SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): JANUARY 28, 2004

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

Commission file number 1-5318

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

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

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

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On January 28, 2004, Kennametal Inc. ("Kennametal" or "the Company") issued a press release announcing financial results for its second quarter ended December 31, 2003.

The press release contains non-GAAP financial measures, including gross profit, operating expense, operating income, other (income) expense, net income and diluted EPS in each case excluding special items. The special items include: restructuring charges, Widia integration costs, pension curtailment, gain on Toshiba investment, and a charge related to a note receivable from a divestiture of a business by Kennametal in 2002. Kennametal management excludes these items in measuring and compensating internal performance to more easily compare the Company's financial performance period to period. We believe investors should have available the same information that management uses to measure and compensate performance. Kennametal management believes that presentation of these non-GAAP financial measures provides useful information into the results of operations of the Company for the current, past and future periods.

In addition to the items above, the press release also contains free operating cash flow and debt to capital. These financial measures are defined below:

Free Operating Cash Flow

Free operating cash flow is a non-GAAP presentation and is defined as cash provided by continuing operations (in accordance with GAAP) less capital expenditures plus proceeds from asset disposals. Free operating cash flow is considered to be an important indicator of Kennametal's ability to generate liquidity because it better represents cash generated from operations that can be used for strategic initiatives, dividends or debt repayment.

Debt-to-Capital

Debt to capital is defined by Kennametal as total current and long term debt, capital leases and notes payable divided by total Shareowner's equity plus minority interest plus total debt, capital leases and notes payable. Management believes that these financial measures provide additional insight into the underlying capital structure and performance of the Company.

Additionally, during our quarterly teleconference we may use various other non-GAAP financial measures to describe the underlying operating results. Accordingly, we have compiled below certain reconciliations as required by Regulation G.

Primary Working Capital

Primary working capital is a non-GAAP presentation and is defined as accounts receivable, net plus inventories, net minus accounts payable. The most directly comparable GAAP measure is working capital, which is defined as current assets less current liabilities. We believe primary working capital better represents Kennametal's performance in managing certain assets and liabilities controllable at the business unit level and is used as such for internal performance measurement.

EBIT

EBIT is an acronym for Earnings Before Interest and Taxes and is not a calculation in accordance with GAAP. The most directly comparable GAAP measure is net income. However, we believe that EBIT is widely used as a measure of operating performance and we believe EBIT to be an important indicator of the Company's operational strength and performance. Nevertheless, the measure should not be considered in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining liquidity that is calculated in accordance with GAAP. Additionally, Kennametal will adjust EBIT for restructuring charges, interest income, and other items.

Adjusted Sales
Kennametal adjusted sales as reported under GAAP for specific items including acquisitions and foreign currency translation. Management believes that adjusting the sales as reported under GAAP provides additional insight into the underlying operations. Management uses this information in reviewing operating performance and in the determination of compensation.

Adjusted Gross Profit
Kennametal adjusted gross profit as recorded under GAAP for specific items including Widia integration and restructuring charges and pension curtailment. Management believes that the adjusted gross profit information is an important indicator of the Company's underlying operating performance.

Operating Expense Reconciliation
Kennametal adjusted operating expense as reported under GAAP for Widia Integration, restructuring charges, Widia operating expense, pension curtailment, a note receivable from a divestiture of a business by Kennametal in 2002, foreign exchange and decreased pension income. Management believes that the adjusted operating expense provides additional insight into the underlying operations. Management uses this information in reviewing operating performance and in the determination of compensation.

FINANCIAL HIGHLIGHTS

RECONCILIATION TO GAAP WORKING CAPITAL (UNAUDITED):

	December 31, 2003	December 31, 2002
Current assets	$ 751,903	$ 755,018
Current liabilities	309,270	281,431
Working capital in accordance with GAAP	442,633	473,587
Excluded items:		
Cash and cash equivalents	(15,086)	(18,155)
Deferred income taxes	(88,020)	(80,204)
Other current assets	(39,460)	(53,868)
Total excluded current assets	$ (142,566)	$ (152,227)
Adjusted current assets	609,337	602,791
Short-term debt, including notes payable	(12,872)	(17,591)
Accrued liabilities	(183,835)	(171,726)
Total excluded current liabilities	$ (196,707)	$ (189,317)
Adjusted current liabilities	112,563	92,114
Primary working capital	$ 496,774	$ 510,677

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SUPPLEMENTAL INFORMATION AND RECONCILIATIONS

KENNAMETAL INC. EBIT RECONCILIATION (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Net income, as reported	$ 10,892	$ 2,470	$19,656	$13,299
As % of sales	2.4%	0.6%	2.2%	1.6%
Add back:				
Interest	6,547	9,594	13,147	18,079
Taxes	5,315	893	9,767	6,148
EBIT	22,754	12,957	42,570	37,526
Additional adjustments:				
Minority interest	404	709	1,099	1,047
Restructuring and asset impairment charges (1)	3,127	8,561	6,520	8,380
Widia integration	-	1,364	1,559	2,075
Pension Curtailment	1,299	-	1,299	-
Gain on Toshiba Investment	(4,397)	-	(4,397)	-
Note Receivable	2,000	-	2,000	-
Interest income	(439)	(849)	(875)	(1,489)
Securitization fees	483	536	880	1,073
Adjusted EBIT	$ 25,231	$ 23,278	$50,655	$48,612
As % of Sales	5.5%	5.4%	5.6%	5.8%

(1) Includes charges in cost of goods sold and restructuring expense.

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FINANCIAL HIGHLIGHTS (CONTINUED)

MSSG SEGMENT (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Sales, as reported	$ 283,493	$ 269,413	$554,622	$510,234
Widia sales (1)	-	-	(26,018)	-
Foreign currency exchange	(21,013)	-	(32,111)	-
Adjusted sales	$ 262,480	$ 269,413	$496,493	$510,234

MSSG EBIT (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
MSSG operating income, as reported	$ 22,684	$ 17,394	$46,186	$41,004
As % of sales	8.0%	6.5%	8.3%	8.0%
Other income	1,702	563	1,966	752
EBIT	24,386	17,957	48,152	41,756
Adjustments:				
MSSG restructuring (2)	1,630	4,849	5,023	4,849
Widia integration	-	1,360	1,511	2,071
EBIT, excluding special charges	$ 26,016	$ 24,166	$54,686	$48,676
As % of sales	9.2%	9.0%	9.9%	9.5%

(1) Widia was acquired on August 30, 2002. Sales related to Widia for July and August have been removed from the 2003 results in order to reflect comparable Widia activity for both years.

(2) Includes charges in cost of goods sold and restructuring expense.

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FINANCIAL HIGHLIGHTS (CONTINUED)

AMSG SEGMENT (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Sales, as reported	$ 94,751	$ 83,305	$188,382	$166,714
Widia acquisition (1)	-	-	(5,476)	-
Foreign currency exchange	(4,592)	-	(7,367)	-
Adjusted sales	$ 90,159	$ 83,305	$175,539	$166,714

AMSG EBIT (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
AMSG operating income, as reported	$ 9,407	$ 6,339	$21,229	$17,724
As % of sales	9.9%	7.6%	11.3%	10.6%
Other income (expense)	947	(103)	1,060	(45)
EBIT	10,354	6,236	22,289	17,679
Adjustments:				
AMSG restructuring (2)	1,497	2,259	1,497	2,078
Widia integration	-	4	48	4
EBIT, excluding special charges	$ 11,851	$ 8,499	$23,834	$19,761
As % of sales	12.5%	10.2%	12.7%	11.9%

(1) Widia was acquired on August 30, 2002. Sales related to Widia for July and August have been removed from the 2003 results in order to reflect comparable Widia activity for both years.

(2) Includes charges in cost of goods sold and restructuring expense.

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FINANCIAL HIGHLIGHTS (CONTINUED)

J&L SEGMENT (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Sales, as reported	$ 50,341	$ 48,076	$ 98,480	$ 96,283
Foreign currency exchange	(450)	-	(671)	-
Adjusted sales	$ 49,891	$ 48,076	$ 97,809	$ 96,283

J&L EBIT (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
J&L operating income, as reported	$ 4,306	$ 1,722	$ 6,991	$ 3,886
As % of sales	8.6%	3.6%	7.1%	4.0%
Other (expense)	25	(38)	25	(49)
EBIT	4,331	1,684	7,016	3,837
Adjustments:				
J&L restructuring	-	466	-	466
EBIT, excluding special charges	$ 4,331	$ 2,150	$ 7,016	$ 4,303
As % of sales	8.6%	4.5%	7.1%	4.5%

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FINANCIAL HIGHLIGHTS (CONTINUED)

FSS SEGMENT (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Sales, as reported	$ 32,193	$ 30,937	$63,869	$62,718
Foreign currency exchange	(137)	-	(216)	-
Adjusted sales	$ 32,056	$ 30,937	$63,653	$62,718

FSS EBIT (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
FSS operating (loss), as reported	$ (159)	$ (332)	$ (440)	$ (351)
As % of sales	-0.5%	-1.1%	-0.7%	-0.6%
Other (expense) income	-	(42)	2	58
EBIT	(159)	(374)	(438)	(293)
Adjustments:				
FSS restructuring	-	29	-	29
EBIT, excluding special charges	$ (159)	$ (345)	$ (438)	$ (264)
As % of sales	-0.5%	-1.1%	-0.7%	-0.4%

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SUPPLEMENTAL INFORMATION AND RECONCILIATIONS

RECONCILIATION TO GAAP - GROSS PROFIT (UNAUDITED):

	QUARTER ENDED DECEMBER 31, 2003	AS A % OF SALES	QUARTER ENDED DECEMBER 31, 2002	AS A % OF SALES	SIX MONTHS ENDED DECEMBER 31, 2003	AS A % OF SALES
Gross profit	$147,632	32.0%	$137,483	31.8%	$291,739	32.2%
Widia integration and restructuring charges	7	0.0%	54	0.0%	2,961	0.3%
Pension Curtailment	779	0.2%	-	0.0%	779	0.1%
Gross profit, excluding special items	$ 148,418	32.2%	$137,537	31.8%	$ 295,479	32.6%

	SIX MONTHS ENDED DECEMBER 31, 2002	AS A % OF SALES
Gross profit	$ 268,452	32.1%
Widia integration and restructuring charges	54	0.0%
Pension Curtailment	-	0.0%
Gross profit, excluding special items	$ 268,506	32.1%

OPERATING EXPENSE RECONCILIATION (UNAUDITED):

	Quarter Ended Dec. 31, 2003	Quarter Ended Dec. 31, 2002	Six Months Ended Dec. 31, 2003	Six Months Ended Dec. 31, 2002
Operating expense, as reported	$ 124,723	$ 115,677	$ 245,962	$ 220,512
Integration costs	-	(1,310)	(1,448)	(2,021)
Pension Curtailment	(520)	-	(520)	-
Note Receivable	(1,817)	-	(1,817)	-
Operating expense, excluding special items	122,386	114,367	242,177	218,491
Less:				
Widia operating expense (1)	-	-	8,441	-
Unfavorable foreign exchange	7,220	-	12,199	-
Operating expense, excluding special items, Widia expense and foreign exchange	$ 115,166	$ 114,367	$ 221,537	$ 218,491

(1) Widia was acquired on August 30, 2002. Operating expenses related to Widia for July and August have been removed from the 2003 results in order to reflect comparable Widia activity for both years.

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Exhibit Index

Exhibit	Description
99.1	Press Release dated January 28, 2004. Furnished herewith.

SIGNATURE

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

KENNAMETAL INC.

Date: January 28, 2004   By: /s/ TIMOTHY A. HIBBARD

Timothy A. Hibbard
Corporate Controller and
Chief Accounting Officer

[KENNAMETAL LOGO] EXHIBIT 99.1

FROM: KENNAMETAL INC.
P.O. Box 231
Latrobe, PA 15650

Investor Relations
724-539-6141
Contact: Beth A. Riley

Media Relations
724-539-4618
Contact: Joy Chandler

DATE: January 28, 2004

FOR RELEASE: Immediate

KENNAMETAL REPORTS STRONG GROWTH IN SECOND QUARTER EARNINGS

- Sales up 7%
- Reported earnings per diluted share of $0.30, above guidance
- Strong cash flow

LATROBE, Pa., January 28, 2004 - Kennametal Inc. (NYSE: KMT) today reported fiscal 2004 second- quarter earnings of $0.30 per diluted share compared with earnings of $0.07 per diluted share last year. Excluding special items in each period, diluted earnings per share were $0.34 for the quarter, exceeding guidance, compared with last year's earnings per share of $0.27. Sales of $461 million were 7 percent above prior year on foreign currency effects, and a one percent increase in organic volume.

Earnings Per Share Excluding Special Items

Company Guidance (10/29/03)	$0.27 to $0.32
Analyst Estimate Range (01/23/04)	$0.30 to $0.34
Earnings, Excluding Special Items	$0.34

For the first six months of fiscal 2004, reported earnings of $0.54 per diluted share compared with earnings of $0.38 per diluted share last year. Excluding special items in each period, diluted earnings per share of $0.68 were 17% above prior year's earnings of $0.58.

Kennametal Chairman, President and Chief Executive Officer, Markos I. Tambakeras, said, "We were pleased to exceed our guidance for the quarter, and deliver 26 percent earnings per share growth over the prior year quarter. Our results reflect continued strong growth in the developing regions of Asia-Pacific and South America. In addition, our North American performance tracked well with macro-economic trends that have been forecasting a recovery for several months. Our confidence in the sustainability of the North American recovery was assisted by the return to growth of the Light and General Engineering market. Additionally, our sales to the Energy and Mining & Construction sectors grew at double-digit rates.

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As anticipated, we continued to face persistent weakness in our European markets, which has been exacerbated by our end market and customer mix, particularly in the automotive sector."

Tambakeras continued, "In addition to our strong operating performance, we sustained our concurrent focus on generating cash and strengthening our balance sheet. $34 million of free operating cash flow contributed to a further reduction of debt, and reduced our debt-to-capital ratio to 37 percent. As promised, the quarter also included the completion of the Widia restructuring."

HIGHLIGHTS

SECOND QUARTER - FY04

- Sales of $460.8 million were 7 percent above last year's $431.7 million. Sales results include a 6 percent benefit from foreign currency exchange and a 1 percent increase in organic sales volume.

- Reported net income was $10.9 million against net income of $2.5 million in the same quarter last year. Excluding special items, net income was $12.3 million for the quarter, a 30 percent increase compared to net income of $9.4 million last year reflecting the benefits of Widia synergies, cost reduction, reduced interest expense, and foreign currency exchange offset by increased employment costs.

- The current quarter included net special charges of $1.4 million, or $0.04 per diluted share, associated with the previously announced curtailment charge related to the amendment of the Retirement Income Pension Plan, the finalization of the Widia integration and an allowance for a note receivable from a fiscal 2002 divestiture. These costs were offset by a gain on the sale of our 5 percent ownership interest in Toshiba Tungaloy. The prior-year quarter included net special charges of $7.0 million, or $0.20 per diluted share, largely related to the salaried workforce reduction and Widia integration.

- As expected, net cash flow from operations was $43.2 million, versus $36.3 million for the prior year. Free operating cash flow was $33.8 million, versus $25.0 million in the same period last year due to positive operating performance and reduction in inventory levels.

- Total debt was $481 million, down $44 million from June 2003, and $136 million below December 2002.

- Debt to capital decreased to 37 percent, from 45 percent at the end of December in the prior year.

FIRST SIX MONTHS -FY04

- Sales of $905.4 million were 8 percent above last year's $835.9 million. The Widia acquisition and foreign currency exchange contributed to the growth.

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- - Reported net income was $19.7 million compared to net income of $13.3 million in the same period last year. Excluding special items, net income was $24.4 million for the quarter, an 18 percent increase compared to net income of $20.6 million last year

OUTLOOK

Performance in certain key North American markets during the December quarter corroborated positive macroeconomic indicators, and increased the probability of a sustained recovery in North American industrial markets. Europe remains challenging, with continued weakness in key markets and customers.

Tambakeras said, "On balance, we remain confident in our ability to deliver against our original earnings guidance for the year. While Europe is weaker than anticipated, North America is encouraging, and the rest of the world remains strong. In addition to North American market growth, the incremental seasonal strength of the second half of our fiscal year, and the addition of sales from the previously announced J&L and FSS contracts give us confidence that we will be able to deliver in excess of 35 percent earnings growth in fiscal 2004."

Sales for the third quarter of fiscal 2004 are expected to grow 10 to 12 percent year-over-year, including the impact of currency. Organic growth is anticipated to be 4 to 6 percent year-over-year, compared to a 1 percent increase in the second quarter. Reported diluted earnings per share are expected to be $0.50 to $0.60 per share.

Guidance for the full year remains essentially unchanged, but has been modified to reflect recent increases in raw material prices and persistent weakness in Europe. Sales are expected to grow 9 to 11 percent year-over-year, including the impact of currency. Reported diluted earnings per share are expected to be $1.75 to $1.95 per share. This includes net charges to date of approximately $0.14 per share. Excluding these charges, diluted earnings per share are forecasted to range from $1.90 to $2.10 per share. The earnings outlook includes $0.12 to $0.15 of accretion from Widia.

Kennametal anticipates net cash flow provided by operating activities of approximately $160 to $175 million in fiscal 2004. Purchases of property, plant and equipment and proceeds from disposals of property, plant and equipment are expected to be approximately $50 to $60 million, net. Adjusting net cash flow provided by operating activities for the above items, Kennametal expects to generate between $100 and $125 million of free operating cash flow.

Kennametal advises shareholders to note monthly order trends, for which the company makes a disclosure ten business days after the conclusion of each month. This information is available on the Investor Relations section of Kennametal's corporate web site at www.kennametal.com.

DIVIDEND DECLARED
Kennametal also announced its Board of Directors declared a quarterly cash dividend of $0.17 cents per share, payable February 25, 2004, to shareowners of record as of the close of business February 10, 2004.

Second quarter results will be discussed in a live Internet broadcast at 10:00 a.m. today. Access the live or archived conference by visiting the Investor Relations section of Kennametal's corporate web site at www.kennametal.com.

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

Kennametal Inc. aspires to be the premier tooling solutions supplier in the world with operational excellence throughout the value chain and best-in-class manufacturing and technology. Kennametal strives to deliver superior shareowner value through top-tier financial performance. The company provides customers a broad range of technologically advanced tools, tooling systems and engineering services aimed at improving customers' manufacturing competitiveness. With about 13,500 employees worldwide, the company's annual sales approximate $1.8 billion, with nearly half coming from sales outside the United States. Kennametal is a five-time winner of the GM "Supplier of the Year" award and is represented in more than 60 countries. Kennametal operations in Europe are headquartered in Furth, Germany. Kennametal Asia Pacific operations are headquartered in Singapore. For more information, visit the company's web site at www.kennametal.com.

FINANCIAL HIGHLIGHTS

Consolidated financial highlights for Kennametal Inc. (NYSE: KMT) for the quarter and six months ended December 31, 2003 and 2002 are shown in the following tables (in thousands, except per share amounts).

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	QUARTER ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2003	2002	2003	2002
Sales	$ 460,778	$ 431,731	$ 905,353	$ 835,949
Cost of goods sold (1)	313,146	294,248	613,614	567,497
Gross profit	147,632	137,483	291,739	268,452
Operating expense(2)	124,723	115,677	245,962	220,512
Restructuring and asset impairment charges	3,120	8,561	3,670	8,380
Amortization of intangibles	486	1,300	956	2,114
Operating income	19,303	11,945	41,151	37,446
Interest expense	6,547	9,594	13,147	18,079
Other (income), net (3)	(3,855)	(1,721)	(2,518)	(1,127)
Income before provision for income taxes and minority interest	16,611	4,072	30,522	20,494
Provision for income taxes	5,315	893	9,767	6,148
Minority interest	404	709	1,099	1,047
Net income	$ 10,892	$ 2,470	$ 19,656	$ 13,299
Basic earnings per share	$ 0.31	$ 0.07	$ 0.55	$ 0.38
Diluted earnings per share	$ 0.30	$ 0.07	$ 0.54	$ 0.38
Dividends per share	$ 0.17	$ 0.17	$ 0.34	$ 0.34
Basic weighted average share outstanding	35,604	35,126	35,470	35,086
Diluted weighted average shares outstanding	36,260	35,414	36,124	35,379

(1) For the quarter ended December 31, 2003, these amounts include charges of $0.8 million for the pension curtailment. For the six months ended December 31, 2003, these amounts include charges of $0.1 million for integration activities, $2.9 million related to restructuring programs, and $0.8 million for the pension curtailment. For the quarter and six months ended December 31, 2002, these amounts include charges of $0.1 million for integration activities related to the Widia acquisition.

(2) For the quarter ended December 31, 2003, these amounts include charges of $1.8 million related to a note receivable from a divestiture of a business by Kennametal in 2002, and $0.5 million related to the pension curtailment. For the six months ended December 31, 2003, these amounts include charges of $1.8 million related to a note receivable from a divestiture of a business by Kennametal in 2002, $0.5 million related to the pension curtailment, and $1.4 million for integration activities related to the Widia acquisition. For the quarter and six months ended December 31, 2002, these amounts include charges of $1.3 million and $2.0 million, respectively, for integration activities related to the Widia acquisition.

(3) For the quarter and six months ended December 31, 2003, these amounts include income of $4.4 million related to a gain on the sale of Toshiba Tungaloy investment and a charge of $0.2 million on a note receivable from a divestiture of a business by Kennametal in 2002.

FINANCIAL HIGHLIGHTS (CONTINUED)

In addition to reported results under U.S. GAAP, the following financial highlight tables also include, where appropriate, a reconciliation of results excluding special items and free operating cash flow (which are non-GAAP measures), to the most directly comparable GAAP measures. Management believes that each of these non-GAAP financial measures is useful to investors to more easily compare the Company's financial performance period to period.

RECONCILIATION TO GAAP - QUARTER ENDED DECEMBER 31 (UNAUDITED)

	Gross Profit	Operating Expense	Operating Income	Other (Income) / Expense	Net Income	Diluted Earnings Per Share
2003 Reported Results	$ 147,632	$ 124,723	$ 19,303	$ (3,855)	$ 10,892	$ 0.30
MSSG Restructuring	7	-	1,630	-	1,109	0.03
AMSG Restructuring	-	-	1,497	-	1,018	0.03
Pension Curtailment	779	(520)	1,299	-	883	0.02
Gain on Toshiba Investment	-	-	-	4,397	(2,990)	(0.08)
Note Receivable	-	(1,817)	1,817	(183)	1,360	0.04
2003 Results Excluding Special Items	$ 148,418	$ 122,386	$ 25,546	$ 359	$ 12,272	$ 0.34
2002 Reported Results	$ 137,483	$ 115,677	$ 11,945	$ (1,721)	$ 2,470	$ 0.07
MSSG Restructuring	-	-	4,849	-	3,394	0.10
AMSG Restructuring	-	-	2,259	-	1,577	0.04
Corporate Restructuring	-	-	958	-	670	0.02
J&L Restructuring	-	-	466	-	327	0.01
FSS Restructuring	-	-	29	-	20	-
Widia Integration Costs - MSSG	54	(1,306)	1,360	-	967	0.03
Widia Integration Costs - AMSG	-	(4)	4	-	3	-
2002 Results Excluding Special Items	$ 137,537	$ 114,367	$ 21,870	$ (1,721)	$ 9,428	$ 0.27

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FINANCIAL HIGHLIGHTS (CONTINUED)

RECONCILIATION TO GAAP - SIX MONTHS ENDED DECEMBER 31 (UNAUDITED)

	Gross Profit	Operating Expense	Operating Income	Other (Income) / Expense	Net Income	Diluted Earnings Per Share
2003 Reported Results	$ 291,739	$ 245,962	$ 41,151	$ (2,518)	$ 19,656	$ 0.54
MSSG Restructuring	2,850	-	5,023	-	3,416	0.10
AMSG Restructuring	-	-	1,497	-	1,018	0.03
Widia Integration Costs - MSSG	63	(1,448)	1,511	-	1,027	0.03
Widia Integration Costs - AMSG	48	-	48	-	33	-
Pension Curtailment	779	(520)	1,299	-	883	0.02
Gain on Toshiba Investment	-	-	-	4,397	(2,990)	(0.08)
Note Receivable	-	(1,817)	1,817	(183)	1,360	0.04
2003 Results Excluding Special Items	$ 295,479	$ 242,177	$ 52,346	$ 1,696	$ 24,403	$ 0.68
2002 Reported Results	$ 268,452	$ 220,512	$ 37,446	$ (1,127)	$ 13,299	$ 0.38
MSSG Restructuring	-	-	4,849	-	3,394	0.10
AMSG Restructuring	-	-	2,078	-	1,454	0.04
Corporate Restructuring	-	-	958	-	670	0.02
J&L Restructuring	-	-	466	-	327	0.01
FSS Restructuring	-	-	29	-	20	-
Widia Integration Costs - MSSG	54	(2,017)	2,071	-	1,450	0.03
Widia Integration Costs - AMSG	-	(4)	4	-	3	-
2002 Results Excluding Special Items	$ 268,506	$ 218,491	$ 47,901	$ (1,127)	$ 20,617	$ 0.58

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FINANCIAL HIGHLIGHTS (CONTINUED)

SEGMENT DATA (UNAUDITED):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002*	2003	2002*
Sales:				
Metalworking Solutions and Services Group	$ 283,493	$ 269,413	$ 554,622	$ 510,234
Advanced Materials Solutions Group	94,751	83,305	188,382	166,714
J&L Industrial Supply	50,341	48,076	98,480	96,283
Full Service Supply	32,193	30,937	63,869	62,718
Total Sales	$ 460,778	$ 431,731	$ 905,353	$ 835,949
Sales By Geographic Region:				
Within the United States	$ 236,203	$ 229,506	$ 468,817	$ 468,630
International	224,575	202,225	436,536	367,319
Total Sales	$ 460,778	$ 431,731	$ 905,353	$ 835,949
Operating Income (Loss), as reported:				
Metalworking Solutions and Services Group	$ 22,684	$ 17,394	$ 46,186	$ 41,004
Advanced Materials Solutions Group	9,407	6,339	21,229	17,724
J&L Industrial Supply	4,306	1,722	6,991	3,886
Full Service Supply	(159)	(332)	(440)	(351)
Corporate and Eliminations	(16,935)	(13,178)	(32,815)	(24,817)
Total Operating Income	$ 19,303	$ 11,945	$ 41,151	$ 37,446
Operating Income (Loss), excluding special charges:				
Metalworking Solutions and Services Group	$ 24,314	$ 23,603	$ 52,720	$ 47,924
Advanced Materials Solutions Group	10,904	8,602	22,774	19,806
J&L Industrial Supply	4,306	2,188	6,991	4,352
Full Service Supply	(159)	(303)	(440)	(322)
Corporate and Eliminations	(13,819)	(12,220)	(29,699)	(23,859)
Total Operating Income	$ 25,546	$ 21,870	$ 52,346	$ 47,901

*Prior year segment data has been restated for organizational changes

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OPERATING INCOME (LOSS) RECONCILIATION (UNAUDITED):

QUARTER ENDED DECEMBER 31,

	MSSG	AMSG	J&L	FSS	Corp & Elim.
2003 Reported Operating Income (Loss)	$ 22,684	$ 9,407	$ 4,306	$ (159)	$ (16,935)
Restructuring	1,630	1,497	-	-	-
Pension Curtailment	-	-	-	-	1,299
Note Receivable	-	-	-	-	1,817
2003 Operating Income (Loss) Excluding Special Charges	$ 24,314	$ 10,904	$ 4,306	$ (159)	$ (13,819)
2002 Reported Operating Income (Loss)	$ 17,394	$ 6,339	$ 1,722	$ (332)	$ (13,178)
Restructuring	4,849	2,259	466	29	958
Widia Integration Costs	1,360	4	-	-	-
2002 Operating Income (Loss) Excluding Special Charges	$ 23,603	$ 8,602	$ 2,188	$ (303)	$ (12,220)

	Total
2003 Reported Operating Income (Loss)	$ 19,303
Restructuring	3,127
Pension Curtailment	1,299
Note Receivable	1,817
2003 Operating Income (Loss) Excluding Special Charges	$ 25,546
2002 Reported Operating Income (Loss)	$ 11,945
Restructuring	8,561
Widia Integration Costs	1,364
2002 Operating Income (Loss) Excluding Special Charges	$ 21,870

SIX MONTHS ENDED DECEMBER 31,

	MSSG	AMSG	J&L	FSS
2003 Reported Operating Income (Loss)	$ 46,186	$ 21,229	$ 6,991	$ (440)
Restructuring	5,023	1,497	-	-
Widia Integration Costs	1,511	48	-	-
Pension Curtailment	-	-	-	-
Note Receivable	-	-	-	-
2003 Operating Income (Loss) Excluding Special Charges	$ 52,720	$ 22,774	$ 6,991	$ (440)
2002 Reported Operating Income (Loss)	$ 41,004	$ 17,724	$ 3,886	$ (351)
Restructuring	4,849	2,078	466	29
Widia Integration Costs	2,071	4	-	-
2002 Operating Income (Loss) Excluding Special Charges	$ 47,924	$ 19,806	$ 4,352	$ (322)

	Corp & Elim.	Total
2003 Reported Operating Income (Loss)	$ (32,815)	$ 41,151
Restructuring	-	6,520
Widia Integration Costs	-	1,559
Pension Curtailment	1,299	1,299
Note Receivable	1,817	1,817
2003 Operating Income (Loss) Excluding Special Charges	$ (29,699)	$ 52,346
2002 Reported Operating Income (Loss)	$ (24,817)	$ 37,446
Restructuring	958	8,380

Widia Integration Costs	-	2,075
2002 Operating Income (Loss) Excluding Special Charges	$ (23,859)	$ 47,901

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FINANCIAL HIGHLIGHTS (CONTINUED)

RECONCILIATION TO OPERATING CASH FLOW INFORMATION (UNAUDITED)

	Quarter Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Net income	$ 10,892	$ 2,470	$ 19,656	$ 13,299
Other non-cash items	4,746	3,484	11,219	5,489
Depreciation and amortization	16,489	20,914	31,840	39,980
Change in inventory	11,709	3,379	15,437	13,500
Change in accounts receivable	18,343	24,973	23,397	30,911
Change in accounts payable	3,332	(11,637)	(9,180)	(25,736)
Change in other assets and liabilities	(22,354)	(7,310)	(37,027)	(2,856)
Net cash flow provided by operating activities	43,157	36,273	55,342	74,587
Purchase of property, plant and equipment	(11,259)	(11,536)	(21,853)	(22,011)
Proceeds from disposals of property, plant and equipment	1,854	238	2,388	843
Free operating cash flow	$ 33,752	$ 24,975	$ 35,877	$ 53,419

CONDENSED BALANCE SHEETS (UNAUDITED)

	Quarter Ended				
	12/31/03	09/30/03	06/30/03	03/31/03	12/31/02
ASSETS					
Cash and equivalents	$ 15,086	$ 14,720	$ 15,093	$ 17,250	$ 18,155
Accounts receivable, net of allowance	223,087	232,146	231,803	235,908	199,261
Inventories	386,250	387,877	389,613	408,996	403,530
Deferred income taxes	88,020	86,888	97,237	81,651	80,204
Other current assets	39,460	47,003	48,606	44,286	53,868
TOTAL CURRENT ASSETS	751,903	768,634	782,352	788,091	755,018
Property, plant and equipment, net	487,530	489,242	489,828	476,208	480,066
Goodwill and Intangible assets, net	500,890	484,662	470,165	491,987	478,060
Other assets	72,802	67,108	71,542	107,159	104,937
TOTAL	$ 1,813,125	$ 1,809,646	$ 1,813,887	$ 1,863,445	$ 1,818,081
LIABILITIES					
Short-term debt, including notes payable	$ 12,872	$ 11,375	$ 10,845	$ 15,068	$ 17,591
Accounts payable	112,563	107,653	118,509	120,981	92,114
Accrued liabilities	183,835	197,578	206,993	208,816	171,726
TOTAL CURRENT LIABILITIES	309,270	316,606	336,347	344,865	281,431
Long-term debt	468,455	508,763	514,842	565,067	599,425
Deferred income taxes	36,087	41,368	43,543	38,382	46,801
Other liabilities	191,585	180,258	178,698	140,550	135,101
TOTAL LIABILITIES	1,005,397	1,046,995	1,073,430	1,088,864	1,062,758
MINORITY INTEREST	16,286	16,089	18,880	18,070	17,594
SHAREOWNERS' EQUITY	791,442	746,562	721,577	756,511	737,729
TOTAL	$ 1,813,125	$ 1,809,646	$ 1,813,887	$ 1,863,445	$ 1,818,081

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RECONCILIATION OF FORECASTED GAAP CASH FLOW INFORMATION (UNAUDITED)

	TWELVE MONTHS ENDED JUNE 30, 2004
Forecasted net cash flow provided by operating activities	$160,000 - 175,000
Forecasted purchases and disposals of property, plant and equipment	(50,000) - (60,000)
Forecasted free operating cash flow	$100,000 - 125,000