



Kennametal To Report Fourth-Quarter Earnings, Excluding Special Charges, Above Prior Guidance and Recognizes a Pre-Tax Charge of \$16 Million Related to the Electronics Business

July 9, 2003

LATROBE, Pa., July 9 /PRNewswire-FirstCall/ -- Kennametal Inc. (NYSE: KMT) announced today that improved operating performance across the company resulted in stronger fourth-quarter earnings, excluding special charges, versus prior guidance. Earnings per share, excluding special charges, are expected to exceed the upper end of prior guidance by up to \$0.02 per share. On a reported basis, Kennametal's fourth quarter earnings are expected to be below the prior guidance with a net loss of \$0.16 to \$0.13 per share due to the charge associated with the Electronics business.

Due to the improved operating performance, Kennametal now anticipates net cash flow provided by operating activities of approximately \$180 to \$185 million for the year. Adjusting net cash flow provided by operating activities for purchases and disposals of property, plant and equipment, Kennametal now expects to generate at least \$125 million of free operating cash flow for the year, versus earlier guidance of \$100 million.

The expected fourth-quarter loss (on a reported basis) is due to the completion of an assessment of the carrying value of certain long-lived assets in the Electronics business in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". As a result of this assessment, the company expects to record a pre-tax non-cash charge of \$16 million in the June 2003 quarter. The company noted the charge will be recorded as a component of operating income. The charge is specific to the Electronics business, and is due to price declines caused by persistent global over-capacity and low-cost Asian competition.

The company said that, given its strong brand recognition and global market presence, and the current dynamics in the industry, it intends to take a leading role in reviewing opportunities for consolidation, as well as other strategic alternatives for the Electronics business. Kennametal expects to conclude its review by the end of the second quarter of fiscal 2004. The company also emphasized that this review would not have an adverse impact on its ability or commitment to provide world-class products and services to its customers in the global electronics industry. The Electronics business was purchased in 1997 as part of the Greenfield acquisition and currently represents less than 2 percent of Kennametal's global sales.

Fourth Quarter Fourth Quarter

As reported basis Excluding special GAAP* charges

Guidance as announced on 4/30/2003	\$0.17 to \$0.37	\$0.38 to \$0.43
Revised guidance as announced on 7/9/2003	(\$0.16) - (\$0.13)	\$0.43 - \$0.45

Reconciliation to GAAP-Earnings Per Share

Guidance, Excluding Special Charges	\$0.43 - \$0.45
Electronics Charge	(\$0.42) - (\$0.42)
Restructuring and Other Special Items	(\$0.17) - (\$0.16)
Expected As-Reported Results	(\$0.16) - (\$0.13)

Reconciliation to GAAP - Cash Flow Information (in millions) FY2003

Net Cash Flow Provided by Operating Activity	\$180 - \$185
Purchases and Disposals of Property, Plant and Equipment	(\$50) - (\$55)
Free Operating Cash Flow	\$125 - \$135
Previous Guidance	\$100 - \$110

Free operating cash flow is a non-GAAP presentation and is defined as net cash flow provided by operating activity (in accordance with GAAP) less purchases and disposals of property, plant and equipment. Free operating cash flow is considered to be an important indicator of Kennametal's ability to generate liquidity because it better represents cash generated from operations that can be used for strategic initiatives, dividends or debt repayment.

* Generally Accepted Accounting Principles

This release contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities

Exchange Act of 1934. You can identify these forward-looking statements by the fact they use words such as "should," "anticipate," "estimate," "approximate," "expect," "may," "will," "project," "intend," "plan," "believe," and others words of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements are likely to relate to, among other things, our goals, plans and projections regarding our financial position, results of operations, market position and product development, which are based on current expectations that involve inherent risks and uncertainties, including factors that could delay, divert or change any of them in the next several years. Although it is not possible to predict or identify all factors, they may include the following: global economic conditions; future terrorist attacks; epidemics; risks associated with integrating and divesting businesses and achieving the expected savings and synergies; demands on management resources; risks associated with international markets such as currency exchange rates, and social and political environments; competition; labor relations; commodity prices; demand for and market acceptance of new and existing products; and risks associated with the implementation of restructuring plans and environmental remediation matters. We can give no assurance that any goal or plan set forth in forward- looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

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 about 14,500 employees worldwide, the company's annual sales approximate \$1.8 billion, with nearly half coming from sales outside the United States. Kennametal is a five-time winner of the GM "Supplier of the Year" award 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. For more information, visit the company's web site at www.kennametal.com.

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