

KADANT

Kadant Reports Second Quarter Results and Reaffirms Guidance

July 24, 2002

ACTON, Mass., Jul 24, 2002 (BUSINESS WIRE) -- In the second quarter of 2002, Kadant Inc. (ASE:KAI) reported net income of \$2.5 million, compared with \$2.4 million in 2001, with earnings of \$.20 per diluted share in both periods. Excluding an extraordinary gain from the repurchase of debt in the 2002 quarter, earnings would have been \$.18 per diluted share. Earnings in the 2001 period include goodwill amortization of \$.05 per diluted share, which has been eliminated according to the new accounting rules under FASB No. 142 that took effect this year. Quarterly revenues were \$46.4 million in 2002, versus \$56.7 million a year ago.

"Our second quarter financial performance reflects the steady progress we are making across the company," said William A. Rainville, chairman and chief executive officer of Kadant. "Our earnings were better than expected - the result of higher gross margins, improved operating results in our Composite and Fiber-based Products segment, and cost-cutting actions we initiated in late 2001 in our Papermaking Equipment segment.

"We have focused on lowering costs in our papermaking equipment business as growth continues to be hampered by fluctuating demand in the pulp and paper industry. While we see signs of modest improvement in the industry, with pulp prices firming and operating rates for some paper grades on the rise, the pace is slow and there is still market uncertainty. In our business, sales of papermaking accessories were soft, while sales of water-management and stock-preparation systems were up slightly from the first quarter.

"In our Composite and Fiber-based Products segment, I'm pleased to report that revenues more than doubled from last year, resulting from strong sales of fiber-based granules and a record \$2.2 million in sales of our composite decking and roofing materials. Our efforts to market our composite building products and establish distribution have led to growing acceptance by building suppliers, contractors, and homeowners alike - underscored by second quarter bookings of \$4.1 million.

"We are maintaining our guidance for the year which, adjusted for the additional shares issued in our June stock offering, would result in earnings of \$.66 to \$.76 per diluted share, excluding restructuring and unusual costs. Our revenue guidance for the year also remains unchanged at \$185 to \$195 million. For the third quarter of 2002, we expect to earn from \$.19 to \$.21 per diluted share on revenues of \$47 to \$49 million."

Mr. Rainville concluded, "The June public offering fulfilled an important corporate obligation by satisfying an IRS requirement related to our spinoff, and yielded net proceeds of \$17.6 million. We now have nearly \$119 million in cash and short-term investments, which is \$29 million more than our debt. Through effective management of our working capital, we would have ended the quarter net cash positive even without the offering proceeds. Our strong balance sheet continues to improve, and remains a valuable asset that allows us to invest in Kadant's long-term growth."

Financial Highlights (Unaudited)

(In thousands except per share amounts)

Consolidated Statement of Income

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Revenues	\$46,378	\$56,732	\$89,718	\$115,632
Costs and Operating Expenses:				
Cost of revenues	28,378	36,084	55,565	72,280
Selling, general, and administrative expenses	12,576	14,585	25,267	30,441
Research and development expenses	1,152	1,871	2,440	3,663
Restructuring and unusual costs	--	--	3,637	--
	42,106	52,540	86,909	106,384
Operating Income	4,272	4,192	2,809	9,248
Interest Income	623	1,812	1,278	3,953
Interest Expense	(1,207)	(1,871)	(2,636)	(3,744)
Income Before Provision for Income Taxes, Minority Interest, and Extraordinary Item	3,688	4,133	1,451	9,457
Provision for Income Taxes	1,395	1,736	545	3,955
Minority Interest (Income) Expense	1	(50)	2	(74)
Income Before Extraordinary Item	2,292	2,447	904	5,576
Extraordinary Item				

(net of income taxes of \$157 and \$175)	257	--	286	--
Net Income	\$2,549	\$2,447	\$1,190	\$5,576
Basic and Diluted Earnings per Share Before Extraordinary Item	\$.18	\$.20	\$.07	\$.45
Basic and Diluted Earnings per Share	\$.20	\$.20	\$.10	\$.45
Weighted Average Shares				
Basic	12,446	12,277	12,343	12,277
Diluted	12,661	12,294	12,508	12,292
Business Segment Information				
	Three Months Ended		Six Months Ended	
	June 29,	June 30,	June 29,	June 30,
	2002	2001	2002	2001
Revenues:				
Pulp and Papermaking Equipment and Systems	\$41,923	\$54,686	\$82,500	\$110,673
Composite and Fiber-based Products	4,455	2,046	7,218	4,959
	\$46,378	\$56,732	\$89,718	\$115,632
Operating Income (a):				
Pulp and Papermaking Equipment and Systems (b)	\$5,024	\$6,404	\$6,907	\$13,383
Composite and Fiber-based Products (c)(d)	98	(1,253)	(2,375)	(2,236)
Corporate (e)	(850)	(959)	(1,723)	(1,899)
	\$4,272	\$4,192	\$2,809	\$9,248
Capital Expenditures:				
Pulp and Papermaking Equipment and Systems	\$419	\$348	\$631	\$732
Composite and Fiber-based Products	327	864	590	1,658
Corporate	7	--	127	--
	\$753	\$1,212	\$1,348	\$2,390

Balance Sheet Data

	June 29,	Dec. 29,
	2002	2001
Cash and Short-term Investments	\$ 118,570	\$ 119,432
Short- and Long-term Debt	89,441	119,840
Net Cash (Debt)	29,129	(408)
Shareholders' Investment	206,441	183,557

(a) Excluding restructuring and unusual costs of \$3,637, consolidated operating income was \$6,446 in the six-month period ended June 29, 2002. Includes consolidated goodwill amortization of \$862 and \$1,726 in the three- and six-month periods ended June 30, 2001, respectively.

(b) Excluding restructuring and unusual costs of \$1,998, operating income was \$8,905 in the six-month period ended June 29, 2002. Includes goodwill amortization of \$803 and \$1,609 in the three- and six-month periods ended June 30, 2001, respectively.

(c) Excluding restructuring and unusual costs of \$1,639, operating loss was \$736 in the six-month period ended June 29, 2002. Includes goodwill amortization of \$59 and \$117 in the three- and six-month periods ended June 30, 2001, respectively.

(d) Includes operating losses from our composite building products business of \$677 and \$1,054 in the three-month periods ended June 29, 2002 and June 30, 2001, respectively, and \$1,731 and \$1,638, excluding restructuring and unusual charges, in the six-month periods ended June 29, 2002 and June 30, 2001, respectively.

(e) Primarily general and administrative expenses.

outside the U.S. You can also listen to the conference call live on the Web by visiting www.kadant.com and clicking on "Investors." An audio archive of the call will be available on the Website until August 1, 2002.

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 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, as amended. These include risks and uncertainties relating to the company's: dependence on the 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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