

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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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): July 28, 2004

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

KADANT INC.

Item 12. Disclosure of Results of Operations and Financial Condition

On July 28, 2004, Kadant Inc. announced its financial results for the fiscal quarter ended July 3, 2004. 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 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.

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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: July 28, 2004

By: /s/ Thomas M. O'Brien

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

>  
KADANT INC.  
EXHIBIT INDEX

Exhibit No.	Description of Exhibit
99	Press Release dated July 28, 2004



[LOGO]  
NEWS  
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 2004 Second Quarter Results

ACTON, Mass., July 28, 2004 - For the second quarter of 2004, Kadant Inc. (NYSE:KAI) reported GAAP diluted earnings per share (EPS) of \$.26, compared with \$.28 in the second quarter of 2003. Earnings in the 2004 period included a \$.03 benefit from a reduction in tax reserves, and, in 2003, included a net gain of \$.01 due to restructuring and unusual items. GAAP net income in the 2004 period was \$3.7 million, versus \$3.9 million a year ago. Second quarter revenues increased to \$57.8 million in 2004 (including \$1.7 million from the favorable effect of currency translation), compared with \$55.8 million in 2003.

"We are pleased with our overall performance during the second quarter," said William A. Rainville, chairman and chief executive officer of Kadant. "Earnings, excluding the tax benefit, were at the high end of our guidance, and revenues slightly exceeded our expectations. Sales of our stock-preparation systems to China remained strong, with a record \$10.4 million in revenues for the quarter. In North America, we booked one of our largest single orders in the past few years, for a pulping system worth nearly \$4 million, and saw increased sales of paper machine accessories. Our composite building products business reported quarterly revenues of \$5.1 million - 52 percent higher than last year - and the \$370,000 operating loss for the quarter was slightly less than we expected.

"That said, we are tempering our outlook for the second half of the year. Although we believe that China will remain an active and growing market for us, the timing of orders is always difficult to predict, especially with the recent slowdown in bank financing approvals there. European markets, on the other hand, have become weaker than we expected, and this will affect sales in all our papermaking equipment product lines for the rest of this year. We are evaluating opportunities to streamline our operations in Europe to improve operating results in 2005. In the composites business, higher warranty and raw materials costs continue to hamper profitability in spite of revenue growth.

"Based on these factors, we expect to report GAAP diluted EPS of \$.17 to \$.20 for the third quarter of 2004, on revenues of \$46 to \$48 million. For the full year, we are now forecasting GAAP diluted EPS of \$.85 to \$.90, down from our earlier estimate of \$.90 to \$1.00. We expect to report revenues of \$205 to \$210 million for all of 2004."

Mr. Rainville added, "On a positive note, we continued to generate strong cash flow from operations - \$7.8 million during the quarter. This leaves us with a cash balance of \$81.6 million at quarter end, even after buying back more than \$6 million worth of our stock in the quarter. With a strong cash position, and no debt, we have several options for generating shareholder value, including internal investment, additional stock buybacks, and strategic acquisitions."

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

Consolidated Statement of Income	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Revenues	\$ 57,782	\$ 55,784	\$ 109,509	\$ 107,159
Costs and Operating Expenses:				
Cost of revenues	36,652	35,086	68,617	67,294
Selling, general, and administrative expenses	15,566	13,382	30,434	26,894
Research and development expenses	693	1,310	1,711	2,353
Restructuring and unusual items	-	(180)	-	(180)
	52,911	49,598	100,762	96,361
Operating Income	4,871	6,186	8,747	10,798
Interest Income	318	214	647	450
Interest Expense	(4)	(11)	(12)	(28)
Income Before Provision for Income Taxes and Minority Interest	5,185	6,389	9,382	11,220
Provision for Income Taxes	1,428	2,428	2,897	4,264
Minority Interest Expense	14	72	14	72

Net Income	\$ 3,743	\$ 3,889	\$ 6,471	\$ 6,884
Earnings per Share				
Basic	\$ .26	\$ .29	\$ .46	\$ .51
Diluted	\$ .26	\$ .28	\$ .44	\$ .50
Weighted Average Shares				
Basic	14,218	13,601	14,220	13,588
Diluted	14,555	13,908	14,579	13,837
	Three Months Ended		Six Months Ended	
Adjusted Diluted Earnings per Share (a)	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
GAAP Diluted Earnings per Share	\$ .26	\$ .28	\$ .44	\$ .50
Restructuring and Unusual Items	-	(.01)	-	(.01)
Income Taxes (b)	(.03)	-	(.03)	-
	\$ .23	\$ .27	\$ .41	\$ .49
	Three Months Ended		Six Months Ended	
Business Segment Information	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Revenues:				
Pulp and Papermaking Equipment and Systems	\$ 50,933	\$ 50,674	\$ 96,497	\$ 96,231
Composite and Fiber-based Products	6,849	5,110	13,012	10,928
	\$ 57,782	\$ 55,784	\$ 109,509	\$ 107,159
Gross Profit Margin:				
Pulp and Papermaking Equipment and Systems	38%	37%	39%	38%
Composite and Fiber-based Products	22%	37%	19%	35%
	37%	37%	37%	37%
Operating Income:				
Pulp and Papermaking Equipment and Systems	\$ 6,152	\$ 6,691	\$ 12,495	\$ 11,931
Composite and Fiber-based Products (c)	104	571	(532)	983
Corporate	(1,385)	(1,076)	(3,216)	(2,116)
	\$ 4,871	\$ 6,186	\$ 8,747	\$ 10,798
Adjusted Operating Income (Excludes Restructuring and Unusual Items) (a):				
Pulp and Papermaking Equipment and Systems (d)	\$ 6,152	\$ 6,511	\$ 12,495	\$ 11,751
Composite and Fiber-based Products	104	571	(532)	983
Corporate	(1,385)	(1,076)	(3,216)	(2,116)
	\$ 4,871	\$ 6,006	\$ 8,747	\$ 10,618

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Business Segment Information (continued)	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
<b>Bookings:</b>				
Pulp and Papermaking Equipment and Systems	\$ 48,897	\$ 38,516	\$ 100,040	\$ 96,644
Composite and Fiber-based Products	7,057	4,886	12,103	7,825
	\$ 55,954	\$ 43,402	\$ 112,143	\$ 104,469
<b>Capital Expenditures:</b>				
Pulp and Papermaking Equipment and Systems	\$ 505	\$ 359	\$ 835	\$ 561
Composite and Fiber-based Products	190	228	300	876
Corporate	8	8	11	11
	\$ 703	\$ 595	\$ 1,146	\$ 1,448

Cash Flow and Other Data	Three Months Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Cash Provided by Operations	\$ 7,819	\$ 4,098	\$ 8,877	\$ 3,058
Depreciation and Amortization Expense	1,193	1,322	2,419	2,607

Balance Sheet Data	July 3, 2004	Jan. 3, 2004
	Cash and Short-term Investments	\$ 81,588
Short-term Debt	-	\$ 598
Shareholders' Investment	\$ 217,016	\$ 211,758

- (a) In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use the non-GAAP financial measures of adjusted diluted EPS and adjusted operating income, which exclude restructuring and other non-recurring items. We exclude these items because they are outside our normal operations. We believe that providing such non-GAAP measures helps investors to gain a better understanding of our operating results from period to period, and is consistent with how we measure our performance.
- (b) Represents effect of reduction in tax reserves of \$386 in the three- and six-month periods ended July 3, 2004.
- (c) Includes operating losses of \$370 and \$1,302 in the three- and six- month periods ended July 3, 2004, respectively, and operating income of \$26 and \$110 in the three- and six- month periods ended June 28, 2003, respectively, from the composite building products business.
- (d) Excludes net restructuring costs and unusual income of \$180 in the three- and six-month periods ended June 28, 2003.

Kadant will hold its earnings conference call on Thursday, July 29, 2004, 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](http://www.kadant.com) and clicking on "Investors." An audio archive of the call will be available on our Web site until August 26, 2004.

Kadant Inc. is a leading supplier of a range of products for the global papermaking and paper recycling industries, including stock-preparation equipment, water-management systems, and paper machine accessories. We also develop and manufacture composite building materials produced from recycled fiber and plastic. Kadant, based in Acton, Massachusetts, had approximately \$204 million in revenues in 2003 and 1,000 employees worldwide. For more information, please visit [www.kadant.com](http://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 regarding our projected operating results, the future performance of our businesses, opportunities for shareholder value, and demand for our products 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 3, 2004. These include risks and uncertainties relating to our dependence on the pulp and paper industry; international sales and operations; competition; ability to manufacture and distribute composite building products, and the 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; acquisition strategy; 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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