

Annual Meeting of Stockholders

May 25, 2011

Westford, Massachusetts

KĀDANT
AN ACCENT ON INNOVATION

05-25-11

William A. Rainville

Chairman of the Board

ANNUAL MEETING OF STOCKHOLDERS

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Safe Harbor

The following constitutes a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: This slide presentation contains forward-looking statements that involve a number of risks and uncertainties, including forward-looking statements about our expected future financial and operating performance, our market opportunities and demand for our products, our views of the trends in the industries we serve, and our capabilities and technological position in the market. 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 2, 2011. These include risks and uncertainties relating to our dependence on the pulp and paper industry; significance of sales and operation of manufacturing facilities in China; our ability to expand capacity in China to meet demand; commodity and component price increases or shortages; international sales and operations; competition; soundness of suppliers and customers; our effective tax rate; future restructurings; soundness of financial institutions; our debt obligations; restrictions in our credit agreement; litigation and warranty costs related to our discontinued operation; our acquisition strategy; protection of patents and proprietary rights; fluctuations in our share price; 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.

Items of Business

PROPOSAL 1

- Elect two directors constituting the entire class of directors to be elected for a three-year term expiring in May 2014
 - Dr. John M. Albertine
 - Mr. Thomas C. Leonard

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PROPOSAL 2

- Non-binding advisory vote on executive compensation
 - Resolved, that the compensation paid to our company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables, and any related material disclosed in our proxy statement, is hereby approved.

Items of Business (cont.)

PROPOSAL 3

- Non-binding advisory vote on the frequency of future executive compensation advisory votes

Items of Business (cont.)

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- Non-binding advisory vote on the frequency of future executive compensation advisory votes

PROPOSAL 4

- Increase the number of shares available under our 2006 equity incentive plan by 330,000 shares

Items of Business (cont.)

PROPOSAL 3

- Non-binding advisory vote on the frequency of future executive compensation advisory votes

PROPOSAL 4

- Increase the number of shares available under our 2006 equity incentive plan by 330,000 shares

PROPOSAL 5

- Ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for FY 2011

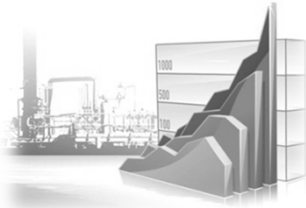
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Jonathan W. Painter

President & CEO

BUSINESS REVIEW

About Kadant



\$270 million in revenues (2010)

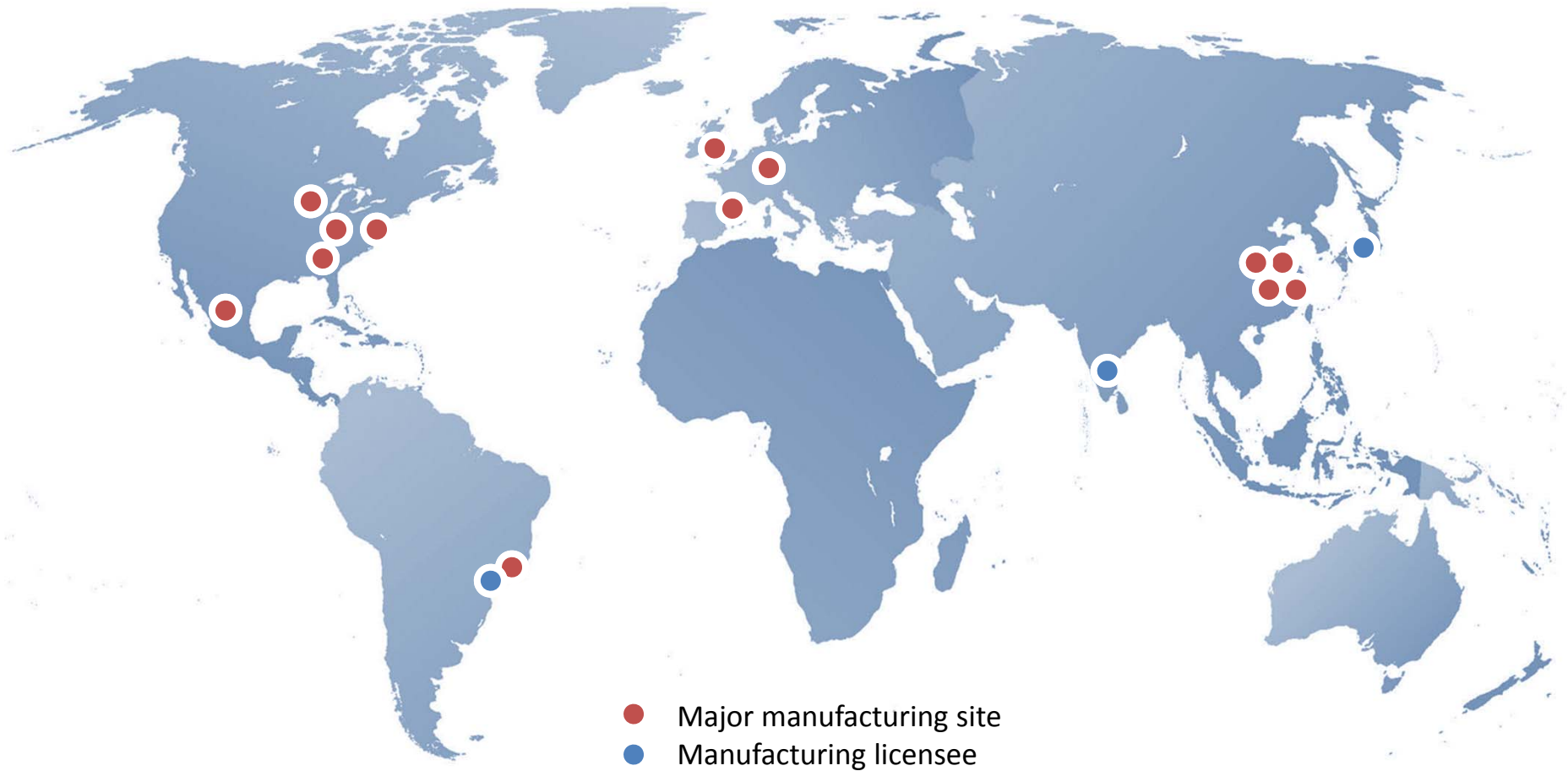


1,600 employees worldwide



16 manufacturing locations

Global Platform Serving Customers Worldwide

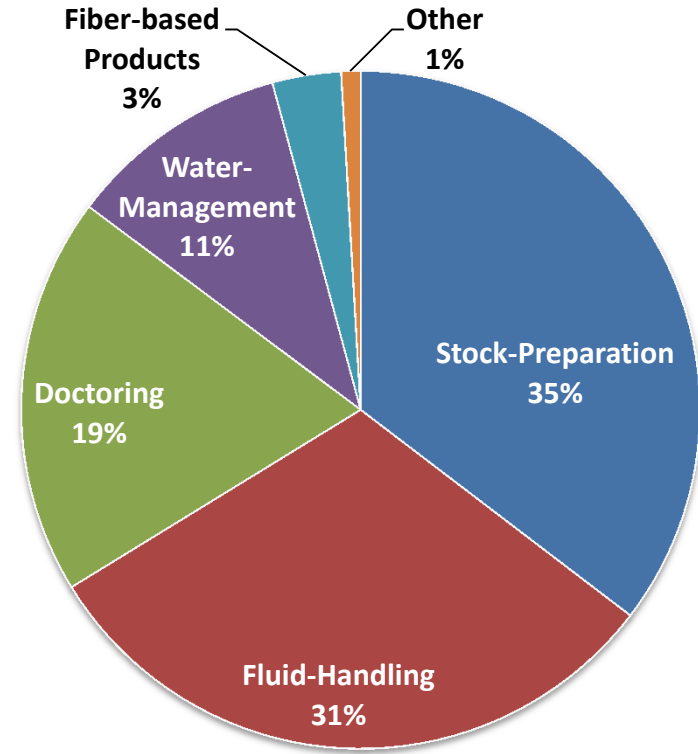
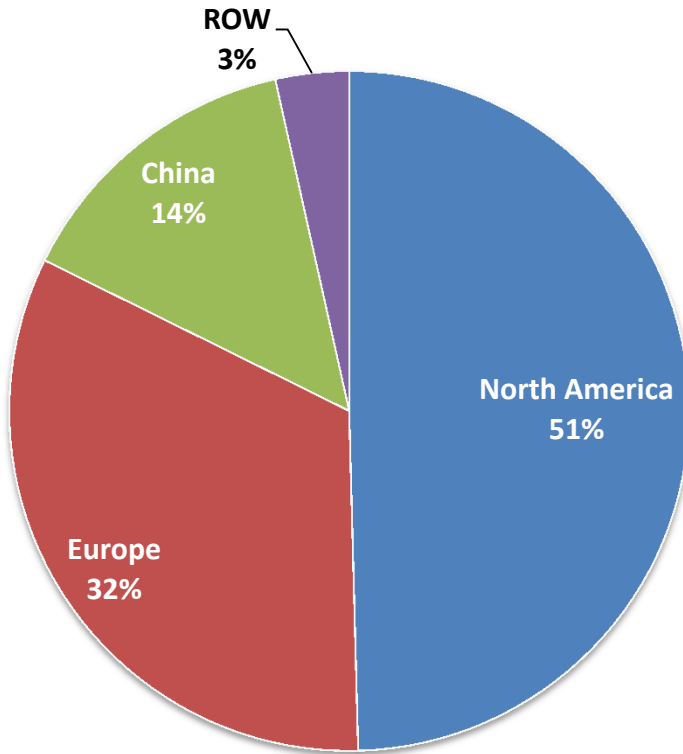


Kadant Strengths, Competitive Advantages

- Industry reputation, brand strength
- Patented and proprietary technologies
- Specialized process knowledge
- Large installed base
- Low cost manufacturing
- Global distribution and service network
- Consultative selling model



2010 Revenues by Geography and Product Line



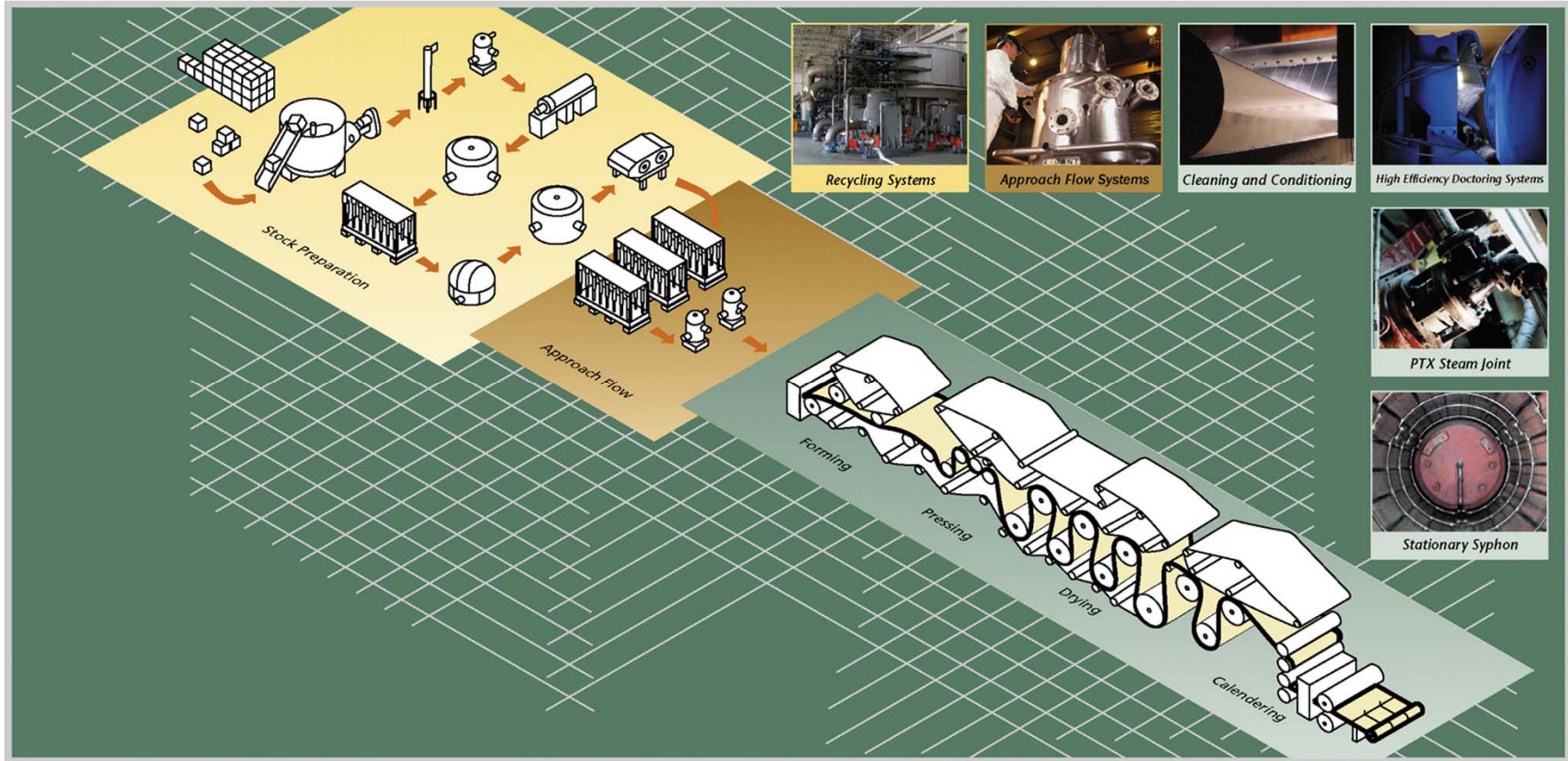
Revenue: \$270 million

Geographic data is attributed to countries based on selling location.

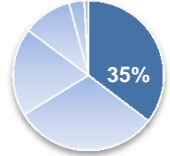
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PRODUCT REVIEW

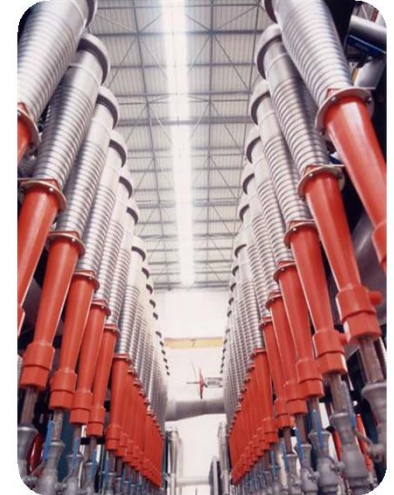
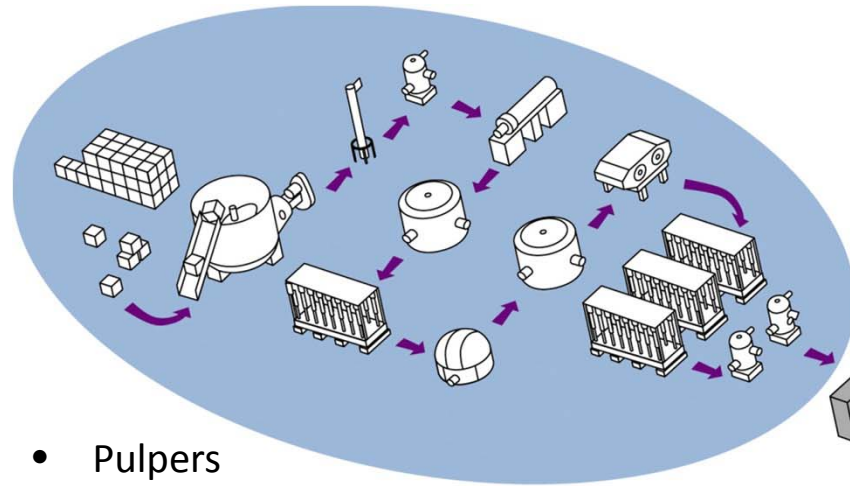
Expertise from Stock Prep to Drying



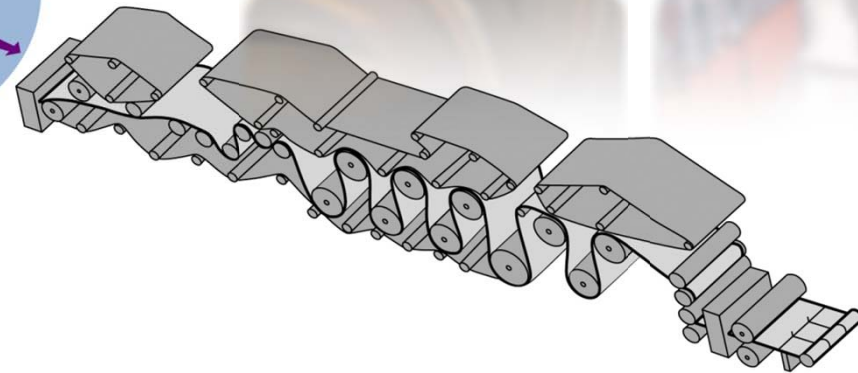
Stock Preparation

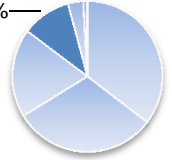


Separation and cleaning products and systems to convert waste paper into clean pulp.



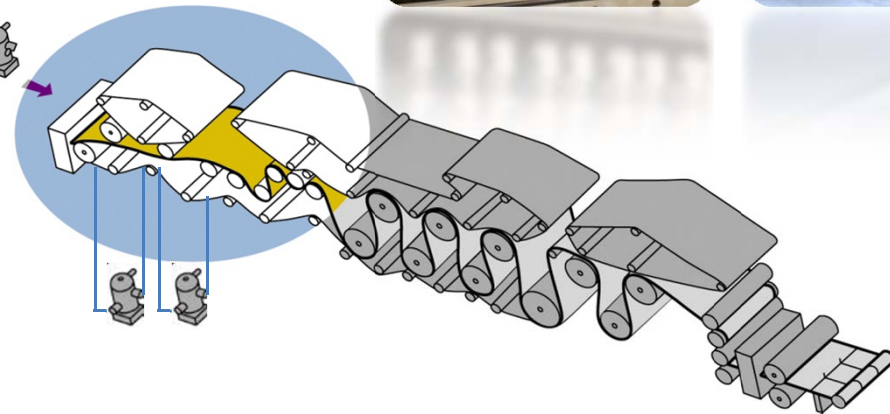
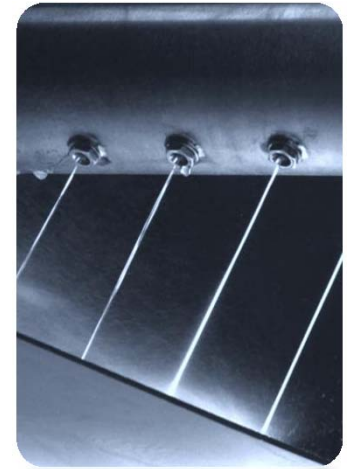
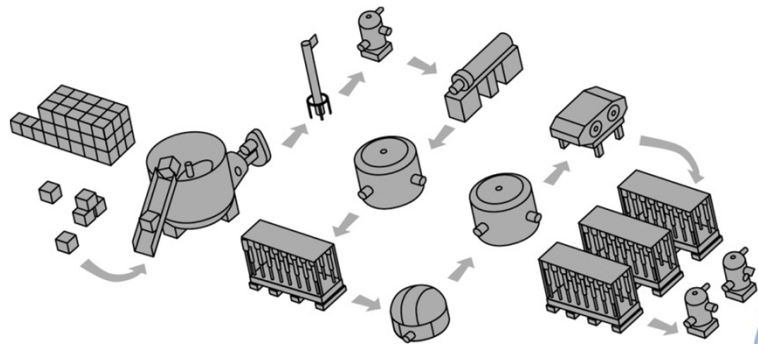
- Pulpers
- Screens
- Cleaners
- De-inking
- Recycling systems
- Heat transfer products





Water Management

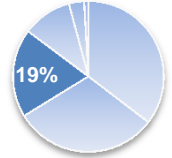
Products and systems for delivering, filtering, and recycling process water.



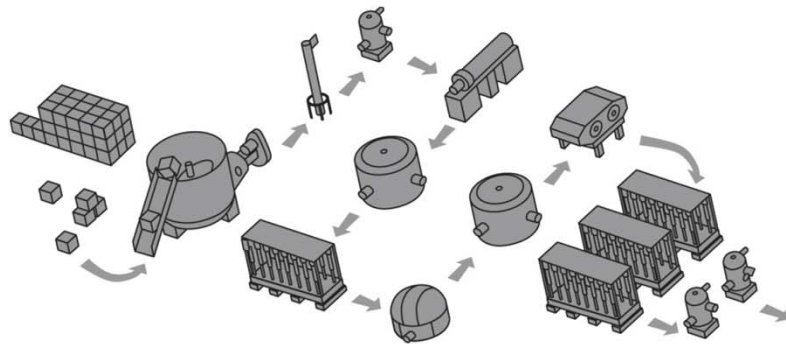
FORMING & PRESSING

- Shower systems
- Spray nozzles
- Wear surfaces
- Filters
- Formation systems

Doctoring

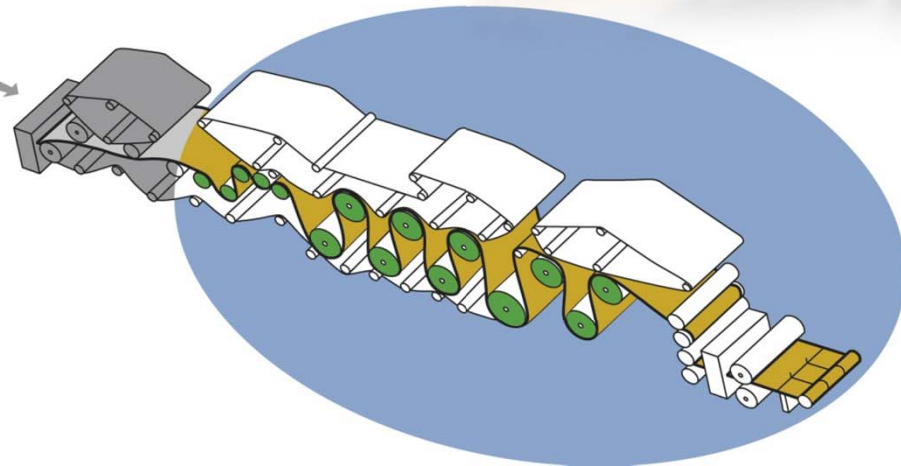


Consumable products used to clean roll surfaces and remove contaminants.

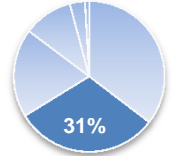


PRESSING & DRYING

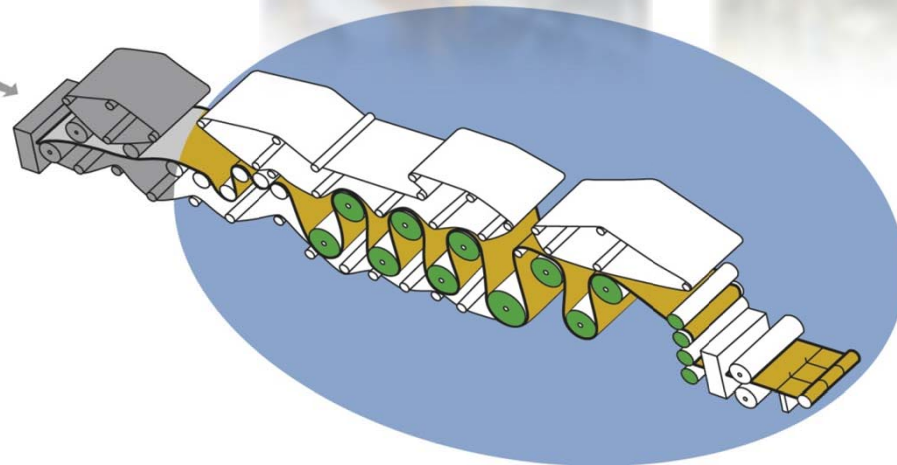
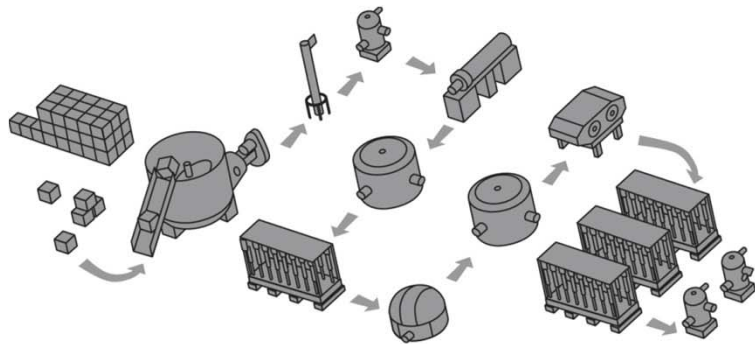
- Doctor blades
- Blade holders
- Doctoring systems



Fluid Handling



Fluid handling products and systems used in process industries worldwide.

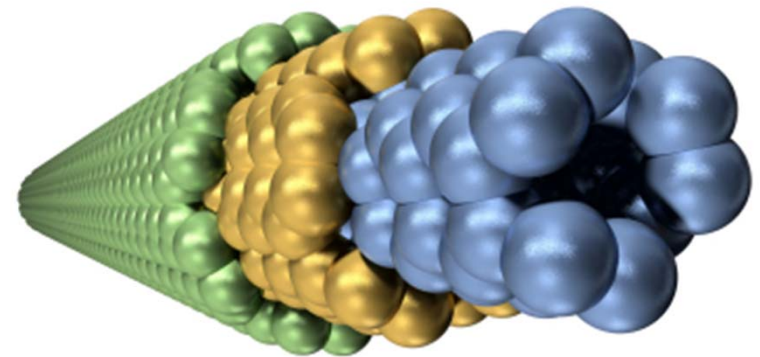


DRYING

- Rotary joints
- Syphon systems
- Steam and condensate systems
- Dryer systems control software

Kadant R&D and Product Innovations

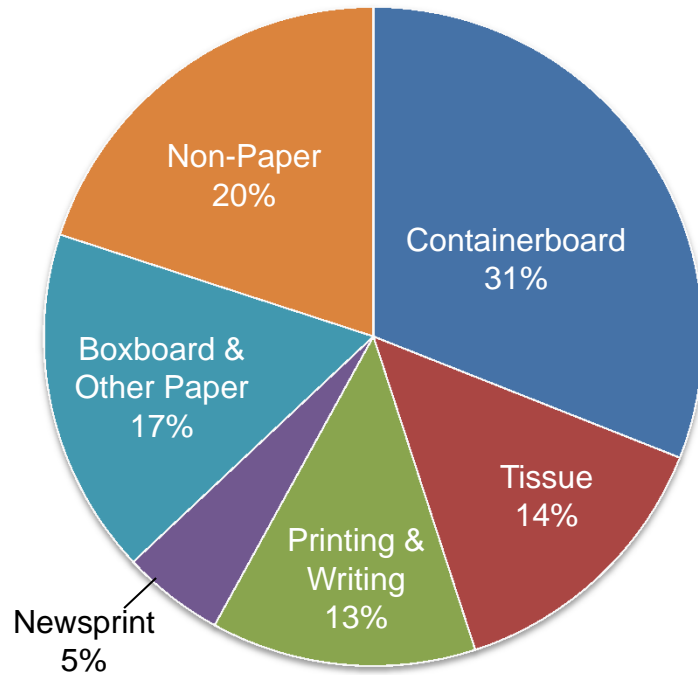
- Technical capabilities
 - Recycling pilot plant
 - Two commercial size paper dryers
 - Computational fluid dynamics
 - Blade material testing and qualification
- New product offerings
 - FibreWall™ screen cylinder
 - Nano technology blade
 - MAK-C advanced deinking system
 - Continuous detrasher
 - Direct steam injection heater



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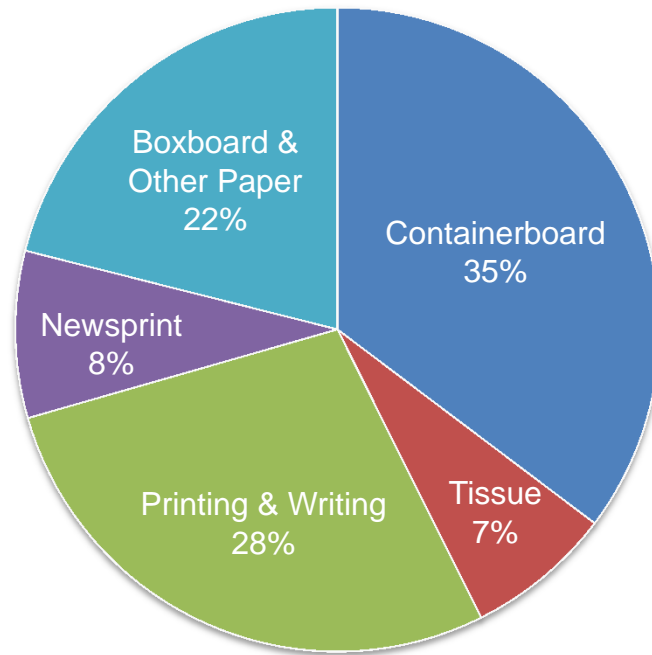
INDUSTRY REVIEW

Kadant Revenue Source by Major Paper Grade



2010 Revenue Source

Percentage estimated by Company using 2010 revenue.



2010 Global Capacity (394 million tons)

Source: RISI World Pulp & Recovered Paper Forecast, 2011

Pulp & Paper Industry Outlook

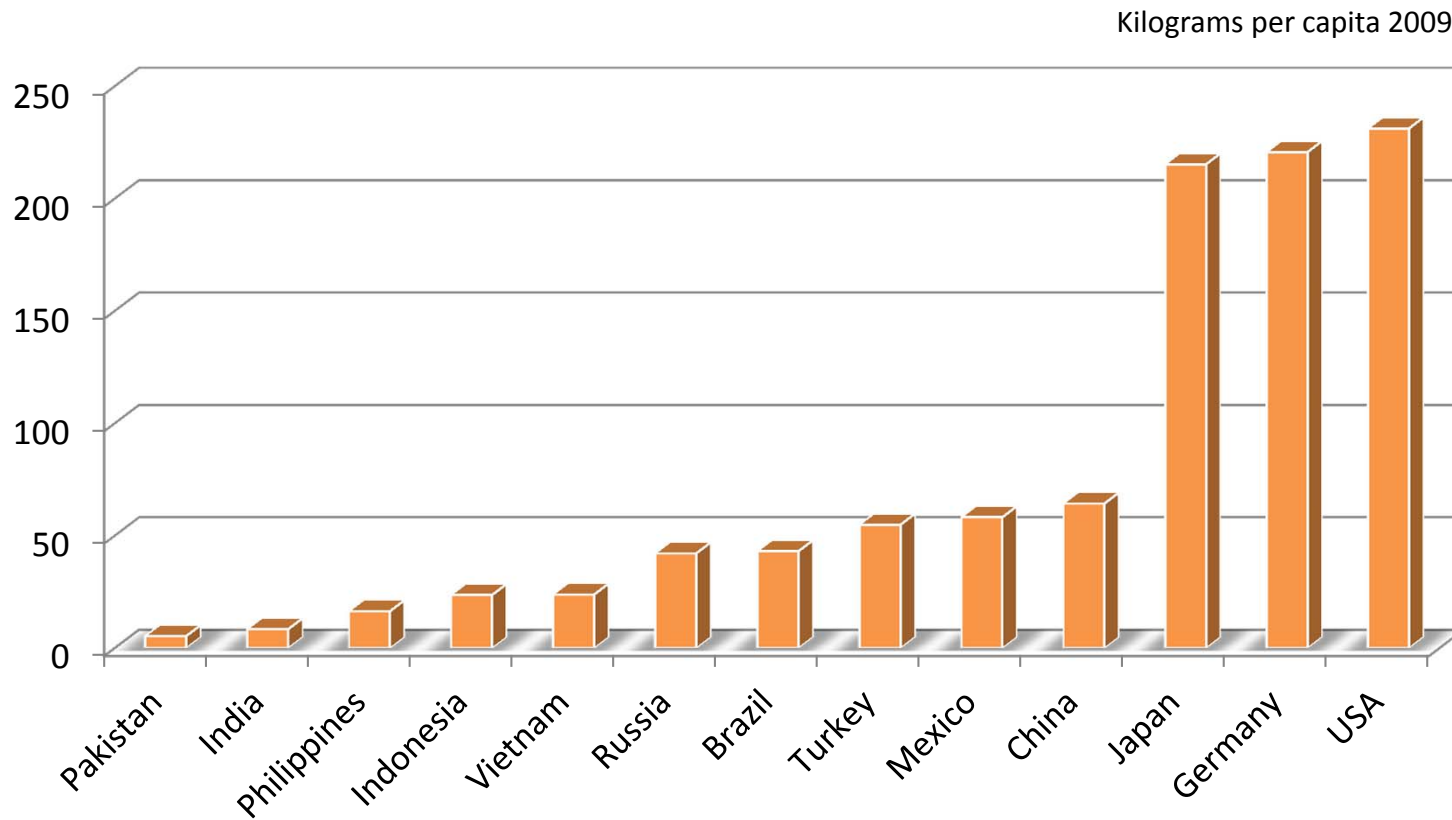
DEVELOPED REGIONS

- Operating rates remain relatively high
- Stable inventory levels
- North America is stronger than Europe
- Escalating energy and fiber costs
- Energy-driven investments remain a priority

EMERGING REGIONS

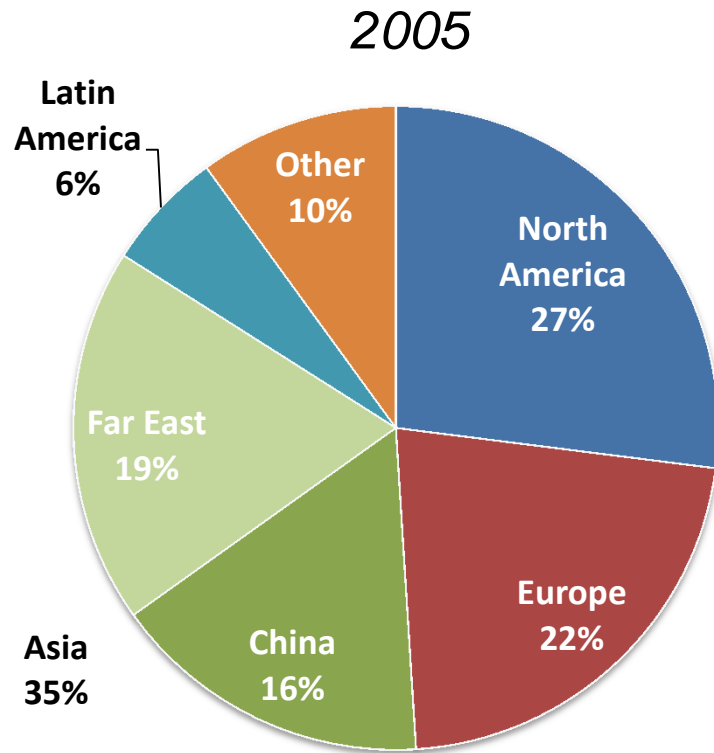
- Strong growth forecasted, particularly in China
- Limited supplies of virgin fiber
- Capacity additions continue to be announced

Per Capita Consumption of Paper

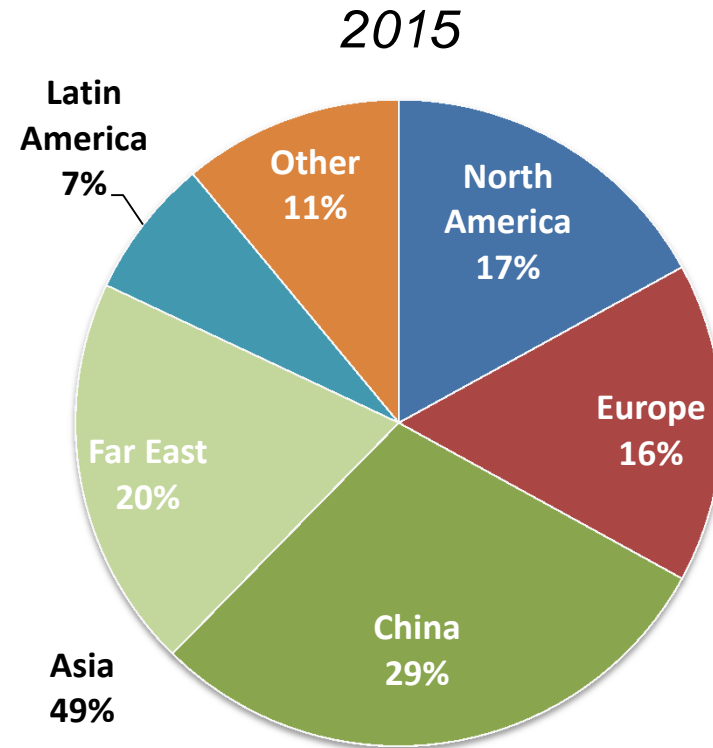


Source: RISI, Inc. World Production and Trade by Country (2010)

World Demand for Paper & Paperboard



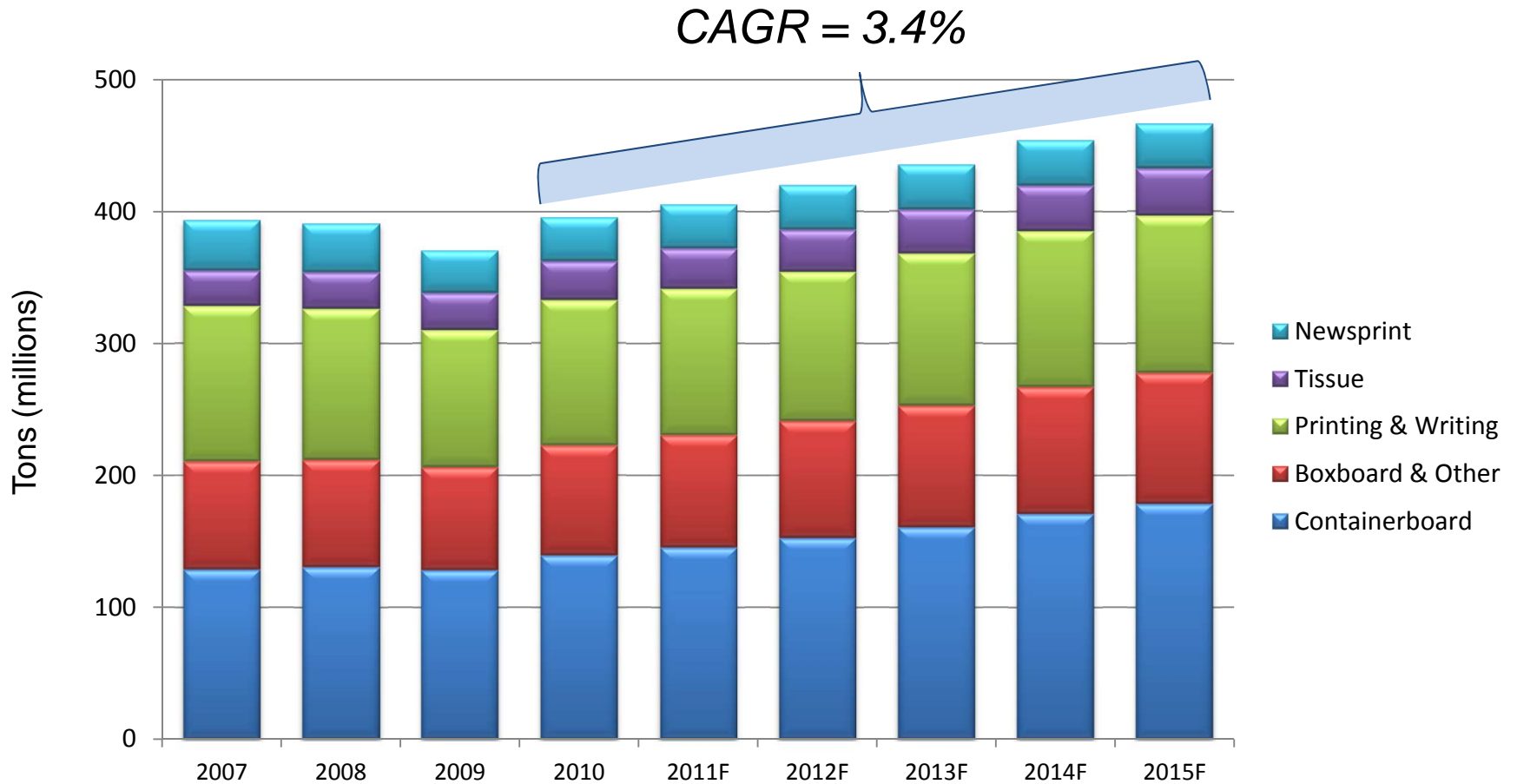
369 million tons



468 million tons (projected)

Source: RISI World Pulp & Recovered Paper Forecast, 2011

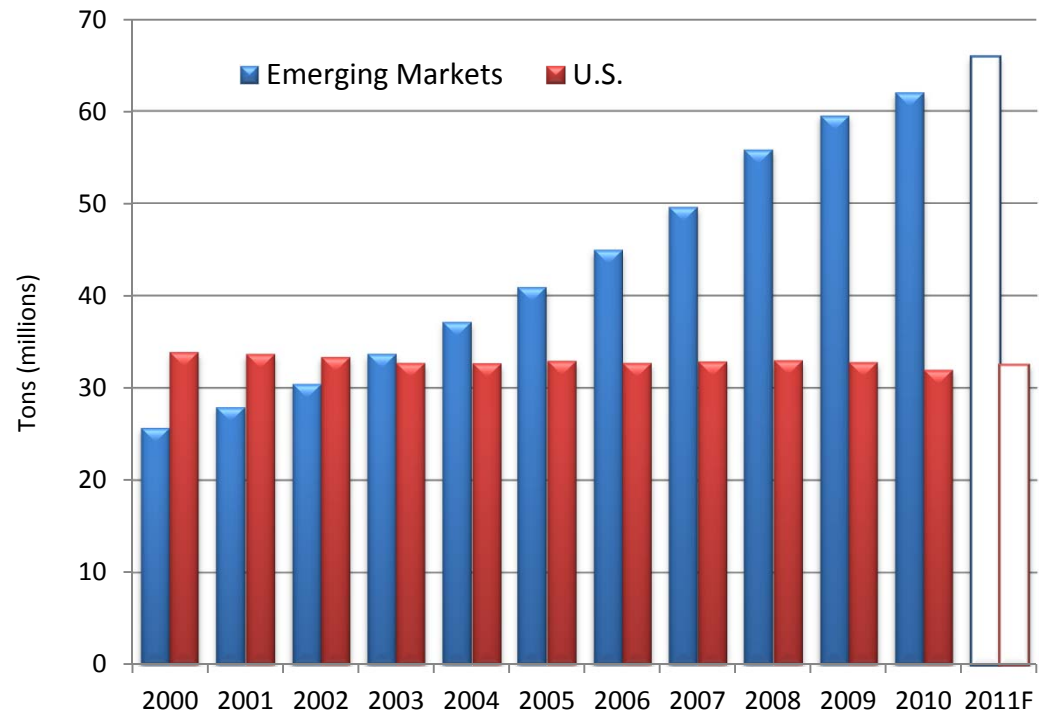
World Paper and Board Production



Source: RISI World Pulp & Recovered Paper Forecast, 2011

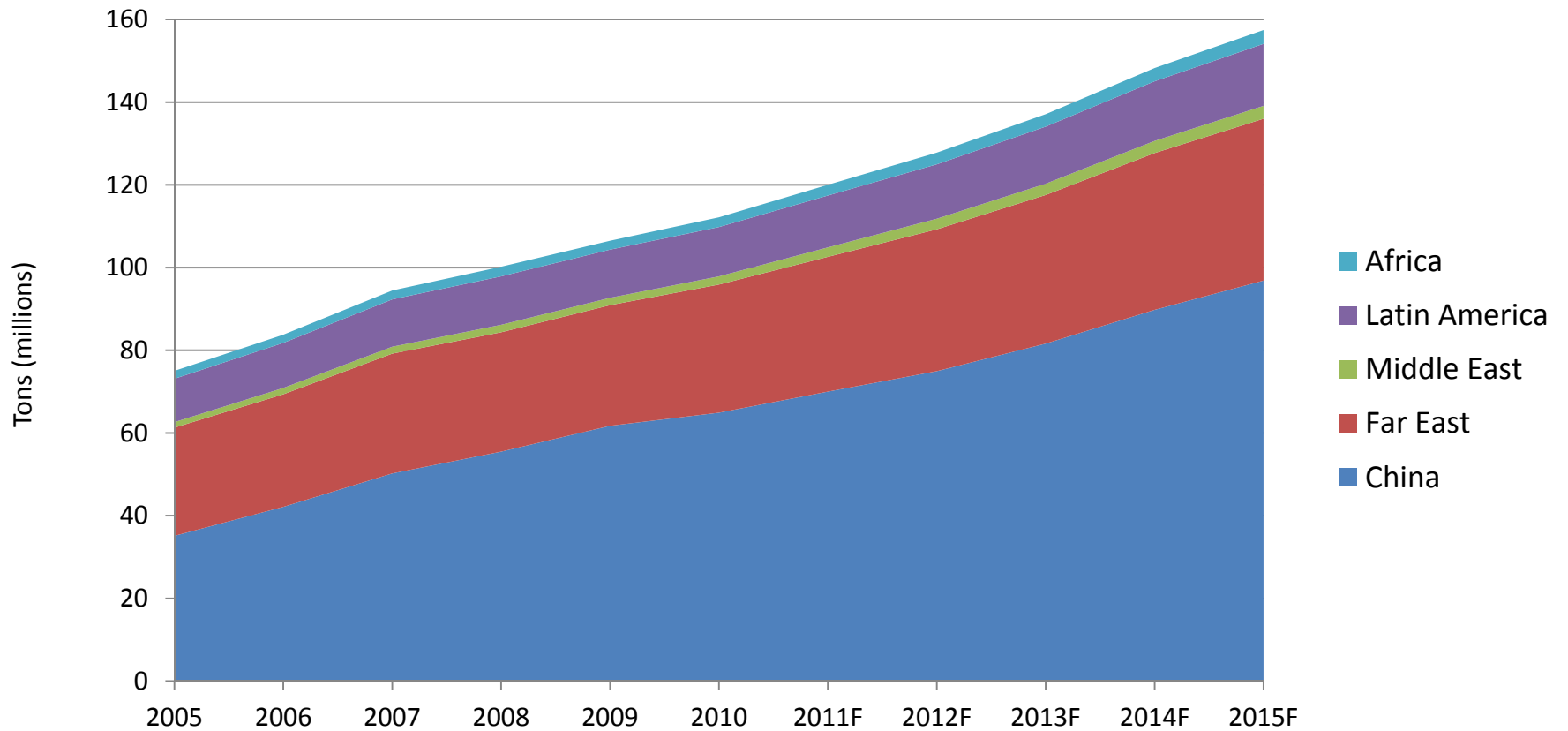
Selected Emerging Markets and U.S. Containerboard Production from 2000 to 2010

- Selected emerging market growth rates more than 2x U.S. growth rate
- Compound annual growth rate of 9% over 10 years
- Selected emerging markets expected to continue growth trend, mature markets to be relatively flat



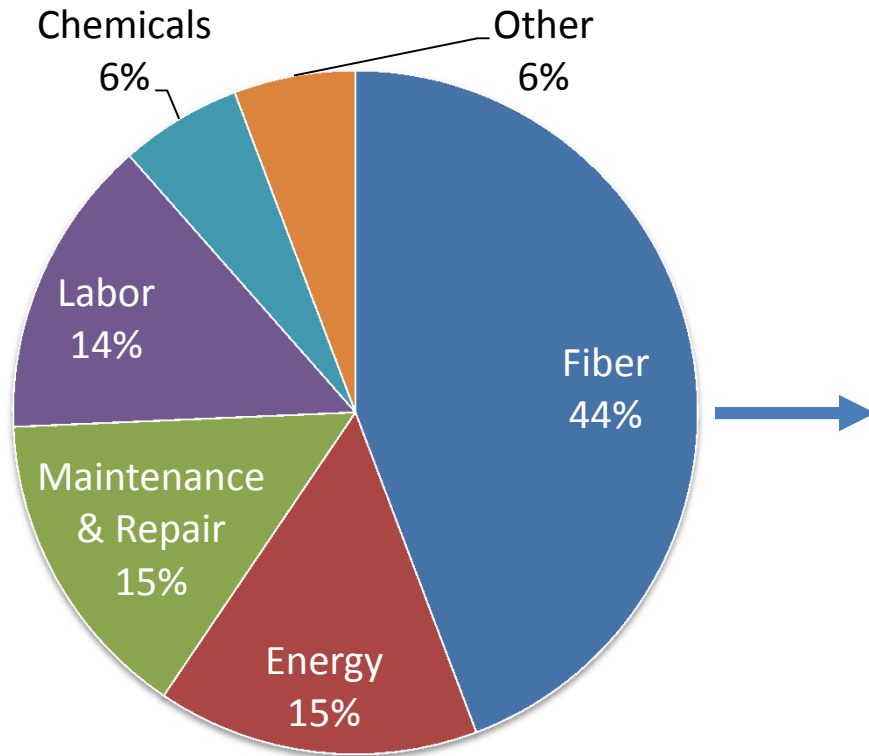
Source: RISI World Containerboard Report, 2010. Selected emerging markets: Brazil, China, India, Indonesia, Malaysia, Mexico, Pakistan, Russia, Taiwan, Thailand, Turkey, and Vietnam.

Recovered Paper Usage in Emerging Markets



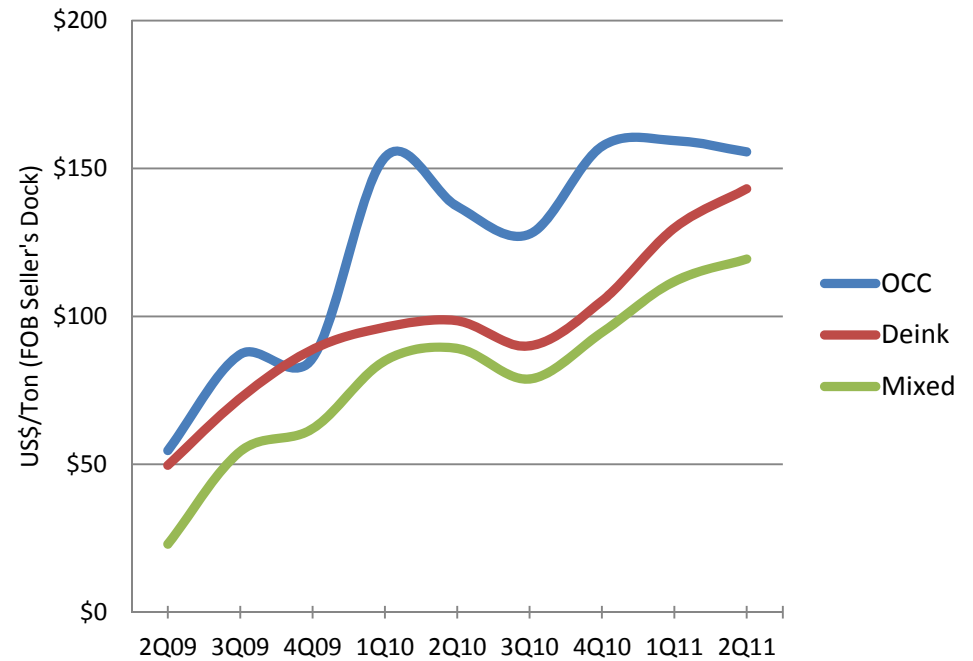
Source: RISI World Pulp & Recovered Paper Forecast, 2011

Input Costs Continue to Escalate



Average U.S. mill operating cost for Kraftliner from Q4 2010.
Source: RISI, Inc.

Examples of raw material fiber cost escalation in the U.S. spot market



Source: RISI, Inc.

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**Helping our customers maximize
yield and efficiency.**

Dryer Management System[®] Control Strategy Reduces Steam Energy Consumption at Board Mill

*“When you gain **15 minutes** a day in productivity of quality output, you’re looking at over **\$1 million** a year.”* - Superintendent, U.S. Board Mill

PROBLEM

- Energy inefficiency
- Poor runnability
- Inconsistent dryer temperature response and control

SOLUTION

Dryer Management System[®] control and equipment

RESULTS

- Optimized steam energy utilization
- Faster sheet break recovery and tail threading
- Reduced steam use by 8,000 pounds and \$200,000 per year



Petax[®] Filtration System Reduces Water Usage

“Innovative stock preparation, combined with conservation advances in water and energy, puts us at a high level of tissuemaking.” - Pesach Bernat, CEO, Shaniv Paper

PROBLEM

- Mill located in Negev desert
- Water availability is scarce and cost is rising
- Costly fines for discharging mill water
- High losses of fiber and chemicals in discharge

SOLUTION

Petax[®] Fine Filtration System

RESULTS

- Closed water loop
- Reduced fresh water consumption by 30%
- Increased yield and reduced operating costs



Compact Stock Prep System Increases Fiber Yield

“With our new stock preparation system, we capture high quality fiber from poor quality waste.” - Franco Masotina, CEO, Cartiera di Colgno

PROBLEM

- Low fiber yield
- High level of contaminants in raw material furnish
- Rapid equipment wear, high operational costs

SOLUTION

Compact Stock Preparation System

RESULTS

- 70% reduction of waste hauled away from mill
- Reduced energy and maintenance costs
- Improved pulp quality, less equipment wear



AirSet™ Doctor Blade Holders Help Reduce Energy Use and Increase Capacity

New doctoring equipment on suction press and grooved rolls increased machine capacity by 4% and reduced steam energy by \$170,000 per year.

PROBLEM

- Higher steam usage due to poor moisture profile
- Excessive water usage to clean rolls

SOLUTION

AirSet™ Doctor Blade Holder and Blades

RESULTS

- Steam energy use reduced by \$170,000 per year
- Increased felt life and drying consistency
- Machine capacity increased by 4%



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GROWTH INITIATIVES

Our Strategy for Growth

- Offer products with compelling ROI
- Focus on higher-growth regions
- Increase spares and consumables business
- Increase market penetration in low-share areas
- Leverage low cost manufacturing
- Seek opportunities outside paper industry
- Leverage sales and distribution network
- Pursue acquisitions that complement our business

Moving Kadant Forward Through Acquisitions

- Acquisitions within the Paper Industry
 - Synergy opportunities
 - Leverage sales force
 - Increase manufacturing efficiencies
 - Expand market access
 - Research & Development
- Criteria for acquisitions outside the Paper Industry
 - Industrial
 - Technology
 - Market leader
 - Consumables and parts revenue stream
 - Well-managed, profitable business

FibreWall/HDS Acquisition

- Supplier of pressure screen baskets and dewatering equipment acquired in July 2010
- Revenue: \$3.8 million*
- \$150 million global market
- Consumable with 6 to 9 months life



* Annualized revenue during year of acquisition.

Techmo Systems Acquisition

- Supplier of advanced steam systems and control software acquired in October 2010
- Revenue: \$1.8 million*
- Strong market position in France, Spain, and Italy
- Differentiator in competitive dryer system marketplace



* Annualized revenue during year of acquisition.

Pending Acquisition of M-Clean Papertech

- European-based supplier of paper machine cleaning equipment
- 2010 revenues approximately \$14 million
- 2010 EBITDA \$2.7 million
- Purchase price: \$16 million
- Expected closing: May 27, 2011



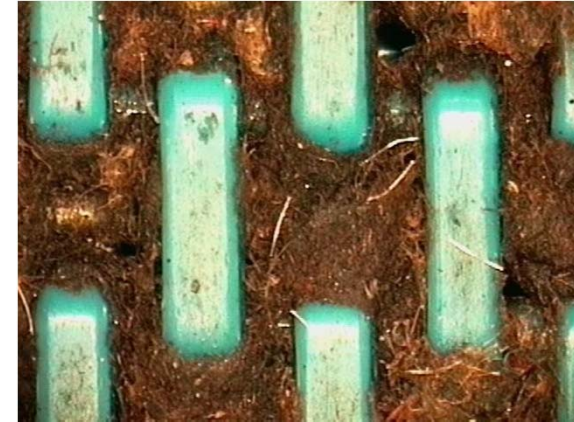
M-Clean MultiJet Product Line

- High-pressure single jet cleaning systems for paper machine clothing
- On-line backing roll and press roll cleaning
- Unique design for high efficiency, reliability

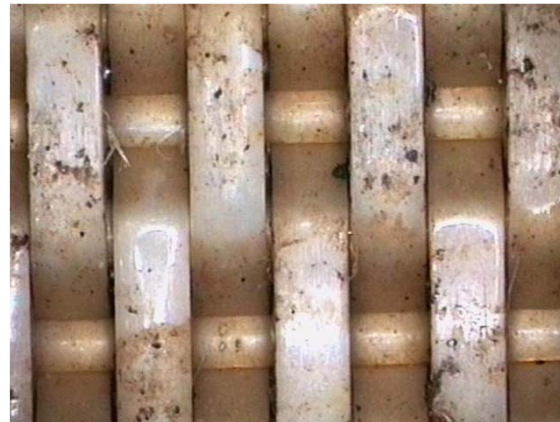


Reliable and Efficient Fabric Cleaning

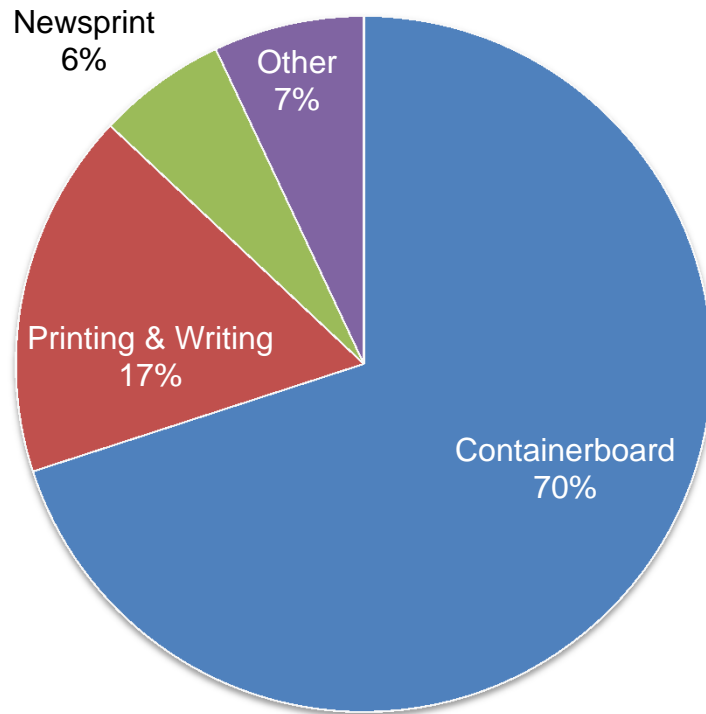
Before



After

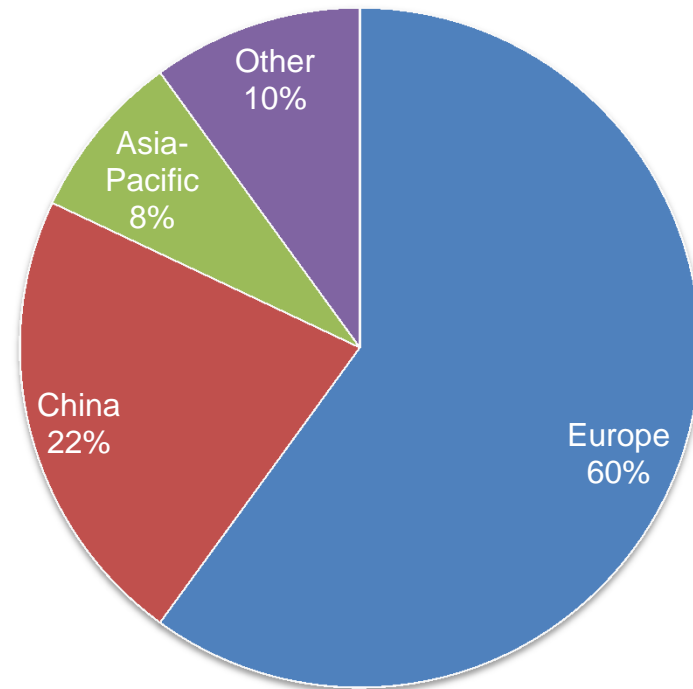


M-Clean Worldwide Installations Total 320 Units



Installations by Grade

Company estimate based on installed units.



Installations by Region

Company estimate based on installed units.

Benefits to Kadant

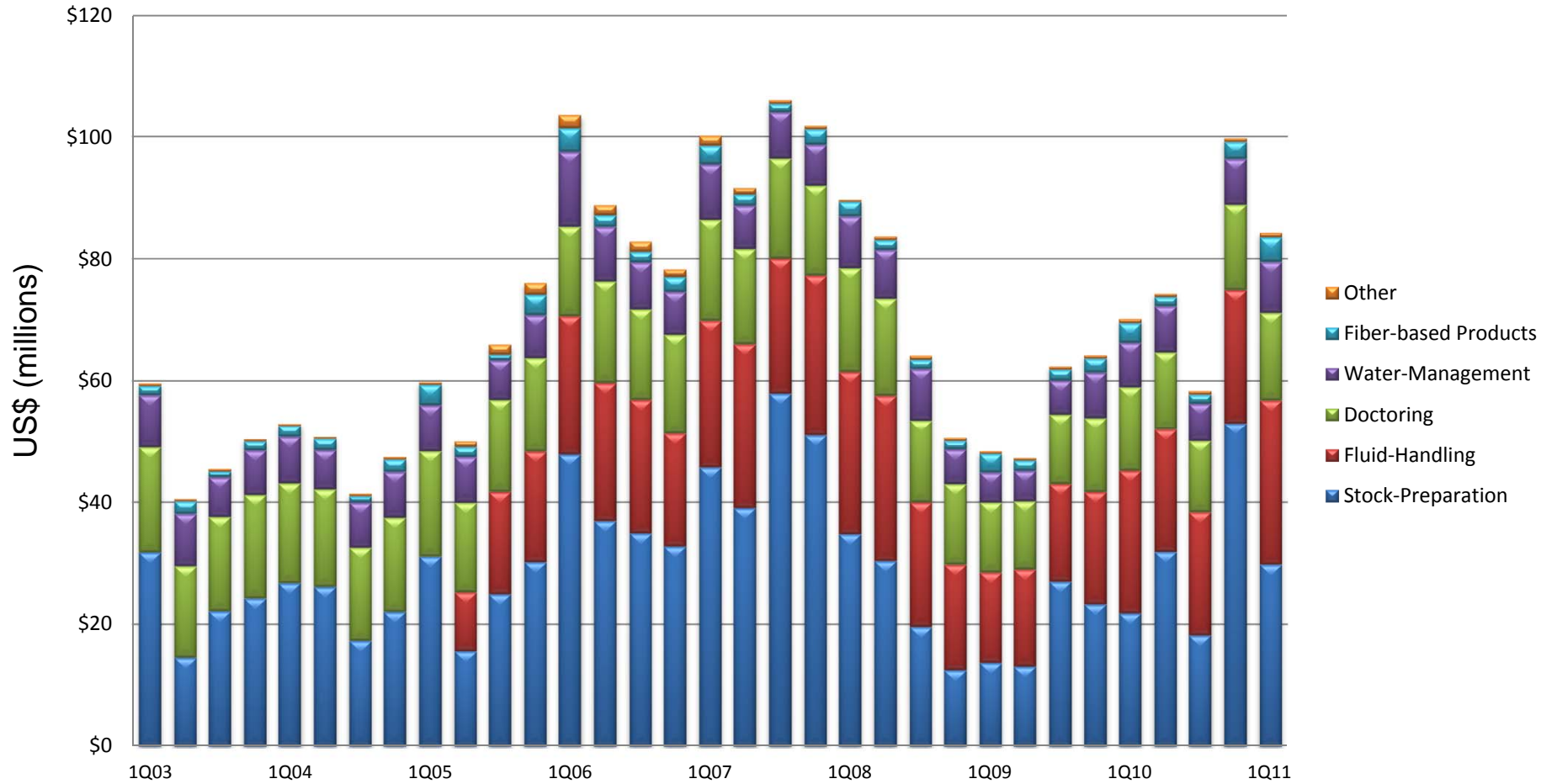
- Extended product line with world-class cleaning solutions
- Limited installations in U.S. offer significant market opportunity
- Parts revenue stream provides ample room for growth
- Manufacturing capabilities are easily transferrable
- Market presence in China and Europe enhanced
- Solid R&D foundation to build upon
- Ability to leverage direct sales force in low market share regions such as China



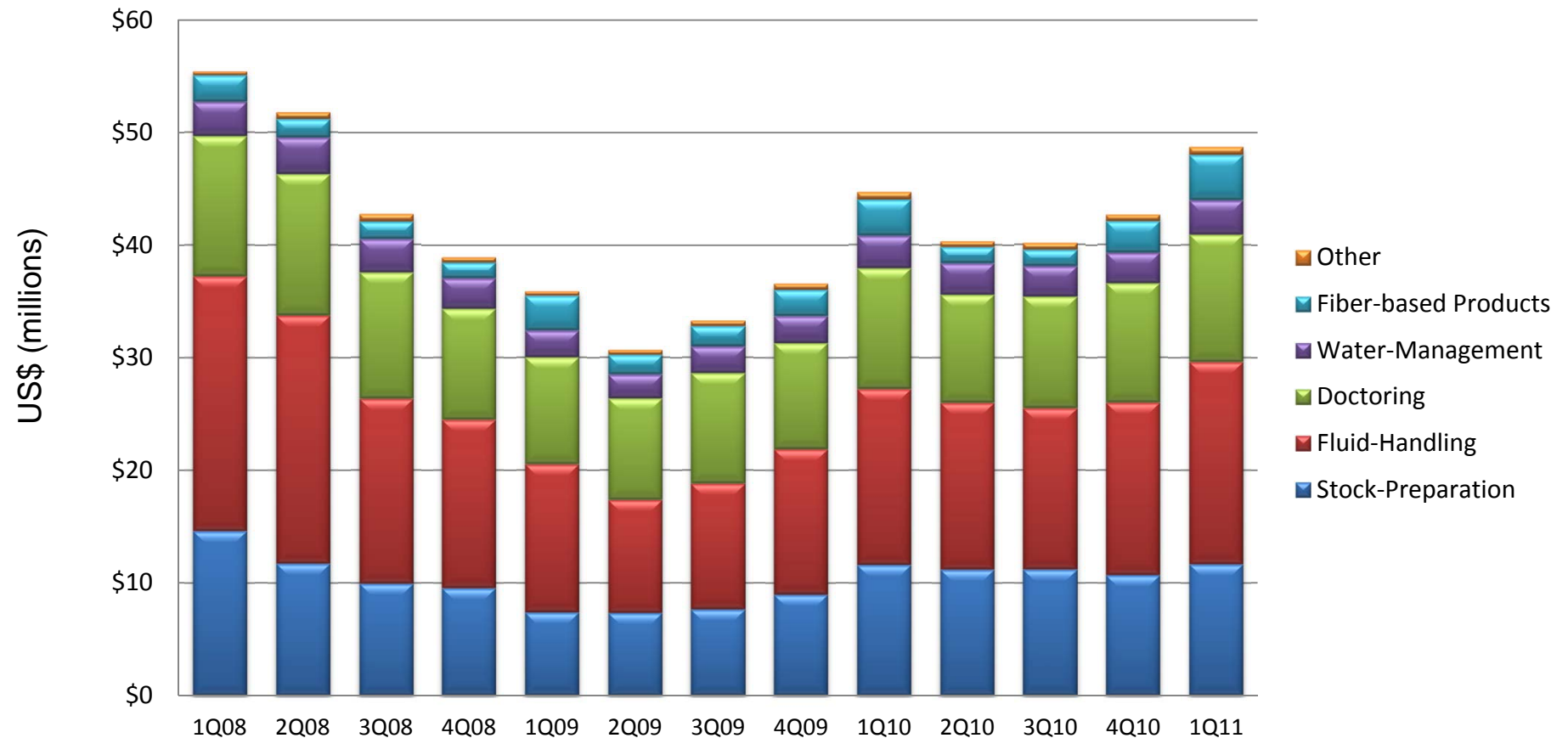
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FINANCIAL RESULTS

Quarterly Bookings Trend



Parts and Consumables Bookings



Twelve Months Financial Summary

(In millions, except per share amounts and %)	2010	2009
Revenues	\$ 270.0	\$ 225.6
Gross Profit Margin	43.9%	40.3%
Operating Expenses:		
SG&A, R&D expenses	\$ 94.5	\$ 86.8
Restructuring costs and other income, net	\$ (1.0)	\$ 4.4
Operating Income (Loss)	\$ 24.9	\$ (0.5)
Net Income (Loss)	\$ 18.5	\$ (5.9)
Diluted Earnings (Loss) per Share from Continuing Operations	\$ 1.48	\$ (0.48)
Adjusted EBITDA ¹	\$ 31.2	\$ 11.4
Adjusted EBITDA/Sales ¹	12%	5%
Bookings ²	\$ 302.7	\$ 222.3
Cash Provided by Operations ²	\$ 28.3	\$ 43.1

¹ Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is a non-GAAP financial measure that excludes certain items as detailed in our 2010 fourth quarter earnings press release issued February 23, 2011.

² From continuing operations.

First Quarter 2011 Financial Summary

(In millions, except per share amounts and %)	1Q11	1Q10
Revenues	\$ 71.7	\$ 61.1
Gross Profit Margin	47.6%	44.0%
Operating Expenses:		
SG&A, R&D expenses	\$ 25.8	\$ 22.5
Restructuring and other income	\$ -	\$ (0.3)
Operating Income	\$ 8.3	\$ 4.7
Net Income	\$ 5.8	\$ 3.6
Diluted Earnings per Share from Continuing Operations	\$ 0.47	\$ 0.29
Adjusted EBITDA ¹	\$ 10.2	\$ 6.0
Adjusted EBITDA/Sales ¹	14%	10%
Bookings ²	\$ 84.3	\$ 70.2
Cash Provided by (Used in) Operations ²	\$ 0.4	\$ (0.6)
Backlog	\$ 109.3	\$ 69.3

¹ Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is a non-GAAP financial measure that excludes certain items as detailed in our 2010 fourth quarter earnings press release issued February 23, 2011.

² From continuing operations.

Balance Sheet Data

(In millions)	1Q11	1Q10
Cash, Cash Equivalents, and Restricted Cash	\$ 57.7	\$ 43.6
Accounts Receivable, net	\$ 52.3	\$ 40.9
Inventories	\$ 51.5	\$ 40.3
Property, Plant and Equipment, net	\$ 37.5	\$ 37.3
Intangible Assets	\$ 26.5	\$ 27.4
Goodwill	\$ 100.6	\$ 95.5
Other Assets	\$ 23.4	\$ 25.5
Total Assets	\$ 349.5	\$ 310.5
Accounts Payable	\$ 26.0	\$ 22.2
Short- and Long-term Debt	\$ 17.6	\$ 23.1
Other Liabilities	\$ 86.7	\$ 71.0
Total Liabilities	\$ 130.3	\$ 116.3
Shareholders' Investment	\$ 219.2	\$ 194.2

2011 Goals

- Focus on higher-growth regions
- Leverage global manufacturing and sourcing capability
- Increase spares and consumables business
- Increase market penetration in low-share areas
- Integrate M-Clean product line into global organization
- Continue to pursue complementary acquisitions