

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

**FORM 8-K**

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

Date of report (Date of earliest event reported): January 26, 2010

**Kennametal Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Pennsylvania**  
(State or Other Jurisdiction of Incorporation)

**1-5318**  
(Commission File Number)

**25-0900168**  
(IRS Employer Identification No.)

**World Headquarters**  
**1600 Technology Way**  
**P.O. Box 231**  
**Latrobe, Pennsylvania**  
(Address of Principal Executive Offices)

**15650-0231**  
(Zip Code)

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

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

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

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

## TABLE OF CONTENTS

Item 2.02 Results of Operations and Financial Condition

Item 2.05 Costs Associated with Exit or Disposal Activities

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Item 8.01 Other Events

Item 9.01 Financial Statements and Exhibits

### **Item 2.02 Results of Operations and Financial Condition**

On January 28, 2010, Kennametal Inc. (Kennametal or the Company) issued an earnings announcement for its fiscal second quarter ended December 31, 2009.

The press release contains certain non-generally accepted accounting principles (GAAP) financial measures. The following GAAP financial measures have been presented on an adjusted basis: gross profit, operating expense, operating income, Metalworking Sales and Services Group (MSSG) operating income and margin, Advanced Materials Solutions Group (AMSG) operating income and margin, income (loss) from continuing operations, net income (loss) and diluted earnings per share. Adjustments include: (1) restructuring and related charges for the three and six months ended December 31, 2009 and 2008, respectively, and (2) divestiture related charges for the three and six months ended December 31, 2009. Management adjusts for these items in measuring and compensating internal performance and to more readily compare the Company's financial performance period-to-period. The press release also contains free operating cash flow, which is also a non-GAAP measure and is defined below.

Management believes that presentation of these non-GAAP financial measures provides useful information about the results of operations of the Company for the current period and past periods. Management believes that investors should have available the same information that management uses to assess operating performance, determine compensation and assess the capital structure of the Company. These non-GAAP 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.

#### **Free Operating Cash Flow**

Free operating cash flow 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 free operating cash flow to be an important indicator of Kennametal's cash generating capability because it better represents cash generated from operations that can be used for dividends, debt repayment, strategic initiatives (such as acquisitions), and other investing and financing activities.

A copy of the Company's earnings announcement is furnished under Exhibit 99.1 attached hereto. Reconciliations of the above non-GAAP financial measures are included in the earnings announcement.

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

#### **Debt to Capital**

Debt to capital is a non-GAAP financial measure and is defined by Kennametal as total debt divided by the sum of total Kennametal shareowners' equity plus noncontrolling interest plus total debt. The most directly comparable GAAP measure is debt to equity, which is defined as total debt divided by shareowners' equity. Management believes that debt to capital provides additional insight into the underlying capital structuring and performance of the Company.

---

## DEBT TO CAPITAL (UNAUDITED)

(in thousands, except percents)	December 31, 2009	June 30, 2009
Total debt	\$ 338,781	\$ 485,957
Kennametal shareowners' equity	1,378,980	1,247,443
Debt to equity, GAAP	24.6%	39.0%
<hr/>		
Total debt	\$ 338,781	\$ 485,957
Kennametal shareowners' equity	1,378,980	1,247,443
Noncontrolling interests	21,265	20,012
Total capital	\$1,739,026	\$1,753,412
Debt to capital	19.5%	27.7%

### Item 2.05 Costs Associated with Exit or Disposal Activities

On January 28, 2010, Kennametal also announced that it is undertaking additional restructuring actions, a portion of which includes a reduction of approximately 2% in the Company's global salaried workforce. In the aggregate, these additional restructuring actions are expected to generate annual pre-tax savings of approximately \$30 million to \$35 million, and will be completed within the next six to nine months. The Company expects to incur pre-tax cash charges of approximately \$40 million to \$45 million in connection with the execution of these new initiatives. These new plans, together with restructuring programs previously announced over the past few quarters, are expected to produce annual ongoing pre-tax permanent savings of \$155 million to \$160 million once all are fully implemented. The combined total pre-tax charges are expected to be approximately \$155 million to \$160 million.

### Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On January 26, 2010, the Compensation Committee (the "Committee") of the Board of Directors of the Company was advised that the Company intends to restore previous salary levels for non-executive U.S. salaried employees effective as of February 1, 2010. The Committee determined that business conditions have improved to a level that supports the withdrawal of the fifteen percent reduction in the base salaries of all affected executive officers and the reinstatement of previous salary levels. Accordingly, the Committee approved the reinstatement of previous salary levels for those officers, concurrent with the broader restoration of salaries to U.S. employees effective as of February 1, 2010.

### Item 8.01 Other Events

In July 2009, the Board of Directors voluntarily reduced its cash compensation for Board service by fifteen percent to demonstrate its commitment to and support of the Company's efforts to reduce costs and strengthen performance. At that time, the Board stipulated that the reduction would remain in effect until the salaries of the executive officers were reinstated to previous levels. Accordingly, effective February 1, 2010, the cash compensation received by non-management board members for Board service will be restored to previous levels.

### Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Fiscal 2010 Second Quarter Earnings Announcement

---

**Signatures**

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

KENNAMETAL INC.

Date: January 28, 2010

By: /s/ Martha A. Bailey

\_\_\_\_\_  
Martha A. Bailey

Vice President Finance and Corporate Controller

**FOR IMMEDIATE RELEASE:**

DATE: January 28, 2010

Investor Relations

CONTACT: Quynh McGuire

PHONE: 724-539-6559

Media Relations

CONTACT: Joy Chandler

PHONE: 724-539-4618

**KENNAMETAL ANNOUNCES IMPROVED SECOND QUARTER FISCAL 2010 RESULTS,  
INCREASES GUIDANCE AND TAKES FURTHER PROFITABILITY ACTIONS**

- Reported 2Q EPS of \$0.07; adjusted EPS of \$0.14
- Sales increased 8 percent sequentially to \$443 million
- Free operating cash flow of \$36 million for first half of fiscal 2010
- Increases EPS midpoint guidance by \$0.10 including new profitability actions
- Increases FOCF midpoint guidance by \$35 million

LATROBE, Pa., (January 28, 2010) — Kennametal Inc. (NYSE: KMT) today reported that fiscal 2010 second quarter earnings per diluted share (EPS) were \$0.07, compared with prior year quarter reported EPS of \$0.21. The current quarter reported EPS included restructuring and related charges amounting to \$0.07 per share. The prior year quarter reported EPS included restructuring and related charges of \$0.14 per share. Absent these charges, adjusted EPS for the current quarter was \$0.14, compared with the prior year quarter adjusted EPS of \$0.35. Adjusted EPS for the current quarter improved sequentially by \$0.18 from the quarter ended September 30, 2009. The sequential improvement in EPS was driven by higher sales volume, as well as further benefits from previously implemented restructuring programs.

Kennametal's Chairman, President and Chief Executive Officer Carlos Cardoso said, "In the December quarter, we have achieved sequential sales growth for the past two quarters driven by the gradual economic recovery, increased industrial activity in certain geographies and end markets, and higher demand from customers replenishing their inventories."

---

“The sequential improvement in our operating results and earnings per share demonstrate the success of our restructuring initiatives. Our global workforce has consistently focused on managing through the economic downturn to deliver results and will continue to concentrate on implementing further cost reduction efforts in the second half of fiscal 2010. We are pleased to have returned to profitability and will continue to maximize opportunities to expand future margins. In addition, we will remain focused on generating strong cash flow and maintaining a solid balance sheet to position our business for ongoing future growth.”

Reconciliations of all non-GAAP financial measures are set forth in the attached tables, and descriptions of certain non-GAAP financial measures are contained in our report on Form 8-K to which this release is attached.

### **Fiscal 2010 Second Quarter Key Developments**

- Sales for the quarter were \$443 million, compared with \$546 million in the same quarter last year. Sales decreased by 19 percent, driven by an organic decline of 23 percent, partially offset by a 4 percent favorable impact from foreign currency effects.
- Sales for the December quarter improved sequentially by 8 percent, representing the second consecutive quarter of sequential sales growth. The improvement in sales was driven by an expansion in industrial activity in certain markets and geographies.
- During the quarter ended December 31, 2009, the company recognized pre-tax restructuring and related charges of \$4 million, or \$0.07 per share. Incremental pre-tax benefits from restructuring programs were approximately \$30 million in the current quarter, driven by manufacturing rationalization and workforce reduction programs.
- Operating income for the quarter was \$15 million compared with \$23 million in the same quarter last year. Absent restructuring related charges recorded in both periods, operating income for the current quarter was \$20 million, compared with operating income of \$33 million in the prior year quarter. The prior year quarter benefited from lower provisions for incentive compensation due to declines in operating performance in the prior year. The adjusted operating income for the current quarter improved sequentially by \$21 million from the September 2009 quarter. This sequential improvement was driven by higher sales, continued permanent savings from restructuring programs and ongoing cost discipline.
- Reported EPS was \$0.07 compared with prior year quarter reported EPS of \$0.21. Adjusted EPS was \$0.14 compared with prior year quarter adjusted EPS of \$0.35. A reconciliation follows:

#### **Earnings Per Diluted Share Reconciliation**

<i>Second Quarter FY 2010</i>		<i>Second Quarter FY 2009</i>	
Reported EPS	\$ 0.07	Reported EPS	\$ 0.21
Restructuring and related charges	0.07	Restructuring and related charges	0.14
Adjusted EPS	<u>\$ 0.14</u>	Adjusted EPS	<u>\$ 0.35</u>

### **Segment Highlights of Fiscal 2010 Second Quarter**

- Metalworking Solutions & Services Group (MSSG) sales decreased by 19 percent from the prior year quarter, driven by an organic sales decline of 23 percent, offset by favorable foreign currency effects of 4 percent. Sequentially, sales increased by 13 percent for the second consecutive quarter as global industrial production continued to improve modestly. On a regional basis, India had a year-over-year organic sales increase of 5 percent. Europe and North America reported organic sales declines of 30 percent and 24 percent, respectively, compared with the prior year December quarter. Latin America and Asia Pacific also experienced year-over-year organic sales declines of 17 percent and 1 percent, respectively.
- MSSG operating income of \$7 million for the December quarter was flat compared with the same quarter of the prior year despite a reduction in sales of \$61 million. Excluding restructuring and related charges recorded in both periods, MSSG operating income was \$10 million compared with \$14 million in the prior year quarter. MSSG adjusted operating margin improved sequentially from the September quarter by 730 basis points to 3.6 percent. The primary driver of the adjusted sequential increase in operating margin was cost savings from restructuring programs and continued cost containment, with a considerable portion of these savings offset by lower sales volumes.
- Advanced Materials Solutions Group (AMSG) sales decreased 19 percent from the prior year quarter, driven by a 22 percent organic decline, offset by a 3 percent favorable impact from foreign currency effects. The organic decline was primarily driven by lower sales in the engineered products business, as well as reduced demand for energy related products and capital equipment. Sequentially, sales increased by 2 percent.
- AMSG operating income increased 54 percent to \$30 million in the current quarter compared with \$19 million in the same quarter of the prior year. Absent restructuring and related charges recorded in both periods, AMSG operating income was \$31 million in the current quarter compared with \$22 million in the prior year quarter, an increase of 38 percent. The year-over-year increase in operating income was primarily due to cost savings from restructuring and continued cost reduction actions, partially offset by lower sales volumes. AMSG adjusted operating margin increased sequentially by 320 basis points to 16.9 percent from the September quarter.

### **Fiscal 2010 First Half Key Developments**

- Cash flow from operating activities was \$53 million in the first half of fiscal 2010, compared with \$115 million in the prior year period. Also, during the first half of the current fiscal year, the company generated free operating cash flow of \$36 million compared with \$48 million in the prior year period.
  - Sales of \$852 million decreased 28 percent from \$1.2 billion in the same period last year. Sales decreased 30 percent on an organic basis, partially offset by a 2 percent increase from a business acquisition made in the prior fiscal year.
-

- During the first half of fiscal 2010, the company recognized pre-tax restructuring and related charges of \$13 million, or \$0.15 per share. Incremental pre-tax benefits from restructuring programs were approximately \$60 million year-to-date.
- Operating income was \$6 million, compared with \$75 million in the same period last year. Absent charges related to restructuring recorded in both periods, operating income for the current period was \$19 million, compared with \$94 million for the prior year period. This decrease was principally the result of reduced sales volumes and was partially offset by a combination of restructuring benefits, continued cost reduction actions and improved price realization.
- Reported EPS was (\$0.05), compared with prior year reported EPS of \$0.69. The current period reported EPS included charges of \$0.15 per share related to the company's restructuring programs and divestiture of its high speed steel drills and related product lines. Prior year period reported EPS included restructuring and related charges of \$0.23 per share. Absent these charges, adjusted EPS for the first half of fiscal 2010 were \$0.10, compared with prior year adjusted EPS of \$0.92. A reconciliation follows:

#### Earnings Per Diluted Share Reconciliation

<i>First Half FY 2010</i>		<i>First Half FY 2009</i>	
<b>Reported EPS</b>	<b>\$ (0.05)</b>	<b>Reported EPS</b>	<b>\$ 0.69</b>
<b>Restructuring and related charges</b>	<b>0.12</b>	<b>Restructuring and related charges</b>	<b>0.23</b>
<b>Divestiture related charges</b>	<b>0.03</b>		
<b>Adjusted EPS</b>	<b><u>\$ 0.10</u></b>	<b>Adjusted EPS</b>	<b><u>\$ 0.92</u></b>

#### **Further Restructuring Actions**

Kennametal intends to undertake further restructuring actions which are expected to generate \$30 million to \$35 million in annual savings once fully implemented over the next six to nine months. The company expects to incur pre-tax cash charges of approximately \$40 million to \$45 million in connection with the execution of these new initiatives. These new plans, together with restructuring programs previously announced over the past few quarters, are expected to produce annual ongoing pre-tax permanent savings of \$155 million to \$160 million once all are fully implemented. The combined total pre-tax charges are expected to be approximately \$155 million to \$160 million, including approximately \$94 million recorded through the December 2009 quarter.

---



## **Outlook**

Global industrial activity has recently exhibited some stability and slight upward trends following the severe economic downturn and turbulence experienced during the previous fiscal year. However, the improvement in business conditions at present is still uneven and does not yet entail broad-based momentum. Certain market sectors and regions have begun to strengthen while others remain flat. While there are some overall positive signs of an improving global economy, it remains difficult to predict with any certainty the timing, magnitude and duration of a sustainable recovery.

Management currently believes that global industrial activity and the corresponding demand for the company's products will continue to moderately improve through the remainder of the current fiscal year. Under these assumed conditions, Kennametal is increasing its EPS guidance for fiscal 2010 from the range of \$0.50 to \$0.70 per share to the range of \$0.65 to \$0.75 per share, excluding restructuring and divestiture related charges, on sales that are expected to be 8 percent to 10 percent lower year-over-year on an organic basis. This higher EPS range represents a 17 percent increase in the midpoint. Cash flow from operations is expected to be in the range of \$100 million to \$110 million for fiscal 2010, as a considerable portion of the cash generated is expected to be needed to fund higher working capital requirements as business improves. Based on net capital expenditures of approximately \$60 million, the free operating cash flow range is increased from \$5 million to \$15 million to the range of \$40 million to \$50 million for fiscal 2010.

For the third quarter of fiscal 2010, Kennametal expects organic sales to be 5 percent to 10 percent higher than for the same quarter of the previous fiscal year and expects sequential EPS improvement for the next two quarters.

## **Dividend Declared**

Kennametal also announced today that its Board of Directors declared a regular quarterly cash dividend of \$0.12 per share. The dividend is payable February 24, 2010 to shareowners of record as of the close of business on February 9, 2010.

---

Kennametal advises shareowners to note monthly order trends, for which the company makes a disclosure ten business days after the conclusion of each month. This information is available on the Investor Relations section of Kennametal's corporate website at [www.kennametal.com](http://www.kennametal.com).

Second quarter results for fiscal 2010 will be discussed in a live Internet broadcast at 10:00 a.m. Eastern time today. This event will be broadcast live on the company's website, [www.kennametal.com](http://www.kennametal.com). Once on the homepage, select "Investor Relations" and then "Events." The replay of this event will also be available on the company's website through February 28, 2010.

*This release contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. You can identify forward-looking statements by the fact they use words such as "should," "anticipate," "estimate," "approximate," "expect," "may," "will," "project," "intend," "plan," "believe" and other words of similar meaning and expression in connection with any discussion of future operating or financial performance or events. Forward looking statements in this release concern, among other things, Kennametal's outlook for earnings for its fiscal year 2010, and its expectations regarding restructuring initiatives, future growth and financial performance, all of which are based on current expectations 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, actual outcomes could vary materially from those indicated. Among the factors that could cause the actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties related to: the recent downturn in our industry; deepening or prolonged economic recession; restructuring and related actions (including associated costs and anticipated benefits); changes in our debt ratings; compliance with our debt arrangements; 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; our ability to protect and defend our intellectual property; 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; global or regional catastrophic events, including terrorist attacks or acts of war; integrating acquisitions and achieving the expected savings and synergies; business divestitures; potential claims relating to our products; energy costs; commodity prices; labor relations; demand for and market acceptance of new and existing products; and implementation of environmental remediation matters. These 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 undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.*

---

Kennametal Inc. (NYSE: KMT) delivers productivity to customers seeking peak performance in demanding environments by providing innovative custom and standard wear-resistant solutions. This proven productivity is enabled through our advanced materials sciences and application knowledge. Our commitment to a sustainable environment provides additional value to our customers. Companies operating in everything from airframes to coal mining, from engines to oil wells and from turbochargers to construction recognize Kennametal for extraordinary contributions to their value chains. In fiscal year 2009, customers bought approximately \$2.0 billion of Kennametal products and services — delivered by our nearly 12,000 talented employees doing business in more than 60 countries — with more than 50 percent of these revenues coming from outside North America. Visit us at [www.kennametal.com](http://www.kennametal.com). [KMT-E]

---

## FINANCIAL HIGHLIGHTS

### CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008 (1)	2009	2008 (1)
Sales	\$442,865	\$546,061	\$852,260	\$1,189,435
Cost of goods sold	302,777	385,899	594,371	814,153
<b>Gross profit</b>	<b>140,088</b>	<b>160,162</b>	<b>257,889</b>	<b>375,282</b>
Operating expense	117,902	128,118	234,064	279,074
Restructuring charges	3,348	6,204	11,178	14,616
Amortization of intangibles	3,367	3,269	6,707	6,678
<b>Operating income</b>	<b>15,471</b>	<b>22,571</b>	<b>5,940</b>	<b>74,914</b>
Interest expense	5,954	8,000	12,325	15,083
Other income, net	(1,866)	(5,716)	(4,818)	(4,630)
<b>Income (loss) from continuing operations before income taxes</b>	<b>11,383</b>	<b>20,287</b>	<b>(1,567)</b>	<b>64,461</b>
Provision (benefit) for income taxes	5,090	4,701	(39)	13,078
<b>Income (loss) from continuing operations</b>	<b>6,293</b>	<b>15,586</b>	<b>(1,528)</b>	<b>51,383</b>
<b>(Loss) income from discontinued operations</b>	<b>(56)</b>	<b>(28)</b>	<b>(1,423)</b>	<b>427</b>
<b>Net income (loss)</b>	<b>6,237</b>	<b>15,558</b>	<b>(2,951)</b>	<b>51,810</b>
Less: Net income (loss) attributable to noncontrolling interests	270	(101)	899	684
<b>Net income (loss) attributable to Kennametal</b>	<b>\$ 5,967</b>	<b>\$ 15,659</b>	<b>\$ (3,850)</b>	<b>\$ 51,126</b>
<b>Amounts Attributable to Kennametal Common Shareowners:</b>				
Income (loss) from continuing operations	\$ 6,023	\$ 15,687	\$ (2,427)	\$ 50,699
(Loss) income from discontinued operations	(56)	(28)	(1,423)	427
<b>Net income (loss) attributable to Kennametal</b>	<b>\$ 5,967</b>	<b>\$ 15,659</b>	<b>\$ (3,850)</b>	<b>\$ 51,126</b>
<b>PER SHARE DATA ATTRIBUTABLE TO KENNAMETAL</b>				
<b>Basic earnings (loss) per share:</b>				
Continuing operations	\$ 0.07	\$ 0.22	\$ (0.03)	\$ 0.69
Discontinued operations	—	—	(0.02)	0.01
	<b>\$ 0.07</b>	<b>\$ 0.22</b>	<b>\$ (0.05)</b>	<b>\$ 0.70</b>
<b>Diluted earnings (loss) per share:</b>				
Continuing operations	\$ 0.07	\$ 0.21	\$ (0.03)	\$ 0.68
Discontinued operations	—	—	(0.02)	0.01
	<b>\$ 0.07</b>	<b>\$ 0.21</b>	<b>\$ (0.05)</b>	<b>\$ 0.69</b>
<b>Dividends per share</b>	<b>\$ 0.12</b>	<b>\$ 0.12</b>	<b>\$ 0.24</b>	<b>\$ 0.24</b>
<b>Basic weighted average shares outstanding</b>	<b>81,149</b>	<b>72,630</b>	<b>80,461</b>	<b>73,515</b>
<b>Diluted weighted average shares outstanding</b>	<b>81,855</b>	<b>73,199</b>	<b>80,461</b>	<b>74,347</b>

(1) Amounts have been reclassified to reflect discontinued operations related to the divestiture of the high speed steel drills and related products business.

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(in thousands)	December 31, 2009	June 30, 2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 95,835	\$ 69,823
Accounts receivable, net	274,632	278,977
Inventories	378,167	381,306
Other current assets	115,251	145,798
<b>Total current assets</b>	<b>863,885</b>	<b>875,904</b>
Property, plant and equipment, net	705,138	720,326
Goodwill and intangible assets, net	675,420	677,436
Other assets	76,046	73,308
<b>Total assets</b>	<b>\$2,320,489</b>	<b>\$2,346,974</b>
<b>LIABILITIES</b>		
Current maturities of long-term debt and capital leases, including notes payable	\$ 19,696	\$ 49,365
Accounts payable	96,420	87,176
Other current liabilities	237,492	242,428
<b>Total current liabilities</b>	<b>353,608</b>	<b>378,969</b>
Long-term debt and capital leases	319,085	436,592
Other liabilities	247,551	263,958
<b>Total liabilities</b>	<b>920,244</b>	<b>1,079,519</b>
<b>KENNAMETAL SHAREOWNERS' EQUITY</b>	<b>1,378,980</b>	<b>1,247,443</b>
<b>NONCONTROLLING INTERESTS</b>	<b>21,265</b>	<b>20,012</b>
<b>Total liabilities and equity</b>	<b>\$2,320,489</b>	<b>\$2,346,974</b>

**SEGMENT DATA (UNAUDITED)**

(in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008 (1)	2009	2008 (1)
<i>Outside Sales:</i>				
Metalworking Solutions and Services Group	\$261,487	\$322,007	\$492,478	\$ 727,402
Advanced Materials Solutions Group	181,378	224,054	359,782	462,033
<b>Total outside sales</b>	<b>\$442,865</b>	<b>\$546,061</b>	<b>\$852,260</b>	<b>\$1,189,435</b>
<i>Sales By Geographic Region:</i>				
United States	\$186,469	\$256,466	\$373,057	\$ 525,978
International	256,396	289,595	479,203	663,457
<b>Total sales by geographic region</b>	<b>\$442,865</b>	<b>\$546,061</b>	<b>\$852,260</b>	<b>\$1,189,435</b>
<i>Operating Income (Loss):</i>				
Metalworking Solutions and Services Group	\$ 6,793	\$ 6,904	\$ (5,973)	\$ 49,283
Advanced Materials Solutions Group	29,928	19,437	53,035	49,427
Corporate and eliminations (2)	(21,250)	(3,770)	(41,122)	(23,796)
<b>Total operating income</b>	<b>\$ 15,471</b>	<b>\$ 22,571</b>	<b>\$ 5,940</b>	<b>\$ 74,914</b>

(1) Amounts have been reclassified to reflect discontinued operations related to the divestiture of the high speed steel drills and related products business.

(2) Includes corporate functional shared services and intercompany eliminations.

In addition to reported results under generally accepted accounting principles in the United States of America (GAAP), the following financial highlight tables include, where appropriate, a reconciliation of adjusted results including gross profit, operating expense, operating income, MSSG operating income and margin, AMSG operating income and margin, income from continuing operations, net income and diluted earnings per share and free operating cash flow (which are non-GAAP financial measures), to the most directly comparable GAAP measures. For those adjustments that are presented 'net of tax', the tax effect of the adjustment can be derived by calculating the difference between the pre-tax and the post-tax adjustments presented. The tax effect on adjustments is calculated by preparing an overall tax calculation including the adjustments and then a tax calculation excluding the adjustments. The difference between these calculations results in the tax impact of the adjustments.

Management believes that investors should have available the same information that management uses to assess operating performance, determine compensation and assess the capital structure of the company. These non-GAAP 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 of all non-GAAP financial measures are set forth in the attached tables and descriptions of certain non-GAAP financial measures are contained in our report on Form 8-K to which this release is attached.

### THREE MONTHS ENDED DECEMBER 31, 2009 (UNAUDITED)

(in thousands, except per share amounts)	Gross Profit	Operating Expense	Operating Income	Income from Continuing Operations	Net Income	Diluted EPS
2010 Reported Results	\$140,088	\$117,902	\$15,471	\$ 6,293	\$ 5,967	\$ 0.07
Restructuring and related charges	562	(201)	4,111	5,143	5,143	0.07
Divestiture related charges	—	—	—	—	56	0.00
2010 Adjusted Results	\$140,650	\$117,701	\$19,582	\$11,436	\$11,166	\$ 0.14

(in thousands, except percents)	MSSG Operating Income	AMSG Operating Income
2010 Reported Results	\$6,793	\$29,928
2010 Reported Operating Margin	2.6%	16.5%
Restructuring and related charges	2,735	676
2010 Adjusted Results	\$9,528	\$30,604
2010 Adjusted Operating Margin	3.6%	16.9%

**THREE MONTHS ENDED DECEMBER 31, 2008 (UNAUDITED)**

(in thousands, except per share amounts)	Gross Profit	Operating Expense	Operating Income	Income from Continuing Operations	Net Income	Diluted EPS
2009 Reported Results	\$160,162	\$128,118	\$22,571	\$15,586	\$15,659	\$ 0.21
Restructuring and related charges	3,875	(9)	10,088	9,779	9,779	0.14
2009 Adjusted Results	\$164,037	\$128,109	\$32,659	\$25,365	\$25,438	\$ 0.35

(in thousands, except percents)	MSSG Operating Income	AMSG Operating Income
2009 Reported Results	\$ 6,904	\$19,437
2009 Reported Operating Margin	2.1%	8.7%
Restructuring and related charges	7,288	2,800
2009 Adjusted Results	\$14,192	\$22,237
2009 Adjusted Operating Margin	4.4%	9.9%

**SIX MONTHS ENDED DECEMBER 31, 2009 (UNAUDITED)**

(in thousands, except per share amounts)	Gross Profit	Operating Expense	Operating Income	(Loss) Income from Continuing Operations	Net (Loss) Income	Diluted EPS
2010 Reported Results	\$ 257,889	\$ 234,064	\$ 5,940	\$ (1,528)	\$ (3,850)	\$ (0.05)
Restructuring and related charges	1,018	(464)	12,660	10,403	10,403	0.12
Divestiture related charges	—	—	—	—	1,340	0.03
2010 Adjusted Results	\$ 258,907	\$ 233,600	\$ 18,600	\$ 8,875	\$ 7,893	\$ 0.10

**SIX MONTHS ENDED DECEMBER 31, 2008 (UNAUDITED)**

(in thousands, except per share amounts)	Gross Profit	Operating Expense	Operating Income	Income from Continuing Operations	Net Income	Diluted EPS
2009 Reported Results	\$375,282	\$279,074	\$74,914	\$51,383	\$51,126	\$ 0.69
Restructuring and related charges	4,650	33	19,233	17,187	17,187	\$0.23
2009 Adjusted Results	\$379,932	\$279,107	\$94,147	\$68,570	\$68,313	\$ 0.92

**FREE OPERATING CASH FLOW (UNAUDITED)**

(in thousands)	Six Months Ended December 31,	
	2009	2008
Net cash flow provided by operating activities	\$ 53,431	\$115,490
Purchases of property, plant and equipment	(19,266)	(68,659)
Proceeds from disposals of property, plant and equipment	1,659	1,668
Free operating cash flow	\$ 35,824	\$ 48,499