



Kadant Reports 2004 Fourth Quarter and Year-End Results

February 16, 2005

ACTON, Mass., Feb 16, 2005 (BUSINESS WIRE) -- For the fourth quarter of 2004, Kadant Inc. (NYSE:KAI) reported revenues of \$45.9 million from continuing operations (including \$1.5 million from the favorable effect of currency translation), compared with \$48.7 million in the fourth quarter of 2003. Loss from continuing operations was \$4.8 million, or \$.34 per diluted share, in the 2004 period, compared with income from continuing operations of \$3.2 million, or \$.22 per diluted share, in the year-ago quarter. Excluding \$.44 of after-tax restructuring and unusual charges primarily related to our operation in France, adjusted diluted earnings per share (EPS) was \$.10, compared with \$.22 in the 2003 period. Net loss, including the discontinued composite building products business, was \$5.3 million, or \$.38 per diluted share, in the 2004 quarter, compared with net income of \$2.3 million, or \$.16 per diluted share, in the 2003 period.

For the year, the company reported revenues from continuing operations of \$195.0 million in 2004 (including \$7.5 million from the favorable effect of currency translation), compared with \$191.5 million in 2003. Income from continuing operations in 2004 was \$5.8 million, or \$.40 per diluted share, versus \$13.1 million, or \$.94 per diluted share, in 2003. Excluding \$.42 of after-tax restructuring and unusual charges, adjusted diluted EPS was \$.82 in 2004, versus \$.94 in 2003. Net income in 2004, including the discontinued business, was \$0.7 million, or \$.05 per diluted share, versus \$11.8 million, or \$.85 per diluted share, in 2003.

"Although lower than last year, our revenues for the quarter were somewhat better than we expected," said William A. Rainville, chairman and chief executive officer of Kadant. "We also exceeded our EPS guidance for continuing operations, excluding the significant restructuring charge. Throughout 2004, paper companies in North America and Europe focused on reducing or postponing expenditures, and this hurt our performance. Our Kadant Lamort operation in France was particularly affected and incurred an operating loss during the fourth quarter, excluding the restructuring charge, that lowered our earnings by \$.05 per share.

"That said, we've sustained our leadership as a paper industry supplier, and are working hard to position Kadant for growth as the market signals some increases in capital spending. Our actions in France should lead to profitability in that subsidiary in the latter part of 2005, and strengthen its competitive advantage going forward. We've maintained a technological edge that sets us apart in growing markets such as China, where bookings of our advanced stock-preparation equipment were \$7.5 million during the fourth quarter - the best quarter for China bookings in 2004. In addition, our global presence continues to be a major asset, underscored by the recent order from Sappi Saiccor for a \$3 million-plus pulp-washing system to be installed in South Africa.

"We've also improved our strong cash position, with cash flow from continuing operations of \$6.6 million in the fourth quarter. Our cash balance - \$82.1 million at year end - translates to approximately \$5.90 per diluted share, based on our weighted average shares outstanding for the quarter. The strength of our balance sheet creates multiple opportunities for us to generate shareholder value, including investments in technology development, stock buybacks, and/or strategic acquisitions."

Mr. Rainville concluded, "With operating losses expected to continue in France, we estimate GAAP diluted EPS from continuing operations of \$.13 to \$.15 in the first quarter of 2005, on revenues of \$47 to \$49 million. Our outlook for all of 2005, which assumes a turnaround in France later in the year, is \$.80 to \$.90 of GAAP diluted EPS from continuing operations, on revenues of \$200 to \$210 million."

Kadant will hold its earnings conference call on Thursday, February 17, 2005, 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 March 18, 2005.

Kadant Inc. is a leading global supplier of a range of products that improve quality and productivity in pulp and paper production, including stock-preparation equipment, water-management systems, and paper machine accessories. Kadant, based in Acton, Massachusetts, had approximately \$195 million in revenues from continuing operations in 2004 and 950 employees 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 projected operating results, the future performance of our businesses, our market and technological position, our opportunities to improve shareholder value, orders from China, and the restructuring of our subsidiary in France. Important factors that could cause actual results to differ materially from those indicated by such statements are set forth under the heading "Risk Factors" in Kadant's quarterly report on Form 10-Q for the period ended October 2, 2004. These include risks and uncertainties relating to our dependence on the pulp and paper industry; international sales and operations; competition; ability to sell the composite building products business on favorable terms; 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 anti-takeover provisions. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Financial Highlights (unaudited) (a)

(In thousands, except per share amounts and percentages)

	Three Months Ended		Twelve Months Ended	
	January	January	January	January
Condensed Consolidated Statement of Operations	1, 2005	3, 2004	1, 2005	3, 2004

Revenues	\$45,931	\$48,715	\$194,966	\$191,507
Costs and Operating Expenses:				
Cost of revenues	29,191	29,362	119,200	116,539
Selling, general and administrative expenses	13,901	13,481	56,334	50,402
Research and development expenses	801	1,067	3,077	4,268
Restructuring and unusual items	9,515	-	9,515	(23)
	53,408	43,910	188,126	171,186
Operating Income (Loss)	(7,477)	4,805	6,840	20,321
Interest Income	465	272	1,468	965
Interest Expense	(9)	(10)	(23)	(49)
Income (Loss) from Continuing Operations Before Income Taxes and Minority Interest	(7,021)	5,067	8,285	21,237
Provision (Benefit) for Income Taxes	(2,252)	1,925	2,524	8,070
Minority Interest Expense (Income)	-	(24)	8	44
Income (Loss) from Continuing Operations	(4,769)	3,166	5,753	13,123
Loss from Discontinued Operation, Net of Tax	(555)	(896)	(5,099)	(1,306)
Net Income (Loss)	\$(5,324)	\$2,270	\$654	\$11,817
Earnings (Loss) per Share				
Basic				
Income (Loss) from Continuing Operations	\$(.34)	\$.23	\$.41	\$.96
Loss from Discontinued Operation	(.04)	(.07)	(.36)	(.09)
Net Income (Loss)	\$(.38)	\$.16	\$.05	\$.87
Diluted				
Income (Loss) from Continuing Operations	\$(.34)	\$.22	\$.40	\$.94
Loss from Discontinued Operation	(.04)	(.06)	(.35)	(.09)
Net Income (Loss)	\$(.38)	\$.16	\$.05	\$.85
Weighted Average Shares				
Basic	13,868	13,831	14,071	13,659

Diluted	13,868	14,121	14,398	13,959
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	Three Months Ended		Twelve Months Ended	
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Adjusted Net Income and Diluted EPS (b)	January 1, 2005	January 3, 2004	January 1, 2005	January 3, 2004
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Net Income (Loss)	\$ (5,324)	\$ 2,270	\$ 654	\$ 11,817
Loss from Discontinued Operation, Net of Tax	555	896	5,099	1,306
Restructuring and Unusual items, Net of Tax	6,090	-	6,090	(14)
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Adjusted Net Income	\$ 1,321	\$ 3,166	\$ 11,843	\$ 13,109
	=====	=====	=====	=====
Diluted Earnings (Loss) per Share	\$ (.38)	\$.16	\$.05	\$.85
Loss from Discontinued Operation	.04	.06	.35	.09
Restructuring and Unusual Items	.44	-	.42	-
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Adjusted Diluted Earnings per Share	\$.10	\$.22	\$.82	\$.94
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	Three Months Ended		Twelve Months Ended	
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Business Segment Information	January 1, 2005	January 3, 2004	January 1, 2005	January 3, 2004
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Revenues:				
Pulp and Papermaking Systems	\$ 44,154	\$ 47,454	\$ 188,320	\$ 185,708
Fiber-based Products	1,777	1,261	6,646	5,799
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	\$ 45,931	\$ 48,715	\$ 194,966	\$ 191,507
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Gross Profit Margin:				
Pulp and Papermaking Systems	37%	40%	39%	39%
Fiber-based Products	33%	24%	36%	37%
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	36%	40%	39%	39%
	=====	=====	=====	=====
Operating Income (Loss):				
Pulp and Papermaking Systems	\$ (6,309)	\$ 5,910	\$ 11,781	\$ 23,440
Corporate and Other (d)	(1,168)	(1,105)	(4,941)	(3,119)
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	\$ (7,477)	\$ 4,805	\$ 6,840	\$ 20,321
	=====	=====	=====	=====
Adjusted Operating Income (excludes Restructuring and				

Unusual Items)(b):

Pulp and Papermaking				
Systems (c)	\$3,206	\$5,910	\$21,296	\$23,417
Corporate and Other (d)	(1,168)	(1,105)	(4,941)	(3,119)

 \$2,038 \$4,805 \$16,355 \$20,298
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	Three Months Ended		Twelve Months Ended	
Business Segment Information (continued)	January 1, 2005	January 3, 2004	January 1, 2005	January 3, 2004

Bookings from Continuing
Operations:

Pulp and Papermaking				
Systems	\$45,438	\$48,926	\$185,870	\$190,129
Fiber-based Products	2,031	1,469	6,786	5,973

 \$47,469 \$50,395 \$192,656 \$196,102
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Capital Expenditures from
Continuing Operations:

Pulp and Papermaking				
Systems	\$842	\$656	\$1,968	\$1,754
Corporate and Other (d)	18	116	221	252

 \$860 \$772 \$2,189 \$2,006
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	Three Months Ended		Twelve Months Ended	
Cash Flow and Other Data from Continuing Operations	January 1, 2005	January 3, 2004	January 1, 2005	January 3, 2004

Cash Provided by Operations	\$6,630	\$3,634	\$12,933	\$25,563
Depreciation and Amortization Expense	870	970	3,604	3,954

Balance Sheet Data	January 1, 2005	January 3, 2004
Cash and Cash Equivalents	\$82,089	\$74,412
Short-term Debt	-	598
Shareholders' Investment	212,461	211,758

(a) All prior-period information has been restated to reflect the composite building products business as a discontinued operation.

(b) In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use the non-GAAP financial measures of adjusted net income, adjusted diluted EPS and adjusted operating income, which exclude restructuring and other non-recurring items. We exclude these items because they are outside our normal operations. We believe

that providing such non-GAAP measures helps investors to gain a more meaningful understanding of our operating results from period to period, and is consistent with how we measure our performance. The non-GAAP financial measures included in this press release are not meant to be considered superior to or a substitute for results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this press release may be different from, and therefore may not be comparable to, similar measures used by other companies.

- (c) Excludes restructuring and unusual items of \$9,515 in the three- and twelve-month periods ended January 1, 2005 and (\$23) in the twelve-month period ended January 3, 2004.
- (d) Corporate and Other includes the results from our Fiber-based Products business and corporate.

SOURCE: Kadant Inc.

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