FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Commission File Number 1-5318

KENNAMETAL INC.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	25-0900168
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

WORLD HEADQUARTERS
1600 TECHNOLOGY WAY
P. O. BOX 231
LATROBE, PENNSYLVANIA 15650-0231
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.25 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

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, and (2) has been subject to such filing requirements for the past 90 days.
YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of September 5, 2000, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant, estimated solely for the purposes of this Form 10-K, was approximately $609,200,000. For purposes of the foregoing calculation only, all directors and executive officers of the registrant and each person who may be deemed to own beneficially more than 5% of the registrant's Common Stock have been deemed affiliates.

As of September 5, 2000, there were 30,782,894 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the 2000 Annual Report to Shareowners are incorporated by reference into Parts I, II and IV.

Portions of the Proxy Statement for the 2000 Annual Meeting of Shareowners are incorporated by reference into Parts III and IV.

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PART I

ITEM 1. BUSINESS

OVERVIEW

Kennametal Inc. was incorporated in Pennsylvania in 1943. Kennametal Inc. (Kennametal or the company) is a global leader engaged in the manufacture, purchase and distribution of a broad range of tools, tooling systems, and solutions to the metalworking, mining, oil and energy industries, and wear-resistant parts for a wide range of industries. Unless otherwise specified, any reference to a "year" is to a fiscal year ended June 30.

Kennametal specializes in developing and manufacturing metalworking tools and wear-resistant parts using a specialized type of powder metallurgy. Kennametal's metalworking tools are made of cemented tungsten carbides, ceramics, cermets, high-speed steel and other hard materials. Kennametal also manufactures and markets a complete line of toolholders, toolholding systems and rotary cutting tools by machining and fabricating steel bars and other metal alloys. The company, through its 83 percent-owned subsidiary JLK Direct Distribution Inc. (JLK), also is one of the largest suppliers of metalworking consumables and related products in the United States. Kennametal also manufactures tungsten carbide products used in engineered applications, mining and highway construction, and other similar applications, including circuit board drills, compacts and metallurgical powders.

During 1998, the company expanded its metalworking focus by acquiring Greenfield Industries, Inc. (Greenfield), a leading worldwide manufacturer of consumable cutting tools and related products used in a variety of industrial, electronics, energy and construction, engineered and consumer markets. Greenfield manufactures a complete line of high-speed steel and tungsten carbide products, including drills; endmills; taps and dies and fixed limit gages; products used in oil and gas drilling; carbide drills, endmills and routers used to make printed circuit boards for the electronics industry; and "made-to-order" tungsten carbide parts for demanding wear applications such as plastics processing, tool and die manufacturing and petroleum flow control. The company also manufactures cutting tools, drill bits, saw blades and other tools for builders, contractors, mechanics and "do-it-yourselfers."

This Form 10-K contains "forward-looking statements" as defined by Section 21E of the Securities Exchange Act of 1934. Actual results may differ materially from those expressed or implied in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the extent that the economic conditions in the United States and Europe, and to a lesser extent, Asia Pacific are not sustained, risks associated with integrating businesses, demands on management resources, risks associated with international markets such as currency exchange rates, competition, and risks associated with the implementation of restructuring actions and environmental remediation. The company undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances occurring after the date hereof.

BUSINESS SEGMENT REVIEW

The company reports global business units consisting of Metalworking, Engineered Products, Mining & Construction and JLK/Industrial Supply. Segment selection was based upon internal organizational structure, the manner in which management organizes segments for making operating decisions and assessing performance, the availability of separate financial results, and materiality considerations. The company's sales and operating income by segment are presented on pages 13 through 15 of the 2000 Annual Report to Shareowners, and such information is incorporated herein by reference. Additional information about the company's operations and assets by segment and geographic area is presented on pages 43 through 45 of the 2000 Annual Report to Shareowners, and such information is incorporated herein by reference.

METALWORKING

In the metalworking segment, the company provides consumable metalcutting tools and tooling systems to manufacturing companies in a wide range of industries throughout the world. Metalcutting operations include turning, boring, threading, grooving, milling and drilling. The company's tooling systems consists of a steel toolholder and an indexable cutting tool such as an insert or drill made from cemented tungsten carbides, ceramics, cermets, high-speed steel and other hard materials. Other cutting tools include end mills, reamers and taps. The company provides application support and simultaneous engineering services. The company also manufactures cutting tools, drill bits, saw blades and other tools for the consumer market which are marketed under private label and other proprietary brands.

During a metalworking operation, the toolholder is positioned in a machine tool that provides the turning power. While the workpiece or toolholder is rapidly rotating, the cutting tool insert or drill contacts the workpiece and cuts or shapes the workpiece. The cutting tool insert or drill is consumed during use and must be replaced periodically.

The company serves a wide variety of industries that cut and shape metal parts including manufacturers of automobiles, trucks, aerospace components, farm equipment, oil and gas drilling and processing equipment, railroad, marine and power generation equipment, machinery, appliances, factory equipment and metal components, as well as the job shops and maintenance operations. Products are delivered to customers through a direct field sales force, distribution, integrated supply programs, mail-order and e-commerce.

With a global marketing organization and operations worldwide, the company believes it is the largest North American and the second largest global provider of consumable metalcutting tools and supplies.

ENGINEERED PRODUCTS
This segment's principal business is the production and sale of cemented tungsten carbide products used in engineered applications, including circuit board drills, compacts, punches, dies molds, seal rings and a wide variety of other parts. The company also provides application specific component design services. These products have technical commonality to the company's core metalworking products.

These products are used by manufacturers or in operations where extremes of abrasion, corrosion or impact require combinations of hardness or other toughness afforded by cemented tungsten carbides or other hard materials. These products are sold through a direct field sales force and distribution. The company believes that it is the largest independent supplier of oil field compacts in the world. Compacts are the cutting edges of oil well drilling bits, which are commonly referred to as "rock bits."

MINING & CONSTRUCTION
This segment's principal business is the production and sale of cemented tungsten carbide products used in mining and highway construction and other similar applications. These products also have technical commonality to the company's core metalworking products. The company also sells metallurgical powders to manufacturers of cemented tungsten carbide products.

These tools are fabricated from steel parts and tipped with cemented carbide. Mining tools, used primarily in the coal industry, include longwall shearer and continuous miner drums, blocks, conical bits, drills, pinning rods, augers and a wide range of mining tool accessories. Highway construction cutting tools include carbide-tipped bits for ditching, trenching and road planing, grader blades for site preparation and routine roadbed control, and snowplow blades and shoes for winter road plowing. The company also provides on-site application support services.

The company produces these products for mine operators and suppliers, highway construction companies, municipal governments and manufacturers of mining equipment. Products are distributed through a direct field sales force and distribution. The company believes it is the world market leader in mining and highway construction tooling.

JLK/INDUSTRIAL SUPPLY
This segment's operations include the distribution of industrial supply products through JLK. JLK distributes a broad range of metalcutting tools, abrasives, drills, machine tool accessories, precision measuring tools, gages, hand tools and other supplies used in metalcutting operations. The majority of industrial supplies distributed by JLK are purchased from other manufacturers, although the product offering does include Kennametal-manufactured items.

The markets served include convenience-oriented users of metalcutting tools and supplies and large commercially-oriented customers seeking a single source of metalcutting supplies. Sales of metalworking consumable products are distributed through mail-order catalogs, retail showrooms, integrated supply or Full Service Supply (FSS) programs, a distributor-based direct field sales force and e-commerce. The company markets to the needs of the small-and medium-sized customers through its direct marketing catalog and showroom programs and serves medium- and large-sized industrial manufacturers through FSS programs and distributor-based direct field sales.

Through FSS programs, the industrial manufacturers engage JLK to carry out all aspects of complex metalworking supply processes, including needs assessment, cost analysis, procurement planning, supplier selection, "just-in-time" restocking of supplies and ongoing technical support. JLK also distributes through mail-order catalogs to small- and medium-sized customers in the United Kingdom and Germany.

INTERNATIONAL OPERATIONS

The company's principal international operations are conducted in Western Europe, Canada, the Asia Pacific region, South Africa and Mexico. In addition, the company has joint ventures in China, Poland and Russia, manufacturing and/or distribution in Israel and South America, and sales agents and distributors in Eastern Europe and other areas of the world.

The company's international operations are subject to the usual risks of doing business in those countries, including currency fluctuations and changes in social, political and economic environments. In management's opinion, the company's business is not materially dependent upon any one international location involving significant risk.

The company's international assets and sales are presented on page 45 of the 2000 Annual Report to Shareowners, and such information is incorporated herein by reference. Information pertaining to the effects of foreign currency fluctuations is contained under the caption "Market Risk" in Management's Discussion and Analysis on pages 22 and 23 of the 2000 Annual Report to Shareowners and under the captions "Foreign Currency Translation" and "Derivative Financial Instruments" in the notes to the consolidated financial statements on page 31 of the 2000 Annual Report to Shareowners. Such information is incorporated herein by reference.

MARKETING AND DISTRIBUTION

The company's manufactured products are sold primarily through the following distinct sales channels: (i) a direct sales force; (ii) integrated supply and FSS programs; (iii) retail showrooms; (iv) mail-order catalogs; (v) a network of independent distributors and sales agents in the United States and certain international markets; and (vi) the Internet. Service engineers and technicians directly assist customers with product design, selection and application. In addition, purchased products are sold through FSS programs, retail showrooms, mail-order catalogs and the Internet.

The company's products are marketed under various trademarks and tradenames, such as Kennametal*, Hertel*, the letter K combined with other identifying letters and/or numbers*, Block Style K*, Kendex*, Kenloc*, KennaMAX*, Top Notch*, Erickson*, Kyon*, KM*, Drill-Fix*, Fix-Perfect*, Disston*, Chicago Latrobe*, Putnam*, Greenfield*, RTW* and Cleveland*. The company also sells products to customers who resell such products under the customers' names or private labels.

RAW MATERIALS AND SUPPLIES

Major metallurgical raw materials consist of ore concentrates, compounds and secondary materials containing tungsten, tantalum, titanium, niobium and cobalt. Although these raw materials are in relatively adequate supply, major sources are located abroad and prices at times have been volatile. For these reasons, the company exercises great care in the selection, purchase and inventory availability of these materials. The company also purchases steel bars and forgings for making toolholders, high-speed steel and other tool parts, rotary cutting tools and accessories. Products purchased for use in manufacturing processes and for resale are obtained from thousands of suppliers located in the United States and abroad.

RESEARCH AND DEVELOPMENT

The company's product development efforts are focused on providing solutions to customers' manufacturing problems and productivity requirements. The company has implemented a program, ACE or Achieving a Competitive Edge, that provides discipline and focus for the product development process. ACE speeds and streamlines development into a series of actions and decision points, combining effort and resources to produce new and enhanced products, faster. ACE assures a strong link between customer needs and corporate strategy, and enables the company to gain full benefit from its investment in new product development.

Research and development expenses totaled $19.2 million, $18.8 million and $20.4 million in 2000, 1999 and 1998, respectively. Additionally, certain costs associated with improving manufacturing processes are included in cost of goods sold. The company holds a number of patents and licenses, which, in the aggregate, are not material to the operation of the business.

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* Trademark owned by Kennametal Inc. or a subsidiary of Kennametal Inc.

SEASONALITY
Seasonal variations do not have a major effect on the company's business. However, to varying degrees, traditional summer vacation shutdowns of metalworking customers' plants and holiday shutdowns often affect the company's sales levels during the first and second quarters of its fiscal year.

BACKLOG
The company's backlog of orders generally is not significant to its operations. Approximately 90 percent of all orders are filled from stock, and the balance generally is filled within short lead times.

COMPETITION
Kennametal is one of the world's leading producers of cemented carbide tools and high-speed steel tools, and maintains a strong competitive position, especially in North America and Europe. There is active competition in the sale of all products made by the company, with approximately 30 companies engaged in the cemented tungsten carbide business in the United States and many more outside the United States. Several competitors are divisions of larger corporations. In addition, several hundred fabricators and toolmakers, many of whom operate out of relatively small shops, produce tools similar to those made by the company and buy the cemented tungsten carbide components for such tools from cemented tungsten carbide producers, including the company. Major competition exists from both U.S.-based and international-based concerns. In addition, the company competes with thousands of industrial supply distributors.

The principal elements of competition in the company's business are service, product innovation, quality, availability and price. The company believes that its competitive strength rests on its customer service capabilities, including its multiple distribution channels, its global presence, its state-of-the-art manufacturing capabilities, its ability to develop solutions to customer needs through new and improved tools, and the consistent high quality of its products. These factors frequently permit the company to sell such products based on the value added for the customer rather than strictly on competitive prices.

REGULATION
Compliance with government laws and regulations pertaining to the discharge of materials or pollutants into the environment or otherwise relating to the protection of the environment did not have a material effect on the company's capital expenditures or competitive position for the years covered by this report, nor is such compliance expected to have a material effect in the future.

The company has been involved in various environmental cleanup and remediation activities at several of its manufacturing facilities. In addition, the company is currently named as a potentially responsible party (PRP) at several Superfund sites in the United States. In the December 1999 quarter, the company recorded a remediation reserve of $3.0 million with respect to its involvement in these matters, which is recorded as a component of operating expense. This represents management's best estimate of its undiscounted future obligation based on its evaluations and discussions with outside counsel and independent consultants, and the current facts and circumstances related to these matters. The company recorded this liability in the December quarter because certain events occurred, including sufficient progress made by the government and the PRPs in the identification of other PRPs and review of potential remediation solutions, that clarified the level of involvement in these matters by the company and its relationship to other PRPs. This led the company to conclude that it was probable that a liability had been incurred.

In addition to the amount currently reserved, the company may be subject to loss contingencies related to these matters estimated to be up to an additional $3.3 million. The company believes that such undiscounted unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. The reserved and unreserved liabilities may change substantially in the near term due to factors such as the nature and extent of contamination, changes in remedial requirements, technological changes, discovery of new information, the financial strength of other PRPs and the identification of new PRPs.

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

STOCK ISSUANCES

On March 20, 1998, the company sold 3.45 million shares of common stock resulting in net proceeds of $171.4 million. The proceeds were used to reduce a portion of the company's long-term debt.

On July 2, 1997, an initial public offering (IPO) of approximately 4.9 million shares of Class A Common Stock of JLK was consummated at a price of $20.00 per share. JLK operates the industrial supply operations consisting of the company's wholly owned J&L America, Inc. subsidiary and its FSS programs. The net proceeds from the offering were $90.4 million and represented the sale of approximately 20 percent of JLK's common stock. The net proceeds were used by JLK to repay $20.0 million of indebtedness related to a dividend to the company and $20.0 million related to intercompany obligations to the company incurred in 1997. The company used these proceeds to repay short-term debt. JLK used the remaining net proceeds of $50.4 million from the offering during 1998 to make acquisitions. The company's ownership in JLK increased to approximately 83 percent due to treasury stock purchases made by JLK since the IPO.

ACQUISITIONS

In November 1997, the company completed the acquisition of Greenfield for $1.0 billion. The company acquired all of Greenfield's outstanding common stock for $38.00 per share, and assumed outstanding debt and convertible securities of $320.0 million. Greenfield is a manufacturer of consumable cutting tools and related products used in a variety of industrial, electronics, energy and construction, engineered and consumer markets. The acquisition of Greenfield increased the company's market share in the high-speed rotary steel product markets.

Additionally, the company also has made several other acquisitions in 1999 and 1998 to expand its product offering and distribution channels. All acquisitions were accounted for using the purchase method of accounting.

The company will continue to evaluate new opportunities that allow for the expansion of existing product lines into new market areas, either directly or indirectly through joint ventures, where appropriate.

EMPLOYEES

The company employed approximately 13,200 persons at June 30, 2000, of which approximately 8,800 were located in the United States and 4,400 in other parts of the world, principally Europe and Asia Pacific. Approximately 2,600 employees were represented by labor unions, of which approximately 800 were hourly-rated employees located at five plants in the United States. The remaining 1,800 employees represented by labor unions were employed at twelve locations outside of the United States. The company considers its labor relations to be generally good.

CORPORATE DIRECTORY

The following is a summary of the company's consolidated subsidiaries and affiliated companies as of June 30, 2000:

CONSOLIDATED SUBSIDIARIES (% OWNERSHIP, IF LESS THAN 100%)

Kennametal Hertel de Argentina S.A., Argentina
Kennametal Australia Pty. Ltd., Australia
Kennametal Foreign Sales Corporation, Barbados
Kennametal Hertel do Brasil Ltda., Brazil
Kennametal Ltd., Canada
Kennametal Hertel Chile Ltda., Chile
Kennametal (China) Limited, China
Kennametal (Shanghai) Ltd., China
Kennametal Hardpoint (Shanghai) Ltd., China (90%)
Shanxi-Kennametal Mining Cutting Systems Manufacturing
  Company Limited, China (70%)
Xuzhou-Kennametal Mining Cutting Systems Manufacturing
  Company Limited, China (70%)

CONSOLIDATED SUBSIDIARIES (% OWNERSHIP, IF LESS THAN 100%) (CONTINUED)
Kennametal Hertel AG, Germany (96%)
Kennametal Hardpoint H.K. Ltd., Hong Kong (90%)
Kennametal Hertel Japan, Ltd., Japan
Kennametal Hertel (Malaysia) Sdn. Bhd., Malaysia
Kennametal de Mexico, S.A. de C.V., Mexico
Kennametal/Becker-Warkop Ltd., Poland (84%)
Kennametal Hertel (Singapore) Pte. Ltd., Singapore
Kennametal South Africa (Proprietary) Limited, South Africa
Kennametal Hertel Korea Ltd., South Korea
Kennametal Hardpoint (Taiwan) Inc., Taiwan (90%)
Kennametal Hertel Co., Ltd., Thailand (75%)
Adaptive Technologies Corp., United States
Circle Machine Company, United States
Greenfield Industries, Inc., United States
JLK Direct Distribution Inc., United States (83%)
Kennametal Financing II, United States
Kennametal PC Inc., United States
Kennametal Receivables Corporation, United States
Kennametal TC Inc., United States

CONSOLIDATED SUBSIDIARIES OF KENNAMETAL HERTEL AG (% OWNERSHIP, IF LESS THAN 100%)
Kennametal Hertel Belgium S.A., Belgium
Kennametal Hertel EDG Limited, England
Kennametal Hertel Limited, England
Kennametal Hertel France S.A., France
Kennametal Hertel G.m.b.H., Germany
Kennametal Hertel Korea G.m.b.H., Germany
Rubig G.m.b.H. & Co. K.G., Germany
Kennametal Hertel S.p.A., Italy (55%)
Kennametal Hertel Nederland B.V., Netherlands
Nederlandse Hardmetaal Fabrieken B.V., Netherlands
Kennametal Hertel Kesici Takimlar ve Sistemler Anonim Sirketi, Turkey (55%)

CONSOLIDATED SUBSIDIARIES OF JLK DIRECT DISTRIBUTION INC.
J&L America, Inc., United States

CONSOLIDATED SUBSIDIARIES OF J&L AMERICA, INC.
J&L Industrial Supply Ltd., Canada
J&L Industrial Supply U.K., England (branch)
J&L Werkzeuge und Industriebedarf G.m.b.H., Germany
Abrasive & Tool Specialties Company, United States
GRS Industrial Supply Company, United States
Production Tools Sales, Inc., United States
Strong Tool Co., United States

CONSOLIDATED SUBSIDIARIES OF GREENFIELD INDUSTRIES, INC.
Greenfield Industries, Incorporated Canada, Canada
Cirbo Limited, England
Kemmer Hartmetallwerkzeuge G.m.b.H., Germany
Kemmer Prazision G.m.b.H., Germany
Hanita Metal Works, Ltd., Israel
Kemmer-Cirbo S.r.L., Italy
Cleveland Twist Drill de Mexico, S.A. de C.V., Mexico
Greenfield Tools de Mexico, S.A. de C.V., Mexico

CONSOLIDATED SUBSIDIARIES OF GREENFIELD INDUSTRIES, INC. (CONTINUED)
Herramientas Cleveland, S.A. de C.V., Mexico
Bassett Rotary Tool Company, United States
Carbidie Corporation, United States
Hanita Cutting Tools, Inc., United States
Kemmer International, Inc., United States
Rogers Tool Works, Inc., United States
South Deerfield Industrial, Inc., United States
TCM Europe, Inc., United States

AFFILIATED COMPANIES (% OWNERSHIP)
Kennametal Hertel G. Beisteiner G.m.b.H., Austria (26%)
ISIS Informatics Limited, England (20%)
Birla Kennametal Ltd., India (44%)
Kemmer Japan, Japan (29%)
Wilke Carbide B.V., Netherlands (50%)
PIGMA-Kennametal Joint Venture, Russia (49%)
Carbidie Asia Pacific Pte. Ltd., Singapore (40%)
Kenci, S.A., Spain (20%)

ITEM 2. PROPERTIES

The company's principal executive offices are located at 1600 Technology Way, P.O. Box 231, Latrobe, Pennsylvania, 15650. Presented below is a summary of principal manufacturing facilities used by the company.

Location	Owned/Leased	Principal Products
United States:		
Bentonville, Arkansas	Owned	Carbide Round Tools
Pine Bluff, Arkansas	Leased	High Speed Steel Drills
Rogers, Arkansas	Owned	Carbide Products
Monrovia, California	Leased	Boring Bars
Placentia, California	Leased	Wear Parts
Evans, Georgia	Owned	High Speed Steel Drills
Chicago, Illinois	Leased	Circuit Board Drills
Elk Grove Village, Illinois	Leased	Fixed Limited Gages
Rockford, Illinois	Owned	Indexable Tooling
Monticello, Indiana	Owned	Carbide Round Tools
Framingham, Massachusetts	Leased	Fixed Limited Gages
Greenfield, Massachusetts	Owned	High Speed Taps
South Deerfield, Massachusetts	Leased	Consumer Products
Traverse City, Michigan	Owned	Ceramic Wear Parts
Troy, Michigan	Leased	Metalworking Toolholders
Fallon, Nevada	Owned	Metallurgical Powders
Asheboro, North Carolina	Owned	High Speed End Mills
Henderson, North Carolina	Owned	Metallurgical Powders
Roanoke Rapids, North Carolina	Owned	Metalworking Inserts
Orwell, Ohio	Owned	Metalworking Inserts
Solon, Ohio	Owned	Metalworking Toolholders
Bedford, Pennsylvania	Owned	Mining and Construction Tools and Wear Parts
Irwin, Pennsylvania	Owned	Carbide Wear Parts
Latrobe, Pennsylvania	Owned	Metallurgical Powders and Wear Parts
Hendersonville, Tennessee	Leased	Fixed Limited Gages

Location	Owned/Leased	Principal Products
United States (continued):		
Johnson City, Tennessee	Owned	Metalworking Inserts
Whitehouse, Tennessee	Leased	Fixed Limited Gages
Clemson, South Carolina	Owned	High Speed Steel Drills
Lyndonville, Vermont	Leased	High Speed Taps
Chilhowee, Virginia	Owned	Mining and Construction Tools and Wear Parts
New Market, Virginia	Owned	Metalworking Toolholders
International:		
Victoria, Canada	Owned	Wear Parts
Shanghai, China	Owned	Metalworking Inserts
Shanxi, China	Owned	Mining Tools
Xuzhou, China	Owned	Mining Tools
Bodmin, England	Owned	Circuit Board Drills and Routers
Kingswinford, England	Leased	Metalworking Toolholders
Sheffield, England	Leased	High Speed Steel Drills, Taps and End Mills
Bordeaux, France	Leased	Metalworking Cutting Tools
Ebermannstadt, Germany	Owned	Metalworking Inserts
Mistelgau, Germany	Owned	Metallurgical Powders, Metalworking Inserts and Wear Parts
Nabburg, Germany	Owned	Metalworking Toolholders
Schwabisch Gmund, Germany	Leased	Circuit Board Drills
Vohenstrauss, Germany	Owned	Metalworking Carbide Drills
Schlomi, Israel	Owned	High Speed Endmills
Milan, Italy	Owned	Metalworking Cutting Tools
Pachuca, Mexico	Owned	High Speed Steel Drills
Arnhem, Netherlands	Owned	Wear Products

The company also has a network of warehouses and customer service centers located throughout North America, Western Europe, Asia, South America and Australia, a significant portion of which are leased. The majority of the company's research and development efforts are conducted in a corporate technology center located adjacent to world headquarters in Latrobe, Pennsylvania and in Furth, Germany.

All significant properties are used in the company's business of powder metallurgy, tools, tooling systems and industrial supply. The company's production capacity is adequate for its present needs. The company believes that its properties have been adequately maintained, are generally in good condition and are suitable for the company's business as presently conducted.

ITEM 3. LEGAL PROCEEDINGS

In July 2000, the company, JLK and the JLK directors (including one former director) were named as defendants in several putative class action lawsuits. The lawsuits seek an injunction, rescission, damages, costs and attorney fees in connection with the company's proposal to acquire the outstanding stock of JLK not owned by the company. The company believes the actions lack merit and will defend them vigorously. The amount of any ultimate exposure cannot be determined with certainty at this time. Management believes that any losses derived from the final outcome of these actions and proceedings will not be material in the aggregate to the company's financial condition.

Other than noted above, there are no material pending legal proceedings, other than litigation incidental to the ordinary course of business, to which the company or any of its subsidiaries is a party or of which any of their property is the subject.

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

During the fourth quarter of 2000, there were no matters submitted to a vote of security holders through the solicitation of proxies or otherwise.

OFFICERS OF THE REGISTRANT

Name, Age, and Position	Experience During Past Five Years (2)
Markos I. Tambakeras, 49 (1) President and Chief Executive Officer Director	President and Chief Executive Officer since July 1, 1999. Formerly, employed by Honeywell Inc. as President of Industrial Controls Business from 1997 to 1999 and President, Industrial Automation and Control from 1995 to 1996.
William R. Newlin, 59 (1) Chairman of the Board	Chairman of the Board since October 1996. Director since 1982.
David B. Arnold, 61 (1) Vice President Chief Technical Officer	Vice President since 1979. Chief Technical Officer since 1988.
James R. Breisinger, 50 (1) Vice President Chief Operating Officer, Advanced Materials Solutions Group	Vice President since 1990. Named Chief Operating Officer, Advanced Materials Solutions Group in August 2000. Chief Financial Officer from September 1998 to August 2000. Chief Operating Officer, Greenfield Industries, Inc. from March through September 1998. Corporate Controller from 1994 to 1998.
M. Rizwan Chand, 37 (1) Vice President Human Resources	Vice President since May 2000. Previously, Vice President, Human Resources for Aetna International in 1999. Previously, with Mary Kay Inc. as Senior Vice President, Global Human Resources from 1996 to 1999 and Vice President - International Human Resources from 1995 to 1996.
David T. Cofer, 55 (1) Vice President Secretary and General Counsel	Vice President since 1986. Secretary and General Counsel since 1982.
Stanley R. Duzy, Jr., 53 (1) Vice President Business Development and Administration	Vice President since November 1999. Formerly, employed by Honeywell Inc. as Vice President of Industrial Controls Business from 1998 to 1999 and Vice President and Controller, Asia Pacific from 1992 to 1997.
Derwin R. Gilbreath, 52 (1) Vice President, Chief Operating Officer, Metalworking Solutions and Services Group	Vice President since January 1997. Named Chief Operating Officer, Metalworking Solutions and Services Group in August 2000. Chief Operating Officer, Greenfield Industries Inc. from September 1998 to August 2000. Director of Global Manufacturing from 1995 to 1998.
F. Nicholas Grasberger, III, 36 (1) Vice President Chief Financial Officer	Elected Vice President and Chief Financial Officer in August 2000. Formerly, Corporate Treasurer, H.J. Heinz Company from 1997 to 2000 and General Manager of Business Planning from 1994 to 1997.
Richard C. Hendricks, 61 (1) Vice President Corporate Development	Vice President since 1982. Director of Corporate Development since 1992.

Name, Age, and Position	Experience During Past Five Years (2)
Brian E. Kelly, 37 Assistant Treasurer Director of Tax	Elected Assistant Treasurer and named Director of Tax in September 1998. Manager of Corporate Tax from 1996 to 1998. Formerly, Tax Consultant with Westinghouse Electric Corporation from 1995 to 1996.
Lawrence J. Lanza, 51 Assistant Treasurer Director of Treasury Services	Elected Assistant Treasurer and named Director of Treasury Services in April 1999. Previously, Director, Global Capital Markets for CBS Corporation, formerly Westinghouse Electric Corporation, from 1972 to 1998.
H. Patrick Mahanes, Jr., 57 (1) Executive Vice President Global Strategic Initiatives	Vice President since 1987. Named Executive Vice President, Global Strategic Initiatives in 2000. Chief Operating Officer from 1995 to August 2000.
James E. Morrison, 49 Vice President Treasurer	Vice President since 1994. Treasurer since 1987.
Wayne D. Moser, 47 Vice President General Manager, Mining & Construction	Vice President since 1998. General Manager, Mining & Construction since 1997. Chief Financial Officer of Kennametal Hertel AG from 1993 to 1997.
Ralph G. Niederst, 49 (1) Vice President Chief Information Officer	Elected Vice President in May 2000. Formerly, Director of Management Information Technology at Harsco Corporation's Heckett Multiserv from 1995 to 2000.
Kevin G. Nowe, 48 Assistant Secretary Assistant General Counsel	Joined the company as Assistant General Counsel in 1992 and was elected Assistant Secretary in 1993.
Ajita G. Rajendra, 48 Vice President General Manager, Industrial Products Group	Elected Kennametal Vice President in 1998. General Manager of Industrial Products Group since 1997. Vice President of Greenfield's Electronic Products Group from 1996 to 1997. Previously, in various positions with Corning, Inc. from 1978 to 1996.
P. Mark Schiller, 52 Vice President Director of Kennametal Distribution Services	Vice President since 1992. Director of Kennametal Distribution Services since 1990.
Frank P. Simpkins, 37 (1) Corporate Controller and Chief Accounting Officer	Named Corporate Controller and Chief Accounting Officer in October 1998. Manager, External Reporting and Investor Relations from 1995 to 1998.
A. David Tilstone, 46 (1) Vice President Director of Global Marketing and Sales	Vice President since July 1997. Named Director of Global Marketing in April 1997. Director of Asia Pacific Operations from 1995 to 1997.

Notes:

(1) Executive officer of the Registrant.

(2) Each officer has been elected by the Board of Directors to serve until removed or until a successor is elected and qualified, and has served continuously as an officer since first elected.

PART II

The information required under Items 5 through 8 is included in the 2000 Annual Report to Shareowners and such information is incorporated herein by reference as indicated below.

ITEM 5. MARKET FOR THE REGISTRANT COMMON STOCK AND RELATED SHAREOWNER MATTERS

Incorporated by reference is the Quarterly Financial Information (Unaudited) set forth on pages 45 and 46 and the information under Stock Issuances set forth pages 32 and 33 of the 2000 Annual Report to Shareowners.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference is information with respect to the years 1996 to 2000 contained in the Eleven-Year Financial Highlights set forth on pages 48 and 49 of the 2000 Annual Report to Shareowners.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Incorporated by reference is Management's Discussion & Analysis set forth on pages 13 to 24 of the 2000 Annual Report to Shareowners.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Incorporated by reference is the Management's Discussion & Analysis set forth on pages 22 and 23 and the information under Financial Instruments on pages 40 and 41 of the 2000 Annual Report to Shareowners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated by reference is Item 14(a) 1 of this Form 10K and the Quarterly Financial Information (Unaudited) set forth on pages 45 and 46 of the 2000 Annual Report to Shareowners.

ITEM 9. CHANGES IN AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference is the information set forth in Part I under the caption "Officers of the Registrant" and the information set forth under the caption "Election of Directors" in the company's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after June 30, 2000 ("2000 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference is the information set forth under the caption "Compensation of Executive Officers" and certain information regarding directors' fees under the caption "Board of Directors and Board Committees" in the 2000 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference is the information set forth under the caption "Ownership of Capital Stock by Directors, Nominees and Executive Officers" with respect to the directors' and officers' shareholdings and under the caption "Principal Holders of Voting Securities" with respect to other beneficial owners in the 2000 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference is certain information set forth in the notes to the tables under the captions "Election of Directors" and "Compensation of Executive Officers" in the 2000 Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Form 10-K report.

1. Financial Statements

The consolidated balance sheets as of June 30, 2000 and 1999, the consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended June 30, 2000 and the notes to consolidated financial statements, together with the report thereon of Arthur Andersen LLP dated July 24, 2000 (except with respect to the matter discussed in Note 3, as to which the date is September 1, 2000), presented in the company's 2000 Annual Report to Shareowners, are incorporated herein by reference.

2. Financial Statement Schedule

The financial statement schedule shown below should be read in conjunction with the consolidated financial statements contained in the 2000 Annual Report to Shareowners. Other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Separate financial statements of the company are omitted because the company is primarily an operating company, and all significant subsidiaries included in the consolidated financial statements are wholly owned, with the exception of Kennametal Hertel AG, in which the company has a 96 percent interest, and JLK Direct Distribution Inc., in which the company has an 83 percent interest.

Financial Statement Schedule:	Page
Report of Independent Public Accountants	20
Schedule II - Valuation and Qualifying Accounts for the Three Years Ended June 30, 2000	21

3. Exhibits

(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession

(2.1)	Agreement and Plan of merger by and among Kennametal Inc., Kennametal Acquisition Corp. (formerly, Palmer Acquisition Corp.) and Greenfield Industries, Inc. dated as of October 10, 1997	Exhibit (c)(1) of the company's Schedule 14D-1 (SEC file no. reference no. 1-5318; docket entry date - October 17, 1997) is incorporated herein by reference.

(3) Articles of Incorporation and Bylaws

(3.1)	Amended and Restated Articles of Incorporation as Amended	Exhibit 3.1 of the company's September 30, 1994 Form 10-Q is incorporated herein by reference.
(3.2)	Bylaws	Exhibit 3.1 of the company's March 31, 1991 Form 10-Q (SEC file no. reference 1-5318; docket entry date - May 14, 1991) is incorporated herein by reference.

(4) Instruments Defining the Rights of Security Holders, Including Indentures

(4.1)	Rights Agreement dated October 25, 1990	Exhibit 4 of the company's Form 8-K dated October 23, 1990 (SEC file no. reference 1-5318; docket entry date - November 1, 1990) is incorporated herein by reference.

(10) Material Contracts

(10.1)*	Prime Bonus Plan	The discussion regarding the Prime Bonus Plan under the caption "Report of the Board of Directors Committee on Executive Compensation" contained in the company's 2000 Proxy Statement is incorporated herein by reference.
(10.2)*	Stock Option and Incentive Plan of 1988	Exhibit 10.1 of the company's December 31, 1988 Form 10-Q (SEC file no. reference 1-5318; docket entry date - February 9, 1989) is incorporated herein by reference.
(10.3)*	Deferred Fee Plan for Outside Directors	Exhibit 10.4 of the company's June 30, 1988 Form 10-K (SEC file no. reference 1-5318; docket entry date - September 23, 1988) is incorporated herein by reference.
(10.4)*	Executive Deferred Compensation Trust Agreement	Exhibit 10.5 of the company's June 30, 1988 Form 10-K (SEC file no. reference 1-5318; docket entry date - September 23, 1988) is incorporated herein by reference.
(10.5)*	Directors Stock Incentive Plan, as amended	Exhibit 10.5 of the company's June 30, 1999 Form 10-K is incorporated herein by reference.
(10.6)*	Performance Bonus Stock Plan of 1995, as amended	Exhibit 10.6 of the company's June 30, 1999 Form 10-K is incorporated herein by reference
(10.7)*	Stock Option and Incentive Plan of 1996	Exhibit 10.14 of the company's September 30, 1996 Form 10-Q is incorporated herein by reference.
(10.8)*	Stock Option and Incentive Plan of 1992, as amended	Exhibit 10.8 of the company's December 31, 1996 Form 10-Q is incorporated herein by reference.
(10.9)*	Form of Employment Agreement with Named Executive Officers (other than Mr. Tambakeras)	Filed herewith.
(10.10)*	Supplemental Executive Retirement Plan, as amended	Exhibit 10.10 of the company's June 30, 1999 Form 10-K is incorporated herein by reference.

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* Denotes management contract or compensatory plan or arrangement.

(10.11)	Credit Agreement with Mellon Bank, N.A. and various creditors dated as of November 17, 1997	Exhibit 10.2 of the company's December 31, 1997 Form 10-Q is incorporated herein by reference.
(10.12)	Guaranty and Suretyship Agreement with Mellon Bank, N.A. dated November 17, 1997	Exhibit 10.3 of the company's December 31, 1997 Form 10-Q is incorporated herein by reference.
(10.13)	Amendment to Credit Agreement with Mellon Bank, N.A. and various creditors dated as of November 26, 1997	Exhibit 10.18 of the company's June 30, 1998 Form 10-K is incorporated herein by reference.
(10.14)	Amendment to Credit Agreement with Mellon Bank, N.A. and various creditors dated as of December 19, 1997	Exhibit 10.19 of the company's June 30, 1998 Form 10-K is incorporated herein by reference.
(10.15)	Amendment to Credit Agreement with Mellon Bank, N.A. and various creditors dated as of March 19, 1998	Exhibit 10.20 of the company's June 30, 1998 Form 10-K is incorporated herein by reference.
(10.16)	Amendment to Credit Agreement with Mellon Bank, N.A. and various creditors dated as of December 15, 1998	Exhibit 10.1 of the company's December 31, 1998 Form 10-Q is incorporated herein by reference.
(10.17)	Amendment to Credit Agreement with Mellon Bank, N.A. and various creditors dated as of March 31, 1999	Exhibit 10.1 of the company's March 31, 1999 Form 10-Q is incorporated herein by reference.
(10.18)*	Executive Employment Agreement dated May 4, 1999 between Kennametal Inc. and Markos I. Tambakeras	Exhibit 10.1 of the company's June 11, 1999 Form 8-K is incorporated herein by reference.
(10.19)*	Kennametal Inc. 1999 Stock Plan	Exhibit 10.5 of the company's June 11, 1999 Form 8-K is incorporated herein by reference.
(10.20)	Amendment to Credit Agreement with Mellon Bank, N.A. and various creditors dated as of October 1, 1999	Exhibit 10.1 of the company's September 30,1999 Form 10-Q is incorporated herein by reference.
(10.21)*	Kennametal Inc. Stock Option and Incentive Plan of 1999	Exhibit A of the company's 1999 Proxy Statement is incorporated herein by reference.
(10.22)*	Amendment to Executive Employment Agreement between Kennametal Inc. and Markos I. Tambakeras dated March 3, 2000	Exhibit 10.1 of the company's March 31, 2000 Form 10-Q is incorporated herein by reference.
(10.23)*	Employment Agreement dated January 21, 2000 between JLK Direct Distribution Inc. and Richard J. Orwig	Filed herewith.

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* Denotes management contract or compensatory plan or arrangement.

(10.24)*	Severance Agreement dated May 2, 2000 with Richard J. Orwig	Filed herewith.
(13)	Annual Report to Shareowners	Portions of the 2000 Annual Report are filed herewith.
(21)	Subsidiaries of the Registrant	Filed herewith.
(23)	Consent of Independent Public Accountants	Filed herewith.
(27)	Financial Data Schedule	Filed herewith.

(b) Reports on Form 8-K.

A report on Form 8-K was filed on May 9, 2000 regarding the announcement of the resignation of Mr. Richard J. Orwig as President and CEO of JLK Direct Distribution Inc., an 83 percent-owned subsidiary of Kennametal Inc.

A report on Form 8-K was filed on July 21, 2000 regarding the announcement of a proposal by Kennametal Inc. to acquire the outstanding shares of JLK Direct Distribution Inc., an 83 percent-owned subsidiary of Kennametal Inc., that it does not already own for $6.70 per share in cash.

A report on Form 8-K was filed on July 25, 2000 regarding the announcements that the Board of Directors adopted a new shareowner rights plan to replace its existing plan which has been in effect since 1990, that Robert L. McGeehan resigned as a member of the Board of Directors effective July 24, 2000, and that Kennametal and all the directors of JLK Direct Distribution Inc., an 83 percent-owned subsidiary of Kennametal Inc., were named in civil action No. GD00-12565, filed in the Court of Common Pleas in Allegheny County, Pennsylvania.

A report on Form 8-K was filed on September 11, 2000 regarding the announcement that Kennametal Inc. and JLK Direct Distribution Inc., an 83 percent-owned subsidiary of Kennametal Inc., have entered into a definitive merger agreement for Kennametal to acquire the outstanding shares of JLK that Kennametal does not already own.

A report on Form 8-K was filed on September 12, 2000 regarding the announcement that JLK Direct Distribution Inc., an 83 percent-owned subsidiary of Kennametal Inc., expects to recognize special charges of $15 - $20 million associated with its business improvement plan.

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* Denotes management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KENNAMETAL INC.

By: /s/ Frank P. Simpkins

Frank P. Simpkins
Corporate Controller and
Chief Accounting Officer

Date: September 22, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ William R. Newlin ----------------------------- William R. Newlin	Chairman of the Board	September 22, 2000
/s/ Markos I. Tambakeras ----------------------------- Markos I. Tambakeras	President, Chief Executive Officer and Director	September 22, 2000
/s/ F. Nicholas Grasberger, III ----------------------------- F. Nicholas Grasberger, III	Vice President and Chief Financial Officer	September 22, 2000

SIGNATURE	TITLE	DATE
/s/ Richard C. Alberding Richard C. Alberding	Director	September 22, 2000
/s/ Peter B. Bartlett Peter B. Bartlett	Director	September 22, 2000
/s/ A. Peter Held A. Peter Held	Director	September 22, 2000
/s/ Kathleen J. Hempel Kathleen J. Hempel	Director	September 22, 2000
/s/ Timothy S. Lucas Timothy S. Lucas	Director	September 22, 2000
/s/ Aloysius T. McLaughlin, Jr. Aloysius T. McLaughlin, Jr.	Director	September 22, 2000
/s/ Larry Yost Larry Yost	Director	September 22, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareowners of
Kennametal Inc.

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Kennametal Inc.'s annual report to shareowners incorporated by reference in this Form 10-K, and have issued our report thereon dated July 24, 2000. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the index in Item 14-(a)2 of this Form 10-K is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Pittsburgh, Pennsylvania
July 24, 2000

KENNAMETAL INC. SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED JUNE 30, 2000

(dollars in thousands)

Description	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Recoveries	Additions: Other Adjustments	Deductions from Reserves	Balance at End of Year
2000						
Allowance for doubtful accounts	$15,269	$ 4,177	$ 596	$ (307)(a)	$ 7,521(b)	$12,214
Restructuring and asset impairment charges	$ 3,567	$18,626	$ --	$ 595 (c)	$15,223(d)	$ 7,565
1999						
Allowance for doubtful accounts	$11,974	$ 8,230	$ 365	$ (398)(a)	$ 4,902(b)	$15,269
Restructuring and asset impairment charges	$ --	$20,837	$ --	$ --	$17,270(d)	$ 3,567
1998						
Allowance for doubtful accounts	$ 7,325	$ 2,453	$ 336	$5,061(a)	$ 3,201(b)	$11,974

(a) Represents foreign currency translation adjustment and reserves acquired through business combinations.
(b) Represents uncollected accounts charged against the allowance.
(c) Represents adjustment for company receiving more value upon disposition of property than initially anticipated.
(d) Represents asset write-downs, non-cash adjustments and cash expenditures charged against the accrual.

EXHIBIT 10.9

OFFICER'S EMPLOYMENT AGREEMENT

Amended and Restated

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

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

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

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

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

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

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

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

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

4. (a) In the event that Employee's employment is terminated by Kennametal prior to a Change-in-Control (as hereinafter defined) and other than for Cause, Employee will receive as severance pay, in

addition to all amounts due him at the Date of Termination (as hereinafter defined), an amount, payable promptly after the Date of Termination, equal to three months' base salary at the annual rate in effect on the Date of termination.

(b) In the event that Employee's employment is terminated (i) due to the death of the Employee or (ii) by Employee following a Change-in-Control (as hereafter defined) without Good Reason (as such term in defined in paragraph 4(h)) or prior to a Change-in-Control (as hereinafter defined), Employee will not be entitled to receive any severance pay in addition to the amounts, if any, due him at the Date of Termination (as hereinafter defined).

(c) In the event at or after a Change-in-Control and prior to the third anniversary of the date of the Change-in-Control that Employee's employment is terminated by Employee for Good Reason or by Kennametal other than for Cause or Disability pursuant to paragraph 5, Employee will receive as severance pay (in addition to all other amounts due him at the Date of Termination) an amount equal to the product of:

(i) the lesser of

(x) two and eight tenths (2.8),

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

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

times

(ii) the sum of

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(vi) the relocation of the 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; or

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

5. In the event that Employee (a) shall be guilty of malfeasance, willful misconduct or gross negligence in the performance of the services contemplated by this agreement, or (b) shall not make his services available to Kennametal on a full time basis in accordance with paragraph 1 hereof for any reason (including Disability) other than arising from Employee's incapacity due to physical or mental illness or injury which does not constitute Disability and other than by reason of the fact Employee's employment has been terminated under the circumstances described in paragraph 4(a), or (c) shall breach the provisions of paragraph 8 hereof (the matters described in subparagraphs (a), (b) and (c) are collectively referred to as "Cause"), Kennametal shall have the right, exercised by resolution adopted by a majority of its Board of Directors, to terminate Employee's employment for Cause by giving prior written notice to Employee of its election so to do. In that event, Employee's employment shall be deemed terminated for Cause, Employee shall not be entitled to the benefits set forth in paragraph 4 which shall not be paid or payable and Kennametal only shall have the obligation to pay Employee the unpaid portion of Employee's base salary for the period from the last period from which Employee was paid to the Date of Termination; provided, however, that if Employee's employment is terminated as a result of the Disability of Employee, the benefits set forth in paragraph 4 shall not be paid or payable but Employee shall be entitled to receive the annual supplement under the Supplemental Executive Retirement Plan and Employee's employment by Kennametal shall not be deemed terminated for purposes of the Long-Term Disability Plan, Retirement Income Plan for US Salaried Employees or any other benefit plan which so provides. For purposes of this agreement "Disability" shall mean such incapacity due to physical or mental illness or injury which results in the Employee's being absent from his principal office at Kennametal's offices for the entire portion of 180 consecutive business days. Prior to a Change-in-Control, a decision by the Board of Directors of Kennametal that "Cause" exists shall be in the discretion of the Board of Directors and shall be final and binding upon the Employee and his rights hereunder. After a Change-in-Control, "Cause" shall not be deemed to include opposition by Employee to such a Change-in-Control or any matter incidental thereto and any determination by the Board of Directors that "Cause" existed shall not be final or binding upon the Employee or his rights hereunder or entitled to any deference in any court or other tribunal.

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

7. Nothing herein contained shall affect the right of Employee to participate in and receive benefits under and in accordance with the then current provisions of any retirement income, profit-sharing, additional year-end or periodic remuneration or bonus, incentive compensation, insurance or any other employee welfare plan or

program of Kennametal and all payments hereunder shall be in addition to any benefits received thereunder (including long term disability payments).

8. During the period of employment of Employee by Kennametal and for three years thereafter, (provided, however, that this paragraph 8 shall not apply to the Employee following a termination of Employee's employment (x) if a Change-in-Control, shall have occurred prior to the Date of Termination or (y) if Employee's employment is terminated by Kennametal other than for Cause), he will not, in any geographic area in which Kennametal is offering its services and products, without the prior written consent of Kennametal:

(a) directly or indirectly engage in, or

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

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

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

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

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

(i) of a technical nature such as, but not limited to, Kennametal's manuals, methods, know-how, formulae, shapes, designs, compositions, processes, applications, ideas, improvements, discoveries, inventions, research and development projects, equipment, apparatus, appliances, computer programs, software, systems documentation, special hardware, software development and similar items; or

(ii) of a business nature such as, but not limited to, information about business plans, sources of supply, cost, purchasing, profits, markets, sales, sales volume, sales methods, sales proposals, identity of customers and prospective customers, identity of customers' key purchasing personnel, amount or kind of customers' purchases and other information about customers; or

(iii) pertaining to future developments such as, but not limited to, research and development or future marketing or merchandising.

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

Employee agrees to hold and safeguard all Confidential Information in trust for Kennametal, its successors and assigns and Employee shall not (except as required in the performance of Employee's duties), use or disclose or make available to anyone for use outside Kennametal's organization at any time, either during employment with Kennametal or subsequent thereto, any of the Confidential Information, whether or not developed by Employee, without the prior written consent of Kennametal.

(b) Employee agrees that:

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

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

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

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

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

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

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

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

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

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

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

16. (a) At the time of making payment to an Employee entitled to receive the severance payment computed in accordance subsection 4(c)(i) and 4(c)(ii) of this agreement, the Corporation shall determine whether the Employee is expected to be subject to the tax (the "Excise Tax") imposed by section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to any payment or benefit received, or to be received, by Employee under this agreement or in connection with a change in control of the Corporation, or the termination of the Employees' employment (whether pursuant to the terms of this agreement or any other plan, arrangement or agreement with the Corporation, any person whose actions result in a change in control or any person affiliated with the Corporation or such person) (collectively, the "Total Payments"). If the Corporation determines that the Employee will be subject to the Excise Tax, the Corporation shall immediately send a written notice to the Employee which sets forth that the Employee will be subject to the Excise Tax and the Corporation's computation of the Total Payments, of the amount of Total Payments which constitute "parachute payments" as defined in section 28OG(b)(2) of the Code ("parachute payments") resulting in the imposition of the Excise Tax, and of the amount of Total Payments which the Employee would retain after giving effect to the Employee's receipt of the Excise Tax Payment (as hereafter defined) and payment of applicable taxes. Employee shall have five (5) business days after receipt of the foregoing notice and computation to deliver a written waiver to the Corporation irrevocable waiving the Employee's right to receive an amount of Total Payments equal to the "parachute payments" from any specified type of the Total Payments. If the Corporation had already withheld any Contract Payments due to the Excise Tax prior to receipt of such waiver, the Corporation upon receipt of such waiver shall immediately pay to Employee any withheld Contract Payments which would have been paid had the Corporation had the Employee's written waiver prior to the date the Corporation withheld any such payments.

(b) If

(i) after giving effect to any waiver by the Employee pursuant to subsection (a) above, the Employee will be subject to the Excise Tax with respect to any portion of the Total Payments and

(ii) the Employee After Tax Net (as hereafter defined) would be less than the Minimum Amount (as hereafter defined),

then the Corporation shall pay to Employee an additional amount (the "Excise Tax Payment") such that the Employee After Tax Net shall be equal to the Minimum Amount. The Excise Tax Payment, if any, under this subsection shall be made to Employee within fifteen (15) business days of Employee's Date of Termination.

(c) The "Employee After Tax Net" is the portion of the Total Payments which the Employee retains or would retain after payment of all federal and any state and local income taxes on the Total Payments and of the Excise Tax. The "Minimum Amount" is an amount equal to the severance pay computed in accordance with subsection 4(c)(i) and 4(c)(ii) of this agreement less the federal, state and/or local income taxes which would be owing by the Employee on such severance pay (ignoring any Excise Tax Payment). For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all Total Payments shall be treated as parachute payments and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Board of Directors, such Total Payments (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above) of the Code, and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Corporation's independent auditors in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the Minimum Amount and the Excise Tax Payment, Employee shall be deemed to pay federal income taxes at Employee's highest marginal rate of federal income taxation in the calendar year in which the Excise Tax Payment is to be made and state and local income taxes at Employee's highest marginal rate of taxation in the state and locality of Employee's residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(d) In the event that the Excise Tax is subsequently determined to be less than the amount taken into account in arriving at any payment made pursuant to subsection (b) above, Employee shall repay to the Corporation at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Excise Tax Payment attributable to such reduction (plus the portion of the Excise Tax Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Excise Tax Payment being repaid by Employee if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment from the date the Excise Tax Payment was initially made to the date of repayment at the rate provided in Section 1274(b)(2)(B) of the Code (the "Applicable Rate"). In the event that the Excise Tax is determined to exist although the Corporation did not believe it existed in arriving at its determination in subsection (a) above or although the Corporation believed it existed but the actual amount exceeds the amount taken into account in arriving at any payment made pursuant to subsection (b) above (including by reason of any payment the existence or amount of which cannot be determined at the time of the Excise Tax Payment), the Corporation shall make an additional Excise Tax Payment in respect of such amount or such excess (plus any interest or penalties payable with respect thereto) at the time that the amount of such excess is finally determined.

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

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

ATTEST:	KENNAMETAL INC.
________________________________	By:_________________________________
WITNESS:	Employee:
________________________________	By:_________________________________(Seal)

Exhibit A

RELEASE

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

DATE:____________________________   ___________________________

EXHIBIT 10.23

AGREEMENT

THIS AGREEMENT, is made and entered into this 21st day of January, 2000, by and between JLK DIRECT DISTRIBUTION INC., a corporation organized under the laws of the Commonwealth of Pennsylvania (hereinafter referred to as "JLK" or the "Corporation"), and RICHARD J. ORWIG, an individual (hereinafter referred to as "Employee").

WITNESSETH:

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

WHEREAS, in order to have the benefit of Employee's assistance, JLK is desirous of continuing to employ Employee.

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

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

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

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

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

4. (a) In the event that Employee's employment is terminated by JLK prior to a Change-in-Control and other than for Cause, Employee will receive as severance pay from JLK, in addition to all amounts due him at the Date of Termination (as hereinafter defined), an amount, payable promptly after the Date of Termination, equal to three months' base salary at the annual rate in effect on the Date of Termination.

(b) In the event that Employee's employment is terminated (i) due to the death of the Employee or (ii) by Employee following a Change-in-Control without Good Reason or (iii) by Employee prior to a Change-in-Control, Employee will not be entitled to receive any severance pay in addition to the amounts, if any, due him at the Date of Termination.

(c) In the event that at or after a Change-in-Control and prior to the third anniversary of the date of the Change-in-Control Employee's employment is terminated by Employee for Good Reason or by JLK other than for Cause or Disability pursuant to paragraph 5, Employee will receive as severance pay (in addition to all other amounts due him at the Date of Termination) from JLK an amount equal to the product of

(i) the lesser of

(x) two and eight tenths (2.8),

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

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

times

(ii) the sum of

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

(y) the average of any bonuses which Employee was entitled to or paid during the three most recent fiscal years ending prior to the Date of Termination (or, at Employee's election, the average of any bonuses which Employee was entitled to or paid for the three fiscal years preceding the fiscal year in which the Change-in-Control occurred).

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

(d) If Employee is entitled to receive the severance payment set forth in paragraph 4(c), Employee also will receive from JLK the same or equivalent medical, dental, disability and group insurance benefits as were provided to the Employee by JLK at the Date of Termination, which benefits shall be provided by JLK to Employee for a three year period commencing on the Date of Termination. Pursuant to the terms of Kennametal's various benefit plans, Employee will not following a Change-in-Control have any rights to receive from Kennametal or from any medical, dental, disability, group insurance, retirement or pension plan or other benefit plan maintained or sponsored by Kennametal any benefits or other sums other than (i) to receive from the Kennametal Inc. Retirement Income Plan and Kennametal's Supplemental Executive Retirement Plan any vested benefits to the extent and at the times payable under the terms of the Kennametal Inc. Retirement Income Plan and Kennametal's Supplemental Executive Retirement Plan, (ii) to receive from the Kennametal Inc. Thrift Plan any vested benefits to the extent and at the times payable under the terms of the Kennametal Inc. Thrift Plan and (iii) to exercise any stock options held under Kennametal's stock option plans to the extent, if any, exerciseable and in accordance with the terms of Kennametal's stock option plans.

If for any reason, whether by law or provisions of any employee medical, dental or group insurance, or other benefit plan of JLK in which the Employee is eligible to participate, any benefits which the Employee would be entitled to under the foregoing paragraph of this subparagraph (d) cannot be paid pursuant to such employee benefit plans, then JLK hereby contractually agrees to pay to the Employee the difference between the benefits which the Employee would have received in accordance with the foregoing paragraph of this subparagraph (d) if the relevant employee medical, dental or group insurance or pension or retirement plan or other benefit plan could have paid such benefit and the amount of benefits, if any, actually paid by such employee medical, dental or group insurance or pension or retirement plan or other benefit plan. JLK shall not be required to fund its obligation to pay the foregoing difference.

If Employee is entitled to receive the severance payment set forth in paragraph 4(c), JLK shall also make supplemental pension payments to Employee equal in amount to the difference between the pension payable to Employee pursuant to the terms of the Kennametal Inc. Retirement Income Plan and Kennametal's Supplemental Executive Retirement Plan (as both plans are in existence on the date of the Change-in-Control) and any increased pension which would have been payable to Employee under the terms of the Kennametal Inc. Retirement Income Plan and Kennametal's Supplemental Executive Retirement Plan (as both plans are in existence on the date of the Change-in-Control) assuming (i) JLK had remained a subsidiary of Kennametal and (ii) Employee had remained continuously in the employment of JLK for the three year period (or, if clause (i)(y) or clause (i)(z) of paragraph 4(c) is applicable to determine the severance payment to be made, the lesser period measured in years and fractions thereof rounded to the nearest one-twelfth which equals the number determined by clause (i)(y) or clause (i)(z) above, whichever is applicable) following the Date of Termination at an annual compensation equal to the sum of the base salary and bonus which were used to compute the severance payment due the Employee under the first paragraph of paragraph 4(c) and had attained the age of 60 at the end of such period. Such supplemental pension payments shall be paid by JLK to Employee ratably at the times when pension payments are made under the Kennametal Inc. Retirement Income Plan and Kennametal's Supplemental Executive Retirement Plan. JLK shall not be required to fund its obligation to pay the foregoing difference.

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

(f) The term "Change-in-Control" shall mean that all of the following conditions shall have occurred: (i) JLK is no longer a direct or indirect subsidiary of Kennametal, (ii) Kennametal and its affiliates no longer own any shares of Class B Common Stock of JLK and (iii) one or more persons (other than Kennametal or its subsidiaries) have acquired control of a nature that would be required to be reported by JLK in response to Item 6(e) of Schedule 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date hereof (the "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, the third condition set forth in subclause (iii) of this sentence shall be deemed to have occurred if (A) JLK 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 (1) by JLK immediately prior to the merger or consolidation or (2) by Kennametal and/or its subsidiaries if JLK is at the time of such merger or consolidation a direct or indirect subsidiary of Kennametal or if Kennametal and its affiliates at the time of such merger or consolidation own shares of Class B Common Stock of JLK, or (B) JLK shall sell all or substantially all of its operating properties and assets to another person, group of associated persons or corporation other than Kennametal or its subsidiaries.

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

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

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

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

(i) without the Employee's express written consent, the assignment to the Employee of any duties materially and substantially inconsistent with his positions, duties, responsibilities and status with JLK 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 or as a result of the Employee's death;

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

(iii) a failure by JLK to continue to provide incentive compensation comparable to that provided by JLK immediately prior to any Change-in-Control;

(iv) in the event of a Change-in-Control, the failure to continue in effect any benefit or compensation plan, stock option plan, pension plan, life insurance plan, health and accident plan or disability plan of JLK in which Employee is participating immediately prior to a Change-in-Control (provided, however, that there shall not be deemed to be any such failure (x) due to Employee's no longer participating in any plan of Kennametal or (y) if JLK substitutes for the discontinued plan, a plan providing Employee with substantially similar benefits) or the taking of any action by JLK which would adversely affect Employee's participation in or materially reduce Employee's benefits under any of such plans or deprive Employee of any material fringe benefit enjoyed by Employee immediately prior to a Change-in-Control;

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

(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; or

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

(i) Employee shall not be entitled to receive any severance payment from Kennametal and Kennametal shall have no obligation to pay any severance to Employee upon a termination of Employee's employment.

5. In the event that Employee (a) shall be guilty of malfeasance, willful misconduct or gross negligence in the performance of the services contemplated by this Agreement; or (b) shall not make his services available to JLK on a full time basis in accordance with paragraph 1 hereof for any reason (including Disability) other than arising from Employee's incapacity due to physical or mental illness or injury which does not constitute Disability and other than by reason of the fact Employee's employment has been terminated under the circumstances described in paragraph 4(a); or (c) shall breach the provisions of paragraph 8 hereof (each of the matters described in subparagraphs (a), (b) and (c) shall be "Cause"), JLK shall have the right, exercised by resolution adopted by a majority of its Board of Directors, to terminate Employee's employment for Cause by giving written notice to Employee of its election so to do. In that event, Employee's employment shall be deemed terminated for Cause, Employee shall not be entitled to the benefits set forth in paragraph 4 which shall not be paid or payable and JLK only shall have the obligation to pay Employee the unpaid portion of Employee's base salary for the period from the last period from which Employee was paid to the Date of Termination; provided, however, that if Employee's employment is terminated as a result of the Disability of Employee, the benefits set forth in paragraph 4 shall not be paid or payable but Employee's employment by JLK shall not be deemed terminated for purposes of any benefit plan of JLK. For purposes of this Agreement "Disability" shall mean such incapacity due to physical or mental illness or injury which results in the Employee's being absent from his principal office at JLK's offices for the entire portion of 180 consecutive business days. Prior to a Change-in-Control, a decision by the Board of Directors of JLK that "Cause" exists shall be in the discretion of the Board of Directors and shall be final and binding upon the Employee and his rights hereunder. After a Change-in-Control, "Cause" shall not be deemed to include opposition by Employee to such a Change-in-Control or any matter incidental thereto and any determination by the Board of Directors that "Cause" existed shall not be final or binding upon the Employee or his rights hereunder or entitled to any deference in any court or other tribunal.

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

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

8. During the period of employment of Employee by JLK and for three years thereafter, (provided, however, that this paragraph 8 shall not apply to the Employee following a termination of Employee's employment (x) after a Change-in-Control shall have occurred or (y) if Employee's employment is terminated by JLK other than for Cause), he will not, in any geographic area in which JLK (or Kennametal, if JLK on the Date of Termination is a subsidiary of Kennametal) is offering its services and products, without the prior written consent of JLK:

(a) directly or indirectly engage in, or

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

(c) enter the employ of, or act as agent for, or advisor or consultant to, any person, firm, partnership, association, corporation or business organization, entity or enterprise which is or is about to become directly or indirectly engaged in, any business which is competitive with any business of JLK (or Kennametal, if JLK on the Date of Termination is a subsidiary of Kennametal) or any subsidiary or affiliate thereof in which Employee is or was engaged; provided, however, that the foregoing provisions of this paragraph 8 are not intended to prohibit and shall not prohibit Employee from purchasing, for investment, not in excess of 1% of any class of stock or other corporate security of any company which is registered pursuant to Section 12 of the 1934 Act.

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

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

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

(i) of a technical nature such as, but not limited to, JLK's or Kennametal's manuals, methods, know-how, formulae, shapes, designs, compositions, processes, applications, ideas, improvements, discoveries, inventions, research and development projects, equipment, apparatus, appliances, computer programs, software, systems documentation, special hardware, software development and similar items; or

(ii) of a business nature such as, but not limited to, information about JLK's or Kennametal's business plans, sources of supply, cost, purchasing, profits, markets, sales, sales volume, sales methods, sales proposals, identity of customers and prospective customers, identity of customers' key purchasing personnel, amount or kind of customers' purchases and other information about customers; or

(iii) pertaining to future developments of JLK or Kennametal such as, but not limited to, research and development or future marketing or merchandising.

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

Employee agrees to hold and safeguard all Confidential Information in trust for JLK and Kennametal, each of their successors and assigns and Employee shall not (except as required in the performance of Employee's duties), use or disclose or make available to anyone for use outside JLK's or Kennametal's organization at any time, either during employment with JLK or subsequent thereto, any of the Confidential Information, whether or not developed by Employee, without the prior written consent of JLK and Kennametal.

(b) Employee agrees that:

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

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

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

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

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

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

11. The terms and provisions of this Agreement shall be binding upon Employee and JLK, and shall inure to the benefit of, Employee, JLK and Kennametal (which shall be deemed an express third party beneficiary of this Agreement) and their subsidiaries and affiliates, and the parties respective successors and assigns. The Employee's employment shall not be deemed terminated for purposes of this Agreement if the Employee is employed by a successor to JLK, which successor shall be deemed to be JLK for purposes of this Agreement.

12. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements and understandings, whether oral or written, among the parties with respect to the subject matter hereof. Any prior employment agreement between the Employee and Kennametal is hereby terminated and Employee shall not be entitled to any severance or other benefits under any prior employment agreement with Kennametal. This Agreement may not be amended orally, but only by an instrument in writing signed by each of the parties to this Agreement and consented to in writing by Kennametal. This Agreement does not create any right to continued employment by JLK and the Employee shall remain an "at will" employee of JLK.

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

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

15. A condition to Employee's right to receive or receipt of any severance pay or any benefits hereunder upon a termination of the Employee's employment shall be for the Employee to execute and to deliver to JLK and Kennametal on or before the making of any severance payment or providing of any benefit a release in the form of Exhibit A attached hereto.

16. Not withstanding any other provision of this Agreement, in the event that any payment or benefit received or to be received by Employee in connection with a change in control of the Corporation or the termination of the Employee's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation, or any person whose actions result in a change in control or any person affiliated with the Corporation or such person) (collectively, the "Total Payments") would not be deductible, in whole or part, as a result of section 280G of the Internal Revenue Code of 1986 (the "Code") by the Corporation, an affiliate or other person making such payment or providing such benefit, the payments due under this Agreement (the "Contract Payments") shall be reduced until no portion of the Total Payments is not deductible, or the Contract Payments are reduced to zero. In the event that the Corporation or the affiliate or other person making such payment or providing such benefit determines that the Total Payments would not be deductible, in whole or part, as a result of section 280G of the Code, the Corporation or the affiliate or other person making such payment or providing such benefit shall immediately notify Employee of this determination and the amount which would not be so deductible as well as a computation of Total Payments. Employee shall have five (5) business days after receipt of the foregoing notice and computation to waive in writing all or any portion of any of the Total Payments and any portion of the Total Payments the receipt or enjoyment of which Employee shall have effectively waived in writing shall not be taken into account (and, if the Corporation had already withheld any Contract Payments prior to receipt of such waiver, the Corporation upon receipt of such waiver shall immediately pay to Employee any withheld Contract Payments which would have been paid had the Corporation had the Employee's written waiver prior to the date the Corporation withheld any such payments). For purposes of this limitation (i) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by the Corporation's independent auditors and acceptable to Employee does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code, (ii) the Contract Payments shall be reduced only to the extent necessary so that the Total Payments (other than those Contract Payments which are waived in writing by the Employee or referred to in clause (i)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280G(b)(4) of the Code or are otherwise not subject to disallowance as deductions, in the opinion of the tax counsel referred to in clause (i); and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Corporation's independent auditors in accordance with the principles of section 280G(d)(3) and (4) of the Code.

17. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania without regard to its conflicts or choice of law provisions.

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

ATTEST: JLK DIRECT DISTRIBUTION INC.

/s/ Kevin G. Nowe

By: /s/ Diana L. Scott

Name: Diana L. Scott

Title: Vice President and Chief Financial Officer

WITNESS: /s/ John Beaudoin

RICHARD J. ORWIG, EMPLOYEE: /s/ Richard J. Orwig (SEAL)

Exhibit A

RELEASE

KNOW ALL MEN BY THESE PRESENTS that the undersigned for good and valuable consideration, the receipt of which is hereby acknowledged, and intending to be legally bound, hereby releases, remises, quitclaims and discharges completely and forever JLK Direct Distribution Inc. and Kennametal Inc. and each of their respective directors, officers, employees, subsidiaries and affiliates from any and all claims, causes of action or rights which the undersigned has or may have, whether arising by virtue of contract or of applicable state laws or federal laws, and whether such claims, causes of action or rights are known or unknown; provided, however, that this Release shall not release, remise, quitclaim or discharge any claims, causes of action or rights which the undersigned may have (i) under that certain Employment Agreement dated January 21, 2000 between the undersigned and JLK Direct Distribution Inc., (ii) to any unreimbursed expense account or similar out-of-pocket reimbursement amounts owing the undersigned, or (iii) under the bylaws of JLK Direct Distribution Inc. or Kennametal Inc. or the applicable state corporate statutes to indemnification for having served as an officer and/or employee of Kennametal Inc. and/or its subsidiaries or JLK Direct Distribution Inc., and/or its subsidiaries.

DATE: January 21, 2000 /s/ Richard J. Orwig

EXHIBIT 10.24

AGREEMENT

THIS AGREEMENT is made and entered into by and among Richard J. Orwig ("Orwig"), JLK Direct Distribution Inc., and Kennametal, Inc.

WHEREAS, effective May 2, 2000, Orwig resigned from his position as President and Chief Executive Officer of JLK Direct Distribution Inc., his position on the Board of Directors of JLK Direct Distribution Inc., his employment with JLK Direct Distribution Inc., his position(s) as officer and director of any JLK subsidiaries, and any and all positions he held with JLK or Kennametal or their affiliates or subsidiary companies;

WHEREAS, Orwig, JLK Direct Distribution Inc. and Kennametal, Inc. desire to enter into a full and complete agreement in an amicable manner;

NOW THEREFORE, in consideration of the mutual promises contained herein, and intending to be legally bound hereby, the parties to this Agreement agree as follows:

1. Definitions

(a) "JLK," as used herein, shall at all times mean JLK Direct Distribution Inc., its parent, subsidiaries, successors and assigns, its affiliated and predecessor companies or corporations, its divisions, their successors and assigns, their affiliated and predecessor companies or corporations and the present and/or former directors, officers, shareholders, employees, attorneys and agents of any of them, including but not limited to Kennametal, Inc., J&L Industrial Supply, and Full Service Supply, whether in their individual or official capacities, and the current and former trustees or administrators of any pension or other benefit plan applicable to the employees or former employees of JLK in their official and individual capacities.

(b) "Kennametal," as used herein, shall at all times mean Kennametal, Inc., its parent, subsidiaries, successors and assigns, its affiliated and predecessor companies or corporations, its divisions, their successors and assigns, their affiliated and predecessor companies or corporations and the present or former directors, officers, shareholders, employees, attorneys and agents of any of them, including but not limited to JLK Direct Distribution Inc., whether in their individual or official capacities, and the current and former trustees or administrators of any pension or other benefit plan applicable to the employees or former employees of Kennametal in their official and individual capacities.

2. Employment Status

(a) Orwig represents and agrees that effective May 2, 2000, he resigned from his position as President and Chief Executive Officer of JLK Direct Distribution Inc., his position on the Board of Directors of JLK Direct Distribution Inc., his employment with JLK Direct Distribution Inc., his position(s) as officer and director of any JLK subsidiaries, and any and all positions he held with JLK or Kennametal or their affiliates or subsidiary companies.

(b) Orwig, JLK and Kennametal agree that Orwig: (a) has not been required to perform any services for JLK or Kennametal since May 2, 2000; and (b) shall not be required to provide any further services to JLK or Kennametal except as provided in paragraph 13 of this Agreement.

(c) Orwig waives any and all rights or claim of right to be reinstated to his former or any other position with JLK or Kennametal and agrees that he shall not at any time seek or accept future employment with JLK or Kennametal. A breach of this subparagraph 2(c) by Orwig will constitute lawful and just cause to refuse to employ Orwig, and he shall have no cause of action against JLK or Kennametal for such refusal.

3. Severance, Benefits, and Stock Options

(a) JLK shall continue to pay Orwig his current base salary, less applicable withholdings and deductions, through November 2, 2001, as severance pay.

(b) JLK will provide Orwig with health, dental, vision, life insurance, and accidental death and dismemberment insurance coverage substantially similar to the coverage now in force pursuant to Orwig's 2000 Enrollment Elections under JLK's Flex Benefits Program, as well as life insurance coverage substantially similar to Orwig's coverage under the

$500,000.00 executive officer's term life insurance policy, through November 2, 2001. The foregoing insurance coverages provided to Orwig may be subject to change in a manner consistent with future changes to the substantially similar coverages made available to JLK employees under the JLK Flex Benefits Program. These insurance coverages shall be provided to Orwig as a former employee at no premium expense to him; Orwig shall not be eligible for continued participation (as such) under the JLK Flex Benefits Program. For any period during which Orwig is entitled to, eligible for, or receiving group health, dental, vision, life insurance, accidental death and dismemberment insurance, and/or executive officer's term life insurance benefits from or through an employer or former employer other than JLK or Kennametal, JLK will not be required to provide the corresponding benefit coverage described in this subparagraph 3(b).

(c) JLK will extend the option period during which Orwig can vest in JLK stock options, outstanding as of May 2, 2000, through November 2, 2001; any JLK stock options in which Orwig is or becomes vested may be exercised at any time through February 2, 2002. Orwig will exercise any and all of his Kennametal stock options, outstanding and vested as of May 2, 2000, on or before August 2, 2000; any Kennametal stock options not exercised by August 2, 2000 shall be forfeited and surrendered.

(d) JLK will pay Orwig a Fiscal Year 2000 bonus of $40,000.00, less applicable withholdings and deductions, in August 2000.

(e) If each of the following conditions are satisfied, JLK will pay a realtor designated by Orwig and/or Orwig's mover up to $25,000.00, on an after-tax basis, for moving expenses and/or real estate commissions actually incurred by Orwig: (A) Orwig moves his primary residence more than one hundred (100) miles away from his current primary residence on or before November 2, 2000; (B) the above move is Orwig's first move following the date of this Agreement; (C) the above move is not for the purposes of accepting or furthering employment or consulting opportunities with a competitor, as that term is defined in subparagraph 3(f) of this Agreement; (D) Orwig is not moving for the purposes of accepting or furthering employment or consulting opportunities with an entity which ordinarily pays all or a portion of moving expenses incurred by a person similarly situated to Orwig; (E) Orwig incurs moving expenses and/or real estate commissions as a result of the above move; and (F) Orwig submits written invoices to David T. Cofer, Esquire, indicating the amount of expenses and/or commissions incurred as a result of the above move and the specific purpose for which the expense was incurred. JLK's total payments to the realtor and/or mover pursuant to this subparagraph 3(e) shall not exceed $25,000.00 on an after-tax basis.

(f) If Orwig becomes employed by or provides consultation to a competitor on or before November 2, 2001, the salary continuation and benefits coverage extension as described in subparagraphs 3(a) and 3(b) above shall terminate and be discontinued immediately. For the purposes of this subparagraph 3(f), "competitor" shall mean MSC Industrial Direct Co., Industrial Distribution Group, Inc., Sandvik AB and Sandvik Coromant, SECO Tools AB, Iscar Ltd. and Iscar Metals Inc., Milacron Inc., Carboloy Inc. and Valenite Inc., Airgas, Inc., W.W. Grainger, Inc., Mitsubishi Materials Corp. and Mitsubishi Carbide, Sumitomo Electric Carbide, Inc., Toshiba Tungaloy America, Inc. and Toshiba Tungaloy Co. Ltd., Allegheny Technologies Inc., and/or any of their parents, subsidiaries, successors, assigns, affiliated and predecessor companies or corporations, and divisions. Orwig agrees to immediately notify David T. Cofer, Esquire orally and in writing of any employment, consulting arrangement, or comparable business opportunity he undertakes with any of those entities on or before November 2, 2001.

(g) Orwig will receive credit for employment service under the Supplemental Early Retirement Plan throughout the period that JLK continues to pay Orwig his current base salary pursuant to paragraph 3(a) of this Agreement. For informational purposes only, JLK projects that if Orwig receives credit for employment service through November 2, 2001, Orwig will receive annual Supplemental Early Retirement Benefits in the amount of $151,600.00 commencing on Orwig's sixtieth (60th) birthday.

(h) JLK will extend Orwig's AYCO Financial Services benefit through April 15, 2002.

(i) In August 2000, JLK will pay Orwig for four (4) weeks worth of accrued but unused vacation time, totaling $26,923.00, less applicable withholdings and deductions.

(j) JLK's entire obligation to provide salary, incentive compensation, severance, bonus, stock options, pension, 401(k), medical, dental, life, or disability insurance, vacation, compensation, emoluments or benefits of any kind to Orwig is set forth in this Agreement and any other obligation of JLK or Kennametal to provide any of the foregoing to Orwig is hereby canceled except that Orwig shall retain the vested benefits he may be entitled to receive pursuant to the Kennametal, Inc. Retirement Income Plan, Supplemental Executive Retirement Plan and Thrift Plan.

4. No Actions

(a) Orwig affirms that there are no charges, complaints, grievances or actions by or concerning Orwig against JLK or Kennametal currently pending in or before any court, administrative agency, arbitrator or other entity.

(b) Orwig agrees not to file, pursue, participate in, induce, aid or abet any claim or cause of action against JLK or Kennametal, and Orwig confirms that he has not done so at any time prior to signing this Agreement. This provision does not prohibit Orwig from testifying in any cause of action relating to JLK or Kennametal when required to do so by process of law, or from communicating with, or participating in any proceedings before, the EEOC. In the event that Orwig is required by process of law to testify in any cause of action relating in any way to JLK or Kennametal, Orwig shall immediately notify David T. Cofer, Esquire orally and in writing, and shall use his best lawful efforts not to testify until JLK and/or Kennametal has a reasonable opportunity to oppose such testimony, if JLK and/or Kennametal desires to do so. Orwig agrees not to accept the proceeds from any cause of action or proceeding against JLK or Kennametal.

(c) Orwig agrees to pay for any legal fees or costs incurred by JLK or Kennametal as a result of any breach of his promises in this paragraph 4.

5. Release and Waiver

(a) As a material inducement to JLK and Kennametal to enter into this Agreement and for and in consideration of the terms expressed herein, Orwig, for himself, his successors and assigns, does hereby irrevocably and unconditionally release and forever discharge JLK and Kennametal of and from any and all claims, charges, demands, liabilities, obligations, promises, controversies, damages, rights, actions and causes of action of whatever nature, kind or character, in law or equity, whether known or unknown ("Claims"), which Orwig now has, may have or claims to have or which he at any time heretofore may have, had or claimed to have against JLK and/or Kennametal. This release includes, but is not limited to, those Claims arising from or during Orwig's employment, related to his employment, as a result of his termination of or separation from employment with JLK or Kennametal, his receipt of stock options, or his ownership in securities, and Orwig agrees not to assert any such Claims or causes of action. This release and waiver includes, but is not limited to, Claims arising under federal, state or local statutes, ordinances or common laws, specifically including, but not limited to, the Civil Rights Act of 1866, the Civil Rights Act of 1871, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Employee Retirement Income Security Act of 1974, Executive Order 11246, the Veterans Reemployment Statutes, the Family and Medical Leave Act, the Securities Exchange Act of 1934 (or any state securities laws), Securities and Exchange Commission Rule 10b-5, the Pennsylvania Wage Payment and Collection Law, the Michigan Act Regulating Payment of Wages and Fringe Benefits, the Pennsylvania Human Relations Act, the Michigan Elliott-Larsen Civil Rights Act, or the Michigan Handicappers' Civil Rights Act, all as amended, and Claims pertaining to unlawful discrimination or harassment, any common law or statutory Claims for breach of contract, detrimental reliance, wrongful discharge, defamation, interference with current or prospective contractual relations, fraud, consumer fraud or otherwise, and/or Claims for attorneys' fees and/or costs.

(b) Orwig agrees to release and discharge JLK and Kennametal not only from any and all claims which he could make on his own behalf, but also those which may or could be brought by any person or organization in his behalf, and he specifically waives any right to become, and promises not to become, a member of any class in any proceeding or case in which a claim against JLK or Kennametal may arise, in whole or in part, from any event which occurred prior to or as of the date of this Agreement.

(c) Orwig agrees not to file any lawsuit or demand for arbitration against JLK or Kennametal for or relating to any event that occurred prior to the date of signing this Agreement, except that, pursuant to paragraph 12 of this Agreement, Orwig may file a demand for arbitration for a breach of any promises contained in this Agreement. In the event Orwig files such a demand, but JLK and/or Kennametal are deemed not to have breached any of their promises in this Agreement, Orwig will pay the reasonable fees and costs incurred by JLK and/or Kennametal in defending against the claim. In the event Orwig files such a demand, and JLK and/or Kennametal are deemed to have breached a provision in this Agreement, JLK and/or Kennametal's obligation to pay the reasonable legal fees and costs incurred by Orwig in prosecuting the claim, if any, shall be governed by Pennsylvania law.

(d) Orwig agrees to pay for any legal fees or costs incurred by JLK or Kennametal as a result of any breach of his promises in this paragraph 5.

6. Orwig confirms that he is not presently aware of any facts which would support a claim by anyone against JLK or Kennametal under any federal, state or local statute, ordinance or common law, including but not limited to claims for unlawful discrimination or harassment, defamation, breach of contract, common law fraud, violation of state consumer fraud

statutes, securities fraud (including violation of the Securities Exchange Act of 1934, Securities and Exchange Commission Rule 10b-5, or similar state laws), or intentional interference with current or prospective contractual relations.

7. Confidentiality

(a) Orwig recognizes and acknowledges JLK's and Kennametal's interest in the confidentiality of this Agreement, and agrees that he shall keep the fact and the terms of this Agreement and the negotiations leading to this Agreement completely confidential.

(b) Orwig further recognizes and acknowledges that his positions at JLK and Kennametal were positions of trust and confidence and that by virtue of his employment in such positions, Orwig possesses confidential information and trade secrets regarding JLK and Kennametal, including, but not limited to information concerning JLK's and Kennametal's sales, customers, clients, business, personal data, sources of supply or distribution, business plans, technical secrets, methodologies, know-how, or the compensation, skills, abilities, training or qualifications of JLK and Kennametal employees, officers and directors, or other information not generally known to the public, and any tangible embodiments of said confidential information and trade secrets (collectively "Confidential Information"). Orwig recognizes and acknowledges JLK's and Kennametal's interest in the confidentiality of such Confidential Information.

(c) Orwig promises and agrees not to disclose, either directly or indirectly, in any manner whatsoever, any Confidential Information of any kind whatsoever acquired in the course of his employment at JLK or Kennametal, unless compelled by subpoena to give sworn testimony or to produce documents or other things regarding said Confidential Information. Orwig further promises and agrees that if he is compelled by subpoena to give sworn testimony or produce documents or things regarding said Confidential Information or to give sworn testimony or produce documents or things which may include said Confidential Information, Orwig shall notify David T. Cofer, Esquire orally and in writing immediately upon being served the subpoena or immediately upon being informed of the possibility that he may be compelled to testify or produce documents or things regarding said Confidential Information, whichever occurs first. Orwig shall use his best lawful efforts not to testify or produce documents or things until JLK and/or Kennametal has a reasonable opportunity to oppose such testimony or production, if JLK and/or Kennametal desires to do so.

(d) Notwithstanding anything in paragraph 17 of this Agreement to the contrary, Paragraph 9 of Orwig's January 21, 2000 employment agreement with JLK is hereby incorporated into this Agreement as if set forth in full herein. Orwig reaffirms his continuing obligations regarding trade secrets and confidential information as set forth in paragraph 9 of that employment agreement.

(e) This paragraph 7 shall not prohibit Orwig from (i) disclosing the fact and terms of this Agreement to immediate family members and/or such professional legal and tax advisors as he may from time to time engage, and/or government officials or judicial officers for income or tax-reporting purposes in the event Orwig is legally required or professionally advised to do so, or (ii) stating in response to any other inquiry that the terms of his separation from JLK are confidential. To the extent that Orwig does disclose the terms of this Agreement to persons identified in subparagraph 7(e)(i), Orwig shall advise said persons that they must not disclose the fact and terms of the Agreement.

(f) Orwig promises and agrees that within ten (10) days of signing this Agreement, he shall surrender to JLK any and all Confidential Information and any and all books, records, files, documents, disks and other items relating to JLK or Kennametal obtained or generated by Orwig in the course of his employment by JLK or Kennametal.

(g) If Orwig discloses any information in breach of paragraph 7 of this Agreement, then: (i) Orwig shall repay to JLK any payment he received under subparagraphs 3(a), 3(d), and 3(e) of this Agreement; (ii) JLK shall not be required to make any further payments under subparagraphs 3(a), 3(d), and 3(e) of this Agreement; (iii) the period during which JLK agreed to provide benefits as described in subparagraph 3(b) of this Agreement, shall terminate and be discontinued immediately; and (iv) the period during which Orwig could exercise JLK stock options, as described in subparagraph 3(c) of this Agreement, shall terminate ninety (90) days after the date payments are discontinued pursuant to subparagraph (7)(g)(ii) above.

(h) Orwig agrees to pay for any legal fees or costs incurred by JLK or Kennametal as a result of any breach of his promises in this paragraph 7.

(i) In the event that JLK and/or Kennametal take steps to seek relief from an alleged breach of the foregoing terms of paragraph 7, all of the remaining provisions of this Agreement shall remain in full force and effect.

8. No Solicitation. Orwig agrees that, for two (2) years following his separation from JLK, Orwig will not, directly or indirectly, solicit or induce or participate in recruiting, or attempt to solicit, induce, or recruit any employee, current or future,

of JLK or Kennametal, to leave JLK or Kennametal for any reason whatsoever, or to hire, cause to be hired or assist in the hiring of any current or future employee of JLK or Kennametal, or to provide information to any third party to suggest, encourage, aid or facilitate such solicitation, inducement, recruitment or hiring. The foregoing terms of this paragraph 8 do not apply to any individual who has not been employed by JLK or Kennametal for at least six (6) months immediately prior to the solicitation, inducement or recruitment, if Orwig has not, directly or indirectly, encouraged that individual to terminate employment with JLK or Kennametal and has not, directly or indirectly, provided or promised any compensation or benefits to that individual during, or as a result of, that six (6) month period.

9. Nondisparagement

(a) Orwig promises and agrees that he has not made any, and shall make no, negative or derogatory comments, oral or written, directly or by innuendo, about JLK and/or Kennametal, including, but not limited to, their management, affiliates, present and former officers, directors and employees, policies, procedures, management-employee relations, community relations, products, services, and business decisions. Orwig's promise that he will not make, and his agreement that he has not made, negative or derogatory comments about JLK and/or Kennametal includes, but is not limited to, comments to the media and comments in any social, business or other setting.

(b) Orwig agrees that he will not make any statements to or respond to any inquiries from shareholders of either JLK or Kennametal, or from investment analysts, newspapers, magazines, industry trade publications, or similar media entities, regarding JLK and/or Kennametal. Instead, Orwig will refer the inquiring person or entity to the appropriate individual or department at JLK or Kennametal. Orwig will immediately notify David T. Cofer, Esquire orally and in writing if he receives such an inquiry and from whom the inquiry was received.

10. Orwig represents that he has not heretofore assigned or transferred, or purported to assign or transfer, to any person or entity any Claim or any portion thereof or interest therein.

11. Orwig represents and acknowledges that in executing this Agreement he does not rely, and has not relied, upon any representation or statement made by JLK or Kennametal, or any of their agents, representatives or attorneys with regard to the subject matter, basis or effect of this Agreement or otherwise.

12. Arbitration

(a) With the exception stated in paragraph 12(b) of this Agreement, the parties agree that in the event of any future dispute between Orwig and JLK or Kennametal, including any claims, counterclaims, cross claims or third-party claims, whether referring or relating to any term of this Agreement, disputes about whether or not the dispute is arbitrable, or any other matter which the parties are unable to resolve between themselves, the dispute must be submitted to arbitration and must not be filed in any court. Within ten (10) days after submission of a dispute to arbitration, Orwig shall choose one arbitrator, and JLK and/or Kennametal shall choose a second arbitrator. Within ten (10) days thereafter, the American Arbitration Association shall be requested to supply a third arbitrator and this request shall be made by either party. In the event any party does not choose an arbitrator within ten (10) days, as set forth above, the American Arbitration Association shall also supply that arbitrator in addition to the third arbitrator. The arbitration shall be held in Pittsburgh, Pennsylvania, and shall commence and be completed as soon as possible under the Commercial Arbitration Rules of the American Arbitration Association then in effect. In the event of any dispute of any procedural, evidentiary, or substantive matter, including the arbitrability of the dispute presented, the decision of the majority of the arbitrators shall be final and conclusive upon the parties on the matter of dispute.

(b) Paragraph 12(a) of this Agreement does not apply to efforts by JLK and/or Kennametal to obtain an injunction or restraining order from a court of competent jurisdiction to restrain a breach or threatened breach of paragraphs 7 or 8 of this Agreement by Orwig or any persons or entities acting for or with Orwig, or to restrain the misappropriation, disclosure or threatened disclosure of any trade secrets of JLK and/or Kennametal.

13. Orwig promises and agrees that if JLK or Kennametal shall, in the future, require Orwig's assistance or cooperation in preparation for, or the conduct of, litigation or any proceeding, or for periodic consultation generally, involving matters or events which occurred during Orwig's employment by JLK or Kennametal, or as to which Orwig's knowledge or testimony may be important to JLK or Kennametal, Orwig shall furnish such assistance, cooperation, and consultation to JLK or Kennametal as they shall reasonably request, as does not unreasonably interfere with Orwig's efforts to obtain alternative employment, and as is within Orwig's capability, provided that JLK or Kennametal shall reimburse Orwig for any expense Orwig incurs in furnishing such assistance and shall provide reasonable compensation for time expended on the matter by Orwig, except that: (a) JLK and Kennametal will not provide compensation to Orwig for time spent by Orwig providing the assistance, cooperation or consultation discussed in this paragraph 13 during the period in which Orwig is receiving payments

under subparagraph 3(a) of this Agreement; and (b) no compensation shall be paid for testimony in any litigation or proceeding.

14. Should any provision of this Agreement be declared or determined by any court or arbitration panel to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be a part of this Agreement. If a court or arbitration panel determines paragraph 4 or paragraph 5 of this Agreement (or any subpart thereof) to be illegal or invalid, then: (i) Orwig shall repay to JLK the payments he received under subparagraphs 3(a), 3(d), and 3(e) of this Agreement; (ii) JLK shall not be required to make any further payments under subparagraphs 3(a), 3(d), and 3(e) of this Agreement; (iii) the period during which JLK agreed to provide benefits as described in subparagraph 3(b) of this Agreement, shall terminate and be discontinued immediately; and (iv) the period during which Orwig could exercise JLK stock options, as described in subparagraph 3(c) of this Agreement, shall terminate ninety (90) days after the date payments are discontinued pursuant to subparagraph 14(ii) above.

15. Orwig agrees that he has been advised by JLK and Kennametal to consult with an attorney of his choice and that he has done that, consulting with his attorney concerning his lawful remedies and rights as well as the meaning and significance of this Agreement. Further, Orwig confirms that he has carefully read and fully understands the provisions of this Agreement, including the release and waiver of claims of any nature, and that he has been given twenty-one (21) days to consider the terms of this Agreement before signing the Agreement. Orwig may revoke acceptance of the release and waiver of Claims arising under the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act contained in subparagraph 5(a) of this Agreement by delivering a written revocation to David T. Cofer, Esquire, of Kennametal, Inc., P.O. Box 231, Latrobe, Pennsylvania 15650, within seven (7) days after executing the Agreement. JLK's obligation to render payments under subparagraphs 3(a), 3(d) and 3(e) shall not commence until the seven (7) day period set forth herein has expired without Orwig's revocation. Orwig acknowledges that his execution of this Agreement is knowing and voluntary.

16. As used in this Agreement, the singular or plural number shall be deemed to include the other whenever the context so indicates or requires. Whenever a provision is stated in the disjunctive, it shall also be taken in the conjunctive and vice versa. The use of any tense of any verb shall be considered to include within its meaning all other tenses of the verbs so used.

17. The parties agree that this Agreement is the entire agreement between them, supersedes all previous agreements between them, and represents their full and complete understanding. No prior or contemporaneous oral agreements may be offered to alter the terms of this Agreement. This Agreement shall be binding upon the parties hereto and the parties' heirs, successors and assigns. This Agreement may not be modified except in writing signed by both parties.

18. This Agreement may be executed in counterparts, and when each party has signed and delivered at least one such counterpart, each counterpart shall be deemed an original, and, when taken together with other signed counterparts, shall constitute one Agreement, which shall be binding upon and effective as to all parties. For the purposes of this paragraph 18, a counterpart may be delivered by facsimile.

19. This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Pennsylvania.

PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS

WITNESS: /s/ Carol J. Orwig	/s/ Richard J. Orwig Richard J. Orwig
Date: June 21, 2000	
	JLK DIRECT DISTRIBUTION INC.
Date: July 12, 2000	By: /s/ William R. Newlin
	KENNAMETAL, INC.
Date: 12 July, 2000	By: /s/ Markos I. Tambakeras

Exhibit 13

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The following discussion should be read in connection with the consolidated financial statements of Kennametal Inc. (the company or Kennametal) and the related footnotes. Unless otherwise specified, any reference to a "year" is to a fiscal year ended June 30.

OVERVIEW

Sales for 2000 were $1,853.7 million, flat compared to sales of $1,902.9 million in 1999, excluding unfavorable foreign exchange effects and the effects of a divestiture of two and one percent, respectively. Market conditions were soft in many of the company's served markets in the first half of 2000. Market conditions began to improve in the second half of the year, led by North America, followed by Europe, while Asia Pacific showed steady growth throughout the year. Net income for 2000 was $51.7 million, or $1.70 per share, compared to $39.1 million, or $1.31 per share, in 1999. Excluding special charges in both years, earnings per share were $2.13 in 2000 compared to $1.82 in 1999. The increase in earnings in 2000 is attributable to improved operational effectiveness, lean techniques and continued cost discipline.

Special charges in 2000 were $22.9 million, or $0.43 per share, and were primarily related to operational improvement programs. In 1999, special charges were $24.6 million, or $0.51 per share, related to operational improvement programs, including a one-time charge incurred in the acquisition of 4.9 percent of Toshiba Tungaloy.

Sales of $1,902.9 million in 1999 increased 13 percent compared to sales of $1,678.4 million in 1998. The increase in sales was primarily attributable to the inclusion of five additional months of sales related to the acquisition of Greenfield Industries, Inc. (Greenfield) that occurred on November 17, 1997. Excluding acquisitions, sales declined seven percent in 1999 due to lower sales of metalworking products and industrial supplies in North America due to weak market conditions.

Net income for 1999 was $39.1 million, or $1.31 per share, compared to $71.2 million, or $2.58 per share, in 1998. Excluding special charges in both years, earnings per share were $1.82 in 1999 compared to $3.23 in 1998. The decline in earnings for 1999 was primarily due to lower sales levels and higher interest and amortization expense related to acquisitions. Cost-reduction and significant cost-control measures, coupled with stronger demand in the European metalworking market, partially offset this decline.

The Greenfield acquisition reduced 1998 earnings by approximately $17.5 million, or $0.65 per share, including one-time costs of $0.28 per share. The results for 1999 and a portion of 1998 include an additional 3.45 million shares of common stock issued on March 20, 1998.

BUSINESS SEGMENT REVIEW

In November 1999, management reorganized the financial reporting of its operations to focus on global business units consisting of Metalworking, Engineered Products, Mining & Construction and JLK/Industrial Supply, and corporate functional shared services. The results for all periods presented have been restated to conform to the new reporting structure. The presentation of segment information reflects the manner in which management organizes segments for making operating decisions and assessing performance.

METALWORKING

In the metalworking segment, the company provides consumable metalcutting tools and tooling systems to manufacturing companies in a wide range of industries throughout the world. Metalcutting operations include turning, boring, threading, grooving, milling and drilling. The company's tooling systems consist of a steel toolholder and an indexable cutting tool such as an insert or drill made from cemented tungsten carbides, high-speed steel or other hard materials.

(in thousands)	2000	1999	1998
External sales	$1,020,914	$1,038,205	$939,290
Intersegment sales	134,398	108,994	76,376
Operating income	128,283	116,306	138,799

External sales in the Metalworking segment in 2000 increased one percent compared to a year ago, excluding unfavorable foreign currency effects of three percent. Sales in North America were up two percent in local currency compared to last year due predominately to strong demand in the automotive and truck markets and, to a lesser extent, increased demand in the oil field services and machine tool end markets, especially in the second half of 2000. Sales in the European metalworking market declined two percent compared to 1999, excluding unfavorable foreign currency translation effects of nine percent. The decline in sales was due to weakness in most served markets, however, sales in automotive and machine tool builder markets were stronger in the second half of 2000. Sales in the Asia Pacific region continued to grow and were up 18 percent, in local currency, compared to the prior year.

Operating income in 2000 of $128.3 million was reduced by restructuring and asset impairment charges of $11.0 million and period costs of $2.4 million. Excluding special charges and period costs in each period, operating income increased $10.1 million, or eight percent, compared to 1999 due to strong cost controls and improved manufacturing performance due to lean techniques, despite lower production levels. Restructuring and asset impairment charges in 2000 resulted from employee severance packages for 135 people, the downsizing of the Kingswinford, United Kingdom plant, closure of a German warehouse facility

and several offices in Asia Pacific and South America, and asset impairment charges. Operating income for 1999 included restructuring costs associated with the Solon, Ohio high-speed steel drill plant closure and product rationalization charges of $11.1 million, and a $3.8 million charge recorded on the purchase of Toshiba Tungaloy stock. Period costs associated with the Solon plant closing were $2.1 million and $0.4 million in 2000 and 1999, respectively.

In 1999, sales of metalworking products declined seven percent compared to 1998 excluding the impact of the Greenfield acquisition of 19 percent and unfavorable foreign exchange of one percent. Sales in North America were down 11 percent excluding acquisitions due to weak industrial demand by customers across a variety of industries in North America, except for the automotive market. Demand for metalworking products continued to show strong gains in the European market, primarily Germany, with particular strength coming from export-oriented businesses such as the automotive and truck industries, and to a lesser extent, aerospace and machine tool builder industries. European metalworking sales declined one percent in 1999, excluding acquisitions and favorable foreign currency translation effects of 13 percent and one percent, respectively. Sales in the Asia Pacific region increased one percent, excluding unfavorable foreign exchange effects of four percent.

Operating income in 1999 declined to $116.3 million and was affected by restructuring and product rationalization charges of $11.1 million, a $3.8 million charge recorded on the purchase of Toshiba Tungaloy stock, and period costs of $0.4 million. Excluding these charges, operating income declined five percent due to lower sales levels and higher goodwill amortization. This was partially offset as operating expenses were contained through cost-reduction and significant cost-control measures implemented in November 1998. These cost-reduction measures involved selected work force reductions, facility consolidations and closings and other measures. Additionally, amortization of intangibles increased due to a full year of amortization related to the acquisition of Greenfield and other companies in the prior year.

In 1999, the company incurred a $6.9 million charge related to the implementation of a new program to streamline and optimize the global metalworking product offering and a $4.2 million charge related to the closure of the Solon plant.

ENGINEERED PRODUCTS

This segment's principal business is the production and sale of cemented tungsten carbide products used in engineered applications including circuit board drills and compacts. These products have technical commonality to the company's core metalworking products.

(in thousands)	2000	1999	1998
External sales	$176,469	$173,171	$155,496
Intersegment sales	19,978	23,752	15,300
Operating income	23,711	24,473	29,090

Compared to 1999, external sales in the Engineered Products market in 2000 increased five percent, excluding unfavorable foreign exchange effects of three percent, due primarily to strong demand for electronic circuit board drills. Sales to the oil field services end market were soft in the first half of 2000, but showed renewed demand in the second half.

Operating income in 2000 of $23.7 million increased five percent, excluding restructuring charges and period costs, due primarily to higher sales levels, lower manufacturing variances, continued cost controls and lean manufacturing techniques. Restructuring charges of $1.4 million were incurred in 2000 related to the rationalization of the Janesville, Wisc. circuit board drill plant, employee severance, and asset impairment charges. Period costs of $0.5 million were incurred related to the plant closure.

Sales in 1999 increased 11 percent from 1998 due to the inclusion of five additional months of sales related to the Greenfield acquisition. Included in the 1998 results were the sales of the Marine Products division of Greenfield, which, for strategic reasons, was divested by the company in June 1998. Annual sales of the Marine Products division were approximately $25 million. Excluding the acquisition-related effects, sales declined 20 percent. The sales decline was due to weak demand for engineered products and compacts used in the oil field services industry due to reduced exploration activity.

Operating income declined to $24.5 million in 1999 due to lower sales levels, an unfavorable sales mix, lower production levels, plant rearrangement costs and the Marine divestiture. This was partially offset by cost-reduction actions implemented in November 1998 and continued cost controls.

MINING & CONSTRUCTION

This segment represents the sales of cemented tungsten carbide products used in mining and highway construction and other similar applications. These products also have technical commonality to the company's core metalworking products. The company also sells metallurgical powders to manufacturers of cemented tungsten carbide products.

(in thousands)	2000	1999	1998
External sales	$165,899	$173,028	$168,837
Intersegment sales	7,041	5,635	6,851
Operating income	17,483	14,203	21,408

External sales in 2000 declined three percent compared to 1999, excluding one percent unfavorable foreign exchange effects. Depressed demand for mining tools in North America, construction tools in Europe and metallurgical powders as a result of weakness in the underground coal and oil and gas exploration end markets resulted in overall sales declines of three, two and one percent, respectively. This was partially offset by strong demand for construction tools in North America, which increased sales by two percent compared to 1999.

Operating income for 2000 increased to $20.9 million from $20.0 million due to continued strong cost controls, despite the decline in sales, excluding restructuring charges in each year. Restructuring charges of $3.4 million were incurred in 2000 associated with the closure of a manufacturing operation in China and the exit of the related joint venture. In 1999, restructuring costs of $5.8 million were recorded related to the write-down of an investment in, and net receivables from, other international operations in emerging markets as a result of changing market conditions in the regions these operations serve.

In 1999, sales increased four percent excluding two percent unfavorable foreign exchange effects. This increase includes incremental sales of seven percent due to five additional months of sales related to the Greenfield acquisition in 1998. Sales benefited from increased domestic demand for highway construction tools due to a higher level of highway construction in North America in 1999, particularly in the second half of the year. However, this was offset by weaker demand for metallurgical powders used in the oil field services industry and mining tools due to reduced underground coal production.

Operating income for 1999, excluding restructuring costs of $5.8 million, declined to $20.0 million due to an unfavorable sales mix and lower production levels. This was partially offset by cost-reduction actions implemented in November 1998 and continued cost controls.

JLK/INDUSTRIAL SUPPLY

This segment represents the sales of industrial supply products through Kennametal's 83-percent owned subsidiary, JLK Direct Distribution Inc. (JLK). Sales of metalworking consumable products are derived through a direct-marketing program, including mail-order catalogs and showrooms, a direct field sales force, and integrated supply or Full Service Supply (FSS) programs.

(in thousands)	2000	1999	1998
External sales	$490,381	$518,512	$414,765
Intersegment sales	8,912	13,130	10,583
Operating income	28,174	34,532	41,308

Sales declined three percent in 2000, excluding the effects of the March 1999 divestiture of the Strong Tool Company steel mill business unit. JLK added new FSS programs which contributed overall sales growth of two percent. However, this growth was offset by continued weakness in the catalog business end markets and in acquired distributors end markets, predominately oil field services. At June 30, 2000, the company operated 30 showrooms,including seven distribution centers, and 12 other locations, and provided FSS programs to 188 customers covering 283 different facilities.

Operating income in 2000 declined to $28.2 million due to lower sales, partially offset by continued operating cost controls. Lower sales levels affected operating income by $10.4 million, which was partially offset by a decline in operating expense of $4.6 million due primarily to the implementation of several cost-reduction initiatives since March 1999. Operating expense for 2000 included special charges of $0.6 million for employee separation costs and $0.2 million of costs related to the evaluation of strategic alternatives.

In 1999, sales in this segment increased 25 percent primarily due to acquisitions. Excluding the effects of acquisitions, sales of industrial supply products declined three percent. Sales benefited from the addition of new FSS programs, growth in Europe and an increased product offering, offset by weak industrial demand across North America and the General Electric (GE) FSS contract disengagement. The company decided not to accede to certain price concessions requested by GE during renegotiations of the FSS program with GE in 1997. Sales to these GE manufacturing sites were $22.9 million in 1998. In 2000 and 1999, JLK did not have any sales to GE for those manufacturing sites that were discontinued. At June 30, 1999, the company operated 31 showrooms, including eight distribution centers and 13 other locations acquired in 1998 through acquisitions, and provided FSS programs to 150 customers covering 231 different facilities.

Operating income in 1999 of $34.5 million declined from 1998 due to lower gross profit margins and an increase in operating expense levels. The gross profit margin was affected by lower-margin sales from prior year acquisitions, growth in the FSS business and softer-than-expected economic conditions that resulted in weaker demand in the higher-margin mail-order business. Cost-reduction actions implemented in November 1998 contained operating expenses. However, the increase in operating expense was attributable to increased costs from acquisitions, including higher levels of amortization expense, relocation of the office and warehouse in the United Kingdom, and higher direct-mail costs.

COSTS AND EXPENSES

GROSS PROFIT MARGIN

In 2000, the gross profit margin was 38.1 percent compared to 37.0 percent in 1999. The increase in gross margin is predominately due to improved manufacturing variances across most business units as a result of lean manufacturing techniques and strong cost controls, despite lower production levels. The gross margin in 1999 was affected by a $6.9 million charge related to the implementation of a new program to streamline and optimize the global metalworking product offering. Excluding this charge, the 1999 gross margin would have been 37.4 percent.

In 1999, the gross profit margin declined from 40.7 percent in 1998 due to lower production levels, lower-margin sales from acquired companies, an unfavorable sales mix, and period costs associated with plant consolidations and rearrangements.

OPERATING EXPENSE

Operating expense as a percentage of sales declined to 27.1 percent in 2000, down from 27.2 percent in 1999 despite the decline in sales. The improvement is due to management's resolve to control costs through ongoing cost and productivity improvement programs. Operating expense for 2000 includes a $3.0 million charge for environmental remediation costs and $0.8 million for costs incurred and expensed for the evaluation of strategic alternatives related to JLK. Operating expense for 1999 includes a charge of $3.8 million recorded on the purchase of 4.9 percent of Toshiba Tungaloy stock due to the difference between the cost and the fair market value of the securities on the date the securities were purchased.

In 1999, operating expense as a percentage of sales declined to 27.2 percent from 28.2 percent in 1998. Excluding the effects of the Toshiba Tungaloy charge, operating expense as a percentage of sales would have been 27.0 percent in 1999. Operating expense was controlled through cost-reduction actions implemented in November 1998 that involved salaried work force reductions, salary reductions, closure of several JLK-acquired locations and other measures. However, operating expense increased due to acquisitions, the JLK expansion program, the charge recorded on the purchase of Toshiba Tungaloy stock, facility rationalizations and other programs. Additionally, amortization of intangibles increased $10.1 million due to a full year of amortization related to the acquisition of Greenfield and other companies.

RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

In November 1999, the company announced plans to close, consolidate or downsize several plants, warehouses and offices, and associated work force reductions as part of its overall plan to increase asset utilization and financial performance, and to reposition the company to become the premier tooling solutions supplier. These actions are expected to have a favorable impact on future performance. Management implemented these programs throughout 2000. The costs accrued for the implemented programs were based upon management estimates using the latest information available at the time that the accrual was established. The components of the charges are as follows:

(in thousands)	Total Charge	Asset Write-Downs	Incremental Pension Obligation	Initial Restructuring Liability
Asset impairment charges	$ 4,808	$(4,808)	$ --	$ --
Employee severance	7,396	--	(787)	6,609
Product rationalization	100	(100)	--	--
Facility rationalizations	6,322	(1,470)	(205)	4,647
Total	$18,626	$(6,378)	$(992)	$11,256

In conjunction with the company's ongoing review of underperforming businesses, certain assets are reviewed for impairment pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." An asset impairment charge of $1.7 million was recorded, related to a metalworking manufacturing operation in Shanghai, China. This operation became fully operational in 1998 and to date, has not generated the performance that was expected at the time the company entered into this market. Management performed an in-depth review of the operations, capacity utilization and the local management team, and engaged a consultant to perform an independent review of the same. These reviews enabled management to determine that the market served by this operation is not expected to develop to the extent originally anticipated, but that the operations were in good working order and utilized modern technology, and that the management team in place was competent. Management also determined that this facility had excess capacity given the level of market demand.

Accordingly, management updated its operating forecast to reflect the current market demand. In comparing the undiscounted projected cash flows of the updated forecast to the net book value of the assets of this operation, management determined that the full value of these assets would not be recoverable. Accordingly, a charge was recorded to adjust the carrying value of the long-lived assets of this operation to fair value. The estimated fair value of these assets was based on various methodologies, including a discounted value of estimated future cash flows.

The product rationalization charge of $0.1 million represents the write-down of certain discontinued product lines manufactured in these operations. The company manufactured these products specifically for the market served by these operations and management has determined that these products are no longer salable. This charge has been recorded as a component of cost of goods sold.

The company recorded an asset impairment charge of $2.8 million related to the write-down of equipment in its North American metalworking operations and $0.3 million in its engineered products operations. In connection with the repositioning of the company, management completed an assessment of the assets currently being used in these operations and determined that these assets were not going to be further utilized in conducting these operations. This amount represents the write-down of the book value of the assets, net of salvage value.

The charge for facility rationalizations relates to employee severance for 153 employees and other exit costs associated with the closure or downsizing of a metalworking manufacturing operation in Kingswinford, United Kingdom, a circuit board drill plant in Janesville, Wisc., a German warehouse facility, and several offices in the Asia Pacific region and South America. Included in this charge is incremental pension obligation of $0.2 million due to a plan curtailment. This amount is included in the pension obligation and is presented as a component of other liabilities. The charge also includes $3.4 million for employee severance for 41 employees and other exit costs associated with the closure of a mining and construction manufacturing operation in China and the exit of the related joint venture.

The company accrued $7.4 million related to severance packages provided to 171 hourly and salaried employees terminated in connection with a global work force reduction. Included in this charge is incremental pension obligation of $0.8 million, incurred by the company as a result of the severance packages provided. This amount is included in the pension obligation and is presented as a component of other liabilities.

The costs related to the asset impairment charges, employee severance and facility rationalizations of $18.5 million are recorded as restructuring and asset impairment charges. The costs charged against the restructuring accrual as of June 30, 2000 were as follows:

(in thousands)	Beginning Accrual	Cash Expenditures	Adjustments	June 30, 2000
Employee severance	$ 6,609	$(4,076)	$--	$2,533
Facility rationalizations	4,647	(1,129)	--	3,518
Total	$11,256	$(5,205)	$--	$6,051

In 2000, the company incurred period costs of $0.8 million related to these initiatives, and costs of $1.7 million associated with the implementation of lean manufacturing techniques, both of which were included in cost of goods sold as incurred. Benefits realized in 2000 approximated this level of cost. By the second half of 2001, the company expects to realize annual benefits of approximately $15 to $17 million associated with these initiatives. Additional period costs are estimated to be $2 to $3 million and are expected to be incurred in 2001. The company continues to review its business strategies and pursue other cost-reduction activities, some of which could result in future charges.

In March 1999, the company's management completed restructuring plans, including several programs to reduce costs, improve operations and enhance customer satisfaction. The costs accrued for these plans were based on management estimates using the latest information available at the time that the accrual was established. The components of the charges are as follows:

(in thousands)	Total Charge	Asset Write-Downs & Other Non-Cash Adjustments	Initial Restructuring Liability
Product rationalization	$ 6,900	$ (6,900)	$ --
Plant closure	4,200	(2,000)	2,200
Impairment of international operations	5,800	(5,800)	--
Voluntary early retirement program	3,937	(2,419)	1,518
Total	$20,837	$(17,119)	$3,718

The product rationalization charge represents a write-down of certain product lines that were discontinued as part of a program to streamline and optimize the company's global metalworking product offering. This charge is net of salvage value and was recorded as a component of cost of goods sold. Estimated salvage values were based on estimates of proceeds to be realized through the sale of this inventory outside the normal course of business.

The program resulted in a reduction in the number of products offered from an estimated 58,000 to 38,000 and was an extension of the company's initiative to reduce the number of its North American warehouses. By streamlining the product offering, the company has improved customer service and inventory turnover, allowed for more efficient operations, thereby reducing costs and improving capacity utilization, and eliminated redundancy in its product offering. Sales of these products represent less than five percent of global metalworking sales. The company proactively converted customers from these older products to newer products.

The company also initiated plans to close a drill manufacturing plant in Solon, Ohio. The manufacturing of products made at this plant was relocated to other existing plants in the United States. The closure eliminated excess capacity at other plant locations. The company decommissioned the existing plant and expects to sell the property in the near future. The charge consists of employee termination benefits for 155 hourly and salaried employees, which is substantially all employees at this plant, and the write-down of assets included in property, plant and equipment, net of salvage value.

The costs resulting from the relocation of employees, hiring and training new employees and other costs resulting from the temporary duplication of certain operations incurred in 2000 and 1999 were $2.1 million and $0.4 million, respectively, and were included in cost of goods sold as incurred. The company does not anticipate incurring additional period costs associated with this action.

An asset impairment charge was recorded to write-down, to fair market value, an investment in and net receivables from certain mining and construction international operations in emerging markets as a result of changing market conditions in the regions these operations serve. In the March 1999 quarter, the company completed a study of these operations, the markets for these products, and the current economic situation in these regions, to provide recommendations for solving operational concerns. As a result of this study and continued economic deterioration in these regions, the company determined that the carrying amount of its investment in and net receivables from these operations would not be recoverable.

A voluntary early retirement benefit program was offered to and accepted by 34 domestic employees. In exchange for their retirement, the company will provide those employees pension and health benefits that would have been earned by the employees through their normal retirement date. As a result of providing these additional pension benefits, $2.4 million of the total cost was funded through the company's pension plan. There are no tax benefits associated with this cost as the company may only deduct actual cash payments made to the pension plan.

The charges for the plant closure, the write-down of the investment in and net receivables from certain international operations, and the voluntary early retirement benefit program are recorded as restructuring and asset impairment charges. The costs charged against the restructuring accrual as of June 30, 2000 and 1999 were as follows:

(in thousands)	Beginning Accrual	Cash Expenditures	Adjustments	June 30, 1999
Plant closure	$2,200	$ --	$--	$2,200
Voluntary early retirement program	1,518	(151)	--	1,367
Total	$3,718	$(151)	$--	$3,567

(in thousands)	June 30, 1999	Cash Expenditures	Adjustments	June 30, 2000
Plant closure	$2,200	$(2,046)	$595	$ 749
Voluntary early retirement program	1,367	(602)	--	765
Total	$3,567	$(2,648)	$595	$1,514

The adjustment to the accrual for the plant closure is due to the company receiving more value for property upon disposition than initially anticipated. This adjustment was not included in the determination of net income for 2000.

INTEREST EXPENSE

In 2000, interest expense declined to $55.1 million due to reduced debt levels, partially offset by higher borrowing rates. Average borrowing rates under the company's revolving credit line with commercial banks (Bank Credit Agreement) of 6.72 percent were 34 basis points higher compared to a year ago due to the rising interest rate environment, partially offset by improved pricing due to improved financial condition.

In 1999, interest expense increased $9.1 million as a result of higher average borrowings, partially offset by lower borrowing rates. Interest expense in 1998 included one-time costs of $7.2 million for the amortization of deferred bank financing fees related to the acquisition of Greenfield.

OTHER EXPENSE, NET

Other expense for 2000 included fees of $5.2 million incurred in connection with the accounts receivable securitization program initiated in June 1999. This was partially offset by gains of $1.4 million from the sale of miscellaneous underutilized assets.

Other expense for 1998 included the write-off of deferred financing costs related to a cancelled public offering of debt and equity securities that the company originally intended to offer in connection with the acquisition of Greenfield. Related to the debt offering, the company entered into an agreement to hedge its exposure to fluctuations in interest rates. When the company subsequently postponed the proposed offerings, the interest rate hedges were terminated resulting in a loss of $3.5 million. The company also wrote-off other offering-related expenses of $1.1 million resulting in a combined total of $4.6 million or $0.10 per share.

INCOME TAXES

The 2000 effective tax rate was 43.5 percent compared to a tax rate of 42.0 percent in 1999, and 41.3 percent in 1998. The increase in the effective tax rate for both years is directly attributable to higher nondeductible goodwill related to the Greenfield acquisition, partially offset in 1999 by tax benefits from costs to repay senior debt.

EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT

In November 1999, the company repaid its term loan under the Bank Credit Agreement. This resulted in an acceleration of the amortization of deferred financing fees of $0.4 million, which has been recorded as an extraordinary loss of $0.3 million, net of tax.

LIQUIDITY AND CAPITAL RESOURCES

Kennametal's cash flow from operations is the primary source of financing for capital expenditures and internal growth. Additionally, in the United States, the company maintains a revolving credit line under the Bank Credit Agreement totaling $900.0 million, of which $247.5 million was available for use at June 30, 2000. The company and its subsidiaries generally obtain local financing through credit lines with commercial banks. The company believes that cash flow from operations and the availability under its revolving credit lines will be sufficient to meet its cash requirements over the next 12 months.

During 2000, the company generated $221.2 million in cash flow from operations, a decrease of $5.3 million from 1999. Working capital improved $57.5 million and net income increased by $12.6 million in 2000, however 1999 benefited from additional proceeds from the securitization of accounts receivable of $75.5 million. The working capital improvement reflects management's initiatives to reduce working capital and consistently generate strong cash flow.

Net cash used for investing activities was $43.1 million in 2000. Compared to the prior year, net cash used for investing activities declined by $58.9 million due to a reduction in capital expenditures of $44.3 million and the purchase of the shares of Toshiba Tungaloy for $12.2 million in 1999.

The reduction in capital expenditures reflects management's more stringent capital expenditure approval process. Management believes the level of capital spending in 2000 was sufficient to improve productivity and make necessary capital improvements to remain competitive.

Net cash used for financing activities was $173.3 million in 2000, an increase of $49.0 million compared to 1999, due principally to the reduction in debt of $163.0 million in 2000, compared to $106.3 million in 1999. The reduction in debt is attributable to strong cash flow generation through continued focus on reducing working capital, controlled capital expenditures and improved earnings. Effective October 1, 1999, company contributions to U.S. defined contribution pension plans are made primarily in the company's common stock, resulting in the issuance of 268,964 shares during 2000.

During 1999, the company generated $226.6 million in cash from operations. Cash provided by operations increased from 1998 due to the proceeds from the securitization of accounts receivable of $82.0 million and a reduction of working capital requirements of $52.4 million.

Net cash used for investing activities was $102.0 million in 1999. Compared to the prior year, the decrease in net cash used for investing activities was due to a net reduction of $689.7 million of cash outflows from acquisitions and divestiture activity, a reduction of $13.9 million in subsidiary stock repurchases, and $9.8 million of reduced capital expenditures. This was offset by the purchase of the Toshiba Tungaloy shares in 1999.

Net cash flow used for financing activities was $124.4 million in 1999, which compares to cash from financing activities of $710.1 million in 1998. The change is due to the repayment of debt of $106.3 million in 1999, compared to borrowings of $461.4 million and proceeds from the issuance and sale of common and subsidiary stock of $261.8 million in 1998. The borrowings and proceeds from stock issuances were primarily used to finance the Greenfield acquisition.

Through a new management incentive program, management is reinforcing the focus on cash flow and working capital improvement. Management believes free operating cash flow (FOCF) is an appropriate measure of the company's cash flow. The company generated FOCF of $183.8 million and $120.6 million, and used FOCF of $204.9 million in 2000, 1999 and 1998, respectively. The improvements in FOCF for all periods are primarily due to improved working capital and lower capital expenditures. Higher levels of net income contributed to the increase in FOCF in 2000, while lower levels of net income in 1999, compared to 1998, partially offset some of the improvements.

FOCF is defined as funds from operations minus capital expenditures, plus the change in working capital (excluding changes in cash, marketable securities and short-term debt). Funds from operations is defined as net income from continuing operations plus depreciation, amortization, deferred income taxes and other non-cash items. Cash flows from operating activities, as defined by accounting principles generally accepted in the United States (GAAP), is used to measure cash flow generation. While FOCF is not a GAAP alternative measure of cash flow and may not be comparable to other similarly titled measures of other companies, the company's management believes FOCF is a meaningful measure of the company's cash flow.

On January 18, 1999, the company entered into a business cooperation agreement with Toshiba Tungaloy Co., Ltd. (TT), a leading Japanese manufacturer of consumable, cemented tungsten carbide metalcutting products, to enhance the global business prospects for metalcutting tools of both companies. The agreement includes various joint activities in areas such as product research and development, private labeling, cross-licensing, and sales and marketing. The company purchased approximately 4.9 percent of the outstanding shares of TT for $15.9 million, including the costs of the transaction. This transaction was financed through the borrowing of Japanese yen under a new credit line.

The intentions of the companies are to make the business cooperation agreement successful and to develop a strong working relationship that will benefit both companies in the future. The company will periodically evaluate the progress made under this agreement and its current ownership position in TT to ensure both are aligned with the company's operational and financial goals. See Note 5 to the consolidated financial statements for additional information.

On June 18, 1999, the company entered into an agreement with a financial institution whereby the company securitizes, on a continuous basis, an undivided interest in a specific pool of the company's domestic trade accounts receivable. The company is permitted to securitize up to $100.0 million of accounts receivable under this agreement. The financial institution charges the company fees based on the level of accounts receivable securitized under this agreement and the commercial paper market rates plus the financial institution's cost to administer the program. The costs incurred by the company under this program, $5.2 million and $0.2 million in 2000 and 1999, respectively, are accounted for as a component of other expense, net. At June 30, 2000 and 1999, the company securitized accounts receivable of $88.5 million and $82.0 million, respectively, under this program. In 1999, the proceeds from the securitization were used to permanently reduce a portion of the company's long-term debt.

On December 16, 1999, the company determined that certain performance measurements in the accounts receivable securitization program agreement were not met due to an increase in the aging of the accounts receivable of one of the participating subsidiaries as a result of a system implementation at that subsidiary. The program sponsor waived this condition and the agreement was amended to temporarily revise the performance measurements until May 2000, at which time these performance measurements reverted to the original terms of the agreement. The company is in compliance with the provisions of this agreement at June 30, 2000. See Note 6 to the consolidated financial statements for additional information.

During 1998, the company generated $101.5 million in cash from operations, a $1.7 million increase from 1997 due to higher working capital requirements of $47.8 million related to increased sales offset by $50.2 million of higher noncash items, such as depreciation and amortization. Net cash used in investing activities was $813.1 million, a significant increase compared to 1997 due to the acquisition of Greenfield and other companies. Capital expenditures of $104.8 million, an increase of $31.0 million compared to 1997, were made to upgrade machinery and equipment, to acquire additional client-server information systems and to complete the construction of the new world headquarters in Latrobe, Pa. and a manufacturing facility in China. Additionally, the company repurchased subsidiary stock of $14.2 million in 1998.

Net cash flow from financing activities was $710.1 million in 1998. The increase of $713.4 million resulted from $424.1 million of increased borrowings under the Bank Credit Agreement that was used primarily to fund the acquisition of Greenfield and the $261.8 million of proceeds from the issuance of stock.

On July 2, 1997, an initial public offering (IPO) of 4.9 million shares of common stock of JLK was consummated at a price of $20.00 per share. The net proceeds from the offering were $90.4 million and represented approximately 20 percent of JLK's common stock. The net proceeds were used by JLK to repay $20.0 million of indebtedness related to a dividend to the company and $20.0 million related to intercompany obligations to the company incurred in 1997. The company used these proceeds to repay short-term debt. JLK used the remaining net proceeds of $50.4 million to make acquisitions in 1998. The company's ownership in JLK increased to approximately 83 percent due to treasury stock purchases made by JLK since the IPO.

On November 17, 1997, the company completed the acquisition of all the outstanding stock of Greenfield. The total purchase price for the acquisition of Greenfield was $1.0 billion, including $324.4 million in assumed Greenfield debt and convertible redeemable preferred securities and transaction costs. In connection with the acquisition of Greenfield, the company entered into a $1.4 billion Bank Credit Agreement and borrowed the appropriate funds to pay for the Greenfield acquisition, including the refinancing of certain indebtedness of Greenfield and the company. Additionally, on June 26, 1998, the company sold the Marine Products division of Greenfield, which operated as Rule Industries, Inc. (Rule). The company acquired Rule as part of its acquisition of Greenfield and, for strategic reasons, chose to divest itself of this business. Annual sales of the Marine Products division were approximately $25 million. Proceeds received from the sale were used to reduce a portion of the company's long-term debt.

On March 20, 1998, the company sold 3.45 million shares of common stock resulting in net proceeds of $171.4 million. The proceeds were used to reduce a portion of the company's long-term debt.

On June 8, 1998, JLK initiated a stock repurchase program to repurchase, from time-to-time, up to a total of 20 percent, or approximately 1.0 million shares, of its outstanding Class A Common Stock. In 1999 and 1998, JLK repurchased 15,000 and 628,700 shares, respectively, of its Class A Common Stock at a total cost of $0.3 million and $14.2 million, respectively. The repurchases were made in the open market or in negotiated or other permissible transactions. These repurchases were financed principally by cash from operations and short-term borrowings. There were no repurchases in 2000.

Capital expenditures for 2001 are estimated to be $60 to $70 million and will be used primarily to support new products and to upgrade machinery and equipment.

FINANCIAL CONDITION

At June 30, 2000, the company's total assets were $1,982.9 million, a decline of three percent from June 30, 1999. Net working capital was $397.4 million, an increase of six percent from $373.6 million for the previous year due primarily to the repayment of short-term debt. The ratio of current assets to current liabilities was 2.1 in 2000, compared with 2.0 in 1999. Accounts receivable remained flat at $231.9 million, while inventories declined $23.6 million to $410.9 million at June 30, 2000. Inventory turnover was 2.7 in 2000 and 2.6 in 1999. The reduction in inventory is due to management's efforts to reduce overall inventory levels to generate cash flow.

Total debt (including capital lease obligations) decreased 19 percent to $699.2 million in 2000, as a result of strong FOCF generated in 2000. The ratio of total debt-to-total capital was 45.6 percent in 2000, compared with 51.9 percent in 1999. Cash from operations and the company's debt capacity are expected to continue to be sufficient to fund capital expenditures, debt service obligations, dividend payments and operating requirements. In the future, the company may consider refinancing a portion of its variable-rate long-term debt to further reduce the exposure to fluctuating interest rates.

One of the features of the new management incentive program is the focus on the more efficient use of working capital to generate sales. Management believes the ratio of primary working capital as a percentage of sales (PWC%) is appropriate for measuring the company's efficiency in utilizing working capital to generate sales. The company's PWC% was 29.4 percent and 34.9 percent at June 30, 2000 and 1999, respectively. The improvement in PWC% is due to lower primary working capital, partially offset by lower sales levels.

Primary working capital (PWC) is defined as inventory plus accounts receivable, less accounts payable. PWC% is calculated by averaging beginning of the year and quarter-end balances for PWC, divided by sales for the most recent 12-month period. While PWC% is not a GAAP alternative measure of asset utilization efficiency and may not be comparable to other similarly titled measures of other companies, the company's management believes PWC% is a meaningful measure of the company's efficiency in utilizing working capital to generate sales.

STRATEGIC ALTERNATIVES

In the December 1999 quarter, the company engaged an investment bank to explore strategic alternatives regarding JLK, including a possible divestiture. At that time, management believed a divestiture might enhance growth prospects for both the company and JLK by allowing each company to focus on its core competencies. The company completed a thorough and disciplined process of evaluating strategic alternatives and on May 2, 2000, decided to terminate consideration of a possible divestiture at that time, although management continues to believe there may be better owners for JLK. The company incurred and expensed $0.8 million in costs associated with this evaluation in 2000.

On July 20, 2000, the company proposed to the JLK Board of Directors to acquire the outstanding shares of JLK it does not already own. As of September 1, 2000, no agreement to acquire these minority shares has been reached with JLK, and the company may or may not acquire these minority shares. In the event the company were to acquire this minority interest of approximately 4.3 million shares, it is not expected to have a material effect on the company's financial condition. The proposal is not conditioned on financing. The company reserved the right to amend or withdraw this proposal at any time at its sole discretion.

In July 2000, the company, JLK and the JLK directors (including one former director) were named as defendants in several putative class action lawsuits. The lawsuits seek an injunction, rescission, damages, costs and attorney fees in connection with the company's proposal to acquire the outstanding stock of JLK not owned by the company. The company believes the actions lack merit and will defend them vigorously. The amount of any ultimate exposure cannot be determined with certainty at this time. Management believes that any losses derived from the final outcome of these actions and proceedings will not be material in the aggregate to the company's financial condition.

ENVIRONMENTAL MATTERS

The company has been involved in various environmental cleanup and remediation activities at several of its manufacturing facilities. In addition, the company is currently named as a potentially responsible party (PRP) at several Superfund sites in the United States. In the December 1999 quarter, the company recorded a remediation reserve of $3.0 million with respect to its involvement in these matters, which is recorded as a component of operating expense. This represents management's best estimate of its undiscounted future obligation based on its evaluations and discussions with outside counsel and independent consultants, and the current facts and circumstances related to these matters. The company recorded this liability in the December quarter because certain events occurred, including sufficient progress made by the government and the PRPs in the identification of other PRPs and review of potential remediation solutions, that clarified the level of involvement in these matters by the company and its relationship to other PRPs. This led the company to conclude that it was probable that a liability had been incurred.

In addition to the amount currently reserved, the company may be subject to loss contingencies related to these matters estimated to be up to an additional $3.3 million. The company believes that such undiscounted unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. The reserved and unreserved liabilities could change substantially in the near term due to factors such as the nature and extent of contamination, changes in remedial requirements, technological changes, discovery of new information, the financial strength of other PRPs and the identification of new PRPs.

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

MARKET RISK

The company is exposed to certain market risks arising from transactions that are entered into in the normal course of business. The company seeks to minimize these risks through its normal operating and financing activities and, when considered appropriate, through the use of derivative financial instruments. The company does not enter into derivative transactions for speculative purposes and therefore holds no derivative instruments for trading purposes. The company's objective in managing these exposures is to reduce both earnings and cash flow volatility to allow management to focus its attention on its core business operations. The company hedges its foreign currency and interest rate exposures in a manner that dampens the effect of changes in foreign currency and interest rates on consolidated net income. See Notes 2 and 15 to the consolidated financial statements for additional information.

A portion of the company's operations consists of investments in foreign subsidiaries. The company's exposure to market risk for changes in foreign currency exchange rates arises from intercompany loans utilized to finance foreign subsidiaries, trade receivables and payables, and firm commitments arising from international transactions. The company manages its foreign currency transaction risk to reduce the volatility of cash flows caused by currency fluctuations through internal natural offsets, to the fullest extent possible, and foreign exchange contracts. These contracts are designated as hedges of transactions, which will settle in future periods, that otherwise would expose the company to foreign currency risk.

In April 2000, the company implemented a foreign exchange hedging program to protect a portion of the company's currency exposure from unfavorable exchange rate movements. This exposure arises from anticipated cash collections from foreign subsidiaries on transactions between domestic and foreign subsidiaries during 2001. This program utilizes purchased options, range forwards and forward contracts. The cost of this program was $1.9 million, of which, $0.3 million was amortized to other expense, net based on the life of the contracts,until SFAS 133,"Accounting for Derivative Instruments and Hedging Activities," is adopted on July 1, 2000; thereafter, the contracts will be accounted for and reported under this new Statement. At June 30, 2000, the unamortized cost of the options of $1.6 million and unrealized gains on the forward contracts of $0.4 million are recorded in other current assets and approximate the fair value of the contracts then outstanding. The notional amounts of the contracts translated into U.S. dollars at June 30, 2000 rates is $121.7 million. At June 30, 2000, a hypothetical 10 percent strengthening of the U.S. dollar would result in an increase in pretax income of $7.8 million, while a 10 percent weakening of the U.S. dollar would result in a decrease in pretax income of $3.2 million related to these positions.

In February 2000, the company completed a short-term foreign exchange hedging program to protect a portion of the company's currency exposure from unfavorable exchange rate movements. The exposure arose from anticipated cash collections from foreign subsidiaries on sales between domestic and foreign subsidiaries through June 30, 2000. This program involved the purchase of a series of options that gave the company the right to sell foreign currency at specific rates contained in the contracts. The cost of this program, $0.6 million, was amortized to other expense, net over the life of the options.

In addition, the company may enter into forward contracts to hedge transaction exposures or significant cross-border intercompany loans by either purchasing or selling specified amounts of foreign currency at a specified date. At June 30, 2000, the company had several outstanding forward contracts to sell foreign currency. The notional amounts of these forward contracts translated into U.S. dollars at June 30, 2000 rates is $26.7 million. A hypothetical 10 percent change in the applicable 2000 year-end exchange rates would result in an increase or decrease in pretax income of $0.8 million related to these positions.

The company's exposure to market risk for changes in interest rates relates primarily to the company's long-term debt obligations. The company seeks to manage its interest rate risk in order to balance its exposure between fixed and floating rates while attempting to minimize its borrowing costs. To achieve these objectives, the company primarily uses interest rate swap agreements to manage net exposure to interest rate changes related to its borrowings. At June 30, 2000, the company had interest rate swap agreements outstanding that effectively convert a notional amount of $300.0 million of debt from floating to fixed interest rates. These agreements mature at various times between June 2001 and June 2003.

At June 30, 2000 and 1999, the company had $699.2 million and $861.3 million of debt outstanding at effective interest rates of 7.11 percent and 6.11 percent, respectively, after the impact of interest rate swaps is taken into account. A hypothetical change of 10 percent in the company's effective interest rate from year-end 2000 levels would increase or decrease interest expense by approximately $3.0 million.

The company is exposed to counterparty credit risk for non-performance and, in the unlikely event of nonperformance, to market risk for changes in interest and currency rates. The company manages exposure to counterparty credit risk through credit standards, diversification of counterparties and procedures to monitor concentrations of credit risk. The company does not anticipate nonperformance by any of the counterparties.

The company's investment in Toshiba Tungaloy is classified as an available-for-sale security and, therefore, is carried at its quoted market value, adjusted for changes in currency exchange rates. At June 30, 2000, the carrying and fair value of this investment was $27.6 million. A 10 percent change in the quoted market value of TT common stock at June 30, 2000 would result in a $2.8 million increase or decrease in fair value.

YEAR 2000

Management believes that the company substantially mitigated its exposure relative to year 2000 issues for both information and non-information technology systems. The company's non-compliant systems were either replaced or modified to become year 2000 compliant prior to December 31, 1999. The transition into the year 2000 resulted in no significant impact to the financial position or operations of the company. To date, the company's suppliers continue to provide the company with sufficient goods and services in the year 2000.

Expenditures incurred in 2000 and 1999 approximate $3.5 million and $13.5 million, respectively. Cash flows from operations provided funding for these expenditures. The company does not anticipate incurring additional expenditures related to year 2000 issues.

EFFECTS OF INFLATION

Despite modest inflation in recent years, rising costs continue to affect the company's operations throughout the world. The company strives to minimize the effects of inflation through cost containment, productivity improvements and price increases under highly competitive conditions.

NEW ACCOUNTING STANDARDS

In June 1998, SFAS No. 133 was issued, which establishes accounting and reporting standards requiring all derivative instruments (including certain derivative instruments imbedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at their fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 was adopted on July 1, 2000 resulting in the recording of current assets of $1.6 million, long-term assets of $1.4 million, current liabilities of $1.3 million, long-term liabilities of $0.7 million, a decrease in other comprehensive loss of $1.6 million, net of tax, and a loss from the cumulative effect from the change in accounting principle of $0.6 million, net of tax. Forward contracts hedging significant cross-border intercompany loans are considered other derivatives and therefore, not eligible for hedge accounting. The remainder of the derivative contracts are accounted for as cash flow hedges. The company expects to recognize net current assets of $0.5 million into earnings in the next 12 months.

In December 1999, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin No. 101, "Revenue Recognition" (SAB No. 101), to provide guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 explains the SEC staff's general framework for revenue recognition, however, it does not change existing accounting pronouncements on revenue recognition, but rather clarifies the SEC's position on preexisting rules. SAB No. 101 did not require the company to change existing revenue recognition policies and, therefore, had no impact on the company's financial condition at June 30, 2000.

FORWARD-LOOKING STATEMENTS

This annual report contains "forward-looking statements" as defined by Section 21E of the Securities Exchange Act of 1934. Actual results may differ materially from those expressed or implied in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the extent that the economic conditions in the United States and Europe, and to a lesser extent,Asia Pacific are not sustained, risks associated with integrating businesses, demands on management resources, risks associated with international markets such as currency exchange rates, competition, and risks associated with the implementation of restructuring actions and environmental remediation. The company undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances occurring after the date hereof.

CONSOLIDATED STATEMENTS OF INCOME

Year ended June 30	2000	1999	1998
(in thousands, except per share data)			
OPERATIONS			
Net sales	$1,853,663	$1,902,916	$1,678,388
Cost of goods sold	1,147,287	1,198,651	994,481
Gross profit	706,376	704,265	683,907
Research and development expense	19,246	18,797	20,397
Selling, marketing and distribution expense	364,971	394,204	339,772
General and administrative expense	118,184	104,043	112,519
Restructuring and asset impairment charges	18,526	13,937	--
Amortization of intangibles	26,452	25,788	15,648
Operating income	158,997	147,496	195,571
Interest expense	55,079	68,594	59,536
Other expense, net	3,507	492	5,459
Income before provision for income taxes and minority interest	100,411	78,410	130,576
Provision for income taxes	43,700	32,900	53,900
Minority interest	4,734	6,394	5,479
Income before extraordinary loss	51,977	39,116	71,197
Extraordinary loss on early extinguishment of debt, net of tax of $178	(267)	--	--
Net income	$ 51,710	$ 39,116	$ 71,197
PER SHARE DATA			
Basic earnings per share before extraordinary loss	$ 1.72	$ 1.31	$ 2.61
Extraordinary loss per share	(0.01)	--	--
Basic earnings per share	$ 1.71	$ 1.31	$ 2.61
Diluted earnings per share before extraordinary loss	$ 1.71	$ 1.31	$ 2.58
Extraordinary loss per share	(0.01)	--	--
Diluted earnings per share	$ 1.70	$ 1.31	$ 2.58
Dividends per share	$ 0.68	$ 0.68	$ 0.68
Basic weighted average shares outstanding	30,263	29,917	27,263
Diluted weighted average shares outstanding	30,364	29,960	27,567

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

As of June 30	2000	1999
(in thousands)		
ASSETS		
Current assets:		
Cash and equivalents	$ 22,323	$ 17,408
Marketable equity securities available-for-sale	27,614	13,436
Accounts receivable, less allowance for doubtful accounts of $12,214 and $15,269	231,917	231,287
Inventories	410,885	434,462
Deferred income taxes	52,754	44,182
Other current assets	13,065	9,673
Total current assets	758,558	750,448
Property, plant and equipment:		
Land and buildings	230,448	235,375
Machinery and equipment	720,556	756,917
Less accumulated depreciation	(452,220)	(452,492)
Net property, plant and equipment	498,784	539,800
Other assets:		
Investments in affiliated companies	2,571	844
Intangible assets, less accumulated amortization of $88,458 and $64,096	661,172	685,695
Deferred income taxes	23,228	33,996
Other	38,629	32,865
Total other assets	725,600	753,400
Total assets	$1,982,942	$2,043,648
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt and capital leases	$ 3,855	$ 117,217
Notes payable to banks	57,701	26,222
Accounts payable	118,908	89,339
Accrued income taxes	30,226	9,487
Accrued vacation pay	28,217	27,323
Accrued payroll	20,605	19,730
Other current liabilities	101,643	87,548
Total current liabilities	361,155	376,866
Long-term debt and capital leases, less current maturities	637,686	717,852
Deferred income taxes	54,955	53,108
Other liabilities	93,786	97,186
Total liabilities	1,147,582	1,245,012
Minority interest in consolidated subsidiaries	55,106	53,505
SHAREOWNERS' EQUITY		
Preferred stock, no par value; 5,000 shares authorized; none issued	--	--
Common stock, $1.25 par value; 70,000 shares authorized; 33,200 and 32,903 shares issued	41,500	41,128
Additional paid-in capital	335,314	325,382
Retained earnings	508,733	477,593
Treasury stock, at cost; 2,677 and 2,836 shares held	(55,236)	(57,199)
Unearned compensation	(2,814)	(3,330)
Accumulated other comprehensive loss	(47,243)	(38,443)
Total shareowners' equity	780,254	745,131
Total liabilities and shareowners' equity	$1,982,942	$2,043,648

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended June 30	2000	1999	1998
(in thousands)			
OPERATING ACTIVITIES			
Net income	$ 51,710	$ 39,116	$ 71,197
Adjustments for noncash items:			
Depreciation	75,194	70,203	51,663
Amortization	26,452	25,788	15,648
Restructuring and asset impairment charges	6,378	17,119	--
Loss on early extinguishment of debt, net of tax	267	--	--
Other	11,472	6,583	29,705
Changes in certain assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable	(17,257)	25,973	(17,006)
Proceeds from accounts receivable securitization	6,500	82,000	--
Inventories	14,331	(3,867)	(37,231)
Accounts payable and accrued liabilities	44,968	(32,701)	(8,791)
Other	1,192	(3,662)	(3,661)
Net cash flow from operating activities	221,207	226,552	101,524
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(50,663)	(94,993)	(104,774)
Disposals of property, plant and equipment	8,109	9,555	5,132
Purchase of marketable equity securities	--	(12,162)	--
Acquisitions, net of cash	--	(5,164)	(755,338)
Divestitures, net of cash	--	1,617	62,052
Purchase of subsidiary stock	--	(332)	(14,197)
Other	(531)	(503)	(5,992)
Net cash flow used for investing activities	(43,085)	(101,982)	(813,117)
FINANCING ACTIVITIES			
Net decrease in notes payable	(18,491)	(23,328)	(1,968)
Net increase (decrease) in revolver and other lines of credit	(15,100)	61,800	237,794
Term debt borrowings	378	25,285	269,487
Term debt repayments	(129,810)	(170,040)	(43,905)
Net proceeds from issuance and sale of common stock	--	--	171,439
Net proceeds from issuance and sale of subsidiary stock	--	--	90,430
Dividend reinvestment and employee benefit and stock plans	11,276	3,299	10,764
Cash dividends paid to shareowners	(20,570)	(20,328)	(18,475)
Other	(1,018)	(1,045)	(5,511)
Net cash flow from (used for) financing activities	(173,335)	(124,357)	710,055
Effect of exchange rate changes on cash	128	(1,171)	(1,965)
CASH AND EQUIVALENTS			
Net increase (decrease) in cash and equivalents	4,915	(958)	(3,503)
Cash and equivalents, beginning of year	17,408	18,366	21,869
Cash and equivalents, end of year	$ 22,323	$ 17,408	$ 18,366
SUPPLEMENTAL DISCLOSURES			
Interest paid	$ 55,000	$ 67,065	$ 61,692
Income taxes paid	17,092	21,738	47,052

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

Year ended June 30	2000	1999	1998
(in thousands)			
COMMON STOCK			
Balance at beginning of year	$ 41,128	$ 41,025	$ 36,712
Issuance of common stock under employee benefit and stock plans	372	103	--
Issuance of common stock	--	--	4,313
Balance at end of year	41,500	41,128	41,025
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	325,382	320,645	91,049
Dividend reinvestment	1,250	340	819
Issuance of common stock under employee benefit and stock plans	8,682	4,397	6,676
Issuance of common stock	--	--	167,126
Issuance of subsidiary stock	--	--	54,975
Balance at end of year	335,314	325,382	320,645
RETAINED EARNINGS			
Balance at beginning of year	477,593	458,805	406,083
Net income	51,710	39,116	71,197
Cash dividends	(20,570)	(20,328)	(18,475)
Balance at end of year	508,733	477,593	458,805
TREASURY STOCK			
Balance at beginning of year	(57,199)	(59,131)	(62,400)
Dividend reinvestment	1,236	392	292
Issuance of common stock under employee benefit and stock plans	727	1,540	2,977
Balance at end of year	(55,236)	(57,199)	(59,131)
UNEARNED COMPENSATION			
Balance at beginning of year	(3,330)	--	--
Issuance of common stock under employee benefit and stock plans	(1,094)	(3,473)	--
Amortization of unearned compensation	1,610	143	--
Balance at end of year	(2,814)	(3,330)	--
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance at beginning of year	(38,443)	(25,884)	(11,836)
Unrealized gain on marketable equity securities available-for-sale, net of tax	7,503	1,160	--
Minimum pension liability adjustment, net of tax	415	(1,265)	--
Foreign currency translation adjustments	(16,718)	(12,454)	(14,048)
Other comprehensive loss	(8,800)	(12,559)	(14,048)
Balance at end of year	(47,243)	(38,443)	(25,884)
Total shareowners' equity, June 30	$780,254	$745,131	$735,460
COMPREHENSIVE INCOME			
Net income	$ 51,710	$ 39,116	$ 71,197
Other comprehensive loss	(8,800)	(12,559)	(14,048)
Comprehensive income	$ 42,910	$ 26,557	$ 57,149

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1
NATURE OF OPERATIONS

Kennametal Inc. (the company or Kennametal) is a global leader engaged in the manufacture, purchase and distribution of a broad range of tools, tooling systems, and solutions to the metalworking, mining, oil and energy industries, and wear-resistant parts for a wide range of industries. Unless otherwise specified, any reference to a "year" is to a fiscal year ended June 30.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented below to assist in evaluating the company's consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

Temporary cash investments having original maturities of three months or less are considered cash equivalents. Cash equivalents consist principally of investments in money market funds and certificates of deposit.

MARKETABLE EQUITY SECURITIES AVAILABLE-FOR-SALE

The company's investment in marketable equity securities is accounted for as an available-for-sale security under Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This investment is reported at fair value, as determined through quoted market sources. The unrealized gain on this investment is recorded as a component of accumulated other comprehensive loss, net of tax.

ACCOUNTS RECEIVABLE

Accounts receivable included $2.4 million and $5.3 million of receivables from affiliates at June 30, 2000 and 1999, respectively.

INVENTORIES

Inventories are carried at the lower of cost or market. The company uses the last-in, first-out (LIFO) method for determining the cost of a significant portion of its U.S. inventories. The cost of the remainder of inventories is determined under the first-in, first-out (FIFO) or average cost methods.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost. Major improvements are capitalized, while maintenance and repairs are expensed as incurred. Retirements and disposals are removed from cost and accumulated depreciation accounts, with the gain or loss reflected in income. Interest is capitalized during the construction of major facilities. Capitalized interest is included in the cost of the constructed asset and is amortized over its estimated useful life.

Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the assets ranging from three to 40 years. Leased property and equipment under capital leases are amortized using the straight-line method over the terms of the related leases.

INTANGIBLE ASSETS

Intangible assets, which include the excess of cost over net assets of acquired companies, are amortized using the straight-line method over periods ranging from two to 40 years. The company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired entities. The carrying value of goodwill would be adjusted to the present value of the future operating cash flows if the asset cannot be recovered over its remaining life. The net book value of goodwill amounted to $647.9 million and $671.4 million at June 30, 2000 and 1999, respectively.

DEFERRED FINANCING FEES

Fees incurred in connection with new borrowings are capitalized and amortized to interest expense over the life of the related obligation.

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 issuance of common stock under stock option grants. The difference between basic and diluted earnings per share relates solely to the effect of common stock options.

For purposes of determining the number of dilutive shares outstanding, weighted average shares outstanding for basic earnings per share calculations were increased for the dilutive effect of unexercised stock options by 100,653; 43,453; and 303,539 shares in 2000, 1999 and 1998, respectively.

ISSUANCE OF SUBSIDIARY STOCK

The company accounts for sales of subsidiary stock as capital transactions in the consolidated financial statements.

REVENUE RECOGNITION

The company recognizes revenue from product sales upon shipment to the customer.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred.

INCOME TAXES

Deferred income taxes are recognized based on the future income tax effects (using enacted tax laws and rates) of differences in the carrying amounts of assets and liabilities for financial reporting and tax purposes. A valuation allowance is recognized if it is "more likely than not" that some or all of a deferred tax asset will not be realized.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of international operations are translated into U.S. dollars using year-end exchange rates, while revenues and expenses are translated at average exchange rates throughout the year. The resulting net translation adjustments are recorded as a component of accumulated other comprehensive loss.

DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, the company uses derivative financial instruments to hedge a portion of the exposures to fluctuations in foreign currency exchange rates and interest rates. The company accounts for derivative instruments as a hedge of the related asset, liability, firm commitment or anticipated transaction when designated as a hedge of such items. The company does not enter into derivative transactions for speculative purposes and therefore holds no derivative instruments for trading purposes. Premiums paid on option contracts are amortized over the lives of the contracts. Unrealized gains and losses from option and range forward contracts that hedge foreign currency exposures of anticipated transactions are deferred and recognized in the same period as the hedged transaction. Unrealized gains and losses on forward contracts used to hedge foreign currency exposures of underlying receivables and payables and anticipated transactions are not deferred and are recognized in other expense, net. Changes in the amount to be received or paid under interest rate swap agreements used to manage net exposure to interest rate changes related to borrowings are recognized in interest expense.

NEW ACCOUNTING STANDARDS

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued, which establishes accounting and reporting standards requiring all derivative instruments (including certain derivative instruments imbedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at their fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 was adopted on July 1, 2000 resulting in the recording of current assets of $1.6 million, long-term assets of $1.4 million, current liabilities of $1.3 million, long-term liabilities of $0.7 million, a decrease in other comprehensive loss of $1.6 million, net of tax, and a loss from the cumulative effect from the change in accounting principle of $0.6 million, net of tax. Forward contracts hedging significant cross-border intercompany loans are considered other derivatives and therefore, not eligible for hedge accounting. The remainder of the derivative contracts are accounted for as cash flow hedges. The company expects to recognize net current assets of $0.5 million into earnings in the next 12 months.

In December 1999, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin No. 101, "Revenue Recognition" (SAB No. 101), to provide guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 explains the SEC staff's general framework for revenue recognition, however, it does not change existing accounting pronouncements on revenue recognition, but rather clarifies the SEC's position on pre-existing rules. SAB No. 101 did not require the company to change existing revenue recognition policies and, therefore, had no impact on the company's financial condition at June 30, 2000.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the current-year presentation.

NOTE 3
ACQUISITIONS AND DIVESTITURES

In the December 1999 quarter, the company engaged an investment bank to explore strategic alternatives regarding its 83 percent-owned subsidiary, JLK Direct Distribution Inc. (JLK), including a possible divestiture. At that time, management believed a divestiture might enhance growth prospects for both the company and JLK by allowing each company to focus on its core competencies. The company completed a thorough and disciplined process of evaluating strategic alternatives and on May 2, 2000, decided to terminate consideration of a possible divestiture at that time,

although management continues to believe there may be better owners for JLK. The company incurred and expensed $0.8 million in costs associated with this evaluation in 2000.

On July 20, 2000, the company proposed to the JLK Board of Directors to acquire the outstanding shares of JLK it does not already own. As of September 1, 2000, no agreement to acquire these minority shares has been reached with JLK, and the company may or may not acquire these minority shares. In the event the company were to acquire this minority interest of approximately 4.3 million shares, it is not expected to have a material effect on the company's financial condition. The proposal is not conditioned on financing. The company reserved the right to amend or withdraw this proposal at any time at its sole discretion.

In July 2000, the company, JLK and the JLK directors (including one former director) were named as defendants in several putative class action lawsuits. The lawsuits seek an injunction, rescission, damages, costs and attorney fees in connection with the company's proposal to acquire the outstanding stock of JLK not owned by the company. The company believes the actions lack merit and will defend them vigorously. The amount of any ultimate exposure cannot be determined with certainty at this time. Management believes that any losses derived from the final outcome of these actions and proceedings will not be material in the aggregate to the company's financial condition.

On November 17, 1997, the company completed the acquisition of Greenfield Industries, Inc. (Greenfield) for $1.0 billion, including $324.4 million in assumed Greenfield debt and convertible redeemable preferred securities and transaction costs.

The Greenfield acquisition was recorded using the purchase method of accounting and, accordingly, the results of operations of Greenfield have been included in the company's results from the date of acquisition. The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values at date of acquisition. The excess of purchase price over the fair value of the net assets acquired has been recorded as goodwill and is being amortized over 40 years.

Additionally, the company also made several other acquisitions in 1999 and 1998, primarily through JLK, to expand its product offering and distribution channels. These acquisitions were accounted for using the purchase method of accounting and their results have been included in the company's results from the respective dates of acquisition. Except for Greenfield, the pro forma effects, individually and collectively, of the acquisitions in the company's consolidated financial statements did not materially impact the reported results.

The allocation of the purchase price to assets acquired and liabilities assumed of Greenfield is as follows:

(in thousands)	
Working capital, other than cash	$ 171,710
Property, plant and equipment	167,798
Other assets	9,246
Other liabilities	(28,510)
Long-term debt	(318,146)
Goodwill	654,117
Net purchase price	$ 656,215

Pro forma results of operations for the acquisition of Greenfield, but excluding the effects of all other acquisitions, are based on the historical financial statements of the company and Greenfield adjusted to give effect to the acquisition of Greenfield. The pro forma results of operations assume that the acquisition of Greenfield occurred as of the first day of 1998 (July 1, 1997):

(in thousands, except per share data)	
Net sales	$1,913,190
Net income	63,623
Basic earnings per share	2.33
Diluted earnings per share	2.31

The pro forma financial information does not purport to present what the company's results of operations would actually have been if the acquisition of Greenfield had occurred on the assumed date, as specified above, or to project the company's financial condition or results of operations for any future period.

On June 26, 1998, the company sold the Marine Products division of Greenfield, which operated as Rule Industries, Inc. (Rule). The company acquired Rule as part of its acquisition of Greenfield and, for strategic reasons, chose to divest itself of this business. Annual sales of the Marine Products division were approximately $25 million. Proceeds received from the sale were used to reduce a portion of the company's long-term debt. No gain on sale was recorded as the difference between the cash proceeds and the net book value of Rule's assets was recorded as a reduction of previously recorded goodwill associated with the acquisition of Greenfield.

NOTE 4
STOCK ISSUANCES

On March 20, 1998, the Company sold 3.45 million shares of common stock resulting in net proceeds of $171.4 million. The proceeds were used to reduce a portion of the company's long-term debt.

On July 2, 1997, an initial public offering (IPO) of 4.9 million shares of common stock of JLK was consummated at a price of $20.00 per share. JLK operates the industrial supply operations consisting of the company's wholly owned J&L Industrial Supply (J&L) subsidiary and its Full Service Supply programs. The net proceeds from the offering were $90.4 million and represented the sale of approximately 20 percent of JLK's common stock. The net proceeds were used by JLK to repay $20.0 million of indebtedness related to a dividend to the company and $20.0 million related to intercompany obligations to the company incurred in 1997. The company used these proceeds to repay short-term debt. JLK used the remaining net proceeds of $50.4 million to make acquisitions in 1998. The company's ownership in JLK increased to approximately 83 percent due to treasury stock purchases made by JLK since the IPO.

NOTE 5
MARKETABLE EQUITY SECURITIES AVAILABLE-FOR-SALE

On January 18, 1999, the company entered into a business cooperation agreement with Toshiba Tungaloy Co., Ltd. (TT), a leading Japanese manufacturer of consumable metalcutting products, to enhance the global business prospects for metalcutting tools of both companies. The agreement includes various joint activities in areas such as product research and development, private labeling, cross-licensing, and sales and marketing. As part of the agreement, the company purchased approximately 4.9 percent of the outstanding shares of TT in a private transaction from TT's largest shareholder, Toshiba Corporation, for approximately $15.9 million, including the costs of the transaction. In order to enter into this agreement, the company purchased the shares at a predetermined price. In accordance with accounting rules, the company realized a one-time charge of approximately $3.8 million due to the difference between the cost ($15.9 million) and the fair market value of the securities on the date the securities were purchased ($12.1 million). Due to the provisions of this agreement, the company was not able to record this difference as an asset. This charge has been recorded as a component of selling, marketing and distribution expense. The gross unrealized gain on this investment is $14.2 million and $1.9 million at June 30, 2000 and 1999, respectively.

NOTE 6
ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

On June 18, 1999, the company entered into an agreement with a financial institution whereby the company securitizes, on a continuous basis, an undivided interest in a specific pool of the company's domestic trade accounts receivable. Pursuant to this agreement, the company and several of its domestic subsidiaries, sell their domestic accounts receivable to Kennametal Receivables Corporation, a wholly-owned, bankruptcy-remote subsidiary (KRC). KRC was formed to purchase these accounts receivable and sell participating interests in such accounts receivable to the financial institution which, in turn, purchases and receives ownership and security interests in those assets. As collections reduce the amount of accounts receivable included in the pool, the company and the participating domestic subsidiaries sell new accounts receivable to KRC which, in turn, securitizes these new accounts receivable with the financial institution.

The company is permitted to securitize up to $100.0 million of accounts receivable under this agreement. The financial institution charges the company fees based on the level of accounts receivable securitized under this agreement and the commercial paper market rates plus the financial institution's cost to administer the program. The costs incurred by the company under this program, $5.2 million and $0.2 million in 2000 and 1999, respectively, are accounted for as a component of other expense, net. At June 30,2000 and 1999, the company securitized accounts receivable of $88.5 million and $82.0 million, respectively, under this program. In 1999, the proceeds from the securitization were used to permanently reduce a portion of the company's long-term debt (see Note 9).

On December 16, 1999, the company determined that certain performance measurements in the accounts receivable securitization program agreement were not met due to an increase in the aging of the accounts receivable of one of the participating subsidiaries as a result of a system implementation at that subsidiary. The program sponsor waived this condition and the agreement was amended to temporarily revise the performance measurements until May 2000, at which time these performance measurements reverted to the original terms of the agreement. The company is in compliance with the provisions of this agreement at June 30, 2000.

NOTE 7
INVENTORIES

Inventories consisted of the following:

(in thousands)	2000	1999
Finished goods	$306,334	$318,736
Work in process and powder blends	96,101	117,987
Raw materials and supplies	35,707	32,619
Inventories at current cost	438,142	469,342
Less LIFO valuation	(27,257)	(34,880)
Total inventories	$410,885	$434,462

The company used the LIFO method of valuing its inventories for approximately 45 and 49 percent of total inventories at June 30, 2000 and 1999, respectively. The company uses the LIFO method in order to more closely match current costs with current revenues, thereby reducing the effects of inflation on earnings.

In 1999, the company recognized a $6.9 million charge which represents a write-down of certain product lines that are being discontinued as part of a program to streamline and optimize the company's global metalworking product offering (see Note 14).

NOTE 8
OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

(in thousands)	2000	1999
Accrued benefits	$ 17,607	$12,881
Deferred income taxes	9,843	1,802
Accrued employee programs	8,180	10,041
Payroll, state and local taxes	8,255	7,552
Accrued interest expense	5,123	6,422
Other accrued expenses	52,635	48,850
Total other current liabilities	$101,643	$87,548

NOTE 9
LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital lease obligations consisted of the following:

(in thousands)	2000	1999
Bank Credit Agreement:		
Revolving credit loans, 7.030% to 7.530% in 2000 and 6.125% to 6.476% in 1999, due in 2003	$606,000	$ 671,100
Term loan, 6.179% in 1999, repaid in full in 2000	--	109,250
Borrowings outside the U.S., varying from 1.00% to 14.50% in 2000 and 1.62% to 9.20% in 1999, due in installments through 2013	18,798	33,131
Lease of office facilities with terms expiring through 2008 at 4.45% to 4.73%	7,815	9,654
Other	8,928	11,934
Total debt and capital leases	641,541	835,069
Less current maturities:		
Long-term debt	(2,918)	(116,036)
Capital leases	(937)	(1,181)
Total current maturities	(3,855)	(117,217)
Long-term debt and capital leases	$637,686	$ 717,852

In 1998, the company entered into a $1.4 billion Bank Credit Agreement (Agreement). Subject to certain conditions, the Agreement permitted term loans of up to $500.0 million and revolving credit loans of up to $900.0 million for working capital, capital expenditures and general corporate purposes.

At June 30, 2000, interest payable under revolving credit loans is based on LIBOR plus 0.75%. The Agreement also includes a commitment fee on the revolving credit loans of 0.20% of the unused balance.

The Agreement also contains various restrictive and affirmative covenants requiring the maintenance of certain financial ratios. The term loan was subject to mandatory amortization, and was repaid in November 1999. This resulted in an acceleration of the write-off of deferred financing fees of $0.4 million, which was recorded as an extraordinary loss of $0.3 million, net of tax. The revolving credit loans mature on August 31, 2002.

In 1999, the term loan was permanently reduced with the net proceeds received from the accounts receivable securitization program (see Note 6). In 1998, the term loan was permanently reduced with the net proceeds received in connection with the issuance of company stock and from the sale of certain assets (see Notes 3 and 4).

Future principal maturities of long-term debt are $2.9 million, $16.3 million, $606.3 million, $0.2 million and $0.2 million, respectively, in 2001 through 2005.

Future minimum lease payments under capital leases for the next five years and in total are as follows:

(in thousands)	
Year ending June 30:	
2001	$ 1,277
2002	1,116
2003	1,051
2004	957
2005	957
After 2005	3,918
Total future minimum lease payments	9,276
Less amount representing interest	(1,461)

Present value of minimum lease payments	$ 7,815

Future minimum lease payments under operating leases for the next five years and thereafter are as follows:

(in thousands)

Year ending June 30:	
2001	$14,727
2002	10,911
2003	7,911
2004	5,701
2005	4,160
After 2005	15,572

NOTE 10
NOTES PAYABLE AND LINES OF CREDIT

Notes payable to banks of $57.7 million and $26.2 million at June 30, 2000 and 1999, respectively, represent short-term borrowings under U.S. and international credit lines with commercial banks. These credit lines, translated into U.S. dollars at June 30, 2000 rates, totaled $188.5 million at June 30, 2000, of which $130.8 million was unused. The weighted average interest rate for short-term borrowings was 7.3 percent and 6.1 percent at June 30, 2000 and 1999, respectively.

NOTE 11
INCOME TAXES

Income before income taxes and the provision for income taxes consisted of the following:

(in thousands)	2000	1999	1998
Income before provision for income taxes:			
United States	$ 59,679	$36,858	$ 93,775
International	40,732	41,552	36,801
Total income before provision for income taxes	$100,411	$78,410	$130,576
Current income taxes:			
Federal	$ 16,053	$18,300	$ 17,200
State	1,729	3,300	5,700
International	19,861	11,900	10,100
Total	37,643	33,500	33,000
Deferred income taxes	6,057	(600)	20,900
Provision for income taxes	$ 43,700	$32,900	$ 53,900
Effective tax rate	43.5%	42.0%	41.3%

The reconciliation of income taxes computed using the statutory U.S. income tax rate and the provision for income taxes was as follows:

(in thousands)	2000	1999	1998
Income taxes at U.S. statutory rate	$35,144	$27,444	$45,702
State income taxes, net of federal tax benefits	528	2,397	3,684
Nondeductible goodwill	5,605	5,630	3,944
Combined tax effects of international income	(123)	203	2,944
International losses with no related tax benefits	2,527	1,915	1,562
Tax benefits from costs to repay senior debt	--	(3,607)	--
Other	19	(1,082)	(3,936)
Provision for income taxes	$43,700	$32,900	$53,900

Deferred tax assets and liabilities consisted of the following:

(in thousands)	2000	1999
Deferred tax assets (liabilities):		
Other postretirement benefits	$ 20,658	$ 19,817
Inventory valuation and reserves	19,956	18,515
Accrued employee benefits	14,323	12,945
Net operating loss carryforwards	10,694	10,176
Other accruals	8,865	14,111
Marketable equity securities	(4,500)	(742)
Pension benefits	(9,709)	(6,898)
Accumulated depreciation	(44,995)	(39,799)
Total	15,292	28,125
Less valuation allowance	(4,108)	(4,857)
Net deferred tax assets	$ 11,184	$ 23,268

Deferred income taxes have not been provided on cumulative undistributed earnings of international subsidiaries and affiliates. At June 30, 2000, unremitted earnings of non-U.S. subsidiaries were determined to be permanently reinvested. It is not practical to estimate the income tax benefit that might be incurred if earnings were remitted to the United States.

Included in deferred tax assets at June 30, 2000, are unrealized tax benefits totaling $10.7 million related to net operating loss carryforwards. The realization of these tax benefits is contingent on future taxable income in certain international operations. Of this amount, $6.3 million relates to net operating loss carryforwards in the United Kingdom and Germany, which can be carried forward indefinitely. The remaining unrealized tax benefits relate to net operating loss carryforwards in certain other international operations. The company established a valuation allowance of $4.1 million to offset the deferred tax benefits that may not be realized in the foreseeable future.

NOTE 12
PENSION AND OTHER POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

The company sponsors several retirement plans that cover substantially all employees.

Pension benefits under defined benefit pension plans are based on years of service and, for certain plans, on average compensation immediately preceding retirement. Pension costs are determined in accordance with SFAS No. 87, "Employers' Accounting for Pensions." The company funds pension costs in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974, as amended, for U.S. plans and in accordance with local regulations or customs for non-U.S. plans. In 2000, the company made a qualified transfer of pension assets of $2.2 million from a U.S. pension plan to pay for medical benefit claims and administrative expenses incurred by the company for postretirement health care benefits.

The company presently provides varying levels of post-retirement health care and life insurance benefits to most U.S. employees. Postretirement health care benefits are available to employees and their spouses retiring on or after age 55 with ten or more years of service after age 40.

Beginning with retirements on or after January 1, 1998, Kennametal's portion of the costs of postretirement health care benefits will be capped at 1996 levels.

The funded status of these plans and amounts recognized in the consolidated balance sheets were as follows:

	Pension Benefits		Other Postretirement Benefits	
(in thousands)	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 357,102	$ 312,394	$ 37,922	$ 40,627
Service cost	13,414	12,126	1,168	1,196
Interest cost	25,187	18,268	2,536	2,633
Participant contributions	857	864	--	--
Plan amendments	--	--	--	2,153
Actuarial (gains) losses	(21,754)	12,406	(2,219)	(5,329)
Benefits paid	(17,818)	(16,965)	(3,343)	(3,358)
Effect of acquired businesses	--	16,651	--	--
Special termination benefits	--	2,731	--	--
Effect of curtailment and other	937	--	--	--
Foreign currency translation adjustments	(3,611)	(1,373)	--	--
Benefit obligation, end of year	$ 354,314	$ 357,102	$ 36,064	$ 37,922
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 460,957	$ 422,180	$ --	$ --
Actual return on plan assets	29,242	39,458	--	--
Company contributions	1,709	1,763	--	--
Participant contributions	857	864	--	--
Pension asset transfer	(2,250)	--	--	--
Benefits paid	(17,818)	(16,965)	--	--
Effect of acquired businesses	--	14,114	--	--
Other	1,266	--	--	--
Foreign currency translation adjustments	(1,755)	(457)	--	--
Fair value of plan assets, end of year	$ 472,208	$ 460,957	$ --	$ --
Funded status of plans	$ 117,894	$ 103,855	$(36,064)	$(37,922)
Unrecognized transition obligation	(3,109)	(4,826)	--	--
Unrecognized prior service cost	4,654	5,168	1,890	2,296
Unrecognized actuarial gains	(117,220)	(106,919)	(10,242)	(8,488)
Minimum pension liability	(4,206)	(1,265)	--	--
Net accrued obligation	$ (1,987)	$ (3,987)	$(44,416)	$(44,114)
Amounts recognized in the balance sheet consist of:				
Prepaid benefit	$ 27,096	$ 12,241	$ --	$ --
Accrued benefit obligation	(29,083)	(16,228)	(44,416)	(44,114)
Net accrued obligation	$ (1,987)	$ (3,987)	$(44,416)	$(44,114)

Prepaid pension benefits are included in other long-term assets. Accrued pension benefit obligations are included in other long-term liabilities. Accrued postretirement benefit obligations of $41.1 million and $40.8 million at June 30, 2000 and 1999, respectively are included in other long-term liabilities.

Included in the above information are international pension plans with accumulated benefit obligations exceeding the fair value of plan assets as follows:

(in thousands)	2000	1999
Projected benefit obligation	$52,860	$55,069
Accumulated benefit obligation	51,960	53,364
Fair value of plan assets	31,136	33,581

The components of net pension benefit and other postretirement cost include the following:

(in thousands)	Pension Benefits 2000	Pension Benefits 1999	Pension Benefits 1998	Other Postretirement Benefits 2000	Other Postretirement Benefits 1999	Other Postretirement Benefits 1998
Service cost	$ 13,414	$ 12,126	$ 11,810	$1,168	$1,196	$1,080
Interest cost	25,187	18,268	19,646	2,536	2,633	2,646
Expected return on plan assets	(39,388)	(30,505)	(49,151)	--	--	--
Amortization of transition obligation	(2,030)	(2,140)	(2,150)	--	--	--
Amortization of prior service cost	514	551	551	406	406	47
Recognition of actuarial (gains) losses	(1,662)	(2,709)	18,593	(465)	(286)	(107)
Net (benefit) cost	$ (3,965)	$ (4,409)	$ (701)	$3,645	$3,949	$3,666

The significant actuarial assumptions used to determine the present value of the net pension and other postretirement benefit obligations were as follows:

	Pension Benefits 2000	Pension Benefits 1999	Pension Benefits 1998	Other Postretirement Benefits 2000	Other Postretirement Benefits 1999	Other Postretirement Benefits 1998
Discount rate:						
U.S. plans	8.0%	7.5%	7.0%	8.0%	7.5%	7.0%
International plans	5.5-7.0%	5.5-6.5%	6.0-7.0%	--	--	--
Rate of future salary increases:						
U.S. plans	4.5%	4.5%	4.5%	--	--	--
International plans	3.5-4.3%	3.0-4.3%	4.0-4.5%	--	--	--
Rate of return on plan assets:						
U.S. plans	10.0%	9.5%	9.0%	--	--	--
International plans	6.5-8.0%	6.5-7.0%	7.0-8.0%	--	--	--

The annual assumed rate of increase in the per capita cost of covered benefits (the health care cost trend rate) for health care plans was 7.5% in 2000 and was assumed to decrease gradually to 5.5% in 2002 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A change of one percentage point in the assumed health care cost trend rates would have the following effects on the total service and interest cost components of other postretirement cost and the other postretirement benefit obligation at June 30, 2000:

(in thousands)	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 140	$ (130)
Effect on other postretirement benefit obligation	1,470	(1,350)

U.S. defined benefit pension plan assets consist principally of common stocks, corporate bonds and U.S. government securities. International defined benefit pension plan assets consist principally of common stocks, corporate bonds and government securities.

The company also sponsors several defined contribution pension plans. Pension costs for defined contribution plans were $9.8 million, $9.5 million and $9.0 million in 2000, 1999 and 1998, respectively. Effective October 1, 1999, company contributions to U.S. defined contribution pension plans are made primarily in the company's common stock, resulting in the issuance of 268,964 shares during 2000.

The company provides for postemployment benefits pursuant to SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The company accrues the cost of separation and other benefits provided to former or inactive employees after employment but before retirement. Postemployment benefit costs were not significant in 2000, 1999 and 1998.

NOTE 13
ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss consist of the following:

(in thousands)	2000	1999
Unrealized gain on marketable equity securities available-for-sale, net of tax	$ 8,663	$ 1,160
Minimum pension liability adjustment	(850)	(1,265)
Foreign currency translation adjustments	(55,056)	(38,338)
Total accumulated other comprehensive loss	$(47,243)	$(38,443)

NOTE 14
RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

In November 1999, the company announced plans to close, consolidate or downsize several plants, warehouses and offices, and associated work force reductions as part of its overall plan to increase asset utilization and financial performance, and to reposition the company to become the premier tooling solutions supplier. Management implemented these programs throughout 2000. The costs accrued for the implemented programs were based upon management estimates using the latest information available at the time that the accrual was established. The components of the charges are as follows:

(in thousands)	Total Charge	Asset Write-Downs	Incremental Pension Obligation	Initial Restructuring Liability
Asset impairment charges	$ 4,808	$(4,808)	$ --	$ --
Employee severance	7,396	--	(787)	6,609
Product rationalization	100	(100)	--	--
Facility rationalizations	6,322	(1,470)	(205)	4,647
Total	$18,626	$(6,378)	$(992)	$11,256

In conjunction with the company's ongoing review of underperforming businesses, certain assets are reviewed for impairment pursuant to the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." An asset impairment charge of $1.7 million was recorded, related to a metalworking manufacturing operation in Shanghai, China. This operation became fully operational in 1998 and to date, has not generated the performance that was expected at the time the company entered into this market. Management performed an in-depth review of the operations, capacity utilization and the local management team, and engaged a consultant to perform an independent review of the same. These reviews enabled management to determine that the market served by this operation is not expected to develop to the extent originally anticipated, but that the operations were in good working order and utilized modern technology, and that the management team in place was competent. Management also determined that this facility had excess capacity given the level of market demand.

Accordingly, management updated its operating forecast to reflect the current market demand. In comparing the undiscounted projected cash flows of the updated forecast to the net book value of the assets of this operation, management determined that the full value of these assets would not be recoverable. Accordingly, a charge was recorded to adjust the carrying value of the long-lived assets of this operation to fair value. The estimated fair value of these assets was based on various methodologies, including a discounted value of estimated future cash flows.

The product rationalization charge of $0.1 million represents the write-down of certain discontinued product lines manufactured in these operations. The company manufactured these products specifically for the market served by these operations and management has determined that these products are no longer salable. This charge has been recorded as a component of cost of goods sold.

The company recorded an asset impairment charge of $2.8 million related to the write-down of equipment in its North American metalworking operations and $0.3 million in its engineered products operations. In connection with the repositioning of the company, management completed an assessment of the assets currently being used in these operations and determined that these assets were not going to be further utilized in conducting these operations. This amount represents the write-down of the book value of the assets, net of salvage value.

The charge for facility rationalizations relates to employee severance for 153 employees and other exit costs associated with the closure or downsizing of a metalworking manufacturing operation in Kingswinford, United Kingdom, a circuit board drill plant in Janesville, Wisc., a German warehouse facility, and several offices in the Asia Pacific region and South America. Included in this charge is incremental pension obligation of $0.2 million due to a plan curtailment. This amount is included in the pension obligation and is presented as a component of other liabilities. The charge also includes $3.4 million for employee severance for 41 employees and other exit costs associated with the closure of a mining and construction manufacturing operation in China and the exit of the related joint venture.

The company accrued $7.4 million related to severance packages provided to 171 hourly and salaried employees terminated in connection with a global work force reduction. Included in this charge is incremental pension obligation of $0.8 million, incurred by the company as a result of the severance packages provided. This amount is included in the pension obligation and is presented as a component of other liabilities.

The costs related to the asset impairment charges, employee severance and facility rationalizations of $18.5 million have been recorded as a component of restructuring and asset impairment charges. The costs charged against the restructuring accrual as of June 30,2000 were as follows:

(in thousands)	Beginning Accrual	Cash Expenditures	Adjustments	June 30, 2000
Employee severance	$ 6,609	$(4,076)	$--	$2,533
Facility rationalizations	4,647	(1,129)	--	3,518
Total	$11,256	$(5,205)	$--	$6,051

In 2000, the company incurred period costs of $0.8 million related to these initiatives, and costs of $1.7 million associated with the implementation of lean manufacturing techniques, both of which were included in cost of goods sold as incurred. The company continues to review its business strategies and pursue other cost-reduction activities, some of which could result in future charges.

In March 1999, the company's management completed restructuring plans, including several programs to reduce costs, improve operations and enhance customer satisfaction. The costs accrued for these plans were based on management estimates using the latest information available at the time that the accrual was established. The components of the charges are as follows:

(in thousands)	Total Charge	Asset Write-Downs & Other Non-Cash Adjustments	Initial Restructuring Liability
Product rationalization	$ 6,900	$ (6,900)	$ --
Plant closure	4,200	(2,000)	2,200
Impairment of international operations	5,800	(5,800)	--
Voluntary early retirement program	3,937	(2,419)	1,518
Total	$20,837	$(17,119)	$3,718

The product rationalization charge represents a write-down of certain product lines that were discontinued as part of a program to streamline and optimize the company's global metalworking product offering. This charge is net of salvage value and was recorded as a component of cost of goods sold. Estimated salvage values were based on estimates of proceeds to be realized through the sale of this inventory outside the normal course of business.

The program resulted in a reduction in the number of products offered from an estimated 58,000 to 38,000 and was an extension of the company's initiative to reduce the number of its North American warehouses. By streamlining the product offering, the company has improved customer service and inventory turnover, allowed for more efficient operations, thereby reducing costs and improving capacity utilization, and eliminated redundancy in its product offering. Sales of these products represent less than five percent of global metalworking sales. The company proactively converted customers from these older products to newer products.

The company also initiated plans to close a drill manufacturing plant in Solon, Ohio. The manufacturing of products made at this plant was relocated to other existing plants in the United States. The closure eliminated excess capacity at other plant locations. The company decommissioned the existing plant and expects to sell the property in the near future. The charge consists of employee termination benefits for 155 hourly and salaried employees, which is substantially all employees at this plant, and the write-down of assets included in property, plant and equipment, net of salvage value.

The costs resulting from the relocation of employees, hiring and training new employees and other costs resulting from the temporary duplication of certain operations incurred in 2000 and 1999 were $2.1 million and $0.4 million, respectively, and were included in cost of goods sold as incurred. The company does not anticipate incurring additional period costs associated with this action.

An asset impairment charge was recorded to write-down, to fair market value, an investment in and net receivables from certain mining and construction international operations in emerging markets as a result of changing market conditions in the regions these operations serve. In the March 1999 quarter, the company completed a study of these operations, the markets for these products, and the current economic situation in these regions, to provide recommendations for solving operational concerns. As a result of this study and continued economic deterioration in these regions, the company determined that the carrying amount of its investment in and net receivables from these operations would not be recoverable.

A voluntary early retirement benefit program was offered to and accepted by 34 domestic employees. In exchange for their retirement, the company will provide those employees pension and health benefits that would have been earned by the employees through their normal retirement date. As a result of providing these additional pension benefits, $2.4 million of the total cost was funded through the company's pension plan. There are no tax benefits associated with this cost as the company may only deduct actual cash payments made to the pension plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONT.

The charges for the plant closure, the write-down of the investment in and net receivables from certain international operations, and the voluntary early retirement benefit program are recorded as the restructuring and asset impairment charges. The costs charged against the restructuring accrual as of June 30, 2000 and 1999 were as follows:

(in thousands)	Beginning Accrual	Cash Expenditures	Adjustments	June 30, 1999
Plant closure	$2,200	$ --	$--	$2,200
Voluntary early retirement program	1,518	(151)	--	1,367
Total	$3,718	$(151)	$--	$3,567

(in thousands)	June 30, 1999	Cash Expenditures	Adjustments	June 30, 2000
Plant closure	$2,200	$(2,046)	$595	$ 749
Voluntary early retirement program	1,367	(602)	--	765
Total	$3,567	$(2,648)	$595	$1,514

The adjustment to the accrual for the plant closure is due to the company receiving more value upon disposition than initially anticipated. This adjustment was not included in the determination of net income for 2000. No restructuring or asset impairment charges were recorded in 1998.

NOTE 15
FINANCIAL INSTRUMENTS

The carrying values and fair values of the company's financial instruments at June 30 are as follows:

	2000		1999	
(in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and equivalents	$ 22,323	$ 22,323	$ 17,408	$ 17,408
Marketable equity securities	27,614	27,614	13,436	13,436
Current maturities of long-term debt	2,918	2,918	116,036	116,036
Notes payable to banks	57,701	57,701	26,222	26,222
Long-term debt	630,808	630,808	709,379	710,105

The methods used to estimate the fair value of the company's financial instruments are as follows:

CASH AND EQUIVALENTS, CURRENT MATURITIES OF LONG-TERM DEBT AND NOTES PAYABLE TO BANKS

The carrying amounts approximate their fair value because of the short maturity of the instruments.

MARKETABLE EQUITY SECURITIES

The fair value is estimated based on the quoted market price of this security, as adjusted for the currency exchange rate at June 30.

LONG-TERM DEBT

Fair value was determined using discounted cash flow analysis and the company's incremental borrowing rates for similar types of arrangements.

The notional amounts of the company's derivative financial instruments, translated into U.S. dollars at June 30, 2000 and 1999 rates, are as follows:

(in thousands)	2000 Notional Amounts	1999 Notional Amounts
Foreign currency contracts:		
Forward contracts	$ 55,137	$12,645
Purchased options	66,283	--
Range forward contracts	27,024	--
Interest rate swap agreements	300,000	50,000

Methods used to estimate the fair value of the company's derivative financial instruments are as follows:

FOREIGN CURRENCY CONTRACTS

The company enters into foreign currency contracts to hedge its significant firm and anticipated purchase and sale commitments denominated in foreign currencies, as well as significant cross-border intercompany loans. The company utilizes written options to offset purchased options in range forward contracts. These contracts mature at various times before August 2001. The unamortized cost of the option premiums of $1.6 million at June 30, 2000 and the unrealized gains on the forward contracts of $0.4 million and $0.1 million at June 30, 2000 and 1999, respectively, approximate the fair value of the contracts then outstanding. Fair value was estimated based on quoted market prices of comparable instruments.

INTEREST RATE SWAP AGREEMENTS

At June 30, 2000, the company has interest rate swap agreements outstanding that effectively convert a notional amount of $300.0 million of debt from floating to fixed interest rates. These agreements mature at various times between June 2001 and June 2003. The company would have received $1.8 million to settle its interest rate swap agreements, representing the excess of fair value over carrying cost of these agreements. Fair value was estimated based on the mark-to-market value of the contracts which closely approximates the amount that the company would receive or pay to terminate the agreements at year end.

The net payments or receipts under interest rate swap agreements are recorded as a part of interest expense and are not significant. The effect of interest rate swaps on the company's composite interest rate on long-term debt was not significant at June 30, 2000.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the company to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. By policy, the company makes temporary cash investments with high credit quality financial institutions. With respect to trade receivables, concentrations of credit risk are significantly reduced because the company serves numerous customers in many industries and geographic areas.

The company is exposed to counterparty credit risk for non-performance and, in the unlikely event of nonperformance, to market risk for changes in interest and currency rates. The company manages exposure to counterparty credit risk through credit standards, diversification of counterparties and procedures to monitor concentrations of credit risk. The company does not anticipate nonperformance by any of the counterparties. As of June 30, 2000 and 1999, the company had no significant concentrations of credit risk.

NOTE 16
STOCK OPTIONS AND AWARDS

Stock options generally are granted to eligible employees at fair market value at the date of grant. Options are exercisable under specified conditions for up to ten years from the date of grant. The company has four plans under which options may be granted: the 1992 plan, the 1996 plan and two 1999 plans. No options may be granted under the 1992 plan after October 2002, no options may be granted under the 1996 plan after October 2006 and no options may be granted under the 1999 plans after April and October 2009. No charges to income have resulted from grants under the 1992 and 1996 plans.

Under provisions of the plans, participants may deliver Kennametal stock in payment of the option price and receive credit for the fair market value of the shares on the date of delivery. Shares delivered in 2000, 1999 and 1998 were not significant. Under the plans, shares may be awarded to eligible employees without payment. The respective plans specify that such shares are awarded in the name of the employee, who has all the rights of a shareowner, subject to certain restrictions or forfeitures. Awards in 2000, 1999 and 1998 were not significant.

The company measures compensation expense in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, at the time options are granted, no compensation expense was recognized in the accompanying consolidated financial statements. If compensation expense had been determined based on the estimated fair value of options granted in 2000, 1999 and 1998, consistent with the methodology in SFAS No. 123, "Accounting for Stock Based Compensation," the effect on the company's 2000, 1999 and 1998 net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(in thousands, except per share data)	2000	1999	1998
Net income:			
As reported	$51,710	$39,116	$71,197
Pro forma	50,287	37,489	65,671
Basic earnings per share:			
As reported	$ 1.71	$ 1.31	$ 2.61
Pro forma	1.66	1.25	2.41
Diluted earnings per share:			
As reported	$ 1.70	$ 1.31	$ 2.58
Pro forma	1.66	1.25	2.38

The fair values of the options granted were estimated on the date of their grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	2000	1999	1998
Risk-free interest rate	6.64%	5.10%	6.12%
Expected life (years)	5	5	5
Expected volatility	31.1%	24.4%	23.8%
Expected dividend yield	2.5%	2.6%	1.6%

Stock option activity for 2000, 1999 and 1998 is set forth below:

	2000		1999		1998	
(number of options)	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of year	2,635,256	$33.84	1,620,206	$38.40	1,169,367	$30.85
Granted	317,600	27.01	1,127,750	26.78	727,900	49.82
Exercised	(20,808)	19.81	(52,950)	23.72	(224,061)	33.05
Lapsed and forfeited	(75,750)	38.86	(59,750)	39.47	(53,000)	50.76
Options outstanding, end of year	2,856,298	$33.05	2,635,256	$33.84	1,620,206	$38.40
Options exercisable, end of year	2,025,723	$35.30	1,808,308	$36.54	1,592,854	$38.64
Weighted average fair value of options granted during the year		$ 8.30		$ 6.02		$13.90

Stock options outstanding at June 30, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
$16.94-$21.75	359,698	6.83	$20.87	216,994	$20.87
22.97- 24.75	406,362	7.23	24.16	393,062	24.20
26.00- 26.41	350,100	9.34	26.23	50,000	26.00
26.53- 31.06	287,200	7.44	29.66	204,700	30.49
31.69	385,000	8.08	31.69	128,362	31.69
31.84- 38.00	438,538	5.66	36.62	405,205	36.66
48.56	469,400	7.08	48.56	469,400	48.56
49.25- 53.97	160,000	7.49	51.96	158,000	51.98
	2,856,298	7.32	$33.05	2,025,723	$35.30

In addition to stock option grants, the 1999 plans permit the award of restricted stock to directors, officers and key employees of the company. During 2000 and 1999, restricted stock awards of 34,800 and 113,000 shares, respectively, were granted to certain officers and employees of the company. These awards vest over periods of two to three years from the grant date, and accordingly, a portion of the total compensation expense associated with these awards of $1.1 million and $3.1 million for 2000 and 1999, respectively, is considered unearned compensation. In 1999, additional unearned compensation of $0.4 million was recognized related to the difference in the stock price between the date of an option grant and the date the employee commenced employment. This option award vests over a three-year period from the grant date. Unearned compensation is amortized to expense over the vesting period. Compensation expense related to these awards was $1.6 million and $0.1 million in 2000 and 1999, respectively.

NOTE 17
ENVIRONMENTAL MATTERS

The company has been involved in various environmental cleanup and remediation activities at several of its manufacturing facilities. In addition, the company is currently named as a potentially responsible party (PRP) at several Superfund sites in the United States. In the December 1999 quarter, the company recorded a remediation reserve of $3.0 million with respect to its involvement in these matters, which is recorded as a component of operating expense. This represents management's best estimate of its undiscounted future obligation based on its evaluations and discussions with outside counsel and independent consultants, and the current facts and circumstances related to these matters. The company recorded this liability in the December quarter because certain events occurred, including sufficient progress made by the government and the PRPs in the identification of other PRPs and review of potential remediation solutions, that clarified the level of involvement in these matters by the company and its relationship to other PRPs. This led the company to conclude that it was probable that a liability had been incurred.

In addition to the amount currently reserved, the company may be subject to loss contingencies related to these matters estimated to be up to an additional $3.3 million. The company believes that such undiscounted unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. The reserved and unreserved liabilities could change substantially in the near term due to factors such as the nature and extent of contamination, changes in remedial requirements, technological changes, discovery of new information, the financial strength of other PRPs and the identification of new PRPs.

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

NOTE 18
SHAREHOLDER RIGHTS PLAN

Pursuant to the company's Shareholder Rights Plan, one-half of a right is associated with each share of common stock. Each right entitles a shareowner to buy 1/100th of a share of a new series of preferred stock at a price of $105 (subject to adjustment).

The rights will be exercisable only if a person or group of persons acquires or intends to make a tender offer for 20 percent or more of the company's common stock. If any person acquires 20 percent of the common stock, each right will entitle the shareowner to receive that number of shares of common stock having a market value of two times the exercise price. If the company is acquired in a merger or other business combination, each right will entitle the shareowner to purchase at the exercise price that number of shares of the acquiring company having a market value of two times the exercise price. The rights will expire on November 2,2000 and are subject to redemption by the company at $0.01 per right.

On July 24, 2000, the company's Board of Directors adopted a new shareowner rights plan to replace its existing plan, which has been in effect since 1990. The new plan will become effective upon the expiration of the existing plan on November 2, 2000 and provides for the distribution to shareowners of one stock purchase right for each share of common stock held as of September 5, 2000. The principal modification effected by the new plan is the establishment of a new exercise price of $120.

NOTE 19
SEGMENT DATA

In November 1999, management reorganized the financial reporting of its operations to focus on global business units consisting of Metalworking, Engineered Products, Mining & Construction and JLK/Industrial Supply, and corporate functional shared services. The results for all periods presented have been restated to conform to the new reporting structure. Segment selection was based upon internal organizational structure, the way in which management organizes segments for making operating decisions and assessing performance, the availability of separate financial results, and materiality considerations.

Intersegment sales are accounted for at arm's-length prices, reflecting prevailing market conditions within the various geographic areas. Such sales and associated costs are eliminated in the consolidated financial statements.

Sales to a single customer did not aggregate 10 percent or more of total sales in 2000, 1999 or 1998. Export sales from U.S. operations to unaffiliated customers were $75.8 million, $69.9 million and $64.7 million in 2000, 1999 and 1998, respectively.

METALWORKING

In the metalworking segment, the company provides consumable metalcutting tools and tooling systems to manufacturing companies in a wide range of industries throughout the world. Metalcutting operations include turning, boring, threading, grooving, milling and drilling. The company's tooling systems consist of a steel toolholder and an indexable cutting tool such as an insert or drill made from cemented tungsten carbides, high-speed steel and other hard materials.

ENGINEERED PRODUCTS

This segment's principal business is the production and sale of cemented tungsten carbide products used in engineered applications, including circuit board drills and compacts. These products have technical commonality to the company's core metalworking products.

MINING & CONSTRUCTION

This segment represents the sales of cemented tungsten carbide products used in mining and highway construction and other similar applications. These products also have technical commonality to the company's core metalworking products. The company also sells metallurgical powders to manufacturers of cemented tungsten carbide products.

JLK/INDUSTRIAL SUPPLY

This segment represents the sales of industrial supply products through JLK. Sales of metalworking consumable products are derived through a direct-marketing program, including mail-order catalogs and showrooms, a direct field sales force, and integrated supply or Full Service Supply (FSS) programs.

Segment detail is summarized as follows:

(in thousands)	2000	1999	1998
External sales:			
Metalworking	$1,020,914	$1,038,205	$ 939,290
Engineered Products	176,469	173,171	155,496
Mining & Construction	165,899	173,028	168,837
JLK/Industrial Supply	490,381	518,512	414,765
Total external sales	$1,853,663	$1,902,916	$1,678,388
Intersegment sales:			
Metalworking	$ 134,398	$ 108,994	$ 76,376
Engineered Products	19,978	23,752	15,300
Mining & Construction	7,041	5,635	6,851
JLK/Industrial Supply	8,912	13,130	10,583
Total intersegment sales	$ 170,329	$ 151,511	$ 109,110
Total sales:			
Metalworking	$1,155,312	$1,147,199	$1,015,666
Engineered Products	196,447	196,923	170,796
Mining & Construction	172,940	178,663	175,688
JLK/Industrial Supply	499,293	531,642	425,348
Total sales	$2,023,992	$2,054,427	$1,787,498
Operating income:			
Metalworking	$ 128,283	$ 116,306	$ 138,799
Engineered Products	23,711	24,473	29,090
Mining & Construction	17,483	14,203	21,408
JLK/Industrial Supply	28,174	34,532	41,308
Corporate	(38,654)	(42,018)	(35,034)
Total operating income	158,997	147,496	195,571
Interest expense	55,079	68,594	59,536
Other expense, net	3,507	492	5,459
Income before income taxes and minority interest	$ 100,411	$ 78,410	$ 130,576
Depreciation and amortization:			
Metalworking	$ 64,727	$ 63,822	$ 46,807
Engineered Products	16,361	14,278	8,785
Mining & Construction	5,531	5,208	3,792
JLK/Industrial Supply	9,386	8,749	5,185
Corporate	5,641	3,934	2,742
Total depreciation and amortization	$ 101,646	$ 95,991	$ 67,311
Equity income (loss):			
Metalworking	$ 615	$ 650	$ 812
Engineered Products	23	17	43
Mining & Construction	(41)	(794)	(1,103)
JLK/Industrial Supply	--	--	--
Corporate	--	--	--
Total equity income (loss)	$ 597	$ (127)	$ (248)

(in thousands)	2000	1999	1998
Total assets:			
Metalworking	$ 978,188	$1,039,854	$1,171,697
Engineered Products	343,139	363,739	374,081
Mining & Construction	132,602	146,295	137,242
JLK/Industrial Supply	290,277	274,989	275,586
Corporate	238,736	218,771	180,387
Total assets	$1,982,942	$2,043,648	$2,138,993
Capital expenditures:			
Metalworking	$ 35,125	$ 63,722	$ 65,026
Engineered Products	5,161	12,120	6,343
Mining & Construction	2,074	3,996	6,346
JLK/Industrial Supply	7,699	9,681	12,286
Corporate	604	5,474	14,773
Total capital expenditures	$ 50,663	$ 94,993	$ 104,774
Investment in affiliated companies:			
Metalworking	$ 3,006	$ 2,821	$ 11,218
Engineered Products	435	340	416
Mining & Construction	(870)	(2,317)	2,106
JLK/Industrial Supply	--	--	--
Corporate	--	--	--
Total investments in affiliated companies	$ 2,571	$ 844	$ 13,740

Metalworking operating income for 2000 was reduced by $11.0 million related to asset impairment charges and costs associated with facility and product rationalizations, and employee severance (see Note 14). Engineered Products operating income for 2000 was reduced by $1.4 million related to costs associated with a facility rationalization, employee severance, and asset impairment charges (see Note 14). Mining & Construction operating income for 2000 was reduced by $3.4 million related to asset impairment charges and costs associated with a facility rationalization, including costs to exit the related joint venture, and employee severance (see Note 14). JLK/Industrial Supply operating income for 2000 was reduced by $0.6 million related to employee severance costs (see Note 14) and $0.2 million related to the evaluation of strategic alternatives (see Note 3). Corporate operating income for 2000 was reduced by $3.0 million related to environmental remediation costs (see Note 17), $2.2 million related to employee severance costs (see Note 14), and $0.6 million related to the evaluation of strategic alternatives (see Note 3).

Metalworking operating income for 1999 was reduced by $11.1 million related to the product rationalization program and to close a drill manufacturing plant in Solon, Ohio (see Note 14) and a $3.8 million one-time charge incurred in the acquisition of 4.9 percent of Toshiba Tungaloy (see Note 5). Mining & Construction operating income for 1999 was reduced by $5.8 million related to a write-down of an investment in and net receivables from certain international operations in emerging markets (see Note 14). Corporate operating income for 1999 was reduced by $3.9 million related to a voluntary early retirement benefit program (see Note 14).

Geographic information for sales, based on country of origin, and assets is as follows:

(in thousands)	2000	1999	1998
External sales:			
United States	$1,307,472	$1,346,195	$1,190,021
Germany	195,868	208,490	199,002
United Kingdom	95,457	106,676	99,129
Canada	60,756	52,877	52,195
Other	194,110	188,678	138,041
Total external sales	$1,853,663	$1,902,916	$1,678,388
Total assets:			
United States	$1,522,911	$1,593,747	$1,654,026
Germany	157,126	163,750	192,186
United Kingdom	93,465	85,363	104,597
Canada	28,203	29,854	30,710
Other	181,237	170,934	157,474
Total assets	$1,982,942	$2,043,648	$2,138,993

NOTE 20
OTHER EXPENSE, NET

Other expense, net for 2000 included fees of $5.2 million incurred in connection with the accounts receivable securitization program initiated in June 1999. This was partially offset by gains of $1.4 million from the sale of miscellaneous underutilized assets.

Other expense, net for 1998 included the write-off of deferred financing costs related to the cancelled public offering of debt and equity securities that the company originally intended to offer in connection with the acquisition of Greenfield. Related to the debt offering, the company also entered into an agreement to hedge its exposure to fluctuations in interest rates. When the company subsequently postponed the proposed offerings, the interest rate hedges were terminated resulting in a loss of $3.5 million. The company also wrote-off other offering-related expenses of $1.1 million resulting in a combined total of $4.6 million.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

SELECTED QUARTERLY FINANCIAL DATA

				Quarter Ended
(in thousands, except per share)	Sep. 30	Dec. 31	Mar. 31	Jun. 30
2000:				
Net sales	$442,943	$453,928	$483,019	$473,773
Gross profit	163,329	168,867	188,452	185,728
Net income	9,913	8,244	14,097	19,456
Basic earnings per share	0.33	0.27	0.46	0.64
Diluted earnings per share	0.33	0.27	0.46	0.64
1999:				
Net sales	$480,922	$484,318	$479,051	$458,625
Gross profit	179,016	181,062	173,397	170,790
Net income	7,394	14,036	2,180	15,506
Basic earnings per share	0.25	0.47	0.07	0.52
Diluted earnings per share	0.25	0.47	0.07	0.52

Earnings per share amounts for each quarter are required to be computed independently and, therefore, may not equal the amount computed for the year.

In the December 1999 quarter, the company recorded pretax charges of $7.5 million ($0.14 per share), including $4.1 million ($0.07 per share) related to restructuring and asset impairment charges, $3.0 million ($0.06 per share) related to environmental remediation, and $0.4 million ($0.01 per share) related to an extraordinary loss related to the early extinguishment of debt. In the March 2000 quarter, the company recorded pretax charges of $13.3 million ($0.25 per share) related to restructuring and asset impairment charges. In the June 2000 quarter, the company recorded pretax charges of $1.3 million ($0.02 per share) related to restructuring and asset impairment charges and $0.8 million ($0.02 per share) related to the evaluation of strategic alternatives.

In the March 1999 quarter, the company recorded pretax charges of $24.6 million ($0.51 per share), including $20.8 million ($0.44 per share) related to special charges for operational improvement programs and $3.8 million ($0.07 per share) related to a one-time charge incurred in the acquisition of 4.9 percent of

Toshiba Tungaloy.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED) CONT.

STOCK PRICE RANGES AND DIVIDENDS PAID

The company's common stock is traded on the New York Stock Exchange (symbol KMT). The number of shareowners of record as of August 24, 2000, was 2,920. Stock price ranges and dividends declared and paid were as follows:

	Quarter Ended			
	Sep. 30	Dec. 31	Mar. 31	Jun. 30
2000:				
High	$30	$33 7/8	$33 13/16	$30 1/2
Low	23	23 1/2	22 5/8	19 1/8
Dividends	0.17	0.17	0.17	0.17
1999:				
High	$43 13/16	$25 5/8	$26	$31 5/16
Low	25 3/8	15 5/8	16 3/8	16 5/8
Dividends	0.17	0.17	0.17	0.17

REPORT OF MANAGEMENT

TO THE SHAREOWNERS OF KENNAMETAL INC.

The management of Kennametal Inc. is responsible for the integrity of all information contained in this report. The financial statements and related information were prepared by management in accordance with accounting principles generally accepted in the United States and, as such, contain amounts that are based on management's best judgment and estimates.

Management maintains a system of policies, procedures and controls designed to provide reasonable, but not absolute, assurance that the financial data and records are reliable in all material respects and that assets are safeguarded from improper or unauthorized use. The company maintains an active internal audit department that monitors compliance with this system.

The Board of Directors, acting through its Audit Committee, is ultimately responsible for determining that management fulfills its responsibilities in the preparation of the financial statements. The Audit Committee meets periodically with management, the internal auditors and the independent public accountants to discuss auditing and financial reporting matters. The internal auditors and independent public accountants have full access to the Audit Committee without the presence of management.

Kennametal has always placed the utmost importance on conducting its business activities in accordance with the spirit and letter of the law and the highest ethical standards. This philosophy is embodied in a code of business ethics and conduct that is distributed to all employees.

/s/ MARKOS I. TAMBAKERAS

Markos I. Tambakeras
President and Chief Executive Officer
Shareowner

/s/ JAMES R. BREISINGER

James R. Breisinger
Vice President and Chief Financial Officer
Shareowner

July 24, 2000

REPORT OF AUDIT COMMITTEE

TO THE SHAREOWNERS OF KENNAMETAL INC.

The Audit Committee of the Board of Directors, composed of three independent directors, met four times during 2000.

The Audit Committee monitors the company's financial reporting process for accuracy, completeness and timeliness. In fulfilling its responsibility, the committee recommended to the Board of Directors the reappointment of Arthur Andersen LLP as the company's independent public accountants. The Audit Committee reviewed with management, the internal auditors and the independent public accountants the overall scope and specific plans for their respective audits. The committee evaluated with management Kennametal's annual and quarterly reporting process and the adequacy of the company's internal controls. The committee met with the internal auditors and independent public accountants, with and without management present, to review the results of their examinations, their evaluations of the company's internal controls and the overall quality of Kennametal's financial reporting.

The Audit Committee participates in a self-assessment program whereby the composition, activities and interactions of the committee are periodically evaluated by the committee. The purpose of the program is to provide guidance with regard to the continual fulfillment of the committee's responsibilities.

/s/ LARRY YOST
- --
Larry Yost
Chairman, Audit Committee
Shareowner
July 24, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE SHAREOWNERS OF KENNAMETAL INC.

We have audited the accompanying consolidated balance sheets of Kennametal Inc. (a Pennsylvania corporation) and subsidiaries as of June 30, 2000 and 1999, and the related consolidated statements of income, shareowners' equity and cash flows for each of the three years in the period ended June 30, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennametal Inc. and subsidiaries as of June 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP
- --
Arthur Andersen LLP
Pittsburgh, Pennsylvania
July 24, 2000
(except with respect to the matter
discussed in Note 3, as to which the
date is September 1, 2000)

ELEVEN-YEAR FINANCIAL HIGHLIGHTS

(dollars in thousands, except per share data)	Notes	2000	1999	1998	1997
OPERATING RESULTS					
Net sales		$1,853,663	$1,902,916	$1,678,388	$1,156,343
Cost of goods sold		1,147,287	1,198,651	994,481	668,415
Research and development expense		19,246	18,797	20,397	24,105
Selling, marketing and distribution expense		364,971	394,204	339,772	263,980
General and administrative expense		118,184	104,043	112,519	69,911
Interest expense		55,079	68,594	59,536	10,393
Unusual or nonrecurring items	(1)	22,412	24,617	4,595	--
Income taxes		43,700	32,900	53,900	44,900
Accounting changes, net of tax	(2)	--	--	--	--
Net income (loss)	(3)	51,710	39,116	71,197	72,032
FINANCIAL POSITION					
Net working capital		$ 397,403	$ 373,582	$ 447,992	$ 175,877
Inventories		410,885	434,462	436,472	210,111
Property, plant and equipment, net		498,784	539,800	525,927	300,386
Total assets		1,982,942	2,043,648	2,138,993	869,309
Long-term debt, including capital leases		637,686	717,852	840,932	40,445
Total debt, including capital leases		699,242	861,291	967,667	174,464
Total shareowners' equity	(4)	780,254	745,131	735,460	459,608
PER SHARE DATA					
Basic earnings (loss)	(3)	$ 1.71	$ 1.31	$ 2.61	$ 2.71
Diluted earnings (loss)		1.70	1.31	2.58	2.69
Dividends		0.68	0.68	0.68	0.66
Book value (at June 30)		25.56	24.78	24.66	17.61
Market price (at June 30)		21.44	31.00	41.75	43.00
OTHER DATA					
Capital expenditures		$ 50,663	$ 94,993	$ 104,774	$ 73,779
Number of employees (at June 30)		13,200	13,640	14,380	7,550
Average sales per employee		$ 139	$ 136	$ 152	$ 159
Weighted average shares outstanding (000)	(4)	30,263	29,917	27,263	26,575
Diluted weighted average shares outstanding (000)	(4)	30,364	29,960	27,567	26,786
KEY RATIOS					
Sales growth		(2.6)%	13.4%	45.1%	7.1%
Gross profit margin		38.1	37.0	40.7	42.2
Operating profit margin	(5)	9.8	9.0	11.7	11.0
Return on sales	(3)	2.8	2.1	4.2	6.2
Return on average shareowners' equity	(3)	6.9	5.3	12.2	15.8
Total debt to total capital		45.6	51.9	55.4	27.1
Inventory turnover		2.7x	2.6x	3.1x	3.2x

n.m.--Not meaningful

NOTES

1. Unusual or nonrecurring items reflect cost associated with environmental remediation, strategic alternatives, and restructuring costs and asset impairment charges related to operational improvement programs initiated in 2000, cost associated with the acquisitions of shares of Toshiba Tungaloy and restructuring costs and asset impairment charges related to operational improvement programs initiated in 1999, deferred financing costs related to a postponed public offering intended to have been offered in connection with the acquisition of Greenfield in 1998, restructuring costs for the relocation of the North America Metalworking Headquarters from Raleigh, N.C. to Latrobe, Pa., and to close a manufacturing facility in 1996, restructuring and integration costs associated with the acquisition of Hertel AG in 1994, settlement and partial reversal of accrued patent litigation costs in 1993 and accrued patent litigation costs in 1991.

2. Accounting changes in 1994 reflect changes in the methods of accounting for postretirement health care and life insurance benefits (SFAS No. 106) and income taxes (SFAS No. 109).

1996	1995	1994	1993	1992	1991	1990
$1,079,963	$983,873	$802,513	$598,496	$594,533	$617,833	$589,023
625,473	560,867	472,533	352,773	362,967	358,529	342,434
20,585	18,744	15,201	14,714	13,656	14,750	13,325
242,375	219,271	189,487	144,850	137,494	136,319	123,286
65,417	55,853	58,612	41,348	45,842	49,219	42,648
11,296	12,793	13,811	9,549	10,083	11,832	10,538
2,666	--	24,749	(1,738)	--	6,350	--
43,900	45,000	15,500	14,000	8,100	17,300	23,000
--	--	15,003	--	--	--	--
69,732	68,294	(4,088)	20,094	12,872	21,086	32,113
$ 217,651	$184,072	$130,777	$120,877	$108,104	$ 88,431	$108,954
204,934	200,680	158,179	115,230	118,248	119,767	114,593
267,107	260,342	243,098	192,305	200,502	193,830	175,523
799,491	781,609	697,532	448,263	472,167	476,194	451,379
56,059	78,700	90,178	87,891	95,271	73,113	81,314
131,151	149,730	147,295	110,628	127,954	130,710	116,212
438,949	391,885	322,836	255,141	251,511	243,535	231,598
$ 2.62	$ 2.58	$ (0.17)	$ 0.93	$ 0.60	$ 1.00	$ 1.54
2.60	2.56	(0.17)	0.92	0.60	0.99	1.52
0.60	0.60	0.58	0.58	0.58	0.58	0.58
16.44	14.75	12.25	11.64	11.64	11.42	11.02
34.00	34.50	24.63	16.75	17.13	17.81	17.25
$ 57,556	$ 43,371	$ 27,313	$ 23,099	$ 36,555	$ 55,323	$ 35,998
7,260	7,030	6,600	4,850	4,980	5,360	5,580
$ 152	$ 146	$ 125	$ 122	$ 116	$ 113	$ 107
26,635	26,486	24,304	21,712	21,452	21,094	20,872
26,825	26,640	24,449	21,753	21,551	21,237	21,065
9.8%	22.6%	34.1%	0.7%	(3.8)%	4.9%	24.7%
42.1	43.0	41.1	41.1	38.9	42.0	41.9
11.5	12.9	7.8	6.9	5.2	8.9	10.9
6.5	6.9	n.m.	3.4	2.2	3.4	5.5
17.0	19.3	n.m.	8.1	5.2	8.7	14.9
22.5	27.0	30.6	30.2	33.7	34.9	33.4
3.0x	3.1x	3.1x	3.1x	3.0x	3.0x	3.1x

3. Excluding unusual or nonrecurring items in 2000 and an extraordinary loss of $0.3 million, net of tax, net income was $64,689; diluted earnings per share were $2.13; return on sales was 3.5 percent; and return on average shareowners' equity was 8.6 percent. Excluding unusual or nonrecurring items in 1999, net income was $54,299; diluted earnings per share were $1.82; return on sales was 2.9 percent; and return on average shareowners' equity was 7.3 percent. Excluding unusual or nonrecurring items in 1998 and the effects of the Greenfield acquisition, net income was $88,697; diluted earnings per share were $3.23; return on sales was 5.3 percent; and return on average shareowners' equity was 15.2 percent. Excluding unusual or nonrecurring items in 1996, net income was $71,369; diluted earnings per share were $2.66; return on sales was 6.6 percent; and return on average shareowners' equity was 17.4 percent.

4. In 1998, the company issued 3.45 million shares of capital stock for net proceeds of $171.4 million.

5. Excludes unusual or nonrecurring items.

EXHIBIT 21

PRINCIPAL SUBSIDIARIES

Name of Subsidiary	Jurisdiction in Which Organized or Incorporated
Consolidated Subsidiaries	
Kennametal Hertel Argentina S.A.	Argentina
Kennametal Australia Pty. Ltd.	Australia
Kennametal Foreign Sales Corporation	Barbados
Kennametal Hertel do Brasil Ltda.	Brazil
Kennametal Ltd.	Canada
Kennametal Hertel Chile Ltda.	Chile
Kennametal (China) Limited	China
Kennametal Hardpoint (Shanghai) Ltd.	China
Kennametal (Shanghai) Ltd.	China
Shanxi-Kennametal Mining Cutting Systems Manufacturing Company Limited	China
Xuzhou-Kennametal Mining Cutting Systems Manufacturing Company Limited	China
Kennametal Hertel AG	Germany
Kennametal Hardpoint H.K. Ltd.	Hong Kong
Kennametal Hertel Japan Ltd.	Japan
Kennametal Hertel (Malaysia) Sdn. Bhd.	Malaysia
Kennametal de Mexico, S.A. de C.V.	Mexico
Kennametal/Becker-Warkop Ltd.	Poland
Kennametal Hertel (Singapore) Pte. Ltd.	Singapore
Kennametal South Africa (Proprietary) Limited	South Africa
Kennametal Hertel Korea Ltd.	South Korea
Kennametal Hardpoint (Taiwan) Inc.	Taiwan
Kennametal Hertel Co., Ltd.	Thailand
Circle Machine Company	California, United States
Kennametal Financing II	California, United States
Kennametal PC Inc.	California, United States
Kennametal TC Inc.	California, United States
Greenfield Industries, Inc.	Delaware, United States
Kennametal Receivables Corporation	Delaware, United States
Adaptive Technologies Corp.	Michigan, United States
JLK Direct Distribution Inc.	Pennsylvania, United States
Consolidated Subsidiaries of JLK Direct Distribution Inc.	
J&L America, Inc.	Michigan, United States
Consolidated Subsidiaries of J&L America, Inc.	
J & L Industrial Supply Limited	Canada
J & L Industrial Supply UK (branch)	England
J & L Werkzeuge und Industriebedarf G.m.b.H.	Germany
GRS Industrial Supply Company	Michigan, United States
Strong Tool Co.	Ohio, United States
Production Tools Sales, Inc.	Texas, United States
Abrasive & Tool Specialties Company	Utah, United States

PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of Subsidiary	Jurisdiction in Which Organized or Incorporated
Consolidated Subsidiaries of Kennametal Hertel AG	
Kennametal Hertel Belgium S.A.	Belgium
Kennametal Hertel EDG Limited	England
Kennametal Hertel Limited	England
Kennametal Hertel France S.A.	France
Kennametal Hertel G.m.b.H.	Germany
Kennametal Hertel Korea G.m.b.H.	Germany
Rubig G.m.b.H. & Co. KG	Germany
Kennametal Hertel S.p.A.	Italy
Kennametal Hertel Nederland B.V.	Netherlands
Nederlandse Hardmetaal Fabrieken B.V.	Netherlands
Kennametal Hertel Kesici Takimlar ve Sistemler Anonim Sirketi	Turkey
Consolidated Subsidiaries of Greenfield Industries, Inc.	
Greenfield Industries, Incorporated Canada	Canada
Cirbo Limited	England
Kemmer Hartmetallwerkzeuge G.m.b.H.	Germany
Kemmer Prazision G.m.b.H.	Germany
Hanita Metal Works, Ltd.	Israel
Kemmer - Cirbo S.r.L.	Italy
Cleveland Twist Drill de Mexico, S.A. de C.V.	Mexico
Herramientas Cleveland, S.A. de C.V.	Mexico
Greenfield Tools de Mexico, S.A. de C.V.	Mexico
Carbidie Corporation	Delaware, United States
Kemmer International, Inc.	Delaware, United States
Rogers Tool Works, Inc.	Delaware, United States
TCM Europe, Inc.	Delaware, United States
Bassett Rotary Tool Company	Indiana, United States
South Deerfield Industrial, Inc.	Massachusetts, United States
Hanita Cutting Tools, Inc.	New Jersey, United States

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the inclusion or the incorporation reference in this Form 10-K, into Kennametal Inc.'s previously filed registration statements on Form S-8, Registration No. 2-80182, Form S-8, Registration No. 33-25331, Form S-8, Registration No. 33-55768, Form S-8, Registration No. 33-55766, Form S-3, Registration No. 33-61854, Form S-8, Registration No. 33-65023, Form S-8, Registration No. 333-18423, Form S-8, Registration No. 333-18429, Form S-8, Registration No. 333-18437, Form S-3, Registration No. 333-40809, Form S-8, Registration No. 333-77411, Form S-8, Registration No. 333-88049, Form S-8, Registration No. 333-30454, and Form S-8, Registration No. 333-30448, including the prospectuses therein, relating to the Kennametal Inc. Stock Option Plan of 1982, Stock Option and Incentive Plan of 1988, Stock Option and Incentive Plan of 1992, Directors Stock Incentive Plan, Dividend Reinvestment and Stock Purchase Plan (as amended), Performance Bonus Stock Plan of 1995, Thrift Plan, Stock Option and Incentive Plan of 1992 (as amended), Stock Option and Incentive Plan of 1996, Omnibus Shelf Registration Statement, 1999 Stock Plan, Kennametal Thrift Plan and Greenfield Retirement Income Savings Plan, Stock Option and Incentive Plan of 1999, and Directors Stock Incentive Plan (as amended). It should be noted that we have not audited any financial statements of Kennametal Inc. subsequent to June 30, 2000 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Pittsburgh, Pennsylvania
September 21, 2000

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This schedule contains summary financial information extracted from the June 30, 2000 Consolidated Financial Statements and is qualified in its entirety by reference to such financial statements.

1,000

YEAR
JUN-30-2000
JUL-01-1999
JUN-30-2000
22,323
27,614
244,131
12,214
410,885
758,558
951,004
452,220
1,982,942
361,155
0
0
0
41,500
738,754
1,982,942
1,853,663
1,853,663
706,376
706,376
45,698
4,177
55,079
100,411
43,700
51,977
0
267
0
51,710
1.71
1.70