

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): August 2, 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 2.02 Results of Operations and Financial Condition.

On August 2, 2006, Kadant Inc. (the "Company") announced its financial results for the fiscal quarter ended July 1, 2006. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99 to this Current Report on Form 8-K.

The information in this Form 8-K (including Exhibit 99) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibit

The following exhibit relating to Item 2.02 shall be deemed to be furnished and not filed.

| Exhibit No. | Description of Exhibit |
|----------------|--|
| 99 | Press Release issued by the Company on August 2, 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: August 2, 2006

By: /s/ Thomas M. O'Brien

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

3

[LOGO]
KADANT
AN ACCENT ON INNOVATION
One Acton Place, Suite 202
Acton, MA 01720

Investor contact: Thomas M. O'Brien, 978-776-2000
Media contact: GreatPoint Communications, 978-392-6866

Kadant Reports Record Revenues in Second Quarter 2006
Raises Guidance for the Year

ACTON, Mass., August 2, 2006 - Kadant Inc. (NYSE:KAI) reported that revenues from continuing operations grew 38 percent in the second quarter of 2006 to a record \$89.6 million, compared with \$65.1 million in the second quarter of 2005. The 2006 period included \$21.9 million in revenues from acquisitions, versus \$11.1 million in 2005. Excluding acquisitions and a \$0.1 million unfavorable foreign currency effect, revenues grew 26 percent to \$67.8 million in 2006, from \$54.0 million in 2005. Operating income from continuing operations in the 2006 quarter was \$8.7 million, versus \$5.0 million in 2005. Income from continuing operations (after-tax) was \$5.6 million in 2006, or \$.40 of diluted earnings per share (EPS), versus income of \$3.1 million, or \$.22 of diluted EPS, a year ago. Including the discontinued composite building products business, net income in the 2006 period was \$5.0 million, or \$.35 per diluted share, versus \$3.4 million, or \$.24 per diluted share, in 2005.

"We are pleased to report one of our best quarters ever," said William A. Rainville, chairman and chief executive officer of Kadant. "Our revenues from continuing operations set a new quarterly record, and our EPS and operating income from continuing operations were the highest we've reported since becoming an independent public company in August 2001. We exceeded the high end of our EPS guidance by \$.04, including a \$.02 benefit from a lower tax rate. We also generated \$10.6 million of EBITDA during the quarter - 58 percent higher than last year - with an impressive contribution from Kadant Johnson's fluid-handling business, where EBITDA exceeded 23 percent of revenues. (EBITDA is a non-GAAP financial measure that excludes certain items detailed later in this press release under the heading "Use of Non-GAAP Financial Measures.")

"Demand for our fluid-handling equipment was a key growth driver, especially in North America and Europe, where our technologies are helping paper producers significantly lower their energy costs by improving dryer efficiency. Our performance was also fueled by strong demand in China for our advanced stock-preparation systems, which led to a record \$21.3 million in quarterly revenues. We believe that our growing installed base in China and the addition of local manufacturing will allow us to strengthen our leading position as recycled paper producers continue to add significant capacity.

"Furthermore, our bookings this quarter were \$89 million - exceeded only by last quarter's record performance. Bookings increased in all of our major product lines, led by fluid-handling orders of nearly \$23 million and \$20 million in stock-prep orders from China. This contributed to a record quarter-end backlog of \$87 million - more than double our backlog a year ago. We believe that our ongoing investments to expand Kadant's global market coverage and product offerings are allowing us to capitalize on the growth opportunities at hand in different regions of the world.

"Based on our excellent bookings, and a projected tax rate of 32 percent for the second half, we anticipate a strong third quarter as well in spite of some dilution from our recent acquisition in China. We expect to report GAAP diluted EPS from continuing operations of \$.35 to \$.37 for the third quarter of 2006, on revenues of \$88 to \$90 million. For the full year, we are increasing our guidance to \$1.20 to \$1.28 of GAAP diluted EPS from continuing operations, from our earlier estimate of \$1.18 to \$1.25. We are also raising our revenue guidance to \$320 to \$330 million, from our previous forecast of \$300 to \$310 million. A portion of the revenue increase is related to our China acquisition."

-more-

Use of Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use certain non-GAAP financial measures, including revenues that exclude the results from our acquisitions and the effects of foreign currency translation, and earnings before interest, taxes, depreciation and amortization (EBITDA). We believe that the inclusion of such measures helps investors to gain a better understanding of our underlying operations and future prospects, consistent with how management measures and forecasts Kadant's performance, especially when comparing such results to previous periods or forecasts. We also believe this information is responsive to investors' requests and gives them an additional measure of Kadant's performance.

We use non-GAAP measures, in addition to GAAP financial measures, as the basis for measuring our underlying operating performance and comparing such performance to that of prior periods or forecasts and to the performance of our competitors. Such measures are also used by us in our financial and operating decision-making and for compensation purposes.

The non-GAAP financial measures included in this press release are not meant to be considered superior to or a substitute for the results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this press release have limitations associated with their use as compared to the most directly comparable GAAP measure, in that they may be different from, and therefore not comparable to, similar measures used by other companies.

Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are set forth in the accompanying tables.

Conference Call

Kadant will hold its earnings conference call on Thursday, August 3, 2006, 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 September 1, 2006.

-more-

Financial Highlights (unaudited)
(In thousands, except per share amounts and percentages)

| Consolidated Statement of Income | Three Months Ended | | Six Months Ended | |
|--|--------------------|--------------|------------------|--------------|
| | July 1, 2006 | July 2, 2005 | July 1, 2006 | July 2, 2005 |
| Revenues | \$ 89,567 | \$ 65,086 | \$ 165,158 | \$ 115,830 |
| Costs and Operating Expenses: | | | | |
| Cost of revenues | 56,847 | 40,385 | 103,821 | 72,367 |
| Selling, general, and administrative expenses | 22,498 | 18,497 | 44,619 | 33,391 |
| Research and development expenses | 1,496 | 1,247 | 3,041 | 2,295 |
| Restructuring costs | - | - | 138 | - |
| | 80,841 | 60,129 | 151,619 | 108,053 |
| Operating Income | 8,726 | 4,957 | 13,539 | 7,777 |
| Interest Income | 251 | 379 | 510 | 851 |
| Interest Expense | (804) | (473) | (1,598) | (475) |
| Income from Continuing Operations Before Provision for Income Taxes and Minority Interest | 8,173 | 4,863 | 12,451 | 8,153 |
| Provision for Income Taxes (a) | 2,529 | 1,654 | 3,984 | 1,857 |
| Minority Interest Expense | 47 | 62 | 105 | 62 |
| Income from Continuing Operations | 5,597 | 3,147 | 8,362 | 6,234 |
| (Loss) Income from Discontinued Operation, Net of Tax | (627) | 207 | (741) | (156) |
| Net Income | \$ 4,970 | \$ 3,354 | \$ 7,621 | \$ 6,078 |
| Basic Earnings per Share | | | | |
| Income from Continuing Operations (a) | \$.41 | \$.23 | \$.61 | \$.45 |
| (Loss) Income from Discontinued Operation | (.05) | .01 | (.05) | (.01) |
| Net Income | \$.36 | \$.24 | \$.56 | \$.44 |
| Diluted Earnings per Share | | | | |
| Income from Continuing Operations (a) | \$.40 | \$.22 | \$.60 | \$.44 |
| (Loss) Income from Discontinued Operation | (.05) | .02 | (.05) | (.01) |
| Net Income | \$.35 | \$.24 | \$.55 | \$.43 |
| Weighted Average Shares | | | | |
| Basic | 13,702 | 13,891 | 13,641 | 13,909 |
| Diluted | 14,056 | 14,181 | 13,948 | 14,196 |

-more-

| Business Segment Information (b) | Three Months Ended | | Six Months Ended | |
|---|--------------------|--------------|------------------|--------------|
| | July 1, 2006 | July 2, 2005 | July 1, 2006 | July 2, 2005 |
| Revenues: | | | | |
| Pulp and Papermaking Systems | \$ 85,427 | \$ 62,528 | \$ 156,500 | \$ 110,099 |
| Other | 4,140 | 2,558 | 8,658 | 5,731 |
| | ===== | ===== | ===== | ===== |
| | \$ 89,567 | \$ 65,086 | \$ 165,158 | \$ 115,830 |
| Gross Profit Margin: | | | | |
| Pulp and Papermaking Systems | 37% | 38% | 38% | 37% |
| Other | 31% | 37% | 30% | 40% |
| | ----- | ----- | ----- | ----- |
| | 37% | 38% | 37% | 38% |
| Operating Income (c): | | | | |
| Pulp and Papermaking Systems | \$ 11,016 | \$ 6,149 | \$ 17,767 | \$ 9,770 |
| Corporate and Other | (2,290) | (1,192) | (4,228) | (1,993) |
| | ----- | ----- | ----- | ----- |
| | \$ 8,726 | \$ 4,957 | \$ 13,539 | \$ 7,777 |
| Bookings from Continuing Operations: | | | | |
| Pulp and Papermaking Systems | \$ 85,914 | \$ 49,103 | \$ 184,114 | \$ 105,545 |
| Other | 2,936 | 2,090 | 8,357 | 5,468 |
| | ----- | ----- | ----- | ----- |
| | \$ 88,850 | \$ 51,193 | \$ 192,471 | \$ 111,013 |
| Capital Expenditures from Continuing Operations: | | | | |
| Pulp and Papermaking Systems | \$ 638 | \$ 612 | \$ 975 | \$ 752 |
| Corporate and Other | 85 | 97 | 131 | 123 |
| | ----- | ----- | ----- | ----- |
| | \$ 723 | \$ 709 | \$ 1,106 | \$ 875 |

| Cash Flow and Other Data from Continuing Operations | Three Months Ended | | Six Months Ended | |
|---|--------------------|--------------|------------------|---------------|
| | July 1, 2006 | July 2, 2005 | July 1, 2006 | July 2, 2005 |
| Cash Provided by (Used in) Operations | \$ (2,038) | \$ 4,435 | \$ (356) | \$ 4,883 |
| Depreciation and Amortization Expense | \$ 1,825 | \$ 1,703 | \$ 3,755 | \$ 2,719 |
| Balance Sheet Data | | | | |
| | | | July 1, 2006 | Dec. 31, 2005 |
| Cash and Cash Equivalents | | | \$ 43,444 | \$ 40,822 |
| Short- and Long-term Debt | | | \$ 58,258 | \$ 55,500 |
| Shareholders' Investment | | | \$ 224,829 | \$ 207,625 |

-more-

| EBITDA Data (b) | Three Months Ended | | Six Months Ended | |
|-------------------------------------|--------------------|-------------------|-------------------|-------------------|
| | July 1, 2006 | July 2, 2005 | July 1, 2006 | July 2, 2005 |
| Consolidated | | | | |
| Operating Income | \$ 8,726 | \$ 4,957 | \$ 13,539 | \$ 7,777 |
| Depreciation and Amortization | 1,825 | 1,703 | 3,755 | 2,719 |
| EBITDA | \$ 10,551 | \$ 6,660 | \$ 17,294 | \$ 10,496 |
| Pulp and Papermaking Systems | | | | |
| Operating Income (c) | \$ 11,016 | \$ 6,149 | \$ 17,767 | \$ 9,770 |
| Depreciation and Amortization | 1,678 | 1,532 | 3,430 | 2,433 |
| EBITDA | \$ 12,694 | \$ 7,681 | \$ 21,197 | \$ 12,203 |
| Corporate and Other | | | | |
| Operating Loss (c) | \$ (2,290) | \$ (1,192) | \$ (4,228) | \$ (1,993) |
| Depreciation and Amortization | 147 | 171 | 325 | 286 |
| EBITDA | \$ (2,143) | \$ (1,021) | \$ (3,903) | \$ (1,707) |

(a) Includes a tax benefit of \$882, or \$.06 per diluted share, in the six-month period ended July 2, 2005, received from our former parent company under a tax agreement.

(b) "Other" includes the results from the Fiber-based Products business and Kadant Johnson's Casting Products business.

(c) Information in the 2005 period has been reclassified to conform to the 2006 presentation.

About Kadant

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, with revenues of \$244 million in 2005 and approximately 1,400 employees in 16 countries 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 our expected future financial and operating performance, demand for our products, growth opportunities and strategies, and the potential benefit of our acquisition in China. 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 April 1, 2006. These include risks and uncertainties relating to our dependence on the pulp and paper industry; significance of sales from China; international sales and operations; competition; our debt obligations; restrictions in our credit agreement; retention of liabilities and warranty claims associated with composite building products manufactured prior to the sale of the business; our ability to successfully integrate Kadant Johnson; our ability to complete the acquisition of a manufacturing and assembly plant in China; our acquisition strategy; our ability to realize the anticipated benefits from the restructuring of our French subsidiary; the impact of high natural gas prices on the manufacture of fiber-based products; availability of raw materials 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.

###