

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2008

Commission file number 1-5318

KENNAMETAL INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)

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

World Headquarters
1600 Technology Way
P.O. Box 231
Latrobe, Pennsylvania
(Address of principal executive offices)

15650-0231
(Zip Code)

Website: www.kennametal.com

Registrant's telephone number, including area code: **(724) 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 NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

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

Title of Each Class	Outstanding at January 31, 2009
Capital Stock, par value \$1.25 per share	73,110,829

KENNAMETAL INC.
FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2008

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This Form 10-Q contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. You can identify forward-looking statements by the fact they use words such as “should,” “anticipate,” “estimate,” “approximate,” “expect,” “may,” “will,” “project,” “intend,” “plan,” “believe” and other words of similar meaning and expression in connection with any discussion of future operating or financial performance or events. Forward-looking statements in this Form 10-Q may concern, among other things, Kennametal’s expectations regarding our strategy, goals, plans and projections regarding our financial position, liquidity and capital resources, results of operations, market position, and product development, all of which are based on current expectations that involve inherent risks and uncertainties. Among the factors that could cause the actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties related to: global and regional economic conditions; availability and cost of the raw materials we use to manufacture our products; our ability to protect our intellectual property in foreign jurisdictions; our foreign operations and international markets, such as currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability; energy costs; commodity prices; competition; integrating recent acquisitions, as well as any future acquisitions, and achieving the expected savings and synergies; business divestitures; demands on management resources; future terrorist attacks or acts of war; labor relations; demand for and market acceptance of new and existing products; and implementation of restructuring plans and environmental remediation matters. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, actual outcomes could vary materially from those indicated. These and other risks are more fully described in the “Risk Factors” Section of our Annual Report on Form 10-K, in this Form 10-Q if applicable and in our other periodic filings with the Securities and Exchange Commission. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KENNAMETAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
Sales	\$568,684	\$647,423	\$1,237,949	\$1,262,499
Cost of goods sold	405,369	426,485	855,856	829,470
Gross profit	163,315	220,938	382,093	433,029
Operating expense	130,348	147,921	284,030	292,953
Restructuring charges (Note 5)	6,204	—	14,616	—
Amortization of intangibles	3,269	3,626	6,678	6,571
Operating income	23,494	69,391	76,769	133,505
Interest expense	8,026	8,531	15,142	16,330
Other income, net	(4,790)	(993)	(3,387)	(2,096)
Income from continuing operations before income taxes and minority interest (income) expense	20,258	61,853	65,014	119,271
Provision for income taxes	4,700	10,670	13,204	32,337
Minority interest (income) expense	(101)	1,037	684	1,909
Net income	\$ 15,659	\$ 50,146	\$ 51,126	\$ 85,025
PER SHARE DATA				
Basic earnings	\$ 0.22	\$ 0.65	\$ 0.70	\$ 1.10
Diluted earnings	\$ 0.21	\$ 0.64	\$ 0.69	\$ 1.08
Dividends per share	\$ 0.12	\$ 0.12	\$ 0.24	\$ 0.23
Basic weighted average shares outstanding	72,630	77,111	73,515	77,272
Diluted weighted average shares outstanding	73,199	78,647	74,347	78,821

The accompanying notes are an integral part of these condensed consolidated financial statements.

[Table of Contents](#)**KENNAMETAL INC.**
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except per share data)	December 31, 2008	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 69,731	\$ 86,478
Accounts receivable, less allowance for doubtful accounts of \$21,303 and \$18,473	367,426	512,794
Inventories	464,684	460,800
Deferred income taxes	48,053	53,330
Other current assets	54,345	38,584
Total current assets	1,004,239	1,151,986
Property, plant and equipment:		
Land and buildings	364,556	375,128
Machinery and equipment	1,354,285	1,382,028
Less accumulated depreciation	(982,869)	(1,007,401)
Property, plant and equipment, net	735,972	749,755
Other assets:		
Investments in affiliated companies	2,149	2,325
Goodwill	604,218	608,519
Intangible assets, less accumulated amortization of \$46,151 and \$42,010	189,830	194,203
Deferred income taxes	24,633	25,021
Other	64,389	52,540
Total other assets	885,219	882,608
Total assets	\$2,625,430	\$ 2,784,349
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt and capital leases	\$ 20,848	\$ 813
Notes payable to banks	22,263	32,787
Accounts payable	128,779	189,050
Accrued income taxes	21,276	28,102
Accrued expenses	90,392	121,639
Other current liabilities (Note 5)	129,766	148,920
Total current liabilities	413,324	521,311
Long-term debt and capital leases, less current maturities	479,611	313,052
Deferred income taxes	84,915	76,980
Accrued pension and postretirement benefits	119,033	129,179
Accrued income taxes	16,544	17,213
Other liabilities	62,041	57,180
Total liabilities	1,175,468	1,114,915
Commitments and contingencies		
Minority interest in consolidated subsidiaries	19,235	21,527
SHAREOWNERS' EQUITY		
Preferred stock, no par value; 5,000 shares authorized; none issued	—	—
Capital stock, \$1.25 par value; 120,000 shares authorized; 73,105 and 76,858 shares issued and outstanding	91,386	96,076
Additional paid-in capital	352,421	468,169
Retained earnings	974,767	941,553
Accumulated other comprehensive income	12,153	142,109
Total shareowners' equity	1,430,727	1,647,907
Total liabilities and shareowners' equity	\$2,625,430	\$ 2,784,349

The accompanying notes are an integral part of these condensed consolidated financial statements.

[Table of Contents](#)**KENNAMETAL INC.**
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

Six months ended December 31 (in thousands)	2008	2007
OPERATING ACTIVITIES		
Net income	\$ 51,126	\$ 85,025
Adjustments for non-cash items:		
Depreciation	42,240	39,146
Amortization	6,678	6,571
Stock-based compensation expense	4,526	4,876
Restructuring charges (Note 5)	1,346	—
Deferred income tax provision	2,290	11,328
Other	(12)	(2,048)
Changes in certain assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	113,176	45,519
Inventories	(24,187)	(39,946)
Accounts payable and accrued liabilities	(78,782)	(60,652)
Accrued income taxes	2,571	(24,556)
Other	(5,482)	3,671
Net cash flow provided by operating activities	115,490	68,934
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(68,659)	(79,559)
Disposals of property, plant and equipment	1,668	1,891
Acquisitions of business assets, net of cash acquired	(65,381)	361
Proceeds from divestitures	—	3,000
Proceeds from sale of investments in affiliated companies	—	5,915
Other	174	2,949
Net cash flow used for investing activities	(132,198)	(65,443)
FINANCING ACTIVITIES		
Net (decrease) increase in notes payable	(10,581)	11,503
Net increase in short-term revolving and other lines of credit	20,100	44,900
Term debt borrowings	578,012	111,592
Term debt repayments	(423,785)	(102,777)
Purchase of capital stock	(127,531)	(55,391)
Dividend reinvestment and employee benefit and stock plans	3,758	11,917
Cash dividends paid to shareowners	(17,912)	(17,525)
Other	3,814	(319)
Net cash flow provided by financing activities	25,875	3,900
Effect of exchange rate changes on cash and cash equivalents	(25,914)	5,649
CASH AND CASH EQUIVALENTS		
Net (decrease) increase in cash and cash equivalents	(16,747)	13,040
Cash and cash equivalents, beginning of period	86,478	50,433
Cash and cash equivalents, end of period	\$ 69,731	\$ 63,473

The accompanying notes are an integral part of these condensed consolidated financial statements.

KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION

Kennametal Inc. was incorporated in Pennsylvania in 1943 and maintains its world headquarters in Latrobe, Pennsylvania. Kennametal Inc. and its subsidiaries (collectively, Kennametal or the Company) is a leading global manufacturer and supplier of tooling, engineered components and advanced materials consumed in production processes. End users of our products include metalworking manufacturers and suppliers in the aerospace, automotive, machine tool, light machinery and heavy machinery industries, as well as manufacturers and suppliers in the highway construction, coal mining, quarrying and oil and gas exploration industries. Our end users' products include items ranging from airframes to coal, medical implants to oil wells and turbochargers to motorcycle parts. We operate two global business units consisting of Metalworking Solutions & Services Group (MSSG) and Advanced Materials Solutions Group (AMSG).

2. BASIS OF PRESENTATION

The condensed consolidated financial statements, which include our accounts and those of our consolidated subsidiaries, should be read in conjunction with our 2008 Annual Report on Form 10-K. The condensed consolidated balance sheet as of June 30, 2008 was derived from the audited balance sheet included in our 2008 Annual Report on Form 10-K. These interim statements are unaudited; however, we believe that all adjustments necessary for a fair statement of the results of the interim periods were made and all adjustments are normal, recurring adjustments. The results for the six months ended December 31, 2008 and 2007 are not necessarily indicative of the results to be expected for a full fiscal year. Unless otherwise specified, any reference to a "year" is to a fiscal year ended June 30. For example, a reference to 2009 is to the fiscal year ending June 30, 2009. When used in this Form 10-Q, unless the context requires otherwise, the terms "we," "our" and "us" refer to Kennametal Inc. and its subsidiaries.

3. NEW ACCOUNTING STANDARDS

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" (FSP 132(R)-1). FSP 132(R)-1 expands the current disclosure requirements in FASB Statement No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits". FSP 132(R)-1 requires companies to disclose how investment allocation decisions are made by management, major categories of plan assets, significant concentrations of risk within plan assets and information about the valuation of plan assets. FSP 132(R)-1 is effective for Kennametal beginning July 1, 2009. We are in the process of evaluating the provisions of this FSP to determine the impact of adoption on our consolidated financial statements.

In November 2008, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 08-7, "Accounting for Defensive Intangible Assets" (EITF 08-7). EITF 08-7 applies to all acquired intangible assets in situations in which the entity does not intend to actively use the asset but intends to hold the asset to prevent others from obtaining access to the asset with limited exceptions. EITF 08-7 requires that defensive intangible assets be accounted for as a separate unit of accounting and be assigned a useful life. EITF 08-7 is to be applied prospectively and is effective for Kennametal beginning July 1, 2009. We are in the process of evaluating the provisions of this EITF to determine the impact of adoption on our consolidated financial statements.

In November 2008, the FASB ratified EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations" (EITF 08-6). EITF 08-6 addresses a number of matters associated with the impact that Statement of Financial Accounting Standard (SFAS) No. 141(R), "Business Combinations", and SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51", might have on the accounting for equity method investments. EITF 08-6 provides guidance on how an equity method investment should initially be measured, how it should be tested for impairment and how changes in classification from equity method to cost method should be treated as well as other issues. EITF 08-6 is to be applied prospectively and is effective for Kennametal beginning July 1, 2009. We are in the process of evaluating the provisions of this EITF to determine the impact of adoption on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" (SFAS 161). SFAS 161 expands the current disclosure requirements in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 161 is effective for Kennametal beginning January 1, 2009. We are in the process of evaluating the provisions of SFAS 161 to determine the impact of adoption on our consolidated financial statements.

KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS 141(R)). SFAS 141(R) establishes principles and requirements for how an acquirer accounts for business combinations and includes guidance for the recognition, measurement and disclosure of the identifiable assets acquired, the liabilities assumed and any noncontrolling or minority interest in the acquiree. It also provides guidance for the measurement of goodwill, the recognition of contingent consideration and the accounting for pre-acquisition gain and loss contingencies, as well as acquisition-related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS 141(R) is to be applied prospectively and is effective for Kennametal beginning July 1, 2009. We are in the process of evaluating the provisions of SFAS 141(R) to determine the impact of adoption on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51" (SFAS 160). SFAS 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements" to establish accounting and reporting standards for any noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as a component of equity in the consolidated financial statements and requires disclosure on the face of the consolidated statement of income of the amounts of consolidated net income attributable to the parent and to the noncontrolled interest. SFAS 160 is to be applied prospectively and is effective for Kennametal as of July 1, 2009, except for the presentation and disclosure requirements, which, upon adoption, will be applied retrospectively for all periods presented. We are in the process of evaluating the provisions of SFAS 160 to determine the impact of adoption on our consolidated financial statements.

In June 2007, the FASB ratified EITF Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" (EITF 06-11). EITF 06-11 requires that tax benefits generated by dividends paid during the vesting period on certain equity-classified share-based compensation awards be classified as additional paid-in capital and included in a pool of excess tax benefits available to absorb tax deficiencies from share-based payment awards. EITF 06-11 was effective for Kennametal on July 1, 2008 and is to be applied on a prospective basis. The adoption of this EITF did not have a material impact on our consolidated financial statements.

On July 1, 2008, Kennametal adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option) with changes in fair value recognized in earnings at each subsequent reporting date. Kennametal records derivative contracts and hedging activities at fair value in accordance with SFAS 133. The adoption of SFAS 159 therefore had no impact on our consolidated financial statements as management did not elect the fair value option for any other financial instruments or certain other assets and liabilities.

On July 1, 2008, Kennametal adopted SFAS No. 157, "Fair Value Measurements" (SFAS 157) as it relates to financial assets and financial liabilities. In February 2008, the FASB issued FSP No. FAS 157-2, "Effective Date of FASB Statement No. 157," which delayed the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until July 1, 2009 for Kennametal.

SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures related to fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. We are in the process of evaluating the potential impact of SFAS 157, as it relates to pension plan assets, nonfinancial assets and nonfinancial liabilities, on our consolidated financial statements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is now the single source in GAAP for the definition of fair value, except for the fair value of leased property as defined in SFAS No. 13, "Accounting for Leases." SFAS 157 established a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Fair value measurements are assigned a level within the hierarchy based on the lowest significant input level. The three levels of the fair value hierarchy under SFAS 157 are described below:

KENNAMETAL INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are unobservable.

As of December 31, 2008, the fair values of the Company's assets and liabilities measured at fair value on a recurring basis are categorized as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Current assets:				
Derivative contracts ^a	\$—	\$ 7,156	\$—	\$ 7,156
Non-current assets:				
Derivative contracts ^a	—	14,422	—	14,422
Total assets	\$—	\$21,578	\$—	\$21,578
Current liabilities:				
Derivative contracts ^a	\$—	\$ 34	\$—	\$ 34

^a Foreign currency derivative contracts are valued based on observable market spot and forward rates and are classified within Level 2 of the fair value hierarchy. Interest rate swaps are valued based on observable market swap rates and are classified within Level 2 of the fair value hierarchy.

4. SUPPLEMENTAL CASH FLOW DISCLOSURES

Six months ended December 31 (in thousands)	2008	2007
Cash paid during the period for:		
Interest	\$ 14,344	\$15,614
Income taxes	1,037	40,028
Supplemental disclosure of non-cash information:		
Change in fair value of interest rate swaps	(13,691)	11,573
Changes in accounts payable related to purchases of property, plant and equipment	(12,800)	700

5. RESTRUCTURING CHARGES

As previously announced, the Company continued to implement certain restructuring plans to reduce costs and improve efficiency in our operations. These actions, including those taken in 2009, relate to facility rationalizations and employment reductions. The actions being taken pursuant to these restructuring plans are expected to be completed over the next six to nine months. Restructuring and related charges recorded in the six months ended December 31, 2008 amounted to \$19.2 million, including \$14.9 million of restructuring charges, of which \$0.3 million were related to inventory disposals and recorded in cost of goods sold, and \$4.3 million of restructuring-related charges recorded in cost of goods sold. Total restructuring and related charges recorded since the inception of the restructuring plans were \$27.5 million. Including these charges, the company expects to recognize approximately \$90 million of charges related to its restructuring plans. Approximately 95 percent of these charges are expected to be cash expenditures. Annual ongoing benefits from these actions, once fully implemented, are expected to be approximately \$100 million.

KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The restructuring accrual is recorded in other current liabilities in our condensed consolidated balance sheet and the amount attributable to each segment is as follows:

(in thousands)	June 30, 2008	Expense	Asset Write-down	Cash Expenditures	Translation	December 31, 2008
MSSG						
Severance	\$3,070	\$10,279	\$ —	\$(4,205)	\$(545)	\$ 8,599
Facilities	—	699	(653)	—	(2)	44
Other	131	265	—	(334)	(10)	52
Total MSSG	3,201	11,243	(653)	(4,539)	(557)	8,695
AMSG						
Severance	1,749	2,473	—	(1,678)	(35)	2,509
Facilities	—	693	(693)	—	—	—
Total AMSG	1,749	3,166	(693)	(1,678)	(35)	2,509
Corporate						
Severance	—	506	—	(270)	—	236
Total Corporate	—	506	—	(270)	—	236
Total	\$4,950	\$14,915	\$(1,346)	\$(6,487)	\$(592)	\$11,440

6. STOCK-BASED COMPENSATION

Stock options are granted to eligible employees at fair market value on the date of grant. Stock options are exercisable under specific conditions for up to 10 years from the date of grant. On October 21, 2008, at its Annual Meeting of Shareowners, the Company's shareowners approved the Amended and Restated Kennametal Stock and Incentive Plan of 2002 (the 2002 Plan). The 2002 Plan was amended primarily to (i) increase the aggregate number of shares of the Company's Common Stock available for issuance under the 2002 Plan from 7,500,000 to 9,000,000, (ii) place a limit on the number of full share awards that may be made under the 2002 Plan, and (iii) provide that shares delivered to or withheld by the Company to pay withholding taxes under the 2002 Plan or any of the Company's prior stock plans and shares not issued upon the net settlement or net exercise of SARs, in each case, will no longer be available for future grants under the 2002 Plan. In addition to stock option grants, the 2002 Plan permits the award of restricted stock and restricted stock units to directors, officers and key employees.

Under the provisions of the 2002 Plan, participants may deliver our stock, owned by the holder for at least six months, in payment of the option price and receive credit for the fair market value of the shares on the date of delivery. The fair value of shares delivered during the six months ended December 31, 2008 and 2007 was \$0.6 million and \$1.0 million, respectively.

Options

The assumptions used in our Black-Scholes valuation related to stock option grants made during the six months ended December 31, 2008 and 2007 were as follows:

	2008	2007
Risk-free interest rate	3.0%	4.5%
Expected life (years) (1)	4.5	4.5
Expected volatility (2)	27.7%	23.6%
Expected dividend yield	1.3%	1.4%

1) Expected life is derived from historical experience.

2) Expected volatility is based on the historical volatility of our capital stock.

KENNAMETAL INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Changes in our stock options for the six months ended December 31, 2008 were as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic value (in thousands)
Options outstanding, June 30, 2008	3,148,214	\$24.87		
Granted	798,510	29.16		
Exercised	(159,114)	14.29		
Lapsed and forfeited	(145,552)	30.31		
Options outstanding, December 31, 2008	3,642,058	\$26.06	6.6	\$4,848
Options vested and expected to vest, December 31, 2008	3,542,145	\$25.96	6.5	\$4,843
Options exercisable, December 31, 2008	2,069,296	\$22.48	5.1	\$4,804

Stock option expense for the six months ended December 31, 2008 and 2007 was \$2.7 million and \$2.2 million, respectively.

The weighted average fair value per option granted during the six months ended December 31, 2008 and 2007 was \$7.15 and \$9.38, respectively. The fair value of options vested during the six months ended December 31, 2008 and 2007 was \$3.4 million and \$3.3 million, respectively.

The amount of cash received from the exercise of stock options during the six months ended December 31, 2008 and 2007 was \$1.7 million and \$8.3 million, respectively. The related tax benefit for the six months ended December 31, 2008 and 2007 was \$1.0 million and \$2.1 million, respectively. The total intrinsic value of options exercised during the six months ended December 31, 2008 and 2007 was \$2.8 million and \$6.5 million, respectively. As of December 31, 2008, the total unrecognized compensation cost related to options outstanding was \$6.7 million and is expected to be recognized over a weighted average period of 2.7 years.

Restricted Stock

Changes in our restricted stock for the six months ended December 31, 2008 were as follows:

	Shares	Weighted Average Fair Value
Unvested restricted stock, June 30, 2008	486,591	\$31.55
Granted	175,302	29.25
Vested	(123,398)	29.35
Lapsed and forfeited	(72,178)	27.99
Unvested restricted stock, December 31, 2008	466,317	\$31.82

During the six months ended December 31, 2008 and 2007, compensation expense related to restricted stock awards was \$2.7 million and \$2.4 million, respectively. As of December 31, 2008, the total unrecognized compensation cost related to unvested restricted stock was \$8.5 million and is expected to be recognized over a weighted average period of 2.5 years.

Restricted Stock Units

The assumptions used in our valuation of the cumulative adjusted earnings per share (EPS) performance-based portion of restricted stock units granted during the six months ended December 31, 2008 and 2007 were as follows:

	2008	2007
Expected quarterly dividend per share	\$0.12	\$0.12
Risk-free interest rate	2.3%	3.3%

As of December 31, 2008, we assumed that none of the EPS performance-based restricted stock units will vest.

KENNAMETAL INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Changes in the EPS performance-based portion of restricted stock units for the six months ended December 31, 2008 were as follows:

	Stock Units	Weighted Average Fair Value
Unvested EPS performance-based restricted stock units, June 30, 2008	531,435	\$ 37.45
Granted	95,492	23.21
Forfeited	(41,519)	(37.45)
Unvested EPS performance-based restricted stock units, December 31, 2008	585,408	\$ 35.13

The assumptions used in our lattice model valuation for the TSR performance-based portion of restricted stock units granted during the six months ended December 31, 2008 and 2007 were as follows.

	2008	2007
Expected volatility	34.1%	24.1%
Expected dividend yield	2.0%	1.2%
Risk-free interest rate	2.3%	3.3%

Changes in the Company's total shareholder return (TSR) performance-based restricted stock units for the six months ended December 31, 2008 were as follows:

	Stock Units	Weighted Average Fair Value
Unvested TSR performance-based restricted stock units, June 30, 2008	286,149	\$ 9.20
Granted	51,418	2.08
Forfeited	(22,355)	(9.20)
Unvested TSR performance-based restricted stock units, December 31, 2008	315,212	\$ 8.04

Based on a change in the probability of achieving the performance criteria related to the vesting of the EPS performance-based portion of the restricted stock units, we reversed previously recognized compensation expense related to these units of \$0.9 million for the six months ended December 31, 2008. For the six months ended December 31, 2007, compensation expense related to restricted stock units was \$0.2 million. As of December 31, 2008, the total unrecognized compensation cost related to unvested stock units was \$1.4 million and is expected to be recognized over a weighted average period of 2.8 years.

7. BENEFIT PLANS

We sponsor several defined benefit pension plans. Additionally, we provide varying levels of postretirement health care and life insurance benefits to most U.S. employees.

The table below summarizes the components of net periodic pension cost:

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
Service cost	\$ 1,923	\$ 2,508	\$ 3,888	\$ 5,010
Interest cost	10,267	9,986	20,853	19,934
Expected return on plan assets	(11,548)	(12,305)	(23,477)	(24,627)
Amortization of transition obligation	13	41	31	83
Amortization of prior service credit	(54)	(10)	(107)	(21)
Recognition of actuarial losses	469	564	958	1,127
Net periodic pension cost	\$ 1,070	\$ 784	\$ 2,146	\$ 1,506

KENNAMETAL INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

The table below summarizes the components of the net periodic other postretirement cost:

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
Service cost	\$ 89	\$ 133	\$178	\$ 266
Interest cost	418	433	837	867
Amortization of prior service cost	12	12	24	24
Recognition of actuarial gains	(21)	(131)	(42)	(263)
Net periodic other postretirement benefit cost	\$498	\$ 447	\$997	\$ 894

8. INVENTORIES

We used the last-in, first-out (LIFO) method of valuing inventories for approximately 51 percent and 48 percent of total inventories at December 31, 2008 and June 30, 2008, respectively. 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 our projections of expected year-end inventory levels and costs. Therefore, the interim financial results are subject to any final year-end LIFO inventory adjustments.

Inventories consisted of the following:

(in thousands)	December 31, 2008	June 30, 2008
Finished goods	\$290,753	\$288,188
Work in process and powder blends	177,440	176,680
Raw materials and supplies	83,350	75,999
Inventories at current cost	551,543	540,867
Less: LIFO valuation	(86,859)	(80,067)
Total inventories	\$464,684	\$460,800

9. ENVIRONMENTAL MATTERS

We are subject to various U.S. Federal, state and international environmental laws and regulatory requirements and are involved from time to time in investigations or proceedings of various potential environmental issues concerning activities at our facilities or former facilities or remediation efforts as a result of past activities (including past activities of companies we have acquired). From time to time, we receive notices from the U.S. Environmental Protection Agency or equivalent state or international environmental agencies that we are a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as the "Superfund Act") and/or equivalent laws. These notices assert potential liability for cleanup costs at various sites, which include sites owned by us, sites we previously owned and treatment or disposal sites not owned by us.

Superfund Sites We are involved as a PRP at several Superfund sites, and have responded to notices for other Superfund sites as to which our records disclose no involvement or for which predecessors of certain of our acquired companies have acknowledged responsibility. We have established reserves that we believe to be adequate to cover our share of the potential costs of remediation at certain of the Superfund sites; at December 31, 2008 the total of these accruals was \$0.2 million. For the remaining Superfund sites, proceedings in those matters have not yet progressed to a stage where it is possible to estimate the ultimate cost of remediation, the timing and extent of remedial action that may be required by governmental authorities or the amount of our liability alone or in relation to that of any other PRPs.

Other Environmental Issues We also maintain reserves for other potential environmental issues. At December 31, 2008, the total of these accruals was \$5.2 million and represents anticipated costs associated with the remediation of these issues. We recorded favorable foreign currency translation adjustments of \$0.8 million during the six months ended December 31, 2008 related to these reserves.

KENNAMETAL INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****10. INCOME TAXES**

The effective income tax rate for the three months ended December 31, 2008 and 2007 was 23.2 percent and 17.3 percent, respectively. The increase in the rate from the prior year was primarily the result of the impacts of restructuring and related charges in the current year and a benefit in the prior year associated with a dividend reinvestment plan in China. The impact of these items was partially offset by a benefit in the current quarter from the completion of a routine income tax examination for certain prior fiscal years.

The effective income tax rate for the six months ended December 31, 2008 and 2007 was 20.3 percent and 27.1 percent, respectively. The decrease in the rate from the prior year was driven by a non-cash income tax charge related to a German tax reform bill that adversely impacted the prior year, the release of a valuation allowance in Europe in the first quarter of the current year, and a benefit in the current year from the completion of a routine income tax examination for certain prior fiscal years. The impact of these items was partially offset by the impact of restructuring and related charges in the current year.

11. EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of shares outstanding during the period, while diluted earnings per share is calculated to reflect the potential dilution that occurs related to the issuance of capital stock under stock option grants, restricted stock awards and restricted stock unit grants. The difference between basic and diluted earnings per share relates solely to the effect of capital stock options and restricted stock awards.

For purposes of determining the number of diluted shares outstanding, weighted average shares outstanding for basic earnings per share calculations were increased due solely to the dilutive effect of unexercised capital stock options and restricted stock awards by 0.6 million shares and 1.5 million shares for the three months ended December 31, 2008 and 2007, respectively, and 0.8 million shares and 1.6 million shares for the six months ended December 31, 2008 and 2007, respectively. Unexercised stock options to purchase our capital stock of 3.4 million shares for the three months ended December 31, 2008, and 2.0 million shares for the six months ended December 31, 2008, are not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price, and therefore their inclusion would have been anti-dilutive.

12. COMPREHENSIVE (LOSS) INCOME

Comprehensive (loss) income is as follows:

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
Net income	\$ 15,659	\$50,146	\$ 51,126	\$ 85,025
Unrealized gain on derivatives designated and qualified as cash flow hedges, net of income tax	130	310	1,131	381
Reclassification of unrealized loss (gain) on expired derivatives designated and qualified as cash flow hedges, net of income tax	2,220	(658)	4,866	(2,098)
Unrecognized net pension and other postretirement benefit gains (losses), net of income tax	3,143	(85)	4,564	(555)
Reclassification of net pension and other postretirement benefit losses, net of income tax	566	340	898	666
Foreign currency translation adjustments, net of income tax	(48,736)	24,935	(141,415)	58,198
Comprehensive (loss) income	\$(27,018)	\$74,988	\$ (78,830)	\$141,617

KENNAMETAL INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****13. GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill represents the excess of cost over the fair value of acquired companies. Goodwill and intangible assets with indefinite lives are tested at least annually for impairment. We perform our annual impairment tests during the June quarter in connection with our annual planning process. We also perform specific impairment tests on an interim basis if we deem that a triggering event indicating impairment of the goodwill for a reporting unit or an indefinite-lived intangible asset may have occurred. We evaluate the recoverability of goodwill for each of our reporting units by comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples based upon historical and projected financial information. We apply our best judgment when assessing the reasonableness of the financial projections used to determine the fair value of each reporting unit. We evaluate the recoverability of indefinite-lived intangible assets using a discounted cash flow analysis based on projected financial information. This evaluation is sensitive to changes in market interest rates and other external factors.

A possible indicator of impairment is the relationship of a company's market capitalization to its book value. As of December 31, 2008, our market capitalization exceeded our book value. The persistence or further acceleration of the recent downturn in global economic conditions and turbulence in financial markets could have a further negative impact on our market capitalization and/or financial performance. Going forward, this could increase the likelihood of future non-cash impairment charges related to our goodwill or indefinite-lived intangible assets.

The carrying amount of goodwill attributable to each segment is as follows:

(in thousands)	June 30, 2008	Acquisitions	Adjustments	Translation	December 31, 2008
MSSG	\$282,187	\$ —	\$248	\$(19,034)	\$263,401
AMSG	326,332	21,260	—	(6,775)	340,817
Total	\$608,519	\$21,260	\$248	\$(25,809)	\$604,218

During the six months ended December 31, 2008, we completed a business acquisition in our AMSG segment for a net purchase price of \$63.9 million, which generated AMSG goodwill of \$21.3 million based on final purchase price allocation.

The components of other intangible assets and their useful lives are as follows:

(in thousands)	Estimated Useful Life (in years)	December 31, 2008		June 30, 2008	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract-based	4 to 15	\$ 6,344	\$ (4,639)	\$ 6,237	\$ (4,469)
Technology-based and other	4 to 15	38,799	(17,067)	41,461	(16,850)
Customer-related	5 to 20	111,137	(19,128)	109,387	(16,233)
Unpatented technology	30	19,456	(3,322)	19,725	(2,955)
Trademarks	5 to 10	9,782	(1,995)	5,788	(1,503)
Trademarks	Indefinite	50,463	—	53,615	—
Total		\$235,981	\$(46,151)	\$236,213	\$(42,010)

As a result of the recent business acquisition discussed above, we recorded \$10.7 million of identifiable intangible assets based on our aforementioned purchase price allocations as follows: Contract-based of \$0.2 million, Customer-related of \$6.3 million and Trademarks of \$4.2 million. During the six months ended December 31, 2008, we also incurred \$8.4 million in unfavorable foreign currency translation adjustments and amortization expense of \$6.7 million

KENNAMETAL INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****14. SEGMENT DATA**

We operate two reportable operating segments consisting of MSSG and AMMSG, and Corporate. We do not allocate certain corporate shared service costs, certain employee benefit costs, certain employment costs, such as performance-based bonuses and stock-based compensation expense, interest expense, other expense, income taxes or minority interest to our operating segments.

Our external sales, intersegment sales and operating income by segment are as follows:

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
External sales:				
MSSG	\$344,630	\$434,733	\$ 775,916	\$ 842,430
AMMSG	224,054	212,690	462,033	420,069
Total external sales	\$568,684	\$647,423	\$1,237,949	\$1,262,499
Intersegment sales:				
MSSG	\$ 36,353	\$ 39,186	\$ 87,043	\$ 82,317
AMMSG	4,662	9,695	11,615	20,548
Total intersegment sales	\$ 41,015	\$ 48,881	\$ 98,658	\$ 102,865
Total sales:				
MSSG	\$380,983	\$473,919	\$ 862,959	\$ 924,747
AMMSG	228,716	222,385	473,648	440,617
Total sales	\$609,699	\$696,304	\$1,336,607	\$1,365,364
Operating income (loss):				
MSSG	\$ 7,827	\$ 61,986	\$ 51,138	\$ 117,338
AMMSG	19,437	27,197	49,427	57,177
Corporate	(3,770)	(19,792)	(23,796)	(41,010)
Total operating income	\$ 23,494	\$ 69,391	\$ 76,769	\$ 133,505

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

RESULTS OF OPERATIONS

SALES

Sales for the three months ended December 31, 2008 were \$568.7 million, a decrease of \$78.7 million, or 12.2 percent, from \$647.4 million in the prior year quarter. The decrease in sales was due to 10 percent organic decline and 5 percent from unfavorable foreign currency effects partially offset by the net favorable impact of acquisitions and divestitures of 2 percent and more workdays of 1 percent. On a global basis, industrial production declined in contrast to the prior year quarter. Demand in most industry and market sectors weakened considerably in the latter half of the current year quarter.

Sales for the six months ended December 31, 2008 were \$1,238.0 million, a decrease of \$24.5 million, or 1.9 percent, from \$1,262.5 million in the same period a year ago. The decrease in sales was primarily due to 3 percent organic decline partially offset by more workdays of 1 percent. Organic sales declined in all major metalworking markets except for Latin America and Asia Pacific. Organic sales increased in our advanced materials business primarily due to stronger sales of energy and related products as well as higher sales of mining and construction products partially offset by lower sales of engineered products.

GROSS PROFIT

Gross profit for the three months ended December 31, 2008 decreased \$57.6 million, or 26.1 percent, to \$163.3 million from \$220.9 million in the prior year quarter. This decrease was primarily due to lower organic sales volume, reduced absorption of manufacturing costs due to lower production levels, unfavorable impact of foreign currency effects of \$7.2 million, temporary disruption effects from restructuring programs, unfavorable business unit mix as well as restructuring and related charges of \$3.9 million. Improved price realization more than offset the impact of higher raw material costs and the net favorable impact of acquisitions and divestitures was \$7.4 million for the current quarter.

Gross profit margin for the three months ended December 31, 2008 was 28.7 percent, down 540 basis points from 34.1 percent in the prior year quarter. The change from the prior year quarter was primarily due to reduced absorption of manufacturing costs due to lower production levels, temporary disruption costs from restructuring programs as well as the unfavorable impact of restructuring and related charges of 70 basis points and less favorable business unit mix partially offset by the net favorable impact of improved price realization.

Gross profit for the six months ended December 31, 2008 decreased \$50.9 million, or 11.8 percent, to \$382.1 million from \$433.0 million in the prior year quarter. The decrease was primarily due to lower organic sales volume, reduced absorption of manufacturing costs due to lower production levels, temporary disruption effects from restructuring programs and less favorable business unit mix as well as restructuring and related charges of \$4.6 million. Improved price realization more than offset the impact of higher raw material costs, whereas the net favorable impact of acquisitions and divestitures was \$6.7 million and foreign currency effects were favorable by \$4.1 million for the current period.

Gross profit margin for the six months ended December 31, 2008 was 30.9 percent, down 340 basis points from 34.3 percent in the prior year period. The change from the prior year period was primarily due to reduced absorption of manufacturing costs due to lower production levels, temporary disruption costs from restructuring programs and the unfavorable impact of restructuring and related charges of 30 basis points as well as less favorable business unit mix partially offset by the net favorable impact of price realization.

OPERATING EXPENSE

Operating expense for the three months ended December 31, 2008 was \$130.3 million, a decrease of \$17.6 million, or 11.9 percent, compared to \$147.9 million in the prior year quarter. The decrease is attributable to an \$11.8 million decrease in employment expenses driven by lower provisions for employee incentive compensation programs, favorable impact of foreign currency effects of \$6.4 million and the impact of other cost reductions of \$3.2 million offset somewhat by the net unfavorable impact of acquisitions and divestitures of \$3.8 million.

Operating expense for the six months ended December 31, 2008 was \$284.0 million, a decrease of \$9.0 million, or 3.0 percent, compared to \$293.0 million in the prior year period. The decrease is attributable to a \$10.6 million decrease in employment expenses driven by lower provisions for employee incentive compensation programs as well as the impact of other cost reductions of \$2.7 million offset somewhat by the net unfavorable impact of acquisitions and divestitures of \$3.2 million and unfavorable foreign currency effects of \$1.2 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESTRUCTURING CHARGES

As previously announced, the Company continued to implement certain restructuring plans to reduce costs and improve efficiency in our operations. The actions taken in 2009 related to facility rationalizations and employment reductions. For the three and six months ended December 31, 2008, we recorded restructuring charges of \$6.2 million and \$14.6 million, respectively. For the three months ended December 31, 2008, restructuring charges for MSSG and AMMSG were \$4.5 million and \$1.7 million, respectively. For the six months ended December 31, 2008, restructuring charges for MSSG, AMMSG and Corporate were \$11.2 million, \$2.9 million and \$0.5 million, respectively. See Note 5 to our condensed consolidated financial statements set forth in Part 1 Item 1 of this Form 10-Q.

The actions being taken pursuant to our restructuring plans are expected to be completed over the next six to nine months. The restructuring and related charges recorded through December 31, 2008 were \$27.5 million. Including these charges, the company expects to recognize approximately \$90 million of pre-tax charges related to its restructuring plans. Approximately 95 percent of these charges are expected to be cash expenditures. Annual ongoing benefits from these actions, once fully implemented, are expected to be approximately \$100 million.

AMORTIZATION OF INTANGIBLES

Amortization expense was \$3.3 million for the three months ended December 31, 2008, a decrease of \$0.3 million from \$3.6 million in the prior year quarter. Amortization expense was \$6.7 million for the six months ended December 31, 2008, an increase of \$0.1 million from \$6.6 million in the prior year period.

INTEREST EXPENSE

Interest expense for the three months ended December 31, 2008 of \$8.0 million decreased \$0.5 million, or 5.9 percent, from \$8.5 million in the prior year quarter. The impact of an increase in average domestic borrowings of \$195.0 million was more than offset by the impact of a 220 basis point decrease in average interest rates on domestic borrowings. The increase in these borrowings was driven by first quarter share repurchases for \$127.5 million and a cash outlay of \$65.0 million in the second quarter for a business acquisition.

Interest expense for the six months ended December 31, 2008 of \$15.1 million decreased \$1.2 million, or 7.3 percent, from \$16.3 million in the prior year period. The impact of an increase in average domestic borrowings of \$153.0 million due to the factors discussed above was more than offset by the impact of a 220 basis point decrease in average interest rates on domestic borrowings.

OTHER INCOME, NET

Other income, net for the three months ended December 31, 2008 and 2007 was \$4.8 million and \$1.0 million, respectively. The change was primarily driven by favorable foreign currency transaction results of \$2.4 million.

Other income, net for the six months ended December 31, 2008 and 2007 was \$3.4 million and \$2.1 million, respectively. The change was primarily driven by an increase in interest income of \$1.2 million.

INCOME TAXES

The effective income tax rate for the three months ended December 31, 2008 and 2007 was 23.2 percent and 17.3 percent, respectively. The increase in the rate from the prior year was primarily the result of the impacts of restructuring and related charges in the current year and a benefit in the prior year associated with a dividend reinvestment plan in China. The impact of these items was partially offset by a benefit in the current quarter from the completion of a routine income tax examination for certain prior fiscal years.

The effective income tax rate for the six months ended December 31, 2008 and 2007 was 20.3 percent and 27.1 percent, respectively. The decrease in the rate from the prior year was driven by a non-cash income tax charge related to a German tax reform bill that adversely impacted the prior year, the release of a valuation allowance in Europe in the first quarter of the current year, and a benefit in the current year from the completion of a routine income tax examination for certain prior fiscal years. The impact of these items was partially offset by the impact of restructuring and related charges in the current year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**BUSINESS SEGMENT REVIEW**

Our operations are organized into two reportable operating segments consisting of Metalworking Solutions & Services Group (MSSG) and Advanced Materials Solutions Group (AMSG), and Corporate. The presentation of segment information reflects the manner in which we organize segments for making operating decisions and assessing performance. Corporate represents certain corporate shared service costs, employee benefit costs, employment costs, including performance-based bonuses and stock-based compensation expense, and eliminations of operating results between segments.

METALWORKING SOLUTIONS & SERVICES GROUP

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
External sales	\$344,630	\$434,733	\$775,916	\$842,430
Intersegment sales	36,353	39,186	87,043	82,317
Operating income	7,827	61,986	51,138	117,338

For the three months ended December 31, 2008, MSSG external sales decreased \$90.1 million, or 20.7 percent, from the prior year quarter. This decrease was the result of an organic sales decline of 15 percent, unfavorable foreign currency effects of 5 percent and 1 percent from the impact of divestitures. On a global basis, industrial production declined in contrast to the prior year quarter. Demand in most industry and market sectors weakened considerably in the latter half of the current year quarter. On a regional basis, Europe, India and North America reported organic sales declines of 17 percent, 17 percent and 16 percent, respectively, for the current year quarter. Asia Pacific and Latin America also experienced organic sales declines of 9 percent and 2 percent, respectively.

For the three months ended December 31, 2008, MSSG operating income decreased \$54.2 million, or 87.4 percent, from the prior year quarter. Operating margin on total sales was 2.1 percent for the current quarter as compared to 13.1 percent in the prior year quarter. The primary drivers of the decline in operating margin were reduced absorption of manufacturing costs due to lower production levels and temporary disruption effects related to restructuring initiatives as well as restructuring and related charges of \$7.3 million. The impact of recent price increases essentially offset the effect of higher raw material costs.

For the six months ended December 31, 2008, MSSG external sales decreased \$66.5 million, or 7.9 percent, from the prior year period. This decrease was the result of an organic sales decline of 8 percent and 1 percent from the impact of divestitures partially offset by the favorable impact of more workdays of 1 percent. On a regional basis, North America, Europe and India reported organic sales declines of 12 percent, 8 percent and 6 percent, respectively for the current period. Asia Pacific and Latin America experienced organic sales growth of 6 percent and 3 percent, respectively, for the same period.

For the six months ended December 31, 2008, MSSG operating income decreased \$66.2 million, or 56.4 percent, from the prior year period. Operating margin on total sales was 5.9 percent for the current period as compared to 12.7 percent in the prior year period. The primary drivers of the decline in operating margin were reduced absorption of manufacturing costs due to lower production levels and temporary disruption effects related to restructuring initiatives as well as restructuring and related charges of \$14.5 million. The impact of recent price increases nearly offset the effect of higher raw material costs.

ADVANCED MATERIALS SOLUTIONS GROUP

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
External sales	\$224,054	\$212,690	\$462,033	\$420,069
Intersegment sales	4,662	9,695	11,615	20,548
Operating income	19,437	27,197	49,427	57,177

For the three months ended December 31, 2008, AMSG external sales increased \$11.4 million, or 5.3 percent, from the prior year quarter. This increase was the result of 8 percent from the impact of acquisitions partially offset by 3 percent from unfavorable foreign currency effects. Organic sales were flat as increased mining and construction sales and higher energy-related sales were offset by lower sales of engineered products.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

For the three months ended December 31, 2008, AMSG operating income decreased \$7.8 million, or 28.5 percent, from the prior year quarter. Operating margin on total sales was 8.5 percent in the current quarter as compared to 12.2 percent in the prior year quarter. The decline was primarily due to restructuring and related charges of \$2.8 million, unfavorable business mix and lower performance in the engineered products business. Improved price realization more than offset the impact of higher raw material costs.

For the six months ended December 31, 2008, AMSG external sales increased \$42.0 million, or 10.0 percent, from the prior year period. This was the result of 5 percent organic growth, 4 percent from the favorable impact of acquisitions and 1 percent from more workdays. Organic sales increased due to stronger energy-related and mining and construction product sales, offset somewhat by lower sales of engineered products.

For the six months ended December 31, 2008, AMSG operating income decreased \$7.8 million, or 13.6 percent, from the prior year period. Operating margin on total sales was 10.4 percent in the current period as compared to 13.0 percent in the prior year period. This decline was primarily due to restructuring and related charges of \$4.2 million, unfavorable business mix and lower performance in the engineered products business. Improved price realization more than offset the impact of higher raw material costs for the current period.

CORPORATE

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
Operating loss	\$(3,770)	\$(19,792)	\$(23,796)	\$(41,010)

For the three months ended December 31, 2008, operating loss decreased \$16.0 million, or 81.0 percent, compared to the prior year quarter, primarily due to lower provisions for employee incentive compensation programs.

For the six months ended December 31, 2008, operating loss decreased \$17.2 million, or 42.0 percent, compared to the prior year period, primarily due to lower provisions for employee incentive compensation programs and the impact of continued cost containment efforts.

LIQUIDITY AND CAPITAL RESOURCES

Despite the recent unprecedented turmoil in the global financial markets, we continue to believe that cash flow from operations and the availability under our credit lines will be sufficient to meet our cash requirements for the foreseeable future. At December 31, 2008, we had cash and cash equivalents of \$69.7 million. Also at December 31, 2008, we had remaining borrowing capacity of \$324.9 million available under our multi-currency, revolving credit line which extends to March 2011. Our current senior credit ratings are at investment grade levels. We believe that our current financial position, liquidity and credit ratings provide access to the capital markets. We continue to closely monitor our liquidity position and the condition of the capital markets as well as the counterparty risk of our credit providers.

There have been no material changes in our contractual obligations and commitments since June 30, 2008.

Cash Flow Provided by Operating Activities

Cash flow from operations is our primary source of financing for capital expenditures and internal growth. During the six months ended December 31, 2008, cash flow provided by operating activities was \$115.5 million, compared to \$68.9 million for the prior year period. Cash flow provided by operating activities for the current year period consisted of net income and non-cash items totaling \$108.2 million and changes in certain assets and liabilities netting to \$7.3 million. Contributing to these changes were a decrease in accounts receivable of \$113.2 million partially offset by a decrease in accounts payable and accrued liabilities of \$78.8 million due in part to a \$14.3 million payment of 2008 performance-based bonuses, and an increase in inventories of \$24.2 million.

During the six months ended December 31, 2007, cash flow provided by operating activities was \$68.9 million and consisted of net income and non-cash items totaling \$144.9 million offset somewhat by changes in certain assets and liabilities netting to \$76.0 million. Contributing to these changes were a decrease in accounts payable and accrued liabilities of \$60.7 million partially driven by a \$15.1 million payment of 2007 performance-based bonuses, an increase in inventories of \$39.9 million due to higher raw material prices and initiatives to increase service levels, and a decrease in accounts receivable of \$45.5 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Cash Flow Used for Investing Activities

Cash flow used for investing activities was \$132.2 million for the six months ended December 31, 2008, an increase of \$66.8 million, compared to \$65.4 million in the prior year period. During the six months ended December 31, 2008, cash used for investing activities included \$68.7 million used for purchases of property, plant and equipment, which consisted primarily of equipment upgrades, and \$65.4 million used for the acquisition of business assets.

For the six months ended December 31, 2007, cash flow used for investing activities was \$65.4 million and included \$79.6 million used for purchases of property, plant and equipment, which consisted primarily of equipment upgrades and geographical expansion, partially offset by proceeds from the sale of investments in affiliated companies of \$5.9 million and proceeds from divestitures of \$3.0 million.

Cash Flow Provided by Financing Activities

Cash flow provided by financing activities was \$25.9 million for the six months ended December 31, 2008, an increase of \$22.0 million, compared to \$3.9 million in the prior year period. During the six months ended December 31, 2008, cash flow provided by financing activities included a \$163.7 million net increase in borrowings and \$3.8 million of dividend reinvestment and the effect of employee benefit and stock plans partially offset by \$127.5 million used for the repurchase of capital stock and \$17.9 million of cash dividends paid to shareowners.

During the six months ended December 31, 2007, cash flow provided by financing activities was \$3.9 million and included a \$65.2 million net increase in borrowings and \$11.9 million of dividend reinvestment and the effect of employee benefit and stock plans, mostly offset by \$55.4 million for the repurchase of capital stock and \$17.5 million of cash dividends paid to shareowners.

FINANCIAL CONDITION

At December 31, 2008, total assets were \$2,625.4 million having decreased \$158.9 million from \$2,784.3 million at June 30, 2008. Total liabilities increased \$60.6 million from \$1,114.9 million at June 30, 2008 to \$1,175.5 million at December 31, 2008.

Working capital was \$590.9 million at December 31, 2008, a decrease of \$39.8 million or 6.3 percent from \$630.7 million at June 30, 2008. The decrease in working capital included a decrease in accounts receivable of \$145.4 million, a decrease in accounts payable of \$60.3 million and a decrease in accrued expenses of \$31.2 million driven partially by the payment of 2008 performance-based bonuses of \$14.3 million. Foreign currency effects accounted for \$42.4 million, \$8.9 million and \$9.8 million of the decreases in accounts receivable, accounts payable and accrued liabilities, respectively.

Property, plant and equipment, net decreased \$13.8 million from \$749.8 million at June 30, 2008 to \$736.0 million at December 31, 2008, primarily due to the unfavorable impact of foreign currency effects of \$38.9 million and depreciation expense of \$42.2 million partially offset by the impact from a business acquisition of \$14.5 million and capital additions of \$53.1 million.

At December 31, 2008, other assets were \$885.2 million, an increase of \$2.6 million from \$882.6 million at June 30, 2008. The primary drivers for the increase were an increase in goodwill and other intangible assets of \$32.0 million due to a business acquisition and an increase in the fair value of derivative contracts of \$13.7 million partially offset by unfavorable foreign currency effects of \$42.9 million and amortization of intangible assets of \$6.7 million.

Long-term debt and capital leases increased \$166.5 million from \$313.1 million at June 30, 2008 to \$479.6 million at December 31, 2008 primarily due to borrowings for the repurchase of capital stock during the September quarter of \$127.5 million and cash used for the acquisition of business assets for the six months ended December 31, 2008 of \$65.4 million.

Shareowners' equity was \$1,430.7 million at December 31, 2008, a decrease of \$217.2 million from \$1,647.9 million at June 30, 2008. The decrease was primarily attributed to a reduction from foreign currency translation adjustments of \$141.0 million, the purchase of capital stock of \$127.5 million and cash dividends paid to shareowners of \$17.9 million partially offset by net income of \$51.1 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

ENVIRONMENTAL MATTERS

We are subject to various U.S. Federal, state and international environmental laws and regulatory requirements and are involved from time to time in investigations or proceedings of various potential environmental issues concerning activities at our facilities or former facilities or remediation efforts as a result of past activities (including past activities of companies we have acquired). From time to time, we receive notices from the U.S. Environmental Protection Agency or equivalent state or international environmental agencies that we are a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as the "Superfund Act") and/or equivalent laws. These notices assert potential liability for cleanup costs at various sites, which include sites owned by us, sites we previously owned and treatment or disposal sites not owned by us.

Superfund Sites We are involved as a PRP at several Superfund sites, and have responded to notices for other Superfund sites as to which our records disclose no involvement or for which predecessors of certain of our acquired companies have acknowledged responsibility. We have established reserves that we believe to be adequate to cover our share of the potential costs of remediation at certain of the Superfund sites; at December 31, 2008 the total of these accruals was \$0.2 million. For the remaining Superfund sites, proceedings in those matters have not yet progressed to a stage where it is possible to estimate the ultimate cost of remediation, the timing and extent of remedial action that may be required by governmental authorities or the amount of our liability alone or in relation to that of any other PRPs.

Other Environmental Issues We also maintain reserves for other potential environmental issues. At December 31, 2008, the total of these accruals was \$5.2 million and represents anticipated costs associated with the remediation of these issues. We recorded favorable foreign currency translation adjustments of \$0.8 million during the six months ended December 31, 2008 related to these reserves.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of cost over the fair value of acquired companies. Goodwill and intangible assets with indefinite lives are tested at least annually for impairment. We perform our annual impairment tests during the June quarter in connection with our annual planning process. We also perform specific impairment tests on an interim basis if we deem that a triggering event indicating impairment of the goodwill for a reporting unit or an indefinite-lived intangible asset may have occurred. We evaluate the recoverability of goodwill for each of our reporting units by comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples based upon historical and projected financial information. We apply our best judgment when assessing the reasonableness of the financial projections used to determine the fair value of each reporting unit. We evaluate the recoverability of indefinite-lived intangible assets using a discounted cash flow analysis based on projected financial information. This evaluation is sensitive to changes in market interest rates and other external factors.

A possible indicator of impairment is the relationship of a company's market capitalization to its book value. As of December 31, 2008, our market capitalization exceeded our book value. The persistence or further acceleration of the recent downturn in global economic conditions and turbulence in financial markets could have a further negative impact on our market capitalization and/or financial performance. Going forward, this could increase the likelihood of future non-cash impairment charges related to our goodwill or indefinite-lived intangible assets.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES

There have been no material changes to our critical accounting policies since June 30, 2008.

NEW ACCOUNTING STANDARDS

See Note 3 to our condensed consolidated financial statements set forth in Part 1 Item 1 of this Form 10-Q for a description of new accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have experienced certain changes in our exposure to market risk from June 30, 2008. The fair value of our interest rate swap agreements was an asset of \$14.4 million as of December 31, 2008 and an asset of \$0.7 million as of June 30, 2008. We recorded the change in fair value of these agreements as a gain in other comprehensive income and a corresponding decrease to long-term debt, as these instruments are accounted for as a fair value hedge of our long-term debt. The \$13.7 million change in the recorded value of these agreements was non-cash and was the result of marking these instruments to market.

There have been no other material changes to our market risk exposure since June 30, 2008.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report on Form 10-Q, the Company's management evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). The Company's disclosure controls were designed to provide a reasonable assurance that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. However, the controls have been designed to provide reasonable assurance of achieving the controls' stated goals. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 through October 31, 2008	2,117	\$20.94	—	—
November 1 through November 30, 2008	11,562	17.11	—	—
December 1 through December 31, 2008	1,668	18.36	—	—
Total	15,347	\$17.77	—	—

- (1) During the three months ended December 31, 2008, employees delivered 3,834 shares of restricted stock to Kennametal, upon vesting, to satisfy tax-withholding requirements. Also during the three months ended December 31, 2008, 11,513 shares were purchased on the open market on behalf of Kennametal to fund the Company's dividend reinvestment program.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The information set forth in Part II, Item 4 of the Company's September 30, 2008 Form 10-Q is incorporated herein by reference.

ITEM 6. EXHIBITS

(10)	Material Contracts	
(10.1)*	Deferred Fee Plan for Outside Directors, as amended	Filed herewith.
(10.2)*	Directors Stock Incentive Plan, as amended	Filed herewith.
(10.3)*	Performance Bonus Stock Plan of 1995, as amended	Filed herewith.
(10.4)*	Kennametal Inc. Stock and Incentive Plan of 2002 (as amended on October 21, 2008)	Appendix A to the 2008 Proxy Statement filed September 8, 2008 is incorporated herein by reference.
(10.5)*	Amendment No. 3 to Employment Agreement with Carlos M. Cardoso	Filed herewith.
(10.6)*	Form of Amendment to Amended and Restated Employment Agreement with Named Executive Officers (other than Mr. Cardoso)	Filed herewith.
(10.7)*	Schedule of Named Executive Officers who have entered into the Amendment to the Amended and Restated Employment Agreement as set forth in Exhibit 10.6.	Filed herewith.
(10.8)*	Kennametal Inc. 2006 Executive Retirement Plan (as amended effective December 30, 2008)	Filed herewith.
(10.9)*	Kennametal Inc. Supplemental Executive Retirement Plan (as amended effective December 30, 2008)	Filed herewith.
(31)	Rule 13a-14a/15d-14(a) Certifications	
(31.1)	Certification executed by Carlos M. Cardoso, Chairman, President and Chief Executive Officer of Kennametal Inc.	Filed herewith.
(31.2)	Certification executed by Frank P. Simpkins, Vice President and Chief Financial Officer of Kennametal Inc.	Filed herewith.
(32)	Section 1350 Certifications	
(32.1)	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Carlos M. Cardoso, Chairman, President and Chief Executive Officer of Kennametal Inc., and Frank P. Simpkins, Vice President and Chief Financial Officer of Kennametal Inc.	Filed herewith.

* Denotes management contract or compensatory plan or arrangement.

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: February 4, 2009

By: /s/ Wayne D. Moser

Wayne D. Moser

Vice President Finance and Corporate Controller

KENNAMETAL INC.

DEFERRED FEE PLAN FOR OUTSIDE DIRECTORS**As Amended and Restated on December 30, 2008****1. Name and General Provisions**

This plan is known as the Kennametal Inc. Deferred Fee Plan for Outside Directors (the "Plan") and is maintained by Kennametal Inc. (the "Company") for the benefit of non-employee members of the Board of Directors of the Company, and is designed to permit such non-employee members of the Board of Directors to defer all or a portion of their service cash fees as provided more fully herein. The Plan is amended and restated as set forth herein to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("Section 409A").

2. Eligibility

Only those members of the Board of Directors of the Company who are not otherwise employed by the Company or any subsidiary or affiliate thereof in an executive or other capacity shall be eligible to participate in this Plan. For purposes of the Plan, such eligible persons are referred to as "Outside Directors."

3. Administration of the Plan

The Plan shall be administered by the Nominating/Corporate Governance Committee of the Board of Directors of the Company, or such other committee or person designated by the Company (hereinafter referred to as the "Administrator"). The Administrator has sole authority and discretion to decide all matters relating to the administration of the Plan, including, without limitation, the authority to interpret and construe the Plan, to make all determinations and take all other actions necessary or advisable for the administration of the Plan, and to delegate to employees of the Company the authority to perform administrative functions under the Plan. The Administrator's interpretation of this Plan shall be final and conclusive on all persons, subject to any interpretation by the Board of Directors of the Company.

4. Election to Defer Fees

An Outside Director may elect to defer all or a portion of the cash fees such person is entitled to receive from the Company for services as a director (including services on any Committee of the Board of Directors for which committee fees are specifically authorized) performed during any full calendar year in which the Plan is in effect. An election to defer receipt of fees with respect to any calendar year shall be irrevocable and shall be made in writing, on a form prescribed by the Administrator, prior to the beginning of such calendar year (or such other date as permitted by the Committee to the extent consistent with Section 409A). A director electing to defer fees shall, as part of the election, select the time and manner of payment of deferred fees, all as more fully described herein.

An Outside Director who first becomes eligible to participate in the Plan may, to the extent permitted by the Administrator, file an election (“Initial Election”) at any time prior to the 30-day period following the date on which the Outside Director initially becomes eligible to participate in the Plan. Any such Initial Election shall only apply to fees earned and payable for services rendered after the date on which the Initial Election is delivered to the Administrator and becomes irrevocable. Accordingly, if an Initial Election is made in the first-year of eligibility but after the beginning of the performance period, then, with respect to fees that are earned based on a specific performance period, the Initial Election shall only apply to the total amount of any such fees multiplied by the ratio of (i) the number of days remaining in the performance period after the Initial Election to (ii) the total number of days in the performance period.

5. Continuation and Termination of Deferral

Except as otherwise specifically provided in a deferral election form, an deferral election shall remain in effect only for the calendar year to which it applies.

6. Plan Account

Deferred fees shall be credited by the Company in an “Interest Account” established for the Outside Director. The Plan shall be unfunded; and payments of deferred fees shall be made out of the general corporate funds of the Company. The designation of a deferred fee account as an Interest Account is for bookkeeping purposes of the Plan only and shall not be interpreted as establishing an independent, separately identified account of the Company. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any unsecured creditor of the Company. The Administrator may establish one or more Interest Accounts for an Outside Director as deemed necessary or appropriate for the proper administration of the Plan.

7. Interest Account

Deferred fees shall be credited to an Outside Director’s Interest Account as of such times or times as shall be determined by the Administrator, and such deferred fees shall earn interest monthly at an annual rate of interest equal to a rate of two interest percentage points below average prime interest per annum for the previous month. Interest rate shall be calculated and interest amount credited to the Interest Account on first business day of each month for the previous month. Interest shall accrue on deferred fees in the Interest Account from the date such fees would have been paid without deferral until the date of payment.

8. Payment of Deferred Fees

In accordance with the procedures established by the Administrator, an Outside Director shall select, in his or her deferral election form, one of the following methods of payment for the deferred directors’ fees and interest/accumulations thereon,:

- (a) In full on a specified date; or

(b) In full or in annual installments beginning on the Director's separation from service with the Board of Directors. Installment payments shall be made in substantially equal amounts over the period of months/years elected by the Outside Director and shall be paid monthly/annually beginning on the date of the Outside Director's separation from service and continuing on each succeeding monthly/annual anniversary date thereof until fully paid.

Notwithstanding the payment instructions of the Outside Director, at the death of an Outside Director, any deferred fees remaining unpaid at the date of death will be paid to the Outside Director's designated beneficiary (if any) or to his estate, in full on the 30th day following the date of the Outside Director's death (or the next business day if such day is not a business day). All such beneficiary designations shall be made in writing on a form approved by the Administrator, signed by the Outside Director and delivered to the Administrator. An Outside Director may from time to time revoke or change any such beneficiary designation by written notice to the Company. If there is no beneficiary designation on file with the Administrator at the time of the Outside Director's death, or if the person or persons designated therein shall have all predeceased the Outside Director or otherwise ceased to exist, such distributions shall be made to the Outside Director's estate.

9. Modifications to Distribution Elections

Subject to such restrictions as may be established by the Administrator, in its discretion, an Outside Director may modify a prior distribution election by submitting a subsequent written distribution election (on a form approved and prescribed by the Administrator); provided, however, a prior distribution election may only be changed if the following requirements are satisfied: (i) the change will not take effect until twelve (12) months after the election is made; (ii) the change must be made at least twelve (12) months prior to the previously scheduled payment date (or initial scheduled payment date in the case of installment payments); and (iii) the payment with respect to which the change is made must be deferred for at least five (5) years from the date the payment would otherwise have been made (or initial scheduled payment date in the case of installment payments); provided, further, the Administrator may, in its discretion, authorize an Outside Director to change a distribution election under any applicable transition rule authorized under Section 409A to the extent consistent therewith.

10. Amendment or Termination

This Plan may be amended from time to time or may be terminated at any time by resolution of the Board of Directors of the Company, provided that no amendment or termination shall affect the rights of any person to amounts which have been deferred under the Plan; provided, further, termination of the Plan shall not be a distribution event under the Plan unless otherwise permitted under Section 409A and other applicable law. Notwithstanding the foregoing or any provision of this Plan to the contrary, the Board of Directors of the Company may, in its sole discretion and without the Outside Director's consent, modify or amend the terms of the Plan or an election, or take any other action it deems necessary or advisable, to cause the Plan to comply with Section 409A (or an exception thereto).

11. Nonassignability

No director, beneficiary or any other person or entity shall have any power to commute, encumber, sell or otherwise dispose of the rights provided herein; and such rights shall be nonassignable and nontransferable.

12. Noncompetition

During the period of a director's tenure on the Board of Directors and the deferral and payment of any fees hereunder, the director will not, 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 whatever), 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 engaged in the provision of any service which competes with any service provided or under development by Kennametal, or any subsidiary or affiliate thereof or the production or sale of any product which competes with any product which is made, manufactured or under development, or is sold by Kennametal or any subsidiary or affiliate thereof (provided, however, that this provision is not intended to prohibit a director's purchasing, for investment, not in excess of five percent 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).

Notwithstanding any other provision of this Plan, the Outside Director acknowledges that a breach of this Paragraph 12 shall result in the forfeiture of any interest or accumulations on deferred fees credited to the Outside Director's Interest Account.

13. Section 409A

The provisions of this Plan and all elections made hereunder shall be administered, interpreted and construed in a manner necessary in order to comply with Section 409A or an exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted or construed). It is intended that distribution events authorized under this Plan qualify as a permissible distribution events for purposes of Section 409A, and the Plan shall be interpreted and construed accordingly in order to comply with Section 409A. The Company reserves the right to accelerate, delay or modify distributions to the extent permitted under Section 409A.

For purposes of Section 409A and the Plan: (i) the right to installment payments shall be treated as the right to a single payment for purposes of distribution and/or deferral elections; and (ii) a payment shall be treated as made on the scheduled payment date if such payment is made at such date or a later date in the same calendar year or, if later, by the 15th day of the third calendar month following the scheduled payment date. Except as specified in Paragraphs 8 and 9, an Outside Director shall have no right to designate the date of any payment under the Plan. Notwithstanding any provision herein to the contrary, if an Outside Director is a "specified employee" for purposes of Section 409A (as determined in accordance with the procedures established by the Company), any payment to the Outside Director due upon separation from

service will be delayed for a period of six months after the date of the Outside Director's separation from service (or, if earlier, the death of the Outside Director). Any payment that would otherwise have been due or owing during such six-month period will be paid on the first business day of the seventh month following the date of separation from service.

For purposes of the Plan, a "separation from service" shall mean the Outside Director's death, retirement or other termination of service, whether voluntary or involuntary, with the Company and all of its controlled group members within the meaning of Section 409A. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether an Outside Director has a separation from service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A.

Notwithstanding any provision of the Plan to the contrary contained herein and with respect to deferred compensation benefits that were earned and vested under this Plan prior to January 1, 2005 (as determined under Section 409A, "Grandfathered Benefits"), such Grandfathered Benefits shall be governed and administered solely by the terms of the Plan as in effect on December 31, 2004 as if such plan were a separate plan ("Grandfathered Plan", a copy of which attached hereto as Appendix I). No amendments or other modifications shall be made to the Grandfathered Plan except as specifically provided therein and as set forth in a separate writing thereto, and no amendment or modification to the Plan shall be construed as an amendment or modification to the Grandfathered Plan.

Notwithstanding any provision of this Plan to the contrary, to the extent the timing of any benefit payment due under this Plan was modified pursuant to the transition guidance provided by the Internal Revenue Service concerning the time and form of payment, any such modification shall only apply to amounts that would not otherwise be payable in 2008 and may not cause an amount to be paid in 2008 that would not otherwise be paid in 2008. To the extent any such payment cannot be made in 2008 under the transition guidance, such payment will be made in January 2009.

14. Governing Law/Severability

The Plan shall be governed by and construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania, without regard to its conflict of law provisions. If any provision of this Plan or the application thereof to any circumstance(s) or person(s) is held to be invalid by a court of competent jurisdiction, the remainder of the Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

[Signature on Following Page]

This amendment and restatement of the Plan has been duly executed by the undersigned and is effective this 30th day of December, 2008.

Kennametal Inc.

By: /s/ David W. Greenfield

Title: Vice President, Secretary and
General Counsel

KENNAMETAL INC.
DIRECTORS STOCK INCENTIVE PLAN
As Amended and Restated on December 30, 2008

ARTICLE I
General Provisions

Section 1.1 Establishment and Purpose. Kennametal Inc. (the “Company”) established and maintains the Kennametal Inc. Directors Stock Incentive Plan (the “Plan”) pursuant to which each member of the Board of Directors of the Company who is not an employee of the Company or any of its subsidiaries (a “Non-Employee Director”) shall be eligible: (a) to elect to receive shares of the Company’s capital stock, par value \$1.25 per share (the “Capital Stock”), in lieu of cash compensation; and (b) through an election to defer receipt of compensation to be earned by such Non-Employee Director, to have Stock Credits (as hereinafter defined) credited to an account established for such Non-Employee Director by the Company. The purpose of the Plan is to assist the Company in attracting, retaining and motivating highly qualified Non-Employee Directors and to promote identification of, and align Non-Employee Directors’ interests more closely with, the interests of the stockholders of the Company. The Plan is amended and restated as set forth herein to comply with Section 409A (as hereinafter defined).

Section 1.2 Definitions. In addition to the terms previously or hereafter defined herein, the following terms when used herein shall have the meaning set forth below:

“*Board*” shall mean the Board of Directors of the Company.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

“*Committee*” shall mean the committee of the Board appointed by the Board to administer the Plan. Unless otherwise determined by the Board, the Committee shall be the Nominating/Corporate Governance Committee of the Board.

“*Compensation*” shall mean all cash fees to be paid to a Non-Employee Director for service rendered to the Company as a director (including services on any Committee of the Board of Directors for which committee fees are specifically authorized), but excluding Deferred Compensation.

“*Deferred Compensation*” shall mean Compensation that is deferred pursuant to the Kennametal Inc. Deferred Fee Plan for Outside Directors, as amended.

“*Fair Market Value*” shall mean, as of any date, the mean of the highest and lowest sales prices for the Capital Stock as reported in the New York Stock Exchange—Composite

Transactions reporting system for the date in question or, if no sales were effected on such date, on the next preceding date on which sales were effected.

“*Plan Year*” shall mean the twelve-month period beginning January 1 and ending December 31 in any particular year.

“*Section 409A*” shall mean Section 409A of the Code, the regulations and other binding guidance promulgated thereunder.

“*Separation from Service*” shall mean the Non-Employee Director’s death, retirement or other termination of service with the Company and all of its controlled group members within the meaning of Section 409A. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Non-Employee Director has a Separation from Service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A.

“*Stock Credit*” shall mean a credit that is equivalent to one share of Capital Stock.

Section 1.3 Administration. The Plan shall be administered by the Committee. The Committee shall serve at the pleasure of the Board of Directors. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members of the Committee present at any meeting at which a quorum is present, or acts approved in writing by a majority of the members of the Committee, shall be deemed the acts of the Committee. The Committee is authorized and has sole authority and discretion to interpret and construe the Plan, to make all determinations and take all other actions necessary or advisable for the administration of the Plan, and to delegate to employees of the Company or any subsidiary the authority to perform administrative functions under the Plan; *provided, however*, that the Committee shall have no authority to determine the persons entitled to receive Capital Stock or Stock Credits under the Plan nor the timing, amount or price of Capital Stock or Stock Credits issued under the Plan.

Section 1.4 Eligibility. An individual who is a Non-Employee Director shall be eligible to participate in the Plan.

Section 1.5 Capital Stock Subject to the Plan. The maximum number of shares of Capital Stock that may be issued pursuant to the Plan is 400,000. Capital Stock to be issued under the Plan may be either authorized and unissued shares of Capital Stock or shares of Capital Stock held in treasury by the Company.

ARTICLE II **Elections and Distributions**

Section 2.1 Elections to Receive Capital Stock from Compensation. Any Non-Employee Director may elect in writing, on a form prescribed by the Committee, to receive Capital Stock under this Plan in lieu of all or a portion of the Compensation otherwise payable to such Non-Employee Director in any Plan Year (a “Stock Acquisition Election”). If a Non-

Employee Director makes a Stock Acquisition Election, the Non-Employee Director shall receive, on the date that the Compensation otherwise would have been paid, the number of shares of Capital Stock that could have been purchased on that date based on the amount of Compensation subject to the Stock Acquisition Election and the Fair Market Value of the Capital Stock on that date, rounded up to the nearest whole share. In the absence of a Stock Acquisition Election, all Compensation shall be paid to the Non-Employee Director in cash in accordance with the Company's policies and procedures. Certificates for Capital Stock acquired by the Non-Employee Director pursuant to a Stock Acquisition Election shall be issued quarterly following the period during which such Capital Stock is acquired, as provided above.

Section 2.2 Elections to Receive Stock Credits from Deferred Compensation. Any Non-Employee Director may elect in writing, on a form prescribed by the Committee, to receive Stock Credits under this Plan in any Plan Year with respect to all or a portion of the Compensation otherwise payable to the Non-Employee Director in that Plan Year (a "Stock Credit Election"). If a Non-Employee Director makes a Stock Credit Election, an account established for the Non-Employee Director and maintained by the Company shall be credited with that number of Stock Credits equal to the number of shares of Capital Stock (including fractions of a share to four decimal places) that could have been purchased with the amount of Compensation subject to a Stock Credit Election based on the Fair Market Value of the Capital Stock on the day that the Compensation would have been paid to the Non-Employee Director. . The Committee may establish one or more Stock Credit accounts for a Non-Employee Director as deemed necessary or appropriate for the proper administration of the Plan.

Section 2.3 Terms and Conditions of Elections. A Stock Acquisition Election or Stock Credit Election (an "Election") shall be subject to the following terms and conditions, as applicable:

(a) An Election for a Plan Year shall be in writing and shall be irrevocable for the applicable Plan Year; and

(b) An Election shall be effective for any Plan Year only if made on or prior to December 31st of the calendar year immediately preceding the beginning of the Plan Year to which the Election relates (or such other date as permitted by the Committee to the extent consistent with Section 409A). A Non-Employee Director who first becomes eligible to participate in the Plan may file an Election ("Initial Election") at any time prior to the 30-day period following the date on which the Non-Employee Director initially becomes eligible to participate in the Plan. With respect to a Stock Credit Election, any such Initial Election shall only apply to Compensation earned and payable for services rendered after the date on which the Stock Credit Election is delivered to the Company. Accordingly, if a Stock Credit Election is made in the first-year of eligibility but after the beginning of the Plan Year, then, with respect to Compensation that is earned based on a specific performance period, the Initial Election shall only apply to the total amount of any such Compensation multiplied by the ratio of (i) the number of days remaining in the performance period after the Stock Credit Election to (ii) the total number of days in the performance period; and

(c) Except as otherwise specifically provided in an Election form, an Election shall remain in effect only for the Plan Year to which it applies..

Section 2.4 Adjustment of Stock Credit Accounts.

(a) *Cash Dividends*—As of the date that any cash dividend is paid to stockholders of the Company, the Non-Employee Director’s Stock Credit account shall be credited with additional Stock Credits equal to the number of shares of Capital Stock (including fractions of a share to four decimal places) that could have been purchased on that date with the dividends paid on the number of shares of Capital Stock equal to the number of Stock Credits in such Non-Employee Director’s account based on the Fair Market Value of the Capital Stock on that date.

(b) *Stock Dividends*—In the event that a dividend shall be paid upon the Capital Stock of the Company in shares of Capital Stock, the number of Stock Credits in each Non-Employee Director’s Stock Credit account shall be adjusted by adding thereto additional Stock Credits equal to the number of shares of Capital Stock which would have been distributable on the Capital Stock represented by Stock Credits if such shares of Capital Stock had been outstanding on the date fixed for determining the stockholders entitled to receive such stock dividend.

(c) *Other Adjustments*—In the event that the outstanding shares of Capital Stock of the Company shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, then there shall be substituted, for the shares of Capital Stock represented by Stock Credits, the number and kind of shares of stock or other securities which would have been substituted therefor if such shares of Capital Stock had been outstanding on the date fixed for determining the stockholders entitled to receive such changed or substituted stock or other securities.

In the event there shall be any change, other than specified in this Section 2.4, in the number or kind of outstanding shares of Capital Stock of the Company or of any stock or other securities into which such Capital Stock shall be changed or for which it shall have been exchanged, then, if the Board of Directors shall determine, in its discretion, that such change equitably requires an adjustment in the number of Stock Credits or the Capital Stock represented by such Stock Credits, such adjustment shall be made by the Board of Directors and shall be effective and binding for all purposes of the Plan and on each outstanding Stock Credit account.

Section 2.5 Change in Control. In the event of any threatened or actual change in control of the Company (as set forth in the Deferred Compensation Plan), issued and outstanding shares of Capital Stock equal to the aggregate number of Stock Credits in each Non-Employee Director’s Stock Credit account shall be contributed to a “rabbi trust” (within the meaning of Rev. Proc. 92-64) established by the Corporation. Any such trust shall be established as a grantor trust, of which the Corporation is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986. Notwithstanding the

foregoing provisions of this Section 2.5 or any provision of the Plan to the contrary: (i) no assets shall be set aside in the deferred compensation trust or any other trust if the provisions of such trust restrict the assets of the trust in a manner that would result in a transfer of property as provided under Section 409A(b)(2) of the Code (relating to the employer's financial health) or Section 409A(b)(3) of the Code (relating to the funding status of the employer's defined benefit plans); and (ii) no contribution to any such trust may be made during any "restricted period" within the meaning of Section 409A(b)(3) of the Code.

Section 2.6 Distribution of Stock Credits. The distribution of Stock Credit accounts shall be subject to the following terms and conditions:

(a) Unless a Non-Employee Director has selected a different payment option as set forth below, upon the date of such Non-Employee Director's Separation from Service (other than by reason of such Non-Employee Director's death), the Company shall issue to such Non-Employee Director that number of shares of Capital Stock equal to the whole number of Stock Credits in such Non-Employee Director's Stock Credit account and cash equal to the fractional Stock Credits in such account multiplied by the Fair Market Value of the Capital Stock as of the date of Separation from Service.

(b) In accordance with the procedures established by the Committee, a Non-Employee Director may elect, in his or her Stock Credit Election, to receive the Capital Stock represented by such Stock Credits in accordance with one of the following methods of payment: (i) in full on a specified date; or (ii) in full or in monthly or annual installments beginning upon the Non-Employee Director's Separation from Service. Installment payments shall be made in substantially equal amounts over the period of months/years elected by the Non-Employee Director and shall be paid monthly/annually beginning on the date of the Non-Employee Director's Separation from Service and continuing on each succeeding monthly/annual anniversary date thereof until fully paid.

(c) Subject to such restrictions as may be established by the Committee, in its discretion, a Non-Employee Director may modify a prior distribution election by submitting a subsequent written distribution election (on a form approved and prescribed by the Committee); provided, however, a prior distribution election may only be changed if the following requirements are satisfied: (i) the change will not take effect until twelve (12) months after the election is made; (ii) the change must be made at least twelve (12) months prior to the previously scheduled payment date (or initial scheduled payment date in the case of installment payments); and (iii) the payment with respect to which the change is made must be deferred for at least five (5) years from the date the payment would otherwise have been made (or initial scheduled payment date in the case of installment payments); provided, further, the Committee may, in its discretion, authorize a Non-Employee Director to change a distribution election under any applicable transition rule authorized under Section 409A to the extent consistent therewith.

Section 2.7 Distributions on Death. In the event of the death of a Non-Employee Director, the Stock Credit account to which he or she was entitled shall be converted to cash and distributed in a lump sum to such person or persons or the survivors thereof, including corporations, unincorporated associates or trusts, as the Non-Employee Director may have

designated (unless such transaction will result in liability under Section 16 of the Exchange Act, or any successor law, in which case the Stock Credit account will be converted to shares of Capital Stock, rounded up to the nearest whole share, and so distributed). All such designations shall be made in writing, signed by the Non-Employee Director and delivered to the Company. A Non-Employee Director may from time to time revoke or change any such designation by written notice to the Company. If there is no unrevoked designation on file with the Company at the time of the Non-Employee Director's death, or if the person or persons designated therein shall have all predeceased the Non-Employee Director or otherwise ceased to exist, such distributions shall be made to the Non-Employee Director's estate. Any distribution under this Section 2.7 shall be made on the 30th day following the date of the Non-Employee Director's death (or the next business day if such day is not a business day). In any case in which the Non-Employee Director's Stock Credit account is to be converted to cash pursuant to this Section 2.7, such cash amount shall be determined by multiplying the number of whole and fractional shares of Capital Stock to which the Non-Employee Director's Stock Credit account is equivalent by the Fair Market Value of the Capital Stock on the date of death.

ARTICLE III **Miscellaneous Provisions**

Section 3.1 Amendment and Discontinuance. The Board of Directors may alter, amend, suspend or discontinue the Plan, provided that no such action shall deprive any person without such person's consent of any rights theretofore granted pursuant hereto. Notwithstanding the foregoing or any provision of this Plan to the contrary, that the Board of Directors may, in its sole discretion and without the Non-Employee Director's consent, modify or amend the terms of the Plan or an Election, or take any other action it deems necessary or advisable, to cause the Plan to comply with Section 409A (or an exception thereto). The Board of Directors may, in its discretion, submit any proposed amendment to the Plan to the stockholders of the Company for approval and shall submit proposed amendments to the Plan to the stockholders of the Company for approval if such approval is required in order for the Plan to comply with Rule 16b-3 of the Exchange Act (or any successor rule).

Section 3.2 Compliance with Governmental Regulations. Notwithstanding any provision of the Plan or the terms of any agreement entered into pursuant to the Plan, the Company shall not be required to issue any shares hereunder prior to registration of the shares subject to the Plan under the Securities Act of 1933 or the Exchange Act, if such registration shall be necessary or before compliance by the Company or any participant with any other provisions of either of those acts or of regulations or rulings of the Securities and Exchange Commission thereunder, or before compliance with other federal and state laws and regulations and rulings thereunder, including the rules of the New York Stock Exchange, Inc. The Company shall use its best efforts to effect such registrations and to comply with such laws, regulations and rulings forthwith upon advice by its counsel that any such registration or compliance is necessary.

Section 3.3 Compliance with Section 16. With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 (or its successor rule). To the extent that any provision of the Plan or any action by the Board of Directors or the Committee fails to so comply, it shall be

deemed null and void to the extent permitted by law and to the extent deemed advisable by the Committee.

Section 3.4 Non-Alienation of Benefits. No right or interest of a Non-Employee Director in a Stock Credit account under the Plan may be sold, assigned, transferred, pledged, encumbered or otherwise disposed of except as expressly provided in the Plan; and no interest or benefit of any Non-Employee Director under the Plan shall be subject to the claims of creditors of the Non-Employee Director.

Section 3.5 Withholding Taxes. To the extent required by applicable law or regulation, each Non-Employee Director must arrange with the Company for the payment of any federal, state or local income or other tax applicable to the receipt of Capital Stock or Stock Credits under the Plan before the Company shall be required to deliver to the Non-Employee Director a certificate for Capital Stock free and clear of all restrictions under the Plan.

Section 3.6 Funding. No obligation of the Company under the Plan shall be secured by any specific assets of the Company, nor shall any assets of the Company be designated as attributable or allocated to the satisfaction of any such obligation. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any unsecured creditor of the Company. Notwithstanding any provision of this Plan to the contrary, if the Company maintains a separate trust fund or otherwise set asides assets to assure its ability to pay any benefits due under this Plan, neither the Non-Employee Director nor the Non-Employee Director's beneficiary shall have any legal or equitable ownership interest in, or lien on, such trust fund, investment or any other asset of the Company.

Section 3.7 Section 409A.

(a) The provisions of this Plan and all elections made hereunder shall be administered, interpreted and construed in a manner necessary in order to comply with Section 409A or an exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted or construed). It is intended that distribution events authorized under this Plan qualify as a permissible distribution events for purposes of Section 409A, and the Plan shall be interpreted and construed accordingly in order to comply with Section 409A. The Company reserves the right to accelerate, delay or modify distributions to the extent permitted under Section 409A.

(b) For purposes of Section 409A and the Plan: (i) the right to installment payments shall be treated as the right to a single payment for purposes of distribution and/or deferral elections; and (ii) a payment shall be treated as made on the scheduled payment date if such payment is made at such date or a later date in the same calendar year or, if later, by the 15th day of the third calendar month following the scheduled payment date. Except as specified in Section 2.6, a Non-Employee Director shall have no right to designate the date of any payment under the Plan. Notwithstanding any provision herein to the contrary, if a Non-Employee Director is a "specified employee" for purposes of Section 409A (as determined in accordance with the procedures established by the Company), any payment to the Non-Employee Director due upon

Separation from Service will be delayed for a period of six months after the date of the Non-Employee Director's Separation from Service (or, if earlier, the death of the Non-Employee Director). Any payment that would otherwise have been due or owing during such six-month period will be paid on the first business day of the seventh month following the date of Separation from Service.

(c) Notwithstanding any provision of the Plan to the contrary contained herein and with respect to deferred compensation benefits that were earned and vested under this Plan prior to January 1, 2005 (as determined under Section 409A, "Grandfathered Benefits"), such Grandfathered Benefits shall be governed and administered solely by the terms of the Plan as in effect on December 31, 2004 as if such plan were a separate plan ("Grandfathered Plan", a copy of which attached hereto as Appendix I). No amendments or other modifications shall be made to the Grandfathered Plan except as specifically provided therein and as set forth in a separate writing thereto, and no amendment or modification to the Plan shall be construed as an amendment or modification to the Grandfathered Plan.

(d) Notwithstanding any provision of this Plan to the contrary, to the extent the timing of any benefit payment due under this Plan was modified pursuant to the transition guidance provided by the Internal Revenue Service concerning the time and form of payment, any such modification shall only apply to amounts that would not otherwise be payable in 2008 and may not cause an amount to be paid in 2008 that would not otherwise be paid in 2008. To the extent any such payment cannot be made in 2008 under the transition guidance, such payment will be made in January 2009.

Section 3.8 Governing Law. The Plan shall be governed by and construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania, without regard to its conflict of law provisions.

Section 3.9 Effective Date of Plan. The Plan became effective upon approval and adoption of the Plan by the holders of a majority of the outstanding shares of Capital Stock of the Company at the 1992 annual meeting of stockholders. The Plan as herein amended and restated shall be effective as of the date set forth on the signature page hereto.

[Signature on Following Page]

This amendment and restatement of the Plan has been duly executed by the undersigned and is effective this 30th day of December, 2008.

Kennametal Inc.

By: /s/ David W. Greenfield

Title: Vice President, Secretary and General
Counsel

KENNAMETAL INC.
PERFORMANCE BONUS STOCK PLAN OF 1995
(As Amended and Restated on December 30, 2008)

ARTICLE I
General Provisions

Section 1.1. Establishment and Purpose. The Kennametal Inc. (the “Corporation”) Performance Bonus Stock Plan of 1995 (the “Plan”) has been established to permit a participant in a Performance Bonus Plan (as defined herein) or a recipient of any other bonus award designated by the Committee (as defined herein) to: (a) elect to receive shares of the Corporation’s capital stock, par value \$1.25 per share (the “Capital Stock”), in lieu of cash bonus compensation; and/or (b) elect to have Stock Credits (as hereinafter defined), in lieu of cash bonus compensation, credited to an account (“Stock Credit Account”) established for such participant by the Corporation. The purposes of the Plan are to provide an incentive to the Corporation’s executives to increase their ownership interest in the Corporation and to promote this goal by establishing stock as an alternative method by which managers and/or senior executives may elect to be compensated. The Plan is amended and restated as set forth herein to comply with Section 409A (as hereinafter defined).

Section 1.2. Definitions. In addition to the terms previously or hereafter defined herein, the following terms when used herein shall have the meaning set forth below:

“**Board**” shall mean the Board of Directors of the Corporation.

“**Bonus Compensation**” shall mean compensation payable pursuant to a Performance Bonus Plan or any other bonus award as timely designated by the Committee, in its sole discretion, prior the applicable Plan Year (or such earlier date as required to comply with Section 409A).

“**Code**” shall mean the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

“**Committee**” shall mean the committee of the Board appointed by the Board to administer the Plan. Unless otherwise determined by the Board, the Committee shall be the Compensation Committee of the Board.

“**Fair Market Value**” shall mean, as of any date, the average of the highest and lowest sales prices for the Capital Stock as reported in the New York Stock Exchange – Composite Transactions reporting system for the date in question or, if no sales were effected on such date, on the next preceding date on which sales were effected.

“**Performance Bonus Plan**” shall mean the Kennametal Inc. Management Performance Bonus Plan, as amended, or other any performance-based bonus compensation plan for

management and/or senior executives of the Corporation or its subsidiaries which the Committee as timely designated by the Committee, in its sole discretion, prior to the applicable Plan Year (or such earlier date as required to comply with Section 409A).

“**Participant**” shall mean any eligible employee of the Corporation or any of its subsidiaries who elects to participate in the Plan.

“**Plan Year**” shall mean the Corporation’s fiscal year.

“**Section 409A**” shall mean Section 409A of the Code, the regulations and other binding guidance promulgated thereunder.

“**Separation from Service**” shall mean the Participant’s death, retirement or other termination of service with the Company and all of its controlled group members within the meaning of Section 409A. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Participant has a Separation from Service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A.

“**Stock Credit**” shall mean a credit that is equivalent to one share of Capital Stock, the payment of which is deferred until a later date in accordance with the terms of the Plan.

“**Stock Credit Account**” shall mean a bookkeeping account(s) established on behalf of a Participant pursuant to which Stock Credits shall be tracked by the Corporation.

Section 1.3. Administration. The Plan shall be administered by the Committee. The Committee shall serve at the pleasure of the Board. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members of the Committee present at any meeting at which a quorum is present, or acts approved in writing by a majority of the members of the Committee, shall be deemed the acts of the Committee. The Committee is authorized to interpret and construe the Plan, to make all determinations and take all other actions necessary or advisable for the administration of the Plan, and to delegate to employees of the Corporation or any subsidiary the authority to perform administrative functions under the Plan.

Section 1.4. Eligibility. An individual who receives Bonus Compensation and who is designated by the Committee shall be eligible to participate in the Plan.

Section 1.5. Capital Stock Subject to the Plan. The maximum number of shares of Capital Stock that may be issued pursuant to the Plan is 1,500,000. Capital Stock to be issued under the Plan may be either authorized and unissued shares of Capital Stock or shares of Capital Stock held in treasury by the Corporation.

ARTICLE II
Elections and Distributions

Section 2.1. Elections to Receive Capital Stock from Compensation. To the extent authorized by the Committee, in its sole discretion, a Participant may elect in writing, on a form prescribed by the Committee, to receive Capital Stock under this Plan in lieu of all or a portion of the Bonus Compensation otherwise payable to such Participant in any Plan Year (a "Stock Acquisition Election"); provided, however, that the percentage amount of Bonus Compensation subject to such an election must be in increments of ten percent (10%) and may not be less than ten percent (10%) of the Bonus Compensation earned by the Participant with respect to the Plan Year . If a Participant makes a Stock Acquisition Election, the Participant shall receive, as of the date that the Bonus Compensation otherwise would have been paid the number of shares of Capital Stock that could have been purchased on that date based on the amount of Bonus Compensation subject to the Stock Acquisition Election and the Fair Market Value of the Capital Stock on that date, rounded to the nearest whole share. Certificates for Capital Stock acquired by the Participant pursuant to a Stock Acquisition Election shall be issued as soon as practicable following the award of Bonus Compensation.

Section 2.2. Elections to Receive Stock Credits from Bonus Compensation. To the extent authorized by the Committee, in its sole discretion, a Participant may elect in writing, on a form prescribed by the Committee, to receive Stock Credits under this Plan with respect to all or a portion of the Bonus Compensation credited to the Participant in any Plan Year (a "Stock Credit Election"); provided, however, that the percentage amount of Bonus Compensation subject to such an election must be in increments of ten percent (10%) and may not be less than 10% of the total Bonus Compensation earned by the Participant with respect to a Plan Year (or such other percentage as designated by the Committee). If a Participant makes a Stock Credit Election, a Stock Credit Account established for the Participant and maintained by the Corporation shall be credited with that number of Stock Credits equal to the number of shares of Capital Stock (including fractions of a share to four decimal places) that could have been purchased with the amount of Bonus Compensation subject to a Stock Credit Election based on the Fair Market Value of the Capital Stock on the date that the Bonus Compensation would otherwise have been paid if it had not been deferred. The Committee may establish one or more Stock Credit Accounts for a Participant as deemed necessary or appropriate for the proper administration of the Plan.

Section 2.3. Restricted Period. The Committee may, in its sole discretion, establish a period of time (the "Restricted Period") that all or any portion of the shares of Capital Stock issued pursuant to a Stock Acquisition Election or shares of Capital Stock distributed with respect to Stock Credits pursuant to Section 2.7 hereof may not be sold, assigned, transferred, pledged or otherwise disposed of. Shares of Capital Stock subject to a Restricted Period ("Restricted Stock") shall be represented by a stock certificate registered in the name of the Participant which, in the discretion of the Committee, could be either held in the custody of the Corporation until the end of the Restricted Period applicable to such shares or bear a restrictive legend. Except for the limitations described above, a Participant shall have all the rights of a stockholder of the Corporation with respect to Restricted Stock, including the right to vote such shares.

Section 2.4. Terms and Conditions of Election. A Stock Acquisition Election or Stock Credit Election (an “Election”) shall be subject to the following terms and conditions, as applicable:

(a) An Election for a Plan Year shall be in writing and shall be irrevocable for the applicable Plan Year; and

(b) An Election shall be effective for any Plan Year only if made on or prior to December 31st of the calendar year immediately preceding the beginning of the Plan Year to which the Election relates (or such other date as permitted by the Committee to the extent consistent with Section 409A). Notwithstanding the provisions of the preceding sentence, if permitted by the Committee, a Stock Credit Election with respect to a Participant’s Bonus Compensation shall be given effect if made on or before the date that is six months before the end of the performance period, provided that the Committee determines that Bonus Compensation satisfies the requirements for “performance-based compensation” within the meaning of Section 409A(a)(4)(B)(iii) of the Code, including Treas. Reg. § 1.409A-1(e), and the election requirements contained in Treas. Reg. § 1.409A-1(e) § 1.409A-2(8).

(c) A Participant who first becomes eligible to participate in the Plan may file an Election (“Initial Election”) at any time prior to the 30-day period following the date on which the Participant initially becomes eligible to participate in the Plan. With respect to a Stock Credit Election, any such Initial Election shall only apply to Bonus Compensation earned and payable for services rendered after the date on which the Stock Credit Election is delivered to the Company. Accordingly, if a Stock Credit Election is made in the first-year of eligibility but after the beginning of the Plan Year, then, with respect to Bonus Compensation that is earned based on a specific performance period, the Initial Election shall only apply to the total amount of any such Compensation multiplied by the ratio of (i) the number of days remaining in the performance period after the Stock Credit Election to (ii) the total number of days in the performance period; and

(d) Except as otherwise specifically provided in an Election form, an Election shall remain in effect only for the Plan Year to which it applies.

Section 2.5. Adjustment of Stock Credit Accounts.

(a) Cash Dividends — As of the date that any cash dividend is paid to stockholders of the Corporation, the Participant’s Stock Credit Account shall be credited with additional Stock Credits equal to the number of shares of Capital Stock (including fractions of a share to four decimal places) that could have been purchased on that date with the dividends paid on the number of shares of Capital Stock equal to the number of Stock Credits in such Participant’s Stock Credit Account based on the Fair Market Value of the Capital Stock on that date.

(b) Stock Dividends — In the event that a stock dividend shall be paid upon the Capital Stock, the number of Stock Credits in each Participant’s Stock Credit Account shall be adjusted by adding thereto additional Stock Credits equal to the number of shares

of Capital Stock which would have been distributable on the Capital Stock represented by Stock Credits if such shares of Capital Stock had been outstanding on the date fixed for determining the stockholders entitled to receive such stock dividend.

(c) **Other Adjustments** — In the event that the outstanding shares of Capital Stock of the Corporation shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, then there shall be substituted, for the shares of Capital Stock represented by Stock Credits, the number and kind of shares of stock or other securities which would have been substituted therefor if such shares of Capital Stock had been outstanding on the date fixed for determining the stockholders entitled to receive such changed or substituted stock or other securities. In the event there shall be any change, other than specified in this Section 2.5, in the number or kind of outstanding shares of Capital Stock of the Corporation or of any stock or other securities into which such Capital Stock shall be changed or for which it shall have been exchanged, then, if the Board shall determine, in its discretion, that such change equitably requires an adjustment in the number of Stock Credits or the Capital Stock represented by such Stock Credits, such adjustment shall be made by the Board and shall be effective and binding for all purposes of the Plan and on each outstanding Stock Credit Account.

Section 2.6. Change in Control. In the event of any threatened or actual change in control of the Corporation (as determined by the Committee), issued and outstanding shares of Capital Stock equal to the aggregate number of Stock Credits in each Participant's Stock Credit Account shall be contributed to a "rabbi trust" (within the meaning of Rev. Proc. 92-64) established by the Corporation. Any such trust shall be established as a grantor trust, of which the Corporation is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986. Notwithstanding the foregoing provisions of this Section 2.6 or any provision of the Plan to the contrary: (i) no assets shall be set aside in a trust if the provisions of such trust restrict the assets of the trust in a manner that would result in a transfer of property as provided under Section 409A(b)(2) of the Code (relating to the employer's financial health) or Section 409A(b)(3) of the Code (relating to the funding status of the employer's defined benefit plans); and (ii) no contribution to any such trust may be made during any "restricted period" within the meaning of Section 409A(b)(3) of the Code.

Section 2.7. Distribution of Stock Credits.

(a) In accordance with the procedures established by the Committee, a Participant may elect, in his or her Stock Credit Election, to receive the Capital Stock represented by such Stock Credits in accordance with one of the following methods of payment: (i) in full on a specified date; or (ii) in full upon the Participant's Separation from Service, payable on the first business day of the seventh month following the date of the Participant's Separation from Service (the "Distribution Date"). On the Distribution Date, the Corporation shall issue to such participant that number of shares of Capital Stock equal to the whole number of Stock Credits in such Participant's Stock Credit Account to be distributed and cash equal to the fractional Stock Credits in such account to be distributed multiplied by the Fair Market Value of the Capital Stock as of the

Distribution Date provided, however, that the Committee, in its sole discretion, shall have the right to pay the Participant a cash amount equal to the aggregate value of the whole shares of Capital Stock otherwise distributable with respect to the Stock Credits, in lieu of distributing such shares.

(b) Subject to such restrictions as may be established by the Committee, in its discretion, a Participant may modify a prior distribution election by submitting a subsequent written distribution election (on a form approved and prescribed by the Committee); provided, however, a prior distribution election may only be changed if the following requirements are satisfied: (i) the change will not take effect until twelve (12) months after the election is made; (ii) the change must be made at least twelve (12) months prior to the previously scheduled payment date; and (iii) the payment with respect to which the change is made must be deferred for at least five (5) years from the date the payment would otherwise have been made; provided, further, the Committee may, in its discretion, authorize a Participant to change a distribution election under any applicable transition rule authorized under Section 409A to the extent consistent therewith.

Section 2.8. Distributions on Death. Upon the death of a Participant, any and all restrictions on transferability of Restricted Stock held by or on behalf of such Participant shall lapse and such shares shall become immediately transferable. In the event of the death of a Participant, the Stock Credit Account to which he or she was entitled shall be converted to cash and distributed in a lump sum to such person or persons or the survivors thereof, including corporations, unincorporated associates or trusts, as the Participant may have designated. All such designations shall be made in writing, signed by the Participant and delivered to the Corporation. A Participant may from time to time revoke or change any such designation by written notice to the Corporation. If there is no unrevoked designation on file with the Corporation at the time of the Participant's death, or if the person or persons designated therein shall have all predeceased the Participant or otherwise ceased to exist, such distributions shall be made to the estate of the Participant. Such distributions shall be made on the 30th day following the date of the Participant's death (or the next business day if such day is not a business day). In this case, the Participant's Stock Credit Account shall be converted to cash by multiplying the number of whole and fractional shares of Capital Stock to which the Participant's Stock Credit Account is equivalent by the Fair Market Value of the Capital Stock on the date of death.

ARTICLE III Miscellaneous Provisions

Section 3.1. Amendment and Discontinuance. The Board may alter, amend, suspend or discontinue the Plan, provided that no such action shall deprive any person without such person's consent of any rights theretofore granted pursuant hereto. Notwithstanding the foregoing or any provision of this Plan to the contrary, that the Board may, in its sole discretion and without the Participant's consent, modify or amend the terms of the Plan or a Stock Acquisition Election, or take any other action it deems necessary or advisable, to cause the Plan to comply with Section 409A (or an exception thereto). The Board may, in its discretion, submit any proposed amendment to the Plan to the stockholders of the Corporation for approval and shall submit proposed amendments to the Plan to the stockholders of the Corporation for approval if such approval is required in order for the Plan to comply with Rule 16b-3 of the

Securities Exchange Act of 1934 (the "Exchange Act") (or any successor rule), stock exchange rules, or other applicable law.

Section 3.2. Compliance with Governmental Regulations. Notwithstanding any provision of the Plan or the terms of any agreement entered into pursuant to the Plan, the Corporation shall not be required to issue any Capital Stock or Stock Credits hereunder prior to registration of the shares subject to the Plan under the Securities Act of 1933 or the Exchange Act, if such registration shall be necessary, or before compliance by the Corporation or any Participant with any other provisions of either of those acts or of regulations or rulings of the Securities and Exchange Commission thereunder, or before compliance with other federal and state laws and regulations and rulings thereunder, including the rules of the New York Stock Exchange, Inc. The Corporation shall use its best efforts to effect such registrations and to comply with such laws, regulations and rulings forthwith upon advice by its counsel that any such registration or compliance is necessary.

Section 3.3. Compliance with Section 16. With respect to persons subject to Section 16(a) of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 (or its successor rule). To the extent that any provision of the Plan or any action by the Board or the Committee fails to so comply, it shall be deemed null and void to the extent permitted by law and to the extent deemed advisable by the Committee.

Section 3.4. Non-Alienation of Benefits. No right or interest of a Participant in a Stock Credit Account under the Plan may be sold, assigned, transferred, pledged, encumbered or otherwise disposed of except as expressly provided in the Plan; and no interest or benefit of any Participant under the Plan shall be subject to the claims of creditors of the Participant.

Section 3.5. Taxes. To the extent required by applicable law or regulation, each Participant must arrange with the Corporation for the payment of any federal, state or local income or other tax applicable to the receipt of Capital Stock or Stock Credits under the Plan before the Corporation shall be required to deliver to the Participant a certificate for Capital Stock or distribute cash with respect to a Stock Credit Account.

At the discretion of the Committee, share tax withholding may be permitted. Share tax withholding shall entitle the Participant to elect to satisfy, in whole or in part, any tax withholding obligations in connection with the issuance of shares of Capital Stock pursuant to the Plan by either (i) withholding shares of Capital Stock otherwise issuable to the Participant; or (ii) accepting delivery of previously owned shares of Capital Stock. Notwithstanding the foregoing, in the case of a Participant subject to Section 16(a) of the Exchange Act, no such election shall be effective unless made in compliance with any applicable requirements of Rule 16b-3 (or any successor rule) that must be satisfied in order to exempt the withholding transaction(s) from Section 16(b) of the Exchange Act.

Section 3.6. Funding. No obligation of the Corporation under the Plan shall be secured by any specific assets of the Corporation, nor shall any assets of the Corporation be designated as attributable or allocated to the satisfaction of any such obligation. To the extent that any person acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured creditor of the Corporation.

Notwithstanding any provision of this Plan to the contrary, if the Company maintains a separate trust fund or otherwise set asides assets to assure its ability to pay any benefits due under this Plan, neither the Participant nor the Participant's beneficiary shall have any legal or equitable ownership interest in, or lien on, such trust fund, investment or any other asset of the Company.

Section 3.7. Section 409A.

(a) The provisions of this Plan and all elections made hereunder shall be administered, interpreted and construed in a manner necessary in order to comply with Section 409A or an exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted or construed). It is intended that distribution events authorized under this Plan qualify as a permissible distribution events for purposes of Section 409A, and the Plan shall be interpreted and construed accordingly in order to comply with Section 409A. The Company reserves the right to accelerate, delay or modify distributions to the extent permitted under Section 409A, or to the extent amounts deferred under the Plan are exempt from Section 409A.

(b) For purposes of Section 409A and the Plan: (i) the right to installment payments shall be treated as the right to a single payment for purposes of distribution and/or deferral elections; and (ii) a payment shall be treated as made on the scheduled payment date if such payment is made at such date or a later date in the same calendar year or, if later, by the 15th day of the third calendar month following the scheduled payment date. Except as specified in Section 2.6, a Participant shall have no right to designate the date of any payment under the Plan. Notwithstanding any provision herein to the contrary, if a Participant is a "specified employee" for purposes of Section 409A (as determined in accordance with the procedures established by the Company), any payment to the Participant due upon Separation from Service will be delayed for a period of six months after the date of the Participant's Separation from Service (or, if earlier, the death of the Participant). Any payment that would otherwise have been due or owing during such six-month period will be paid on the first business day of the seventh month following the date of Separation from Service.

(c) Notwithstanding any provision of the Plan to the contrary contained herein and with respect to deferred compensation benefits that were earned and vested under this Plan prior to January 1, 2005 (as determined under Section 409A, "Grandfathered Benefits"), such Grandfathered Benefits shall be governed and administered solely by the terms of the Plan as in effect on December 31, 2004 as if such plan were a separate plan ("Grandfathered Plan", a copy of which attached hereto as Appendix I). No amendments or other modifications shall be made to the Grandfathered Plan except as specifically provided therein and as set forth in a separate writing thereto, and no amendment or modification to the Plan shall be construed as an amendment or modification to the Grandfathered Plan.

(d) Notwithstanding any provision of this Plan to the contrary, to the extent the timing of any benefit payment due under this Plan was modified pursuant to the transition guidance provided by the Internal Revenue Service concerning the time and form of payment, any such modification shall only apply to amounts that would not

otherwise be payable in 2008 and may not cause an amount to be paid in 2008 that would not otherwise be paid in 2008. To the extent any such payment cannot be made in 2008 under the transition guidance, such payment will be made in January 2009.

Section 3.8. Governing Law. The Plan shall be governed by and construed and interpreted in accordance with the internal laws of the Commonwealth of Pennsylvania, without regard to its conflict of law provisions.

Section 3.9. Effective Date of the Plan. This amendment and restatement of the Plan is effective as of the date set forth on the signature page hereto.

[Signature on Following Page]

This amendment and restatement of the Plan has been duly executed by the undersigned and is effective this 30th day of December, 2008.

Kennametal Inc.

By: /s/ David W. Greenfield

Title: Vice President, Secretary and General
Counsel

AMENDMENT NO. 3 TO
OFFICER'S EMPLOYMENT AGREEMENT

This Amendment No. 3 to Officer's Employment Agreement, dated as of December 8, 2008, by and between KENNAMETAL INC., a corporation organized under the laws of the Commonwealth of Pennsylvania (hereinafter referred to as "Kennametal" or the "Corporation"), for and on behalf of itself and on behalf of its subsidiary companies, and Carlos M. Cardoso, an individual (hereinafter referred to as "Employee").

WITNESSETH:

WHEREAS, the Corporation and Employee are parties to that certain letter agreement, dated March 8, 2003 and that certain Officer's Employment Agreement, dated as of April 29, 2003, as amended by that certain Amendment to Officer's Employment Agreement, dated as of December 17, 2003 and as further amended by that certain letter agreement, dated December 6, 2005 (collectively, the "Employment Agreement"), and desire to amend the Employment Agreement as set forth herein to ensure compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("Section 409A"); and

WHEREAS, Section 12 of the Employment Agreement provides that the Employment Agreement may only be amended by an instrument in writing signed by each of the parties to the agreement.

NOW THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein; and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation and Employee, intending to be legally bound, agree as follows:

1. Amendments. The parties hereto hereby amend the Employment Agreement as follows:

A. Section 3. Section 3 of the Employment Agreement is hereby amended by deleting the phrase "for termination" and by deleting the phrase ", other than termination for Good Reason (as hereafter defined) following a Change in Control (as hereafter defined)".

B. Section 4. Section 4 of the Employment Agreement is hereby amended as follows:

i. Section 4(a) is hereby amended and restated in its entirety to read as follows:

"In the event that Employee's employment is involuntarily 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), the continuance of the Employee's base salary (at the rate in effect on the Date of Termination and subject to applicable deductions and withholdings) for twenty-four (24) months following the Date of Termination, which salary continuation will be directly offset by any subsequent salary or employment during such twenty-four month period. Any severance pay will be paid in substantially equal installments, no less frequently than monthly, in accordance with Kennametal's established payroll policies and practices as in effect on the Date of Termination beginning on the first normal pay date thereafter; provided however, any payments that the Employee would be entitled to during the first six months following the Date of Termination shall be delayed and accumulated and paid on the first business day of the seventh month following the Employee's Date of Termination (or, if earlier, the date of the Employee's death)."

ii. Section 4(c) of the Employment Agreement is hereby amended by inserting the word "involuntarily" before the phrase "by Kennametal" appearing in the third line thereof, by replacing the phrase "at Employee's election" found in clause (x) of subsection (ii) of this Section 4(c) with the phrase "if greater" and the sentence following clause (y) of subsection (ii) of this Section 4(c) is deleted in its entirety and replaced with the following language:

“Such severance pay shall be paid by delivery of a cashier’s or certified check to the Employee at Kennametal’s executive offices on the first business day of the seventh month following the Employee’s Date of Termination (or, if earlier, the date of the Employee’s death).”

iii. Section 4(d) is hereby deleted in its entirety, with the following language inserted in lieu thereof:

“The medical, dental, disability and group insurance benefits to be provided under Paragraph 4(c) will be provided as follows:

(i) Life insurance benefits and disability benefits shall be provided through the reimbursement of Employee’s premiums upon conversion to individual policy.

(ii) The first eighteen (18) months of medical and dental insurance coverage will be available through the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”). Provided the Employee timely elects COBRA continuation coverage, the Employee shall continue to participate in all medical and dental insurance plans he was participating in on the date of termination, and the Corporation shall pay the applicable premium. To the extent that Employee had dependent coverage immediately prior to termination of employment, such continuation of benefits for Employee shall also cover Employee’s dependents for so long as Employee is receiving benefits under this Paragraph and such dependents remain eligible. The COBRA continuation period for medical and dental insurance under this Paragraph shall be deemed to run concurrent with the continuation period federally mandated by COBRA, or any other legally mandated and applicable federal, state, or local coverage period.

(iii) Following the conclusion of the COBRA continuation period, the Corporation will provide coverage for the remainder of the three year period as follows:

(a) If the relevant medical plan is self insured (within the meaning of Code Section 105(h)), and such plan permits coverage for the Employee, then the Corporation will continue to provide coverage during the three year period and will annually impute income to the Employee for the fair market value of the premium.

(b) If, however, the plan does not permit the continued participation following the end of the COBRA continuation period as contemplated above, then the Corporation will reimburse Employee for the actual cost to Employee of a comparable individual medical or dental insurance policy obtained by Employee.

(iv) Reimbursements to the Employee pursuant to the provisions of this paragraph 4(d) will be available only to the extent that (a) such expense is actually incurred for any particular calendar year and reasonably substantiated; (b) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Employee; (c) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (d) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, no reimbursement will be provided for any expense incurred following the three year period contemplated by this Agreement.”

iv. Section 4(g) is hereby amended by substituting a semi-colon for the period found at the end of subsection 4(g)(ii) and inserting the word “or” thereafter and adding subsection 4(g)(iii), which shall read as follows:

“For purposes of this Agreement, the Employee will be considered to have experienced a termination of employment only if the Employee has separated from service with the Corporation and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of

controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Employee has separated from service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.”

v. Section 4(h) is hereby deleted in its entirety, with the following language inserted in lieu thereof:

“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 material diminution of responsibilities or 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 material 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, on a basis not materially less favorable to that provided by Kennametal immediately prior to any Change-in-Control;
- (iv) a material reduction in the overall level of employee benefits, including any benefit or compensation plan, stock option plan, retirement plan, life insurance plan, health and accident plan or disability plan in which Employee is actively 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 overall level of benefits under such plans or deprive Employee of any material fringe benefits enjoyed by Employee immediately prior to a Change-in-Control;
- (v) the breach of this Agreement caused by the failure of Kennametal to obtain the assumption of this Agreement by any successor as contemplated in paragraph 11 hereof; and
- (vi) the relocation of the Employee to a facility or a location more than 50 miles from the Employee’s then present location, without the Employee’s prior written consent.

Notwithstanding the forgoing, in order for the Employee to terminate for Good Reason: (a) the Employee must give written notice to Kennametal of the Employee’s intention to terminate employment for Good Reason within sixty (60) days after the event or omission which constitutes Good Reason, and any failure to give such written notice within such period will result in a waiver by the Employee of his right to terminate for Good Reason as a result of such act or omission, (b) the event must remain uncorrected by Kennametal for thirty (30) days following such notice (the “Notice Period”), and (c) such termination must occur within sixty (60) days after the expiration of the Notice Period.”

C. Section 12. Section 12 of the Employment Agreement is amended by substituting a semicolon for the period at the end of this section and inserting the following language thereafter:

“provided, however, the Corporation may, solely to the extent necessary to comply with Section 409A of the Code, modify the terms of this agreement if it is determined that such terms would subject any payments or benefits hereunder to the additional tax and/or interest assessed under Section 409A of the Code.”

D. Section 15. Section 15 of the Employment Agreement is hereby amended by inserting at the end thereof the following sentence:

“Unless otherwise required by applicable law, the release must be executed and become effective and irrevocable within thirty (30) days of the Employee’s termination of employment.”

E. Section 16. Section 16 of the Employment Agreement is hereby amended as follows:

(i) Section 16(a) is hereby amended by inserting the following language at the end of the third sentence thereof:

“that does not constitute deferred compensation and is exempt or otherwise excepted from coverage under Section 409A (but excluding stock options or other stock rights”

and by substituting the phrase “Contract Payments” appearing in the fourth sentence thereof with the phrase “contract payments.”

(ii) Section 16(d) is hereby amended by inserting the following language at the end of the second sentence thereof:

“, but in no event later than the end of the Employee’s taxable year following the Employee’s taxable year in which the Employee remits the related taxes”

F. Sections 17 and 18. Section 17 of the Employment Agreement is hereby renumbered as Section 18 and Section 17 is hereby amended to read as follows:

“(a) The provisions of this agreement will be administered, interpreted and construed in a manner intended to comply with Section 409A, the regulations issued thereunder or any exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted, or construed).

(b) For purposes of Section 409A, each severance payment, including each individual installment payment, shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) each payment made within the applicable 2^{1/2} month period specified in Treas. Reg. § 1.409A-1(b)(4) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) to the extent payments are made as a result of an involuntary separation, each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii).

(c) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on a permissible distribution event and at a specified time consistent with Section 409A of the Code. The Corporation reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A.

Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account of a termination of employment, such payment shall be delayed for a period of six months after the date of termination (or, if earlier, the date of the Employee's death) if the Employee is a "specified employee" (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Corporation). Any payment that would otherwise have been due or owing during such 6-month period will be paid on the first business day of the seventh month following the Employee's date of termination (or, if earlier, the date of the Employee's death). The Employee shall have no right to designate the date of any payment under this Agreement. Notwithstanding any provision of this agreement to the contrary, Employee acknowledges and agrees that the Corporation shall not be liable for, and nothing provided or contained in this agreement will be construed to obligate or cause the Corporation to be liable for, any tax, interest or penalties imposed on Employee related to or arising with respect to any violation of Section 409A."

2. Effect of Amendment. Except as expressly amended by this Amendment, the Employment Agreement is hereby ratified and confirmed, and shall continue in full force and effect.

3. Counterparts. This Amendment may be executed in any one or more counterparts all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Corporation's duly authorized representative and the Employee have duly executed this Amendment as of the day and year first above written.

KENNAMETAL INC.

By: /s/ David W. Greenfield
Name: David W. Greenfield
Title: Vice President, Secretary, and General Counsel

/s/ Carlos M. Cardoso
Carlos M. Cardoso

AMENDMENT NO. 1 TO
AMENDED AND RESTATED OFFICER'S EMPLOYMENT AGREEMENT

This Amendment No. 1 to Amended and Restated Officer's Employment Agreement, dated as of December __, 2008, by and between KENNAMETAL INC., a corporation organized under the laws of the Commonwealth of Pennsylvania (hereinafter referred to as "Kennametal" or the "Corporation"), for and on behalf of itself and on behalf of its subsidiary companies, and _____, an individual (hereinafter referred to as "Employee").

WITNESSETH:

WHEREAS, the Corporation and Employee are parties to that certain Amended and Restated Officer's Employment Agreement, dated as of _____ (the "Employment Agreement"), and desire to amend the Employment Agreement as set forth herein to ensure compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("Section 409A"); and

WHEREAS, Section 12 of the Employment Agreement provides that the Employment Agreement may only be amended by an instrument in writing signed by each of the parties to the agreement; provided that Kennametal may amend the Agreement to ensure compliance with Section 409A.

NOW THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein; and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation and Employee, intending to be legally bound, agree as follows:

1. Amendments. The parties hereto hereby amend the Employment Agreement as follows:

A. Section 3. Section 3 of the Employment Agreement is hereby amended by deleting the phrase "for termination" and by deleting the phrase ", other than termination for Good Reason (as hereafter defined) following a Change in Control (as hereafter defined)".

B. Section 4. Section 4 of the Employment Agreement is hereby amended as follows:

i. Section 4(a) is hereby amended by inserting the word "involuntarily" before the word "terminated" appearing in the first line thereof and by deleting the second sentence of this section in its entirety, and inserting the following language in lieu thereof:

"Any severance pay will be paid in substantially equal installments, no less frequently than monthly, in accordance with Kennametal's established payroll policies and practices as in effect on the Date of Termination beginning on the first normal pay date thereafter or, if later, the date the Employee's release becomes effective and irrevocable (with an aggregate initial installment representing the total amount due as if severance payments commenced on the normal pay date immediately following the Employee's Date of Termination)."

ii. Section 4(c) of the Employment Agreement is hereby amended by inserting the word "involuntarily" before the phrase "by Kennametal" appearing in the third line thereof, by replacing the phrase "at Employee's election" found in clause (x) of subsection (ii) of this Section 4(c) with the phrase "if greater" and by inserting the following language at the end of the sentence following clause (y) of subsection (ii) of this Section 4(c):

"or, if later, the date the Employee's release becomes effective and irrevocable"

iii. Section 4(d) is hereby deleted in its entirety, with the following language inserted in lieu thereof:

“The medical, dental, disability and group insurance benefits to be provided under Paragraph 4(c) will be provided as follows:

(i) Life insurance benefits and disability benefits shall be provided through the reimbursement of Employee’s premiums upon conversion to individual policy.

(ii) The first eighteen (18) months of medical and dental insurance coverage will be available through the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”). Provided the Employee timely elects COBRA continuation coverage, the Employee shall continue to participate in all medical and dental insurance plans he was participating in on the date of termination, and the Corporation shall pay the applicable premium. To the extent that Employee had dependent coverage immediately prior to termination of employment, such continuation of benefits for Employee shall also cover Employee’s dependents for so long as Employee is receiving benefits under this Paragraph and such dependents remain eligible. The COBRA continuation period for medical and dental insurance under this Paragraph shall be deemed to run concurrent with the continuation period federally mandated by COBRA, or any other legally mandated and applicable federal, state, or local coverage period.

(iii) Following the conclusion of the COBRA continuation period, the Corporation will provide coverage for the remainder of the three year period as follows:

(a) If the relevant medical plan is self insured (within the meaning of Code Section 105(h)), and such plan permits coverage for the Employee, then the Corporation will continue to provide coverage during the three year period and will annually impute income to the Employee for the fair market value of the premium.

(b) If, however, the plan does not permit the continued participation following the end of the COBRA continuation period as contemplated above, then the Corporation will reimburse Employee for the actual cost to Employee of a comparable individual medical or dental insurance policy obtained by Employee.

(iv) Reimbursements to the Employee pursuant to the provisions of this paragraph 4(d) will be available only to the extent that (a) such expense is actually incurred for any particular calendar year and reasonably substantiated; (b) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Employee; (c) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (d) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, no reimbursement will be provided for any expense incurred following the three year period contemplated by this Agreement.”

iv. Section 4(g) is hereby amended by substituting a semi-colon for the period found at the end of subsection 4(g)(ii) and inserting the word “or” thereafter and adding subsection 4(g)(iii), which shall read as follows:

“For purposes of this Agreement, the Employee will be considered to have experienced a termination of employment only if the Employee has separated from service with the Corporation and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language “at least 50 percent”

shall be used instead of “at least 80 percent” in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Employee has separated from service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.”

v. Section 4(h) is hereby deleted in its entirety, with the following language inserted in lieu thereof:

“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 material diminution of responsibilities or 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 material 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, on a basis not materially less favorable to that provided by Kennametal immediately prior to any Change-in-Control;
- (iv) a material reduction in the overall level of employee benefits, including any benefit or compensation plan, stock option plan, retirement plan, life insurance plan, health and accident plan or disability plan in which Employee is actively 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 overall level of benefits under such plans or deprive Employee of any material fringe benefits enjoyed by Employee immediately prior to a Change-in-Control;
- (v) the breach of this Agreement caused by the failure of Kennametal to obtain the assumption of this Agreement by any successor as contemplated in paragraph 11 hereof; and
- (vi) the relocation of the Employee to a facility or a location more than 50 miles from the Employee’s then present location, without the Employee’s prior written consent.

Notwithstanding the forgoing, in order for the Employee to terminate for Good Reason: (a) the Employee must give written notice to Kennametal of the Employee’s intention to terminate employment for Good Reason within sixty (60) days after the event or omission which constitutes Good Reason, and any failure to give such written notice within such period will result in a waiver by the Employee of his right to terminate for Good Reason as a result of such act or omission, (b) the event must remain uncorrected by Kennametal for thirty (30) days following

such notice (the “Notice Period”), and (c) such termination must occur within sixty (60) days after the expiration of the Notice Period.”

C. Section 12. Section 12 of the Employment Agreement is hereby amended by substituting the word “Corporation” for the word “Company” appearing in the sixth line thereof.

D. Section 15. Section 15 of the Employment Agreement is hereby amended by inserting at the end thereof the following sentence:

“Unless otherwise required by applicable law, the release must be executed and become effective and irrevocable within thirty (30) days of the Employee’s termination of employment.”

E. Section 16. Section 16 of the Employment Agreement is hereby amended as follows:

(i) Section 16(a) is hereby amended by inserting the following language at the end of the third sentence thereof:

“that does not constitute deferred compensation and is exempt or otherwise excepted from coverage under Section 409A (but excluding stock options or other stock rights”

and by substituting the phrase “Contract Payments” appearing in the fourth sentence thereof with the phrase “contract payments.”

(ii) Section 16(d) is hereby amended by inserting the following language at the end of the second sentence thereof:

“, but in no event later than the end of the Employee’s taxable year following the Employee’s taxable year in which the Employee remits the related taxes”

F. Section 17. Section 17 is hereby deleted in its entirety, and the following language inserted in lieu thereof:

“(a) The provisions of this agreement will be administered, interpreted and construed in a manner intended to comply with Section 409A, the regulations issued thereunder or any exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted, or construed).

(b) For purposes of Section 409A, each severance payment, including each individual installment payment, shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) each payment made within the applicable 2½ month period specified in Treas. Reg. § 1.409A-1(b)(4) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) to the extent payments are made as a result of an involuntary separation, each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii).

(c) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on a permissible distribution event and at a specified time consistent with Section 409A

of the Code. The Corporation reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account of a termination of employment, such payment shall be delayed for a period of six months after the date of termination (or, if earlier, the date of the Employee's death) if the Employee is a "specified employee" (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Corporation). Any payment that would otherwise have been due or owing during such 6-month period will be paid on the first business day of the seventh month following the Employee's date of termination (or, if earlier, the date of the Employee's death). The Employee shall have no right to designate the date of any payment under this Agreement. Notwithstanding any provision of this agreement to the contrary, Employee acknowledges and agrees that the Corporation shall not be liable for, and nothing provided or contained in this agreement will be construed to obligate or cause the Corporation to be liable for, any tax, interest or penalties imposed on Employee related to or arising with respect to any violation of Section 409A."

2. Effect of Amendment. Except as expressly amended by this Amendment, the Employment Agreement is hereby ratified and confirmed, and shall continue in full force and effect.

3. Counterparts. This Amendment may be executed in any one or more counterparts all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Corporation's duly authorized representative and the Employee have duly executed this Amendment as of the day and year first above written.

KENNAMETAL INC.

By: _____

Name: _____

Title: _____

[Officer]

SCHEDULE OF NAMED EXECUTIVE OFFICERS WHO HAVE ENTERED INTO THE AMENDMENT TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT AS SET FORTH IN EXHIBIT 10.6

Each of the following Named Executive Officers has entered into a Form of Employment Agreement as set forth in Exhibit 10.6 as of the date indicated below:

NAME	DATE
David W. Greenfield	December 4, 2008
John H. Jacko, Jr.	December 8, 2008
Frank P. Simpkins	December 11, 2008
Gary W. Weismann	December 11, 2008

**Plan Document
and
Summary Plan Description
of the
Kennametal Inc.
2006 Executive Retirement Plan
(for Designated Officers)
Effective July 31, 2006
As Amended December 30, 2008**

Kennametal Inc.
2006 Executive Retirement Plan

Article I. — General Provisions

1.1 Establishment and Purpose

Kennametal Inc. hereby establishes the Kennametal Inc. 2006 Executive Retirement Plan (the “Plan”) on the terms and conditions hereinafter set forth. The Plan is designed primarily for the purpose of providing benefits for a select group of highly-compensated management employees of the Company and is intended to qualify as a “top hat” plan under ERISA §§ 201(2), 301(a)(3) and 401(a)(1). The Plan is intended to comply with the provisions of Section 409A of the Internal Revenue Code.

This Plan document reflects all amendments made through December 30, 2008.

1.2 Definitions

(a) **“Accrued Benefit”** means the benefit earned by a Participant with respect to his or her Credited Service, as such benefit is determined pursuant to Article II, including, but not limited to Sections 2.1, 2.2, 2.3, and 2.4.

(b) **“Base Salary”** means the Participant’s gross base salary rate (as of the end of each month) from the Company, before any pre-tax reductions pursuant to the Participant’s elections under IRC §§ 125 or 402(e)(3) or pursuant to an election to defer base salary under a nonqualified deferred compensation arrangement.

(c) **“Beneficiary”** means the person or persons designated by a Participant as his beneficiary, or otherwise determined, in accordance with the provisions of Article V.

(d) **“Board”** means the Board of Directors of the Company.

(e) **“Cause”** means that the Participant:

(i) shall be guilty of malfeasance, willful misconduct or gross negligence in the performance of services for the Company;

(ii) shall not make his or her services available to the Company on a full time basis for any reason other than arising from Disability or from the Participant’s incapacity due to physical or mental illness or injury which does not constitute Disability and other than by reason of the fact that the Participant’s employment has been terminated by the Company prior to a Change in Control and other than for Cause; or

(iii) during the period of Participant’s employment by the Company, shall, in any geographic area in which Kennametal is offering its services and products, without the prior written consent of the Company:

- 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 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 engaged in, any business which is competitive with any business of the Company or any subsidiary or affiliate thereof in which the Participant is or was engaged; provided, however, that the foregoing provisions of this definition are not intended to include (or classify as "Cause") the Participant's 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.

The Committee shall determine whether or not Cause existed for termination of Participant's employment unless the Participant has a written employment agreement with the Company, in which case the determination shall be made in the manner provided under the Participant's said employment agreement.

(f) **"Change in Control"** means 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.

(g) **"Committee"** means the Compensation Committee of the Board, or such other committee designated by the Board to discharge the duties of the Committee hereunder.

(h) **“Company”** means Kennametal Inc., a Pennsylvania corporation, or any successor thereto.

(i) **“Credited Service”** means, except as provided in Section 1.4(c), completed calendar months of service while a Participant. A Participant’s Credited Service shall begin on the first day of the month following, or, if earlier, the first day of the month coincident with, the date of the Participant’s election as an Officer and designation by the Committee as a Participant in the Plan; provided that the Committee, in its sole and absolute discretion, may specify a different effective date for the Participant’s Credited Service to begin (though such different specified date shall be the first day of a calendar month). Except as provided in Section 1.4(c), a Participant’s Credited Service shall end on the last day of the calendar month preceding, or, if later, the last day of the calendar month coinciding with, the first to occur of: (a) the termination of the Participant’s employment with the Company, or (b) the 181st consecutive business day that Participant shall have been absent from his principal office at the Company’s offices because of Disability.

(j) **“Disability”** means such incapacity due to physical or mental illness or injury, as causes the Participant to be absent from his principal office at the Company’s offices for the entire portion of 180 consecutive business days.

(k) **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

(l) **“Final Average Earnings”** means

(i) The annual average of a Participant’s monthly Base Salary plus monthly Target Bonus amounts (whether or not any bonuses were in fact awarded to the Participant) for the 36 completed calendar months of Credited Service preceding the date on which Participant’s employment ends (irrespective of either (a) non accrual of additional benefits, during all or part of such 36 months, based upon Credited Service due to the 500% maximum accrual limit under Section 2.2; or (b) any forfeiture of 24 months of Credited Service, pursuant to Section 2.5, in calculating his or her Vested Benefit). In the event a Participant has less than 36 completed calendar months of Credited Service, then, for purposes of calculating Final Average Earnings, then the Participant’s average Base Salary plus Target Bonus amounts shall be based on only the actual number of completed calendar months preceding the date on which the Participant’s Credited Service ends.

(ii) A Participant’s Final Average Earnings shall be determined without regard to any limitations on compensation under the IRC, including those under IRC § 401(a)(17).

(m) **“IRC”** means the Internal Revenue Code of 1986, as amended, and any successor code or law.

(n) **“Monthly Accrual Rate”** has the meaning set forth at Section 2.1.

(o) **“Officer”** means a corporate officer of the Company elected by the Board.

(p) **“Participant”** means any individual who has initially satisfied the eligibility requirements set forth in Section 1.4 and who has an Accrued Benefit under the Plan.

(q) **“Plan”** means the plan of nonqualified executive retirement benefits set forth in this document, as the same may be amended from time to time.

(r) **“Plan Year”** means the twelve-month period coinciding with the Company’s fiscal year, beginning each July 1 and ending on the following June 30

(s) **“Section 409A”** shall mean Section 409A of the Internal Revenue Code, the regulations and other binding guidance promulgated thereunder.

(t) **“Target Bonus”** means the cash award (stated as a percentage of Base Salary) for which the Participant is eligible under his or her salary classification pursuant to Kennametal Inc. Management Performance Bonus Plan.

(u) **“Terminate”** or **“Termination”** when used with reference to employment means a Participant’s death, retirement or other termination of employment with the Company and all of its controlled group members within the meaning of Section 409A. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether a Participant has a termination of employment will be determined based on all of the facts and circumstances and in accordance with Section 409A.

(v) **“Vested Benefit”** means the portion, if any, of a Participant’s Accrued Benefit in which such Participant has earned vested and nonforfeitable rights under the provisions of the Plan, including, but not limited to, Sections 2.5. Nevertheless, any Participant’s Vested Benefit is subject to divestment and forfeiture pursuant to Sections 2.6 and 2.7.

1.3 Administration.

(a) The Committee shall administer the Plan and have sole and absolute authority and discretion to decide all matters relating to the administration of the Plan, including, without limitation, determining the rights and status of Participants or their beneficiaries under the Plan. The Committee is authorized to interpret the Plan, to adopt administrative rules, regulations, and guidelines for the Plan, to make factual determinations (including determinations as to the designation of beneficiaries), and to correct any defect, supply any omission or reconcile any inconsistency or conflict in the Plan, and to appoint delegates to carry out ministerial administrative matters under the Plan. The Committee’s determinations under the Plan need not be uniform among all Participants, or classes or categories of Participants, and may be applied to such Participants, or classes or categories of Participants, as the Committee, in its sole and absolute discretion, considers necessary, appropriate or desirable. All determinations by the Committee shall be final, conclusive and binding on the Company, the Participant and any and all interested parties.

(b) Without limiting the generality of the grant of authority to the Committee under Section 1.3(a), the Committee, in its sole and absolute discretion and with no obligation to apply its discretion in a uniform manner, shall have full authority to waive a Participant's satisfaction of the requirement of Section 2.5(d) that the Participant remain employed with the Company until age 62 to become 100% vested in his or her Accrued Benefit.

(c) The provisions of the Plan shall be administered, interpreted and construed in a manner intended to comply with IRC § 409A and the regulations issued thereunder (or such provision shall be disregarded to the extent that it cannot be so administered, interpreted or construed). It is intended that distribution events authorized under the Plan qualify as permissible distribution events for purposes of Section 409A of the Code, and the Plan shall be interpreted and construed accordingly in order to comply with Section 409A. The Committee reserves the right to accelerate, delay or modify distributions to the extent permitted under Section 409A. Notwithstanding any provision of the Plan to the contrary, in no event shall the Committee (or any member thereof), or the Company (or its employees, officers, directors or affiliates) have any liability to any Participant (or any other person) due to the failure of the Plan to satisfy the requirements of Section 409A or any other applicable law.

1.4 Eligibility and Participation.

(a) Participation in the Plan is limited to a select group of highly-compensated management employees as referred to in ERISA §§ 201(2), 301(a)(3) and 401(a)(1). In particular, participation in the Plan is limited to each key executive of the Company who satisfies the requirements of either (i) or (ii):

(i) (A) He or she has been elected an Officer of the Company by the Board on or after July 31, 2006, and (B) he or she has specifically been designated by the Committee as eligible to participate in the Plan.

(ii)

a. Pursuant to designation by the Committee, he or she is a current participant in the Company's existing Supplemental Executive Retirement Plan as of July 31, 2006.

b. He or she shall not have attained the age of 56 as of December 31, 2006. And

c. He or she has elected to become a Participant in this Plan effective as of July 31, 2006 with respect to all of his or her prior service as an Officer of the Company while a designated participant in the Company's existing Supplemental Executive Retirement Plan, as well as future service as an Officer, and to receive no benefits from the Company's existing Supplemental Executive Retirement Plan.

(b) A Participant in the Plan shall cease to be a Participant upon receiving payment for the full amount of benefits to which the Participant is entitled under the Plan.

(c) Notwithstanding the foregoing, the Committee, in its sole and absolute discretion, may elect to terminate a Participant's continued participation in the Plan at any time with respect to accrual of additional benefits after the effective date of the Committee's action, irrespective of factors such as, but not limited to, continued employment by the Company, officer status, etc.

Article II. — Retirement Benefits

2.1 Monthly Accrual Rate

A Participant shall accrue benefits under the Plan at a percentage of his or her Final Average Earnings for each completed calendar month of the Participant's Credited Service at the applicable rate set forth below:

Attained Age during the Calendar Month	Monthly Accrual
Less than 46	1.0417% (equivalent to 12.5004% per year)
46 but less than 51	1.5625% (equivalent to 18.7500% per year)
51 but less than 56	2.0833% (equivalent to 24.9996% per year)
56 but less than 59	2.6042% (equivalent to 31.2504% per year)
59 and up	3.1250% (equivalent to 37.5000% per year)

The accumulated benefit of a Participant pursuant to the foregoing is such Participant's Accrued Benefit.

2.2 Maximum Accrued Benefit

Notwithstanding Section 2.1, the maximum accumulated total monthly accruals that any Participant may earn under Section 2.1, and receive under the Plan, is 500%.

2.3 Examples of Accrued Benefit Determination

Example 1: An Officer is designated by the Committee to participate in the Plan effective July 1, 2006. The Participant is then age 38, having been born on January 13, 1968. She will attain age 46 in January 2014; age 51 in January 2019; age 56 in January 2024; and age 59 in January 2027. The Participant's employment terminates on June 27, 2026 and, pursuant to Section 1.2(i), has Credited Service only through May 31, 2026. Such Participant's Accrued Benefit under the Plan would be calculated as a percentage of her Final Average Earnings, as follows:

7-1-2006 to 12-31-2013	=	90 months x 1.0417%	=	93.7530%
1-1-2014 to 12-31-2018	=	60 months x 1.5625%	=	93.7500%
1-1-2019 to 12-31-2023	=	60 months x 2.0833%	=	124.9980%
1-1-2024 to 5-31-2026	=	29 months x 2.6042%	=	75.5218%
Total Accrued Benefit				388.02% of Final Average Earnings

Example 2: An Officer is designated by the Committee to participate in the Plan effective as of July 1, 2006. The Participant is then age 50, having been born on January 25, 1956. He will attain age 51 in January 2007; age 56 in January 2012; and age 59 in January 2015. The Participant's employment terminates on December 31, 2022, when he is 66. Such Participant's Accrued Benefit under the Plan would be calculated as a percentage of his Final Average Earnings, as follows:

7-1-2006 to 12-31-2006	=	6 months x 1.5625%	=	9.3750%
1-1-2007 to 12-31-2011	=	60 months x 2.0833%	=	124.9980%
1-1-2012 to 12-31-2014	=	36 months x 2.6042%	=	93.7512%
1-1-2015 to 3-31-2022	=	87 months x 3.1250%	=	271.8750%
Total Accrued Benefit				500.00% of Final Average Earnings

Note that, pursuant to Section 2.2, there is no further accrual of benefits once the Accrued Benefit reaches 500%, based on Credited Service through March 31, 2022.

2.4 Dollar Amount of Accrued Benefit Not to Decline.

At no time shall the dollar amount of a Participant's Accrued Benefit decline below the amount of such benefit, calculated pursuant to the formula set forth in Section 2.1 and the maximum limit set forth in Section 2.2, as of the June 30 (the last day of the Plan Year) preceding the current date of reference.

Accordingly, and for example, the dollar amount of each Participant's Accrued Benefit shall be calculated as of each June 30 pursuant to the formula set forth in Section 2.1 and the maximum limit set forth in Section 2.2. Should the amount determined pursuant to any such calculation be less than the amount determined as of the immediately preceding June 30 (notwithstanding the Participant's having an additional year of Credited Service as of the date of the current calculation), then the amount calculated as of the immediately preceding June 30 shall apply for purposes of the Plan.

However, the dollar amount of benefits a Participant may be entitled to receive from the Plan is subject to the provisions of Section 2.5.

2.5 Vesting of Accrued Benefit.

Subject to the forfeiture provisions set forth in Sections 2.6 and 2.7:

(a) A Participant who attains the age of 62 while employed by the Company shall become 100% vested in his or her Accrued Benefit under the Plan, including any additional Accrued Benefit he or she may earn by virtue of Credited Service after attaining age 62.

(b) Prior to attaining age 62 while employed by the Company, a Participant shall, upon accruing a percentage of Final Average Earnings equal to 150% or higher, become vested in such Accrued Benefit and future increments thereto.

(c) A Participant who is employed by the Company on the date of a Change in Control shall become vested in his or her Accrued Benefit under the Plan, including any additional Accrued Benefit he or she may earn by virtue of Credited Service after such Change in Control.

(d) Notwithstanding Sections 2.5(b) and 2.5(c), if the Participant's employment with the Company terminates voluntarily or involuntarily (other than for Cause, see Section 2.6) prior to attainment of age 62, then the Participant shall forfeit the last 24 months of Credited Service used in calculating his or her Accrued Benefit, and his or her Vested Benefit (if any) shall be calculated based on his or her accumulated Credited Service percentages, less the last 24 months, multiplied by his or her Final Average Earnings (determined as of the date of termination of employment). However, such forfeiture of Credited Service shall not apply if the Participant's termination of employment is because of his or her death or follows his or her incurring a Disability.

(e) The operation of Section 2.5 is illustrated by the following examples:

Example 1: This example replicates Example 1 in Section 2.3. An Officer is designated by the Committee to participate in the Plan effective July 1, 2006. The Participant is then age 38, having been born on January 13, 1968. She will attain age 46 in January 2014; age 51 in January 2019; age 56 in January 2024; and age 59 in January 2027. The Participant's employment terminates on June 27, 2026 (other than by reason of Disability or death). Such Participant's Vested Benefit under the Plan would be calculated as a percentage of her Final Average Earnings, as follows:

7-1-2006 to 12-31-2013	=	90 months x 1.0417%	=	93.7530%
1-1-2014 to 12-31-2018	=	60 months x 1.5625%	=	93.7500%
1-1-2019 to 12-31-2023	=	60 months x 2.0833%	=	124.9980%
1-1-2024 to 5-31-2024	=	5 months x 2.6042%	=	13.0210%
Total Vested Benefit				325.52% of Final Average Earnings

Example 2: A Participant has an Accrued Benefit of 148% of Final Average earnings at the time of her Disability or death. Inasmuch as the Participant's Accrued Benefit had not reached the minimum level of 150% required for vesting pursuant to Section 2.5(b), the Participant has no Vested Benefit under the Plan and nothing is payable to the Participant or, in the case of death, to the Participant's Beneficiary.

Example 3: A Participant has an Accrued Benefit of 148% of Final Average earnings at the time of the occurrence of a Change in Control. The Participant's employment terminates immediately following the Change of Control. The Participant's Vested Benefit is calculated based on his Credited Service at the date of termination of employment reduced by the Accrued Benefit attributable to the 24 months of Credited Service preceding his termination of employment.

Example 4: An Officer is designated by the Committee to participate in the Plan effective July 1, 2006. The Participant is then age 32—about to become 33—having been born on July 4, 1973. She will attain age 46 in July 2019; age 51 in July 2024; age 56 in July 2029; and age 59 in July 2032. The Participant voluntarily terminates employment on June 30, 2033, when she is age 59.

Such Participant's Accrued Benefit under the Plan would be calculated as a percentage of her Final Average Earnings, as follows:

7-1-2006 to 6-30-2019	= 156 months x 1.0417%	=	162.5052%
7-1-2019 to 6-30-2024	= 60 months x 1.5625%	=	93.7500%
7-1-2024 to 6-30-2029	= 60 months x 2.0833%	=	124.9980%
7-1-2029 to 6-30-2032	= 36 months x 2.6042%	=	93.7512%
7-1-2032 to 2-28-2033	= 8 months x 3.1250%	=	25.0000%
Total Accrued Benefit (maximum Accrued Benefit)			500.00% of Final Average Earnings

However, because the Participant's employment terminated prior to attainment of age 62 and other than because of her death or following a Disability, her Vested Benefit is calculated as follows:

7-1-2006 to 6-30-2019	= 156 months x 1.0417%	=	162.5052%
7-1-2019 to 6-30-2024	= 60 months x 1.5625%	=	93.7500%
7-1-2024 to 6-30-2029	= 60 months x 2.0833%	=	124.9980%
7-1-2029 to 2-28-2031	= 20 months x 2.6042%	=	52.0840%
Total Vested Benefit			433.34% of Final Average Earnings

2.6 Forfeiture for Cause

Notwithstanding anything in this Plan to the contrary, if a Participant's employment with the Company terminates on account of Cause (which includes voluntary resignation in lieu of involuntary termination on account of Cause), no benefits will be payable hereunder. All benefits of any nature, whether vested or unvested, shall be forfeited and the Participant shall have no further rights under the Plan.

2.7 Forfeiture for Competition

Except in the case of a Participant who has become Vested in his or her Accrued Benefit upon the occurrence of a Change in Control, the payment of a Participant's Vested Benefit under this Plan is expressly conditioned upon the non-competition of the Participant with the Company, and his or her nonsolicitation of customers and/or employees of the Company, for a period of three years after the Participant leaves the Company. Accordingly, unless the Participant first secures the written consent of the Board or the Committee, he or she 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 one percent of the equity interest of any such competing enterprise; nor shall he or she solicit customers or employees of the Company or any of its subsidiaries. In the event that the Committee makes a good-faith determination that a Participant who is entitled to receive a Vested Benefit under the Plan, or who has already received a Vested Benefit under the Plan, 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 shall direct that the Participant (including any Beneficiary claiming through the Participant) shall forfeit any right to future payment of a Benefit under the Plan, and if the Participant has already received a Benefit under the Plan, the Committee is authorized and directed to undertake legal proceedings against the Participant to recover such Benefit.

Article III. — Distribution of Benefit

3.1 Date of Distribution of Benefits

A Participant's Vested Benefit shall be paid in a cash lump sum to the Participant (or, as applicable, the Participant's Beneficiary) not later than 30 days following first to occur of:

- (a) the date of the Participant's death;
- (b) the date that is six months after the date of the Participant's termination of employment.

Article IV. — Funding By Company

4.1 Unsecured Obligation of Company.

(a) Any benefit payable pursuant to this Plan shall be paid from the general assets of the Company. Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create a trust of any kind or a fiduciary relationship between any Participant (or any other interested person) and the Company or the Committee, or require the Company to maintain or set aside any specific funds for the purpose of paying any benefit hereunder. To the extent that a Participant or any other person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

(b) If the Company maintains a separate fund or makes specific investments, including the purchase of insurance insuring the life of a Participant, to assure its ability to pay any benefits due under this Plan, neither the Participant nor the Participant's Beneficiary shall have any legal or equitable ownership interest in, or lien on, such fund, policy, investment or any other asset of the Company. The Company, in its sole discretion, may determine the exact nature and method of informal funding (if any) of the obligations under this Plan. If the Company elects to maintain a separate fund or makes specific investments to fund its obligations under this Plan, the Company reserves the right, in its sole discretion, to terminate such method of funding at any time, in whole or in part.

Article V. — Beneficiaries

5.1 Beneficiary Designations.

A Participant may designate a Beneficiary under the Plan only by signing an instrument (in form acceptable to the Committee) and filing the same with the Committee or its delegate prior to the Participant's death. In the absence of such a designation and at any other time when there is no

existing Beneficiary designated hereunder, the unpaid value of the Participant's Vested Benefit to which a Beneficiary was entitled shall be distributed to the Participant's surviving spouse, if any; otherwise to the Participant's issue per stirpes, if any; otherwise to the Participant's estate. A Beneficiary who dies or which ceases to exist shall not be entitled to any part of any payment thereafter to be made to the Participant's Beneficiary unless the Participant's designation specifically provides to the contrary. If two or more persons designated as a Participant's Beneficiary are in existence, the amount of any payment to the Beneficiary under this Plan shall be divided equally among such persons, unless the Participant's designation specifically provides to the contrary.

5.2 Change in Beneficiary.

A Participant may, at any time and from time to time, change a Beneficiary designation hereunder without the consent of any existing Beneficiary or any other person. Any change in Beneficiary shall be made only by an instrument (in form acceptable to the Committee) signed by the Participant, and any change shall be effective only if signed by the Participant and received by the Committee or its delegate prior to the death of the Participant.

Article VI. — Claims Procedures

6.1 Claims for Benefits.

The Committee shall determine the rights of any Participant to any benefits hereunder. Any Participant who believes that he or she has not received the benefits to which he is entitled under the Plan may file a claim in writing with the Committee. The Committee shall, no later than 90 days after the receipt of a claim (plus an additional period of 90 days if required for processing, provided that notice of the extension of time is given to the claimant within the first 90-day period), either allow or deny the claim in writing. If a claimant does not receive written notice of the Committee's decision on his claim within the above-mentioned period, the claim shall be deemed to have been denied in full.

A denial of a claim by the Committee, wholly or partially, shall be written in a manner calculated to be understood by the claimant and shall include:

(a) the specific reasons for the denial;

(b) specific reference to pertinent Plan provisions on which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(d) an explanation of the claim review procedure and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA.

6.2 Appeal Provisions.

A claimant whose claim is denied (or his duly authorized representative) may within 60 days after receipt of denial of a claim file with the Committee a written request for a review of such claim.

If the claimant does not file a request for review of his claim within such 60-day period, the claimant shall be deemed to have acquiesced in the original decision of the Committee on his claim, the decision shall become final and the claimant will not be entitled to bring a civil action under ERISA § 502(a). If such an appeal is so filed within such 60-day period, the Committee (or its delegate) shall conduct a full and fair review of such claim. During such review, the claimant (or the claimant's authorized representative) shall be given the opportunity to review all documents that are pertinent to his claim and to submit issues and comments in writing.

The Committee (or its delegate) shall mail or deliver to the claimant a written decision on the matter based on the facts and the pertinent provisions of the Plan within 60 days after the receipt of the request for review (unless special circumstances require an extension of up to 60 additional days, in which case written notice of such extension shall be given to the claimant prior to the commencement of such extension). Such decision shall be written in a manner calculated to be understood by the claimant, shall state the specific reasons for the decision and the specific Plan provisions on which the decision was based and shall, to the extent permitted by law, be final and binding on all interested persons. If the decision on review is not furnished to the claimant within the above-mentioned time period, the claim shall be deemed to have been denied on review.

6.3 Further Proceedings

If a Participant's claim for benefits is denied in whole or in part, such Participant may file suit only in a state court located in Westmoreland County, Pennsylvania or federal court located in Allegheny County, Pennsylvania. ***Notwithstanding, before such Participant may file suit in a state or federal court, Participant must exhaust the Plan's administrative claims procedure. If any such judicial or administrative proceeding is undertaken, the evidence presented will be strictly limited to the evidence timely presented to the Plan Administrator. In addition, any such judicial or administrative proceeding must be filed within six months after the Plan Administrator's final decision.***

Article VII. — Miscellaneous

7.1 Withholding.

The Company shall have the right to withhold from any benefits payable under the Plan or other wages payable to a Participant an amount sufficient to satisfy all federal, state and local tax withholding requirements, if any, arising from or in connection with the Participant's receipt or vesting of benefits under the Plan.

7.2 No Guarantee of Employment.

Nothing in this Plan shall be construed as guaranteeing future employment to any Participant. Without limiting the generality of the preceding sentence, except as otherwise set forth in a written agreement, a Participant continues to be an employee of the Company solely at the will of the Company, subject to discharge at any time, with or without Cause. The benefits provided for herein for a Participant shall not be deemed to modify, affect or limit any salary or salary increases, bonuses, profit sharing or any other type of compensation of a Participant in any manner whatsoever. Except as

otherwise specifically provided herein, nothing contained in this Plan shall affect the right of a Participant to participate in or be covered by or under any qualified or nonqualified pension, profit sharing, group, bonus or other supplemental compensation, retirement or fringe benefit Plan constituting any part of the Company's compensation structure whether now or hereinafter existing.

7.3 Payment to Guardian.

If a benefit payable hereunder is payable to a minor, to a person declared incompetent or to a person incapable of handling the disposition of his property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Committee may require such proof of incompetency, minority, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Company and each subsidiary from all liability with respect to such benefit.

7.4 Assignment.

No right or interest under this Plan of any Participant or Beneficiary shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of the Participant or Beneficiary.

7.5 Severability.

If any provision of this Plan or the application thereof to any circumstance(s) or person(s) is held to be invalid by a court of competent jurisdiction, the remainder of the Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

7.6 Amendment and Termination.

(a) The Company may at any time (without the consent of any Participant) modify, amend or terminate any or all of the provisions of this Plan; provided, however, that no modification, amendment or termination of this Plan shall adversely affect the Accrued Benefit rights of a Participant under the Plan, determined as of the date of such action, without the consent of such Participant. Notwithstanding the foregoing or any provision of the Plan to the contrary, the Company may at any time (without the consent of any Participant) modify, amend or terminate any or all of the provisions of this Plan to the extent necessary or advisable to conform the provisions of the Plan with IRC § 409A, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment or termination of this Plan shall adversely affect the rights of a Participant under the Plan.

(b) The Committee is authorized, in its sole and complete discretion, to act for the Company in exercising the Company's powers of amendment and termination as described in Section 7.6(a).

7.7 Exculpation and Indemnification

The Company shall indemnify and hold harmless the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act, or omission to act, in connection with the performance of such person's duties, responsibilities and obligations under the Plan, other than such liabilities, costs and expenses as may result from the gross negligence, willful misconduct, and/or criminal acts of such persons.

7.8 Confidentiality.

In further consideration of the benefits available to each Participant under this Plan, each Participant shall agree that, except as such may be disclosed in financial statements and tax returns, or in connection with estate planning, all terms and provisions of this Plan, and any agreement between the Company and the Participant entered into pursuant this Plan, are and shall forever remain confidential until the death of Participant; and the Participant shall not reveal the terms and conditions contained in this Plan or any such agreement at any time to any person or entity, other than his respective financial and professional advisors unless required to do so by a court of competent jurisdiction or as otherwise may be required by law.

7.9 Leave of Absence.

The Company may, in its sole discretion, permit a Participant to take a leave of absence for a period not to exceed one year. Any such leave of absence must be approved by the Company. During this time, the Participant will still be considered to be in the employ of the Company for purposes of this Plan.

7.10 Gender and Number.

For purposes of interpreting the provisions of this Plan, the masculine gender shall be deemed to include the feminine, the feminine gender shall be deemed to include the masculine, and the singular shall include the plural unless otherwise clearly required by the context.

7.11 Governing Law.

Except as otherwise preempted by the laws of the United States, this Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to its conflict of law provisions.

Article VIII. — STATEMENT OF ERISA RIGHTS

Each Participant in the Plan is entitled to certain rights and protections under ERISA. ERISA provides that all Participants shall be entitled to:

Receive Information About the Plan and Benefits

Examine, without charge, at the Plan Administrator's office, all documents governing the Plan.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and an updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of Participants and beneficiaries. No one, including a Participant’s employer or any other person, may fire such Participant or otherwise discriminate against a Participant in any way to prevent such Participant from obtaining a welfare benefit or exercising such Participant’s rights under ERISA. However, this rule neither guarantees continued employment, nor affects the Company’s right to terminate a Participant’s employment for other reasons.

Enforce Participant Rights

If a Participant’s claim for a benefit is denied or ignored, in whole or in part, a Participant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant requests a copy of Plan documents and does not receive them within 30 days, such Participant may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay such Participant up to \$110 a day until Participant receives the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If a Participant has a claim for benefits which is denied or ignored, in whole or in part, such Participant may file suit in a state or Federal court. If a Participant is discriminated against for asserting such Participant’s rights, such Participant may seek assistance from the U.S. Department of Labor, or may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If a Participant is successful the court may order the person such Participant has sued to pay these costs and fees. If a Participant loses, the court may order such Participant to pay these costs and fees, for example, if it finds such Participant’s claim is frivolous.

Assistance with Participant Questions

If a Participant has any questions about the Plan, such Participant should contact the Plan Administrator. If a Participant has any questions about this statement or about such Participant’s rights under ERISA, or if a Participant needs assistance in obtaining documents from the Plan Administrator, such Participant should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in such Participant’s telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about such Participant’s rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Article IX. — SUMMARY INFORMATION

Name of Plan: The name of the plan under which benefits are provided is the Kennametal Inc. 2006 Executive Retirement Plan

Plan Sponsor: The Sponsor of the Plan is:

Kennametal Inc.
1600 Technology Way
P. O. Box 231
Latrobe, PA 15650-0231
Telephone: (724) 539-5000

Plan Administrator: The Plan Administrator of the Plan is:

The Compensation Committee of the Board of Directors
Kennametal Inc.
1600 Technology Way
P. O. Box 231
Latrobe, PA 15650-0231
Telephone: (724) 539-5000

Employer Identification Number: The Employer Identification Number (EIN) assigned to the Plan Sponsor by the Internal Revenue Service is 25-0900168.

Type of Plan: Nonqualified unfunded deferred compensation plan (“top hat”).

Type of Administration: The Plan is administered by the Plan Administrator without use of third party administrators or insurers.

Funding: Benefits payable under the Plan are provided from the general assets of the Company.

Agent for Service of Legal Process: For disputes arising under the Plan, service of legal process may be made upon the General Counsel of Plan Sponsor.

Plan Year: The Plan’s fiscal records are kept on a June 30 fiscal year basis (July 1 to June 30).

[Signature on Following Page]

This amendment and restatement of the Plan has been duly executed by the undersigned and is effective this 30th day of December, 2008.

Kennametal Inc.

By: /s/ David W. Greenfield

Title: Vice President, Secretary and General
Counsel

**Plan Document
and
Summary Plan Description
of the
Kennametal Inc.
Supplemental Executive Retirement Plan
As Amended Effective December 30, 2008**

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 a retirement benefit 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 previously amended and adopted, effective April 21, 1995; amended and adopted, effective July 26, 1999; amended and adopted, effective January 1, 2004; amended and adopted July 25, 2005, amended and adopted July 31, 2006 and was most recently amended and adopted, effective as of December 30, 2008. It is effective for each participant on the date he or she is designated as a Participant.
- 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.
- 1.4 Notwithstanding the foregoing, in connection with the amendment of this Plan adopted effective July 31, 2006, the Company has provided for the closing of the class of officers and key executive employees who will be eligible to receive benefits under this Plan. (In connection with the adoption of such amendment, the Company has adopted a separate "Kennametal Inc. 2006 Executive Retirement Plan" to provide nonqualified retirement benefits for designated officers who are not eligible to participate in this Plan.)
- 1.5 The Plan is intended to comply with the provisions of Section 409A of the Code, and the regulations and other binding guidance promulgated thereunder ("Section 409A"); provided, however, that the Plan shall be operated and administered in a manner to ensure that Grandfathered Benefits (as defined in Section 9.10) remain exempt from Section 409A.

Section II. Definitions.

- 2.1 **Board of Directors** means the Directors of the Company.
- 2.2 **Bonus Award** means the annual cash award, if any, received by a Participant under the provisions of the Kennametal Inc. Management Performance Bonus Plan of any given fiscal year. Only an award generated by successful attainment of the Bonus Plan's business objectives shall be considered a "Bonus Award" for the purposes of this Plan, provided that a Bonus Plan award of \$0.00 to the Participant for a given fiscal year shall be taken into account for purposes of this Plan. No other kind of bonus award or grant will qualify as a "Bonus Award" for purposes of this Plan.

2.3 **Cause** means that the Participant:

- (a) shall be guilty of malfeasance, willful misconduct or gross negligence in the performance of services for the Company
- (b) shall not make his or her services available to the Company on a full time basis for any reason other than arising from Disability or from the Participant's incapacity due to physical or mental illness or injury which does not constitute Disability and other than by reason of the fact that the Participant's employment has been terminated by the Company prior to a Change in Control and other than for Cause; or
- (c) during the period of Participant's employment by the Company, shall, in any geographic area in which the Company is offering its services and products, without the prior written consent of the Company:

(1) directly or indirectly engage in, or

(2) assist or have an active interest in (whether as proprietor, partner, investor, shareholder, officer, director or any type of principal whatsoever), or 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 engaged in,

any business which is competitive with any business of the Company or any subsidiary or affiliate thereof in which the Participant is or was engaged; provided, however, that the foregoing provisions of this definition are not intended to include (or classify as "Cause") the Participant's 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.

The Committee shall determine whether or not Cause exists for termination of Participant's employment unless the Participant has a written employment agreement with the Company, in which case the determination shall be made in the manner provided under the Participant's said employment agreement.

2.4 **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.

- 2.5 **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.
- 2.6 **Committee** means Compensation Committee of the Board, or such other committee designated by the Board to discharge the duties of the Committee hereunder.
- 2.7 **Company** means Kennametal Inc., a Pennsylvania corporation, or any successor bound by this Plan pursuant to Section 8.5.
- 2.8 **Disability** means such incapacity due to physical or mental illness or injury, as causes the Participant to be absent from his principal office at the Company's offices for the entire portion of 180 consecutive business days.
- 2.9 **Employee** means an employee of the Employer.
- 2.10 **Employer** means the Company and any subsidiary or affiliate of the Company whose employees participate in the Plan.
- 2.11 **Final Base Salary** means the Participant's monthly base salary rate, before any pre-tax reductions pursuant to the Participant's elections under IRC § § 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 § 401(a)(17).
- 2.12 **IRC** means the Code.
- 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 **Primary Social Security Benefit** means the monthly benefit, as provided by the Federal Social Security Act, to which the Participant would be entitled at age 65, based upon the assumption that such Participant will continue to receive until reaching age 65 monthly earnings at the same rate as he or she received such monthly earnings at the time of retirement, termination of employment or death. (Note: This definition is identical to that used under the Retirement Income Plan.)
- 2.16 **Retirement Income Plan** means the funded, tax-qualified Kennametal Inc. Retirement Income Plan, as it may be amended and restated, from time to time.
- 2.17 **Retirement Income Plan Benefit** means either (a) the monthly benefit that would be payable as a single life annuity under the Retirement Income Plan commencing upon a retirement at age 65, based on credited service and average earnings as of the Participant's termination of service, calculated pursuant to the terms and provisions of the Retirement Income Plan as such terms and provisions literally apply to the Participant because the Participant is an active participant (accruing additional benefits) in the Retirement Income Plan up to his or her termination of service and will in fact be eligible to receive benefits reflecting credited service and average earnings determined to his or her termination of service; or (b) but for the amendment to the Retirement Income Plan effective December 31, 2003 that excluded such Participant from further active participation in such plan after such date, or in the case of a Participant first hired after December 31, 2003, excluded such Participant from any active participation in such plan, the monthly benefit that would be payable as a single life annuity under the Retirement Income Plan commencing upon a retirement at age 65, based on credited service and average earnings as of the Participant's termination of service calculated pursuant to the terms and provisions of the Retirement Income Plan (other than vesting provisions) as such terms and provisions theoretically would have applied to the Participant if the Participant had not been excluded from active participation, or from further active participation, in the plan, but had instead been an active participant (accruing benefits) in the Retirement Income Plan up to his or her termination of service, based on his or her credited service and average earnings to such termination of service. That is, the Retirement Income Plan Benefit determined hereunder is either (a) the actual benefit that a Participant is eligible to receive under such plan because he or she is active participant in the Retirement Income Plan at termination of service, or (b) the theoretical benefit the Participant would have been eligible to receive had he or she been eligible to be an active participant in the Retirement Income Plan up to termination of service (determined without regard to the vesting provisions of the Retirement Income Plan).
- 2.18 **SERP Benefit** means the benefit, calculated pursuant to Section V and Appendix A, that is payable to a Participant under the Plan who has attained a 100% vested percentage pursuant to Section IV.
- 2.19 **Surviving Spouse** means the individual to whom the Participant is legally married at the time of his or her death.

- 2.20 **Vested SERP Benefit** means the percentage of the Participant's SERP Benefit determined pursuant to Section IV.
- 2.21 **Target Retirement Income** means the monthly amount determined as the "applicable percentage" of the total of (a) the Participant's Final Base Salary plus (b) 1/36th of the sum of the Participant's last three Bonus Awards. For this purpose, the applicable percentage is 60% at 30 Years of Service, plus or minus 1% for each Year of Service greater than or less than thirty.
- 2.22 **Year of Service** means each full twelve-month period beyond Employee's most recent hire date, as determined pursuant to the Company's regular personnel records and policies. (Note: This definition is not intended to be coextensive with the definition of "Credited Service" as used in the Retirement Income Plan.) Notwithstanding the foregoing, any service credit imputed to an Employee specifically for purposes of this Plan, pursuant to the specific terms of such Employee's written employment agreement, shall be taken into account in determining such Employee's Years of Service under this Plan.

Section III. Eligibility.

- 3.1 Each officer or key executive Employee of the Company approved by the Committee, in its sole and complete discretion, shall be eligible to participate in the Plan.
- 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.
- 3.3 Notwithstanding the foregoing, in connection with the amendment of this Plan adopted effective July 31, 2006, the Company has provided for the closing of the class of officers and key executive employees who will be eligible to receive benefits under this Plan. In connection with the adoption of the July 2006 amendment to this Plan, the Company has adopted a separate "Kennametal Inc. 2006 Executive Retirement Plan" to provide nonqualified retirement benefits for designated officers who are not eligible to participate in this Plan. Accordingly:
- (a) No officer or key employee hired by the Company from and after July 31, 2006 shall be eligible to be designated as a Participant in this Plan.
- (b) Any Participant in this Plan as of July 31, 2006 who shall have attained the age of at least 56 years no later than December 31, 2006, shall remain a Participant in this Plan and shall not be eligible to be approved by the Committee to become a participant in the Kennametal Inc. 2006 Executive Retirement Plan.
- (c) Any Participant in this Plan as of July 31, 2006 who shall not have attained the age of at least 56 years no later than December 31, 2006, will be provided the option irrevocably to elect either

(1) to become a participant in the Kennametal Inc. 2006 Executive Retirement Plan with respect to all of his or her prior service from and after the date he or she became a Participant in this Plan pursuant to the Committee's approval (but excluding service prior to the commencement of participation in this Plan even though such pre-participation service is recognized for purposes of calculating Target Retirement Income under Section 2.22 of this Plan) to July 31, 2006, plus his or her future service as an officer of the Company, as such prior and future service is credited under the terms of the Kennametal Inc. 2006 Executive Retirement Plan; and, in such case, to receive no benefits whatsoever pursuant to the terms of this Plan; or

(2) to receive his or benefits as accrued to July 31, 2006 under the terms of (and subject to all other applicable provisions of) this Plan but "frozen" as of that date, with no further accrual of benefits under this Plan after July 31, 2006; and, in such case, to be irrevocably ineligible for participation in the Kennametal Inc. 2006 Executive Retirement Plan.

Section IV. Vesting.

4.1 A Participant shall become vested in the SERP Benefit, determined under the provisions of Section V, only in accordance with the following vesting schedule:

<i>Age of Participant at Termination of Employment</i>	<i>Cumulative Vested SERP Benefit</i>
Less than age 56	0%
56	20%
57	40%
58	60%
59	80%
60 or older	100%

Notwithstanding the foregoing, a Participant whose employment is involuntarily terminated with Cause shall forfeit any entitlement to a benefit under the Plan.

4.2 Notwithstanding the percentage vesting schedule in Section 4.1, the SERP Benefit (determined under the provisions of Section V) of each Participant who is an Employee at the time of a Change in Control of the Company, shall become 100% vested.

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 over the sum of (a) the Participant's Retirement Income Plan Benefit plus (b) the Participant's Primary Social Security Benefit.

- 5.2 The Target Retirement Income, the Retirement Income Plan Benefit, and the Social Security Benefit, shall be calculated according to the methodology described in Appendix A.
- 5.3 The Committee shall cause the formula calculation described in Section 5.1 to be done annually, or as otherwise required, for each Participant. The Committee shall then be advised of the SERP Benefit amount for each Participant, and shall direct that an official list of Participants and their accrued SERP Benefit be prepared, which shall govern the payment of a benefit under the Plan, pursuant to Section VI (but subject to Section IV), until the next annual review and redetermination of a SERP Benefit amount.

Section VI. Payment of Benefit.

- 6.1 Payment of the Participant's Vested SERP Benefit, if any, shall commence on the first day of the seventh month following the month in which the Participant's employment with the Company terminates voluntarily or involuntarily (except for Cause).

A Participant's Vested SERP Benefit shall be paid in equal monthly installments, in the form of a single life annuity with no death or other survivor benefit other than those described in Section VII. However, the first monthly payment to the Participant shall equal the sum of seven monthly payments (to account for the six month delay in commencement of payments required under IRC § 409A(a)(1)(B)(i)). Each monthly installment is to be paid on the first day of the month.

Section VII. Surviving Spouse and other Death Benefit.

- 7.1 In the event of the death of a Participant prior to the commencement of payment of a Plan benefit to the Participant, an amount equal to 50% of the amount of the benefit calculated in accordance with the vesting provisions of Section IV and the amount of the benefit of Section V which would otherwise have been payable to the Participant, will instead be payable to the Participant's Surviving Spouse. Payments to such Surviving 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. Each monthly installment is to be paid on the first day of the month. However, in the event the Participant's death occurs after termination of employment as described in Section 6.1, the first monthly payment to the Surviving Spouse shall include an additional amount equal to the sum of the monthly payments that would have been made to the Participant prior to his or her death had monthly payments commenced on the first of the month following the Participant's termination of employment as described in Section 6.1. For example, if a Participant terminated employment, as described in Section 6.1, on December 15 and then died on the following April 15, survived by a Surviving Spouse, the first payment to the Surviving Spouse shall include the sum of four monthly payments that would have been paid to the Participant in January, February and March and April (but for the six-month delay in commencement of payments) as well as the 50% Surviving Spouse benefit described in this Section VII.

- 7.2 In the event of the death of a Participant after the commencement of payment of a Plan benefit to the Participant, an amount equal to 50% of the amount of the Plan benefit then being paid to the Participant will instead be payable to the Participant's Surviving Spouse. Payments to such Surviving 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. Each monthly installment is to be paid on the first day of the month.
- 7.3 If the Surviving Spouse is five (5) or more years younger than the Participant, 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 hypothetical Surviving Spouse who is less than five (5) years younger than the Participant. For this purpose, the Committee shall use a life expectancy factor derived from the definition of "Actuarial Equivalent" under the Retirement Income Plan as in effect as of the date of the calculation. Effective as of January 1, 2004, the basis of Actuarial Equivalence under the Retirement Income Plan is the 1983 Group Annuity Mortality Table for Males, using 0% interest with the Surviving Spouse's age set back four years. The life expectancy factors derived therefrom are set forth in Appendix B of the Plan. The foregoing actuarial adjustment shall be effected by dividing the life expectancy factor for the hypothetical Surviving Spouse by the life expectancy for the Surviving Spouse (calculated to four decimals). The quotient obtained shall be multiplied by the Surviving Spouse's 50% benefit pursuant to paragraphs 7.1 and 7.2. An example of the method of actuarial adjustment is shown in Appendix C of the Plan.
- 7.4 In the event that the Participant shall have been entitled to payments under Section 6 of the Plan, and/ or his or her Surviving Spouse (if any) shall have been entitled to payments under Section 7 of the Plan, and, in either case, upon the death of last to die of the Participant and Surviving Spouse (if any), the aggregate amount of the cumulative payments of the SERP Benefit shall have been less than \$50,000, the Company shall pay a lump sum amount, equal to \$50,000 less the aggregate amount of the cumulative payments of the SERP Benefit already made, to the person(s) determined below in the following order of preference: (1) to the person designated by the Participant in a written notice filed with the Committee, or, if the Participant has no such notice on file, or the person(s) designated in such notice do(es) not exist at the relevant time, then (2) to the executor or administrator of the Participant's estate. Said payment will be made within 60 days of the date of death.

Section VIII. Claims Procedures

- 8.1 **Claims for Benefits.** The Committee shall determine the rights of any Participant to any benefits hereunder. Any Participant who believes that he or she has not received the benefits to which he is entitled under the Plan may file a claim in writing with the Committee. The Committee shall, no later than 90 days after the receipt of a claim (plus an additional period of 90 days if required for processing, provided that notice of the extension of time is given to the claimant within the first 90-day period), either allow or

deny the claim in writing. If a claimant does not receive written notice of the Committee's decision on his claim within the above-mentioned period, the claim shall be deemed to have been denied in full.

A denial of a claim by the Committee, wholly or partially, shall be written in a manner calculated to be understood by the claimant and shall include:

- the specific reasons for the denial;
- specific reference to pertinent Plan provisions on which the denial is based;
- a description of any additional material or information necessary for the claimant to perfect the claim;
- an explanation of why such material or information is necessary; and
- an explanation of the claim review procedure and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA.

- 8.2 **Appeal Provisions.** A claimant whose claim is denied (or his duly authorized representative) may within 60 days after receipt of denial of a claim file with the Committee a written request for a review of such claim. If the claimant does not file a request for review of his claim within such 60-day period, the claimant shall be deemed to have acquiesced in the original decision of the Committee on his claim, the decision shall become final and the claimant will not be entitled to bring a civil action under ERISA § 502(a). If such an appeal is so filed within such 60-day period, the Committee (or its delegate) shall conduct a full and fair review of such claim. During such review, the claimant (or the claimant's authorized representative) shall be given the opportunity to review all documents that are pertinent to his claim and to submit issues and comments in writing.

The Committee (or its delegate) shall mail or deliver to the claimant a written decision on the matter based on the facts and the pertinent provisions of the Plan within 60 days after the receipt of the request for review (unless special circumstances require an extension of up to 60 additional days, in which case written notice of such extension shall be given to the claimant prior to the commencement of such extension). Such decision shall be written in a manner calculated to be understood by the claimant, shall state the specific reasons for the decision and the specific Plan provisions on which the decision was based and shall, to the extent permitted by law, be final and binding on all interested persons. If the decision on review is not furnished to the claimant within the above-mentioned time period, the claim shall be deemed to have been denied on review.

- 8.3 **Further Proceedings.** If a Participant's claim for benefits is denied in whole or in part, such Participant may file suit only in a state court located in Westmoreland County, Pennsylvania or federal court located in Allegheny County, Pennsylvania. ***Notwithstanding, before such Participant may file suit in a state or federal court, Participant must exhaust the Plan's administrative claims procedure. If any such judicial or administrative proceeding is undertaken, the evidence presented will be strictly limited to the evidence timely presented to the Plan Administrator. In addition,***

any such judicial or administrative proceeding must be filed within six months after the Plan Administrator's final decision.

Section IX. Miscellaneous Provisions.

9.1 Administration.

(a) The Committee shall administer the Plan and have sole and absolute authority and discretion to decide all matters relating to the administration of the Plan, including, without limitation, determining the rights and status of Participants or their beneficiaries under the Plan. The Committee is authorized to interpret the Plan, to adopt administrative rules, regulations, and guidelines for the Plan, to make factual determinations (including determinations as to the designation of beneficiaries), and to correct any defect, supply any omission or reconcile any inconsistency or conflict in the Plan, and to appoint delegates to carry out ministerial administrative matters under the Plan. The Committee's determinations under the Plan need not be uniform among all Participants, or classes or categories of Participants, and may be applied to such Participants, or classes or categories of Participants, as the Committee, in its sole and absolute discretion, considers necessary, appropriate or desirable. All determinations by the Committee shall be final, conclusive and binding on the Company, the Participant and any and all interested parties.

(b) To the extent benefits under this Plan are not Grandfathered Benefits (as defined in section 9.10), the provisions of the Plan shall be administered, interpreted and construed in a manner intended to comply with IRC § 409A and the regulations issued thereunder (or such provision shall be disregarded to the extent that it cannot be so administered, interpreted or construed). It is intended that distribution events authorized under the Plan qualify as permissible distribution events for purposes of Section 409A of the Code, and the Plan shall be interpreted and construed accordingly in order to comply with Section 409A. For purposes of Section 409A and the Plan, a payment shall be treated as made on the scheduled payment date if such payment is made at such date or a later date in the same calendar year (or, if later, by the 15th day of the third calendar month following the scheduled payment date). A Participant shall have no right to designate the date of any payment under the Plan. The Company reserves the right to accelerate, delay or modify distributions to the extent permitted under Section 409A. Notwithstanding any provision of the Plan to the contrary, in no event shall the Committee or Retirement Board (or any member thereof), or the Company (or its employees, officers, directors or affiliates) have any liability to any Participant (or any other person) due to the failure of the Plan to satisfy the requirements of Section 409A or any other applicable law.

9.2 No Guaranty of Employment. Nothing in this Plan shall be construed as guaranteeing future employment to any Participant. Without limiting the generality of the preceding sentence, except as otherwise set forth in a written agreement, a Participant continues to be an employee of the Company solely at the will of the Company, subject to discharge at any time, with or without Cause. The benefits provided for herein for a Participant shall not be deemed to modify, affect or limit any salary or salary increases, bonuses, profit

sharing or any other type of compensation of a Participant in any manner whatsoever. Except as otherwise specifically provided herein, nothing contained in this Plan shall affect the right of a Participant to participate in or be covered by or under any qualified or nonqualified pension, profit sharing, group, bonus or other supplemental compensation, retirement or fringe benefit Plan constituting any part of the Company's compensation structure whether now or hereinafter existing.

- 9.3 **Non-Competition.** Receipt of the SERP Benefit 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 one percent 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 Benefit 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.
- 9.4 **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 a SERP Benefit payable hereunder will be paid from the general assets of the Company. However, in the event of a Change in Control, amounts payable to a Participant 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. Should such an Executive Deferred Compensation Trust be established, the Company shall inform the Participant of the identity of the trustee upon the Participant's request.
- 9.5 **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. In addition, the benefit to be paid hereunder may not be voluntarily or involuntarily sold, transferred, assigned, alienated, or encumbered, and any such attempt shall be void.
- 9.6 **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.

- 9.7 **Amendment, Termination.** This Plan may be amended or terminated at any time by action of the Board of Directors, provided that no such amendment or termination shall reduce or eliminate the right of a Participant to the payment of a Plan benefit earned prior to such amendment or termination. Notwithstanding the foregoing or any provision of the Plan to the contrary, the Company may at any time (without the consent of any Participant) modify, amend or terminate any or all of the provisions of this Plan to the extent necessary or advisable to conform the provisions of the Plan with IRC § 409A, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment or termination of this Plan shall adversely affect the rights of a Participant under the Plan.
- 9.8 **Withholding.** The Company may provide for the withholding, from any benefit 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.
- 9.9 **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.
- 9.10 **Grandfathered Benefits.** Notwithstanding any provision to the contrary contained herein and with respect to deferred compensation benefits that were earned and vested under this Plan prior to January 1, 2005 (as determined under Section 409A, "Grandfathered Benefits"), such Grandfathered Benefits and the Plan shall be administered and interpreted in a manner intended to ensure that such Grandfathered Benefits remain exempt from Section 409A. No amendments or other modifications shall be made to the Plan that would cause any such Grandfathered Benefits to become subject to Section 409A, and all amendments or modifications to the Plan shall be administered, interpreted and construed in a manner necessary to ensure that such Grandfathered Benefits remain exempt from Section 409A.

This amendment and restatement of the Plan has been duly executed by the undersigned and is effective this 30th day of December, 2008.

Kennametal Inc.

By: /s/ David W. Greenfield

Title: Vice President, Secretary and General Counsel

APPENDIX A

- Calculation begins with current monthly base salary and years of service, up to the present date.
- Target Retirement Income* equals a percent of (a) Final Base Salary plus (b) the monthly average (i.e., 1/36) of the sum of the last three Bonus Awards. The percentage is calculated as 60% for 30 years of service, plus or minus 1% for each year of service greater than or less than thirty. For example:

Years of Service	Retirement Target
Newly hired	30%
5	35%
10	40%
15	45%
20	50%
25	55%
30	60%
35	65%
40	70%
45	75%

- Calculate the *Retirement Income Plan Benefit*, based on current years of service and pensionable earnings, to date, and including current statutory limitations (IRC §§ 415 and 401(a)(17), and in a manner consistent with Treas. Reg. § 1.409A-2(a)(9) and Treas. Reg. § 1.409A-3(j)(5)), but not actuarially reduced for age less than 65. This calculation is made on the assumption (whether or not true) that the Participant is an active participant in the RIP and is currently eligible to accrue additional benefits thereunder. (Thus, the calculation is made even if the Participant is excluded from active participation under the terms of the RIP, as amended effective December 31, 2003.)
- Calculate the *Primary Social Security Benefit*, based on earnings to date and assuming that current level of earnings will continue through age 65.
- The *SERP Benefit* equals the *Target Retirement Income* (above) minus the **sum** of (a) the *Retirement Income Plan Benefit* plus (b) the *Primary Social Security Benefit*.
- The *SERP Benefit* is then adjusted, if applicable, under the vesting schedule in Section 4.1.

APPENDIX A

continued

- However, the *minimum* SERP Benefit is 10% of current Base Salary.
- If the prior Vested SERP benefit (as last calculated under the above described method and posted to the official list of Participants and their respective Vested SERP Benefits) is greater than the new Vested SERP Benefit, use the prior Vested SERP Benefit.
- Therefore, the Vested SERP Benefit is the greatest of:
 - Target Retirement Income minus sum of (a) Retirement Income Plan Benefit plus (b) the Primary Social Security Benefit, adjusted, if applicable, under the vesting schedule in Section 4.1.
 - 10% of Current Base Salary, or
 - Prior Vested SERP Benefit.

APPENDIX B

LIFE EXPECTANCIES FROM THE 1983 GROUP ANNUITY TABLE FOR MALES
(Set back 4 years for Joint Annuitants)

Age	Joint Annuitant
20	61.8209
21	60.8413
22	59.8620
23	58.8830
24	57.9043
25	56.9259
26	55.9480
27	54.9706
28	53.9937
29	53.0174
30	52.0418
31	51.0670
32	50.0929
33	49.1198
34	48.1476
35	47.1765
36	46.2066
37	45.2380
38	44.2708
39	43.3052
40	42.3420
41	41.3799
42	40.4194
43	39.4609
44	38.5048
45	37.5519
46	36.6027
47	35.6578
48	34.7181
49	33.7843
50	32.8570
51	31.9371
52	31.0249
53	30.1209
54	29.2251
55	28.3377
56	27.4584
57	26.5870
58	25.7232
59	24.8665
60	24.0165
61	23.1729
62	22.3357
63	21.5052
64	20.6824
65	19.8686
66	19.0651
67	18.2736
68	17.4961
69	16.7345
70	15.9910
71	15.2675
72	14.5650
73	13.8838
74	13.2233
75	12.5823
76	11.9593
77	11.3534
78	10.7651
79	10.1954
80	9.6460
81	9.1190
82	8.6159
83	8.1375
84	7.6840
85	7.2554
86	6.8510

87	6.4698
88	6.1104
89	5.7710
90	5.4494
91	5.1452
92	4.8567
93	4.5831
94	4.3236
95	4.0780
96	3.8449
97	3.6221
98	3.4067
99	3.2050
100	3.0190
101	2.8379
102	2.6613
103	2.4889
104	2.3201
105	2.1539
106	1.9885
107	1.8203
108	1.6485
109	1.4741

APPENDIX C

Example:

A Participant receiving a SERP Benefit in the amount of \$10,000 dies at age 74. His or her Surviving Spouse is age 65. The benefit payable to the Surviving Spouse would be calculated as follows.

1. Life expectancy set forth on the Group Annuity Mortality Table of a hypothetical Surviving Spouse who is age 69 = 16.7345
2. Life expectancy set forth on the Group Annuity Mortality Table of the Surviving Spouse who is age 65 = 19.8686
3. Quotient obtained by dividing 1 above by 2 above ($16.7345 \div 19.8686$) = 0.8423
4. Yearly benefit payable to Surviving Spouse = $\$10,000 \times 50\% \times 0.8423 = \$4,211.50$

APPENDIX D

STATEMENT OF ERISA RIGHTS

Each Participant in the Plan is entitled to certain rights and protections under ERISA. ERISA provides that all Participants shall be entitled to:

Receive Information About the Plan and Benefits

Examine, without charge, at the Plan Administrator's office, all documents governing the Plan.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and an updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of Participants and beneficiaries. No one, including a Participant's employer or any other person, may fire such Participant or otherwise discriminate against a Participant in any way to prevent such Participant from obtaining a welfare benefit or exercising such Participant's rights under ERISA. However, this rule neither guarantees continued employment, nor affects the Company's right to terminate a Participant's employment for other reasons.

Enforce Participant Rights

If a Participant's claim for a benefit is denied or ignored, in whole or in part, a Participant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant requests a copy of Plan documents and does not receive them within 30 days, such Participant may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay such Participant up to \$110 a day until Participant receives the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If a Participant has a claim for benefits which is denied or ignored, in whole or in part, such Participant may file suit in a state or Federal court. If a Participant is discriminated against for asserting such Participant's rights, such Participant may seek assistance from the U.S. Department of Labor, or may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If a Participant is successful the court may order the person such Participant has sued to pay these costs and fees. If a Participant loses, the court may order such Participant to pay these costs and fees, for example, if it finds such Participant's claim is frivolous.

APPENDIX D

continued

Assistance with Participant Questions

If a Participant has any questions about the Plan, such Participant should contact the Plan Administrator. If a Participant has any questions about this statement or about such Participant's rights under ERISA, or if a Participant needs assistance in obtaining documents from the Plan Administrator, such Participant should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in such Participant's telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about such Participant's rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

SUMMARY INFORMATION

Name of Plan: The name of the plan under which benefits are provided is the Kennametal Inc. Supplemental Executive Retirement Plan

Plan Sponsor: The Sponsor of the Plan is:

Kennametal Inc.
1600 Technology Way
P. O. Box 231
Latrobe, PA 15650-0231

Telephone: (724) 539-5000

Plan Administrator: The Plan Administrator of the Plan is:

The Compensation Committee of the Board of Directors
Kennametal Inc.
1600 Technology Way
P. O. Box 231
Latrobe, PA 15650-0231

Telephone: (724) 539-5000

Employer Identification Number: The Employer Identification Number (EIN) assigned to the Plan Sponsor by the Internal Revenue Service is 25-0900168.

Type of Plan: Nonqualified unfunded deferred compensation plan ("top hat").

APPENDIX D

continued

Type of Administration: The Plan is administered by the Plan Administrator without use of third party administrators or insurers.

Funding: Benefits payable under the Plan are provided from the general assets of the Company.

Agent for Service of Legal Process: For disputes arising under the Plan, service of legal process may be made upon the General Counsel of Plan Sponsor.

Plan Year: The Plan's fiscal records are kept on a June 30 fiscal year basis (July 1 to June 30).

I, Carlos M. Cardoso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kennametal Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2009

/s/ Carlos M. Cardoso

Carlos M. Cardoso

Chairman, President and Chief Executive Officer

I, Frank P. Simpkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kennametal Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2009

/s/ Frank P. Simpkins

Frank P. Simpkins

Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kennametal Inc. (the "Corporation") on Form 10-Q for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Corporation certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

/s/ Carlos M. Cardoso

Carlos M. Cardoso
Chairman, President and Chief Executive Officer

February 4, 2009

/s/ Frank P. Simpkins

Frank P. Simpkins
Vice President and Chief Financial Officer

February 4, 2009

* This certification is made solely for purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.