

KADANT

Kadant Reports Year-End Results

February 11, 2002

ACTON, Mass.--(BUSINESS WIRE)--Feb. 11, 2002--Kadant Inc. (ASE:KAI) reported revenues of \$221.2 million in 2001, compared with \$234.9 million in 2000. Net income was \$10.0 million, or \$.81 per diluted share, versus \$15.1 million, or \$1.23 per diluted share, a year ago. Excluding an extraordinary gain of \$.05 in 2001 from the repurchase of debt, and the unfavorable effect of an accounting change of \$.07 in 2000, diluted EPS would have been \$.76 and \$1.30 in 2001 and 2000, respectively. These results include net losses from Kadant's composite building products startup of \$2.3 million in 2001, and \$1.0 million in 2000.

For the fourth quarter, revenues were \$49.4 million in 2001, compared with \$58.1 million in 2000. Net income was \$2.4 million, or \$.19 per diluted share (including the extraordinary gain of \$.05), versus \$4.2 million, or \$.34 per diluted share, a year ago. Net losses from the composites startup were \$0.5 million in both periods.

"No question, continued weak conditions in the pulp and paper industry - and the economy - are affecting our core business," said William A. Rainville, chairman and chief executive officer of Kadant. "Nevertheless, our papermaking equipment segment generated \$26.7 million in operating income during the year, down 7 percent compared with 2000, excluding restructuring items in both periods. Excluding the same items, adjusted EBITDA results from our papermaking equipment segment were \$34.2 million and \$36.4 million in 2001 and 2000, respectively, again underscoring the strength of our core business even in a severe and prolonged industry downturn.

"We are responding to market conditions in a number of ways. First, we are lowering costs. We recently eliminated 60 more positions and will close a redundant pilot lab at our Ohio facility in the second quarter. Since last October, when we announced layoffs in our U.S. operations, we have decreased our global workforce by 10 percent. These decisions are difficult, but a lower cost structure will benefit Kadant once the industry shows signs of recovery. We expect these actions to yield approximately \$3 million in annualized savings beginning in the second quarter of this year."

Mr. Rainville continued, "In spite of current industry pressures, we will not compromise Kadant's future growth, and are continuing to invest for the long term. For example, in our papermaking equipment segment, we've developed new 'creping' blades for tissue products that not only increase production, but result in better quality, including the softness that consumers demand. Our commitment to provide increased product quality and productivity for our customers is also driving new developments in our paper-recycling and water-management businesses.

"In our composites startup, our focus has been on marketing and distribution. I'm pleased that we've made progress in both. We have begun a program including trade advertising, in-store promotion, and trade and home show exhibits, and, most importantly, added three new distributors. We've also introduced new fade-resistant decking colors and an improved railing system, as well as a composite slate roof tile. We believe this venture has potential, particularly in light of the EPA's likely phase-out of widely used pressure-treated lumber."

Mr. Rainville added, "We will use our strong balance sheet to help us build the business going forward. We finished 2001 with \$119 million in cash and short-term investments, even after paying \$15 million to acquire 100 percent of Thermo Fibergen and another \$33 million to repurchase our debt in the fourth quarter. As a result of the buyback program and our solid operating cash flows, we ended the year with approximately \$400,000 in net debt.

"The weak economy does present us with attractive acquisition opportunities, and our goal is to make a significant acquisition before the end of 2002. However, we will be very selective, and are seeking companies that will complement our core strengths - namely our separation technology, our process knowledge, and our global installed base - but take us into new markets that offer prospects for growth. Although the current business environment certainly has its challenges, the steps we are taking now will position us well for the future."

Financial Highlights

(In thousands except per share amounts)

Consolidated Statement of Income

	Three Months Ended		Twelve Months Ended	
	Dec. 29, 2001	Dec. 30, 2000	Dec. 29, 2001	Dec. 30, 2000
Revenues	\$49,449	\$58,111	\$221,166	\$234,913
Costs and				
Operating Expenses:				
Cost of revenues	30,687	36,281	138,425	145,111
Selling, general, and administrative expenses	13,906	14,883	58,960	60,901
Research and development expenses	1,305	1,884	6,612	7,687
Gain on sale of property and business	--	--	--	(1,700)
Restructuring and				

unusual costs (income)	85	(506)	673	(506)
	45,983	52,542	204,670	211,493
Operating Income	3,466	5,569	16,496	23,420
Interest Income	1,088	2,404	6,615	10,466
Interest Expense	(1,725)	(1,882)	(7,341)	(7,503)
Income Before Provision for Income Taxes, Minority Interest, Extraordinary Item, and Cumulative Effect of Change in Accounting Principle	2,829	6,091	15,770	26,383
Provision for Income Taxes	1,235	2,807	6,642	10,947
Minority Interest Income	147	926	234	576
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	1,741	4,210	9,362	16,012
Extraordinary Item (net of income taxes of \$440)	620	--	620	--
Income Before Cumulative Effect of Change in Accounting Principle	2,361	4,210	9,982	16,012
Cumulative Effect of Change in Accounting Principle (net of income taxes of \$580)	--	--	--	(870)
Net Income	\$2,361	\$4,210	\$9,982	\$15,142
Earnings per Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle				
Basic	\$.14	\$.34	\$.76	\$1.31
Diluted	\$.14	\$.34	\$.76	\$1.30
Earnings per Share				
Basic	\$.19	\$.34	\$.81	\$1.24
Diluted	\$.19	\$.34	\$.81	\$1.23
Weighted Average Shares				
Basic	12,236	12,272	12,266	12,260
Diluted	12,320	12,288	12,313	12,298

Business Segment Information

	Three Months Ended		Twelve Months Ended	
	Dec. 29, 2001	Dec. 30, 2000	Dec. 29, 2001	Dec. 30, 2000
Revenues:				
Pulp and Papermaking				
Equipment and Systems	\$47,619	\$56,072	\$213,466	\$227,133
Composite and Fiber-based Products(a)	1,830	2,039	7,700	7,794
Intersegment Sales				

Elimination	--	--	--	(14)
	\$49,449	\$58,111	\$221,166	\$234,913
Operating Income:				
Pulp and Papermaking				
Equipment and Systems(b)(c)	\$5,983	\$8,045	\$26,139	\$29,209
Composite and Fiber-based				
Products(a)(d)	(1,528)	(1,701)	(5,968)	(3,116)
Corporate(e)	(989)	(775)	(3,675)	(2,673)
	\$3,466	\$5,569	\$16,496	\$23,420
Capital Expenditures:				
Pulp and Papermaking				
Equipment and Systems	\$433	\$1,494	\$1,564	\$2,550
Composite and Fiber-based				
Products	406	905	3,025	3,805
	\$839	\$2,399	\$4,589	\$6,355

Balance Sheet Data

	As of	
	Dec. 29, 2001	Dec. 30, 2000
Cash and Short-term Investments	\$119,432	\$154,302
Common Stock of Subsidiary Subject to Redemption	-	17,026
Short- and Long-term Debt	119,840	155,212
Net Debt	408	17,936
Shareholders' Investment	183,557	170,633

(a) Reflects the sale of the company's fiber-recovery and water-clarification services plant in September 2000. Operating income includes restructuring costs of \$101 in the twelve months ended December 29, 2001, and a gain on sale of property of \$729 in the twelve months ended December 30, 2000.

(b) Includes restructuring costs of \$572 in the twelve months ended December 29, 2001, and restructuring income of \$506 in the three and twelve months ended December 30, 2000.

(c) Adjusted EBITDA, as referenced in the quote, of \$34,191 for the twelve months ended December 29, 2001, is calculated as operating income of \$26,139, plus depreciation and amortization expense of \$7,480, and restructuring costs of \$572. Adjusted EBITDA of \$36,387 for the twelve months ended December 30, 2000, is calculated as operating income of \$29,209, plus depreciation and amortization expense of \$7,684, less restructuring income of \$506.

(d) Includes operating losses from our startup composite building products business of \$1,125, \$1,052, \$4,098, and \$2,449 in the three months ended December 29, 2001, the three months ended December 30, 2000, the twelve months ended December 29, 2001, and the twelve months ended December 30, 2000, respectively.

(e) Primarily general and administrative expenses. Includes gain on sale of business of \$971 and a \$600 charge to provide for a customer dispute in the twelve months ended December 30, 2000.

Kadant will hold its earnings conference call on Tuesday, February 12, 2002, at 11 a.m. EST. To listen by phone, dial 877-692-2595 within the U.S., or 973-633-1010 outside the U.S. To listen on the Web, log on to www.kadant.com and click on "Investors." Replays of the call will be available until February 19, 2002. Call 877-519-4471 in the U.S., or 973-341-3080 outside the U.S., and enter code 3034027. Or, visit www.kadant.com and click on "Investors."

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. The company also develops and manufactures composite building materials produced from natural fiber and recycled plastic. Kadant, based in Acton, Massachusetts, reported \$221 million in revenues in 2001 and employs approximately 1,100 people worldwide. For more information, please visit www.kadant.com.

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 participate in 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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