

FY20 Third Quarter Investor Presentation

May 2020



Safe Harbor Statement

Certain statements in this release may be forward-looking in nature, or “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. For example, statements about Kennametal’s outlook for earnings, sales volumes, cash flow, capital expenditures and effective tax rate for fiscal year 2020 and our expectations regarding future growth and financial performance are forward-looking statements. Any forward-looking statements are based on current knowledge, expectations and 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 impacts 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 all anticipated benefits of restructuring, simplification and modernization initiatives; risks related to our foreign operations and international markets, such as 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 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. Many of these risks and other risks are more fully described in Kennametal’s latest annual report on Form 10-K and its other periodic filings with the Securities and Exchange Commission. We can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available on our website at www.kennametal.com. Once on the homepage, select “Investor Relations” and then “Events.”

Delivering on initiatives; significant opportunities for further margin improvement

Why Invest in Kennametal?

▪ **Products and Technology**

- Global leader in cutting and wear-resistant technology

▪ **Financial Fundamentals**

- Strong operating cash flow and EBITDA through the cycle
- Conservative balance sheet and capital structure
- Proactively maintaining strong liquidity position

▪ **Growth and Margin Expansion Improvement**

- Diversified with good long-term growth potential
- On-track with Simplification/Modernization initiatives
- ~50% of benefits from margin expansion and growth initiatives still ahead

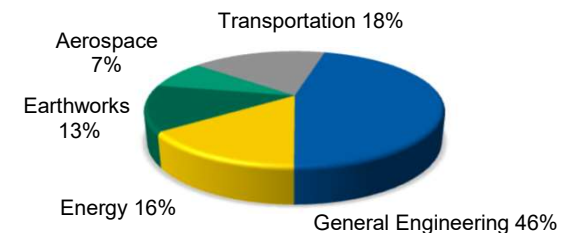
▪ **Demonstrated ability to execute improvement plans**

(\$ in millions)	FY16	FY17	FY18	FY19	Target
Adjusted EBITDA	\$244	\$291	\$422	\$465	\$600 - \$675
~% of sales	12%	14%	18%	20%	24% - 26%
Met or exceeded projections					

Sales by Geography



Sales by End Market

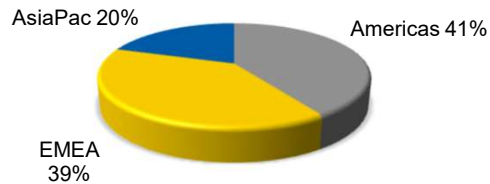


Strong businesses and brands with 80+ years of innovation

Three business segments in charge of product portfolio, go-to-market strategy, and profitability

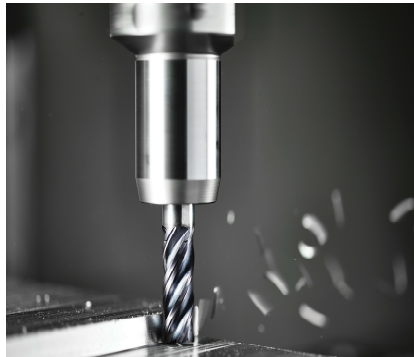
Industrial

Tooling and Metalworking Services



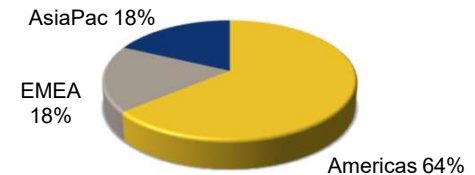
WIDIA

Tooling and Metalworking Services
Indirect Channel Brand



Infrastructure

Earth Cutting & Construction Tools,
Surface Wear Technologies,
Engineered Components



INDUSTRIES SERVED



Earthworks



Energy



General Engineering



Aerospace



Transportation

Confident in managing through challenging period and emerging stronger

Looking Ahead

Near-Term Outlook

- FY20 outlook withdrawn; limited visibility due to effect of COVID-19
- Preliminary April sales down ~(35)% YoY
- Cost-control actions to increase in Q4; aligning production capacity to volume
- Raw material benefit YoY in Q4; ~neutral for full year as expected

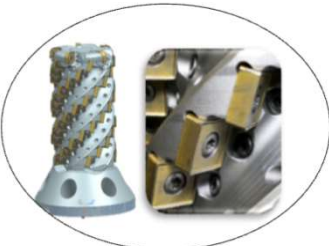
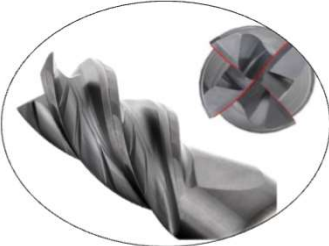


Preparing for Growth

- Positioning operations for recovery
- Technology and product innovation investment; 2020 Gold Edison award winner - Harvi™ 1 TE

Continuing Simplification/Modernization program

- Program progressing well; \$87 million in savings since program inception
- Still expect ~90% incremental CAPEX to be completed by Q4FY20
- Balance of 10% CAPEX to support future volume needs
- ~50% of benefits from margin expansion and growth initiatives still ahead
- Adjusted EBITDA targets still achievable when volumes recover to sales level of \$2.5B - \$2.6B

Continuing progress on growth initiatives including new product launches

	End-Market	Customer Benefits
	HARVI™ Ultra 8x Aerospace	<ul style="list-style-type: none">○ Titanium alloys machining○ Market leading position in metal removal rates○ Named a 2019 R&D 100 Awards Finalist
	HARVI™ 1 TE General Engineering	<ul style="list-style-type: none">○ Highest versatility in hard material applications○ Up to 50% higher productivity up to double tool life○ 2020 Gold Edison award winner
	KOR™ 5 Aerospace	<ul style="list-style-type: none">○ Aluminum machining○ Up to 2X productivity vs. traditional milling○ Market-leading metal removal rates
	RIQ™ Reamer Transportation (Electric Vehicles)	<ul style="list-style-type: none">○ Precision machining for electric vehicle drivetrains○ 3D printed for lower weight○ Faster setup and machining times

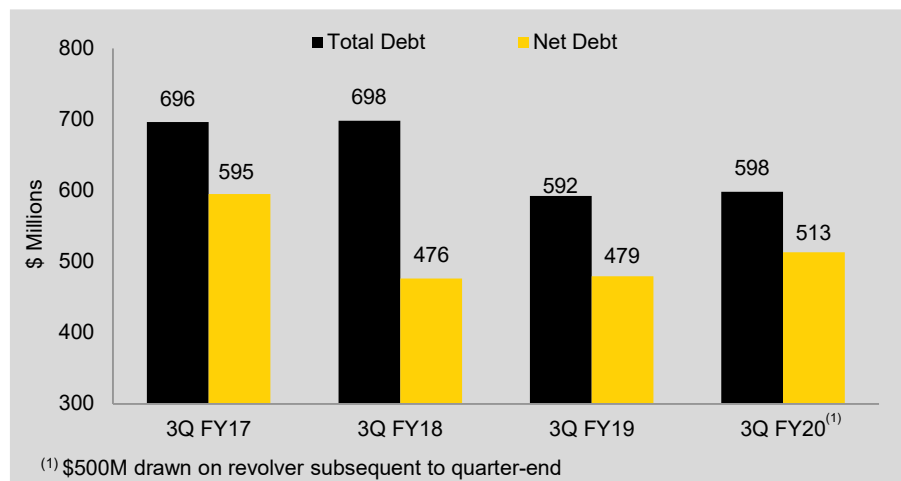
Q3 results affected by weak end-markets; strong progress on initiatives

Q3 FY20 Overview & Highlights

- **Organic sales down due to declining end-markets: (17)% organic sales decline vs. 3% growth prior year**
 - Effects from FX of (1)% and business divestiture of (1)%
 - Segment organic growth rates: WIDIA (16)%, Industrial (17)%, Infrastructure (17)%
 - Regional growth rates*: AsiaPac (15)%, EMEA (16)%, the Americas (18)%
- **Volume decline accelerated by COVID-19 and oil & gas affecting margins: 12.2% Adjusted Op Margin vs. 14.3% PY**
 - Adjusted EBITDA margin decreased 80 bps to 18.6% vs. 19.4% prior year, driven by:
 - Sales decrease and under absorption due to sharp decline in volume
 - Raw material price effect positive, as expected – approximately 280 bps
 - Lower variable compensation and aggressive cost-control actions implemented to mitigate volume declines
- **Simplification/Modernization progressed well; more savings to come**
 - Incremental Simplification/Modernization benefits of \$15M over PY, \$87M in annualized total savings since inception
- **Earnings per share: Reported \$0.03; Adjusted \$0.46 (vs. \$0.77 prior year)**

* Constant Currency Regional Sales Growth

Strong balance sheet and liquidity position to combat COVID-19 headwinds



Debt Structure & Covenants

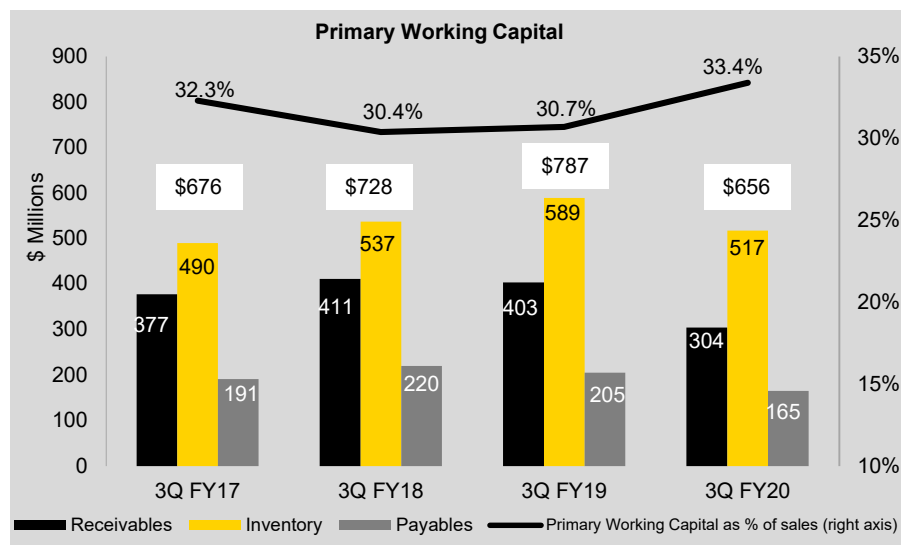
Debt Structure

- Two \$300M notes; mature February 2022 & June 2028
- Revolver matures June 2023; preemptively drew \$500M in April

Covenants⁽²⁾

- Net Debt/EBITDA $\leq 3.5x$; ratio at March 31st: 1.7x
- EBITDA/Interest $\geq 3.5x$; ratio at March 31st: 11.2x

⁽²⁾ definitions as per the credit agreement



Consolidated Results (\$ in millions)	3Q FY20	3Q FY19
Net Cash Provided by Operating Activities	\$59	\$96
Capital Expenditures, Net	\$57	\$57
Free Operating Cash Flow (FOCF)	\$2	\$39
Dividends	(\$17)	(\$16)

Solid plan to manage through the crisis and emerge with strength

Navigating through the crisis

- ✓ Adjust to lower demand environment
- ✓ Prepare for recovery
- ✓ Maintain strong liquidity position
- ✓ Continue with strategic initiatives for improved growth and profitability

Appendix

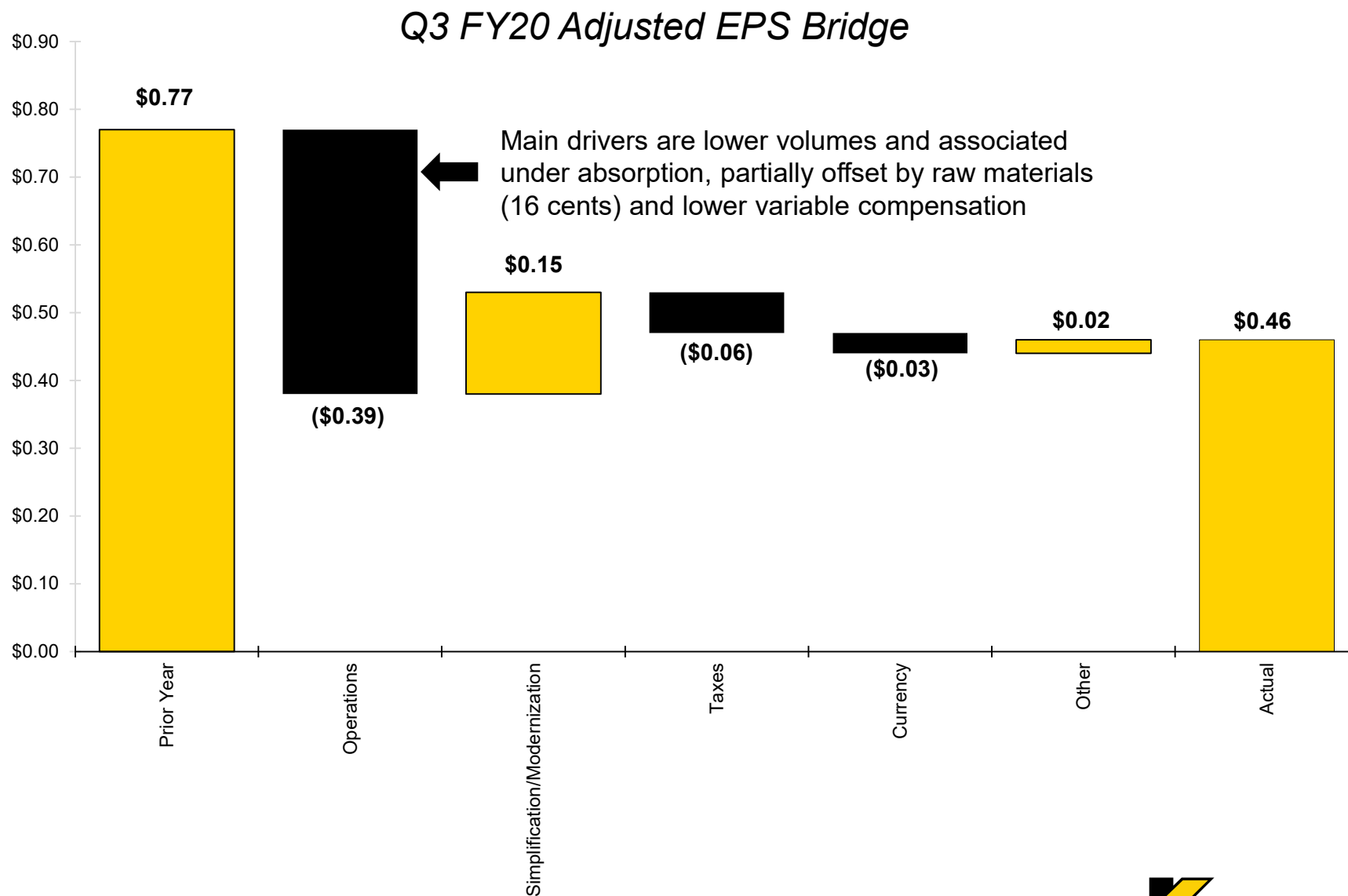


Margin decline driven by significant weakness across all end-markets

Consolidated Q3 FY20 Financial Overview

Quarter Ended (\$ in millions)	Change from PY	Adjusted		Reported	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Sales	(19)%	\$483	\$597	\$483	\$597
Organic		(17)%	3%	(17)%	3%
FX		(1)%	(4)%	(1)%	(4)%
Divestiture		(1)%	-	(1)%	-
Business Days		-	(1)%	-	(1)%
Gross Profit	(23)%	\$161	\$209	\$157	\$208
% of sales	-170 bps	33.3%	35.0%	32.5%	34.8%
Operating Expense	(18)%	\$99	\$120	\$99	\$120
% of sales	+30 bps	20.4%	20.1%	20.4%	20.1%
EBITDA	(22)%	\$90	\$116	\$70	\$112
% of sales	-80 bps	18.6%	19.4%	14.4%	18.8%
Operating Income (Loss)	(31)%	\$59	\$85	\$38	\$82
% of sales	-210 bps	12.2%	14.3%	7.8%	13.7%
Effective Tax Rate	+870 bps	28.5%	19.8%	93%	11.0%
EPS (Earnings per Diluted Share)	(40)%	\$0.46	\$0.77	\$0.03	\$0.82

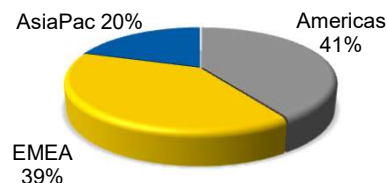
Accelerated market slowdown driven by COVID-19 affecting margins



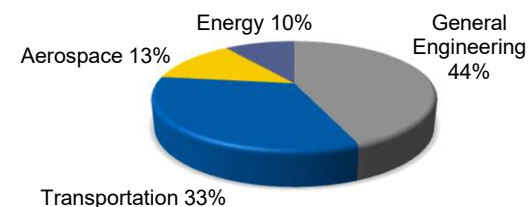
Significant slowdown in end-markets creating temporary challenges

Industrial Business Segment Q3 FY20 Summary

Sales by Geography



Sales by End-Market



Q3 FY20 sales \$261 million; (17)% organic sales decline on top of 1% growth in prior year quarter

- Sales decline* in AsiaPac at (12)%; Americas at (16)%; EMEA at (19)%
- Headwind from FX of (2)%, partially offset by a benefit from business days of 1%
- Quarterly adjusted operating margin decreased by 520 bps to 13.1% from 18.3% prior year, due to lower volume, partially offset by Simplification/Modernization benefits, reduced variable compensation, cost actions and positive raw materials (~90 bps)

Global manufacturing slow down accelerated by COVID-19 and oil & gas declines negatively affecting all end-markets

- Aerospace posted YoY decline of (16)%**; driven by developments in 737 MAX associated supply chain
- Transportation and General Engineering posted YoY sales declines of (17)% and (18)%, respectively**
- Energy posted a decline of (6)%** driven by significant declines in oil & gas demand, partially offset by continued strength in AsiaPac power generation

Simplification/Modernization including footprint rationalization initiatives progressing well

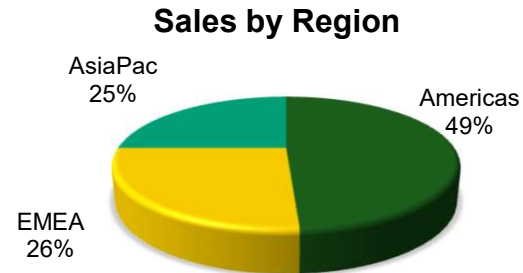
- Cost reduction actions implemented to better align the cost structure with lower volumes
- Simplification/Modernization benefits continue to increase YoY; likely to be affected by volume in the short term
- Continuing technology innovation; HARVI™ 1 TE 2020 Gold Edison award winner

* Constant Currency Regional Sales Growth

** Constant Currency End-Market Sales Growth

Slowing demand offsetting operational improvements; progress on initiatives

WIDIA Business Segment Q3 FY20 Summary



Q3 FY20 sales \$43 million; (16)% organic decline on top of 3% organic growth in prior year quarter

- Regional sales*: Declines of (10)% in Americas, EMEA (14)% and (25)% in AsiaPac
- FX headwind of (1)%, offset by a benefit from business days of 1%
- Quarterly adjusted operating margin of 4.9% improved 360 bps compared to 1.3% PY, due to increased Simplification/Modernization benefits, positive raw materials (~240 bps) and lower variable comp, partially offset by volume decline

Q3 FY20 regional summary

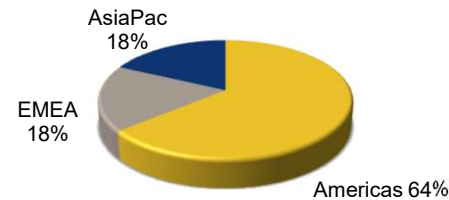
- Globally: Continued success in targeted account conversion for aerospace applications
- AsiaPac: Extended Chinese Lunar New Year holiday and India country-wide shutdown affected results
 - China industrial activity stabilizing on lower levels
- EMEA: All countries affected by COVID-19 restrictions
 - Resulting in negative industrial production and continued weakness in Transportation
- Americas: Results reflect continued end-market deceleration

* Constant Currency Regional Sales Growth

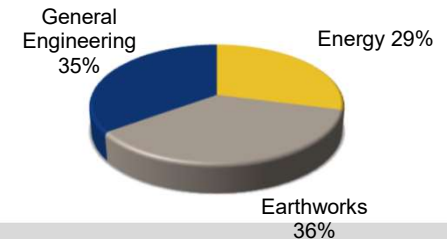
Energy market declines and COVID-19 affecting results

Infrastructure Business Segment Q3 FY20 Summary

Sales by Geography



Sales by End-Market



Q3 FY20 sales \$180 million; (17)% organic sales decline YoY on top of 6% growth in the prior year quarter

- Regional sales*: Declines of (6)% in EMEA, AsiaPac (16)% and (21)% in Americas
- Headwinds of (3)% from a business divestiture and (1)% from FX
- Quarterly adjusted operating margin of 13.0% compared to 11.7% in the prior year, an improvement of 130 bps
 - Improvement driven by favorable raw materials (~550 bps), Simplification/Modernization benefits, lower variable compensation and aggressive cost actions, partially offset by lower volumes

Challenging end-markets given COVID-19 and oil & gas headwinds

- Earthworks, General Engineering and Energy declines of (6)%, (17)% and (29)%, respectively**
- Oil & gas slowdown accelerated this quarter; average US land only rig count down (25)% YoY, WTI down ~(70)% at quarter-end
- Earthworks sales declined (6)%** YoY, slight positive in U.S. construction business YoY

Progress in Simplification/Modernization

- Simplification/Modernization on-track; benefits expected to come at a more gradual pace as volumes reflect challenged markets

* Constant Currency Regional Sales Growth

** Constant Currency End-Market Sales Growth

Adjusted Segment Results

Quarter ended (\$ in millions)								
March 31, 2020					March 31, 2019			
	Industrial	WIDIA	Infrastructure	Total	Industrial	WIDIA	Infrastructure	Total
Sales	\$261	\$43	\$180	\$483	\$319	\$51	\$228	\$597
Organic	(17)%	(16)%	(17)%	(17)%	1%	3%	6%	3%
FX	(2)%	(1)%	(1)%	(1)%	(5)%	(4)%	(3)%	(4)%
Divestiture	-	-	(3)%	(1)%	-	-	-	-
Business Days	1%	1%	-	-	-	(1)%	(1)%	(1)%
Constant Currency Regional Growth:								
Americas	(16)%	(10)%	(21)%	(18)%	4%	(1)%	5%	4%
EMEA	(19)%	(14)%	(6)%	(16)%	(1)%	6%	11%	2%
AsiaPac	(12)%	(25)%	(16)%	(15)%	(2)%	3%	(1)%	(1)%
Constant Currency End-Market Growth:								
Energy	(6)%	-	(29)%	(23)%	(2)%	-	2%	1%
General Engineering	(18)%	(15)%*	(17)%	(17)%	5%	2%*	16%	7%
Transportation	(17)%	-	-	(17)%	(8)%	-	-	(8)%
Aerospace	(16)%	-	-	(16)%	13%	-	-	13%
Earthworks	-	-	(6)%	(6)%	-	-	(3)%	(3)%
Adjusted Operating Income (Loss)	\$34	\$2	\$23	\$59	\$58	\$1	\$27	\$85
Adjusted Operating Margin	13.1%	4.9%	13.0 %	12.2%	18.3%	1.3%	11.7%	14.3%

* all WIDIA sales are classified as general engineering

Balance Sheet

ASSETS (\$ in millions)	March 2020	December 2019
Cash and cash equivalents	\$85	\$105
Accounts receivable, net	304	310
Inventories	517	523
Other current assets	61	98
Total current assets	\$967	\$1,036
Property, plant and equipment, net	1,015	1,009
Goodwill and other intangible assets, net	404	427
Other assets	152	151
Total assets	\$2,538	\$2,623
LIABILITIES (\$ in millions)		
Current maturities of long-term debt, including notes payable	\$4	\$2
Accounts payable	165	173
Other current liabilities	214	234
Total current liabilities	\$383	\$409
Long-term debt	\$594	593
Other liabilities	262	274
Total liabilities	\$1,239	\$1,276
Kennametal Shareowners' Equity	1,261	1,306
Noncontrolling interests	38	41
Total liabilities and equity	\$2,538	\$2,623

Non-GAAP Reconciliations

The information presented by the Company contains certain non-GAAP financial measures including organic sales growth (decline), constant currency regional sales growth (decline), constant currency end market sales growth (decline), adjusted gross profit and margin; adjusted operating expense and adjusted operating expense as a percentage of sales; adjusted operating income and margin; adjusted effective tax rate (ETR); adjusted net income attributable to Kennametal; adjusted earnings per diluted share (EPS); adjusted earnings before interest, taxes, depreciation and amortization (EBITDA); adjusted Industrial operating income and margin; adjusted Widia operating (loss) income and margin; adjusted Infrastructure operating income and margin; free operating cash flow (FOCF); net debt; and primary working capital (PWC).

Kennametal management believes that presentation of these non-GAAP financial measures provides useful information about the results of operations of the Company for the current, past and future periods. Management believes that investors should have available the same information that management uses to assess operational performance, determine compensation and assess the capital structure of the Company. These Non-GAAP financial measures should not be considered in isolation or as a substitute for the most comparable GAAP measures. Investors are cautioned that non-GAAP financial measures utilized by the Company may not be comparable to non-GAAP financial measures used by other companies.

Reconciliations to the most directly comparable GAAP financial measures for the following forward-looking non-GAAP financial measures for full fiscal year of 2020 are not presented, including but not limited to: adjusted E(L)PS, organic sales growth (decline), adjusted ETR and FOCF. The most comparable GAAP measures are EPS, sales growth (decline), ETR and net cash flow from operating activities, respectively. Because the non-GAAP financial measures on a forward-looking basis are subject to uncertainty and variability as they are dependent on many factors - including, but not limited to, the effect of foreign currency exchange fluctuations, impacts from potential acquisitions or divestitures, gains or losses on the potential sale of businesses or other assets, restructuring costs, asset impairment charges, gains or losses from early extinguishment of debt, the tax impact of the items above and the impact of tax law changes or other tax matters - reconciliations to the most directly comparable forward-looking GAAP financial measures are not available without unreasonable effort.

Accordingly, we have compiled below certain definitions and reconciliations as required by Regulation G.

Adjusted Gross Profit and Margin, Adjusted Operating Expense, Adjusted Operating Expense as a Percentage of Sales, Adjusted Operating Income (Loss) and Margin, Adjusted ETR, Adjusted Net Income Attributable to Kennametal and Adjusted EPS

The following GAAP financial measures have been presented on an adjusted basis: gross profit and margin, operating expense, operating expense as a percentage of adjusted sales, operating income (loss) and margin, ETR, net income and EPS. Detail of these adjustments is included in the reconciliations following these definitions. Management adjusts for these items in measuring and compensating internal performance to more readily compare the Company's financial performance period-to-period.

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 impacts of acquisitions⁽¹⁾, divestitures⁽²⁾, business days⁽³⁾ and foreign currency exchange⁽⁴⁾ from year-over-year comparisons. Management believes 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 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 impacts of acquisitions⁽¹⁾, divestitures⁽²⁾ and foreign currency exchange⁽⁴⁾ from year-over-year comparisons. We note that, unlike organic sales growth (decline), constant currency regional sales growth (decline) does not exclude the impact 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.

Non-GAAP Reconciliations (cont'd)

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 impacts of acquisitions⁽¹⁾, divestitures⁽²⁾ and foreign currency exchange⁽⁴⁾ from year-over-year comparisons. We note that, unlike organic sales growth (decline), constant currency end market sales growth (decline) does not exclude the impact 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.

EBITDA

EBITDA is a non-GAAP financial measure and is defined as net income attributable to Kennametal (which is the most directly comparable GAAP measure), with interest expense, interest income, provision for income taxes, depreciation and amortization added back. Management believes that EBITDA is widely used as a measure of operating performance and is an important indicator of the Company's operational strength and performance. Nevertheless, the measure should not be considered in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining liquidity that is calculated in accordance with GAAP. Additionally, Kennametal will present EBITDA on an adjusted basis. Management uses this information in reviewing operating performance.

Free Operating Cash Flow

FOCF is a non-GAAP financial measure and is defined by the Company as cash provided by operations (which is the most directly comparable GAAP measure) less capital expenditures, plus proceeds from disposals of fixed assets. Management considers FOCF to be an important indicator of the Company's cash generating capability because it better represents cash generated from operations that can be used for dividends, debt repayment, strategic initiatives, and other investing and financing activities.

Net Debt

Net debt is a non-GAAP financial measure and is defined by the Company as total debt less cash and cash equivalents. The most directly comparable GAAP financial measure is total debt. Management believes that net debt aids in the evaluation of the Company's financial condition.

Primary Working Capital

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

⁽¹⁾ Acquisition impact is calculated by dividing current period sales attributable to acquired businesses by prior period sales.

⁽²⁾ Divestiture impact is calculated by dividing prior period sales attributable to divested businesses by prior period sales.

⁽³⁾ Business days impact 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.

⁽⁴⁾ Foreign currency exchange impact is calculated by dividing the difference between current period sales at prior period foreign exchange rates and prior period sales by prior period sales.

Non-GAAP Reconciliations (cont'd)

(\$ in millions, except per share data and percents)	Sales	Gross Profit	Operating Expense	Operating Income	Effective Tax Rate	Net Income ⁽⁵⁾	Diluted EPS
Q3 FY20 Reported Results	\$ 483.1	\$ 157.0	\$ 98.5	\$ 37.9	93.1%	\$ 2.9	\$ 0.03
Reported Margins		32.5%	20.4%	7.8%			
Restructuring and related charges	-	4.0	-	5.6	12.8	4.9	0.06
Goodwill and other intangible asset impairment charges ⁽⁶⁾	-	-	-	15.6	3.1	14.3	0.17
Differences in projected annual tax rates ⁽⁷⁾	-	-	-	-	(80.5)	16.1	0.20
Q3 FY20 Adjusted Results	\$ 483.1	\$ 161.0	\$ 98.5	\$ 59.1	28.5%	\$ 38.1	\$ 0.46
Q3 FY20 Adjusted Margins		33.3%	20.4%	12.2%			

⁽⁵⁾ Attributable to Kennametal

⁽⁶⁾ The Company recorded non-cash pre-tax Widia goodwill and other intangible asset impairment charges of \$16 million due to the decline in actual and projected financial results for the Widia reporting unit, primarily as a result of the COVID-19 global pandemic.

⁽⁷⁾ Represents a change in the method in which management calculates the tax effect on adjustments within the non-GAAP reconciliations. By separately presenting the effect of the differences in projected annual tax rates during the current period, management believes that the tax effects related to restructuring and related charges and goodwill and other intangible asset impairment charges are more accurately reflected. This change does not affect adjusted results. The effect of the differences in projected annual tax rates was immaterial during the three months ended March 31, 2019 and, therefore, the prior period has not been retrospectively adjusted.

(\$ in millions, except per share data and percents)	Sales	Gross Profit	Operating Expense	Operating Income	Effective Tax Rate	Net Income ⁽⁵⁾	Diluted EPS
Q3 FY19 Reported Results	\$ 597.2	\$ 208.1	\$ 120.1	\$ 81.9	11.0%	\$ 68.6	\$ 0.82
Reported Margins		34.8%	20.1%	13.7%			
Restructuring and related charges	-	0.9	(0.1)	3.4	0.1	2.6	0.03
Non-recurring effect from U.S. tax reform ⁽⁸⁾	-	-	-	-	8.7	(6.8)	(0.08)
Q3 FY19 Adjusted Results	\$ 597.2	\$ 209.0	\$ 120.1	\$ 85.3	19.8%	\$ 64.3	\$ 0.77
Q3 FY19 Adjusted Margins		35.0%	20.1%	14.3%			

⁽⁸⁾ Additional benefit recorded to reflect the effect of regulations and other relevant guidance issued through March 31, 2019 on the amounts recorded for the application of a measure of the Tax Cuts and Jobs Act of 2017 (TCJA) requiring a one-time transition tax on previously untaxed accumulated earnings and profits of non-U.S. companies (toll tax).

Non-GAAP Reconciliations (cont'd)

(\$ in millions)	FY 16	FY 17	FY 18	FY 19
Net income attributable to Kennametal, reported	\$ (226.0)	\$ 49.1	\$ 200.2	\$ 241.9
Add back:				
Interest expense	27.8	28.8	30.1	33.0
Interest income	(1.7)	(1.0)	(3.0)	(2.1)
Provision for income taxes, reported	25.3	29.9	70.0	63.4
Depreciation	96.7	91.1	94.0	97.6
Amortization	20.8	16.6	14.7	14.4
EBITDA	\$ (57.1)	\$ 214.5	\$ 405.9	\$ 448.2
Margin	-2.7%	10.4%	17.1%	18.9%
CAGR from FY16				-299%
Adjustments:				
Restructuring and related charges	53.5	76.2	15.9	16.9
Fixed asset disposal charges	5.4	-	-	-
Loss on divestiture and related charges	131.5	-	-	-
Goodwill and other intangible asset impairment charges	108.5	-	-	-
Operations of divested businesses	1.9	-	-	-
Adjusted EBITDA	\$ 243.6	\$ 290.8	\$ 421.8	\$ 465.1
Adjusted Margin	12.1%	14.1%	17.8%	19.6%

Non-GAAP Reconciliations (cont'd)

(\$ in millions)	Three months ended March 31,	
	2020	2019
Net income attributable to Kennametal, reported	\$ 2.9	\$ 68.6
Add back:		
Interest expense	7.9	8.1
Interest income	(0.2)	(0.8)
Provision for income taxes, reported	30.2	8.6
Depreciation	25.3	24.3
Amortization	3.4	3.6
EBITDA	\$ 69.5	\$ 112.5
Margin	14.4%	18.8%
Adjustments:		
Restructuring and related charges	5.6	3.4
Goodwill and other intangible asset impairment charges	14.7	-
Adjusted EBITDA	89.8	115.9
Adjusted Margin	18.6%	19.4%

Non-GAAP Reconciliations (cont'd)

(\$ in millions, except percents)	Industrial Sales	Industrial Operating Income	WIDIA Sales	WIDIA Operating (Loss) Income	Infrastructure Sales	Infrastructure Operating Income
Q3 FY20 Reported Results	\$ 260.7	\$ 30.1	\$ 42.7	\$ (13.5)	\$ 179.6	\$ 21.9
Reported Operating Margin		11.6%		(31.7%)		12.2%
Restructuring and related charges	-	4.1	-	0.0	-	1.4
Goodwill and other intangible asset impairment charges	-	-	-	15.6	-	-
Q3 FY20 Adjusted Results	\$ 260.7	\$ 34.3	\$ 42.7	\$ 2.1	\$ 179.6	\$ 23.4
Q3 FY20 Adjusted Operating Margin		13.1%		4.9%		13.0%

(\$ in millions, except percents)	Industrial Sales	Industrial Operating Income	WIDIA Sales	WIDIA Operating (Loss) Income	Infrastructure Sales	Infrastructure Operating Income
Q3 FY19 Reported Results	\$ 318.6	\$ 57.2	\$ 51.0	\$ (0.0)	\$ 227.6	\$ 24.9
Reported Operating Margin		18.0%		0.0%		11.0%
Restructuring and related charges	-	1.0	-	0.7	-	1.8
Q3 FY19 Adjusted Results	\$ 318.6	\$ 58.2	\$ 51.0	\$ 0.7	\$ 227.6	\$ 26.7
Q3 FY19 Adjusted Operating Margin		18.3%		1.3%		11.7%

Non-GAAP Reconciliations (cont'd)

Three months ended March 31, 2020:	Industrial	Widia	Infrastructure	Kennametal
Organic Sales Decline	(17%)	(16%)	(17%)	(17%)
Foreign Currency Exchange Impact	(2%)	(1%)	(1%)	(1%)
Business Days Impact	1%	1%	0%	0%
Divestiture Impact	0%	0%	(3%)	(1%)
Sales Decline	(18%)	(16%)	(21%)	(19%)

Three months ended March 31, 2019:	Industrial	Widia	Infrastructure	Kennametal
Organic Sales Growth	1%	3%	6%	3%
Foreign Currency Exchange Impact	(5%)	(4%)	(3%)	(4%)
Business Days Impact	0%	(1%)	(1%)	(1%)
Sales Growth (Decline)	(4%)	(2%)	2%	(2%)

Non-GAAP Reconciliations (cont'd)

Industrial

Three months ended March 31, 2020:	Americas	EMEA	Asia Pacific
Constant currency regional sales decline	(16%)	(19%)	(12%)
Foreign currency exchange impact	0%	(3%)	(2%)
Regional sales decline	(16%)	(22%)	(14%)

Widia

Three months ended March 31, 2020:	Americas	EMEA	Asia Pacific
Constant currency regional sales decline	(10%)	(14%)	(25%)
Foreign currency exchange impact	0%	(2%)	(1%)
Regional sales decline	(10%)	(16%)	(26%)

Infrastructure

Three months ended March 31, 2020:	Americas	EMEA	Asia Pacific
Constant currency regional sales decline	(21%)	(6%)	(16%)
Foreign currency exchange impact	1%	(3%)	(2%)
Divestiture impact	(4%)	(1%)	0%
Regional sales decline	(24%)	(10%)	(18%)

Kennametal

Three months ended March 31, 2020:	Americas	EMEA	Asia Pacific
Constant currency regional sales decline	(18%)	(16%)	(15%)
Foreign currency exchange impact	0%	(3%)	(2%)
Divestiture impact	(2%)	0%	0%
Regional sales decline	(20%)	(19%)	(17%)

Non-GAAP Reconciliations (cont'd)

Industrial

Three months ended March 31, 2019:	Americas	EMEA	Asia Pacific
Constant currency regional sales growth (decline)	4%	(1%)	(2%)
Foreign currency exchange impact	(2%)	(7%)	(5%)
Regional sales growth (decline)	2%	(8%)	(7%)

Widia

Three months ended March 31, 2019:	Americas	EMEA	Asia Pacific
Constant currency regional sales (decline) growth	(1%)	6%	3%
Foreign currency exchange impact	(1%)	(8%)	(6%)
Regional sales decline	(2%)	(2%)	(3%)

Infrastructure

Three months ended March 31, 2019:	Americas	EMEA	Asia Pacific
Constant currency regional sales growth (decline)	5%	11%	(1%)
Foreign currency exchange impact	0%	(9%)	(6%)
Regional sales growth (decline)	5%	2%	(7%)

Kennametal

Three months ended March 31, 2019:	Americas	EMEA	Asia Pacific
Constant currency regional sales growth (decline)	4%	2%	(1%)
Foreign currency exchange impact	(1%)	(8%)	(6%)
Regional sales growth (decline)	3%	(6%)	(7%)

Non-GAAP Reconciliations (cont'd)

Industrial

	General			
Three months ended March 31, 2020:	Engineering	Transportation	Aerospace	Energy
Constant currency end market sales decline	(18%)	(17%)	(16%)	(6%)
Foreign currency exchange impact	(2%)	(2%)	(1%)	(1%)
End market sales decline	(20%)	(19%)	(17%)	(7%)

Widia

	General
Three months ended March 31, 2020:	Engineering
Constant currency end market sales decline	(15%)
Foreign currency exchange impact	(1%)
End market sales decline	(16%)

Infrastructure

	General		
Three months ended March 31, 2020:	Energy	Earthworks	Engineering
Constant currency end market sales decline	(29%)	(6%)	(17%)
Foreign currency exchange impact	0%	(2%)	0%
Divestiture impact	(2%)	0%	(6%)
End market sales decline	(31%)	(8%)	(23%)

Kennametal

	General				
Three months ended March 31, 2020:	Energy	Earthworks	Engineering	Transportation	Aerospace
Constant currency end market sales decline	(23%)	(6%)	(17%)	(17%)	(16%)
Foreign currency exchange impact	0%	(2%)	(1%)	(2%)	(1%)
Divestiture impact	(2%)	0%	(2%)	0%	0%
End market sales decline	(25%)	(8%)	(20%)	(19%)	(17%)

Non-GAAP Reconciliations (cont'd)

Industrial

	General			
Three months ended March 31, 2019:	Engineering	Transportation	Aerospace	Energy
Constant currency end market sales growth (decline)	5%	(8%)	13%	(2%)
Foreign currency exchange impact	(5%)	(5%)	(4%)	(3%)
End market sales growth (decline)	0%	(13%)	9%	(5%)

Widia

	General
Three months ended March 31, 2019:	Engineering
Constant currency end market sales growth	2%
Foreign currency exchange impact	(4%)
End market sales decline	(2%)

Infrastructure

	Energy	Earthworks	General
Three months ended March 31, 2019:	Engineering		
Constant currency end market sales growth (decline)	2%	(3%)	16%
Foreign currency exchange impact	(1%)	(4%)	(3%)
End market sales growth (decline)	1%	(7%)	13%

Kennametal

	Energy	Earthworks	General	Transportation	Aerospace
Three months ended March 31, 2019:	Engineering				
Constant currency end market sales growth (decline)	1%	(3%)	7%	(8%)	13%
Foreign currency exchange impact	(2%)	(4%)	(4%)	(5%)	(4%)
End market sales (decline) growth	(1%)	(7%)	3%	(13%)	9%

Non-GAAP Reconciliations (cont'd)

(\$ in millions)	Three months ended March 31,	
	2020	2019
Net cash flow from operating activities	\$ 59.0	\$ 96.0
Purchases of property, plant and equipment	(58.5)	(57.9)
Proceeds from disposals of property, plant and equipment	1.9	1.1
Free operating cash flow	\$ 2.4	\$ 39.2

(in thousands, except percents)	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019	Average
Current assets	\$ 966,723	\$ 1,035,912	\$ 1,065,389	\$ 1,190,827	\$ 1,162,842	
Current liabilities	383,131	409,110	418,719	461,726	430,018	
Working capital, GAAP	\$ 583,592	\$ 626,802	\$ 646,670	\$ 729,101	\$ 732,824	
Excluding items:						
Cash and cash equivalents	(85,230)	(105,210)	(113,522)	(182,015)	(112,597)	
Other current assets	(60,550)	(97,824)	(67,106)	(57,381)	(58,221)	
Total excluded current assets	(145,780)	(203,034)	(180,628)	(239,396)	(170,818)	
Adjusted current assets	820,943	832,878	884,761	951,431	992,024	
Current maturities of long-term debt and capital leases, including notes payable	(4,500)	(2,102)	(3,528)	(157)	-	
Other current liabilities	(213,569)	(233,848)	(216,517)	(248,661)	(224,949)	
Total excluded current liabilities	(218,069)	(235,950)	(220,045)	(248,818)	(224,949)	
Adjusted current liabilities	165,062	173,160	198,674	212,908	205,069	
Primary working capital	\$ 655,881	\$ 659,718	\$ 686,087	\$ 738,523	\$ 786,955	\$ 705,433
Three Months Ended						
	3/31/2020	12/31/2019	9/30/2019	6/30/2019	Total	
Sales	\$ 483,084	\$ 505,080	\$ 518,088	\$ 603,949	\$ 2,110,201	
Primary working capital as a percentage of sales						33.4%

Non-GAAP Reconciliations (cont'd)

(in thousands, except percents)	3/31/2019	12/31/2018	9/30/2018	6/30/2018	3/31/2018	Average
Current assets	\$ 1,162,842	\$ 1,119,034	\$ 1,121,482	\$ 1,546,166	\$ 1,240,587	
Current liabilities	430,018	412,053	439,171	886,531	477,790	
Working capital, GAAP	\$ 732,824	\$ 706,981	\$ 682,311	\$ 659,635	\$ 762,797	
Excluding items:						
Cash and cash equivalents	(112,597)	(96,276)	(102,084)	(556,153)	(221,906)	
Other current assets	(58,221)	(63,509)	(63,461)	(63,257)	(70,926)	
Total excluded current assets	(170,818)	(159,785)	(165,545)	(619,410)	(292,832)	
Adjusted current assets	992,024	959,249	955,937	926,756	947,755	
Current maturities of long-term debt and capital leases, including notes payable	-	(3,371)	(756)	(400,200)	(1,399)	
Other current liabilities	(224,949)	(210,332)	(217,528)	(264,428)	(256,186)	
Total excluded current liabilities	(224,949)	(213,703)	(218,284)	(664,628)	(257,585)	
Adjusted current liabilities	205,069	198,350	220,887	221,903	220,205	
Primary working capital	\$ 786,955	\$ 760,899	\$ 735,050	\$ 704,853	\$ 727,550	\$ 743,061
Three Months Ended						
	3/31/2019	12/31/2018	9/30/2018	6/30/2018	Total	
Sales	\$ 597,204	\$ 587,394	\$ 586,687	\$ 646,119	\$ 2,417,404	
Primary working capital as a percentage of sales						30.7%

Non-GAAP Reconciliations (cont'd)

(in thousands, except percents)	3/31/2018	12/31/2017	9/30/2017	6/30/2017	3/31/2017	Average
Current assets	\$ 1,240,587	\$ 1,128,382	\$ 1,075,915	\$ 1,113,901	\$ 1,043,046	
Current liabilities	477,790	407,621	396,967	461,478	426,799	
Working capital, GAAP	\$ 762,797	\$ 720,761	\$ 678,948	\$ 652,423	\$ 616,247	
Excluding items:						
Cash and cash equivalents	(221,906)	(159,940)	(110,697)	(190,629)	(100,817)	
Other current assets	(70,926)	(68,057)	(64,874)	(55,166)	(75,061)	
Total excluded current assets	(292,832)	(227,997)	(175,571)	(245,795)	(175,878)	
Adjusted current assets	947,755	900,385	900,344	868,106	867,168	
Current maturities of long-term debt and capital leases, including notes payable	(1,399)	(1,360)	(1,252)	(925)	(1,591)	
Other current liabilities	(256,186)	(215,669)	(209,373)	(244,831)	(234,367)	
Total excluded current liabilities	(257,585)	(217,029)	(210,625)	(245,756)	(235,958)	
Adjusted current liabilities	220,205	190,592	186,342	215,722	190,841	
Primary working capital	\$ 727,550	\$ 709,793	\$ 714,002	\$ 652,384	\$ 676,327	\$ 696,011
Three Months Ended						
	3/31/2018	12/31/2017	9/30/2017	6/30/2017	Total	
Sales	\$ 607,936	\$ 571,345	\$ 542,454	\$ 565,025	\$ 2,286,760	
Primary working capital as a percentage of sales						30.4%

Non-GAAP Reconciliations (cont'd)

(in thousands, except percents)	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016	Average
Current assets	\$ 1,043,046	\$ 971,745	\$ 991,837	\$ 1,075,341	\$ 1,099,260	
Current liabilities	426,799	390,151	402,574	427,275	421,415	
Working capital, GAAP	\$ 616,247	\$ 581,594	\$ 589,263	\$ 648,066	\$ 677,845	
Excluding items:						
Cash and cash equivalents	(100,817)	(102,001)	(119,411)	(161,579)	(136,564)	
Other current assets	(75,061)	(80,375)	(64,660)	(84,016)	(111,479)	
Total excluded current assets	(175,878)	(182,376)	(184,071)	(245,595)	(248,043)	
Adjusted current assets	867,168	789,369	807,766	829,746	851,217	
Current maturities of long-term debt and capital leases, including notes payable	(1,591)	(2,263)	(1,381)	(1,895)	(4,140)	
Other current liabilities	(234,367)	(219,008)	(225,189)	(243,341)	(247,943)	
Total excluded current liabilities	(235,958)	(221,271)	(226,570)	(245,236)	(252,083)	
Adjusted current liabilities	190,841	168,880	176,004	182,039	169,332	
Primary working capital	\$ 676,327	\$ 620,489	\$ 631,762	\$ 647,707	\$ 681,885	\$ 651,634
Three Months Ended						
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	Total	
Sales	\$ 528,630	\$ 487,573	\$ 477,140	\$ 521,224	\$ 2,014,567	
Primary working capital as a percentage of sales					32.3%	

Net Debt (in millions)	Three months ended			
	3/31/2020	3/31/2019	3/31/2018	3/31/2017
Total debt (gross)	\$ 598.1	\$ 592.1	\$ 697.5	\$ 696.2
Less: cash and cash equivalents	85.2	112.6	221.9	100.8
Net debt	\$ 512.9	\$ 479.5	\$ 475.6	\$ 595.4

