITH LAW

The foregoing policies specifically address several laws that apply to the Company and its operations, such as antitrust laws and securities laws. In addition, there are many other laws that apply to the Company and its operations, and we are expected to comply with all such laws. Examples of criminal violations under these laws include:

- (1) stealing, embezzling or misapplying corporate or bank funds;
- (2) using threats, physical force or other unauthorized means to collect money;
- (3) making false entries in the books and records of the Company, or engaging in any conduct that results in the making of such false entries;
- (4) making a payment for an expressed purpose on the Company's behalf to an individual who we know intends to use it for a different purpose;
- (5) utilizing Company funds or other assets or services to make a political contribution or expenditure; and
- (6) making payments, whether corporate or personal, of cash or other items of value that are intended to influence the judgment or actions of political candidates, government officials or businesses in connection with any Company activities.

The Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution, and will investigate, address and report, as appropriate, non-criminal violations.

BOOKS AND RECORDS; PUBLIC DISCLOSURES

The effective operation of the Company's business and the integrity of the Company's public disclosures are dependent on accurate business records. We must prepare and maintain all Company records accurately and honestly. No false or misleading entries may be made in any books, records or accounts of the Company, and no Company funds may be used for any purpose other than as described in the documents supporting the disbursement.

As a public company, K-Tron International has an additional obligation to make or keep books, records and accounts that accurately and fairly reflect Company transactions so that filings and submissions with the U.S. Securities and Exchange Commission and public communications can provide full, fair, timely, accurate and understandable disclosure. Those of us engaged in the preparation of these filings, submissions and communications must endeavor to ensure that the filings, submissions and communications meet these objectives. Others in the Company may be called upon to provide information to assure that K-Tron International's reports are complete, fair and understandable. We must take this responsibility very seriously. If requested by the Company to provide information for use in such filings, submissions or communications, each of us will provide, as promptly as practicable, accurate, relevant, understandable and complete information on a timely basis.

Employees who are responsible for any aspect of the Company's internal accounting controls and financial and tax reporting systems must be vigilant in recording entries accurately and honestly and in a manner consistent with all legal requirements. If we are uncertain about the proper recording of Company transactions or accounting or tax matters, a supervisor will be consulted. We must not take any action to fraudulently influence, coerce, manipulate or mislead any auditor engaged in the performance of an audit of Company financial statements.

Complaints or concerns regarding accounting, internal accounting controls or auditing matters should be reported either to the Chief Executive Officer or to the Audit Committee of the K-Tron International Board of Directors as indicated in our separate policy contained in this Code of Business Conduct with respect to "Report of Violations." Such complaints or concerns may be submitted anonymously. Any such communication will be treated confidentially, to the extent possible.

CONTRACTS

The Company's policy is to have substantial commercial transactions evidenced by appropriate written agreements. Oral contracts, brief letters of understanding, letters of intent and "handshake deals" are discouraged. Where the Company has developed standard written contracts, Company employees should use those standard forms except to the extent that changes are authorized either by appropriate management personnel or the Company's lawyers. Of course, in some cases, the minor nature of the transaction or the need to act very promptly may preclude a full written contract. Those situations, however, should be minimized.

The following matters must be evidenced by full written contracts, and must be approved at the appropriate level of the Company which, in some cases, is the Board of Directors.

- (1) any contract involving real estate -- whether it be for purchase, lease or sublease of the real estate;
- (2) any license agreement for any patent, trademark, trade name or copyright -- this includes software licenses;
- (3) any contract for the acquisition of any other business, significant portion of any business or product line, or for the sale of any Company business, significant portion of any business or product line;
- (4) any contract involving more than \$100,000;
- (5) any consulting arrangement in which the payments to the consultant will amount to more than \$50,000;
- (6) any employment contract where the services to be rendered will extend for a period greater than 90 days;
- (7) any distributorship or similar agreement;
- (8) any contract of any nature when the Company is acting as either a prime contractor or a subcontractor (of any tier) to the U.S. government;
- (9) substantial borrowings from and guarantees and loans to third parties;
- (10) the formation or dissolution of any subsidiary; or
- (11) any mortgage, sale or leaseback transaction.

AUTHORIZATION AND DOCUMENTATION POLICIES

Efficiency in business is a must - to deliver quality products at a reasonable price, we need to be time efficient as well as resource efficient. On the other hand, there is a need to exercise basic controls in our transactions. And that can be time-consuming. It is a delicate balance. Our policies on authorizations and documentation are intended to maintain that balance in the best interest of the Company.

Authorization means the Company has given someone the power and authority to engage in certain transactions on its behalf. We may commit the Company only to transactions we are authorized to make. Any other transaction requires the approval of an authorized person, such as a manager or a manager's manager. In some cases approval by a corporate officer or even the Board of Directors is required. If we commit the Company without authorization, we may be personally liable. Committing the Company without authorization can be grounds for disciplinary action, up to and including termination.

The power of authorization carries with it certain responsibilities: the responsibility of knowing what we are buying; knowing that the quality of the product is acceptable; knowing that the price we are paying results in the lowest total cost to the Company; and knowing that the product is needed by the Company.

The purchasing department should be involved in any purchasing transaction which is other than de minimus, especially with a supplier we have not used before or in purchasing an item or supply we have not ordered before. Purchasing can make sure the price, quality and terms are competitive and right for our needs. Purchasing must make the decision as to whether they need to be involved in a purchase. A quick "FYI" phone call may be all that is necessary. Or, they may want to initiate a competitive bidding process. Competitive bidding or a process assuring competitive value is often a must. Let purchasing make the judgment - that is their job.

Use established systems and processes to requisition materials, supplies or services. That means filling out the required forms, getting the required approval signatures, obtaining competitive bids and involving the right people in the purchasing process. This process may be time-consuming sometimes, but it is more costly to make a purchase we regret.

Documentation is a form of protection; for us, for others at the Company and for the suppliers with whom we are working. Some forms of documentation are legally required; others are necessary to ensure control, honesty and fair business practice. Some serve as references when we need to repeat a transaction in the future.

Paperwork is not just "red tape." It is a critical part of doing business. And paperwork may be a part of our job, just as important as any other function we perform.

Company policies on documentation are that we sign only what we are authorized to sign. Placing our signature on a piece of paper commits us; if we are not authorized to make a commitment, signing anything can make us personally liable. We should always know what we are signing. Remember, our signature is an acceptance of responsibility. It is our obligation to know that what we are authorizing is right and fair. Whether it is a requisition, a purchase order, a receipt, a business expense report or an authorization for payment, we should apply the same care and consideration that we would if it were our own money on the line.

Certain purchases require contracts and a legal review. Be sure we work with our materials or logistics manager to meet these requirements when they apply. Report travel and related expenses honestly and accurately. Falsifying expenses is simply wrong and is grounds for termination and possible prosecution. If we come across anything that does not seem right to us, a supplier we do not know, a price that seems too high or low, a service or supply we are not sure was received - do not sign the paperwork until we have all the answers. Get help from a manager, the purchasing department or the local controller if you cannot get satisfactory answers on your own.

Segregation of duties is a control concept: it means that responsibilities are segregated in such a way that no one person has control of the entire transaction process. Segregation of duties is critical to maintaining control.

What does it mean to you? We are not permitted to authorize all components of a transaction. If we order something, we cannot also document receipt and approve payment. If we contract a service, someone else should be involved in making sure the service is actually rendered, at the price quoted. In a way, segregation is a form of teamwork.

REPORT OF VIOLATIONS

Notification of Complaint

Employees who observe, learn of or, in good faith, suspect a violation of these policies must report the violation immediately to the Corporate Ethics Officer (or, in connection with complaints or concerns regarding accounting, internal accounting controls or auditing matters, must instead report the violation to the Chief Executive Officer or to the Audit Committee of the K-Tron International Board of Directors). Any employee may be subject to disciplinary action, including termination of employment, for failing to do so. Whenever practical, the complaint should be made in writing. It is unacceptable to submit a complaint knowing it is false.

Complaints or concerns regarding accounting, internal accounting controls or auditing matters may be submitted anonymously in writing to the Chairperson of the Audit Committee, including by mailing such complaint or concern to:

Richard J. Pinola
Chairperson, Audit Committee
c/o Corporate Secretary
K-Tron International, Inc.
Routes 55 & 553
Pitman, NJ 08071

Investigation

Reports of violations will promptly be investigated under the supervision of the Corporate Ethics Officer or, if it so chooses, the Audit Committee, except that the Chief Executive Officer or the Audit Committee, as determined by the Audit Committee, will supervise all investigations of complaints or concerns regarding accounting, internal accounting controls or auditing matters. The investigation will be handled as discreetly as reasonably possible, allowing for a fair investigation and any necessary corrective action. Appropriate corrective action will be taken whenever a violation of this policy is determined to have occurred. Depending on the nature of the violation, the offending individual can be subject to disciplinary action, which may include termination. In addition, anyone who interferes with an investigation, or provides information in an investigation that the individual knows to be untrue or inaccurate, will be subject to disciplinary action, which may include termination of employment. **Retaliation against employees who, for lawful purposes, file a complaint or participate in an investigation is strictly prohibited.**

Confidentiality

Except as may be required by law or by the requirements of the resulting investigation or corrective action, the Corporate Ethics Officer or others conducting the investigation will not disclose the identity of anyone who reports a suspected violation if confidentiality is requested.

PROTECTION AGAINST RETALIATION

Policy

The Company prohibits any form of retaliation against employees who, for lawful purposes, report to the Company any conduct or activity that may violate this Code of Business Conduct, any law or regulation applicable to the Company, or any other suspected improper, unethical or illegal conduct or activities by anyone at the Company. The Company also prohibits any form of retaliation against employees who provide information, cause information to be provided or assist in an investigation conducted by the Company or any governmental body regarding a possible violation of any law or regulation relating to fraud, any labor law, or any rule or regulation of the U.S. Securities and Exchange Commission, or who file, cause to be filed, or assist, participate or give testimony in any proceeding relating to an alleged violation of any such law, rule or regulation.

Management Responsibility

All Company officers and other managerial employees are responsible for ensuring adherence to this policy. In addition, each Company officer and managerial employee is responsible for communicating this policy to employees under his or her supervision and for supporting programs and practices designed to develop an understanding of, commitment to and compliance with this policy. In the event that any Company officer, other managerial employee or supervisor believes that a violation of this policy has occurred or receives a report of a violation, he or she must immediately contact the Corporate Ethics Officer.

Procedures for Reporting Policy Violations

If an employee believes that he or she has been retaliated against (including threatened or harassed) in violation of this policy, he or she should immediately report the retaliation to the Corporate Ethics Officer. Once an employee reports retaliation prohibited by this policy, the Company will promptly investigate the matter in accordance with the procedures described in our separate policy contained in this Code of Business Conduct with respect to "Report of Violations."

WAIVERS

Requests for a waiver of any provision of this Code of Business Conduct must be submitted in writing to the Corporate Ethics Officer for appropriate review, and an executive officer, director or the Board of Directors or an appropriate Board committee will decide the outcome. For conduct involving an executive officer or director, only the Board of Directors has the authority to waive any of these Company policies. The Audit Committee of the Board must also review and approve any “related party” transaction, as defined in Item 404(a) of Regulation S-K, promulgated by the U.S. Securities and Exchange Commission, before it is consummated. In the event of an approved waiver involving the conduct of an executive officer or a director, appropriate and prompt disclosure must be made to the Company’s shareholders as required by the U.S. Securities and Exchange Commission or other regulation or by applicable Nasdaq listing standards.

COMPLIANCE

Adherence to Company Policies; Disciplinary Action

Each of us has a responsibility to understand and follow these policies. In addition, we are expected to perform our work with honesty and integrity in all areas not specifically addressed in these policies. A violation of these policies may result in appropriate disciplinary action, including possible termination of employment with the Company.

Communications

The Company strongly encourages dialogue among employees and their supervisors to make everyone aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations.

Responsibility of Senior Officers and Managers

All Company officers and other managerial employees will be responsible for the enforcement of, and compliance with, these policies, including necessary distribution to assure employee knowledge and compliance. Such officers and other managerial employees are expected to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and business relationships. Managerial employees may be disciplined if they condone misconduct, do not report misconduct, do not take reasonable measures to detect misconduct or do not demonstrate the appropriate leadership to ensure compliance.