

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
 SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

Commission file number 1-5318

KENNAMETAL INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA  
 (State or other jurisdiction  
 of incorporation)

25-0900168  
 (I.R.S. Employer  
 Identification No.)

ROUTE 981 AT WESTMORELAND COUNTY AIRPORT  
 P.O. BOX 231  
 LATROBE, PENNSYLVANIA 15650  
 (Address of registrant's principal executive offices)

Registrant's telephone number, including area code: (412) 539-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

TITLE OF EACH CLASS	OUTSTANDING AT APRIL 30, 1997
Capital Stock, par value \$1.25 per share	26,081,259

KENNAMETAL INC.  
 FORM 10-Q  
 FOR QUARTER ENDED MARCH 31, 1997

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## PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS  
 KENNAMETAL INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)

	March 31, 1997	June 30, 1996
	-----	-----
<b>ASSETS</b>		
Current Assets:		
Cash and equivalents	\$ 18,698	\$ 17,090
Accounts receivable, less allowance for doubtful accounts of \$7,678 and \$9,296	187,719	189,820
Inventories	203,902	204,934
Deferred income taxes	23,827	24,620
	-----	-----
Total current assets	434,146	436,464
	-----	-----
Property, Plant and Equipment:		
Land and buildings	156,279	156,064
Machinery and equipment	461,566	415,443
Less accumulated depreciation	(325,361)	(304,400)
	-----	-----
Net property, plant and equipment	292,484	267,107
	-----	-----
Other Assets:		
Investments in affiliated companies	11,151	8,742
Intangible assets, less accumulated amortization of \$23,010 and \$20,795	42,980	33,756
Deferred income taxes	35,812	41,757
Other	15,819	11,665
	-----	-----
Total other assets	105,762	95,920
	-----	-----
Total assets	\$832,392	\$799,491
	=====	=====
<b>LIABILITIES</b>		
Current Liabilities:		
Current maturities of term debt and capital leases	\$ 12,799	\$ 17,543
Notes payable to banks	77,930	57,549
Accounts payable	58,625	64,663
Accrued vacation pay	21,272	19,228
Other	71,617	59,830
	-----	-----
Total current liabilities	242,243	218,813
	-----	-----
Term Debt and Capital Leases, Less Current Maturities	52,442	56,059
Deferred Income Taxes	20,745	20,611
Other Liabilities	54,106	52,559
	-----	-----
Total liabilities	369,536	348,042
	-----	-----
Minority Interest in Consolidated Subsidiaries	8,796	12,500
	-----	-----
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' Equity:		
Preferred stock, 5,000 shares authorized; none issued	-	-
Capital stock, \$1.25 par value; 70,000 shares authorized; 29,370 shares issued	36,712	36,712
Additional paid-in capital	90,437	87,417
Retained earnings	388,183	351,594
Treasury shares, at cost; 2,972 and 2,667 shares held	(51,411)	(35,734)
Cumulative translation adjustments	(9,861)	(1,040)
	-----	-----
Total shareholders' equity	454,060	438,949
	-----	-----
Total liabilities and shareholders' equity	\$832,392	\$799,491
	=====	=====

See accompanying notes to condensed consolidated financial statements.

KENNAMETAL INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1997	1996	1997	1996
<b>OPERATIONS:</b>				
Net sales	\$295,365	\$286,095	\$844,003	\$800,172
Cost of goods sold	168,799	162,129	489,381	461,960
Gross profit	126,566	123,966	354,622	338,212
Research and development expenses	6,154	5,346	17,587	15,287
Selling, marketing and distribution expenses	67,150	61,037	194,940	181,044
General and administrative expenses	17,351	16,810	51,356	48,484
Amortization of intangibles	735	417	2,029	1,199
Operating income	35,176	40,356	88,710	92,198
Interest expense	2,744	2,896	8,159	9,008
Other income (expense)	( 304)	204	547	889
Income before taxes	32,128	37,664	81,098	84,079
Provision for income taxes	12,200	14,300	31,400	33,200
Net income	\$ 19,928	\$ 23,364	\$ 49,698	\$ 50,879
<b>PER SHARE DATA:</b>				
Earnings per share	\$ 0.75	\$ 0.88	\$ 1.86	\$ 1.91
Dividends per share	\$ 0.17	\$ 0.15	\$ 0.49	\$ 0.45
Weighted average shares outstanding	26,691	26,644	26,719	26,622

See accompanying notes to condensed consolidated financial statements.

KENNAMETAL INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Nine Months Ended March 31,	
	1997	1996
<b>OPERATING ACTIVITIES:</b>		
Net income	\$49,698	\$50,879
Adjustments for noncash items:		
Depreciation and amortization	31,117	29,889
Other	6,911	11,950
Changes in certain assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(653)	(21,042)
Inventories	1,405	(15,091)
Accounts payable and accrued liabilities	(2,658)	(3,880)
Other, net	(16,669)	(4,147)
Net cash flow from operating activities	69,151	48,558
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(57,024)	(40,537)
Disposals of property, plant and equipment	348	5,131
Acquisitions, net of cash	(17,665)	(1,441)
Other	4,637	1,745
Net cash flow used for investing activities	(69,704)	(35,102)
<b>FINANCING ACTIVITIES:</b>		
Increase in short-term debt	21,390	4,993
Increase in term debt	943	7,734
Reduction in term debt	(8,427)	(13,713)
Purchase of treasury stock	(2,631)	-
Dividend reinvestment and employee stock plans	4,762	1,583
Cash dividends paid to shareholders	(13,109)	(11,978)
Net cash flow from (used for) financing activities	2,928	(11,381)
Effect of exchange rate changes on cash	(767)	(278)
<b>CASH AND EQUIVALENTS:</b>		
Net increase in cash and equivalents	1,608	1,797
Cash and equivalents, beginning	17,090	10,827
Cash and equivalents, ending	\$18,698	\$12,624
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid	\$ 6,421	\$ 7,753
Income taxes paid	35,445	31,378
Purchase of treasury stock included in current liabilities	14,788	-

See accompanying notes to condensed consolidated financial statements.

KENNAMETAL INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. The condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the Company's 1996 Annual Report. The condensed consolidated balance sheet as of June 30, 1996 has been derived from the audited balance sheet included in the Company's 1996 Annual Report. These interim statements are unaudited; however, management believes that all adjustments necessary for a fair presentation have been made and all adjustments are normal, recurring adjustments. The results for the nine months ended March 31, 1997 are not necessarily indicative of the results to be expected for the full fiscal year.

2. Inventories are stated at lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for a significant portion of domestic inventories and the first-in, first-out (FIFO) method or average cost for other inventories. The Company used the LIFO method of valuing its inventories for approximately 55 percent of total inventories at March 31, 1997. Because inventory valuations under the LIFO method are based on an annual determination of quantities and costs as of June 30 of each year, the interim LIFO valuations are based on management's projections of expected year-end inventory levels and costs. Therefore, the interim financial results are subject to any final year-end LIFO inventory adjustments.

3. The major classes of inventory as of the balance sheet dates were as follows (in thousands):

	March 31, 1997	June 30, 1996
Finished goods	\$174,625	\$169,108
Work in process and powder blends	49,093	59,326
Raw materials and supplies	21,097	16,514
Inventories at current cost	244,815	244,948
Less LIFO valuation	(40,913)	(40,014)
Total inventories	\$203,902	\$204,934

4. The Company has been involved in various environmental cleanup and remediation activities at several of its manufacturing facilities. In addition, the Company has been named as a potentially responsible party at four Superfund sites in the United States. However, it is management's opinion, based on its evaluations and discussions with outside counsel and independent consultants, that the ultimate resolution of these environmental matters will not have a material adverse effect on the results of operations, financial position or cash flows of the Company.

The Company maintains a Corporate Environmental, Health and Safety (EH&S) Department to facilitate compliance with environmental regulations and to monitor and oversee remediation activities. In addition, the Company has established an EH&S administrator at each of its domestic manufacturing facilities. The Company's financial management team periodically meets with members of the Corporate EH&S Department and the Corporate Legal Department to review and evaluate the status of environmental projects and contingencies. On a quarterly and annual basis, management establishes or adjusts financial provisions and reserves for environmental contingencies in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies."

5. Effective July 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." The adoption of SFAS No. 121 did not have an impact on the consolidated financial statements, as the statement is consistent with existing Company policy.

6. During the nine-month period ended March 31, 1997, the Company acquired three companies with annual sales totaling approximately \$22 million for a total consideration of approximately \$19 million. The acquisitions were accounted for using the purchase method of accounting. The consolidated financial statements include the operating results of each business from the date of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant.

7. On April 25, 1997, the Company's J&L America, Inc. subsidiary ("J&L") obtained a \$25.0 million line of credit with a bank and shortly thereafter borrowed \$20.0 million under the line of credit to fund a dividend to Kennametal. Interest payable under the line of credit is based on the LIBOR rate plus 25 basis points and is required to be repaid in full within six months. Kennametal has guaranteed repayment of the line of credit in the event of default by J&L.
8. On April 28, 1997, the Company's board of directors approved a proposal for the sale, by a newly formed subsidiary, JLK Direct Distribution Inc. ("JLK"), of up to 20 percent of its common stock in an initial public offering ("IPO"). It is expected that, following the IPO, Kennametal will own approximately 80 percent of the outstanding common stock of JLK and will retain a majority of both the economic and voting interests of JLK. JLK filed a registration statement with the Securities and Exchange Commission covering this IPO. JLK will operate the industrial supply business consisting of the Company's wholly owned J&L subsidiary and its Full Service Supply organization. JLK will meet the needs of small- and medium-sized customers through its direct marketing catalog and showroom programs and will serve large industrial manufacturers through integrated industrial supply programs.

Additionally, on April 30, 1997, Kennametal, through its J&L subsidiary, acquired all the outstanding stock of the Strelinger Company (Strelinger). Strelinger is based in Troy, Michigan, and is engaged in the distribution of metalcutting tools and industrial supplies. Strelinger had sales of \$30 million in its latest fiscal year and employed approximately 85 people. J&L paid approximately \$4 million in cash and assumed certain liabilities totaling \$7 million.

9. The Financial Accounting Standards Board ("FASB") recently issued SFAS No. 128, "Earnings Per Share" ("SFAS No. 128") and SFAS No. 129, "Disclosure of Information about Capital Structures" ("SFAS No. 129"). SFAS No. 128 was issued in February 1997 and is effective for periods ending after December 15, 1997. This statement, upon adoption, will require all prior ending earnings per share ("EPS") data to be restated to conform to the provisions of the statement. This statement's objective is to simplify the computations of EPS and to make the U.S. standard for EPS computations more compatible with that of the International Accounting Standards Committee. The Company will adopt SFAS No. 128 in fiscal 1998 and does not anticipate that the statement will have a significant impact on its reported EPS.

SFAS No. 129 was issued in February 1997 and is effective for periods ending after December 15, 1997. This statement, upon adoption, will require all companies to provide specific disclosure regarding their capital structure. SFAS No. 129 will specify the disclosure for all companies, including descriptions of their capital structure and the contractual rights of the holders of such securities. The Company will adopt SFAS No. 129 in fiscal 1998 and does not anticipate that the statement will have a significant impact on its disclosure.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

There were no material changes in financial position, liquidity or capital resources between June 30, 1996 and March 31, 1997. The ratio of current assets to current liabilities was 1.8 as of March 31, 1997, compared to 2.0 as of June 30, 1996. The debt-to-capital ratio (i.e., total debt divided by the sum of total debt and shareholders' equity) was 24 percent as of March 31, 1997, and 23 percent as of June 30, 1996.

On January 31, 1997, the Company announced the adoption of a program to repurchase from time to time up to a total of 1.6 million shares of its outstanding capital stock. The repurchases were made in the open market or in negotiated or other permissible transactions. During the period ended March 31, 1997, the Company repurchased approximately 465,000 shares of its common stock at a total cost of approximately \$17.4 million. Furthermore, through April 30, 1997, the Company purchased an additional 316,000 shares of its common stock at a total cost of approximately \$11.2 million.

On April 25, 1997, the Company's J&L subsidiary obtained a \$25.0 million line of credit with a bank and shortly thereafter borrowed \$20.0 million under the line of credit to fund a dividend to Kennametal. Interest payable under the line of credit is based on the LIBOR rate plus 25 basis points and is required to be repaid in full within six months. Kennametal has guaranteed repayment of the line of credit in the event of default by J&L.

Capital expenditures are estimated to be \$70-80 million in fiscal year 1997. Expenditures are being made to construct a new corporate headquarters and a manufacturing facility in China to acquire additional client-server information systems and to upgrade machinery and equipment. Capital expenditures are being financed with cash from operations and borrowings under existing revolving credit agreements with banks.

## RESULTS OF OPERATIONS

### SALES AND EARNINGS

During the quarter ended March 31, 1997, consolidated sales were \$295 million, up 3 percent from \$286 million in the same quarter last year. Net income was \$19.9 million, or \$0.75 per share, as compared with net income of \$23.4 million, or \$0.88 per share in the same quarter last year.

During the nine-month period ended March 31, 1997, consolidated sales were \$844 million, up 5 percent from \$800 million last year. Net income was \$49.7 million, or \$1.86 per share, compared to \$50.9 million, or \$1.91 per share last year.

For the quarter ended March 31, 1997, the overall increase in sales was attributed to higher sales of metalworking products and industrial supplies sold to the Industrial Supply market through J&L Industrial Supply and through Full Service Supply programs. The increase in sales was offset in part by lower sales of metalworking products in Europe, primarily in Germany, as a result of weak economic conditions in Germany and negative currency translation effects.

The following table presents the Company's sales by market and geographic area (in thousands):

	Three Months Ended March 31,			Nine Months Ended March 31,		
	1997	1996	% Change	1997	1996	% Change
<b>By Market:</b>						
<b>Metalworking:</b>						
North America	\$ 95,992	\$ 97,524	(2)%	\$277,835	\$274,600	1%
Europe	65,116	73,417	(11)	187,525	206,548	(9)
Asia-Pacific	9,721	9,144	6	30,480	25,715	19
Industrial Supply	86,693	69,677	24	234,061	185,354	26
Mining and Construction	37,843	36,333	4	114,102	107,955	6
Net sales	\$295,365	\$286,095	3%	\$844,003	\$800,172	5%
<b>By Geographic Area:</b>						
Within the United States	\$192,173	\$175,813	9%	\$545,843	\$488,173	12%
International	103,192	110,282	(6)	298,160	311,999	(4)
Net sales	\$295,365	\$286,095	3%	\$844,003	\$800,172	5%

### METALWORKING MARKETS

During the March 1997 quarter, sales of traditional metalcutting products sold through all sales channels in North America, including sales through the Industrial Supply market, increased 4 percent due to modest but steadily improving economic conditions in the United States and due to continued emphasis on milling and drilling products. Sales, as reflected in the North America Metalworking market, decreased 2 percent during the quarter.

Sales in the Europe Metalworking market decreased 11 percent. Demand for metalworking products continued to be slow due to weak economic conditions in Europe, principally in Germany. However, sales grew in the United Kingdom and France. Excluding the impact of unfavorable foreign currency translation effects, sales in the Europe Metalworking market decreased 6 percent.

In the Asia-Pacific Metalworking market, sales rose 6 percent as a result of increased demand in Australia, Singapore and Japan, although sales were again impacted by soft economic conditions in Korea and Thailand. Excluding unfavorable foreign currency translation effects, sales in the Asia-Pacific Metalworking market increased 11 percent.

For the nine-month period, sales in the North America Metalworking market increased 1 percent because of stable economic conditions in the United States and due to continued emphasis on milling and drilling products. In the Europe Metalworking market, sales decreased 9 percent because of weak economic conditions in Europe, primarily in Germany, and from the impact of unfavorable foreign currency translation effects. In the Asia-Pacific Metalworking market, sales increased 19 percent because of increased demand.

#### INDUSTRIAL SUPPLY MARKET

During the March 1997 quarter, sales in the Industrial Supply market increased 24 percent as a result of increased sales through mail order and Full Service Supply programs. Sales increased primarily because of the expanded product offering of over 20,000 new stock keeping units (SKUs) in J&L's 1997 master catalog and from the addition of new showrooms and innovative marketing programs. During the third quarter, J&L opened a new location in Houston, Texas, and now operates a total of 23 locations in the United States and one location in the United Kingdom. The Industrial Supply market now represents 29 percent of total sales.

For the nine-month period, sales in the Industrial Supply market increased 26 percent due to an expanded product offering in the 1997 master catalog, new showrooms and innovative marketing programs and due to new and existing Full Service Supply programs with large customers.

#### MINING AND CONSTRUCTION MARKET

During the March 1997 quarter, sales in the Mining and Construction market increased 4 percent from the previous year as a result of increased domestic demand for mining tools offset by slightly lower demand for highway construction tools. International sales of mining and highway construction tools declined slightly as a result of weak economic conditions in Europe.

For the nine-month period, sales of mining and construction tools increased 6 percent from the prior year primarily because of increased sales of domestic mining tools.

#### GROSS PROFIT MARGIN

As a percentage of sales, gross profit margin for the March 1997 quarter was 42.9 percent compared to 43.3 percent last year. The gross profit margin declined as a result of lower production volumes, unfavorable foreign currency translation effects coupled with a less favorable sales mix. This decrease was partially offset by productivity improvements related to the Focused Factory initiative.

For the nine-month period, the gross profit margin was 42.0 percent, compared with 42.3 percent last year. The gross profit margin declined slightly as a result of lower production volumes, unfavorable foreign currency translation effects and from a less favorable sales mix. This decline was partially offset by productivity improvements related to the Focused Factory initiative.

#### OPERATING EXPENSES

For the quarter ended March 31, 1997, operating expenses as a percentage of sales were 30.7 percent compared to 29.1 percent last year. Operating expenses increased 9 percent primarily because of higher costs related to the J&L showroom expansion program, including higher direct mail costs and increased direct marketing costs in new territories in the United States and in Europe. Operating expenses also increased from higher costs necessary to support new and existing Full Service Supply programs and from higher research and development costs. Also included in operating expenses are relocation and related costs incurred in connection with the construction of the new corporate headquarters which amounted to \$1.7 million during the third quarter.

For the nine-month period, operating expenses as a percentage of sales were 31.3 percent compared to 30.6 percent last year. Operating expenses increased primarily because of higher costs related to the J&L showroom expansion program, including higher direct mail costs and increased direct marketing in new territories in the United States and in Europe. Operating expenses also increased from higher costs to support new and existing Full Service Supply programs, higher research and development costs and from earlier than anticipated relocation and related costs of \$2.6 million related to the new corporate headquarters.

#### INCOME TAXES

The effective tax rate was 38 percent, the same as in the third quarter of a year ago. For the nine-month period, the effective tax rate was 39 percent

compared to 40 percent in the prior year.

## OUTLOOK

In looking to the fourth quarter ending June 30, 1997, management expects consolidated sales to increase over the fourth quarter of fiscal 1996. Sales to the North America Metalworking market should benefit from slowly improving economic conditions in the United States. Sales in the Europe Metalworking market are expected to remain weak. Sales in the Asia-Pacific Metalworking market are expected to continue to be slow.

Sales in the Industrial Supply market should continue to benefit from expansion of locations, increased mail order sales as a result of the expanded product offering in the new J&L Industrial Supply master catalog and new Full Service Supply programs. Sales in the Mining and Construction market should increase from additional domestic demand.

This Form 10-Q, including the prior two paragraphs, contains "forward-looking statements" as defined in Section 21E of the Securities Exchange Act of 1934. Actual results can differ from those in the forward-looking statements to the extent that the anticipated economic conditions in the United States, Europe and Asia-Pacific are not realized.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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The information set forth in Note 4 to the condensed consolidated financial statements, contained in Part I, Item 1 of this Form 10-Q, is incorporated by reference herein and supplements the information previously reported in Part I, Item 3 of the Company's Form 10-K for the year ended June 30, 1996, which is also incorporated by reference herein.

It is management's opinion, based on its evaluation and discussions with outside counsel, that the Company has viable defenses to these cases and that, in any event, the ultimate resolutions of these matters will not have a materially adverse effect on the results of operations, financial position or cash flows of the Company.

### ITEM 5. OTHER INFORMATION

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On April 28, 1997, the Company's board of directors approved a proposal for the sale, by a newly formed subsidiary, JLK Direct Distribution Inc. ("JLK"), of up to 20 percent of its common stock in an initial public offering ("IPO"). It is expected that, following the offering, Kennametal will own approximately 80 percent of the outstanding common stock of JLK and will retain a majority of both the economic and voting interests of JLK. The Company also filed a registration statement with the Securities and Exchange Commission covering this offering.

On April 28, 1997, the Company issued a press release announcing the IPO.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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#### (a) Exhibits

##### (10) Material Contracts

- |      |  |                |
|------|--|----------------|
| 10.1 | Form of Employment Agreement with certain executive officers | Filed herewith |
| 10.2 | Supplemental Executive Retirement Plan                       | Filed herewith |
| 10.3 | Amendment to Credit Agreement dated April 19, 1996           | Filed herewith |

- (27) Financial Data Schedule for the nine months ended March 31, 1997, submitted to the Securities and Exchange Commission in electronic format      Filed herewith

- (99) Additional Exhibits  
Press Release Dated April 28, 1997      Filed herewith

#### (b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KENNAMETAL INC.

Date: May 13, 1997

By: /s/ RICHARD J. ORWIG

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Richard J. Orwig

Vice President

Chief Financial and Administrative Officer

Form of  
Officer's Employment Agreement

Amended and Restated

THIS AGREEMENT, is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between KENNAMETAL INC., a corporation organized under the laws of the Commonwealth of Pennsylvania, for and on behalf of itself and on behalf of its subsidiary companies (hereinafter referred to as "Kennametal"), and (Robert L. McGeehan) (David B. Arnold) (James R. Breisinger) (David T. Cofer) (Derwin R. Gilbreath) (James W. Heaton) (Richard C. Hendricks) (Timothy D. Hudson) (H. Patrick Mahanes, Jr.) (Richard V. Minns) (James E. Morrison) (Richard J. Orwig) (Michael W. Ruprich) (P. Mark Schiller) (Larry L. Shrum), an individual (hereinafter referred to as "Employee"). The company has entered into identical contracts with the previous officers.

WITNESSETH:

WHEREAS, Employee acknowledges that by reason of employment by Kennametal, it is anticipated that Employee will work with, add to, create, have access to and be entrusted with trade secrets and confidential information belonging to Kennametal which are of a technical nature or business nature or pertain to future developments, the disclosure of which trade secrets or confidential information would be highly detrimental to the interests of Kennametal; and

WHEREAS, in order to have the benefit of Employee's assistance, Kennametal is desirous of employing or continuing the employment of Employee; and

WHEREAS, Kennametal and Employee have heretofore entered into and executed an Officer Employment Agreement, as amended (the "Employment Agreement"); and

WHEREAS, Kennametal and Employee desire to amend and restate the Employment Agreement on the terms and conditions hereinafter expressed.

NOW, THEREFORE, Kennametal and Employee, each intending to be legally bound hereby, do mutually covenant and agree as follows:

1. (a) Subject to the terms and conditions set forth herein, Kennametal hereby agrees to employ Employee as of the date hereof, and Employee hereby accepts such employment and agrees to devote his full time and attention to the business and affairs of Kennametal, in such capacity or capacities and to perform to the best of his ability such services as shall be determined from time to time by the Chief Executive Officer and the Board of Directors of Kennametal until the termination of his employment hereunder.

(b) Employee's base salary, the size of bonus awards, if any, granted to him and other emoluments for his services, if any, shall be determined by the Board of Directors or its Committee on Executive Compensation, as appropriate, from time to time in their sole discretion.

2. In addition to the compensation set forth or contemplated elsewhere herein, Employee, subject to the terms and conditions of this agreement, shall be entitled to participate in all group insurance programs, retirement income (pension) plans, thrift plans and vacation and holiday programs normally provided for other executives of Kennametal. Nothing herein contained shall be deemed to limit or prevent Employee, during his employment hereunder, from being reimbursed by Kennametal for out-of-pocket expenditures incurred for travel, lodging, meals, entertainment expenses or any other expenses in accordance with the policies of Kennametal applicable to the executives of Kennametal.

3. Employee's employment may be terminated with or without any reason for termination by either party hereto at any time by giving the other party prior written notice thereof, provided, however, that any termination on the part of Kennametal shall occur only if specifically authorized by its Board of Directors; provided, further, that termination by Kennametal for Cause (as hereinafter defined) shall be made by written notice which states that it is a termination for Cause; and provided, further, that termination by Employee, other than termination for Good Reason (as hereafter defined) following a Change-in-Control (as hereafter defined), shall be on not less than 30 days

prior written notice to Kennametal.

4. (a) In the event that Employee's employment is terminated by Kennametal prior to a Change-in-Control (as hereinafter defined) and other than for Cause, Employee will receive as severance pay, in addition to all amounts due him at the Date of Termination (as hereinafter defined), an amount, payable promptly after the Date of Termination, equal to three months' base salary at the annual rate in effect on the Date of termination.
- (b) In the event that Employee's employment is terminated by Employee following a Change-in-Control (as hereafter defined) without good reason (as such term is defined in paragraph 4(h)) or prior to a Change-in-Control (as hereinafter defined), Employee will not be entitled to receive any severance pay in addition to the amounts, if any, due him at the Date of Termination (as hereinafter defined).
- (c) In the event at or after a Change-in-Control and prior to the third anniversary of the date of the Change-in-Control that Employee's employment is terminated by Employee for Good Reason or by Kennametal other than for Cause or Disability pursuant to paragraph 5, Employee will receive as severance pay (in addition to all other amounts due him at the Date of Termination) an amount equal to the product of:

(i) the lesser of

(x) two and eight tenths (2.8),

(y) a number equal to the number of calendar months remaining from the Date of Termination to the Employee's Retirement Date (as such term is hereafter defined) divided by twelve (12), or

(z) a number equal to the product obtained by multiplying thirty-six (36) less the number of completed months after the date of the Change in-Control during which the Employee was employed and did not have Good Reason for termination times one-twelfth (1/12);

times

(ii) the sum of

(x) Employee's base salary at the annual rate in effect on the Date of Termination (or, at Employee's election, at the annual rate in effect on the first day of the calendar month immediately prior to the Change-in-Control), plus

(y) the average of any bonuses which Employee was entitled to or paid during the three most recent fiscal years ending prior to the Date of Termination.

Such severance pay shall be paid by delivery of a cashier's or certified check to the Employee at Kennametal's executive offices on a date which is no later than five business days following the Date of Termination.

In addition to the severance payments provided for in this paragraph 4(c), Employee also will receive the same or equivalent medical, dental, disability and group insurance benefits as were provided to the Employee at the Date of Termination, which benefits shall be provided to Employee for a three year period commencing on the Date of Termination. The Employee shall also be deemed and shall be credited for computing benefits, for vesting and for all other purposes under any pension or retirement income plan of Kennametal and under the Supplemental Executive Retirement Plan to have continuously remained in the employment of Kennametal for the three year period (or, if clause (i)(y) or clause (i)(z) above of this paragraph 4(c) is applicable to determine the severance payments to be made, the lesser period measured in years equal to clause (i)(y) or clause (i)(z) above, whichever is applicable) following the Date of Termination at an annual compensation equal to the sum of the base salary and bonus which were used to compute the payment due the Employee under the first paragraph of this Paragraph 4(c).

(d) If for any reason, whether by law or provisions of Kennametal's employee medical, dental or group insurance, pension or retirement plan or other benefit plans, any benefits which the Employee would be entitled to under the foregoing subparagraph (c) of this Paragraph 4 cannot be paid pursuant to such employee benefit plans, then Kennametal hereby contractually agrees to pay to the Employee the difference between the benefits which the Employee would have received in accordance with the foregoing subparagraphs of this paragraph 4 if the relevant employee medical, dental or group insurance or pension or retirement plan or other benefit plan could have paid such benefit and the amount of benefits, if any, actually paid by such employee medical,

dental or group insurance or pension or retirement plan or other benefit plan. Kennametal shall not be required to fund its obligation to pay the foregoing difference.

(e) In the event of a termination of employment under the circumstances above described in Paragraph 4(c), Employee shall have no duty to seek any other employment after termination of Employee's employment with Kennametal and Kennametal hereby waives and agrees not to raise or use any defense based on the position that Employee had a duty to mitigate or reduce the amounts due him hereunder by seeking other employment whether suitable or unsuitable and should Employee obtain other employment, then the only effect of such on the obligations of Kennametal hereunder shall be that Kennametal shall be entitled to credit against any payments which would otherwise be made for medical, dental or group insurance or similar benefits (excluding, however, any credit against Kennametal payments relating to pension or retirement benefits or the Supplemental Executive Retirement Plan) pursuant to the benefit provisions set forth in the second paragraph of Paragraph 4(c) hereof, any comparable payments to which Employee is entitled under the employee benefit plans maintained by Employee's other employer or employers in connection with services to such employer or employers after termination of his employment with Kennametal.

(f) The term "Change in Control" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date hereof ("1934 Act"), or if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the 1934 Act which serve similar purposes; provided that, without limitation, such a change in control shall be deemed to have occurred if (A) Kennametal shall be merged or consolidated with any corporation or other entity other than a merger or consolidation with a corporation or other entity all of whose equity interests are owned by Kennametal immediately prior to the merger or consolidation, or (B) Kennametal shall sell all or substantially all of its operating properties and assets to another person, group of associated persons or corporation, or (C) any "person" (as such term is used in Sections 13(d) and 14(d) of the 1934 Act), is or becomes a beneficial owner, directly or indirectly, of securities of Kennametal representing 25% or more of the combined voting power of Kennametal's then outstanding securities coupled with or followed by the existence of a majority of the board of directors of Kennametal consisting of persons other than persons who either were directors of Kennametal immediately prior to or were nominated by those persons who were directors of Kennametal immediately prior to such person becoming a beneficial owner, directly or indirectly, of securities of Kennametal representing 25% or more of the combined voting power of Kennametal's then outstanding securities.

(g) For purposes of this agreement "Date of Termination" shall mean:

(i) if Employee's employment is terminated due to his death or retirement, the date of death or retirement, respectively; or

(ii) if Employee's employment is terminated for any other reason, the date on which the termination becomes effective as stated in the written notice of termination given to or by the Employee.

(h) The term "Good Reason" for termination by the Employee shall mean the occurrence of any of the following at or after a Change-in-Control:

(i) without the Employee's express written consent, the assignment to the Employee of any duties materially and substantially inconsistent with his positions, duties, responsibilities and status with Kennametal immediately prior to a Change-in-Control, or a material change in his reporting responsibilities, titles or offices as in effect immediately prior to a Change-in-Control, or any removal of the Employee from or any failure to re-elect the Employee to any of such positions, except in connection with the termination of the Employee's employment due to Cause (as hereinafter defined) or as a result of the Employee's death;

(ii) a reduction by Kennametal in the Employee's base salary as in effect immediately prior to any Change-in-Control;

(iii) a failure by Kennametal to continue to provide incentive compensation, under the rules by which incentives are provided, comparable to that provided by Kennametal immediately prior to any Change-in-Control;

(iv) the failure by Kennametal to continue in effect any benefit

or compensation plan, stock option plan, pension plan, life insurance plan, health and accident plan or disability plan in which Employee is participating immediately prior to a Change-in-Control (provided, however, that there shall not be deemed to be any such failure if Kennametal substitutes for the discontinued plan, a plan providing Employee with substantially similar benefits) or the taking of any action by Kennametal which would adversely affect Employee's participation in or materially reduce Employee's benefits under any of such plans or deprive Employee of any material fringe benefit enjoyed by Employee immediately prior to a Change-in-Control;

(v) the failure of Kennametal to obtain the assumption of this Agreement by any successor as contemplated in paragraph 11 hereof;

(vi) the relocation of the Executive to a facility or a location more than 50 miles from the Executives then present location, without the Executives prior written consent; or

(vii) any purported termination of the employment of Employee by Kennametal which is not for Cause as provided in paragraph 5.

5. In the event that Employee (a) shall be guilty of malfeasance, willful misconduct or gross negligence in the performance of the services contemplated by this Agreement, or (b) shall not make his services available to Kennametal on a full time basis in accordance with paragraph I hereof for any reason (including Disability) other than arising from Employee's incapacity due to physical or mental illness or injury which does not constitute Disability and other than by reason of the fact Employee's employment has been terminated under the circumstances described in paragraph 4(a), or (c) shall breach the provisions of paragraph 8 hereof (the matters described in subparagraphs (a), (b) and (c) are collectively referred to as "Cause"), Kennametal shall have the right, exercised by resolution adopted by a majority of its Board of Directors, to terminate Employee's employment for Cause by giving prior written notice to Employee of its election so to do. In that event, Employee's employment shall be deemed terminated for Cause, Employee shall not be entitled to the benefits set forth in paragraph 4 which shall not be paid or payable and Kennametal only shall have the obligation to pay Employee the unpaid portion of Employee's base salary for the period from the last period from which Employee was paid to the Date of Termination; provided, however, that if Employee's employment is terminated as a result of the Disability of Employee, the benefits set forth in paragraph 4 shall not be paid or payable but Employee shall be entitled to receive the annual supplement under the Supplemental Executive Retirement Plan and Employee's employment by Kennametal shall not be deemed terminated for purposes of the Long-Term Disability Plan, Retirement Income Plan for US Salaried Employees or any other benefit plan which so provides. For purposes of this agreement "Disability" shall mean such incapacity due to physical or mental illness or injury which results in the Employee's being absent from his principal office at Kennametal's offices for the entire portion of 180 consecutive business days. Prior to a Change-in-Control, a decision by the Board of Directors of Kennametal that "Cause" exists shall be in the discretion of the Board of Directors and shall be final and binding upon the Employee and his rights hereunder. After a Change-in-Control, "Cause" shall not be deemed to include opposition by Employee to such a Change-in-Control or any matter incidental thereto and any determination by the Board of Directors that "Cause" existed shall not be final or binding upon the Employee or his rights hereunder or entitled to any deference in any court or other tribunal.

6. Employee understands and agrees that, except to the extent Employee is entitled to the benefits provided in paragraph 4(c) hereof, in the event Employee resigns or his employment is terminated for any reason other than death or Disability prior to his "Retirement Date" (as hereinafter defined), he will forfeit any interest he may have in any Kennametal retirement income plan (except to the extent vested by actual service to date of separation as per the plan provisions), and all other benefits dependent upon continuing service. The term "Retirement Date" shall mean the first day of the month following the day on which Employee attains his sixty-fifth birthday, or at Employee's request, any other day that Kennametal's Board of Directors may approve in writing.

7. Nothing herein contained shall affect the right of Employee to participate in and receive benefits under and in accordance with the then current provisions of any retirement income, profit-sharing, additional year-end or periodic remuneration or bonus, incentive compensation, insurance or any other employee welfare plan or program of Kennametal and all payments hereunder shall be in addition to any benefits received thereunder (including long term disability payments).

8. During the period of employment of Employee by Kennametal and for three years thereafter, (provided, however, that this paragraph 8 shall not apply to

the Employee following a termination of Employee's employment (x) if a Change-in-Control, shall have occurred prior to the Date of Termination or (y) if Employee's employment is terminated by Kennametal other than for Cause), he will not, in any geographic area in which Kennametal is offering its services and products, without the prior written consent of Kennametal:

- (a) directly or indirectly engage in, or
- (b) assist or have an active interest in (whether as proprietor, partner, investor, shareholder, officer, director or any type of principal whatsoever), or
- (c) enter the employ of, or act as agent for, or advisor or consultant to, any person, firm, partnership, association, corporation or business organization, entity or enterprise which is or is about to become directly or indirectly engage in, any business which is competitive with any business of Kennametal or any subsidiary or affiliate thereof in which Employee is or was engaged; provided, however, that the foregoing provisions of this paragraph 8 are not intended to prohibit and shall not prohibit Employee from purchasing, for investment, not in excess of 1% of any class of stock or other corporate security of any company which is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

Employee acknowledges that the breach by him of the provisions of this paragraph 8 would cause irreparable injury to Kennametal, acknowledges and agrees that remedies at law for any such breach will be inadequate and consents and agrees that Kennametal shall be entitled, without the necessity of proof of actual damage, to injunctive relief in any proceedings which may be brought to enforce the provisions of this paragraph 8. Employee acknowledges and warrants that he will be fully able to earn an adequate livelihood for himself and his dependents if this paragraph 8 should be specifically enforced against him and that such enforcement will not impair his ability to obtain employment commensurate with his abilities and fully acceptable to him.

If the scope of any restriction contained in this paragraph 8 is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law and Employee and Kennametal hereby consent and agree that such scope may be judicially modified in any proceeding brought to enforce such restriction.

9. (a) Employee acknowledges and agrees that in the course of his employment by Kennametal, Employee may work with, add to, create or acquire trade secrets and confidential information ("Confidential Information") which could include, in whole or in part, information:

- (i) of a technical nature such as, but not limited to, Kennametal's manuals, methods, know-how, formulae, shapes, designs, compositions, processes, applications, ideas, improvements, discoveries, inventions, research and development projects, equipment, apparatus, appliances, computer programs, software, systems documentation, special hardware, software development and similar items; or
- (ii) of a business nature such as, but not limited to, information about business plans, sources of supply, cost, purchasing, profits, markets, sales, sales volume, sales methods, sales proposals, identity of customers and prospective customers, identity of customers' key purchasing personnel, amount or kind of customers' purchases and other information about customers; or
- (iii) pertaining to future developments such as, but not limited to, research and development or future marketing or merchandising.

Employee further acknowledges and agrees that (i) all Confidential Information is the property of Kennametal; (ii) the unauthorized use, misappropriation or disclosure of any Confidential Information would constitute a breach of trust and could cause irreparable injury to Kennametal; and (iii) it is essential to the protection of Kennametal's goodwill and to the maintenance of its competitive position that all Confidential Information be kept secret and that Employee not disclose any Confidential Information to others or use any Confidential Information to the detriment of Kennametal.

Employee agrees to hold and safeguard all Confidential Information in trust for Kennametal, its successors and assigns and Employee shall not (except as required in the performance of Employee's duties), use or disclose or make available to anyone for use outside Kennametal's organization at any time, either during employment with Kennametal or

subsequent thereto, any of the Confidential Information, whether or not developed by Employee, without the prior written consent of Kennametal.

(b) Employee agrees that:

(i) he will promptly and fully disclose to Kennametal or such officer or other agent as may be designated by Kennametal any and all inventions made or conceived by Employee (whether made solely by Employee or jointly with others) during employment with Kennametal (1) which are along the line of the business, work or investigations of Kennametal, or (2) which result from or are suggested by any work which Employee may do for or on behalf of Kennametal; and

(ii) he will assist Kennametal and its nominees during and subsequent to such employment in every proper way (entirely at its or their expense) to obtain for its or their own benefit patents for such inventions in any and all countries; the said inventions, without further consideration other than such salary as from time to time may be paid to him by Kennametal as compensation for his services in any capacity, shall be and remain the sole and exclusive property of Kennametal or its nominee whether patented or not; and

(iii) he will keep and maintain adequate and current written records of all such inventions, in the form of but not necessarily limited to notes, sketches, drawings, or reports relating thereto, which records shall be and remain the property of and available to Kennametal at all times.

(c) Employee agrees that, promptly upon termination of his employment, he will disclose to Kennametal, or to such officer or other agent as may be designated by Kennametal, all inventions which have been partly or wholly conceived, invented or developed by him for which applications for patents have not been made and shall thereafter execute all such instruments of the character herein before referred to, and will take such steps as may be necessary to secure and assign to Kennametal the exclusive rights in and to such inventions and any patents that may be issued thereon any expense therefor to be borne by Kennametal.

(d) Employee agrees that he will not at any time aid in attacking the patentability, scope, or validity of any invention to which the provisions of subparagraphs (b) and (c), above, apply.

10. In the event that (a) Employee institutes any legal action to enforce his rights under, or to recover damages for breach of this agreement, or (b) Kennametal institutes any action to avoid making any payments due to Employee under this agreement, Employee, if he is the prevailing party, shall be entitled to recover from Kennametal any actual expenses for attorney's fees and other disbursements incurred by him in relation thereto.

11. The terms and provision of this agreement shall be binding upon, and shall inure to the benefit of, Employee and Kennametal, its subsidiaries and affiliates and their respective successors and assigns.

12. This agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements and understandings, whether oral or written, among the parties with respect to the subject matter hereof. This agreement may not be amended orally, but only by an instrument in writing signed by each of the parties to this agreement.

13. The invalidity or unenforceability of any provision of this agreement shall not affect the other provisions hereof, and this agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

14. Any pronoun and any variation thereof used in this agreement shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the parties hereto may require.

15. Kennametal shall be entitled as a condition to paying any severance pay or providing any benefits hereunder upon a termination of the Employee's employment to require the Employee to deliver on or before the making of any severance payment or providing of any benefit a release in the form of Exhibit A attached hereto.

16. Notwithstanding any other provision of this Agreement, in the event that any payment or benefit received, or to be received, by Employee in connection with a change in control of the Corporation, or the termination of the Employees' employment (whether pursuant to the terms of this Agreement or any

other plan, arrangement or agreement with the Corporation, any person whose actions result in a change in control or any person affiliated with the Corporation or such person) (collectively, the "Total Payments") would not be deductible, in whole or in part, as a result of section 280G of the Internal Revenue Code of 1986 (the "Code") by the Corporation, an affiliate or other person making such payment or providing such benefit, the payments due under this Agreement (the "Contract Payments") shall be reduced until no portion of the Total Payments is not deductible, or the Contract Payments are reduced to zero. In the event that the Corporation determines that the Total Payments would not be deductible, in whole or part, as a result of section 280G of the Code, the Corporation shall immediately notify Employee of this determination and the amount which would not be so deductible as well as a computation of Total Payments. Employee shall have five (5) business days after receipt of the foregoing notice and computation to waive in writing all or any portion of any of the Total Payments and any portion of the Total Payments the receipt or enjoyment of which Employee shall have effectively waived in writing shall not be taken into account. If the Corporation had already withheld any Contract Payments prior to receipt of such waiver, the Corporation upon receipt of such waiver shall immediately pay to Employee any withheld Contract Payments which would have been paid had the Corporation had the Employee's written waiver prior to the date the Corporation withheld any such payments.

For purposes of this limitation:

(a) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by the Corporation's independent auditors and acceptable to Employee does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code,

(b) the Contract Payments shall be reduced only to the extent necessary so that the Total Payments (other than those Contract Payments which are waived in writing by the Employee or referred to in clause (a)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280G(b)(4) of the Code or are otherwise not subject to disallowance as deductions, in the opinion of the tax counsel referred to in clause (a); and

(c) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Corporation's independent auditors in accordance with the principles of section 280G(d)(3) and (4) of the Code.

17. This agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

WITNESS the due execution hereto the day and year first above written.

ATTEST: KENNAMETAL INC.

\_\_\_\_\_ By: \_\_\_\_\_

WITNESS: Employee:

\_\_\_\_\_ (Seal)

Exhibit A

RELEASE

KNOW ALL MEN BY THESE PRESENTS that the undersigned for good and valuable consideration, the receipt of which is hereby acknowledged, and intending to be legally bound, hereby releases, remises, quitclaims and discharges completely and forever Kennametal Inc. and its directors, officers, employees, subsidiaries and affiliates from any and all claims, causes of action or rights which the undersigned has or may have, whether arising by virtue of contract or of applicable state laws or federal laws, and whether such claims, causes of action or rights are known or unknown; provided, however, that this Release shall not release, raise, quitclaim or discharge any claims, causes of action or rights which the undersigned may have (i) under that certain Amended and Restated Employment Agreement dated \_\_\_\_\_, \_\_\_\_\_ between the undersigned and Kennametal, Inc., (ii) to any unreimbursed expense account or similar out-of-pocket reimbursement amounts owing the undersigned, or (iii) under the bylaws of Kennametal, Inc. or the applicable state corporate statutes to indemnification for having served as an officer and/or employee of Kennametal, Inc. and/or its subsidiaries.

DATE: \_\_\_\_\_

\_\_\_\_\_

## KENNAMETAL INC. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

## Section 1. Purpose and Effective Date.

- 1.1 The purpose of this Supplemental Executive Retirement Plan is to ensure the payment of a competitive level of retirement income, in order to attract, retain, and motivate selected executives. The Plan is also intended to provide eligible executives with retirement benefits that cannot be paid from the Company's qualified Retirement Income Plan, due to various limitations of the United States Internal Revenue Code.
- 1.2 This Plan was amended and adopted, effective April 21, 1995, and will be effective for each participant on the date he or she is designated as a Participant, provided he or she promptly executes an Employment Agreement.
- 1.3 The terms of this Plan are applicable only to eligible executives who are employed by the Company on or after April 21, 1995. Any executive who retired or otherwise terminated employment prior to such date, shall not be eligible to be designated a Participant under this Plan unless he or she returns to service with the Company on or after April 21, 1995.

## Section II. Definitions.

- 2.1 Board of Directors means the Directors of the Company.
- 2.2 Change in Control shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date hereof ("1934 Act"), or if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the 1934 Act which serve similar purposes; provided that, without limitation, such a change in control shall be deemed to have occurred if (i) Kennametal shall be merged or consolidated with any corporation or other entity other than a merger or consolidation with a corporation or other entity all of whose equity interests are owned by Kennametal immediately prior to the merger or consolidation, or (ii) Kennametal shall sell all or substantially all of its operating properties and assets to "another person, group of associated persons, or corporation; or (iii) any person" (as such term is used in Sections 13(d) and 14(d) of the 1934 Act), is or becomes a beneficial owner, directly or indirectly, of securities of Kennametal representing 25% or more of the combined voting power of Kennametal's then outstanding securities coupled with or followed by the existence of a majority of the board of directors of Kennametal consisting of persons other than persons who either were directors of Kennametal immediately prior to or were nominated by those persons who were directors of Kennametal immediately prior to such person becoming a beneficial owner, directly or indirectly, of securities of Kennametal representing 25% or more of the combined voting power of Kennametal's then outstanding securities.
- 2.3 Code means the Internal Revenue Code of 1986, as amended from time to time. References in the Plan to a Code Section shall be deemed to refer to any successor provision of the Code, as appropriate.
- 2.4 Committee means the Board of Directors Committee on Executive Compensation, designated by the Board of Directors to administer the plan, pursuant to Section 7 of the Code.
- 2.5 Company means Kennametal Inc., a Pennsylvania corporation, or any successor bound by this Plan pursuant to Section 8.5.
- 2.6 Disability means such incapacity due to physical or mental illness or injury, as causes the Employee to be absent from his principal office at Kennametal's offices for the entire portion of 180 consecutive business days.
- 2.7 Employee means an employee of the Employer.
- 2.8 Employer means the Company and any subsidiary or affiliate of the Company whose employees participate in the Plan.
- 2.9 Employment Agreement means an agreement between an Employer and an Employee which sets forth terms and conditions of employment and specifically refers to this Plan.

- 2.10 Final Base Salary means the Participant's monthly base salary rate, before any pre-tax reductions pursuant to the Participant's elections under IRC Section 125 or 402(e)(3), for the calendar month in which Participant's Termination of Employment occurs, without regard to any limitations on compensation under the Code, including those under IRC Section 401(a)(17), multiplied by twelve (12).
- 2.11 IRC means the Code.
- 2.12 Normal Retirement means the first day of the month following the day on which the Employee reaches the age of sixty-five (65).
- 2.13 Participant means any Employee of an Employer who is entitled to participate in the Plan in accordance with Section III. Where the context so indicates, "Participant" shall also include a retired or deceased Participant with respect to whom a SERP Benefit is payable.
- 2.14 Plan means the Company's Supplemental Executive Retirement Plan (SERP), as set forth herein and as amended and restated from time to time.
- 2.15 Retirement Income Plan means the Company's qualified Retirement Income Plan, as it may be amended and restated, from time to time.
- 2.16 SERP Benefit means the benefit, calculated pursuant to Section V, that is payable to a Participant under the Plan.
- 2.17 Target Retirement Income means the total of estimated benefit under the Company's qualified Retirement Income Plan, plus estimated benefit under Social Security, plus the amount of SERP Benefit, under Section V of the Plan.
- 2.18 Year of Service means each full twelve-month period beyond Employee's adjusted hire date, as determined pursuant to the Company's regular personnel records and policies.

Section III. Eligibility.

- 3.1 Each officer or key executive Employee of the Company approved by the Committee, in its sole discretion, shall be eligible to participate in the Plan, upon prompt execution of an Employment Agreement
- 3.2 Any officer or key executive who becomes a Participant shall continue to be a Participant until his or her termination of employment, or until a date prior to such time, as determined by the Committee, in its sole discretion.

Section IV. Vesting.

- 4.1 A Participant shall become vested and entitled to receive a benefit under the Plan, determined in accordance with Section V, only in accordance with the following schedule:

Age of Participant at Termination	Cumulative Vested Plan Benefit
Less than age 56	0%
56	20%
57	40%
58	60%
59	80%
60 or older	100%

Notwithstanding the foregoing, a Participant who voluntarily leaves employment, without Employer's permission, or is involuntarily terminated, with cause, prior to entitlement to receive benefits pursuant to Section 6.1, shall forfeit any entitlement to benefits under the Plan. In the event that Employee shall voluntarily or involuntarily leave the employ of the Company before his or her retirement date, and the Employee is not vested as to any portion of the SERP benefit, the obligations of the Company under Section 6 and 7 of the Plan shall be null and void, and neither the Employee nor any other person shall in any way be entitled to any payments hereunder.

- 4.2 Notwithstanding Section 4.1, each Participant's Plan benefit automatically shall become 100% vested upon a Change in Control of the Company.

Section V. Amount of Benefit

- 5.1 The amount of each Participant's SERP Benefit shall initially be calculated as the excess of the Target Retirement Income amount over the sum of the monthly benefit that would be payable as a single life annuity under the Company's Retirement Income Plan commencing upon a retirement at age 65, based on credited service and average earnings under the Retirement Income Plan as of the Participant's termination of employment, plus the Participant's Social Security benefit, as defined under the Retirement Income Plan, that would be payable commencing at age 65 assuming the Participant had no further FICA wages or SECA earnings after termination of employment. This formula calculation shall serve the Committee as a guideline, but the amount of SERP Benefit of any Participant shall be determined annually by the Committee, which may adjust, or depart from, the formula amount, in the Committee's sole discretion.
- 5.2 The Target Retirement Income amount, Retirement Income Plan benefit estimate, and Social Security benefit estimate shall be calculated according to the methodology described in Appendix A, as approved and amended, from time to time, by the Committee, in its sole discretion.
- 5.3 The Committee shall cause the formula calculation described in Sections 5.1 and 5.2 to be done annually, or as otherwise required, for each Participant. The Committee shall then determine the SERP Benefit amount for each Participant, which may differ from the amount determined under the formula, and shall prepare an official list of Participants and their accrued SERP Benefits, which shall govern the payment of benefits under the Plan until the next annual review and predetermination of SERP Benefit amounts.

#### Section VI. Payment of Benefits.

- 6.1 Payment of the Participant's SERP Benefit shall commence on the first day of the month following the month in which the Participant's employment with the Company terminates due to (1) Normal Retirement from employment with the Company, (2) retirement from employment with the Company on any date prior to Normal Retirement that has the prior approval of the Company's Board of Directors, (3) termination of employment prior to Normal Retirement as a result of Disability, or (4) retirement from employment with the Company following a Change In Control, unless the Participant requests a later payment commencement date.
- 6.2 A Participant's Plan benefits shall be paid in equal monthly installments, in the form of a single life annuity with no death or other survivor benefits other than those described in Section VII.

#### Section VII. Surviving Spouse and other Death Benefits.

- 7.1 In the event of the death of a Participant prior to the commencement of payment of Plan Benefits to the Participant, an amount equal to 50% of the amount of benefits calculated in accordance with the vesting provisions of Section IV and the amount of benefit of Section V which would be otherwise have been payable to the Participant, will instead be payable to the Participant's surviving spouse. Payments to such spouse shall be made from the month following the month in which the death of the Participant occurred until the death of the surviving spouse.
- 7.2 In the event of the death of a Participant after the commencement of payment of Plan benefits to the Participant, an amount equal to 50% of the amount of Plan benefit then being paid to the Participant will instead be payable to the Participant's surviving spouse. Payments to such spouse shall be made from the month following the month in which the death of the Participant occurred, until the death of the surviving spouse.
- 7.3 If the surviving spouse is five (5) or more years younger than the Employee, the monthly payment to the surviving spouse pursuant to paragraphs 7.1 and 7.2 shall be actuarially adjusted, so that it has the same present actuarial value as the full 50% payment to a spouse less than five (5) years younger than the Participant. For this purpose, the Committee shall use a life expectancy factor derived from the most recent group annuity mortality tables published by the Society of Actuaries, as shown in Appendix B of the Plan.
- 7.4 In the event that the Employee and/or his or her surviving spouse shall have been entitled to payments under Sections 6 and 7 of the Plan, and upon the death of the surviving spouse, the aggregate amount of the cumulative payments of the SERP Benefit shall have been less than \$50,000, the Company shall pay to the estate of the Employee or to such other person as the Employee shall designate by written notice, an amount

equal to \$50,000 less the aggregate amount of the cumulative payments of the SERP Benefit already made.

#### Section VIII. Miscellaneous Provisions.

- 8.1 Administration. The Committee shall be responsible for all facets of interpretation and administration of the Plan. The Committee may adopt rules and regulations to assist it in the administration of the Plan. The Board of Directors has also delegated to the Committee the right to modify provisions of the Plan in individual cases.
- 8.2 Non-Competition. Receipt of the SERP Benefits is expressly conditioned upon the non-competition of the retired Participant with the Company, for so long as any payments are being made hereunder. Accordingly, unless the Participant first secures the written consent of the Board of Directors or the Committee, he shall not directly or indirectly, as an officer, director, employee, consultant, agent, partner, joint venturer, proprietor, or other, engage in or assist any business which is or may become in direct or indirect competition with the Company or any of its subsidiaries, other than as a mere investor holding not more than 5% of the equity interest of any such competing enterprise. In the event that the Committee makes a good-faith determination that a Participant receiving a SERP Benefit is or may be violating the non-competition provisions hereof, it shall immediately notify him or her of such finding in writing and afford him or her a reasonable opportunity (a period of not less than sixty days) to rebut such finding, or to desist from such competitive activity. In the event that the Committee believes that a violation of the non-competition provision continues uncorrected following the sixty-day period, it may then cease making SERP Benefits payments, and the retired Participant (and any Spouse or other beneficiary claiming through the Participant) shall forfeit any right to future payment of a SERP Benefit under the Plan.
- 8.3 Source of Benefit Payments. This Plan is intended to be an unfunded plan of deferred compensation for a select group of management or highly compensated individuals, and it is intended that SERP Benefits payable hereunder will be paid from the general assets of the Company. However, in the event of a Change in Control, amounts payable to Employee or the surviving spouse or estate, under Sections 6 and 7 of the Plan, may be provided for in accordance with an Executive Deferred Compensation Trust (a so-called "Rabbi" trust) between the Company and a trustee. The Company shall inform the Employee of the identity of the trustee upon the Employee's request.
- 8.4 Non-Assignment, Alienation. Nothing in this Plan gives a Participant or any person claiming payments for or through him or her, any right, title, or interest in any asset held in the Company, prior to the payment thereof, and that the right of a Participant to any payment hereunder is strictly contractual and unsecured, unless a Change in Control causes the funding of the Plan in the Company's Executive Deferred Compensation Trust. In addition, the benefits to be paid hereunder may not be voluntarily or involuntarily sold, transferred, assigned, alienated, or encumbered, and any such attempt shall be void.
- 8.5 Obligation of Successors. This Plan shall be binding upon the Company or any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise), to all or substantially all of the business and/or assets of the Company, or to any assignee thereof. To the extent that the Company must take additional contractual or other steps to make the Plan an enforceable contractual obligation of a successor (e.g., a purchaser of assets), the Company shall take such steps. This Plan and all rights of the Participant hereunder shall inure to the benefit of and be enforceable by the Participant or the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees.
- 8.6 Amendment, Termination. This Plan may be amended or terminated at any time, provided that no such amendment or termination shall reduce or eliminate the right of a Participant to the payment of Plan Benefits earned prior to such amendment or termination.
- 8.7 Withholding. The Company may provide for the withholding, from any benefits payable under this Plan, all Federal, state, city, or other taxes as shall be appropriate pursuant to any law or governmental regulation or ruling, and may delay the payment of any benefit until the Participant or beneficiary provides payment to the Company of all applicable withholding taxes.
- 8.8 Miscellaneous. This Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, to the

extent not governed by federal law. Section headings are for convenience of reference only, and shall not affect the construction or interpretation of any of the provisions hereof.

#### APPENDIX A, SERP BENEFIT CALCULATION METHOD

Calculation begins with current base salary and years of service, up to the present date.

Target Retirement Income equals 60% of base salary for 30 years of service, plus or minus 1% for each year of service greater than or less than thirty. Therefore:

Years of Service -----	Retirement Target -----
10	40%
15	45%
20	50%
25	55%
30	60%
35	65%
40	70%
45	75%

Calculate income from Kennametal Retirement Income Plan, based on current years of service and pensionable earnings, to date, and including current statutory limitations (IRC Sections 415 and 401(17)), but not actuarially reduced for age less than 65.

Calculate income from Social Security, based on earnings to date, but not reduced for age less than 65.

Retirement Income Plan plus Social Security equals Total Funded Retirement Income from qualified plans.

SERP Benefit equals Target Retirement Income (above) minus Total Funded Retirement Income from qualified plans.

However, minimum SERP Benefit is 10% of current base salary.

If prior SERP Benefit (as last calculated under the above described method and determined and approved by the Committee in its annual review of the same) is greater than new SERP Benefit, use prior SERP Benefit.

Therefore, SERP Benefit is the greatest of:

Target Retirement minus Total Funded Retirement Income,  
10% of Current Base Salary, or  
Prior SERP Benefit.

APPENDIX B

LIFE EXPECTANCIES FROM THE 1994 UP MORTALITY TABLE

Age	Male	Female	Age	Male	Female
- - - -	- - - - - - - -	- - - - - - - -	- - -	- - - - - - - -	- - - - - - - -
20	58.689676	63.439521	65	17.301673	20.733104
21	57.721384	62.458711	66	16.567774	19.922360
22	56.753995	61.477787	67	15.852596	19.126492
23	55.787630	60.496744	68	15.155361	18.344112
24	54.822623	59.515516	69	14.474231	17.572161
25	53.859070	58.533981	70	13.807539	16.808107
26	52.897006	57.552138	71	13.154894	16.051847
27	51.936249	56.570159	72	12.516970	15.305311
28	50.976471	55.588318	70	11.895300	14.572070
29	50.017407	54.606930	74	11.289425	13.854374
30	49.058903	53.626184	75	10.697900	13.152659
31	48.100761	52.646205	76	10.121208	12.467970
32	47.142792	51.667107	77	9.561406	11.801827
33	46.184865	50.688947	78	9.021858	11.156078
34	45.226529	49.711724	79	8.505843	10.530978
35	44.267364	48.735436	80	8.014790	9.925826
36	43.307409	47.760220	81	7.548836	9.340932
37	42.347090	46.786204	82	7.107007	8.777414
38	41.387178	45.813644	83	6.687359	8.236987
39	40.428474	44.842772	84	6.285696	7.719357
40	39.471398	43.873849	85	5.898198	7.223015
41	38.516336	42.906937	86	5.523671	6.747887
42	37.563597	41.941959	87	5.163141	6.295031
43	36.613496	40.978756	88	4.819594	5.866464
44	35.666021	40.016924	89	4.496051	5.463912
45	34.721182	39.056122	90	4.193604	5.087653
46	33.779283	38.096450	91	3.912324	4.737174
47	32.840954	37.138220	92	3.651468	4.411342
48	31.907044	36.182042	93	3.409583	4.108517
49	30.978090	35.228328	94	3.0187285	3.827037
50	30.054402	34.277235	95	2.986195	3.565508
51	29.136469	33.329133	96	2.806213	3.322551
52	28.225043	32.384506	97	2.645659	3.096798
53	27.321021	31.443972	98	2.501069	2.886902
54	26.424628	30.507483	99	2.368067	2.692192
55	25.535831	29.574787	100	2.243346	2.512150
56	24.655321	28.646560	101	2.124336	2.345559
57	23.784341	27.724202	102	2.009036	2.190383
58	22.924662	26.809797	103	1.895858	2.043361
59	22.077319	25.905022	104	1.786991	1.904998
60	21.242746	25.010822	105	1.684548	1.776622
61	20.421814	24.128172	106	1.584660	1.653351
62	19.615791	23.258043	107	1.473289	1.520196
63	18.826204	22.401396	108	1.316861	1.343162
64	18.054561	21.559462	109	1.048860	1.058194
			110	.541667	.541667

AMENDMENT  
TO CREDIT AGREEMENT

This AMENDMENT NO. 1 to Credit Agreement (this "Amendment") dated and effective as of April 29, 1997 by and among KENNAMETAL INC., a Pennsylvania corporation (the "Borrower"), and DEUTSCHE BANK AG, New York Branch and/or Cayman Islands Branch, MELLON BANK, N.A., and PNC BANK, NATIONAL ASSOCIATION (the "Lenders"):

RECITALS:  
-----

A. The Borrower and the Lenders entered into a Credit Agreement dated as of April 19, 1996, (the "Credit Agreement").

B. The Borrower has requested the Lenders to amend the Credit Agreement in certain respects and the Lenders have agreed to such amendments as are set forth herein.

NOW THEREFORE, the parties hereto, intending to be legally bound hereby, covenant and agree, as follows:

SECTION 1. Definitions. In addition to other words and terms defined in this Amendment, capitalized terms not otherwise defined herein shall have the meanings given to them in the Credit Agreement.

SECTION 2. Amendments to Credit Agreement. The Credit Agreement is amended in the following respects:

(a) Additions and Amendments to Definitions.

(i) The following new definitions are added in alphabetical order to Section 1.01:

"Amendment" shall mean Amendment No. 1 to Credit Agreement dated as of April 29, 1997 among the Borrower and the Lenders.

"Commitment Reduction Date" shall mean April 28, 1998.

(ii) The definition of Bid Loan Notes in Section 1.01 shall be deleted and replaced with the following: "Bid Loan Notes" shall mean the promissory notes of the Borrower executed and delivered under Section 2.02(k) and/or pursuant to the Amendment, and any promissory note issued in substitution therefor pursuant to Section 8.14(c), together with all extensions, renewals, refinancings or refundings thereof in whole or in part.

(iii) The definition of Revolving Credit Note in Section shall be deleted and replaced with the following: "Revolving Credit Note" shall mean the promissory notes of the Borrower executed and delivered under Section 2.01(c) hereof and/or pursuant to the Amendment, any promissory note issued in substitution therefor pursuant to Sections 2.13(b) or 8.14(c) hereof, together with all extensions, renewals, refinancings or refundings thereof in whole or in part.

(b) The following shall be added as a new Section 2.06(d):

"(d) Mandatory Repayments - Commitment Reduction. If the amount of Loans outstanding at any time exceeds the Total Committed Amounts for any reason, including by reason of the reduction in the Total Committed Amounts on the Commitment Reduction Date, then Borrower shall repay an aggregate principal amount of Loans so that after such repayment, the outstanding principal amount of Loans shall not exceed the Total Committed Amounts."

(c) The last sentence of Section 2.01(A) shall be deleted and replaced with the following: "Each Lender's Revolving Credit Committed Amount shall be equal to (i) a tranche in an amount equal to \$20,000,000 for the period from and after the effective date of the Amendment to but excluding the Commitment Reduction Date and (ii) an additional tranche in an amount equal to

\$30,000,000 from and after the Closing Date to but excluding the Maturity Date, in each case as such amount may have been reduced under Section 2.01(e) hereof at such time, and subject to transfer to another Lender as provided in Section 8.14 hereof and termination in accordance with Section 7.02 hereof."

(d) Section 6.01(a) is deleted and replaced with the following:

"Section 6.01(a). (a) Consolidated Tangible Net Worth. Consolidated Tangible Net Worth shall not at any time be less than for the period from the effective date of the Amendment to October 31, 1997, \$300,000,000 plus 40% of Consolidated Net Income for Borrower's 1997 fiscal year ending June 30, 1997 (with no downward adjustment if such Consolidated Net Income is negative) (such sum is hereafter referred to as the "1997 Net Worth Covenant Amount") and (ii) for periods from and after October 31, 1997, the greater of (x) 75% of Consolidated Tangible Net Worth on September 30, 1997, or (y) the 1997 Net Worth Covenant Amount. The applicable amount referred to in clause (ii) above shall be increased by 40% of Consolidated Net Income for each fiscal year of Borrower from and after (and including) 1998, with no downward adjustment for any fiscal year in which Consolidated Net Income is negative."

(e) Section 2.02(j) and Section 2.04 (b) (iii) shall each be amended by replacing the period at the end thereof with a comma and inserting the following after such comma: "including, without limitation, by reason of the reduction in each Lender's Revolving Credit Committed Amount on the Commitment Reduction Date."

(f) The date "June 30, 1995" in each of Sections 3.06, 3.08 and 3.09 is deleted and replaced in each case with "June 30, 1996."

(g) The date "July 1, 1995" in Section 3.07 is deleted and replaced with "July 1, 1996."

(h) Schedule 3.10 is deleted and is replaced with Schedule 3.10 attached hereto.

SECTION 3. Representations and Warranties. The Borrower represents and warrants to the Lenders that:

(a) Power and Authority. The Borrower has power and authority to execute, deliver and carry out the provisions of this Amendment and the Loan Documents, as amended hereby (collectively, the "Amended Credit Documents") including the Notes referred to in Section 4(b) hereof (for purposes of this Amendment, the "Notes") and to borrow the Total Committed Amounts thereunder. The execution and delivery of this Amendment and the Notes have been duly authorized by all necessary action on the part of the Borrower. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority is required in connection with the execution and delivery of this Amendment or the Notes.

(b) Enforceability. This Amendment and the Notes have been duly and validly executed and delivered by the Borrower and the Amended Credit Documents constitute legal, valid and binding agreements of the Borrower enforceable in accordance with their respective terms, except as enforceability of the foregoing may be limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

(c) Conflict with Other Instruments. Neither the execution and delivery of this Amendment or the Notes nor consummation of the transactions contemplated herein or in the Amended Credit Documents or compliance with the terms and provisions hereof or thereof will conflict with or result in a breach of any of the terms, conditions or provisions of the articles of incorporation or by-laws (or other constituent documents) of the Borrower or any of its Subsidiaries, any Law or any agreement or instrument which is material to the Borrower and its Subsidiaries taken as a whole or constitute a default thereunder.

(d) Representations and Warranties under the Credit Agreement. The representations and warranties contained in the Amended Credit Documents are true on and as of the date hereof with the same effect as though such representations and warranties had been made on and as of the date hereof.

(e) Events of Default. No Event of Default and no Potential Default has occurred and is continuing or exists under the Credit Documents or will occur or exist after giving effect to this Amendment.

For purposes of Section 7.01(c) of the Credit Agreement, the

foregoing representations and warranties shall be deemed to have been made in connection with the Credit Agreement.

SECTION 4. Conditions of Amendment. Subject to the following conditions, the provisions of Section 2 of this Amendment shall become effective:

(a) Corporate Action. The Borrower shall have furnished to each Lender a certificate certifying as to (i) the corporate action referred to in Section 3 (a) hereof, (ii) any amendments to the Borrower's articles of incorporation or by-laws since April 19, 1996 (or a statement that there have been no such amendments), and (iii) the incumbency of the officers authorized to sign this Amendment, the Notes and any other documents, instruments or certificates required under this Amendment, together with true signatures of such officers. The Lenders may conclusively rely on such certificate.

(b) Notes. The Borrower shall have furnished duly executed Notes to each Lender, in the forms attached hereto as Exhibit A and Exhibit B.

(c) Opinion of Counsel. Each Lender shall have received an opinion to each Lender dated the date hereof, of David Cofer, Esquire, General Counsel of Borrower in substantially the same form originally delivered in connection with the Credit Agreement, but taking into account the execution and delivery hereof and the Notes in connection herewith.

(d) Additional Matters. Each Lender shall have received such other certificates, opinions, documents and instruments as may be requested by any Lender. All corporate and other proceedings, and all documents, instruments and other matters in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be satisfactory in form and substance to each Lender.

SECTION 5. Miscellaneous. The Borrower agrees to reimburse the Lenders for their reasonable out-of-pocket expenses arising in connection with the negotiation, preparation and execution of this Amendment, including the reasonable fees and expenses of internal counsel for Mellon Bank, N.A..

Except as amended or waived hereby, the provisions of the Loan Documents shall remain in full force and effect.

This Amendment shall be deemed to be a contract under the laws of the Commonwealth of Pennsylvania and for all purposes shall be construed in accordance with and governed by the laws of such Commonwealth.

This Amendment may be executed in as many counterparts as may be deemed necessary and convenient and by the separate parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed to constitute an original, but all such separate counterparts shall constitute but one and the same instrument.

If any provision of this Amendment, or the application thereof to any party thereto, shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Amendment which can be given effect without the invalid and unenforceable provision or application, and to this end the parties hereto agree that the provisions of this Amendment are and shall be severable.

IN WITNESS WHEREOF, the parties hereto by their officers thereunto duly authorized have executed this Amendment as of the date and year first above written.

[Corporate Seal]

Attest: KENNAMETAL INC.

\_\_\_\_\_ By \_\_\_\_\_

Title \_\_\_\_\_ Title \_\_\_\_\_

DEUTSCHE BANK AG, MELLON BANK, N.A.  
New York Branch and/or  
Cayman Islands Branch

By \_\_\_\_\_ By \_\_\_\_\_

Title \_\_\_\_\_ Title \_\_\_\_\_

PNC BANK, NATIONAL ASSOCIATION

By \_\_\_\_\_

Title \_\_\_\_\_

EXHIBIT A  
KENNAMETAL INC.  
REVOLVING CREDIT NOTE

\$50,000,000

Pittsburgh, Pennsylvania  
April 29, 1997

FOR VALUE RECEIVED, the undersigned, KENNAMETAL INC., a Pennsylvania corporation (the "Borrower"), promises to pay to the order of [NAME OF LENDER], (the "Lender") on or before the Maturity Date, and at such earlier dates as may be required by the Agreement (as defined below), the aggregate unpaid principal amount of all Revolving Credit Loans made by the Lender to the Borrower from time to time pursuant to the Agreement. The Borrower further promises to pay to the order of the Lender interest on the unpaid principal amount hereof from time to time outstanding at the rate or rates per annum determined pursuant to the Agreement, payable on the dates set forth in the Agreement.

This Note is one of the "Revolving Credit Notes" as referred to in, and is entitled to the benefits of, the Credit Agreement, dated as of the date hereof, by and among the Borrower and the Lenders (as the same may be amended, modified or supplemented from time to time, the "Agreement") which among other things provides for the acceleration of the maturity hereof upon the occurrence of certain events and for repayments in certain circumstances and upon certain terms and conditions. Terms defined in the Agreement have the same meanings herein.

The Borrower hereby expressly waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Agreement, and an action for amounts due hereunder or thereunder shall immediately accrue.

This Note shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to principles of choice of law.

KENNAMETAL INC.

By: \_\_\_\_\_

Title:

EXHIBIT B  
KENNAMETAL INC.  
BID LOAN NOTE

\$150,000,000

Pittsburgh, Pennsylvania  
April 29, 1997

FOR VALUE RECEIVED, the undersigned, KENNAMETAL INC., a Pennsylvania corporation (the "Borrower"), promises to pay to the order of [NAME OF LENDER] (the "Lender") (i) on the last day of the Funding Period, the aggregate unpaid principal amount of all Bid Loans made by the Lender to the Borrower pursuant to Section 2.02 of the Agreement to which such Funding Period applies and (ii) on the Maturity Date, the lesser of the principal sum of ONE HUNDRED FIFTY MILLION DOLLARS (\$150,000,000) or the aggregate unpaid principal amount of all Bid Loans made by the Lender to the Borrower pursuant to Section 2.02 of the Agreement. The Borrower further promises to pay to the order of the Lender interest on the unpaid principal amount hereof from time to time outstanding at the rate or rates per annum determined pursuant to the Agreement, payable on the dates set forth in the Agreement.

This Note is one of the "Bid Loan Notes" as referred to in, and is entitled to the benefits of, the Credit Agreement, dated as of the date hereof, by and among the Borrower and the Lenders parties thereto from time to time (as the same may be amended, modified or supplemented from time to time, the "Agreement"), which among other things provides for the acceleration of the maturity hereof upon the occurrence of certain events and for repayments in certain circumstances and upon certain terms and conditions. Terms defined in the Agreement have the same meanings herein.

The Borrower hereby expressly waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Agreement, and an action for amounts due hereunder or thereunder shall immediately accrue.

This Note shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to principles of choice of law.

KENNAMETAL INC.

By: \_\_\_\_\_

Title \_\_\_\_\_

April 28, 1997

Immediate

## KENNAMETAL ANNOUNCES INITIAL PUBLIC OFFERING OF JLK DIRECT DISTRIBUTION INC.

Latrobe, Pa., April 28, 1997 - Kennametal Inc. (KMT/NYSE) announced today that the Board of Directors approved a proposal to sell, through an initial public offering (IPO), up to 20 percent of common stock by its newly formed subsidiary, JLK Direct Distribution Inc. (JLK). Following the offering, Kennametal will own approximately 80 percent of the outstanding common stock of JLK and will retain a majority of both the economic and voting interests of JLK. The Company also announced the filing of a registration statement with the Securities and Exchange Commission (SEC) covering this offering.

President and Chief Executive Officer Robert L. McGeehan said, "We are taking this action to increase visibility to investors of our fast-growing metalworking industrial supply distribution business, to enhance the implementation of our strategic business plan and to further increase the value of Kennametal stock. This should have a positive effect on Kennametal's continued growth by providing focused leadership and entrepreneurial incentives to the metalworking industrial supply distribution business." Mr. McGeehan added, "Mike Ruprich will become the chief executive officer of JLK. Mike previously served as Kennametal's director of global marketing and sales for the past year and before that as president of J&L America, Inc."

JLK, the newly formed subsidiary of Kennametal, will operate the industrial supply business consisting of its wholly owned J&L America, Inc. (J&L) subsidiary and its Full Service Supply program. JLK will market the full Kennametal line of metalcutting products, a broad range of metalworking tooling and related products, including a full line of cutting tools, carbide and other metalworking inserts, abrasives, drills, machine tool accessories and other industrial supplies. The Company will meet the needs of small and medium-sized customers through its direct marketing catalog and showroom programs and will serve large industrial manufacturers through integrated industrial supply programs.

Additionally, on April 25, 1997, Kennametal, through its J&L subsidiary, entered into an agreement to acquire all the outstanding stock of the Strelinger Company (Strelinger). Strelinger is based in Troy, Michigan, and is engaged in the distribution of metalcutting tools and industrial supplies. Strelinger had sales of \$30 million in its latest fiscal year and employed approximately 85 people. J&L will pay approximately \$4 million in cash and will assume certain liabilities totaling \$7 million. The transaction is expected to close on April 30, 1997.

Michael W. Ruprich, newly appointed chief executive officer of JLK, stated, "This acquisition meets our strategic requirements and will allow us to increase our influence in the Midwest, which is one of the largest markets for consumable industrial supplies." Ruprich added, "Strelinger has very positive brand name recognition, experienced management and excellent existing locations coupled with a strong metalworking focus. This acquisition will give us greater access to customers' tool crib management programs and will accelerate our penetration of medium-sized accounts."

Merrill Lynch & Co. and Goldman, Sachs & Co. have been selected as the managing underwriters of the offering. The proposed public offering is expected to occur in the second quarter of calendar 1997, subject to market conditions. In addition, JLK will grant to the underwriters a 30-day over-allotment option to purchase shares of common stock.

A registration statement relating to these securities has been filed with the SEC, but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

This schedule contains summary financial information extracted from the March 31, 1997 Consolidated Financial Statements (unaudited) and is qualified in its entirety by reference to such financial statements.

1,000

9-MOS		
	JUN-30-1997	
	JUL-1-1996	
	MAR-31-1997	
		18,698
		0
		195,397
		7,678
		203,902
	434,146	
		617,845
	325,361	
	832,392	
242,243		0
	0	
		0
		36,712
		417,348
832,392		
		844,003
	844,003	
		489,381
	489,381	
	19,616	
	1,447	
	8,159	
	81,098	
	31,400	
49,698		
	0	
	0	
		0
	49,698	
	1.86	
	0	