

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): January 21, 2006

KADANT INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other
Jurisdiction
of Incorporation)

1-11406
(Commission File Number)

52-1762325
(IRS Employer
Identification No.)

One Acton Place
Acton, Massachusetts
(Address of Principal Executive Offices)

01720
(Zip Code)

(978) 776-2000
Registrant's telephone number, including area code

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

KADANT INC.

Item 1.01 Entry into a Material Definitive Agreement.

On January 21, 2006, Kadant Inc., a Delaware corporation ("Kadant"), on behalf of its wholly foreign owned enterprise formed in China (the "Kadant WFOE"), entered into an Asset Purchase Agreement (the "Purchase Agreement") with Jining Huayi Light Industry Machinery Co., Ltd. ("Huayi") to acquire substantially all the assets of Huayi for approximately \$20 million, subject to adjustment.

Pursuant to the Purchase Agreement, at the closing 20% of the purchase price, or approximately \$4 million, will be issued in escrow in the form of a standby letter of credit to secure certain post-closing and indemnification obligations of the sellers. The letter of credit may be drawn upon by the sellers over the next 18 months as certain obligations are satisfied.

The closing of the acquisition contemplated by the Purchase Agreement is subject to customary closing conditions, including regulatory approvals and the approval of Huayi's board of directors and shareholders, as well as Kadant's board of directors. The closing is expected to occur in the first quarter of 2006. Kadant expects to finance the acquisition through a combination of cash and borrowings, in China or under its existing \$25 million revolver, which is part of Kadant's

credit facility entered into with a consortium of banks with JPMorganChase Bank as administrative agent in May 2005.

The foregoing description of the transaction contemplated by the Purchase Agreement does not purport to be a complete statement of the parties' rights under the Purchase Agreement and is qualified in its entirety by reference to the full text of the Purchase Agreement, which will be filed as an exhibit to Kadant's Annual Report on Form 10-K. A copy of the press release announcing the execution of the Purchase Agreement is filed with this report as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

No.	Description
99.1	Press Release issued by the Company on January 26, 2006.

KADANT INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KADANT INC.

Date: January 26, 2006

By: /s/ Thomas M. O'Brien

Thomas M. O'Brien
Executive Vice President and
Chief Financial Officer

[LOGO]
NEWS
KADANT
AN ACCENT ON INNOVATION
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Investor contact: Thomas M. O'Brien, 978-776-2000
Media contact: GreatPoint Communications, 978-392-6866

Kadant to Acquire Chinese Producer of Stock-Preparation Systems

ACTON, Mass., January 26, 2006 - Kadant Inc. (NYSE:KAI) announced today that it has signed a definitive agreement to acquire substantially all the assets of the Jining Huayi Light Industry Machinery Co., Ltd. for approximately \$20 million in cash, subject to adjustment. Huayi is a supplier of stock-preparation systems in China, with unaudited revenues of approximately \$15 million in 2005.

Kadant expects to finance the acquisition through a combination of cash and borrowings, in China or under its existing \$25 million revolver. The completion of the acquisition is subject to customary closing conditions, including regulatory approvals, as well as the approval of Kadant's board of directors. The closing is expected to occur in the first quarter of 2006.

"Huayi is a well-respected supplier in China's paper recycling industry, and would significantly enhance Kadant's presence in growing Asian markets," said William A. Rainville, chairman and chief executive officer of Kadant. "While our stock-preparation systems typically address the demands of China's major global producers, Huayi offers equipment that serves the large number of local independent mills, expanding our customer base. The acquisition of Huayi would give us a low-cost manufacturing base in Asia for our stock-preparation products, and could also support the production of our accessories and water-management products there in the future."

Kadant Inc. is a leading supplier to the global pulp and paper industry, with a range of products and services for improving efficiency and quality in pulp and paper production, including paper machine accessories, and systems for stock preparation, fluid handling, and water management. Our fluid-handling products are also used to optimize production in the steel, rubber, plastics, food, and textile industries. In addition, we produce granules from papermaking byproducts for agricultural and lawn and garden applications. Kadant is based in Acton, Massachusetts, and, with the addition of Kadant Johnson in May 2005, has annual revenues of approximately \$270 million and approximately 1,500 employees worldwide. For more information, 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 about the estimated purchase price for the acquisition, the potential financing to fund a portion of the purchase price, the anticipated timing for closing the transaction, the benefits and synergies of the transaction, and the expected future business of the combined company following the completion of the transaction. Important factors could cause actual results to differ materially from those indicated by such statements including the ability to complete the transaction, the ability of Kadant to successfully integrate the Chinese operation, the ability to realize anticipated synergies, the receipt of regulatory and board approval in connection with the transaction, and other factors set forth under the heading "Risk Factors" in Kadant's quarterly report on Form 10-Q for the period ended October 1, 2005. These include risks and uncertainties relating to our dependence on the pulp and paper industry; international sales and operations; competition; increases in our debt; restrictions in our credit agreement; our ability to successfully integrate Kadant Johnson; our acquisition strategy; our ability to complete the restructuring of our French subsidiary; retention of liabilities and warranty claims associated with composite building products manufactured prior to the sale of the business; availability of raw materials and exposure to commodity price fluctuations related to the manufacture of 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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