

KADANT

Kadant Reports 2005 First Quarter Results

April 27, 2005

ACTON, Mass.--(BUSINESS WIRE)--April 27, 2005--For the first quarter of 2005, Kadant Inc. (NYSE:KAI) reported that revenues from continuing operations increased 7 percent to \$50.7 million (including a 2 percent benefit from currency translation), compared with \$47.5 million in the first quarter of 2004. Income from continuing operations was \$3.1 million in the 2005 quarter, or \$.22 per diluted share, versus \$3.3 million, or \$.23 per diluted share, a year ago. Earnings per share (EPS) in 2005 included a \$.06 gain from a cash reimbursement related to Kadant's tax agreement with our former parent company, and in 2004 included a \$.04 gain associated with renegotiating a series of agreements with a licensee. Excluding these gains, adjusted diluted EPS was \$.16 in the 2005 quarter, compared with \$.19 in 2004. Including the discontinued composite building products business, net income was \$2.7 million, or \$.19 per diluted share, in both periods.

"We are pleased to report that both revenues and earnings exceeded our expectations for the quarter," said William A. Rainville, chairman and chief executive officer of Kadant. "Growth in papermaking systems revenues was primarily the result of increased demand for our stock-preparation products, particularly our Chemi-Washer(R) pulp-washing systems, for which we received more than \$11 million in orders in the first quarter from customers in different parts of the world.

"We are especially encouraged by a 13 percent increase in bookings this quarter over the first quarter last year, making this the best bookings quarter we've had in five years. Our order backlog is also up - 26 percent higher than the end of 2004. Once we complete our acquisition of The Johnson Corporation, expected in the second quarter, our footprint in the paper industry will be considerably larger. Johnson will also give us access to new industries currently served by its rotary joints and other fluid-handling products."

Mr. Rainville added, "Even after the acquisition, our balance sheet will remain strong, with an expected ratio of net debt to total capital of approximately 14 percent - below our targeted upper limit of 20 percent. Looking ahead to the second quarter of 2005, we expect to report GAAP diluted EPS of \$.19 to \$.21 from continuing operations, on revenues of \$54 to \$56 million. Our guidance for the year is now \$.86 to \$.96 of GAAP diluted EPS, reflecting the \$.06 tax gain, and we expect to report revenues of \$205 to \$215 million. This guidance does not include results from the pending acquisition of Johnson."

Kadant will hold its earnings conference call on Thursday, April 28, 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 May 27, 2005.

Financial Highlights (unaudited) (a)

(In thousands, except per share amounts and percentages)

Consolidated Statement of Operations	Three Months Ended	
	April 2, 2005	April 3, 2004
Revenues	\$50,744	\$47,500
Costs and Operating Expenses:		
Cost of revenues	31,982	28,033
Selling, general, and administrative expenses	14,894	13,771
Research and development expenses	1,048	888
	47,924	42,692
Operating Income	2,820	4,808
Interest Income	472	329
Interest Expense	(2)	(8)
Income from Continuing Operations Before Income Taxes	3,290	5,129
Provision for Income Taxes	(203)	(1,795)
Income from Continuing Operations	3,087	3,334
Loss from Discontinued Operation, Net of		

Tax	(363)	(606)
	-----	-----
Net Income	\$2,724	\$2,728
	=====	=====
Earnings per Share		
Basic		
Income from Continuing Operations	\$.22	\$.23
Loss from Discontinued Operation	(.02)	(.04)
	-----	-----
Net Income	\$.20	\$.19
	=====	=====
Diluted		
Income from Continuing Operations	\$.22	\$.23
Loss from Discontinued Operation	(.03)	(.04)
	-----	-----
Net Income	\$.19	\$.19
	=====	=====
Weighted Average Shares		
Basic		
	13,926	14,222
	=====	=====
Diluted		
	14,211	14,603
	=====	=====

Three Months Ended

Adjusted Net Income and Diluted EPS (b)	April 2, 2005	April 3, 2004
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Net Income	\$2,724	\$2,728
Loss from Discontinued Operation, Net of Tax	363	606
Royalty Gain (c)	-	(631)
Income Taxes (d)	(882)	-
	-----	-----
Adjusted Net Income	\$2,205	\$2,703
	=====	=====
Diluted Earnings per Share	\$.19	\$.19
Loss from Discontinued Operation	.03	.04
Royalty Gain (c)	-	(.04)
Income Taxes (d)	(.06)	-
	-----	-----
Adjusted Diluted Earnings per Share	\$.16	\$.19
	=====	=====

Three Months Ended

Business Segment Information	April 2, 2005	April 3, 2004
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Revenues:		
Pulp and Papermaking Systems	\$47,571	\$45,564
Fiber-based Products	3,173	1,936
	-----	-----
	\$50,744	\$47,500
	=====	=====

Gross Profit Margin:

Pulp and Papermaking Systems	37%	41%
Fiber-based Products	43%	34%
	-----	-----
	37%	41%
	=====	=====
Operating Income:		
Pulp and Papermaking Systems	\$3,374	\$6,343
Corporate and Other (e)	(554)	(1,535)
	-----	-----
	\$2,820	\$4,808
	=====	=====

Three Months Ended

Business Segment Information (continued) April 2, 2005 April 3, 2004

Adjusted Operating Income:		
Pulp and Papermaking Systems (c)	\$3,374	\$5,373
Corporate and Other (e)	(554)	(1,535)
	-----	-----
	\$2,820	\$3,838
	=====	=====

Bookings from Continuing Operations:		
Pulp and Papermaking Systems	\$56,442	\$51,143
Fiber-based Products	3,378	1,867
	-----	-----
	\$59,820	\$53,010
	=====	=====

Capital Expenditures from Continuing Operations:		
Pulp and Papermaking Systems	\$140	\$330
Corporate and Other (e)	26	32
	-----	-----
	\$166	\$362
	=====	=====

Three Months Ended

Cash Flow and Other Data from Continuing April 2, 2005 April 3, 2004
Operations

Cash Provided by Operations	\$448	\$2,285
Depreciation and Amortization Expense	\$1,016	\$933

Balance Sheet Data April 2, 2005 January 1, 2005

Cash and Cash Equivalents	\$80,473	\$82,089
Shareholders' Investment	\$214,717	\$212,461

(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 certain non-recurring items. We exclude these items because they are outside our normal operations. We believe that providing such non-GAAP measures helps investors 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) Represents a pre-tax gain of \$970 in the 2004 period, which resulted from renegotiating a series of agreements with one of our licensees, excluded from adjusted operating income.
- (d) Represents effect of a tax benefit of \$882 in the 2005 period received from our former parent company under a tax agreement.
- (e) Corporate and Other includes the results from our Fiber-based Products business and corporate.

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 completion of the acquisition of The Johnson Corporation is subject to customary closing conditions, including regulatory approvals and the approval of Johnson's stockholders, as well as Kadant securing at least \$55 million in financing.

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 expected future business and financial performance, the expected timing for the completion of the acquisition of The Johnson Corporation, the benefits and synergies of the acquisition and the expected future business and financial performance of the combined company following the transaction. 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 year-end report on Form 10-K for the fiscal year ended January 1, 2005. These include risks and uncertainties relating to our dependence on the pulp and paper industry; international sales and operations; competition; acquisition strategy; our ability to complete the proposed restructuring of our French subsidiary; ability to sell the composite building products business on favorable terms; ability to manufacture and distribute composite building products, and the economic conditions, 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; 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.

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