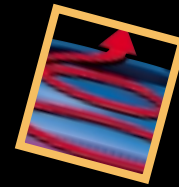


Thermo Fibertek Inc.



2000

Kātant Inc.

Summary Annual Report



To Our Shareholders:

Thermo Fibertek Inc. Summary Annual Report 2000

Thermo Fibertek Inc. is a leading provider of technology-based systems for the global papermaking and paper-recycling industries. From large-scale de-inking and water-management systems to accessories such as blades that keep paper machines running efficiently, Thermo Fibertek equipment can be found in nearly all of the world's pulp and paper mills. The company is also working to expand into high-growth markets and, through its Thermo Fibergen subsidiary, is developing and commercializing composite building products made from natural fiber and recycled plastic.

For the year ended December 31, 2000, Thermo Fibertek Inc. reported revenues of \$234.9 million, slightly above the \$228.0 million recorded in 1999. Excluding acquisitions and unfavorable currency effects, revenues increased 5 percent over 1999. Net income was \$15.1 million, or \$.25 per diluted share, compared with \$17.8 million, or \$.29 per diluted share, last year. When adjusted for unusual items, including restructuring charges, extraordinary gains, the cumulative effect of adopting the new SAB 101 accounting rules, and startup costs related to our fiber-based composites business, net income in 2000 would have been \$15.8 million, or \$.26 per diluted share, versus \$14.8 million, or \$.24 per diluted share, in 1999.

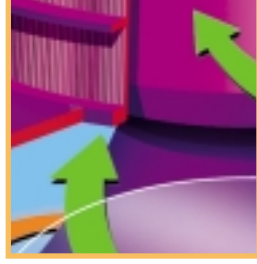
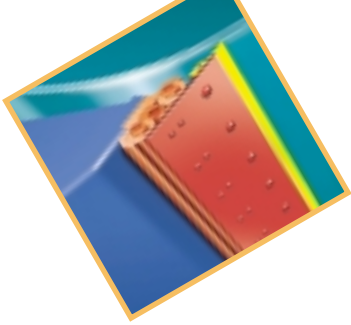
Over much of the past decade, our customers in the worldwide paper and paper-recycling industry have been subject to chronic pricing pressure resulting from excess capacity. The ongoing process of consolidation and restructuring has led to significant delays and modifications to capital spending plans. For Thermo Fibertek, this slowdown is mitigated, to some extent, by sales of doctor blades and other consumables required to sustain the large installed base of our equipment.

The necessary structural changes initiated by paper companies will pay off for the industry in the long run by creating higher operating rates, reduced cyclicity, improved margins, and greater financial strength. In this climate, mill operators will be increasingly receptive to new technologies that can be retrofitted on existing machines to reduce costs, increase machine output, and gain a competitive advantage through enhanced product quality. Such upgrades and refinements apply not only to the modernization of existing pulp and paper plants, but also to new facilities being built in China, South America, and other developing markets where per capita use of paper products is expanding in parallel with GDP growth.

Thermo Fibertek's global presence and recognized expertise in key elements of papermaking technology provide a solid basis for sustained leadership in this industry. At our five R&D facilities, located in Massachusetts, Ohio, New York, and France, we continue to develop innovative systems for critical phases of paper production (see cover foldout).

Because of our long history of reliable service in an extremely conservative industry, our new products are more readily accepted by manufacturers seeking to improve productivity at minimal risk. With a large installed base of equipment and a highly responsive global distribution and service network, we can expedite product introductions through collaborative field testing at customer facilities. This key access helps us leverage our technologies into segments of the papermaking process that we currently do not serve. For example, we have recently targeted the paper machine approach-flow market as an opportunity to expand the use of our technology. We also intend to acquire additional businesses that complement Thermo Fibertek's existing product lines.

Over the long term, our strategy is to reduce the company's exposure to cyclicity in the paper industry by entering markets that have greater potential for growth. We are on the way to accomplishing this goal through the application of Thermo Fibertek's extensive know-how in



filtration, separation, and advanced materials technologies to the development of a new business venture that employs raw materials “mined” from paper mill effluents.

The daily waste stream from a typical mill contains hundreds of tons of solids that are disposed of in landfills or incinerated, with the attendant financial and environmental costs. We currently use this waste to produce commercial products, including absorbents and biodegradable carriers for fertilizers and pesticides. However, these low-value granular products make up only a small fraction of the potential opportunity for re-using mill byproducts.

During the past few years, our scientists at Thermo Fibergen have developed a family of engineered composites made from recycled plastics reinforced by natural fibers extracted from the papermaking process. Prototype systems for decking, privacy fences, soundwall barriers, and roofing applications have been formulated, and a production facility established in Green Bay, Wisconsin. Waste materials from a nearby paper mill feed our extrusion lines, which have begun supplying posts and panel sections for fencing, decking, and soundwall systems. Compared with existing plastic lumber products, our advanced composites technology allows us to custom-engineer materials and shapes that have greater strength, durability, heat and sun resistance, sound attenuation, and other application-specific properties. More importantly, our composites are not subject to warping, rotting, cracking, and insect infestation, and thus do not require costly maintenance.

In January 2000, our parent company, Thermo Electron Corporation, announced that Thermo Fibertek would be spun off as an independent public company. This action is part of a major reorganization plan that will allow Thermo Electron to focus on its core instruments business. In February 2001, the U.S. Internal Revenue Service (IRS) issued a favorable ruling on the spinoff. Thermo Electron expects to proceed with the distribution of Thermo Fibertek as a dividend to Thermo Electron shareholders during the second half of 2001. At that time, Thermo Fibertek will change its name to Kādont Inc., reflecting its new identity as a stand-alone company with a charge to move forward into new avenues of growth.



William A. Rainville

The transition of Kādont into an independent company will be supported by a strong combination of technology, talent, and financial resources. These include a balance sheet with nearly \$155 million in cash and short-term investments, substantial cash flow from well-established core businesses, and a rapidly developing new venture serving the multi-billion-dollar markets for high-performance composite building materials. At Kādont, we have the resources and the drive to meet our future challenges and achieve our central goal of maximizing value for our customers, employees, and shareholders.

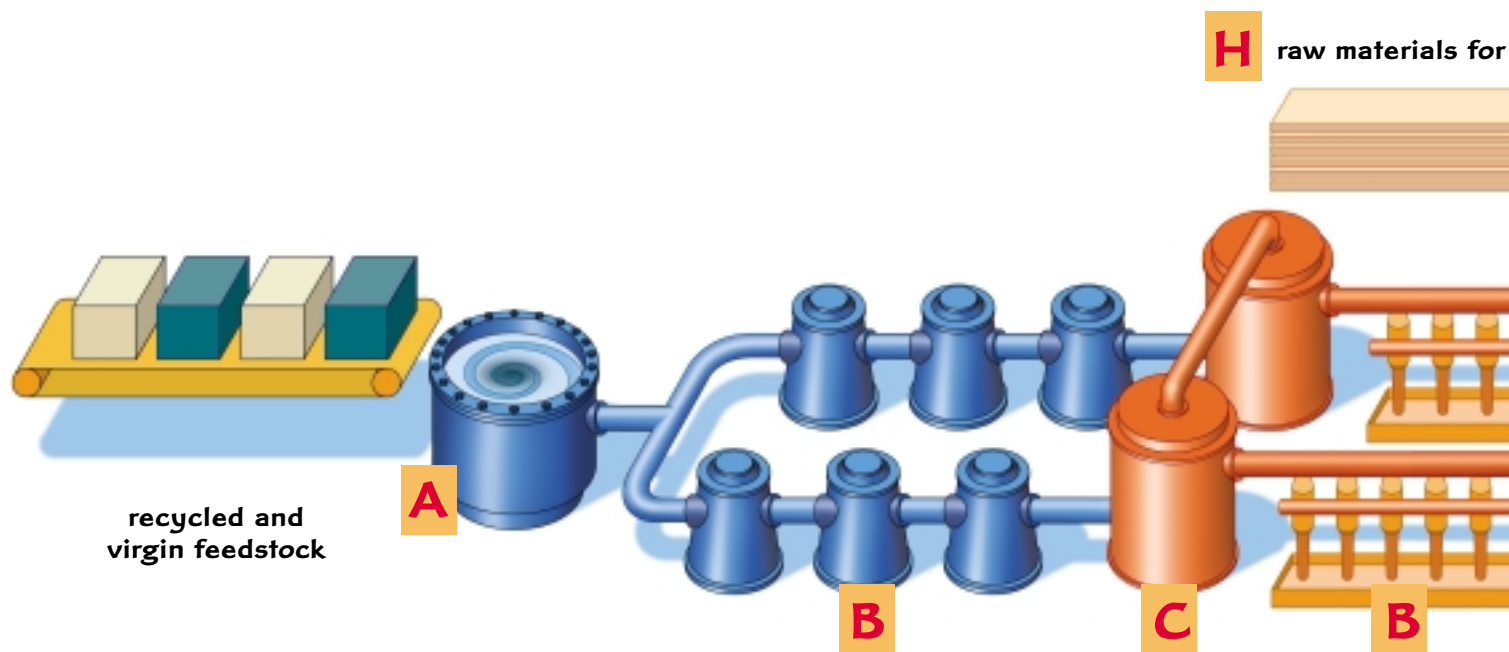
Sincerely,

William A. Rainville

President and Chief Executive Officer

March 15, 2001

every STEP of the WAY



stock preparation

Serving the Global Paper Industry with Advanced Technologies to Enhance Productivity

The paper industry operates more than 8,100 large-scale production machines yielding more than 300 million tons per year of paper and paperboard products. Paper producers expend about \$20 billion per year worldwide for capital improvements to those systems. Approximately one-third of total industry output is concentrated in North America, where annual consumption approaches 700 pounds per capita. This is seven times the world average, and about 35 times that of China and other developing nations.

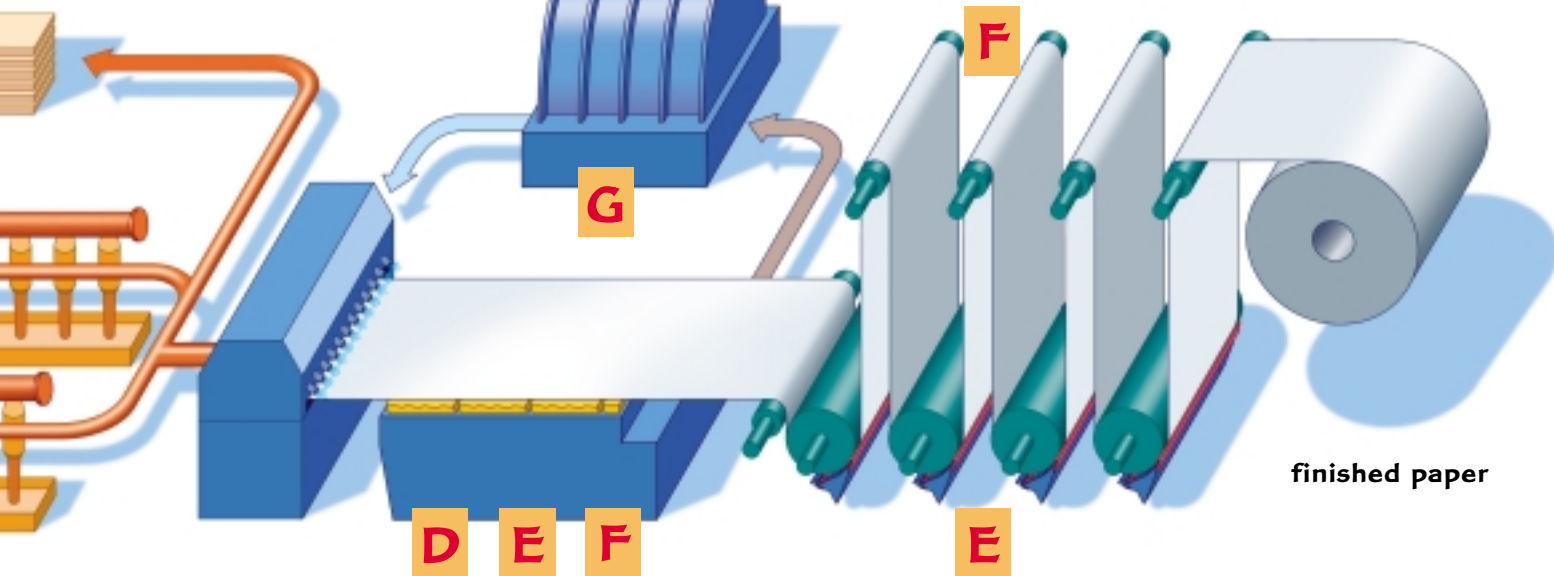
Papermaking is a highly water-intensive process, requiring about 14,000 gallons of clean water for every ton of paper produced. In the U.S. alone, paper manufacturers use 3.4 trillion gallons of water per year, at an annual cost of \$1 billion.

A typical paper-production facility, shown here, comprises multiple stages of stock preparation and papermaking processes. Feedstock material for the process includes both virgin pulp derived from timber, as well as recycled waste paper. The amount of recycling continues to increase, rising from about 31 percent in 1992 to an estimated 41 percent in 2000 for U.S. producers. Recycling rates are even higher in Europe and in some Asian countries.

The actual papermaking process begins with the introduction of cellulose fiber and water slurry onto a moving synthetic fabric, or fourdrinier, to create a continuous web of material up to 30 feet or more in width. Traveling at speeds from 20 to 70 miles per hour, the web passes through a succession of large rolls where pressing, drying, coating, and other finishing operations are performed.

Thermo Fibertek equipment, found on nearly every paper machine in the world,

composites



papermaking

plays an important role in almost every one of these stages. Customers rely on our systems and consumables to promote efficiency in production and quality of the final product, from fine printing and writing paper to tissue to corrugated board.

Thermo Fibertek has introduced numerous advances in papermaking technology that have greatly enhanced the productivity of our customers' operations. For example, such innovations played a central role in expanding the production of expensive fine-quality white papers from low-grade recycled wastes containing adhesives, coatings, inks, and other contaminants. Other of the company's product innovations are described in subsequent sections of this report.

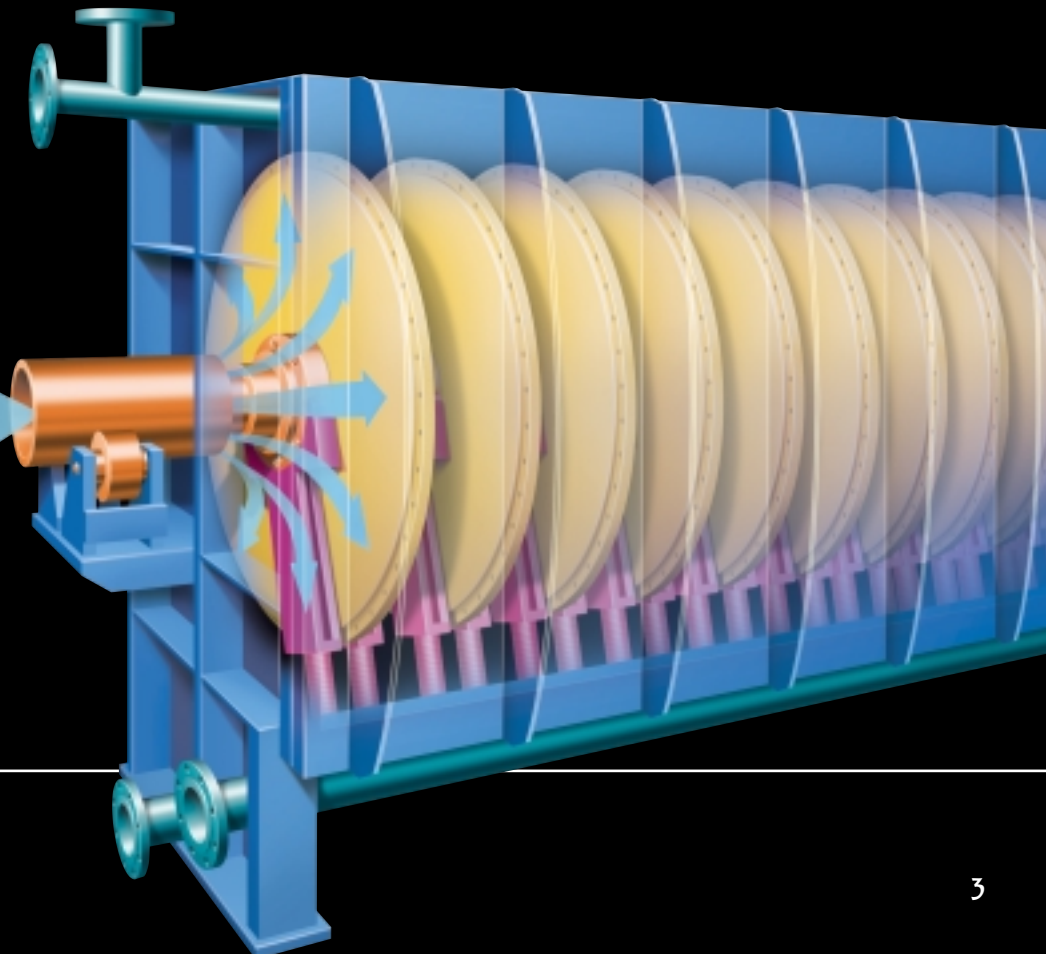
Thermo Fibertek systems are used in critical stages of paper production:

- (A) Pulping
- (B) Screening and Cleaning
- (C) De-Inking
- (D) Web Formation
- (E) Doctoring and Conditioning
- (F) Showers
- (G) Filtration
- (H) Waste Processing and Recovery



Almost
ROCKETscience

and recycling, the PETAX system can filter liquids with up to 1,000 parts per million of solids to a level of clarity necessary for fine-paper production. One customer, a large paperboard mill, was able to cut water consumption by more than 30 percent. As an added dividend, the plant returns about 15 tons per day of valuable long fibers to its supply of feedstock material.



using the LOOP

formation

Nearly all paper products are manufactured using the wet forming process, whereby a slurry of water and fibers is deposited uniformly onto a continuous synthetic fabric, or fourdrinier. Once formed, the fast-moving web of material must be drained of excess water prior to passing into subsequent process stages. The magnitude of the web formation challenge can be seen in the amount of water that must be continuously removed – upwards of 15,000 gallons per minute in a large machine.

Conventional forming units usually incorporate vacuum systems to facilitate uniform fiber distribution and water drainage. However, the resulting tradeoff between machine speeds, feedstock consistency, and other parameters leads to variable sheet strength, poor surface appearance, and frequent breakages of the web that force machine shutdowns costing thousands of dollars per hour.

A major breakthrough, known as Velocity Induced Drainage (VID), was introduced by Thermo Fibertek. This patented formation system harnesses hydrodynamic energy produced by the velocity of the fourdrinier fabric to create a controlled pattern of pressure pulses in the slurry. The system comprises a series of adjustable aerodynamic foils, placed below the rapidly moving surface, that energize and activate fibers within the slurry. These pulses move water back and forth across the thickness of the slurry, decreasing the drainage resistance of the sheet and allowing the fibers to more fully intertwine to create a stronger sheet.

feeling the



doctoring

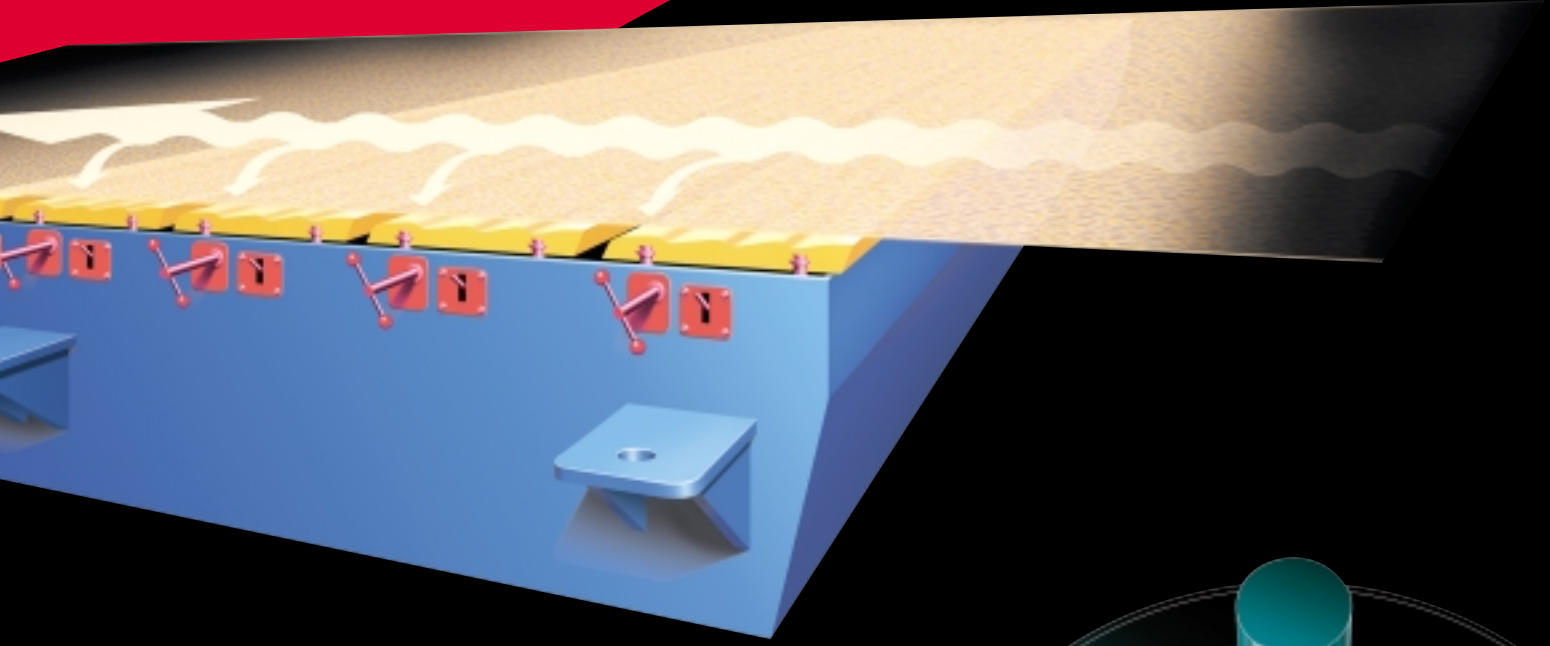
Doctoring systems perform critical cleaning and conditioning functions at multiple points in the papermaking process, helping to protect the millions of dollars worth of rolls and web-supporting fabrics at the heart of every papermaking machine. As many as 100 doctor units control the precise placement of specially designed blades against the surfaces of 80 or more large rolls operating in a typical machine. These doctors ensure that proper blade angles and contact pressures are applied uniformly along the full length of each roll. Blade functions, which vary depending on their location in the paper machine and the type of paper being pro-

duced, range from cleaning the rolls, to creping (for tissue and toweling), to applying coatings, to eliminating curl.

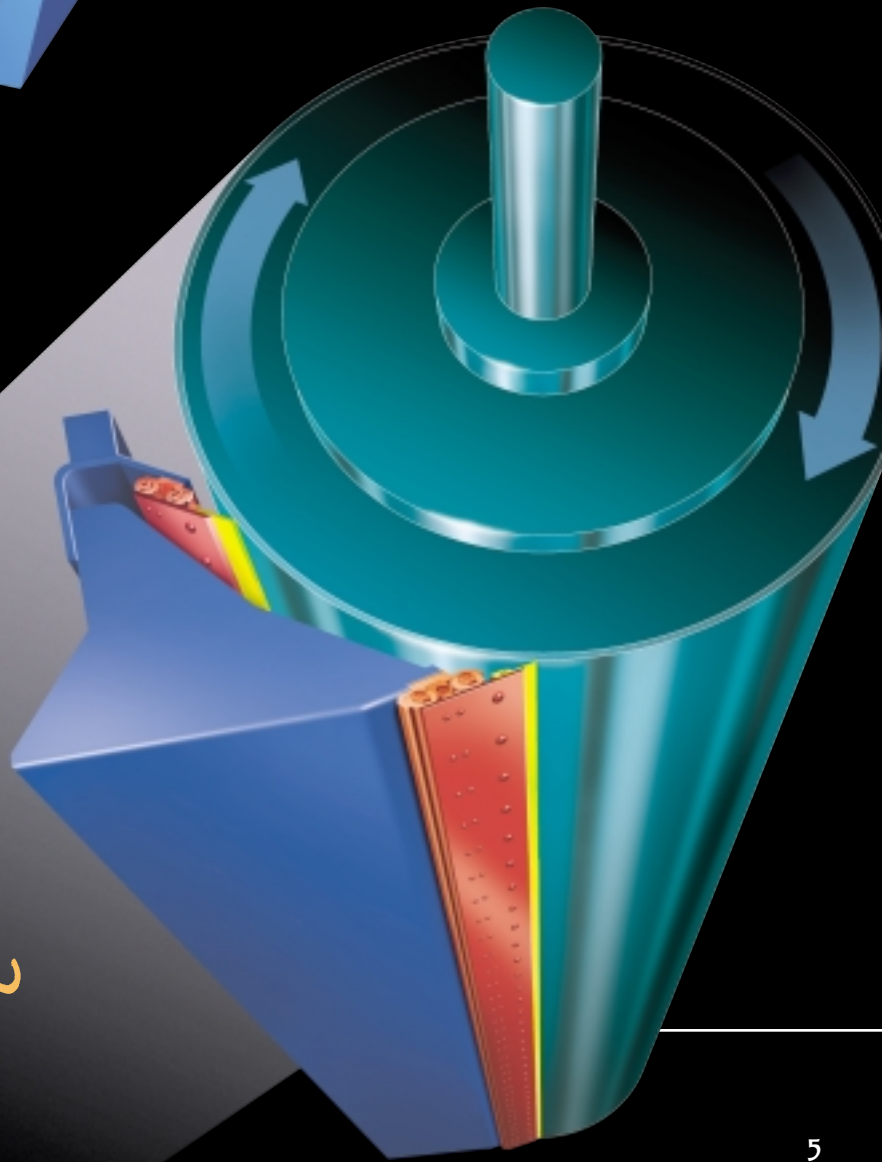
Thermo Fibertek's large installed base of doctoring systems facilitates its introduction of new technologies that increase productivity for customers. In the past, most doctor blades were fabricated from strips of steel that lasted only a few hours. Because of the high cost of unscheduled downtime, paper machine operators are receptive to improvements that not only extend blade life but reduce wear and damage to roll surfaces.

Through our comprehensive program of research in advanced materials, Thermo

PULSE



Fibertek has developed high-tech designs to replace low-cost conventional blades with an array of new products. Recent innovations include Softek, a nonabrasive composite blade designed for soft roll surfaces; Pro Crepe, a bi-metal assembly with superior wear resistance for high-speed creping applications; and Press Tek B, a bi-metal alternative for improved protection against plugging of pores in ceramic and other nonmetallic rolls.



the DOCTOR is in

composites

In September 2000, our 50,000-square-foot extrusion facility in Green Bay, Wisconsin, began production of engineered composite plastic building products. Our goal is to increase capacity to support up to \$20 million in annualized revenues by the second half of 2001.



Through our Thermo Fibergen subsidiary, we have conducted an aggressive five-year program of R&D directed at transforming paper mill sludge and other wastes into valuable commercial products. These include biodegradable granular products, derived from recovered minerals and fibers, for applications such as oil and grease absorbents, cat box fillers, and carriers for delivery of agricultural chemicals. Granular materials, however, represent only the initial phase in the company's strategy for diversifying into high-growth businesses beyond our core markets in the paper industry.

During the past year, we achieved a major commercialization milestone with the startup in Green Bay, Wisconsin, of manufacturing

This demonstration structure illustrates the versatility of Thermo Fibergen's leading-edge technology in composite plastic building materials engineered to meet the specific performance requirements of various outdoor construction applications.

Decking - Long fibers with moderate amounts of minerals for lighter weight, high bending stiffness, resistance to impact, and stability against creep



the NEXT big thing

facilities for engineered composite building products. These composites are made from recycled plastics reinforced by natural fibers extracted from the papermaking process. We have begun producing, in limited quantities, high-performance finished shapes for applications including residential decking, privacy fences, and soundwall barriers adjacent to streets and highways. The new plant, which can accommodate additional extrusion lines, uses granules of mineral and fiber material produced at our nearby GranTek facility. We intend to leverage our relationships with major paper producers to secure long-term access to recovered fibers at minimal cost.

Our advanced engineered composites are formulated to achieve superior proper-

ties tailored to the needs of specific end-use applications. Our composite materials are significantly stronger than plastic lumber, and can be extruded with a hollow core for light weight and easy passage of wiring for outdoor lighting or sound systems. Using our tongue-and-groove planks, panels, railing sections, and decorative posts, contractors can save up to 50 percent on labor costs, compared with structures of either treated wood or conventional plastic lumber. We are also developing and testing an attractive composite roofing tile system that is lighter and stronger than traditional slate or clay tiles.

The market for decking, fencing, and soundwall systems exceeds \$5 billion per year in North America alone. Currently, composite lumber products constitute only a small fraction of this market, but sales of such materials are growing at over 30 percent per year. Demand is spurred by the inherent problems of conventional lumber products

such as pressure treated pine, cedar, and expensive teak or mahogany hardwoods. Composite building products are resistant to moisture, insects, cracking, warping, and splintering, and they do not require painting or sealing.

Thermo Fibertek's product line features a total system of finished shapes that facilitate construction of fences, decks, and other exterior building projects. Over the past year, we have begun establishing marketing channels for these products. In early 2001, we acquired the remaining interest in Next Fiber Products Inc., a joint venture established to produce and market fiber-based composites. We also signed an agreement with Compact Industries for exclusive distribution of our soundwall systems, and completed installation of a soundwall project at a commercial site in Toronto. Compact also has exclusive rights to distribute our railing and decking products in Canada. We intend to develop our national and international distribution channels to include suppliers serving mass merchandisers and high-end building-product stores.



Roofing Tiles – Long fibers, high mineral content, and proprietary additives to achieve light weight, high impact strength, and enhanced flame retardation

Siding – Short fibers and low mineral content for lightest weight

Soundwall and Privacy Fencing – Formulated using long fibers and high mineral content to maximize flexure strength, stiffness, and sound attenuation

Condensed Consolidated Statement of Income

(in thousands except per share amounts)	2000	1999	1998
Revenues	\$234,913	\$228,036	\$247,426
Costs and Operating Expenses:			
Cost of revenues	145,111	134,893	147,262
Selling, general, and administrative expenses	60,901	61,345	63,381
Research and development expenses	7,687	7,278	6,971
Gain on sale of business and property	(1,700)	(11,154)	(536)
Restructuring and unusual items	(506)	6,152	—
	211,493	198,514	217,078
Operating Income	23,420	29,522	30,348
Interest Income, Net	2,963	1,029	548
Income Before Provision for Income Taxes, Minority Interest, and Cumulative Effect of Change in Accounting Principle	26,383	30,551	30,896
Provision for Income Taxes	(10,947)	(11,852)	(11,902)
Minority Interest Income (Expense)	576	(921)	(999)
Income Before Cumulative Effect of Change in Accounting Principle	16,012	17,778	17,995
Cumulative Effect of Change in Accounting Principle (Net of income taxes of \$580)	(870)	—	—
Net Income	\$ 15,142	\$ 17,778	\$ 17,995
Basic and Diluted Earnings per Share Before Cumulative Effect of Change in Accounting Principle	\$.26	\$.29	\$.29
Basic and Diluted Earnings per Share	\$.25	\$.29	\$.29
Weighted Average Shares			
Basic	61,298	61,186	61,612
Diluted	61,490	61,559	62,353

Condensed Consolidated Balance Sheet

(in thousands)	2000	1999
Assets		
Current Assets:		
Cash, short-term investments, and advance to affiliate	\$154,302	\$179,439
Accounts receivable, net	43,866	49,323
Inventories and unbilled contract costs and fees	41,106	38,477
Other current assets	12,504	5,930
	251,778	273,169
Property, Plant, and Equipment, Net	29,582	30,494
Other Assets	13,755	17,044
Goodwill	119,100	121,870
	\$ 414,215	\$442,577
Liabilities and Shareholders' Investment		
Current Liabilities	\$ 78,681	\$114,458
Deferred Income Taxes and Other Deferred Items	8,042	6,365
Long-Term Obligations	154,650	154,350
Minority Interest	2,209	3,334
Shareholders' Investment	170,633	164,070
	\$ 414,215	\$442,577

Condensed Consolidated Statement of Cash Flows

(in thousands)	2000	1999	1998
Operating Activities			
Net income	\$ 15,142	\$ 17,778	\$ 17,995
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle, net of taxes	870	—	—
Depreciation and amortization	9,540	8,928	8,492
Minority interest (income) expense	(576)	921	999
Gain on sale of business and property	(1,700)	(11,154)	(536)
Noncash restructuring and unusual items	(506)	3,239	—
Deferred income tax expense	108	1,572	2,090
Other noncash items	951	129	562
Net changes in current accounts, excluding the effects of acquisitions and dispositions	(5,391)	(4,208)	2,335
Net cash provided by operating activities	18,438	17,205	31,937
Investing Activities			
Acquisitions, net of cash acquired	(3,302)	(2,607)	(964)
Acquisition of capital equipment and technology	(1,200)	(500)	—
Proceeds from sale of business and property, net of cash divested	4,109	13,592	—
Advances to affiliate, net	88,076	(93,780)	—
Purchases of available-for-sale investments	(132,058)	(61,825)	(70,882)
Proceeds from sale and maturities of available-for-sale investments	92,424	63,565	59,200
Purchases of property, plant, and equipment	(6,355)	(3,903)	(7,773)
Other	757	631	(532)
Net cash provided by (used in) investing activities	42,451	(84,827)	(20,951)
Financing Activities			
Redemption of subsidiary common stock	(34,603)	—	—
Purchases of company and subsidiary common stock	—	(5,804)	(6,598)
Purchases of subsidiary common stock from Thermo Electron	—	(2,227)	—
Net proceeds from issuance of company and subsidiary common stock	1,204	551	405
Repayment of long-term obligations	(313)	—	—
Net cash used in financing activities	(33,712)	(7,480)	(6,193)
Exchange Rate Effect on Cash	(3,970)	(1,116)	(969)
Increase (Decrease) in Cash and Cash Equivalents	23,207	(76,218)	3,824
Cash and Cash Equivalents at Beginning of Year	39,254	115,472	111,648
Cash and Cash Equivalents at End of Year	\$ 62,461	\$ 39,254	\$ 115,472

Report of Independent Public Accountants

To the Shareholders and Board of Directors of Thermo Fibertek Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Thermo Fibertek Inc. (a Delaware corporation and 91%-owned subsidiary of Thermo Electron Corporation) and subsidiaries as of December 30, 2000, and January 1, 2000, and the related consolidated statements of income, comprehensive income and shareholders' investment, and cash flows for each of the three years in the period ended December 30, 2000, appearing in the company's Form 10-K (not presented herein), filed with the Securities and Exchange Commission, which may be obtained by shareholders or other interested parties. In our report dated February 12, 2001, also appearing in the company's Form 10-K, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 30, 2000, and January 1, 2000, and the related condensed consolidated statements of income and cash flows for each of the three years in the period ended December 30, 2000, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Effective January 2, 2000, the company changed its method of accounting for revenue recognition.

Arthur Andersen LLP

Boston, Massachusetts

February 12, 2001

Selected Financial Information

(in thousands except per share amounts)	2000	1999	1998	1997	1996
Statement of Income Data					
Revenues	\$234,913	\$228,036	\$247,426	\$239,642	\$192,209
Income Before Cumulative Effect of Change in Accounting Principle	16,012	17,778	17,995	16,426	19,894
Net Income	15,142	17,778	17,995	16,426	19,894
Earnings per Share Before Cumulative Effect of Change in Accounting Principle:					
Basic	.26	.29	.29	.27	.33
Diluted	.26	.29	.29	.26	.31
Earnings per Share:					
Basic	.25	.29	.29	.27	.33
Diluted	.25	.29	.29	.26	.31
Balance Sheet Data					
Working Capital	\$173,097	\$ 158,711	\$193,446	\$176,996	\$115,609
Total Assets	414,215	442,577	427,100	418,938	257,232
Long-Term Obligations	154,650	154,350	153,000	153,000	34
Common Stock of Subsidiary Subject to Redemption	—	—	53,801	52,812	56,087
Shareholders' Investment	170,633	164,070	150,948	138,095	130,850

Shareholder Services

Shareholders of Thermo Fibertek Inc. who desire information about the company are invited to contact the Investor Relations Department, Thermo Fibertek Inc., 81 Wyman Street, P.O. Box 9046, Waltham, Massachusetts 02454-9046, (781) 622-1111. Company information is also available at www.thermofibertek.com.

Stock Transfer Agent

American Stock Transfer & Trust Company is the stock transfer agent and maintains shareholder activity records. The agent will respond to questions on issuance of stock certificates, change of ownership, lost stock certificates, and change of address. For these and similar matters, please direct inquiries to: American Stock Transfer & Trust Company, Shareholder Services Department, 59 Maiden Lane, New York, New York 10038, (718) 921-8200.

Dividend Policy

The company has never paid cash dividends and does not expect to pay cash dividends in the foreseeable future because its policy has been to use earnings to finance expansion and growth. Payment of dividends will rest within the discretion of the board of directors and will depend upon, among other factors, the company's earnings, capital requirements, and financial condition.

Form 10-K Report

A copy of the Annual Report on Form 10-K for the year ended December 30, 2000, as filed with the Securities and Exchange Commission, may be obtained at no charge by contacting the Investor Relations Department, Thermo Fibertek Inc., 81 Wyman Street, P.O. Box 9046, Waltham, Massachusetts 02454-9046, (781) 622-1111.

Annual Meeting

The annual meeting of shareholders will be held on Tuesday, May 15, 2001, at 3:00 p.m. at The Westin Hotel, 70 Third Avenue, Waltham, Massachusetts.

Forward-Looking Statements

The following constitutes a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: This summary annual report, other than the historical financial information, 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 forward-looking statements are set forth under the heading "Forward-Looking Statements" in the General and Financial Information Appendix to this summary annual report. These include risks and uncertainties relating to: dependence on the paper industry and pulp and paper prices, international operations, competition, ability to enter the composites market, dependence on patents and proprietary rights, acquisition strategy, and the proposed spinoff of the company.

Board of Directors

Richard F. Syron - Chairman of the Board; Chairman of the Board and Chief Executive Officer, Thermo Electron Corporation (instrument systems, components, and services)

Francis L. McKone - Chairman of the Board, Albany International Corp. (supplier of paper machine fabrics)

Donald E. Noble - Former Chairman of the Board and Chief Executive Officer, Rubbermaid Incorporated (diversified plastics products)

William A. Rainville - President and Chief Executive Officer; Chief Operating Officer, Recycling and Resource Recovery, Thermo Electron Corporation

Officers

William A. Rainville - President and Chief Executive Officer

Thomas M. O'Brien - Executive Vice President, Finance

Jonathan W. Painter - Executive Vice President, Operations

Jan-Eric Bergstedt - Vice President

Paul E. Kiernan - Vice President

Edward J. Sindoni - Vice President

Theo Melas-Kyriazi - Chief Financial Officer

Anne Pol - Senior Vice President, Human Resources

Seth H. Hoogasian - General Counsel

Kenneth J. Apicerno - Treasurer

Sandra L. Lambert - Secretary

The intent of this summary annual report is to provide useful information on Thermo Fibertek Inc. in a format that is both concise and cost-effective. The company's complete audited financial statements are included in the General and Financial Information Appendix, distributed with the proxy statement and available in other cases upon request.

