UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2021

OR

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

For the transition period from _______ to _______

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.)
525 William Penn Place	
Suite 3300	
Pittsburgh, Pennsylvania	**15219**
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: **(412) 248-8000**

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of April 30, 2021 83,598,649 shares of the Registrant’s Capital Stock, par value $1.25 per share, were outstanding.

KENNAMETAL INC.

FORM 10-Q

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2021

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FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements that do not relate strictly to historical or current facts. You can identify forward-looking statements by words such as “should,” “anticipate,” “estimate,” “approximate,” “expect,” “may,” “will,” “project,” “intend,” “plan,” “believe” and other words of similar meaning and expression in connection with any discussion of future operating or financial performance or events. We have also included forward-looking statements in this Quarterly Report on Form 10-Q concerning, among other things, our strategy, goals, plans and projections regarding our financial position, liquidity and capital resources, results of operations, market position and product development. These statements are based on current estimates that involve inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, our actual results could vary materially from our current expectations. There are a number of factors that could cause our actual results to differ from those indicated in the forward-looking statements. They include: the duration of the COVID-19 pandemic and its impact on our business operations, financial results and financial position and on the industries in which we operate and the global economy generally; other downturns in the business cycle or the economy; our ability to achieve anticipated benefits from our restructuring, simplification and modernization initiatives; risks related to our foreign operations and international markets, such as fluctuations in currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability; changes in the regulatory environment in which we operate, including environmental, health and safety regulations; potential for future goodwill and other intangible asset impairment charges; our ability to protect and defend our intellectual property; continuity and security of information technology infrastructure; competition; our ability to retain our management and employees; demands on management resources; availability and cost of the raw materials we use to manufacture our products; product liability claims; integrating acquisitions and achieving the expected savings and synergies; global or regional catastrophic events; demand for and market acceptance of our products; business divestitures; labor relations; and implementation of environmental remediation matters. We provide additional information about many of the specific risks we face in the “Risk Factors” section of our Annual Report on Form 10-K and in other periodic reports we file from time to time with the Securities and Exchange Commission. We can give no assurance that any goal or plan set forth in our forward-looking statements will be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. Except as required by law, we do not intend to release publicly any revisions to forward-looking statements as a result of future events or developments.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KENNAMETAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Sales	$ 484,658	$ 483,084	$ 1,325,470	$ 1,506,252
Cost of goods sold	334,483	326,066	948,693	1,078,236
Gross profit	150,175	157,018	376,777	428,016
Operating expense	108,113	98,534	299,211	320,273
Restructuring and asset impairment charges (Note 6)	(822)	17,187	26,145	84,182
Loss on divestiture (Note 3)	—	—	—	6,517
Amortization of intangibles	3,362	3,404	10,043	10,413
Operating income	39,522	37,893	41,378	6,631
Interest expense (Note 10)	20,928	7,897	39,823	23,834
Other income, net	(2,692)	(2,438)	(10,568)	(9,330)
Income (loss) before income taxes	21,286	32,434	12,123	(7,873)
(Benefit) provision from income taxes	(1,699)	30,193	(10,252)	(11,295)
Net income	22,985	2,241	22,375	3,422
Less: Net income (loss) attributable to noncontrolling interests	1,364	(676)	3,042	(23)
Net income attributable to Kennametal	$ 21,621	$ 2,917	$ 19,333	$ 3,445
PER SHARE DATA ATTRIBUTABLE TO KENNAMETAL SHAREHOLDERS				
Basic earnings per share	$ 0.26	$ 0.04	$ 0.23	$ 0.04
Diluted earnings per share	$ 0.26	$ 0.03	$ 0.23	$ 0.04
Basic weighted average shares outstanding	83,719	83,106	83,539	83,022
Diluted weighted average shares outstanding	84,588	83,696	84,184	83,589

KENNAMETAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Net income	$ 22,985	$ 2,241	$ 22,375	$ 3,422
Other comprehensive (loss) income, net of tax				
Unrealized gain (loss) on derivatives designated and qualified as cash flow hedges	4,771	(1,000)	9,272	(144)
Reclassification of unrealized (gain) loss on derivatives designated and qualified as cash flow hedges	(1,148)	518	(210)	306
Unrecognized net pension and other postretirement benefit gain (loss)	2,032	2,573	(5,489)	2,123
Reclassification of net pension and other postretirement benefit loss	2,579	1,966	7,758	5,916
Foreign currency translation adjustments	(25,536)	(38,018)	49,012	(47,691)
Total other comprehensive (loss) income, net of tax	(17,302)	(33,961)	60,343	(39,490)
Total comprehensive income (loss)	5,683	(31,720)	82,718	(36,068)
Less: comprehensive income (loss) attributable to noncontrolling interests	634	(2,659)	4,947	(2,860)
Comprehensive income (loss) attributable to Kennametal Shareholders	$ 5,049	$ (29,061)	$ 77,771	$ (33,208)

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

KENNAMETAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except per share data)	March 31, 2021	June 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 114,307	$ 606,684
Accounts receivable, less allowance for doubtful accounts of $9,653 and $9,430, respectively	303,210	237,983
Inventories (Note 9)	476,164	522,447
Other current assets	73,235	73,698
Total current assets	966,916	1,440,812
Property, plant and equipment:		
Land and buildings	399,417	360,256
Machinery and equipment	1,973,528	1,913,967
Less accumulated depreciation	(1,318,956)	(1,235,952)
Property, plant and equipment, net	1,053,989	1,038,271
Other assets:		
Goodwill (Note 17)	276,048	270,580
Other intangible assets, less accumulated amortization of $149,320 and $137,386, respectively (Note 17)	123,687	132,568
Operating lease right-of-use assets	52,983	48,035
Deferred income taxes	55,999	46,782
Other	85,358	60,543
Total other assets	594,075	558,508
Total assets	$ 2,614,980	$ 3,037,591
LIABILITIES		
Current liabilities:		
Revolving and other lines of credit and notes payable (Note 11)	18,745	500,368
Current operating lease liabilities	14,768	13,246
Accounts payable	164,481	164,641
Accrued income taxes	9,830	27,938
Accrued expenses	58,265	47,610
Other current liabilities	159,464	144,277
Total current liabilities	425,553	898,080
Long-term debt, less current maturities (Note 10)	591,672	594,083
Operating lease liabilities	38,858	35,372
Deferred income taxes	22,250	21,796
Accrued pension and postretirement benefits	177,931	175,458
Accrued income taxes	9,937	9,584
Other liabilities	31,198	34,430
Total liabilities	1,297,399	1,768,803
Commitments and contingencies		
EQUITY (Note 15)		
Kennametal Shareholders' Equity:		
Preferred stock, no par value; 5,000 shares authorized; none issued	—	—
Capital stock, $1.25 par value; 120,000 shares authorized; 83,583 and 82,923 shares issued, respectively	104,478	103,654
Additional paid-in capital	556,522	538,575
Retained earnings	974,215	1,004,898
Accumulated other comprehensive loss	(358,803)	(417,242)
Total Kennametal Shareholders' Equity	1,276,412	1,229,885
Noncontrolling interests	41,169	38,903
Total equity	1,317,581	1,268,788
Total liabilities and equity	$ 2,614,980	$ 3,037,591

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

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

(in thousands)	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
OPERATING ACTIVITIES		
Net income	$ 22,375	$ 3,422
Adjustments to reconcile to cash from operations:		
Depreciation	83,677	79,078
Amortization	10,043	10,413
Stock-based compensation expense	19,381	14,289
Restructuring and asset impairment charges (Note 6)	2,805	33,792
Deferred income taxes	(14,418)	(23,597)
Loss on divestiture (Note 3)	—	6,517
Debt refinancing charge (Note 10)	9,071	—
Other	4,567	2,748
Changes in certain assets and liabilities:		
Accounts receivable	(56,454)	60,616
Inventories	58,109	29,947
Accounts payable and accrued liabilities	28,086	(34,351)
Accrued income taxes	(20,926)	(21,957)
Accrued pension and postretirement benefits	(21,142)	(18,163)
Other	14,023	3,305
Net cash flow provided by operating activities	139,197	146,059
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(94,066)	(206,061)
Disposals of property, plant and equipment	1,216	2,780
Proceeds from divestiture (Note 3)	—	23,950
Other	112	(869)
Net cash flow used for investing activities	(92,738)	(180,200)
FINANCING ACTIVITIES		
Net increase (decrease) in notes payable	1,008	(175)
Net (decrease) increase in revolving and other lines of credit	(490,000)	4,500
Term debt borrowings	297,867	—
Term debt repayments	(300,000)	—
Make-whole premium on early extinguishment of debt (Note 10)	(9,639)	—
Settlement of interest rate swap agreement (Note 5)	10,198	—
Purchase of capital stock	(149)	(158)
The effect of employee benefit and stock plans and dividend reinvestment	(150)	(5,747)
Cash dividends paid to Shareholders	(50,016)	(49,725)
Other	(4,581)	(2,698)
Net cash flow used for financing activities	(545,462)	(54,003)
Effect of exchange rate changes on cash and cash equivalents	6,626	(8,641)
CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(492,377)	(96,785)
Cash and cash equivalents, beginning of period	606,684	182,015
Cash and cash equivalents, end of period	$ 114,307	$ 85,230

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

1. BASIS OF PRESENTATION

The condensed consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q, which include our accounts and those of our majority-owned subsidiaries, should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 (the “2020 Annual Report”). The condensed consolidated balance sheet as of June 30, 2020 was derived from the audited balance sheet included in our 2020 Annual Report. The interim statements are unaudited; however, we believe that all adjustments necessary for a fair statement of the results of the interim periods were made and all adjustments are normal recurring adjustments. The results for the nine months ended March 31, 2021 and 2020 are not necessarily indicative of the results to be expected for a full fiscal year. Unless otherwise specified, any reference to a “year” is to a fiscal year ended June 30. For example, a reference to 2021 is to the fiscal year ending June 30, 2021. When used in this Quarterly Report on Form 10-Q, unless the context requires otherwise, the terms “the Company,” “we,” “our” and “us” refer to Kennametal Inc. and its subsidiaries.

2. SUPPLEMENTAL CASH FLOW DISCLOSURES

	Nine Months Ended March 31,	
(in thousands)	2021	2020
Cash paid during the period for:		
Interest (Note 10)	$ 36,456	$ 20,783
Income taxes	28,715	31,523
Supplemental disclosure of non-cash information:		
Changes in accounts payable related to purchases of property, plant and equipment	(14,700)	(16,000)
Changes in notes payable related to purchases of property, plant and equipment	7,254	—

3. DIVESTITURE

During the three months ended December 31, 2019, we completed the sale of certain assets of the non-core specialty alloys and metals business within the Infrastructure segment located in New Castle, Pennsylvania to Advanced Metallurgical Group N.V. for an aggregate price of $24.0 million.

The net book value of these assets at closing was $29.5 million, and the pre-tax loss on divestiture recognized during the three months ended December 31, 2019 was $6.5 million. Transaction proceeds were primarily used for capital expenditures related to our simplification/modernization efforts.

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy consists of three levels to prioritize the inputs used in valuations, as defined below:

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

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

Level 3: Inputs that are unobservable.

As of March 31, 2021, the fair values of our financial assets and financial liabilities are categorized as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Derivatives [1]	$ —	$ 171	$ —	$ 171
Total assets at fair value	$ —	$ 171	$ —	$ 171
Liabilities:				
Derivatives [1]	$ —	$ 216	$ —	$ 216
Total liabilities at fair value	$ —	$ 216	$ —	$ 216

As of June 30, 2020, the fair values of our financial assets and financial liabilities are categorized as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Derivatives [1]	$ —	$ 36	$ —	$ 36
Total assets at fair value	$ —	$ 36	$ —	$ 36
Liabilities:				
Derivatives [1]	$ —	$ 2,139	$ —	$ 2,139
Total liabilities at fair value	$ —	$ 2,139	$ —	$ 2,139

[1] Currency and interest rate derivatives are valued based on observable market spot and forward rates and are classified within Level 2 of the fair value hierarchy.

There have been no changes in classification and transfers between levels in the fair value hierarchy in the current period.

5. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As part of our financial risk management program, we use certain derivative financial instruments. We do not enter into derivative transactions for speculative purposes and, therefore, we do not hold any derivative instruments for trading purposes. We account for derivative instruments as a hedge of the related asset, liability, firm commitment or anticipated transaction, when the derivative is specifically designated and qualifies as a hedge of such items. Our objective in managing foreign exchange exposures with derivative instruments is to reduce volatility in cash flow. We measure hedge effectiveness by assessing the changes in the fair value or expected future cash flows of the hedged item.

The fair value of derivatives designated and not designated as hedging instruments in the condensed consolidated balance sheet are as follows:

(in thousands)	March 31, 2021	June 30, 2020
Derivatives designated as hedging instruments		
Other current assets - range forward contracts	$ —	$ 4
Other assets - forward starting interest rate swap contracts	—	20
Other liabilities - forward starting interest rate swap contracts	—	(2,094)
Total derivatives designated as hedging instruments	—	(2,070)
Derivatives not designated as hedging instruments		
Other current assets - currency forward contracts	171	12
Other current liabilities - currency forward contracts	(216)	(45)
Total derivatives not designated as hedging instruments	(45)	(33)
Total derivatives	$ (45)	$ (2,103)

Certain currency forward contracts that hedge significant cross-border intercompany loans are considered as other derivatives and therefore do not qualify for hedge accounting. These contracts are recorded at fair value in the condensed consolidated balance sheet, with the offset to other income, net. Losses related to derivatives not designated as hedging instruments have been recognized as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2021	2020	2021	2020
Other income, net - currency forward contracts	$ 1,428	$ 220	$ 20	$ 231

CASH FLOW HEDGES

Range forward contracts (a transaction where both a put option is purchased and a call option is sold) are designated as cash flow hedges and hedge anticipated cash flows from cross-border intercompany sales of products and services. Unrealized gains and losses related to these contracts are recorded in accumulated other comprehensive loss and are recognized as a component of cost of goods sold and other income, net when the underlying sale of products or services is recognized into earnings. All outstanding range forward contracts expired as of March 31, 2021. The notional amount of these contracts translated into U.S. dollars at June 30, 2020 was $2.2 million. The time value component of the fair value of range forward contracts is excluded from the assessment of hedge effectiveness.

During the three months ended March 31, 2021, upon issuance of the Senior Unsecured Notes due 2031 (see Note 10 for more information) we settled the forward starting interest rate swap contracts used to hedge a portion of the interest rate risk related to the refinancing for a gain of $10.2 million in other comprehensive income (loss). The gain will be amortized out of accumulated other comprehensive income (loss) and into interest expense (as a benefit) over the life of the Senior Unsecured Notes due 2031. The notional amount of the forward starting interest rate swap contracts at June 30, 2020 was $200.0 million. We recorded $2.1 million of liabilities as of June 30, 2020 related to these contracts.

No portion of the gains or losses recognized in earnings was due to hedge ineffectiveness and no amounts were excluded from our effectiveness testing for the nine months ended March 31, 2021 and 2020.

NET INVESTMENT HEDGES

As of March 31, 2021 and June 30, 2020, we had certain foreign currency-denominated intercompany loans payable with total aggregate principal amounts of €60.9 million and €15.9 million, respectively, designated as net investment hedges to hedge the foreign exchange exposure of our net investment in our Euro-based subsidiaries. Gains of $1.5 million and $1.1 million were recorded as a component of foreign currency translation adjustments in other comprehensive loss for the three months ended March 31, 2021 and 2020, respectively. Gains of an immaterial amount and $1.0 million were recorded as a component of foreign currency translation adjustments in other comprehensive income (loss) for the nine months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, the foreign currency-denominated intercompany loans payable designated as net investment hedges consisted of:

Instrument	Notional (EUR in thousands)(2)	Notional (USD in thousands)(2)	Maturity
Foreign currency-denominated intercompany loan payable	€45,010	$52,772	June 25, 2021
Foreign currency-denominated intercompany loan payable	16,330	19,146	June 26, 2022

(2) Includes principal and accrued interest.

6. RESTRUCTURING AND RELATED CHARGES

FY20 Restructuring Actions

In the June quarter of fiscal 2019, we implemented, and in fiscal 2020 substantially completed, the FY20 Restructuring Actions associated with our simplification/modernization initiative to reduce structural costs, improve operational efficiency and position us for long-term profitable growth. Total restructuring and related charges since inception of $54.8 million were recorded for this program through March 31, 2021, consisting of: $46.5 million in Metal Cutting and $8.3 million in Infrastructure.

FY21 Restructuring Actions
In the September quarter of fiscal 2020, we announced the initiation of restructuring actions in Germany associated with our simplification/modernization initiative, which are expected to reduce structural costs. Subsequently, we also announced the acceleration of our structural cost reduction plans including the closing of the Johnson City, Tennessee facility. Expected pre-tax charges for the FY21 Restructuring Actions are $90 million to $95 million. Total restructuring and related charges since inception of $76.7 million were recorded for this program through March 31, 2021, consisting of: $71.0 million in Metal Cutting and $5.8 million in Infrastructure. The majority of the remaining charges related to the FY21 Restructuring Actions are expected to be within the Metal Cutting segment.

Restructuring and Related Charges Recorded
We recorded restructuring and related charges of $2.1 million for the three months ended March 31, 2021, which consisted of charges of $2.5 million in Metal Cutting offset by a benefit from the reversal of charges of $0.4 million in Infrastructure, and $5.8 million for the three months ended March 31, 2020. Of these amounts, restructuring benefits from the reversal of charges of $0.9 million were recorded for the three months ended March 31, 2021, of which $0.1 million is included in cost of goods sold, and charges of $1.8 million were recorded for the three months ended March 31, 2020, of which $0.2 million was included in cost of goods sold. Restructuring-related charges of $3.0 million and $4.0 million were recorded in cost of goods sold for the three months ended March 31, 2021 and 2020, respectively.

We recorded restructuring and related charges of $34.9 million for the nine months ended March 31, 2021, of which $32.0 million was in Metal Cutting and $2.9 million was in Infrastructure, and $65.1 million for the nine months ended March 31, 2020. Of these amounts, restructuring charges totaled $26.5 million for the nine months ended March 31, 2021, of which $0.3 million is included in cost of goods sold, and $54.5 million for the nine months ended March 31, 2020, of which $0.6 million was included in cost of goods sold. Restructuring-related charges of $8.5 million and $10.6 million were recorded in cost of goods sold for the nine months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, $27.8 million and $8.6 million of the restructuring accrual was recorded in other current liabilities and other liabilities, respectively, in our condensed consolidated balance sheet. As of June 30, 2020, $34.9 million and $12.5 million of the restructuring accrual was recorded in other current liabilities and other liabilities, respectively. The amounts are as follows:

(in thousands)	June 30, 2020	Expense, net	Asset Write-Down	Translation	Cash Expenditures	March 31, 2021
Severance	$ 47,303	$ 23,645	$ —	$ 7,378	$ (41,886)	$ 36,440
Facilities	—	2,805	(2,805)	—	—	—
Other	63	—	—	4	(67)	—
Total	$ 47,366	$ 26,450	$ (2,805)	$ 7,382	$ (41,953)	$ 36,440

7. STOCK-BASED COMPENSATION

Stock Options
Changes in our stock options for the nine months ended March 31, 2021 were as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic value (in thousands)
Options outstanding, June 30, 2020	646,959	$ 33.60		
Exercised	(252,658)	26.06		
Lapsed or forfeited	(32,514)	42.70		
Options outstanding, March 31, 2021	361,787	$ 38.04	2.5	$ 1,317
Options vested, March 31, 2021	361,787	$ 38.04	2.5	$ 1,317
Options exercisable, March 31, 2021	361,787	$ 38.04	2.5	$ 1,317

As of March 31, 2021 and June 30, 2020, there was no unrecognized compensation cost related to options outstanding, and all options were fully vested as of March 31, 2021 and 2020.

The amount of cash received from the exercise of options during the nine months ended March 31, 2021 and 2020 was $5.6 million and $0.7 million, respectively. The total intrinsic value of options exercised was $2.2 million and $0.3 million during the nine months ended March 31, 2021 and 2020, respectively.

Restricted Stock Units – Performance Vesting and Time Vesting
Changes in our performance vesting and time vesting restricted stock units for the nine months ended March 31, 2021 were as follows:

	Performance Vesting Stock Units	Performance Vesting Weighted Average Fair Value	Time Vesting Stock Units	Time Vesting Weighted Average Fair Value
Unvested, June 30, 2020	554,633	$ 34.26	1,039,695	$ 32.48
Granted	220,876	33.49	922,460	31.86
Vested	(77,284)	47.47	(476,704)	33.99
Performance metric adjustments, net	(100,000)	32.92	—	—
Other adjustments	(4,565)	30.26	—	—
Forfeited	(90,714)	32.36	(128,647)	31.39
Unvested, March 31, 2021	502,946	$ 32.54	1,356,804	$ 31.64

During the nine months ended March 31, 2021 and 2020, compensation expense related to time vesting and performance vesting restricted stock units was $18.7 million and $13.7 million, respectively. Certain performance metrics related to fiscal 2020 were not met, resulting in an adjustment of 100,000 performance vesting stock units during the nine months ended March 31, 2021. As of March 31, 2021, the total unrecognized compensation cost related to unvested time vesting and performance vesting restricted stock units was $28.8 million and is expected to be recognized over a weighted average period of 2.0 years.

8. PENSION AND OTHER POSTRETIREMENT BENEFITS

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2021	2020	2021	2020
Service cost	$ 429	$ 452	$ 1,264	$ 1,346
Interest cost	5,815	6,848	17,371	20,504
Expected return on plan assets	(13,459)	(13,539)	(40,171)	(40,491)
Amortization of transition obligation	24	23	70	67
Amortization of prior service cost	8	13	25	38
Recognition of actuarial losses	3,431	2,597	10,190	7,777
Settlement gain	—	—	—	(122)
Net periodic pension income	$ (3,752)	$ (3,606)	$ (11,251)	$ (10,881)

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2021	2020	2021	2020
Interest cost	$ 76	$ 101	$ 230	$ 303
Amortization of prior service credit	(69)	(69)	(207)	(207)
Recognition of actuarial loss	77	64	230	193
Net periodic other postretirement benefit cost	$ 84	$ 96	$ 253	$ 289

The service cost component of net periodic pension income is reported as a component of cost of goods sold and operating expense. All other components of net periodic pension income and net periodic other postretirement benefit cost are reported as a component of other income, net.

9. INVENTORIES

We used the last-in, first-out (LIFO) method of valuing inventories for 39 percent and 43 percent of total inventories at March 31, 2021 and June 30, 2020, respectively. Inventory valuations under the LIFO method are based on an annual determination of quantities and costs as of June 30 of each year; therefore, the interim LIFO valuations are based on our projections of expected year-end inventory levels and costs and are subject to any final year-end LIFO inventory adjustments.

Inventories consisted of the following:

(in thousands)	March 31, 2021	June 30, 2020
Finished goods	$ 305,478	$ 318,071
Work in process and powder blends	167,272	190,041
Raw materials	68,364	75,589
Inventories at current cost	541,114	583,701
Less: LIFO valuation	(64,950)	(61,254)
Total inventories	$ 476,164	$ 522,447

10. LONG-TERM DEBT

Long-term debt consisted of the following:

(in thousands)	March 31, 2021	June 30, 2020
2.800% Senior Unsecured Notes due fiscal 2031, net of discount of $2.7 million at March 31, 2021	$ 297,320	$ —
4.625% Senior Unsecured Notes due fiscal 2028, net of discount of $1.6 million at March 31, 2021 and $1.7 million at June 30, 2020	298,428	298,264
3.875% Senior Unsecured Notes due fiscal 2022, net of discount of $0.1 million at June 30, 2020	—	299,940
Total term debt	595,748	598,204
Less unamortized debt issuance costs	(4,076)	(4,121)
Total long-term debt	$ 591,672	$ 594,083

Senior Unsecured Notes In February 2021, we issued $300.0 million of 2.800 percent Senior Unsecured Notes with a maturity date of March 1, 2031. Interest will be paid semi-annually on March 1 and September 1 of each year. We settled forward starting interest rate swap contracts for a gain of $10.2 million related to the bond issuance as discussed in Note 5. In March 2021, we used the net proceeds from the bond issuance, plus cash on hand, for the early extinguishment of our $300.0 million of 3.875 percent Senior Unsecured Notes due 2022 (the 2022 Notes). Due to the early extinguishment, interest expense during the three months ended March 31, 2021 includes a make-whole premium of $9.6 million and the acceleration of a loss in the amount of $2.6 million from other comprehensive loss related to forward starting interest rate contracts that were used to hedge the interest payments of the 2022 Notes. A stranded tax benefit associated with the termination of this hedge was also recognized during the three months ended March 31, 2021. Refer to Note 13 for more information related to the stranded tax benefits. On June 7, 2018, we issued $300.0 million of 4.625 percent Senior Unsecured Notes with a maturity date of June 15, 2028. Interest on these notes is paid semi-annually on June 15 and December 15 of each year.

Future principal maturities of long-term debt are $300 million in 2028 and $300 million in 2031.

Fixed rate debt had a fair market value of $628.4 million and $630.2 million at March 31, 2021 and June 30, 2020, respectively. The Level 2 fair value is determined based on the quoted market prices for similar debt instruments as of March 31, 2021 and June 30, 2020, respectively.

11. REVOLVING AND OTHER LINES OF CREDIT

During the three months ended September 30, 2020, we entered into the First Amendment (the Amendment) to the Fifth Amended and Restated Credit Agreement dated as of June 21, 2018, (as amended by the Amendment, the Credit Agreement). The Credit Agreement is a five-year, multi-currency, revolving credit facility and we use it to augment cash from operations and as an additional source of funds. The Credit Agreement provides for revolving credit loans of up to $700.0 million for working capital, capital expenditures and general corporate purposes. The Credit Agreement allows for borrowings in U.S. dollars, euros, Canadian dollars, pounds sterling and Japanese yen. Interest payable under the Credit Agreement is based upon the type of borrowing under the facility and may be (1) LIBOR plus an applicable margin, (2) the greater of the prime rate or the Federal Funds effective rate plus an applicable margin, or (3) fixed as negotiated by us. The Credit Agreement matures in June 2023.

The Credit Agreement requires us to comply with various restrictive and affirmative covenants, including two financial covenants: (1) a maximum leverage ratio where debt, net of domestic cash in excess of $25 million and sixty percent of the unrestricted cash held outside of the United States, must be less than or equal to 3.5 times trailing twelve months EBITDA (temporarily increased by the Amendment to 4.25 times trailing twelve months EBITDA during the period from September 30, 2020 through and including December 31, 2021), adjusted for certain non-cash expenses and which may be further adjusted, at our discretion, to include up to $120 million of cash restructuring charges through December 31, 2021; and (2) a minimum consolidated interest coverage ratio of EBITDA to interest of 3.5 times (as such terms are defined in the Credit Agreement). Borrowings under the Credit Agreement are guaranteed by our significant domestic subsidiaries.

As of March 31, 2021, we were in compliance with all covenants of the Credit Agreement and we had $10.0 million of borrowings outstanding and $670.0 million of additional availability. There were $500.0 million of borrowings outstanding as of June 30, 2020.

12. ENVIRONMENTAL MATTERS

The operation of our business has exposed us to certain liabilities and compliance costs related to environmental matters. We are involved in various environmental cleanup and remediation activities at certain of our locations.

We establish and maintain accruals for certain potential environmental liabilities. At March 31, 2021, the balance of these accruals was $14.7 million, of which $2.6 million was current. At June 30, 2020, the balance was $15.6 million, of which $6.1 million was current. The balances as of March 31, 2021 and June 30, 2020 include the Company's resolution of an environmental indemnity claim against the seller of a prior acquisition for which receivables are also recorded in other current assets. These accruals represent anticipated costs associated with potential remedial requirements and are generally not discounted.

The accruals we have established for potential environmental liabilities represent our best current estimate of the costs of addressing all identified environmental situations, based on our review of currently available evidence, and taking into consideration our prior experience in remediation and that of other companies, as well as public information released by the United States Environmental Protection Agency (USEPA), other governmental agencies and by the Potentially Responsible Party (PRP) groups in which we are participating. Although our accruals currently appear to be sufficient to cover these potential environmental liabilities, there are uncertainties associated with environmental liabilities, and we can give no assurance that our estimate of any environmental liability will not increase or decrease in the future. The accrued liabilities for all environmental concerns could change substantially 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, the identification of new PRPs and the involvement of and direction taken by the government on these matters.

Superfund Sites Among other environmental laws, we are subject to the Comprehensive Environmental Response Compensation and Liability Act of 1980 (CERCLA), under which we have been designated by the USEPA as a PRP with respect to environmental remedial costs at certain Superfund sites. We have evaluated our claims and liabilities associated with these Superfund sites based upon best currently available information. We believe our environmental accruals are adequate to cover our portion of the environmental remedial costs at the Superfund sites where we have been designated a PRP, to the extent these expenses are probable and reasonably estimable.

13. INCOME TAXES

The effective income tax rates for the three months ended March 31, 2021 and 2020 were 8.0 percent (benefit on income) and 93.1 percent (provision on income), respectively. The year-over-year change is primarily due to the effects of changes in projected pretax income in both periods and two discrete tax benefits that were recorded in the current year quarter. The first discrete tax benefit of $12.4 million is a provision to return adjustment related to our fiscal 2020 U.S. income tax returns, the majority of which is attributable to a tax election made in our federal income tax return pursuant to global intangible low-taxed income (GILTI) regulations which were issued during the current fiscal year. The second discrete tax benefit of $3.5 million is the recognition of a stranded deferred tax balance in accumulated other comprehensive loss arising from valuation allowance adjustments and enacted tax rate changes associated with the forward starting interest rate cash flow hedges that were terminated during the current year quarter (see Note 10). The prior year rate included the effects from the impairment of goodwill and other intangible asset impairment charges in the former Widia segment.

The effective income tax rates for the nine months ended March 31, 2021 and 2020 were 84.6 percent (benefit on income) and 143.5 percent (benefit on a loss), respectively. The year-over-year change is primarily due to (i) the effects of relatively low projected pretax income in the current year quarter coupled with a relatively low projected pretax loss in the prior year quarter, and (ii) two discrete tax benefits that were recorded in the current year quarter. The first discrete tax benefit of $12.4 million is a provision to return adjustment related to our fiscal 2020 U.S. income tax returns, the majority of which is attributable to a tax election made in our federal income tax return pursuant to global intangible low-taxed income (GILTI) regulations which were issued during the current fiscal year. The second discrete tax benefit of $3.5 million is the recognition of a stranded deferred tax balance in accumulated other comprehensive loss arising from valuation allowance adjustments and enacted tax rate changes associated with the forward starting interest rate cash flow hedges that were terminated during the current year quarter (see Note 10). The prior year rate included a discrete $14.5 million benefit for the one-time effect of Swiss tax reform and the effects from the impairment of goodwill and other intangible asset impairment charges in the former Widia segment.

Swiss tax reform
Legislation was effectively enacted during the three months ended December 31, 2019 when the Canton of Schaffhausen approved the Federal Act on Tax Reform and AHV Financing on October 8, 2019 (Swiss tax reform). Significant changes from Swiss tax reform include the abolishment of certain favorable tax regimes and the creation of a ten-year transitional period at both the federal and cantonal levels.

The transitional provisions of Swiss tax reform allow companies to utilize a combination of lower tax rates and tax basis adjustments to fair value, which are used for tax depreciation and amortization purposes resulting in deductions over the transitional period. To reflect the federal and cantonal transitional provisions, as they apply to us, we recorded a deferred tax asset of $14.5 million during the three months ended December 31, 2019. We consider the deferred tax asset from Swiss tax reform to be an estimate based on our current interpretation of the legislation, which is subject to change based on further legislative guidance, review with the Swiss federal and cantonal authorities and modifications to the underlying valuation. We expect such reviews with the relevant tax authorities will be finalized during the fourth quarter of the current fiscal year or the first quarter of fiscal 2022. There have been no material changes to the recorded deferred tax asset since inception.

14. 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 would occur related to the issuance of capital stock under stock option grants, performance awards and restricted stock units. The difference between basic and diluted earnings per share relates solely to the effect of capital stock options, performance awards and restricted stock units.

The following table provides the computation of diluted shares outstanding for the three and nine months ended March 31, 2021 and 2020:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2021	2020	2021	2020
Weighted-average shares outstanding during period	83,719	83,106	83,539	83,022
Add: Unexercised stock options and unvested restricted stock units	869	590	645	567
Number of shares on which diluted earnings per share is calculated	84,588	83,696	84,184	83,589
Unexercised stock options with an exercise price greater than the average market price and restricted stock units not included in the computation because they were anti-dilutive	217	646	321	833

15. EQUITY

A summary of the changes in the carrying amounts of total equity, Kennametal Shareholders' equity and equity attributable to noncontrolling interests for the three months ending March 31, 2021 and 2020 is as follows:

	Kennametal Shareholders' Equity					
(in thousands, except per share amounts)	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Balance as of December 31, 2020	$ 104,330	$ 547,754	$ 969,301	$ (342,231)	$ 40,535	$ 1,319,689
Net income	—	—	21,621	—	1,364	22,985
Other comprehensive loss	—	—	—	(16,572)	(730)	(17,302)
Dividend reinvestment	2	48	—	—	—	50
Capital stock issued under employee benefit and stock plans[3]	148	8,768	—	—	—	8,916
Purchase of capital stock	(2)	(48)	—	—	—	(50)
Cash dividends ($0.20 per share)	—	—	(16,707)	—	—	(16,707)
Total equity, March 31, 2021	$ 104,478	$ 556,522	$ 974,215	$ (358,803)	$ 41,169	$ 1,317,581

	Kennametal Shareholders' Equity					
(in thousands, except per share amounts)	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Balance as of December 31, 2019	$ 103,618	$ 536,522	$ 1,044,247	$ (378,219)	$ 40,859	$ 1,347,027
Net income (loss)	—	—	2,917	—	(676)	2,241
Other comprehensive loss	—	—	—	(31,978)	(1,983)	(33,961)
Dividend reinvestment	2	50	—	—	—	52
Capital stock issued under employee benefit and stock plans[3]	24	74	—	—	—	98
Purchase of capital stock	(2)	(50)	—	—	—	(52)
Cash dividends ($0.20 per share)	—	—	(16,582)	—	—	(16,582)
Total equity, March 31, 2020	$ 103,642	$ 536,596	$ 1,030,582	$ (410,197)	$ 38,200	$ 1,298,823

[3] Net of restricted stock units delivered upon vesting to satisfy tax withholding requirements.

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

A summary of the changes in the carrying amounts of total equity, Kennametal Shareholders' equity and equity attributable to noncontrolling interests for the nine months ending March 31, 2021 and 2020 is as follows:

	Kennametal Shareholders' Equity					
(in thousands, except per share amounts)	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Balance as of June 30, 2020	$ 103,654	$ 538,575	$ 1,004,898	$ (417,242)	$ 38,903	$ 1,268,788
Net income	—	—	19,333	—	3,042	22,375
Other comprehensive income	—	—	—	58,439	1,904	60,343
Dividend reinvestment	6	144	—	—	—	150
Capital stock issued under employee benefit and stock plans[(3)]	824	18,258	—	—	—	19,082
Purchase of capital stock	(6)	(144)	—	—	—	(150)
Cash dividends ($0.60 per share)	—	—	(50,016)	—	—	(50,016)
Cash dividends to non-controlling interests	—	—	—	—	(1,361)	(1,361)
Other	—	(311)	—	—	(1,319)	(1,630)
Total equity, March 31, 2021	$ 104,478	$ 556,522	$ 974,215	$ (358,803)	$ 41,169	$ 1,317,581

	Kennametal Shareholders' Equity					
(in thousands, except per share amounts)	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Balance as of June 30, 2019	$ 103,026	$ 528,827	$ 1,076,862	$ (373,543)	$ 39,532	$ 1,374,704
Net income (loss)	—	—	3,445	—	(23)	3,422
Other comprehensive loss	—	—	—	(36,654)	(2,836)	(39,490)
Dividend reinvestment	6	151	—	—	—	157
Capital stock issued under employee benefit and stock plans[(3)]	616	7,769	—	—	—	8,385
Purchase of capital stock	(6)	(151)	—	—	—	(157)
Additions to noncontrolling interest	—	—	—	—	1,527	1,527
Cash dividends ($0.60 per share)	—	—	(49,725)	—	—	(49,725)
Total equity, March 31, 2020	$ 103,642	$ 536,596	$ 1,030,582	$ (410,197)	$ 38,200	$ 1,298,823

[(3)] Net of restricted stock units delivered upon vesting to satisfy tax withholding requirements.

The amounts of comprehensive income attributable to Kennametal Shareholders and noncontrolling interests are disclosed in the condensed consolidated statements of comprehensive income.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of, and changes in, accumulated other comprehensive loss (AOCL) were as follows, net of tax, for the nine months ended March 31, 2021:

(in thousands)	Pension and other postretirement benefits	Currency translation adjustment	Derivatives	Total
Attributable to Kennametal:				
Balance, June 30, 2020	$ (232,634)	$ (181,027)	$ (3,581)	$ (417,242)
Other comprehensive (loss) income before reclassifications	(5,489)	47,108	9,272	50,891
Amounts reclassified from AOCL	7,758	—	(210)	7,548
Net current period other comprehensive income	2,269	47,108	9,062	58,439
AOCL, March 31, 2021	$ (230,365)	$ (133,919)	$ 5,481	$ (358,803)
Attributable to noncontrolling interests:				
Balance, June 30, 2020	$ —	$ (5,909)	$ —	$ (5,909)
Other comprehensive income before reclassifications	—	1,904	—	1,904
Net current period other comprehensive income	—	1,904	—	1,904
AOCL, March 31, 2021	$ —	$ (4,005)	$ —	$ (4,005)

The components of, and changes in, AOCL were as follows, net of tax, for the nine months ended March 31, 2020:

(in thousands)	Pension and other postretirement benefits	Currency translation adjustment	Derivatives	Total
Attributable to Kennametal:				
Balance, June 30, 2019	$ (222,270)	$ (147,595)	$ (3,678)	$ (373,543)
Other comprehensive income (loss) before reclassifications	2,123	(44,855)	(144)	(42,876)
Amounts reclassified from AOCL	5,916	—	306	6,222
Net current period other comprehensive income (loss)	8,039	(44,855)	162	(36,654)
AOCL, March 31, 2020	$ (214,231)	$ (192,450)	$ (3,516)	$ (410,197)
Attributable to noncontrolling interests:				
Balance, June 30, 2019	$ —	$ (3,450)	$ —	$ (3,450)
Other comprehensive loss before reclassifications	—	(2,836)	—	(2,836)
Net current period other comprehensive loss	—	(2,836)	—	(2,836)
AOCL, March 31, 2020	$ —	$ (6,286)	$ —	$ (6,286)

Reclassifications out of AOCL for the three and nine months ended March 31, 2021 and 2020 consisted of the following:

	Three Months Ended March 31,		Nine Months Ended March 31,		
(in thousands)	2021	2020	2021	2020	Affected line item in the Income Statement
Losses and (gains) on cash flow hedges:					
Forward starting interest rate swaps	$ 3,068	$ 611	$ 4,337	$ 1,833	Interest expense
Currency exchange contracts	—	75	(24)	(1,428)	Cost of goods sold and other income, net
Total before tax	3,068	686	4,313	405	
Tax impact	(4,216)	(168)	(4,523)	(99)	Provision/benefit on/from income taxes
Net of tax	$ (1,148)	$ 518	$ (210)	$ 306	
Pension and other postretirement benefits:					
Amortization of transition obligations	$ 24	$ 23	$ 70	$ 67	Other income, net
Amortization of prior service credit	(61)	(56)	(182)	(169)	Other income, net
Recognition of actuarial losses	3,508	2,661	10,420	7,970	Other income, net
Total before tax	3,471	2,628	10,308	7,868	
Tax impact	(892)	(662)	(2,550)	(1,952)	Provision/benefit on/from income taxes
Net of tax	$ 2,579	$ 1,966	$ 7,758	$ 5,916	

The amount of income tax allocated to each component of other comprehensive income (loss) for the three months ended March 31, 2021 and 2020 were as follows:

	2021			2020		
(in thousands)	Pre-tax	Tax impact	Net of tax	Pre-tax	Tax impact	Net of tax
Unrealized gain (loss) on derivatives designated and qualified as cash flow hedges	$ 6,319	$ (1,548)	$ 4,771	$ (1,325)	$ 325	$ (1,000)
Reclassification of unrealized (gain) loss on derivatives designated and qualified as cash flow hedges	3,068	(4,216)	(1,148)	686	(168)	518
Unrecognized net pension and other postretirement benefit gain	2,804	(772)	2,032	3,295	(722)	2,573
Reclassification of net pension and other postretirement benefit loss	3,471	(892)	2,579	2,628	(662)	1,966
Foreign currency translation adjustments	(24,604)	(932)	(25,536)	(38,103)	85	(38,018)
Other comprehensive (loss) income	$ (8,942)	$ (8,360)	$ (17,302)	$ (32,819)	$ (1,142)	$ (33,961)

The amount of income tax allocated to each component of other comprehensive income (loss) for the nine months ended March 31, 2021 and 2020 were as follows:

	2021			2020		
(in thousands)	Pre-tax	Tax impact	Net of tax	Pre-tax	Tax impact	Net of tax
Unrealized gain (loss) on derivatives designated and qualified as cash flow hedges	$ 12,281	$ (3,009)	$ 9,272	$ (191)	$ 47	$ (144)
Reclassification of unrealized loss (gain) on derivatives designated and qualified as cash flow hedges	4,313	(4,523)	(210)	405	(99)	306
Unrecognized net pension and other postretirement benefit (loss) gain	(7,109)	1,620	(5,489)	2,876	(753)	2,123
Reclassification of net pension and other postretirement benefit loss	10,308	(2,550)	7,758	7,868	(1,952)	5,916
Foreign currency translation adjustments	49,174	(162)	49,012	(47,809)	118	(47,691)
Other comprehensive income (loss)	$ 68,967	$ (8,624)	$ 60,343	$ (36,851)	$ (2,639)	$ (39,490)

17. GOODWILL AND OTHER INTANGIBLE ASSETS

December Quarter of Fiscal 2020 Impairment Charge
In the December quarter of fiscal 2020, the Company experienced deteriorating market conditions, primarily in general engineering and transportation applications in India and China, in addition to overall global weakness in the manufacturing sector. In view of these declining conditions and the significant detrimental effect on cash flows and actual and projected revenue and earnings compared with the prior annual impairment test, we determined that an impairment triggering event had occurred and performed an interim quantitative impairment test of our goodwill, indefinite-lived trademark intangible asset and other long-lived assets of our former Widia reporting unit. We evaluated the recoverability of goodwill for the reporting unit by comparing its carrying value with the fair values determined using a combination of a discounted cash flow analysis and market multiples based upon historical and projected financial information. As a result of this test, we recorded a non-cash pre-tax impairment charge during the three months ended December 31, 2019 of $14.6 million in the former Widia segment, which is now part of the Metal Cutting segment as of July 1, 2020, of which $13.1 million was for goodwill and $1.5 million was for an indefinite-lived trademark intangible asset. These impairment charges are recorded in restructuring and asset impairment charges in our condensed consolidated statements of income.

March Quarter of Fiscal 2020 March Impairment Charge
In the March quarter of fiscal 2020, the decline in actual and projected financial results for the Widia reporting unit, primarily as a result of the COVID-19 pandemic, represented an interim impairment triggering event because there was essentially zero cushion between the reporting unit's carrying value and fair value as of March 31, 2020. As a result, we performed an interim quantitative impairment test of goodwill and the indefinite-lived trademark intangible asset for the Widia reporting unit. We evaluated the recoverability of goodwill for the reporting unit by comparing the fair value with its carrying value, with the fair values determined using a combination of a discounted cash flow analysis and market multiples based upon historical and projected financial information. As a result of this interim test, we recorded a non-cash pre-tax impairment charge during the three months ended March 31, 2020 of $15.6 million in the Widia segment, of which $13.7 million was for goodwill and $1.9 million was for an indefinite-lived trademark intangible asset. These impairment charges were recorded in restructuring and asset impairment charges in our condensed consolidated statements of income. No impairment was recorded for the other Widia long-lived assets. Subsequent to the impairment charges recorded in the March quarter of fiscal 2020, there is no remaining goodwill for the Widia reporting unit and the carrying value of the indefinite-lived trademark at March 31, 2021 is $11.7 million.

Divestiture Impact on Other Intangible Assets
During the three months ended December 31, 2019, we completed the sale of certain assets of the non-core specialty alloys and metals business within the Infrastructure segment, see Note 3. As a result of this transaction, other intangibles decreased by $12.5 million in our Infrastructure segment. This decrease was recorded in the loss on divestiture account in our condensed consolidated statements of income.

A summary of the carrying amount of goodwill attributable to each segment, as well as the changes in such carrying amounts, is as follows:

(in thousands)	Metal Cutting	Infrastructure	Total
Gross goodwill	$ 448,241	$ 633,211	$ 1,081,452
Accumulated impairment losses	(177,661)	(633,211)	(810,872)
Balance as of June 30, 2020	$ 270,580	$ —	$ 270,580
Activity for the nine months ended March 31, 2021:			
Change in gross goodwill due to translation	5,468	—	5,468
Gross goodwill	453,709	633,211	1,086,920
Accumulated impairment losses	(177,661)	(633,211)	(810,872)
Balance as of March 31, 2021	$ 276,048	$ —	$ 276,048

The components of our other intangible assets were as follows:

		March 31, 2021		June 30, 2020	
(in thousands)	Estimated Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology-based and other	4 to 20	$ 33,373	$ (23,977)	$ 32,713	$ (22,612)
Customer-related	10 to 21	182,840	(95,662)	181,408	(88,112)
Unpatented technology	10 to 30	31,896	(19,918)	31,586	(17,890)
Trademarks	5 to 20	13,229	(9,763)	13,087	(8,772)
Trademarks	Indefinite	11,669	—	11,160	—
Total		$ 273,007	$ (149,320)	$ 269,954	$ (137,386)

18. SEGMENT DATA

Effective July 1, 2020, as a result of a change in commercial strategy, organizational structure, and the way performance is assessed and resources are allocated, the Industrial and Widia businesses were combined to form one Metal Cutting business. The Infrastructure business remained unchanged. Therefore, we currently operate in two reportable segments consisting of Metal Cutting and Infrastructure. Our reportable operating segments have been determined in accordance with our internal management structure, which is organized based on operating activities, the manner in which we organize segments for allocating resources, making operating decisions and assessing performance and the availability of separate financial results. We do not allocate certain corporate expenses related to executive retirement plans, our Board of Directors, strategic initiatives, and certain other costs and report them in Corporate, and our reportable operating segments do not represent the aggregation of two or more operating segments.

METAL CUTTING The Metal Cutting segment develops and manufactures high performance tooling and metal cutting products and services and offers an assortment of standard and custom metal cutting solutions to diverse end markets, including aerospace, general engineering, energy and transportation. The products include milling, hole making, turning, threading and toolmaking systems used in the manufacture of airframes, aero engines, trucks and automobiles, ships and various types of industrial equipment. We leverage advanced manufacturing capabilities in combination with varying levels of customization to solve our customers' toughest challenges and deliver improved productivity for a wide range of applications. Metal Cutting markets its products under the Kennametal®, WIDIA®, WIDIA Hanita® and WIDIA GTD® brands through its direct sales force, a network of independent and national distributors, integrated supplier channels and via the Internet. Application engineers and technicians are critical to the sales process and directly assist our customers with specified product design, selection, application and support.

INFRASTRUCTURE Our Infrastructure segment produces engineered tungsten carbide and ceramic components, earth-cutting tools, and advanced metallurgical powders, primarily for the energy, earthworks and general engineering end markets. These wear-resistant products include compacts, nozzles, frac seats and custom components used in oil and gas and petrochemical industries; rod blanks and abrasive water jet nozzles for general industries; earth cutting tools and systems used in underground mining, trenching and foundation drilling and road milling; tungsten carbide powders for the oil and gas, aerospace and process industries; and ceramics used by the packaging industry for metallization of films and papers. We combine deep metallurgical and engineering expertise with advanced manufacturing capabilities to deliver solutions that drive improved productivity for our customers. Infrastructure markets its products primarily under the Kennametal® brand and sells through a direct sales force as well as through distributors.

Our sales and operating income (loss) by segment are as follows:

(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Sales:				
Metal Cutting	$ 308,144	$ 303,459	$ 838,937	$ 951,123
Infrastructure	176,514	179,625	486,533	555,129
Total sales	$ 484,658	$ 483,084	$ 1,325,470	$ 1,506,252
Operating income (loss):				
Metal Cutting	$ 22,674	$ 16,619	$ 12,741	$ 749
Infrastructure	18,282	21,941	31,815	7,679
Corporate	(1,434)	(667)	(3,178)	(1,797)
Total operating income	39,522	37,893	41,378	6,631
Interest expense	20,928	7,897	39,823	23,834
Other income, net	(2,692)	(2,438)	(10,568)	(9,330)
Income (loss) before income taxes	$ 21,286	$ 32,434	$ 12,123	$ (7,873)

The following table presents Kennametal's revenue disaggregated by geography:

	Three Months Ended					
	March 31, 2021			March 31, 2020		
(in thousands)	Metal Cutting	Infrastructure	Total Kennametal	Metal Cutting	Infrastructure	Total Kennametal
Americas	37%	58%	45%	42%	64%	50%
EMEA	40	17	31	38	18	30
Asia Pacific	23	25	24	20	18	20

	Nine Months Ended					
	March 31, 2021			March 31, 2020		
(in thousands)	Metal Cutting	Infrastructure	Total Kennametal	Metal Cutting	Infrastructure	Total Kennametal
Americas	38%	56%	45%	42%	62%	50%
EMEA	38	19	31	37	18	30
Asia Pacific	24	25	24	21	20	20

The following tables presents Kennametal's revenue disaggregated by end market:

	Three Months Ended March 31, 2021		
(in thousands)	Metal Cutting	Infrastructure	Total Kennametal
General engineering	53%	37%	48%
Transportation	32	—	20
Aerospace	8	—	5
Energy	7	26	14
Earthworks	—	37	13

	Three Months Ended March 31, 2020		
(in thousands)	Metal Cutting	Infrastructure	Total Kennametal
General engineering	52%	35%	46%
Transportation	28	—	18
Aerospace	12	—	7
Energy	8	29	16
Earthworks	—	36	13

	Nine Months Ended March 31, 2021		
(in thousands)	Metal Cutting	Infrastructure	Total Kennametal
General engineering	53%	36%	47%
Transportation	31	—	20
Aerospace	8	—	5
Energy	8	25	14
Earthworks	—	39	14

	Nine Months Ended March 31, 2020		
(in thousands)	Metal Cutting	Infrastructure	Total Kennametal
General engineering	52%	34%	45%
Transportation	28	—	18
Aerospace	12	—	8
Energy	8	29	16
Earthworks	—	37	13

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

OVERVIEW

Kennametal Inc. was founded based on a tungsten carbide technology breakthrough in 1938. The Company was incorporated in Pennsylvania in 1943 as a manufacturer of tungsten carbide metal cutting tooling and was listed on the New York Stock Exchange (NYSE) in 1967. With more than 80 years of materials expertise, the Company is a global industrial technology leader, helping customers across the aerospace, earthworks, energy, general engineering and transportation industries manufacture with precision and efficiency. This expertise includes the development and application of tungsten carbides, ceramics, super-hard materials and solutions used in metal cutting and extreme wear applications to keep customers up and running longer against conditions such as corrosion and high temperatures.

Our standard and custom product offerings span metal cutting and wear applications including turning, milling, hole making, tooling systems and services, as well as specialized wear components and metallurgical powders. End users of our metal cutting products include manufacturers engaged in a diverse array of industries including: the manufacturers of transportation vehicles and components, machine tools and light and heavy machinery; airframe and aerospace components; and energy-related components for the oil and gas industry, as well as power generation. Our wear and metallurgical powders are used by producers and suppliers in equipment-intensive operations such as road construction, mining, quarrying, oil and gas exploration, refining, production and supply.

Throughout the MD&A, we refer to measures used by management to evaluate performance. We also refer to a number of financial measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP), including organic sales growth (decline), constant currency regional sales growth (decline) and constant currency end market sales growth (decline). We provide the definitions of these non-GAAP financial measures at the end of the MD&A section as well as details on the use and derivation of these financial measures.

Our sales of $484.7 million for the quarter ended March 31, 2021 remained consistent with the prior quarter reflecting a 2 percent favorable currency exchange effect, offset by a 1 percent organic sales decline and an unfavorable impact of 1 percent from less business days. However, sales improved sequentially this quarter by approximately 10 percent, which outpaced the typical seasonal trend.

Operating income increased $1.6 million from $37.9 million in the prior year quarter to $39.5 million in the current quarter. The year-over-year change was due primarily to approximately $18 million of incremental simplification/modernization benefits, no goodwill and other intangible asset impairment charges in the current year quarter and lower restructuring and related charges of $3.5 million, largely offset by an increase in variable compensation, unfavorable geographic and product mix and unfavorable labor and fixed cost absorption due to lower volumes. Operating margin was 8.2 percent compared to 7.8 percent in the prior year quarter. The Infrastructure and Metal Cutting segments had operating margins of 10.4 percent and 7.4 percent, respectively, for the quarter ended March 31, 2021.

On March 11, 2020, the World Health Organization declared the Coronavirus Disease 2019 (COVID-19) a pandemic bringing significant uncertainty in our end markets and operations. National, regional and local governments have taken steps to limit the spread of the virus through stay-at-home, social distancing, and various other orders and guidelines. The imposition of these measures created significant operating constraints on our business. Recognizing the potential for COVID-19 to significantly disrupt operations, we began to deploy safety protocols and processes globally during the March quarter of fiscal 2020 to keep our employees safe while continuing to serve our customers. In fiscal 2020 and to date, we have not experienced a material disruption in our supply chain. The extent to which the COVID-19 pandemic may continue to affect our business, operating results, financial condition, or liquidity in the future will depend on future developments, including the duration of the outbreak, travel restrictions, business and workforce disruptions, and the effectiveness of actions taken to contain and treat the disease.

In connection with the Company's simplification/modernization initiative, we remain on track for $180 million of expected simplification/modernization savings by the end of fiscal 2021. FY21 Restructuring Actions are expected to deliver annualized savings of approximately $75 million and the expected pre-tax charges are $90 million to $95 million. We recorded $2.1 million of pre-tax restructuring and related charges in the quarter, and total incremental benefits related to simplification/modernization initiatives were approximately $18 million in the current quarter, which includes incremental restructuring savings of approximately $13 million. The Company achieved annualized total savings inception to date from our simplification/modernization initiatives of $164 million.

Current quarter earnings per diluted share (EPS) of $0.26 was unfavorably affected by the effects of the early debt extinguishment of $0.08 per share, differences in annual projected tax rates of $0.08 per share and restructuring and related charges of $0.02 per share, partially offset by a discrete tax benefit of $0.12 per share. The EPS of $0.03 in the prior year quarter included differences in annual projected tax rates of $0.20 per share, goodwill and other intangible asset impairment charges of $0.17 per share and restructuring and related charges of $0.06 per share.

We generated net cash flows from operating activities of $139.2 million during the nine months ended March 31, 2021 compared to $146.1 million during the prior year period. Capital expenditures were $94.1 million and $206.1 million during the nine months ended March 31, 2021 and 2020, respectively, with the decrease primarily related to lower capital spending on our simplification/modernization initiative.

RESULTS OF CONTINUING OPERATIONS

SALES

Sales for the three months ended March 31, 2021 were $484.7 million, an increase of $1.6 million, from $483.1 million in the prior year quarter. The increase in sales was driven by a 2 percent favorable currency exchange impact, offset by an unfavorable business day effect of 1 percent and a 1 percent organic sales decline.

Sales for the nine months ended March 31, 2021 were $1,325.5 million, a decrease of $180.8 million, or 12 percent, from $1,506.3 million in the prior year period. The decrease in sales was driven by a 12 percent organic sales decline and a 1 percent decline from divestiture, partially offset by a 1 percent favorable currency exchange impact.

	Three Months Ended March 31, 2021		Nine Months Ended March 31, 2021	
(in percentages)	As Reported	Constant Currency	As Reported	Constant Currency
End market sales growth (decline):				
Transportation	15%	11%	(4)%	(5)%
General engineering	4	1	(9)	(9)
Earthworks	—	(3)	(8)	(8)
Energy	(12)	(14)	(20)	(21)
Aerospace	(32)	(34)	(40)	(41)
Regional sales growth (decline):				
Asia Pacific	22%	17%	4%	2%
Europe, the Middle East and Africa (EMEA)	4	(3)	(8)	(12)
Americas	(10)	(10)	(21)	(19)

GROSS PROFIT

Gross profit for the three months ended March 31, 2021 was $150.2 million, a decrease of $6.8 million from $157.0 million in the prior year quarter. The decrease was primarily due to an organic sales decline and unfavorable labor and fixed cost absorption due to lower production volumes, partially offset by incremental simplification/modernization benefits and favorable foreign currency exchange effect of approximately $5 million. Gross profit margin for the three months ended March 31, 2021 was 31.0 percent, as compared to 32.5 percent in the prior year quarter.

Gross profit for the nine months ended March 31, 2021 was $376.8 million, a decrease of $51.2 million from $428.0 million in the prior year period. The decrease was primarily due to an organic sales decline and unfavorable labor and fixed cost absorption due to lower volumes, partially offset by lower raw material costs and incremental simplification/modernization benefits. Gross profit margin for the nine months ended March 31, 2021 and 2020 was 28.4 percent.

OPERATING EXPENSE

Operating expense for the three months ended March 31, 2021 was $108.1 million, an increase of $9.6 million from $98.5 million in the prior year quarter. The increase was primarily due to an increase in variable compensation, partially offset by incremental simplification/modernization benefits.

Operating expense for the nine months ended March 31, 2021 was $299.2 million, a decrease of $21.1 million from $320.3 million in the prior year period. The decrease was primarily due to incremental simplification/modernization benefits and cost control measures.

We invested further in technology and innovation during the current quarter to continue delivering high quality products to our customers. Research and development expenses included in operating expense totaled $10.6 million and $9.8 million for the three months ended March 31, 2021 and 2020, respectively, and $28.7 million and $30.3 million for the nine months ended March 31, 2021 and 2020, respectively.

RESTRUCTURING AND RELATED CHARGES AND ASSET IMPAIRMENT CHARGES

FY20 Restructuring Actions
In the June quarter of fiscal 2019, we implemented, and in fiscal 2020 substantially completed, the FY20 Restructuring Actions associated with our simplification/modernization initiative to reduce structural costs, improve operational efficiency and position us for long-term profitable growth. Total restructuring and related charges since inception of $54.8 million were recorded for this program through March 31, 2021, consisting of: $46.5 million in Metal Cutting and $8.3 million in Infrastructure. Inception to date, we have achieved annualized savings of approximately $35 million related to the FY20 Restructuring Actions.

FY21 Restructuring Actions
In the September quarter of fiscal 2020, we announced the initiation of restructuring actions in Germany associated with our simplification/modernization initiative, which are expected to reduce structural costs. Subsequently, we also announced the acceleration of our structural cost reduction plans including the closing of the Johnson City, Tennessee facility. Estimated annualized benefits of the FY21 Restructuring Actions are $75 million and the expected pre-tax charges are $90 million to $95 million. Total restructuring and related charges since inception of $76.7 million were recorded for this program through March 31, 2021, consisting of: $71.0 million in Metal Cutting and $5.8 million in Infrastructure. The majority of the remaining charges related to the FY21 Restructuring Actions are expected to be in the Metal Cutting segment. Inception to date, we have achieved annualized savings of approximately $58 million related to the FY21 Restructuring Actions.

Restructuring and Related Charges Recorded
We recorded restructuring and related charges of $2.1 million for the three months ended March 31, 2021, which consisted of charges of $2.5 million in Metal Cutting offset by a benefit from the reversal of charges of $0.4 million in Infrastructure, and $5.8 million for the three months ended March 31, 2020. Of these amounts, restructuring benefits from the reversal of charges of $0.9 million were recorded for the three months ended March 31, 2021, of which $0.1 million is included in cost of goods sold, and charges of $1.8 million were recorded for the three months ended March 31, 2020, of which $0.2 million was included in cost of goods sold. Restructuring-related charges of $3.0 million and $4.0 million were recorded in cost of goods sold for the three months ended March 31, 2021 and 2020, respectively.

We recorded restructuring and related charges of $34.9 million for the nine months ended March 31, 2021, of which $32.0 million was in Metal Cutting and $2.9 million was in Infrastructure, and $65.1 million for the nine months ended March 31, 2020. Of these amounts, restructuring charges totaled $26.5 million for the nine months ended March 31, 2021, of which $0.3 million is included in cost of goods sold, and $54.5 million for the nine months ended March 31, 2020, of which $0.6 million was included in cost of goods sold. Restructuring-related charges of $8.5 million and $10.6 million were recorded in cost of goods sold for the nine months ended March 31, 2021 and 2020, respectively.

Goodwill and Other Intangible Asset Impairment Charges
We recorded non-cash pre-tax goodwill and other intangible asset impairment charges of $15.6 million and $30.2 million during the three and nine months ended March 31, 2020, respectively. See Note 17 to our condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q.

LOSS ON DIVESTITURE

During the three months ended December 31, 2019, we completed the sale of certain assets of the non-core specialty alloys and metals business within the Infrastructure segment located in New Castle, Pennsylvania to Advanced Metallurgical Group N.V. for an aggregate price of $24.0 million.

The net book value of these assets at closing was $29.5 million, and the pre-tax loss on divestiture recognized during the three months ended December 31, 2019 was $6.5 million. Transaction proceeds were primarily used for capital expenditures related to our simplification/modernization efforts.

INTEREST EXPENSE

Interest expense for the three months ended March 31, 2021 increased to $20.9 million compared to $7.9 million for the three months ended March 31, 2020. Interest expense for the nine months ended March 31, 2021 increased to $39.8 million compared to $23.8 million for the nine months ended March 31, 2020. Both increases were primarily due to the early extinguishment of the 2022 Notes. See "Note 10. Long-Term Debt" for further details.

OTHER INCOME, NET

Other income for the three months ended March 31, 2021 increased to $2.7 million from $2.4 million during the three months ended March 31, 2020. Other income for the nine months ended March 31, 2021 increased to $10.6 million from $9.3 million during the nine months ended March 31, 2020.

PROVISION FOR INCOME TAXES

The effective income tax rates for the three months ended March 31, 2021 and 2020 were 8.0 percent (benefit on income) and 93.1 percent (provision on income), respectively. The year-over-year change is primarily due to the effects of changes in projected pretax income in both periods and two discrete tax benefits that were recorded in the current year quarter. The first discrete tax benefit of $12.4 million is a provision to return adjustment related to our fiscal 2020 U.S. income tax returns, the majority of which is attributable to a tax election made in our federal income tax return pursuant to global intangible low-taxed income (GILTI) regulations which were issued during the current fiscal year. The second discrete tax benefit of $3.5 million is the recognition of a stranded deferred tax balance in accumulated other comprehensive loss arising from valuation allowance adjustments and enacted tax rate changes associated with the forward starting interest rate cash flow hedges that were terminated during the current year quarter (see Note 10). The prior year rate included the effects from the impairment of goodwill and other intangible asset impairment charges in the former Widia segment.

The effective income tax rates for the nine months ended March 31, 2021 and 2020 were 84.6 percent (benefit on income) and 143.5 percent (benefit on a loss), respectively. The year-over-year change is primarily due to (i) the effects of relatively low projected pretax income in the current year quarter coupled with a relatively low projected pretax loss in the prior year quarter, and (ii) two discrete tax benefits that were recorded in the current year quarter. The first discrete tax benefit of $12.4 million is a provision to return adjustment related to our fiscal 2020 U.S. income tax returns, the majority of which is attributable to a tax election made in our federal income tax return pursuant to global intangible low-taxed income (GILTI) regulations which were issued during the current fiscal year. The second discrete tax benefit of $3.5 million is the recognition of a stranded deferred tax balance in accumulated other comprehensive loss arising from valuation allowance adjustments and enacted tax rate changes associated with the forward starting interest rate cash flow hedges that were terminated during the current year quarter (see Note 10). The prior year rate included a discrete $14.5 million benefit for the one-time effect of Swiss tax reform and the effects from the impairment of goodwill and other intangible asset impairment charges in the former Widia segment.

BUSINESS SEGMENT REVIEW

Effective July 1, 2020, as a result of a change in commercial strategy, organizational structure, and the way performance is assessed and resources are allocated, the Industrial and Widia businesses were combined to form one Metal Cutting business. The Infrastructure business remained unchanged. Therefore, we currently operate in two reportable segments consisting of Metal Cutting and Infrastructure. Our reportable operating segments have been determined in accordance with our internal management structure, which is organized based on operating activities, the manner in which we organize segments for allocating resources, making operating decisions and assessing performance and the availability of separate financial results. We do not allocate certain corporate expenses related to executive retirement plans, our Board of Directors, strategic initiatives, and certain other costs and report them in Corporate. Our reportable operating segments do not represent the aggregation of two or more operating segments.

Our sales and operating income (loss) by segment are as follows:

(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Sales:				
Metal Cutting	$ 308,144	$ 303,459	$ 838,937	$ 951,123
Infrastructure	176,514	179,625	486,533	555,129
Total sales	$ 484,658	$ 483,084	$ 1,325,470	$ 1,506,252
Operating income (loss):				
Metal Cutting	$ 22,674	$ 16,619	$ 12,741	$ 749
Infrastructure	18,282	21,941	31,815	7,679
Corporate	(1,434)	(667)	(3,178)	(1,797)
Total operating income	39,522	37,893	41,378	6,631
Interest expense	20,928	7,897	39,823	23,834
Other income, net	(2,692)	(2,438)	(10,568)	(9,330)
Income (loss) before income taxes	$ 21,286	$ 32,434	$ 12,123	$ (7,873)

METAL CUTTING

(in thousands, except operating margin)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Sales	$ 308,144	$ 303,459	$ 838,937	$ 951,123
Operating income	22,674	16,619	12,741	749
Operating margin	7.4 %	5.5 %	1.5 %	0.1 %

(in percentages)	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2021
Organic sales growth (decline)	—%	(12)%
Foreign currency exchange effect[1]	3	1
Business days effect[2]	(1)	(1)
Sales growth (decline)	2%	(12)%

(in percentages)	Three Months Ended March 31, 2021 As Reported	Three Months Ended March 31, 2021 Constant Currency	Nine Months Ended March 31, 2021 As Reported	Nine Months Ended March 31, 2021 Constant Currency
End market sales growth (decline):				
Transportation	15%	11%	(4)%	(5)%
General engineering	4	1	(9)	(10)
Energy	(12)	(16)	(15)	(17)
Aerospace	(32)	(34)	(40)	(41)
Regional sales growth (decline):				
Asia Pacific	15%	10%	—%	(2)%
EMEA	7	—	(8)	(12)
Americas	(10)	(9)	(21)	(19)

For the three months ended March 31, 2021, Metal Cutting sales increased 2 percent from the prior year quarter. Transportation end market sales increased in all regions. Sales in our general engineering end market increased slightly, with growth in Asia Pacific partially offset by a decline in the Americas, while EMEA was flat. The general engineering end market continued to be impacted by lower manufacturing activity related to the COVID-19 pandemic. Energy sales decreased primarily due to a decline in oil and gas drilling in the Americas, while Aerospace end market sales declined in all regions due to a significant reduction in airplane manufacturing. On a regional basis, the sales increase in Asia Pacific was driven by increases in the general engineering and transportation end markets, partially offset by a decline in the aerospace end market. The sales increase in EMEA was primarily due to growth in the transportation end market, partially offset by a decline in the aerospace end market. The sales decrease in the Americas was driven by declines in the aerospace, general engineering, and energy end markets, partially offset by an increase in sales in the transportation end market.

For the three months ended March 31, 2021, Metal Cutting operating income was $22.7 million compared to $16.6 million in the prior year quarter. The year-over-year increase was driven primarily by approximately $11 million of incremental simplification/modernization benefits, no goodwill and other intangible asset impairment charges in the current year quarter and lower restructuring and related charges of $1.6 million, partially offset by an increase in variable compensation, unfavorable product mix and unfavorable labor and fixed cost absorption due to lower volumes.

For the nine months ended March 31, 2021, Metal Cutting sales decreased 12 percent from the prior year period. Aerospace end market sales declined in all regions due to a significant reduction in airplane manufacturing. Energy sales decreased primarily due to a decline in oil and gas drilling in the Americas, partially offset by strength in wind power generation in China. Sales in our general engineering end market declined in all regions except for Asia Pacific, which had moderate growth. The general engineering end market continued to be impacted by lower manufacturing activity related to the COVID-19 pandemic. Transportation end market sales declined in all regions due to continued weakness in auto build rates caused by a slowdown in auto sales. On a regional basis, the sales decreases in the Americas and EMEA were driven by declines in all four end markets. The sales decrease in Asia Pacific, excluding the impact from foreign currency exchange, was driven by declines in the transportation and aerospace end markets, partially offset by increases in sales in the energy and general engineering end markets.

For the nine months ended March 31, 2021, Metal Cutting operating income was $12.7 million compared to $0.7 million in the prior year period. The year-over-year increase was driven primarily by incremental simplification/modernization benefits, no goodwill and other intangible asset impairment charges in the current period, lower restructuring and related charges of $27.6 million and lower raw material costs, partially offset by organic sales decline, unfavorable labor and fixed cost absorption due to lower volumes, an increase in variable compensation and unfavorable product mix.

INFRASTRUCTURE

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2021	2020	2021	2020
Sales	$ 176,514	$ 179,625	$ 486,533	$ 555,129
Operating income	18,282	21,941	31,815	7,679
Operating margin	10.4 %	12.2 %	6.5 %	1.4 %

(in percentages)	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2021
Organic sales decline	(3)%	(11)%
Foreign currency exchange effect[(1)]	2	1
Business days effect[(2)]	(1)	—
Divestiture effect[(3)]	—	(2)
Sales decline	(2)%	(12)%

(in percentages)	Three Months Ended March 31, 2021 As Reported	Three Months Ended March 31, 2021 Constant Currency	Nine Months Ended March 31, 2021 As Reported	Nine Months Ended March 31, 2021 Constant Currency
End market sales (decline) growth:				
Energy	(12)%	(14)%	(22)%	(23)%
Earthworks	—	(3)	(8)	(8)
General engineering	5	2	(9)	(6)
Regional sales (decline) growth:				
Americas	(11)%	(11)%	(21)%	(19)%
EMEA	(7)	(13)	(9)	—
Asia Pacific	37	30	13	9

For the three months ended March 31, 2021, Infrastructure sales decreased by 2 percent from the prior year quarter. The U.S. oil and gas market drove year-over-year decline in the energy market with U.S. land rig counts down approximately 51 percent compared to the prior year quarter. Earthworks end market sales were down year-over-year, excluding the impact from foreign currency exchange, due to softness in mining and construction in the Americas, partially offset by mining in Asia Pacific. The sales increase in general engineering was driven by economic recovery in Asia Pacific, most notably in China. On a regional basis, the sales decrease in the Americas was driven by a decline in the energy end market, and to a lesser extent, declines in the earthworks and general engineering end markets, while the sales decrease in EMEA was primarily driven by a decline in general engineering. The increase in Asia Pacific was driven by sales growth in all three end markets.

For the three months ended March 31, 2021, Infrastructure operating income was $18.3 million compared to $21.9 million in the prior year quarter. The year-over-year change was driven primarily by an increase in variable compensation, organic sales decline and unfavorable labor and fixed cost absorption due to lower volumes, partially offset by approximately $4 million of incremental simplification/modernization benefits and lower restructuring and related charges of $1.9 million.

For the nine months ended March 31, 2021, Infrastructure sales decreased by 12 percent from the prior year period. The U.S. oil and gas market drove year-over-year decline in the energy market with U.S. land rig counts down approximately 63 percent compared to the prior year period. Earthworks end market sales were down year-over-year due to softness in mining in the Americas, and to a lesser extent, construction. The sales decline in general engineering was driven by economic decline and COVID-19 impact in the Americas and EMEA, partially offset by sales growth in Asia Pacific. On a regional basis, the sales decrease in the Americas was driven by a decline in the energy end market, and to a lesser extent, declines in the earthworks and general engineering end markets, while in EMEA the sales decrease was primarily driven by a decline in the general engineering end market. The increase in sales in Asia Pacific was driven primarily by growth in both the general engineering and energy end markets.

For the nine months ended March 31, 2021, Infrastructure operating income was $31.8 million compared to $7.7 million in the prior year period. The year-over-year increase was driven primarily by lower raw material costs, incremental simplification/modernization benefits and lower restructuring and related charges of $1.9 million, partially offset by organic sales decline, unfavorable labor and fixed cost absorption due to lower volumes and an increase in variable compensation.

CORPORATE

(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Corporate expense	$ (1,434)	$ (667)	$ (3,178)	$ (1,797)

For the three and nine months ended March 31, 2021, Corporate expense increased by $0.8 million and $1.4 million from the prior quarter and prior year period, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations is the primary source of funding for our capital expenditures. For the nine months ended March 31, 2021, cash flow provided by operating activities was $139.2 million, primarily due to the net inflow from cash earnings.

During the three months ended September 30, 2020, we entered into the First Amendment (the Amendment) to the Fifth Amended and Restated Credit Agreement dated as of June 21, 2018, (as amended by the Amendment, the Credit Agreement). The Credit Agreement is a five-year, multi-currency, revolving credit facility and is used to augment cash from operations and as an additional source of funds. The Credit Agreement provides for revolving credit loans of up to $700.0 million for working capital, capital expenditures and general corporate purposes. The Credit Agreement allows for borrowings in U.S. dollars, euros, Canadian dollars, pounds sterling and Japanese yen. Interest payable under the Credit Agreement is based upon the type of borrowing under the facility and may be (1) LIBOR plus an applicable margin, (2) the greater of the prime rate or the Federal Funds effective rate plus an applicable margin, or (3) fixed as negotiated by us. The Credit Agreement matures in June 2023.

The Credit Agreement requires us to comply with various restrictive and affirmative covenants, including two financial covenants: (1) a maximum leverage ratio where debt, net of domestic cash in excess of $25 million and sixty percent of the unrestricted cash held outside of the United States, must be less than or equal to 3.5 times trailing twelve months EBITDA (temporarily increased by the Amendment to 4.25 times trailing twelve months EBITDA during the period from September 30, 2020 through and including December 31, 2021), adjusted for certain non-cash expenses and which may be further adjusted, at our discretion, to include up to $120 million of cash restructuring charges through December 31, 2021; and (2) a minimum consolidated interest coverage ratio of EBITDA to interest of 3.5 times (as the aforementioned terms are defined in the Credit Agreement). Borrowings under the Credit Agreement are guaranteed by our significant domestic subsidiaries.

As of March 31, 2021, we were in compliance with all covenants of the Credit Agreement and we had $10.0 million of borrowings outstanding and $670.0 million of additional availability. There were $500.0 million of borrowings outstanding as of June 30, 2020.

For the nine months ended March 31, 2021, average daily borrowings outstanding under the Credit Agreement were approximately $168.3 million. We had $10.0 million and $500.0 million of borrowings outstanding under the Credit Agreement as of March 31, 2021 and June 30, 2020, respectively.

We consider the majority of the unremitted earnings of our non-U.S. subsidiaries to be permanently reinvested. With regard to these unremitted earnings, we have not, nor do we anticipate the need to, repatriate funds to the U.S. to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements. With regard to the small portion of unremitted earnings that are not indefinitely reinvested, we maintain a deferred tax liability for foreign withholding and U.S. state income taxes.

In 2012, we received an assessment from the Italian tax authority that denied certain tax deductions primarily related to our 2008 tax return. Attempts at negotiating a reasonable settlement with the tax authority were unsuccessful; and as a result, we decided to litigate the matter. While the outcome of the litigation is still pending, the authority has served notice requiring payment in the amount of €36 million. Accordingly, we requested and were granted a stay and are not currently required to make a payment in connection with this assessment. We continue to believe that the assessment is baseless and accordingly, no income tax liability has been recorded in connection with this assessment in any period. However, if the Italian tax authority were to be successful in litigation, settlement of the amount alleged by the Italian tax authority would result in an increase to income tax expense by as much as €36 million, or $42 million, including penalties and interest of €21 million, or $25 million. A trial date has not yet been set by the Italian court.

At March 31, 2021, cash and cash equivalents were $114.3 million, Total Kennametal Shareholders' equity was $1,276.4 million and total debt was $610.4 million. Our current senior credit ratings are at investment grade levels. We believe that our current financial position, liquidity and credit ratings provide us access to the capital markets. We believe that we have sufficient resources available to meet cash requirements for the next 12 months. We continue to closely monitor our liquidity position and the condition of the capital markets, as well as the counterparty risk of our credit providers. There have been no material changes in our contractual obligations and commitments since June 30, 2020 apart from the refinancing of $300 million Senior Unsecured Notes as more fully described in Note 10 to our condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Cash Flow Provided by Operating Activities
During the nine months ended March 31, 2021, cash flow provided by operating activities was $139.2 million, compared to $146.1 million for the prior year period. Cash flow provided by operating activities for the current year period consisted of net income and non-cash items amounting to an inflow of $137.5 million and changes in certain assets and liabilities netting to an inflow of $1.7 million. Contributing to the changes in certain assets and liabilities were a decrease in accrued income taxes of $20.9 million, an increase in accounts receivable of $56.5 million and a decrease in accrued pension and postretirement benefits of $21.1 million. Offsetting these cash outflows was a decrease in inventories of $58.1 million, an increase in accounts payable and accrued liabilities of $28.1 million and an increase in other of $14.0 million.

During the nine months ended March 31, 2020, cash flow provided by operating activities consisted of net income and non-cash items amounting to an inflow of $126.7 million and changes in certain assets and liabilities netting to an inflow of $19.4 million. Contributing to the changes in certain assets and liabilities were a decrease in accounts receivable of $60.6 million and a decrease in inventories of $29.9 million. Partially offsetting these cash inflows were a decrease in accounts payable and accrued liabilities of $34.4 million, a decrease in accrued income taxes of $22.0 million and a decrease in accrued pension and postretirement benefits of $18.2 million.

Cash Flow Used for Investing Activities
Cash flow used for investing activities was $92.7 million for the nine months ended March 31, 2021, compared to $180.2 million for the prior year period. During the current year period, cash flow used for investing activities primarily included capital expenditures, net of $92.9 million, which consisted primarily of expenses related to our simplification/modernization initiatives and equipment upgrades.

For the nine months ended March 31, 2020, cash flow used for investing activities included capital expenditures, net of $203.3 million, which consisted primarily of expenses related to our simplification/modernization initiatives and equipment upgrades, partially offset by proceeds from divestiture of $24.0 million from the sale of certain assets of the non-core specialty alloys and metals business located in New Castle, Pennsylvania.

Cash Flow Used for Financing Activities
Cash flow used for financing activities was $545.5 million for the nine months ended March 31, 2021 compared to $54.0 million in the prior year period. During the current year period, cash flow used for financing activities included $490.0 million of a net decrease in the revolving and other lines of credit, the debt refinancing (see Note 10. "Long-Term Debt" to our condensed consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion) and $50.0 million of cash dividends paid to Kennametal Shareholders.

For the nine months ended March 31, 2020, cash flow used for financing activities included $49.7 million of cash dividends paid to Kennametal Shareholders and $5.7 million of the effect of employee benefit and stock plans and dividend reinvestment, partially offset by $4.5 million of borrowings outstanding under the Credit Agreement.

FINANCIAL CONDITION

Working capital was $541.4 million at March 31, 2021, a decrease of $1.4 million from $542.7 million at June 30, 2020. The decrease in working capital was driven by the net decrease in cash and cash equivalents and revolving and other lines of credit and notes payable primarily related to paying down outstanding borrowings on the Credit Agreement during the current fiscal year, a decrease in inventory of $46.3 million, an increase in other current liabilities of $15.2 million primarily due to an increase in the amount of accrued variable compensation, an increase in accrued expenses of $10.7 million due to an increase in accrued payroll and an increase in current operating lease liabilities of $1.5 million. Offsetting these decreases were an increase in accounts receivable of $65.2 million and a decrease in accrued income taxes of $18.1 million. Currency exchange rate effects increased working capital by a total of approximately $24 million, the impact of which is included in the aforementioned changes.

Property, plant and equipment, net increased $15.7 million from $1,038.3 million at June 30, 2020 to $1,054.0 million at March 31, 2021, primarily due to capital additions of approximately $86.6 million and favorable currency exchange impact of approximately $20 million, partially offset by depreciation expense of $83.7 million and disposals of $6.9 million.

At March 31, 2021, other assets were $594.1 million, an increase of $35.6 million from $558.5 million at June 30, 2020. The primary drivers for the increase were an increase in other assets of $24.8 million primarily due to an increase in pension plan assets and an increase in deferred income taxes of $9.2 million.

Kennametal Shareholders' equity was $1,276.4 million at March 31, 2021, an increase of $46.5 million from $1,229.9 million at June 30, 2020. The increase was primarily due to favorable currency exchange effects of $47.1 million, net income attributable to Kennametal of $19.3 million and capital stock issued under employee benefit and stock plans of $19.1 million, partially offset by cash dividends paid to Kennametal Shareholders of $50.0 million.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES

There have been no changes to our critical accounting policies since June 30, 2020.

RECONCILIATION OF FINANCIAL MEASURES NOT DEFINED BY U.S. GAAP

In accordance with SEC rules, below are the definitions of the non-GAAP financial measures we use in this report and the reconciliation of these measures to the most closely related GAAP financial measures. We believe that these measures provide useful perspective on underlying business trends and results and provide a supplemental measure of year-over-year results. The non-GAAP financial measures described below are used by management in making operating decisions, allocating financial resources and for business strategy purposes. We believe these measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of management. These non-GAAP financial measures are not intended to be considered by the user in place of the related GAAP financial measure, but rather as supplemental information to our business results. These non-GAAP financial measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

Organic sales growth (decline) Organic sales growth (decline) is a non-GAAP financial measure of sales growth (decline) (which is the most directly comparable GAAP measure) excluding the effects of acquisitions, divestitures, business days and foreign currency exchange from year-over-year comparisons. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth (decline) on a consistent basis. Also, we report organic sales growth (decline) at the consolidated and segment levels.

Constant currency end market sales growth (decline) Constant currency end market sales growth (decline) is a non-GAAP financial measure of sales growth (decline) (which is the most directly comparable GAAP measure) by end market excluding the effects of acquisitions, divestitures and foreign currency exchange from year-over-year comparisons. We note that, unlike organic sales growth (decline), constant currency end market sales growth (decline) does not exclude the effect of business days. We believe this measure provides investors with a supplemental understanding of underlying end market trends by providing end market sales growth (decline) on a consistent basis. Also, we report constant currency end market sales growth (decline) at the consolidated and segment levels.

Constant currency regional sales growth (decline) Constant currency regional sales growth (decline) is a non-GAAP financial measure of sales growth (decline) (which is the most directly comparable GAAP measure) by region excluding the effects of acquisitions, divestitures and foreign currency exchange from year-over-year comparisons. We note that, unlike organic sales growth (decline), constant currency regional sales growth (decline) does not exclude the effect of business days. We believe this measure provides investors with a supplemental understanding of underlying regional trends by providing regional sales growth (decline) on a consistent basis. Also, we report constant currency regional sales growth (decline) at the consolidated and segment levels.

Reconciliations of organic sales growth (decline) to sales growth (decline) are as follows:

Three Months Ended March 31, 2021	Metal Cutting	Infrastructure	Total
Organic sales growth (decline)	—%	(3)%	(1)%
Foreign currency exchange effect(1)	3	2	2
Business days effect(2)	(1)	(1)	(1)
Sales growth (decline)	2%	(2)%	—%

Nine Months Ended March 31, 2021	Metal Cutting	Infrastructure	Total
Organic sales decline	(12)%	(11)%	(12)%
Foreign currency exchange effect(1)	1	1	1
Business days effect(2)	(1)	—	—
Divestiture effect(3)	—	(2)	(1)
Sales decline	(12)%	(12)%	(12)%

Reconciliations of constant currency end market sales growth (decline) to end market sales growth (decline)(4) are as follows:

Metal Cutting

Three Months Ended March 31, 2021	General engineering	Transportation	Aerospace	Energy
Constant currency end market sales growth (decline)	1%	11%	(34)%	(16)%
Foreign currency exchange effect(1)	3	4	2	4
End market sales growth (decline)(4)	4%	15%	(32)%	(12)%

Infrastructure

Three Months Ended March 31, 2021	Energy	Earthworks	General engineering
Constant currency end market sales (decline) growth	(14)%	(3)%	2%
Foreign currency exchange effect(1)	2	3	3
End market sales (decline) growth(4)	(12)%	—%	5%

Total

Three Months Ended March 31, 2021	General engineering	Transportation	Aerospace	Energy	Earthworks
Constant currency end market sales growth (decline)	1%	11%	(34)%	(14)%	(3)%
Foreign currency exchange effect(1)	3	4	2	2	3
End market sales growth (decline)(4)	4%	15%	(32)%	(12)%	—%

Metal Cutting

Nine Months Ended March 31, 2021	General engineering	Transportation	Aerospace	Energy
Constant currency end market sales decline	(10)%	(5)%	(41)%	(17)%
Foreign currency exchange effect(1)	1	1	1	2
End market sales decline(4)	(9)%	(4)%	(40)%	(15)%

Infrastructure

Nine Months Ended March 31, 2021	Energy	Earthworks	General engineering
Constant currency end market sales decline	(23)%	(8)%	(6)%
Foreign currency exchange effect(1)	2	—	2
Divestiture effect(3)	(1)	—	(5)
End market sales decline(4)	(22)%	(8)%	(9)%

Total

Nine Months Ended March 31, 2021	General engineering	Transportation	Aerospace	Energy	Earthworks
Constant currency end market sales decline	(9)%	(5)%	(41)%	(21)%	(8)%
Foreign currency exchange effect(1)	1	1	1	1	—
Divestiture effect(3)	(1)	—	—	—	—
End market sales decline(4)	(9)%	(4)%	(40)%	(20)%	(8)%

Reconciliations of constant currency regional sales (decline) growth to reported regional sales (decline) growth[5] are as follows:

	Three Months Ended March 31, 2021			Nine Months Ended March 31, 2021		
	Americas	EMEA	Asia Pacific	Americas	EMEA	Asia Pacific
Metal Cutting						
Constant currency regional sales (decline) growth	(9)%	—%	10%	(19)%	(12)%	(2)%
Foreign currency exchange effect[1]	(1)	7	5	(2)	4	2
Regional sales (decline) growth[5]	(10)%	7%	15%	(21)%	(8)%	—%
Infrastructure						
Constant currency regional sales (decline) growth	(11)%	(13)%	30%	(19)%	—%	9%
Foreign currency exchange effect[1]	—	6	7	1	(9)	4
Divestiture effect[3]	—	—	—	(3)	—	—
Regional sales (decline) growth[5]	(11)%	(7)%	37%	(21)%	(9)%	13%
Total						
Constant currency regional sales (decline) growth	(10)%	(3)%	17%	(19)%	(12)%	2%
Foreign currency exchange effect[1]	—	7	5	(1)	4	2
Divestiture effect[3]	—	—	—	(1)	—	—
Regional sales (decline) growth[5]	(10)%	4%	22%	(21)%	(8)%	4%

(1) Foreign currency exchange effect is calculated by dividing the difference between current period sales and current period sales at prior period foreign exchange rates by prior period sales.
(2) Business days effect is calculated by dividing the year-over-year change in weighted average working days (based on mix of sales by country) by prior period weighted average working days.
(3) Divestiture effect is calculated by dividing prior period sales attributable to divested businesses by prior period sales.
(4) Aggregate sales for all end markets sum to the sales amount presented on Kennametal's financial statements.
(5) Aggregate sales for all regions sum to the sales amount presented on Kennametal's financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk exposures since June 30, 2020.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's management evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). The Company's disclosure controls were designed to provide a reasonable assurance that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. However, the controls have been designed to provide reasonable assurance of achieving the controls' stated goals. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance at March 31, 2021 that information required to be disclosed in the reports that we file or submit under the Exchange Act is (i) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and (ii) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to legal claims and proceedings that arise in the ordinary course of business, which may relate to our operations or assets, including real, tangible or intellectual property. Although certain of these types of actions are currently pending, we do not believe that any individual proceeding is material or that our pending legal proceedings in the aggregate are material to Kennametal. See Note 12. Environmental Matters" for a discussion of our exposure to certain environmental liabilities.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1 through January 31, 2021	3,763	$	36.88	—	10,100,100
February 1 through February 28, 2021	4,021		37.03	—	10,100,100
March 1 through March 31, 2021	1,770		40.13	—	10,100,100
Total	9,554	$	37.55	—	

(1) During the current period, 1,352 shares were purchased on the open market on behalf of Kennametal to fund the Company’s dividend reinvestment program. Also, during the current period employees delivered 8,202 shares of restricted stock to Kennametal, upon vesting, to satisfy tax withholding requirements.

(2) On July 25, 2013, the Company publicly announced an amended repurchase program for up to 17 million shares of its outstanding capital stock outside of the Company's dividend reinvestment program.

UNREGISTERED SALES OF EQUITY SECURITIES

None.

ITEM 6. EXHIBITS

10	**Material Contracts**	
10.1	Fourth Supplemental Indenture dated February 23, 2021 between Kennametal Inc. and U.S. Bank National Association	Exhibit 4.1 of the Form 8-K filed February 23, 2021 (File No. 001-05318) is incorporated herein by reference.
10.2	Form of 2.800% Senior Note due March 1, 2031 (form included in Fourth Supplemental Indenture)	Exhibit 4.1 of the Form 8-K filed February 23, 2021 (File No. 001-05318) is incorporated herein by reference.
31	**Rule 13a-14(a)/15d-14(a) Certifications**	
31.1	Certification executed by Christopher Rossi, President and Chief Executive Officer of Kennametal Inc.	Filed herewith.
31.2	Certification executed by Damon J. Audia, Vice President and Chief Financial Officer of Kennametal Inc.	Filed herewith.
32	**Section 1350 Certifications**	
32.1	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Christopher Rossi, President and Chief Executive Officer of Kennametal Inc., and Damon J. Audia, Vice President and Chief Financial Officer of Kennametal Inc.	Filed herewith.
101	**XBRL**	
101.INS (1)	XBRL Instance Document	Filed herewith.
101.SCH (2)	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL (2)	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF (2)	XBRL Taxonomy Definition Linkbase	Filed herewith.
101.LAB (2)	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE (2)	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.

(1) The instance document does not appear in the Interactive Data File because its XBRL (Extensible Business Reporting Language) tags are embedded within the Inline XBRL document.

(2) Attached as Exhibit 101 to this report are the following documents formatted in Inline XBRL: (i) the Condensed Consolidated Statement of Income for the three and nine months ended March 31, 2021 and 2020, (ii) the Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended March 31, 2021 and 2020, (iii) the Condensed Consolidated Balance Sheet at March 31, 2021 and June 30, 2020, (iv) the Condensed Consolidated Statement of Cash Flows for the nine months ended March 31, 2021 and 2020 and (v) Notes to Condensed Consolidated Financial Statements for the three and nine months ended March 31, 2021 and 2020.

SIGNATURES

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

			KENNAMETAL INC.
Date:	May 4, 2021	By:	/s/ Patrick S. Watson
			Patrick S. Watson Vice President Finance and Corporate Controller

Exhibit 31.1

I, Christopher Rossi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kennametal Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2021

/s/ Christopher Rossi

Christopher Rossi
President and Chief Executive Officer

Exhibit 31.2

I, Damon J. Audia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kennametal Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d -15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2021

/s/ Damon J. Audia

Damon J. Audia
Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Kennametal Inc. (the "Corporation") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Corporation certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

/s/ Christopher Rossi
Christopher Rossi
President and Chief Executive Officer

May 4, 2021

/s/ Damon J. Audia
Damon J. Audia
Vice President and Chief Financial Officer

May 4, 2021

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