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

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): June 8, 2006

Kennametal Inc.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania

(State or Other Jurisdiction of Incorporation)

1-5318
(Commission File Number)

25-0900168
(IRS Employer Identification No.)

**World Headquarters
1600 Technology Way
P.O. Box 231
Latrobe, Pennsylvania 15650-0231**

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(724) 539-5000**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.01 Completion of Acquisition or Disposition of Assets

On June 8, 2006, Kennametal Inc. (Company) issued a press release announcing the completion of its previously announced divestiture of its J&L Industrial Supply (J&L) business unit to MSC Industrial Direct Co., Inc. (MSC). The transaction was consummated pursuant to the terms of the Stock Purchase Agreement dated March 15, 2006 (Stock Purchase Agreement), pursuant to which MSC Acquisition Corp. VI (a wholly owned subsidiary of MSC) paid \$349.5 million in cash, subject to post closing adjustment, for all of the outstanding stock of J&L America, Inc. (a wholly owned subsidiary of the Company).

No material relationship existed other than in respect of the transaction between the Company and MSC or any of their respective affiliates, directors, officers or associates of any directors or officers. A copy of the Company's press release is attached to this report as Exhibit 99.1 and is incorporated herein by reference.

The foregoing description of the transaction does not purport to be complete and is qualified in its entirety by the terms and conditions of the Stock Purchase Agreement attached as Exhibit 2.1 to the Company's Form 8-K filed on March 16, 2006 and incorporated by reference into this Item 2.01.

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Statements

The following unaudited pro forma condensed consolidated financial statements give effect to the divestiture of J&L and are not necessarily indicative of future results.

The unaudited pro forma condensed consolidated balance sheet assumes divestiture of J&L on March 31, 2006. Such pro forma information is based upon the historical balance sheet data of the Company and J&L as of that date.

The unaudited pro forma condensed consolidated statements of income give effect to the divestiture of J&L for the year ended June 30, 2005 and for the nine months ended March 31, 2006 as if the divestiture occurred on July 1, 2004. These unaudited pro forma financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2005 and its Quarterly Report on Form 10-Q for the three and nine months ended March 31, 2006 as filed with the Securities and Exchange Commission.

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PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
March 31, 2006

(in thousands)	Kennametal Inc.	J&L (a)	Adjustments	Pro Forma
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 41,908	\$ —	\$ 222,477 ^(b)	\$ 264,385
Accounts receivables, net	271,580	—	25,423 ^(c)	297,003
Inventories	366,845	—	—	366,845
Current assets held for sale	88,185	(86,682)	—	1,503
Deferred income taxes	72,807	—	—	72,807
Other current assets	28,813	—	—	28,813
Total current assets	<u>870,138</u>			<u>1,031,356</u>
Property, plant and equipment, net	<u>508,299</u>			<u>508,299</u>
Other assets:				
Investments in affiliated companies	16,564	—	—	16,564
Goodwill	504,872	—	—	504,872
Intangible assets, net	119,857	—	—	119,857
Deferred income taxes	46,399	—	—	46,399
Long-term assets held for sale	50,243	(50,243)	—	—
Other	40,246	—	—	40,246
Total other assets	<u>778,181</u>			<u>727,938</u>
Total assets	<u>\$ 2,156,618</u>			<u>\$ 2,267,593</u>
LIABILITIES				
Current liabilities:				
Current maturities of long-term debt and capital leases	\$ 1,595	\$ —	\$ —	\$ 1,595
Notes payable to bank	2,793	—	—	2,793
Accounts payable	111,826	—	—	111,826
Accrued income taxes	35,495	—	—	35,495
Accrued expenses	78,476	—	(1,691) ^(d)	76,785
Current liabilities of operations held for sale	27,474	(27,474)	—	—
Other current liabilities	129,186	—	—	129,186
Total current liabilities	<u>386,845</u>			<u>357,680</u>
Long-term debt and capital leases, less current maturities	361,518	—	—	361,518
Deferred income taxes	52,927	—	—	52,927
Accrued pension and postretirement benefits	186,371	—	—	186,371
Other liabilities	35,793	—	—	35,793
Total liabilities	<u>1,023,454</u>			<u>994,289</u>
Minority interest in consolidated subsidiaries	<u>18,054</u>	—	—	<u>18,054</u>
SHAREOWNERS' EQUITY				
Preferred stock	—	—	—	—
Capital stock	49,905	—	—	49,905
Additional paid-in capital	612,155	—	—	612,155
Retained earnings	513,782	—	140,140 ^(e)	653,922
Treasury shares	(20,131)	—	—	(20,131)
Accumulated other comprehensive loss	(40,601)	—	—	(40,601)
Total shareowners' equity	<u>1,115,110</u>			<u>1,255,250</u>
Total liabilities and shareowners' equity	<u>\$ 2,156,618</u>			<u>\$ 2,267,593</u>

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

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KENNAMETAL INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the year ended June 30, 2005

(in thousands)	Kennametal Inc. (f)	J&L (g)	Adjustments	Pro Forma
Operations				
Sales	\$ 2,304,167	\$(255,840)	\$ 39,639 ^(h)	\$ 2,087,966
Cost of goods sold	1,513,634	(179,934)	25,578 ^(h)	1,359,278
Gross profit	790,533	(75,906)	14,061	728,688
Operating expense	574,495	(49,060)	(1,595) ⁽ⁱ⁾	523,840
Goodwill impairment charge	4,707	—	—	4,707
Amortization of intangibles	3,460	—	—	3,460
Operating income	207,871	(26,846)	15,656	196,681
Interest expense	27,277	—	—	27,277
Other income, net	(3,683)	(1,406)	(626) ⁽ⁱ⁾	(5,715)
Income before provision for income taxes and minority interest	184,277	(25,440)	16,282	175,119
Provision for income taxes	61,394	(8,355)	6,187 ^(k)	59,226
Minority interest	3,592	—	—	3,592
Net income	\$ 119,291	\$ (17,085)	\$ 10,095	\$ 112,301

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

KENNAMETAL INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the nine months ended March 31, 2006

(in thousands)	Kennametal Inc. (l)	J&L (g)	Adjustments	Pro Forma
Operations				
Sales	\$ 1,785,590	\$(204,725)	\$ 31,729 ^(h)	\$ 1,612,594
Cost of goods sold	1,168,681	(143,501)	20,970 ^(h)	1,046,150
Gross profit	616,909	(61,224)	10,759	566,444
Operating expense	441,442	(38,746)	(348) ⁽ⁱ⁾	402,348
Goodwill impairment charge	5,030	—	—	5,030
Loss on assets held for sale	692	—	—	692
Amortization of intangibles	4,198	—	—	4,198
Operating income	165,547	(22,478)	11,107	154,176
Interest expense	23,541	—	—	23,541
Other income, net	(1,855)	(294)	(758) ⁽ⁱ⁾	(2,907)
Income before provision for income taxes and minority interest	143,861	(22,184)	11,865	133,542
Provision for income taxes	49,733	(7,116)	4,509 ^(k)	47,126
Minority interest	2,041	—	—	2,041
Net income	\$ 92,087	\$ (15,068)	\$ 7,356	\$ 84,375

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

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KENNAMETAL INC.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands)

BALANCE SHEET

- (a) Represents assets and liabilities of J&L as of March 31, 2006, held for sale pursuant to the Stock Purchase Agreement.
- (b) Represents cash proceeds of \$349.5 million and estimated post closing adjustments of \$8.0 million less (i) estimated non-recurring transaction-related costs assumed to be paid as of March 31, 2006, including (a) \$98.0 million income taxes, (b) \$5.8 million employee-related payments, (c) \$3.5 million advisor and professional fees and (c) \$2.3 million other costs, and (ii) \$25.4 million actual repayment related to J&L's portion of the Company's accounts receivable securitization program assumed to be paid as of March 31, 2006.
- (c) Represents J&L's portion of the Company's accounts receivable securitization program assumed to be repaid as of March 31, 2006 (see note b).
- (d) Represents the reversal of accrued employee-related costs assumed to have been paid as of March 31, 2006 (see note b).
- (e) Represents non-recurring gain (net of \$98.0 million income taxes) less transaction-related costs (see notes b and d).

STATEMENTS OF INCOME

- (f) Derived from the Company's audited Consolidated Statement of Income for the year ended June 30, 2005.
 - (g) Represents operating results of J&L for the period presented.
 - (h) Represents results of recurring sales to J&L and associated cost of sales previously eliminated in the consolidation of the Company for the period presented.
 - (i) Represents J&L employee-related charges incurred by the Company during the period presented not previously allocated to J&L.
 - (j) Represents fees related to J&L's portion of the Company's accounts receivable securitization program incurred by the Company during the period presented.
 - (k) Provision for income taxes calculated utilizing the Company's statutory tax rate of 38.0%.
 - (l) Derived from the Company's unaudited Condensed Consolidated Statement of Income for the nine months ended March 31, 2006.
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(d) Exhibits

Exhibit 99.1 Press Release dated June 8, 2006

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Signatures

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

KENNAMETAL INC.

Date: June 14, 2006

By: /s/ Frank P. Simpkins
Frank P. Simpkins
Vice President of Finance and Corporate Controller



FROM: KENNAMETAL INC.
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Contact: Joy Chandler
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DATE: June 8, 2006

FOR RELEASE: Immediate

Kennametal Completes Divestiture of J&L Business Unit

LATROBE, Pa., June 8, 2006 — Kennametal Inc. (NYSE: KMT) announced today that it has completed the previously reported divestiture of its J&L Industrial Supply business unit for \$349.5 million, subject to post-closing adjustments, to MSC Industrial Direct Co., Inc. (NYSE: MSM). MSC is a premier national supplier of maintenance, repair and operations products and services. Proceeds from the sale will be used to further build shareholder value over the long term in a manner consistent with Kennametal's previously stated priority uses of cash, including but not limited to the following:

- Acquisitions in Kennametal's core business, with emphasis on advanced materials and engineered components, conducted according to a disciplined process that is part of the Kennametal Value Business System (KVBS).
- Buyback of minority share interests in certain foreign subsidiaries to capture a greater share of these earnings.
- Continued repurchase of Kennametal stock under the previously announced share repurchase program depending on market conditions.
- Debt reduction, which will be limited to opportunistic situations since Kennametal's investment grade credit metrics are stable and ongoing cash flow generation remains strong.

The disposition of this unit is in line with the continued execution of Kennametal's strategy to concentrate on its core technology businesses and expand its global footprint. It also completes the company's planned exit from owned distribution.

As part of the transaction, Kennametal will recognize an estimated \$215 to \$225 million pre-tax gain in the quarter ending June 30, 2006, including transaction related expenses. This will result in an earnings-per-share impact of approximately \$3.15 to \$3.25. Net cash proceeds are expected to be \$220 to \$225 million, including a repayment related to the company's accounts receivable securitization program. The above estimates are subject to post-closing adjustments.

Previously stated guidance will be affected by approximately \$28 million in sales and \$0.07 in earnings per share associated with the month of June as the transaction closed sooner than originally anticipated.

Goldman Sachs & Co. served as financial advisor to Kennametal in this transaction.

This release contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify these forward-looking statements by the fact they use words such as "should," "anticipate," "estimate," "approximate," "expect," "may," "will," "project," "intend," "plan," "believe" and other words of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements are likely to relate to, among other things, our goals, plans and projections regarding our financial position, results of operations, market position, and product development, which are based on current expectations that involve inherent risks and uncertainties, including factors that could delay, divert or change any of them in the next several years. Although it is not possible to predict or identify all factors, they may include the following: global and regional economic conditions; risks associated with the availability and costs of raw materials; risks associated with integrating acquisitions and achieving the expected savings and synergies; risks relating to business divestitures; energy costs; commodity prices; competition; demands on management resources; risks associated with international markets, such as currency exchange rates and social and political environments; future terrorist attacks; labor relations; demand for and market acceptance of new and existing products; and risks associated with the implementation of restructuring plans and environmental remediation matters. We can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

Kennametal Inc. (NYSE:KMT) is a leading global supplier of tooling, engineered components and advanced materials consumed in production processes. The company improves customers' competitiveness by providing superior economic returns through the delivery of application knowledge and advanced technology to master the toughest of materials application demands. Companies producing everything from airframes to coal, from medical implants to oil wells and from turbochargers to motorcycle parts recognize Kennametal for extraordinary contributions to their value chains. Customers buy over \$2.3 billion annually of Kennametal products and services—delivered by our 14,000 talented employees in over 60 countries—with almost 50 percent of these revenues coming from outside the United States. Visit us at www.kennametal.com [KMT-G]

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