



Kennametal Announces Modest Reduction in Outlook Due to Market Conditions; Incremental Actions Taken to Further Mitigate Economic Slowdown

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LATROBE, Pa., April 9 /PRNewswire/ -- North America's leading industrial toolmaker, Kennametal Inc. (NYSE: KMT), today advised its earnings will exceed consensus expectations and will be near the lower end of previous guidance (\$0.73-\$0.76) for its third fiscal quarter. However, Kennametal revised its earnings for the June quarter and full year in response to market deterioration. For the full year, the company now expects sales to be slightly down (2-3 percent), with modest earnings growth (1-3 percent). Earnings per share are now anticipated to be \$0.60- \$0.65 in the fourth quarter, and \$2.15-\$2.20 for the full year versus \$2.13 in fiscal 2000.

"We are pleased that our proactive and disciplined management of the business has enabled us to perform significantly better than the market. We continue to realize growth in most of our overseas markets and select U.S. markets such as Energy and Mining, and have delivered strong third-quarter results given the current economic environment," said President and CEO, Markos Tambakeras.

The company also announced planned actions to further refine the company's competitive profile in response to the sharply weakened U.S. manufacturing sector. In addition to the cost-saving measures it has already undertaken in the current fiscal year, the company will further reduce its salaried worldwide work force by 200-250 positions or 6-8 percent of its salaried positions. The reduction will result in a charge against fiscal 2001 earnings of \$4-6 million and will generate savings of \$10-15 million. Further efficiency and cost-saving measures have been and will continue to be implemented. This is in addition to gradual headcount reductions over the past several months through both layoffs and attrition that totaled 500 positions.

Tambakeras explained, "Declines in North American manufacturing demand have been more severe and pervasive than had been forecast. Our salaried work force currently is configured to support higher demand than we are realizing. Consequently, we are activating further contingencies to mitigate current market conditions and position ourselves to outperform when the markets improve."

Most of the staff reductions will occur in the business areas that have experienced the greatest decline, but will not be concentrated at any single location. They will be focused primarily in North America where market conditions have had the greatest negative impact on sales, with approximately 25 positions being eliminated in Pennsylvania. Kennametal will provide certain financial benefits and outplacement services to everyone affected by the terminations. These services include assistance in preparing resumes, developing interview skills and finding other employment.

During the past several months, the company implemented several other measures to address the weak market conditions. The Company deferred fiscal year 2001 salary increases for officers, temporarily eliminated overtime, and is tightly managing its employment level, hiring only in areas that directly influence its service to customers. Layoffs, which are an ongoing part of managing most manufacturing businesses, were implemented at many manufacturing locations to align production levels with reduced demand. Discretionary expenditures, such as travel, consulting and purchasing of supplies, also are being closely managed.

"These actions are part of our ongoing strategy to properly manage our business," Tambakeras continued. "They do not affect key programs we are pursuing to develop new technology, drive long-term growth and better serve customers. We are able to avoid more drastic measures because our management team has been diligently adjusting to market changes for several months. All our employees have responded commendably and creatively to mitigate the impact of market downturns. We believe we are well positioned to strongly leverage renewed growth when the market improves."

Tambakeras said the company also is driving its lean processes, which have been very successful at several manufacturing locations, more broadly throughout the company. Task teams have been organized to identify and implement efficiencies and process improvements in all functional departments worldwide.

Kennametal also announced that its subsidiary, J&L America Inc., has sold one of its wholly owned subsidiaries, ATS Industrial Supply, Inc., formerly ATS (Abrasive and Tool Specialties Company) headquartered in Salt Lake City, Utah. This action represents a net book loss of approximately \$3 million and is in line with Kennametal's strategy to refocus J&L on its catalog business.

Kennametal will release its fiscal third-quarter financial results on April 25, 2001 and will conduct a webcast teleconference at 10:00 a.m. that morning to discuss the results and outlook for the remainder of the year ending June 30, 2001.

Kennametal Inc. aspires to be the premier tooling solutions supplier in the world with operational excellence throughout the value chain and best-in-class manufacturing and technology. Kennametal strives to deliver superior shareowner value through top-tier financial performance. The company provides customers a broad range of technologically advanced tools, tooling systems and engineering services aimed at improving customers' manufacturing competitiveness. With 13,000 employees worldwide, the corporation's annual sales are approximately \$1.8 billion, with a third coming from sales outside the United States. Kennametal has been named one of the Best Places to Work in Pennsylvania and is represented in more than 60 countries. Kennametal operations in Europe are headquartered in Furth, Germany. Kennametal Asia Pacific operations are headquartered in Singapore.

This release contains "forward-looking statements" as defined by Section 21E of the securities Exchange Act of 1934 as amended. 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 integrating businesses and restructuring programs, demands on management resources, risks associated with international markets such as currency exchange rates, and competition. The company undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances

occurring after the date hereof.

SOURCE Kennametal Inc.

Web site: <http://www.kennametal.com>

CONTACT: Charles T. Glazer, Corporate Public Relations, 724-539-4618, or Investor Relations: Beth A. Riley, 724-539-3470, both of Kennametal