

KADANT INC.
Audit Committee of the Board of Directors
Charter

Statement of Purpose

The purpose of the Audit Committee is to assist the Board of Directors' oversight of:

- the integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements;
- the independent auditor's qualifications and independence; and
- the performance of the Company's internal audit function and independent auditors;

and to prepare the report of the Audit Committee required to be included in the Company's proxy statement in connection with the annual meeting of shareholders.

Membership, Structure and Procedures

1. Number. The Audit Committee shall consist of at least three members of the Board of Directors.
2. Selection and Qualifications. Members of the Audit Committee, and the Chair of the Committee, shall be appointed by the Board of Directors. In appointing members of the Committee, the Board of Directors shall comply with all laws, regulations and rules applicable with respect to the qualifications of such members, including as to the independence of such members. In particular, each member of the Audit Committee shall be an "independent director" as determined in accordance with the applicable rules of the stock exchange on which the Company's equity securities are then listed. Unless otherwise determined by the Board (in which case disclosure of such determination shall be made in the Company's annual proxy statement), no member of the Audit Committee may serve on the audit committee of more than two other public companies. The Board of Directors may remove members of the Audit Committee from such Committee, with or without cause.
3. Financial Literacy. Each member of the Audit Committee must be financially literate, as such qualification is interpreted by the Board of Directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. At least one member of the Audit Committee must have accounting or related financial management expertise, as the Board of Directors interprets such qualification in its business judgment. Unless otherwise determined by the Board of Directors (in which case disclosure of such determination shall be made in the Company's annual report filed with the Securities and Exchange Commission (SEC)), at least one member of the Audit Committee shall be an "audit committee financial expert" (as defined by applicable SEC rules).
4. Compensation. The compensation of Audit Committee members shall be determined by the Board of Directors. No member of the Audit Committee may receive, directly or

indirectly, any compensation from the Company other than fees paid to the director in the capacity as a member of the Board of Directors or its committees.

5. Meetings. The Audit Committee shall meet as often as it deems necessary in order to perform its responsibilities. Meetings of the Audit Committee may be called by the Chairman of the Board of Directors, the Chair of the Audit Committee, or by a majority of the members of the Committee. Notice of any meeting of the Audit Committee shall be given in the same manner as meetings of the Board of Directors, as provided in the Company's by-laws. Members of the Audit Committee may participate in meetings of the Committee by means of conference telephone or other communications equipment, in accordance with the Company's by-laws. A majority of the total number of members of the Audit Committee shall constitute a quorum for the transaction of business. The vote of a majority of the members present shall be necessary for the approval of any action or determination. Any action or determination of the Audit Committee may be taken without a meeting if all members of the Committee consent in writing or by electronic transmission, in accordance with the Company's by-laws. Records of the Audit Committee's meetings shall be kept by the Company's Secretary, unless another individual shall be designated by the Committee.
6. Subcommittees. The Audit Committee may form and delegate authority to one or more subcommittees comprised of members of the Committee (including a subcommittee consisting of a single member), as it deems appropriate from time to time under the circumstances.

Authority and Responsibilities

A. General

The Audit Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management and the independent auditor, in accordance with its business judgment. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditor is responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Audit Committee to plan or conduct any audit, to determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee the independent auditor's report.

B. Oversight of Independent Auditor

1. Selection. The Audit Committee shall be directly responsible for appointing, evaluating and, where appropriate, replacing the independent auditor.
2. Independence. At least annually, the Audit Committee shall assess the independent auditor's independence. In connection with this assessment, the Audit Committee shall receive from the independent auditor and review a written report or statement describing all relationships between the independent auditor and the Company, including the disclosures required by Independence Standards Board Standard No.1. The Audit Committee shall engage in an active dialogue with the independent auditor concerning

any disclosed relationships or services that might impact the objectivity and independence of the auditor. In conducting its assessment, the Audit Committee may consider whether regular rotation of the independent auditor is appropriate.

3. Quality-Control Report. At least annually, the Audit Committee shall obtain and review a report by the independent auditor describing:
 - the firm's internal quality control procedures;
 - any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues; and
 - all relationships between the independent auditor and the Company, in order to assess the auditor's independence.
4. Compensation. The Audit Committee shall be directly responsible for setting the compensation of the independent auditor. The Audit Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of the independent auditor established by the Audit Committee.
5. Approval of Services. The Audit Committee shall approve all audit and non-audit services to be performed by the independent auditor, such approval to take place in advance of such services as required by applicable laws, regulations or rules. The Committee may delegate to one or more of its members the authority to grant such required pre-approvals, provided that any pre-approval granted in such manner shall be presented to the Committee at its next regular meeting.
6. Oversight. The independent auditor shall report directly to the Audit Committee and the Audit Committee shall be directly responsible for oversight of the work of the independent auditor, including resolution of disagreements between Company management and the independent auditor regarding financial reporting. In connection with its oversight role, the Audit Committee shall, from time to time as appropriate:
 - periodically review and discuss with management and the independent auditor the Company's:
 - critical accounting policies and practices;
 - alternative treatments of financial information within generally accepted accounting principles that have been discussed with Company management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
 - other material written communications between the independent auditor and Company management, such as any management letter or schedule of unadjusted differences.
 - review with the independent auditor:

- audit problems or difficulties the independent auditor encountered in the course of the audit work and management’s response, including any restrictions on the scope of the independent auditor’s activities or on access to requested information and any significant disagreements with management;
- major issues as to the adequacy of the Company’s internal controls and any special audit steps adopted in light of material control deficiencies;
- analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
- the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company.

C. Review of Audited Financial Statements

1. Scope of Audit. The Audit Committee, in consultation with the management and the independent auditor, shall review and approve the proposed scope of the annual audit of the Company’s financial statements by the independent auditor, as well as any significant variations in the actual scope of the audit performed.
2. Audited Financial Statements. The Audit Committee shall review and discuss with the Company’s management and independent auditor the Company’s audited financial statements, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and review the matters required to be discussed pursuant to applicable Statements on Auditing Standards.
3. Review of Annual Report on Form 10-K. Prior to its filing, the Audit Committee shall review and discuss with management and the independent auditor the annual report on Form 10-K to be filed by the Company with the SEC, including the financial statements and notes included therein.
4. Recommendation to Board Regarding Financial Statements. Based on its review and discussions of the audited financial statements, the Audit Committee shall determine whether it will recommend to the Board of Directors that the Company’s audited financial statements be included in the Company’s Annual Report on Form 10-K. In making such determination and recommendation, the Audit Committee is entitled to rely on the advice, information and representations that it receives from the independent auditors and management.
5. Audit Committee Report. The Audit Committee shall review and prepare for inclusion in the Company’s proxy statement relating to the annual meeting of shareholders the report described in Item 306 of Regulation S-K.

D. Review of Other Financial Disclosures

1. Quarterly Financial Statements. The Audit Committee shall review and discuss with the Company’s management and independent auditor the Company’s interim quarterly financial statements, including the Company’s quarterly disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” prior to disclosure by the Company of such information and review the

matters required to be discussed pursuant to applicable Statements on Auditing Standards.

2. Earnings Release and Other Financial Information. The Audit Committee shall review and discuss generally the types of information to be disclosed in the Company's earnings press releases (including any use of "pro forma" or "adjusted" non-GAAP information), as well as in financial information and earnings guidance provided to analysts and rating agencies.

E. Controls and Procedures

1. Periodic Reviews. The Audit Committee shall periodically meet separately with: (i) the independent auditor; (ii) Company management and (iii) those persons responsible for the Company's internal audit function, to discuss such matters within the scope of the Audit Committee's responsibilities.
2. Oversight. The Audit Committee shall coordinate the Board of Directors' oversight of the Company's internal accounting controls, the Company's disclosure controls and procedures and the Company's codes of business conduct and ethics. The Audit Committee shall discuss with the Company's chief executive officer and chief financial officer (a) all significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data and any material weaknesses in internal controls and (b) any fraud, whether material or not material, that involves management or other employees who have a significant role in the Company's internal controls.
3. Internal Audit Function. The Audit Committee shall coordinate the Board of Director's oversight of the performance of the Company's internal audit function.
4. Risk Management. The Audit Committee shall discuss the Company's policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which the Company's exposure to risk is handled.
5. Litigation. The Audit Committee shall periodically review with the Company's general counsel litigation or other matters that could have a significant impact on the Company's financial results.
6. Policies and Procedures. The Audit Committee shall periodically review and monitor the Company's policies and procedures intended to ensure compliance with applicable laws, regulations and rules and discuss with management, including the Company's general counsel, any communication from, or action by, any governmental authority, or any exchange on which the Company's equity securities may be listed, that reflects a concern with respect to the Company's financial statements or accounting or auditing matters or with respect to compliance with the Company's codes of business conduct and ethics.
7. Hiring Policies. The Audit Committee shall establish policies regarding the hiring of employees or former employees of the Company's independent auditors.
8. Procedures for Complaints. The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints, including anonymous submissions by employees of the Company, reporting (i) a concern or complaint regarding questionable accounting, internal controls or auditing matters; and (ii) a possible violation of any law,

regulation or rule to which the Company is subject or (iii) a possible violation of the Company's code of business conduct and ethics by its senior officers.

9. Evaluation of Financial Management. The Audit Committee shall review, evaluate and discuss with management and the Company's Audit Committee the qualifications, performance and depth of the Company's financial management personnel.
10. Additional Responsibilities. The Audit Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

F. Other Powers and Responsibilities

1. Reports to Board. The Audit Committee shall report regularly to the Board of Directors.
2. Charter. At least annually, the Audit Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for its consideration.
3. Independent Advisors. The Audit Committee shall have the authority to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Audit Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such advisors as established by the Audit Committee.
4. Investigations. The Audit Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Audit Committee or any advisors engaged by the Audit Committee. The Audit Committee shall have full access to all books, records, facilities and personnel of the Company for such purpose.
5. Annual Self-Evaluation. At least annually, the Audit Committee shall evaluate its own performance.

As in effect: April 5, 2004