



## Kadant Announces Third Quarter Results

October 24, 2001

WALTHAM, Mass., Oct 24, 2001 (BUSINESS WIRE) -- Kadant Inc. (ASE: KAI) today reported consolidated revenues of \$56.1 million for the third quarter, ended September 29, 2001, compared with \$58.3 million in 2000. Excluding unfavorable currency effects of \$1.1 million, revenues decreased 2 percent compared with the third quarter of 2000. Revenues from the company's composite building products startup were \$235,000 and \$151,000 in the 2001 and 2000 periods, respectively.

Net income for the third quarter of 2001 was \$2.0 million, or \$.17 per diluted share, compared with \$4.3 million, or \$.35 per diluted share, for the same period last year. Third quarter results in 2001 and 2000 include pretax restructuring costs of \$0.6 million and a pretax gain of \$0.7 million from the sale of an asset, respectively. Excluding those items, net income would have been \$2.4 million, or \$.19 per diluted share, in 2001 and \$4.0 million, or \$.33 per diluted share, a year ago. Included in the quarterly results for 2001 and 2000 are \$0.8 million and \$0.2 million, respectively, of net losses from the company's composite building products business.

Operating income for the third quarter of 2001 was \$3.8 million, compared with \$6.3 million in the third quarter of 2000. Operating income in the company's Pulp and Papermaking Equipment and Systems (Papermaking Equipment) segment was \$6.8 million, down 5 percent from the 2000 period. Excluding the restructuring costs noted above, operating income in the Papermaking Equipment segment would have been \$7.3 million in the third quarter of 2001, an increase of 3 percent over last year. The company's Composite and Fiber-based Products segment reported an operating loss of \$2.2 million for the third quarter of 2001, compared with \$0.4 million a year ago. Excluding the gain on the sale of an asset noted above, the operating loss in the Composite and Fiber-based Products segment would have been \$1.1 million in 2000. Included in these results are the operating losses from the company's composite building products startup of \$1.3 million and \$0.5 million in 2001 and 2000, respectively.

"We're pleased with the quarterly operating income results in our core business, the Papermaking Equipment segment, which increased 3 percent compared to last year on a recurring basis," said William A. Rainville, chairman and chief executive officer of Kadant. "This performance was achieved in spite of the weaker conditions in the world economy in general and the paper industry in particular. Demand for our recycling equipment and systems was especially strong in China, where quarterly orders more than doubled over last year, although our order flows were disappointing in Europe and North America. All our North American product lines in the Papermaking Equipment segment continue to be adversely affected by high levels of paper machine shut downs and the ongoing consolidation of companies within the industry. Given this continued slowdown, we took actions in the quarter to strengthen our core Papermaking Equipment segment, including reducing headcount by 8 percent in our U.S. operations.

"Profitability continues to be adversely affected by our investment in the composite building products startup as we make the necessary investments in marketing and distribution to establish Kadant in this exciting growth market."

### Consolidated Statement of Income (Unaudited) (In thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	Sept. 29, 2001	Sept. 30, 2000	Sept. 29, 2001	Sept. 30, 2000
Revenues	\$ 56,085	\$ 58,315	\$ 171,717	\$ 176,802
Costs and Operating Expenses:				
Cost of revenues	35,458	36,293	107,738	108,830
Selling, general, and administrative expenses	14,613	14,438	45,054	46,018
Research and development expenses	1,644	1,987	5,307	5,803
Restructuring costs	588	--	588	--
Gain on sale of property and business	--	(729)	--	(1,700)
	52,303	51,989	158,687	158,951
Operating Income	3,782	6,326	13,030	17,851
Interest Income	1,574	2,868	5,527	8,062
Interest Expense	(1,872)	(1,866)	(5,616)	(5,621)
Income Before Provision for Income Taxes, Minority Interest, and Cumulative Effect of Change in Accounting Principle	3,484	7,328	12,941	20,292

Provision for Income Taxes	1,452	2,840	5,407	8,140
Minority Interest (Income) Expense	(13)	156	(87)	350
Income Before Cumulative Effect of Change in Accounting Principle	2,045	4,332	7,621	11,802
Cumulative Effect of Change in Accounting Principle (net of income taxes of \$580)	--	--	--	(870)
Net Income	\$ 2,045	\$ 4,332	\$ 7,621	\$ 10,932
Basic and Diluted Earnings per Share Before Cumulative Effect of Change in Accounting Principle	\$ .17	\$ .35	\$ .62	\$ .96
Basic and Diluted Earnings per Share	\$ .17	\$ .35	\$ .62	\$ .89
Weighted Average Shares:				
Basic	12,273	12,261	12,276	12,255
Diluted	12,348	12,284	12,311	12,301

Business Segment Information (Unaudited)  
(In thousands)

	Three Months Ended		Nine Months Ended	
	Sept. 29, 2001	Sept. 30, 2000	Sept. 29, 2001	Sept. 30, 2000
Revenues:				
Pulp and Papermaking Equipment and Systems	\$ 55,174	\$ 57,043	\$ 165,847	\$ 171,061
Composite and Fiber-based Products (a)	911	1,276	5,870	5,755
Intersegment Sales Elimination (b)	--	(4)	--	(14)
	\$ 56,085	\$ 58,315	\$ 171,717	\$ 176,802
Operating Income:				
Pulp and Papermaking Equipment and Systems (c)	\$ 6,773	\$ 7,110	\$ 20,156	\$ 21,164
Composite and Fiber-based Products (a) (d)	(2,204)	(374)	(4,440)	(1,415)
Corporate (e)	(787)	(410)	(2,686)	(1,898)
	\$ 3,782	\$ 6,326	\$ 13,030	\$ 17,851
Capital Expenditures:				
Pulp and Papermaking Equipment and Systems	\$ 399	\$ 336	\$ 1,131	\$ 1,056
Composite and Fiber-based Products	961	931	2,619	2,900
	\$ 1,360	\$ 1,267	\$ 3,750	\$ 3,956

(a) Reflects the sale of the company's fiber-recovery and water-clarification services plant in September 2000. Operating income includes gain on sale of property of \$729 in the third quarter and first nine months of 2000.

(b) Intersegment sales are accounted for at prices that are

representative of transactions with unaffiliated parties.

(c) Includes restructuring costs of \$570 in the third quarter and first nine months of 2001 and a \$600 charge to provide for a customer dispute in the first nine months of 2000.

(d) Includes operating losses from our startup composite building products business of \$1,335, \$530, \$2,973, and \$1,399 in the three months ended September 29, 2001, the three months ended September 30, 2000, the nine months ended September 29, 2001, and the nine months ended September 30, 2000, respectively.

(e) Primarily general and administrative expenses. Includes gain on sale of business of \$971 in the first nine months of 2000.

Kadant will hold its earnings conference call on Thursday, October 25, 2001, at 10 a.m. EDT. To listen, dial 877-692-2595 within the U.S., or 973-633-6740 outside the U.S. A telephone replay of this call will be available after 5 p.m. EDT on October 25, 2001, until November 1, 2001. To listen to the recording, please call 877-519-4471 within the U.S., or 973-341-3080 outside the U.S., and enter code 2846116.

Kadant Inc. is a leading supplier of a range of products for the global papermaking and paper-recycling industries, including de-inking systems, stock-preparation equipment, water-management systems, and papermaking accessories. Through its majority-owned Thermo Fibergen subsidiary, the company also develops and commercializes composite building materials produced from natural fiber and recycled plastic.

The following constitutes a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: This press release contains forward-looking statements that involve a number of risks and uncertainties. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are set forth under the heading "Risk Factors" in Exhibit 99.1 to the company's current report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2001. These include risks and uncertainties relating to: the company's dependence on the paper industry and pulp and paper prices, international operations, competition, ability to enter the composite building products market, acquisition strategy, dependence on patents and proprietary rights, fluctuations in quarterly operating results, and the spinoff of the company from Thermo Electron Corporation.

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