



## Kennametal Announces Divestiture of FSS Business Unit

April 4, 2005

LATROBE, Pa., April 4 /PRNewswire-FirstCall/ -- Kennametal Inc. (NYSE: KMT) announced today that it has signed a definitive agreement with Ferguson Enterprises, Inc. to sell its Full Service Supply (FSS) business for about \$41 million. Ferguson is the US-based integrated supply and distribution subsidiary of Wolseley PLC, an approximately \$19 billion UK-based firm. The company plans to use the proceeds of the sale for additional investment in its core consumable materials business and for further debt reduction. The disposition of this unit is in line with the continued execution of Kennametal's strategy to concentrate on its core businesses.

Full Service Supply provides integrated supply chain management and logistics to large and medium sized metalworking plants. This unit reported total annual sales of \$138.4 million and operating income of \$0.8 million in fiscal year 2004. Beginning in fiscal year 2006, the divestiture of FSS is expected to be accretive to Kennametal's margins and ROIC. As a part of the transaction, Kennametal will take an estimated \$9 million pre-tax charge in the quarter ending March 31, 2005, resulting in an earnings-per-share impact of about 18 cents.

Markos Tambakeras, Kennametal chairman, president and CEO, stated: "We are very pleased with the agreement. The divestiture allows us to focus on our core businesses while FSS is joining a company that can fully leverage its capabilities. Our goal was to find a strategic partner for FSS that could accelerate growth, add incremental value to customers and be a good home for FSS employees: Ferguson is a great match. Our agreement with Ferguson includes a four-year supply contract that allows for continuity and is a win-win for both Kennametal and Ferguson."

The transaction is expected to be finalized in May 2005.

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 other 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. is a premier consumable materials company in tooling solutions, engineered components and advanced materials. By deploying operational excellence throughout the value chain and best-in-class manufacturing and technology, the company provides customers a broad range of technologically advanced solutions and services aimed at improving customers' competitiveness. Kennametal strives to deliver superior shareowner value through top-tier financial performance. With some 14,000 employees worldwide, the company's annual sales exceed \$2 billion, with nearly half coming from 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 <http://www.kennametal.com>.

SOURCE Kennametal Inc.

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(KMT)

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