

KADANT

Kadant Reports 2002 Fourth Quarter and Full-Year Results and Provides Guidance for 2003

February 12, 2003

ACTON, Mass., Feb 12, 2003 (BUSINESS WIRE) -- For the fourth quarter of 2002, Kadant Inc. (AMEX:KAI) recorded GAAP income before extraordinary item of \$.17 per diluted share, compared with \$.14 per diluted share in the 2001 quarter and, on an adjusted basis (as detailed in the attached tables), \$.16 per diluted share in 2002, compared with \$.19 per diluted share in 2001. Adjustments exclude restructuring and unusual items in both periods and goodwill amortization in 2001. We believe it is useful to present our financial results on both a GAAP and adjusted basis so investors can gain a better understanding of our performance. Reported GAAP earnings were \$.15 per diluted share in the 2002 period, compared with \$.19 per diluted share in 2001, which includes the effect of an extraordinary item. The extraordinary item represents losses from the early extinguishment of debt in the 2002 quarter and gains from the repurchase of debt in 2001. Revenues in the fourth quarter of 2002 were \$45.9 million (including \$1.1 million from the favorable effect of currency translation), versus \$49.4 million a year ago.

For the full year, GAAP income before extraordinary item and cumulative effect of change in accounting principle was \$.45 per diluted share in 2002, compared with \$.76 per diluted share in 2001 and, on an adjusted basis (as detailed in the attached tables), was \$.62 per diluted share in 2002, compared with \$.98 per diluted share a year ago. In accordance with Statement of Financial Accounting Standards No. 142, Kadant recorded an after-tax goodwill impairment charge to earnings of \$32.8 million, or \$2.49 per diluted share, which is retroactive to the first quarter of 2002. As a result, the company had a GAAP net loss of \$2.04 per diluted share in 2002, compared with net income of \$.81 per diluted share in 2001. Revenues were \$185.7 million in 2002 (including \$2.1 million from the favorable effect of currency translation), versus \$221.2 million in 2001.

"The state of our primary industry - pulp and paper - and the general economy, affected our results in 2002," said William A. Rainville, chairman and chief executive officer of Kadant. "We lowered our operating costs and controlled capital expenditures during the year, reducing our operating expenses by \$10.4 million, including \$3.4 million from the elimination of goodwill amortization. By effectively managing our working capital, we have been able to maintain a strong balance sheet, and that should position us well for future growth. We are particularly pleased with our strong cash performance throughout 2002, virtually all of which was generated by our Papermaking Equipment segment despite challenging industry conditions. Our total cash flow from operations for the year more than doubled to \$27.0 million, from \$12.8 million in 2001, and our net cash position increased to \$43.3 million by the end of 2002 from net debt of \$0.4 million a year ago.

"Our strong cash position gives us a major advantage going forward: the ability to reinvest in our business. We plan to put our cash to work in select growth markets where our process knowledge and global presence can add value. In addition, we continue to evaluate potential acquisition candidates that would complement our existing businesses.

"We made good progress in 2002 on a number of internal initiatives - most notably our composite building products business. Fourth quarter bookings of our decking and roofing materials were a record \$6.5 million, and annual revenues increased to \$8.6 million in 2002, from \$1.9 million a year ago. We are on our way to achieving breakeven performance in this business in the first quarter of 2003. We believe the composites business offers an exciting opportunity with the rapidly growing market for composite decking materials expected to approach \$500 million by 2005."

In conclusion, Mr. Rainville added, "Assuming continued growth from composites, and little or no improvement in the Papermaking Equipment segment due to economic uncertainties, we expect to earn - on a GAAP basis - from \$.80 to \$.90 per diluted share for the full year in 2003, on revenues of \$185 million to \$195 million. For the first quarter, we expect earnings of \$.18 to \$.20, on revenues of \$48 million to \$50 million."

Financial Highlights

(In thousands except per share amounts)

Consolidated Statement of Operations	Three Months Ended		Twelve Months Ended	
	Dec. 28, 2002	Dec. 29, 2001	Dec. 28, 2002	Dec. 29, 2001
Revenues	\$45,872	\$49,449	\$185,674	\$221,166
Costs and Operating Expenses:				
Cost of revenues	28,093	30,687	115,234	138,425
Selling, general, and administrative expenses	12,566	13,906	50,323	58,960
Research and development expenses	1,230	1,305	4,819	6,612
Restructuring and unusual costs (income)	(148)	85	3,590	673
	41,741	45,983	173,966	204,670
Operating Income	4,131	3,466	11,708	16,496
Interest Income	625	1,088	2,579	6,615
Interest Expense	(1,021)	(1,725)	(4,741)	(7,341)
Income Before Provision for Income Taxes, Minority Interest, Extraordinary Item, and Cumulative Effect of Change in Accounting Principle	3,735	2,829	9,546	15,770
Provision for Income Taxes	1,417	1,235	3,619	6,642

Minority Interest (Income)				
Expense	1	(147)	4	(234)
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	2,317	1,741	5,923	9,362
Extraordinary Item (net of income tax benefit of \$159 and income tax provision of \$440, \$19, and \$440)	(260)	620	31	620
Income Before Cumulative Effect of Change in Accounting Principle	2,057	2,361	5,954	9,982
Cumulative Effect of Change in Accounting Principle (net of income tax benefit of \$12,420)	-	-	(32,756)	-
Net Income (Loss)	\$2,057	\$2,361	\$(26,802)	\$9,982
Earnings per Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle				
Basic	\$.17	\$.14	\$.46	\$.76
Diluted	\$.17	\$.14	\$.45	\$.76
Earnings (Loss) per Share				
Basic	\$.15	\$.19	\$(2.07)	\$.81
Diluted	\$.15	\$.19	\$(2.04)	\$.81
Weighted Average Shares				
Basic	13,548	12,236	12,945	12,266
Diluted	13,704	12,320	13,109	12,313
	Three Months Ended	Twelve Months Ended		
	Dec. 28, 2002	Dec. 29, 2001	Dec. 28, 2002	Dec. 29, 2001
Adjusted Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle				
As Reported	\$2,317	\$1,741	\$5,923	\$9,362
Restructuring and Unusual Costs (Income)	(92)	51	2,226	402
Goodwill Amortization (a)	-	583	-	2,340
	\$2,225	\$2,375	\$8,149	\$12,104
Adjusted Diluted Earnings per Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle				
As Reported	\$.17	\$.14	\$.45	\$.76
Restructuring and Unusual Costs (Income)	(.01)	-	.17	.03
Goodwill Amortization (a)	-	.05	-	.19
	\$.16	\$.19	\$.62	\$.98
Business Segment Information	Three Months Ended	Twelve Months Ended		
	Dec. 28, 2002	Dec. 29, 2001	Dec. 28, 2002	Dec. 29, 2001
Revenues:				
Pulp and Papermaking				
Equipment and Systems	\$42,300	\$47,619	\$171,122	\$213,466
Composite and Fiber-based Products	3,572	1,830	14,552	7,700
	\$45,872	\$49,449	\$185,674	\$221,166
Operating Income (b):				
Pulp and Papermaking				
Equipment and Systems (c)	\$5,410	\$5,983	\$18,156	\$26,139
Composite and Fiber-based Products (d)	(286)	(1,528)	(2,933)	(5,968)

Corporate (f)	(993)	(989)	(3,515)	(3,675)
	\$4,131	\$3,466	\$11,708	\$16,496
Operating Income, Excluding Restructuring and Unusual Costs and Goodwill Amortization:				
Pulp and Papermaking				
Equipment and Systems	\$5,410	\$6,785	\$20,255	\$29,923
Composite and Fiber-based				
Products (e)	(434)	(1,386)	(1,442)	(5,632)
Corporate (f)	(993)	(989)	(3,515)	(3,675)
	\$3,983	\$4,410	\$15,298	\$20,616
Capital Expenditures:				
Pulp and Papermaking				
Equipment and Systems	\$536	\$433	\$1,433	\$1,564
Composite and Fiber-based				
Products	586	406	1,759	3,025
Corporate	7	-	152	-
	\$1,129	\$839	\$3,344	\$4,589

Balance Sheet and Cash Flow Data

	Dec. 28, 2002	Dec. 29, 2001
Cash and Short-term Investments	\$44,429	\$119,432
Short- and Long-term Debt	1,165	119,840
Net Cash (Debt)	43,264	(408)
Shareholders' Investment	181,257	183,557
Cash Flow from Operations (g)	26,994	12,805

- (a) Goodwill amortization was eliminated in 2002 in accordance with Statement of Financial Accounting Standards No. 142.
- (b) Includes consolidated goodwill amortization of \$859 and \$3,447 in the three- and twelve-month periods ended December 29, 2001, respectively.
- (c) Includes goodwill amortization of \$801 and \$3,213 in the three- and twelve-month periods ended December 29, 2001, respectively.
- (d) Includes goodwill amortization of \$58 and \$234 in the three- and twelve-month periods ended December 29, 2001, respectively.
- (e) Includes operating losses from our composite building products business of \$386 and \$1,125 in the three-month periods ended December 28, 2002 and December 29, 2001, respectively, and \$2,493 and \$4,094 in the twelve-month periods ended December 28, 2002 and December 29, 2001, respectively.
- (f) Primarily general and administrative expenses.
- (g) Represents cash flow from operations for the twelve-month periods.

Kadant will hold its earnings conference call on Thursday, February 13, 2003, at 11 a.m. Eastern time. To listen, call 800-709-2159 within the U.S., or 973-582-2810 outside the U.S. You can also listen to the call live on the Web by visiting www.kadant.com and clicking on "Investors." An audio archive of the call will be available on our Web site until February 27, 2003.

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 recycled fiber and plastic. Kadant, based in Acton, Massachusetts, reported \$186 million in revenues in 2002 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, including forward-looking statements regarding our plans to invest our cash, achieve our projected operating results, and the future performance of our composite building products business. 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 the company's quarterly report on Form 10-Q for the fiscal quarter ended September 28, 2002. These include risks and uncertainties relating to the company's: dependence on the pulp and paper industry; international sales and operations; competition; ability to manufacture and distribute composite building products, and the seasonality in sales and the long-term performance of such products; availability of raw materials and exposure to commodity price fluctuations related to the manufacture of composite and fiber-based products; acquisition strategy; protection of patents and proprietary rights; fluctuations in quarterly operating results; and covenants and obligations, or other consequences, 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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