Kennametal Inc. Concludes Evaluation of Strategic Alternatives For JLK Direct Distribution Inc.

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Current Structure to Remain Unchanged; Kennametal Strategy Remains on Track; JLK Financial Performance Improving

LATROBE, Pa., May 2 /PRNewswire/ -- Kennametal Inc. (NYSE: KMT) announced that it has concluded its evaluation of strategic alternatives for JLK Direct Distribution (NYSE: JLK) and has decided to terminate consideration of a possible divestiture at this time.

In commenting on its decision, President and Chief Executive Officer Markos I. Tambakeras said, "We completed a very thorough and disciplined process of evaluating strategic alternatives with the support of Goldman Sachs. We believe that current market conditions within the distribution industry did not allow us to realize acceptable value for our investment in JLK, the premier metalworking industrial distributor in North America. Although we are disappointed, we have always maintained that JLK is a valuable property and we promised our shareowners that we would seek to unlock this value. While we continue to believe that there may be better owners for JLK, it has grown and prospered under Kennametal ownership and its performance continues to improve. Together with the JLK Board of Directors and management team, we remain committed to deliver superior shareowner value."

Concurrently, JLK announced the resignation of Mr. Richard J. Orwig as President and Chief Executive Officer of JLK. JLK also announced that Mr. Jeffery M. Boetticher would be replacing Mr. Orwig on an interim basis and that a search would be immediately initiated for Mr. Orwig's successor.

Mr. Boetticher is currently a member of the JLK Board of Directors and has an excellent reputation and track record of success in the distribution business, having previously served as CEO of Black Box, one of the country's leading catalog companies. In addition, an executive office is being created under Mr. Boetticher's leadership, which includes Mr. Tambakeras and Mr. Irwin L. Elson, an original founder and President of the predecessor of JLK. Mr. Tambakeras and Mr. Elson are also members of the Board of Directors of JLK.

Mr. Tambakeras said further, "We are confident in the leadership Mr. Boetticher will provide as he focuses on the catalog and Full Service Supply (FSS) businesses and seeks ways to enhance the value of the acquired distributors. JLK is a very profitable business and the outlook is positive. As recent performance demonstrates, many factors will contribute to continuing improvement at JLK. Market conditions are stabilizing, JLK is maintaining strong cost discipline, FSS is rebounding and the new business system continues to be implemented across the company. We are also very pleased with the successful April launch of the state-of-the-art on-line catalog. JLK is attacking its growth initiatives in a disciplined manner, so that they do not sacrifice earnings."

In summary, Mr. Tambakeras concluded, "We continue to execute the Kennametal strategy and deliver on our commitments. We will remain focused on our three core businesses -- Metalworking, Engineered Products and Mining and Construction. Our aspirations are to become the premier tooling solutions supplier and a top tier financial performer. As our fiscal year-to-date performance demonstrates, we continue to be on track to deliver our fiscal 2000 financial commitments and to reposition ourselves for sustainable growth in the future."

Kennametal recently announced sharply improved financial performance for its third quarter including a 22 percent earnings gain on 4 percent sales growth.

Kennametal is a global leader in providing tools, tooling systems and solutions to the metalworking, mining, highway construction and oil and energy industries, and wear-resistant parts for a wide range of industries. Headquartered in Latrobe, Pa., Kennametal has approximately 13,000 employees worldwide and annual sales of approximately $1.9 billion.

This release contains "forward-looking statements" as defined by Section 21E of the Securities Exchange Act of 1934. Actual results may differ materially from those expressed or implied in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the extent that global economic conditions do not change materially, risks associated with integrated businesses and restructuring programs, demands on management resources, competition and risks associated with international markets such as currency exchange rates. The company undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances occurring after the date hereof.
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