

# KADANT

## Kadant Reports First Quarter Earnings and Reaffirms Guidance

May 1, 2002

ACTON, Mass., May 1, 2002 (BUSINESS WIRE) -- For the first quarter of 2002, Kadant Inc. (ASE:KAI) reported net income of \$0.9 million, or \$.07 per diluted share, on revenues of \$43.3 million, compared with net income of \$3.1 million, or \$.25 per diluted share, on revenues of \$58.9 million a year ago. Net income in 2002 excludes restructuring and unusual charges of \$.18 per diluted share (\$3.6 million on a pretax basis), and earnings in the 2001 period include goodwill amortization of \$.05 per diluted share. Goodwill amortization was eliminated according to the new accounting rules under FASB No. 142 that took effect in 2002. Without the adjustment in the 2002 quarter, Kadant reported a net loss of \$1.4 million, or \$.11 per diluted share.

"In line with our earlier guidance, our financial results reflect the pulp and paper industry downcycle and our low bookings levels at the end of last year," said William A. Rainville, chairman and chief executive officer of Kadant. "We continue to focus on the factors within our control, such as our operating costs, capital expenditures, and management of our working capital. The \$3.6 million of restructuring and unusual charges, \$2.4 million of which was noncash, includes a facility closure, the write-down of obsolete equipment, and severance payments as part of an 8 percent reduction in our global workforce during the quarter. While these actions are never pleasant, we expect them to result in cost savings of more than \$3 million annually beginning in the second quarter of 2002.

"On a more positive note, we are encouraged by early signs of improvement in the pulp and paper industry. Two market leaders regained profitability; containerboard inventories, which hit an all-time low in March, are driving increased production; and pulp prices are firming up modestly, and in some cases rising. For us, first quarter bookings rose by 14 percent over the fourth quarter of 2001, with the largest contributions coming from our recycling and papermaking accessories product lines. This also includes bookings for our composite building products, which nearly doubled from the fourth quarter.

"Although we anticipate gradual improvement in our bookings rates throughout 2002, we are maintaining a cautious outlook. We expect to earn from \$.14 to \$.17 per diluted share on revenues of \$43 to \$45 million in the second quarter of 2002, and, excluding restructuring and unusual costs, from \$.70 to \$.80 per diluted share on revenues of \$185 to \$195 million for the full year, as we've stated previously.

"We continue to invest for the future by developing systems that help our pulp and paper customers compete through increased efficiency and product quality. We have introduced new technologies in all our major product lines: recycling, papermaking accessories, and water management. In our composite building products business, we're focused on expanding our distribution network. Our decking systems are now available through 350 retail lumberyards across the country, and the response to the first installations of our composite slate roof tiles has been enthusiastic."

Mr. Rainville concluded, "Our ability to reinvest in the business stems from our strong balance sheet. We ended the quarter with more than \$116 million in cash and only \$0.2 million in net debt. In addition, cash flow from operations increased to \$3.2 million in the first quarter versus \$2.1 million a year ago. This, combined with significant reductions in our cost structure, will be a distinct advantage as we look to grow both internally and through strategic acquisitions."

### Financial Highlights (Unaudited)

(In thousands except per share amounts)

Consolidated Statement of Operations	Three Months Ended	
	March 30, 2002	March 31, 2001
Revenues	\$43,340	\$58,900
Costs and Operating Expenses:		
Cost of revenues	27,187	36,196
Selling, general, and administrative expenses	12,691	15,856
Research and development expenses	1,288	1,792
Restructuring and unusual costs	3,637	--
Operating Income (Loss)	(1,463)	5,056
Interest Income	655	2,141
Interest Expense	(1,429)	(1,873)
Income (Loss) Before Income Taxes, Minority Interest, and Extraordinary Item	(2,237)	5,324
Benefit (Provision) for Income Taxes	850	(2,219)
Minority Interest Income (Expense)	(1)	24
Income (Loss) Before Extraordinary Item	(1,388)	3,129
Extraordinary Item (net of income taxes of \$18)	29	--
Net Income (Loss)	\$(1,359)	\$3,129
Basic and Diluted Earnings (Loss) per Share Before Extraordinary Item		
Extraordinary Item	\$(.11)	\$.25
Basic and Diluted Earnings (Loss) per Share	\$(.11)	\$.25
Weighted Average Shares		
Basic	12,239	12,277
Diluted	12,239	12,290

Business Segment Information	Three Months Ended	
	March 30, 2002	March 31, 2001
Revenues:		
Pulp and Papermaking Equipment and Systems	\$40,577	\$55,987
Composite and Fiber-based Products	2,763	2,913
	\$43,340	\$58,900
Operating Income (Loss) (a):		
Pulp and Papermaking Equipment and Systems(b)	\$1,883	\$6,979
Composite and Fiber-based Products (c)(d)	(2,473)	(983)
Corporate (e)	(873)	(940)
	\$(1,463)	\$5,056
Capital Expenditures:		
Pulp and Papermaking Equipment and Systems	\$332	\$384
Composite and Fiber-based Products	263	794
	\$595	\$1,178

Balance Sheet Data

	March 30, 2002	Dec. 29, 2001
Cash and Short-term Investments	\$116,525	\$119,432
Short- and Long-term Debt	116,773	119,840
Net Debt	248	408
Shareholders' Investment	181,526	183,557
(a) Excluding restructuring and unusual costs of \$3,637, consolidated operating income was \$2,174 in the 2002 period. Includes consolidated goodwill amortization of \$864 in the 2001 period.		
(b) Excluding restructuring and unusual costs of \$1,998, operating income was \$3,881 in the 2002 period. Includes goodwill amortization of \$806 in the 2001 period.		
(c) Excluding restructuring and unusual costs of \$1,639, operating loss was \$834 in the 2002 period. Includes goodwill amortization of \$58 in the 2001 period.		
(d) Includes operating losses from our composite building products business of \$1,054, excluding restructuring and unusual costs, in the 2002 period and \$584 in the 2001 period.		
(e) Primarily general and administrative expenses.		

Kadant will hold its earnings conference call on Thursday, May 2, 2002, at 11 a.m. EDT. 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](http://www.kadant.com) and click on "Investors." Replays of the call will be available until May 9, 2002. Call 877-519-4471 in the U.S., or 973-341-3080 outside the U.S., and enter code 3225335. An audio archive will also be available on the Web.

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](http://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 statements are set forth under the heading "Forward-looking Statements" in Exhibit 13 to the company's annual report on Form 10-K for the fiscal year ended December 29, 2001. These include risks and uncertainties relating to the company's: dependence on the pulp and paper industry, international operations, competition, ability to manufacture and distribute composite building products and the long-term performance of such products, acquisition strategy, dependence on patents and proprietary rights, fluctuations in quarterly operating results, and financial covenants and other obligations arising from the spinoff of the company from Thermo Electron Corporation. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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