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, 2007

Commission file number 1-5318

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

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

World Headquarters
1600 Technology Way
P.O. Box 231
Latrobe, Pennsylvania 15650-0231
(Address of principal executive offices) (Zip Code)

Website: **www.kennametal.com**

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

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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO ☑

Indicate the number of shares outstanding of each of the issuer's classes of capital stock, as of the latest practicable date:

Title Of Each Class	Outstanding at April 30, 2007
Capital Stock, par value $1.25 per share	38,863,463

KENNAMETAL INC.
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FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2007

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This Form 10-Q contains “forward-looking” statements within the meaning of 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. These statements may relate to, among other things, our strategies, goals, plans and projections regarding our financial position, results of operations, market position, and product development, all of which are based on current expectations that involve inherent risks and uncertainties, including factors that could delay, divert or change any of them in the next several years. It is not possible to predict or identify all factors; however, they may include the following: global and regional economic conditions; risks associated with the availability and costs of the raw materials we use to manufacture our products; our ability to protect our intellectual property in foreign jurisdictions; risks associated with our foreign operations and international markets, such as currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability; energy costs; commodity prices; risks associated with integrating recent acquisitions, as well as any future acquisitions, and achieving the expected savings and synergies; risks relating to our recent business divestitures; competition; demands on management resources; future terrorist attacks or acts of war; labor relations; demand for and market acceptance of new and existing products; and risks associated with the implementation of restructuring plans and 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 this Form 10-Q, as applicable. 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.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KENNAMETAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Nine Months Ended March 31, 2007	Nine Months Ended March 31, 2006
Sales	$ 615,884	$ 609,159	$ 1,728,016	$ 1,717,461
Cost of goods sold	395,046	395,076	1,121,997	1,109,329
Gross profit	220,838	214,083	606,019	608,132
Operating expense	136,933	146,016	412,306	433,591
Asset impairment charge (Note 14)	5,970	—	5,970	—
Loss on divestitures (Note 5)	—	692	1,686	692
Amortization expense	1,808	1,409	5,703	4,198
Operating income	76,127	65,966	180,354	169,651
Interest expense	6,915	7,728	21,628	23,541
Other (income) expense, net	(1,803)	145	(5,435)	(1,912)
Income from continuing operations before income taxes and minority interest expense	71,015	58,093	164,161	148,022
Provision for income taxes	18,520	19,684	47,457	49,366
Minority interest expense	757	782	1,956	2,041
Income from continuing operations	51,738	37,627	114,748	96,615
Loss from discontinued operations	—	(4,724)	(2,599)	(4,528)
Net income	$ 51,738	$ 32,903	$ 112,149	$ 92,087
PER SHARE DATA				
Basic earnings per share:				
Continuing operations	$ 1.35	$ 0.97	$ 3.00	$ 2.52
Discontinued operations	—	(0.12)	(0.07)	(0.11)
Total	$ 1.35	$ 0.85	$ 2.93	$ 2.41
Diluted earnings per share:				
Continuing operations	$ 1.32	$ 0.94	$ 2.93	$ 2.45
Discontinued operations	—	(0.12)	(0.07)	(0.11)
Total	$ 1.32	$ 0.82	$ 2.86	$ 2.34
Dividends per share	$ 0.21	$ 0.19	$ 0.61	$ 0.57
Basic weighted average shares outstanding	38,428	38,832	38,318	38,283
Diluted weighted average shares outstanding	39,232	39,978	39,176	39,396

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

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KENNAMETAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)	March 31, 2007	June 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 94,246	$ 233,976
Accounts receivable, less allowance for doubtful accounts of $17,670 and $14,692	427,308	386,714
Inventories	378,893	334,949
Deferred income taxes	58,866	55,328
Current assets of discontinued operations held for sale	—	24,280
Other current assets	40,512	51,610
Total current assets	999,825	1,086,857
Property, plant and equipment:		
Land and buildings	327,161	290,848
Machinery and equipment	1,131,501	1,058,623
Less accumulated depreciation	(880,798)	(819,092)
Net property, plant and equipment	577,864	530,379
Other assets:		
Investments in affiliated companies	20,416	17,713
Goodwill	585,711	500,002
Intangible assets, less accumulated amortization of $22,972 and $16,891	151,209	118,421
Deferred income taxes	36,733	39,721
Assets of discontinued operations held for sale	—	11,285
Other	133,050	130,894
Total other assets	927,119	818,036
Total assets	$ 2,504,808	$ 2,435,272
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt and capital leases	$ 1,409	$ 1,597
Notes payable to banks	4,766	617
Accounts payable	145,524	124,907
Accrued income taxes	33,783	112,364
Accrued expenses	101,494	82,118
Current liabilities of discontinued operations held for sale	—	3,065
Other current liabilities	130,719	137,531
Total current liabilities	417,695	462,199
Long-term debt and capital leases, less current maturities	365,346	409,508
Deferred income taxes	93,345	73,338
Accrued pension and postretirement benefits	151,827	144,768
Other liabilities	28,464	35,468
Total liabilities	1,056,677	1,125,281
Commitments and contingencies		
Minority interest in consolidated subsidiaries	16,896	14,626
SHAREOWNERS’ EQUITY		
Preferred stock, no par value; 5,000 shares authorized; none issued	—	—
Capital stock, $1.25 par value; 120,000 and 70,000 shares authorized; 41,217 and 40,356 shares issued	51,524	50,448
Additional paid-in capital	691,433	638,399
Retained earnings	758,994	670,433
Treasury shares, at cost; 2,404 and 1,749 shares held	(141,480)	(101,781)
Accumulated other comprehensive income	70,764	37,866
Total shareowners’ equity	1,431,235	1,295,365
Total liabilities and shareowners’ equity	$ 2,504,808	$ 2,435,272

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

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

(in thousands)	Nine Months Ended March 31, 2007 [a]	2006 [a]
OPERATING ACTIVITIES		
Net income	$ 112,149	$ 92,087
Adjustments for non-cash items:		
Depreciation	50,521	49,433
Amortization	5,703	4,198
Stock-based compensation expense	14,429	17,911
Asset impairment charges (Notes 6 and 14)	8,970	5,030
Loss on divestitures (Notes 5 and 6)	2,531	8,047
Other	(2,440)	(632)
Changes in certain assets and liabilities (excluding acquisitions):		
Accounts receivable	(15,063)	(6,440)
Change in accounts receivable securitization	—	(3,680)
Inventories	(19,381)	(24,197)
Accounts payable and accrued liabilities	27,421	(41,586)
Accrued income taxes	(73,933)	12,111
Other	2,535	4,971
Net cash flow provided by operating activities	113,442	117,253
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(67,129)	(49,458)
Disposals of property, plant and equipment	1,021	1,900
Acquisitions of business assets, net of cash acquired	(143,819)	(31,072)
Proceeds from divestitures	34,172	—
Purchase of subsidiary stock	—	(2,108)
Other	(3,695)	4,437
Net cash flow used for investing activities	(179,450)	(76,301)
FINANCING ACTIVITIES		
Net increase (decrease) in notes payable	4,109	(41,025)
Net increase in short-term revolving and other lines of credit	—	(3,500)
Term debt borrowings	19,801	386,591
Term debt repayments	(76,337)	(398,682)
Repurchase of capital stock	(35,274)	(13,803)
Dividend reinvestment and employee benefit and stock plans	38,069	56,899
Cash dividends paid to shareowners	(23,588)	(22,174)
Other	(2,497)	(4,221)
Net cash flow used for financing activities	(75,717)	(39,915)
Effect of exchange rate changes on cash and cash equivalents	1,995	(2,349)
CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(139,730)	(1,312)
Cash and cash equivalents, beginning of period	233,976	43,220
Cash and cash equivalents, end of period	$ 94,246	$ 41,908

a Amounts presented include cash flows from discontinued operations.

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

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

1. ORGANIZATION

Kennametal Inc. was incorporated in Pennsylvania in 1943 and maintains its world headquarters in Latrobe, Pennsylvania. Kennametal Inc. and its subsidiaries (collectively, “Kennametal” or the “Company”) is a leading global manufacturer and supplier of tooling, engineered components and advanced materials consumed in production processes. End users of our products include metalworking manufacturers and suppliers in the aerospace, automotive, machine tool and farm machinery industries, as well as manufacturers and suppliers in the highway construction, coal mining, quarrying and oil and gas exploration industries. Our end users’ products include items ranging from airframes to coal, medical implants to oil wells and turbochargers to motorcycle parts. We previously operated three global business units consisting of Metalworking Solutions & Services Group (MSSG), Advanced Materials Solutions Group (AMSG) and J&L Industrial Supply (J&L). During the year ended June 30, 2006, we divested our J&L segment.

2. BASIS OF PRESENTATION

The condensed consolidated financial statements, which include our accounts and those of our consolidated subsidiaries, should be read in conjunction with the 2006 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to reflect the activity of discontinued operations (see Note 6). The condensed consolidated balance sheet as of June 30, 2006 was derived from the audited balance sheet included in our 2006 Annual Report on Form 10-K. These 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, 2007 and 2006 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 2007 is to the fiscal year ending June 30, 2007. When used in this Form 10-Q, unless the context requires otherwise, the terms “we,” “our” and “us” refer to Kennametal Inc. and its subsidiaries.

3. NEW ACCOUNTING STANDARDS

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115” (SFAS 159). SFAS 159 permits entities to measure many financial instruments at fair value with the changes in fair value recognized in earnings at each subsequent reporting date. SFAS 159 is effective for Kennametal as of July 1, 2008. We are in the process of evaluating the provisions of SFAS 159 to determine the impact of adoption on our results of operations or financial condition.

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

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status through comprehensive income of a business entity in the year in which the changes occur. SFAS 158 is effective for Kennametal as of June 30, 2007. The provisions of SFAS 158 are to be applied on a prospective basis; therefore, prior periods presented will not be restated. Based on the funded status of our pension and other postretirement benefit plans as of June 30, 2006, the adoption of SFAS 158 would have resulted in the following estimated impacts: a $0.8 million reduction of intangible assets, recognition of a $0.5 million deferred tax asset, a $78.5 million reduction of prepaid pension assets, a $20.8 million reduction in deferred tax liabilities, a $6.2 million reduction in accrued postretirement benefits, recognition of a $4.9 million pension liability and recognition of a $56.7 million other comprehensive loss. The ultimate impact is contingent on plan asset returns and the assumptions that will be used to measure the funded status of each of our pension and other postretirement benefit plans as of June 30, 2007.

SFAS 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The funded status of each of our pension and other postretirement benefit plans is currently measured as of June 30.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, (SAB 108), which expresses the staff's views regarding the process of quantifying financial statement misstatements. The guidance in SAB 108 must be applied in our 2007 annual financial statements. The impact of adoption is not expected to be material.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for Kennametal as of July 1, 2008. Upon adoption, the provisions of SFAS 157 are to be applied prospectively with limited exceptions. We are in the process of evaluating the impact of the provisions of SFAS 157 on our consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 prescribes a method of recognition, measurement, presentation and disclosure within the financial statements for uncertain tax positions that a company has taken or expects to take in a tax return. FIN 48 is effective for Kennametal as of July 1, 2007. We are in the process of evaluating the impact of the provisions of FIN 48 on our consolidated financial statements.

4. SUPPLEMENTAL CASH FLOW DISCLOSURES

	Nine Months Ended March 31,	
(in thousands)	2007	2006
Cash paid for:		
Interest	$ 15,919	$16,998
Income taxes	121,293	30,692
Non-cash financing activities:		
Contribution of stock to employees defined contribution benefit plans	5,579	6,554
Change in fair value of interest rate swaps	7,055	11,555

5. DIVESTITURES

In 2006, we divested our J&L segment for net consideration of $359.2 million. During the first quarter of 2007, we recognized a pre-tax loss of $1.6 million related to a post-closing adjustment, which is included in loss on divestitures. We have received $359.2 million in net proceeds related to the sale of this business of which $9.7 million was received during the nine months ended March 31, 2007.

In 2006, we divested our U.K.-based high-speed steel business (Presto) for proceeds of $1.5 million. During the three and nine months ended March 31, 2006, we recorded a loss on divestiture of $8.0 million. Included in this loss is a $7.3 million inventory charge reported in cost of goods sold, and a $0.7 million charge related to property, plant and equipment, which is included in loss on divestitures.

6. DISCONTINUED OPERATIONS

During 2006, our Board of Directors and management approved plans to divest our Kemmer Praezision Electronics business (Electronics) and our consumer retail product line, including industrial saw blades (CPG) as part of our strategy to exit non-core businesses. These divestitures are accounted for as discontinued operations. As a result, prior years' financial results have been restated to reflect the activity from these operations as discontinued operations.

Electronics The divestiture of Electronics, which was part of the AMSG segment, was completed in two separate transactions. The first transaction closed during 2006. The second transaction closed on December 31, 2006. During the nine months ended March 31, 2006, we recognized a pre-tax gain on divestiture of $0.1 million to adjust the related net assets to fair value, which has been presented in discontinued operations. The assets and liabilities of the business were recorded at fair value as of June 30, 2006.

During the three months ended December 31, 2006, management completed its assessment of the future use of a building owned and previously used by Electronics, but not divested. We concluded that we had no future economic use for this facility. As a result, during the three months ended December 31, 2006, we wrote the building down to fair value and recorded a pre-tax impairment charge of $3.0 million, which has been presented in discontinued operations.

CPG The divestiture of CPG, which was part of the MSSG segment, closed August 31, 2006 for net consideration of $31.2 million. We have received $26.0 million in net proceeds related to the sale of this business of which $1.5 million and $24.5 million were received during 2006 and the nine months ended March 31, 2007, respectively. We expect to receive $2.0 million during the fourth quarter of 2007 and the remaining $3.0 million in 2008. During the nine months ended March 31, 2007, we recognized additional pre-tax losses on divestiture of $1.0 million related to post-closing adjustments, which have been recorded in discontinued operations. For the three months ended March 31, 2006, we recorded a pre-tax goodwill impairment charge of $5.0 million related to CPG based primarily on a discounted cash flow analysis. This charge is presented in discontinued operations. The assets and liabilities of this business were recorded at fair value and presented as held for sale as of June 30, 2006.

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

The following represents the results of discontinued operations:

(in thousands)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Nine Months Ended March 31, 2007	Nine Months Ended March 31, 2006
Sales	$ —	$21,955	$15,034	$68,129
Loss from discontinued operations before income taxes	$ —	$ (4,265)	$ (2,464)	$ (4,161)
Income tax expense	—	459	135	367
Loss from discontinued operations	$ —	$ (4,724)	$ (2,599)	$ (4,528)

The major classes of assets and liabilities of discontinued operations held for sale in the condensed consolidated balance sheet are as follows:

(in thousands)	June 30, 2006
Assets:	
Accounts receivable, net	$ 14,147
Inventories	10,113
Other current assets	20
Current assets of discontinued operations held for sale	24,280
Property, plant and equipment, net	5,895
Goodwill	5,208
Other long-term assets	182
Other assets of discontinued operations held for sale	11,285
Total assets of discontinued operations held for sale	$ 35,565
Current liabilities:	
Accounts payable	$ 1,213
Other current liabilities	1,852
Total current liabilities of discontinued operations held for sale	$ 3,065

7. STOCK-BASED COMPENSATION

Stock options are granted to eligible employees at fair market value on the date of grant. Stock options are exercisable under specific conditions for up to 10 years from the date of grant. The aggregate number of shares authorized for issuance under the Kennametal Inc. Stock and Incentive Plan of 2002, as amended (the 2002 Plan), is 3,750,000. Under the provisions of the 2002 Plan, participants may deliver our stock, owned by the holder for at least six months, in payment of the option price and receive credit for the fair market value of the shares on the date of delivery. The fair value of shares delivered during the nine months ended March 31, 2007 and 2006 was $0.8 million and $3.1 million, respectively. Stock option expense for the nine months ended March 31, 2007 and 2006 was $3.8 million and $6.4 million, respectively. In addition to stock option grants, the 2002 Plan permits the award of restricted stock to directors, officers and key employees.

The assumptions used in our Black-Scholes valuation related to grants made during the period were as follows: risk free interest rate — 4.9 percent, expected life — 4.5 years, volatility — 22.4 percent and dividend yield — 1.4 percent.

Changes in our stock options for the nine months ended March 31, 2007 were as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value (in thousands)
Options outstanding, June 30, 2006	2,228,697	$41.42		
Granted	412,270	54.98		
Exercised	(612,496)	40.10		
Lapsed and forfeited	(141,216)	48.55		
Options outstanding, March 31, 2007	1,887,255	$44.28	6.9	$43,982
Options vested and expected to vest, March 31, 2007	1,853,325	$44.11	6.9	$43,504
Options exercisable, March 31, 2007	1,105,949	$38.63	5.6	$32,016
Weighted average fair value of options granted during the period		$13.05		

The amount of cash received from the exercise of options during the nine months ended March 31, 2007 and 2006 was $23.8 million. The related tax benefit for the nine months ended March 31, 2007 and 2006 was $4.3 million and $9.0 million, respectively. The total intrinsic value of options exercised during the nine months ended March 31, 2007 and 2006 was $13.1 million and $28.9 million, respectively. As of March 31, 2007, the total unrecognized compensation cost related to options outstanding was $6.4 million and is expected to be recognized over a weighted average period of 2.6 years.

Changes in our restricted stock for the nine months ended March 31, 2007 were as follows:

	Shares	Weighted Average Fair Value
Unvested restricted stock, June 30, 2006	442,155	$44.06
Awarded	111,845	54.91
Vested	(134,403)	42.29
Forfeited	(112,556)	42.17
Unvested restricted stock, March 31, 2007	307,041	$49.48

During the nine months ended March 31, 2007 and 2006, compensation expense related to restricted stock awards was $5.1 million and $5.0 million, respectively. As of March 31, 2007, the total unrecognized compensation cost related to unvested restricted stock was $9.7 million and is expected to be recognized over a weighted average period of 2.2 years.

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

8. BENEFIT PLANS

We sponsor several defined benefit pension plans that cover substantially all employees. Additionally, we provide varying levels of postretirement health care and life insurance benefits to most U.S. employees.

The table below summarizes the components of the net periodic cost of our defined benefit pension plans:

(in thousands)	Three Months Ended March 31, 2007	2006	Nine Months Ended March 31, 2007	2006
Service cost	$ 2,445	$ 2,830	$ 7,304	$ 8,836
Interest cost	9,608	8,403	28,700	25,759
Expected return on plan assets	(11,300)	(9,286)	(33,825)	(28,686)
Amortization of transition obligation	39	48	115	97
Amortization of prior service cost	167	205	500	571
Amortization of actuarial loss	1,311	3,498	3,915	10,348
Total net periodic pension cost	$ 2,270	$ 5,698	$ 6,709	$ 16,925

The decrease in net periodic pension cost is primarily the result of an increase in the discount rates applied to our plans and an increase in expected return on plan assets resulting from funding $73.0 million in the prior year related to our U.S. and U.K. defined benefit pension plans.

During the three and nine months ended March 31, 2007, the Company contributed $1.4 million and $4.1 million, respectively, to its various defined benefit pension plans. During the three and nine months ended March 31, 2007, the Company also expensed contributions of $1.6 million and $5.6 million, respectively, to its defined contribution plan.

The table below summarizes the components of the net periodic cost (benefit) of our other postretirement and postemployment benefit plans:

(in thousands)	Three Months Ended March 31, 2007	2006	Nine Months Ended March 31, 2007	2006
Service cost	$ 133	$ 208	$ 400	$ 625
Interest cost	420	436	1,260	1,308
Amortization of prior service cost	12	(858)	35	(2,574)
Amortization of actuarial gain	(366)	(213)	(1,099)	(638)
Total net periodic cost (benefit)	$ 199	$(427)	$ 596	$(1,279)

9. INVENTORIES

Inventories are stated at the lower of cost or market. We use the last-in, first-out (LIFO) method for determining the cost of a significant portion of our U.S. inventories. The cost for the remainder of our inventories is determined under the first-in, first-out or average cost methods. We used the LIFO method of valuing inventories for approximately 52 percent and 53 percent of total inventories at March 31, 2007 and June 30, 2006, respectively. Because inventory valuations under the LIFO method are based on an annual determination of quantities and costs as of June 30 of each year, the interim LIFO valuations are based on our projections of expected year-end inventory levels and costs. Therefore, the interim financial results are subject to any final year-end LIFO inventory adjustments.

Inventories consisted of the following (in thousands):

	March 31, 2007	June 30, 2006
Finished goods	$203,407	$184,349
Work in process and powder blends	174,144	167,475
Raw materials and supplies	71,322	53,454
Inventory at current cost	448,873	405,278
Less: LIFO valuation	(69,980)	(70,329)
Total inventories	$378,893	$334,949

10. 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.

Superfund Sites We are involved as a potentially responsible party (PRP) at various sites designated by the United States Environmental Protection Agency (USEPA) as Superfund sites, including the Li Tungsten Superfund site in Glen Cove, New York. With respect to the Li Tungsten site, we recorded an environmental reserve following the identification of other PRPs, an assessment of potential remediation solutions and an entry of a unilateral order by the USEPA directing certain remedial action. In May 2006, we reached an agreement in principle with the U.S. Department of Justice (DOJ) with respect to this site; the DOJ informed us that it would accept a payment of $0.9 million in full settlement for its claim against us for costs related to the Li Tungsten site. To date, the draft Consent Order and Agreement for settlement of our Li Tungsten liability has not been finalized, but we expect that the final settlement will proceed according to the terms outlined in the agreement in principle. At March 31, 2007, we had an accrual of $1.0 million recorded relative to this environmental issue.

During 2006, the USEPA notified us that we have been named as a PRP at the Alternate Energy Resources Inc. site located in Augusta, Georgia. The proceedings in this matter have not yet progressed to a stage where it is possible to estimate the ultimate cost of remediation, the timing and extent of remedial action that may be required by governmental authorities, or the amount of our liability, if any, alone or in relation to that of any other PRPs.

Other Environmental Issues Additionally, we also maintain reserves for other potential environmental issues. At March 31, 2007, the total of these accruals was $5.6 million, and represents anticipated costs associated with the remediation of these issues. We recorded unfavorable foreign currency translation adjustments of $0.3 million for the nine months ended March 31, 2007, related to these reserves.

11. INCOME TAXES

The effective income tax rate for the three months ended March 31, 2007 and 2006 was 26.1 percent and 33.9 percent, respectively. The reduction from the prior period rate was primarily the result of increased earnings from our pan-European business strategy and that the prior period rate was unfavorably impacted by charges that did not provide a tax benefit.

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

The effective income tax rate for the nine months ended March 31, 2007 and 2006 was 28.9 percent and 33.4 percent, respectively. The reduction from the prior period rate was primarily the result of increased earnings from our pan-European business strategy, and the extension of the research, development and experimental tax credit and that the prior period rate was unfavorably impacted by charges that did not provide a tax benefit.

12. EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of shares outstanding during the period, while diluted earnings per share is calculated to reflect the potential dilution that occurs related to the issuance of capital stock under stock option grants and restricted stock awards.

For purposes of determining the number of diluted shares outstanding, weighted average shares outstanding for basic earnings per share calculations were increased due solely to the dilutive effect of unexercised stock options and restricted stock awards by 1.0 million shares and 1.1 million shares for the three months ended March 31, 2007 and 2006, respectively, and 1.0 million shares and 1.1 million shares for the nine months ended March 31, 2007 and 2006, respectively. Unexercised stock options to purchase our capital stock of 0.3 million and 0.4 million shares for the three months ended March 31, 2007 and 2006, respectively, and 0.3 million and 0.6 million shares for the nine months ended March 31, 2007 and 2006, respectively, are not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price, and therefore their inclusion would have been anti-dilutive.

13. COMPREHENSIVE INCOME

Comprehensive income is as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2007	2006	2007	2006
Net income	$51,738	$32,903	$112,149	$ 92,087
Unrealized gain (loss) on derivatives designated and qualified as cash flow hedges, net of tax	152	(187)	883	(124)
Reclassification of unrealized (gain) loss on expired derivatives designated and qualified as cash flow hedges, net of tax	(316)	(1)	(394)	351
Reclassification of unrealized loss on investments, net of tax	—	—	—	450
Minimum pension liability adjustment, net of tax	(157)	4,482	(572)	4,936
Foreign currency translation adjustments	8,386	12,067	32,981	4,908
Comprehensive income	$59,803	$49,264	$145,047	$102,608

14. GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill attributable to each segment is as follows:

(in thousands)	June 30, 2006	Acquisitions	Adjustment	Translation	March 31, 2007
MSSG	$201,258	$37,818	$10,542	$5,019	$254,637
AMSG	298,744	31,736	—	594	331,074
Total	$500,002	$69,554	$10,542	$5,613	$585,711

During the nine months ended March 31, 2007, we completed three business acquisitions (2007 Business Acquisitions). We completed two acquisitions in our AMSG segment for a combined net purchase price of $76.9 million, which generated AMSG goodwill of $31.8 million based on final purchase price allocations. We completed one acquisition in our MSSG segment for a net purchase price of $66.9 million, which generated MSSG goodwill of $37.8 million based on a preliminary purchase price allocation.

During the three months ended March 31, 2007, we recorded a $10.5 million adjustment to correct deferred taxes related to our acquisition of the Widia Group in 2003. This adjustment resulted in a corresponding increase to MSSG goodwill.

The components of our other intangible assets and their useful lives are as follows:

		March 31, 2007		June 30, 2006	
(in thousands)	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract-based	4 - 15 years	$ 5,615	$ (4,311)	$ 5,183	$ (4,096)
Technology-based and other	4 - 15 years	27,965	(8,745)	12,723	(7,048)
Customer-related	5 - 20 years	65,769	(8,010)	42,312	(4,704)
Unpatented technology	30 years	19,373	(1,747)	19,283	(1,043)
Trademarks	5 years - Indefinite	53,923	(159)	54,322	—
Intangible pension assets	N/A	1,536	—	1,489	—
Total		$174,181	$(22,972)	$135,312	$(16,891)

As a result of the 2007 Business Acquisitions, we recorded $42.1 million of identifiable intangible assets based on our aforementioned purchase price allocations as follows: customer-related of $23.0 million, technology-based and other of $14.5 million, trademarks of $4.2 million and contract-based of $0.4 million.

As mentioned in our 2006 annual report, we are reviewing and enhancing our marketing strategies related to all of our brands. During the three months ended March 31, 2007, we completed our strategic analysis and plan for our Widia brand. As a key element of our channel and brand strategy, we will leverage the strength of this brand to accelerate growth in the distribution market. Since demand in the distribution market is mostly for standard products and to further our relationship with our Widia distributors, we intend to migrate direct sales of Widia custom solutions products to the Kennametal brand. As a result and in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, (SFAS 144) we recorded a $6.0 million asset impairment charge related to our MSSG Widia trademark during the three months ended March 31, 2007. The remaining balance of this trademark is $20.0 million as of March 31, 2007 and has an indefinite life.

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

15. SEGMENT DATA

We currently operate two reportable operating segments consisting of MSSG and AMSG, and Corporate. During 2006, we divested our J&L segment. We do not allocate certain corporate shared service costs, certain employee benefit costs, certain employment costs, such as performance-based bonuses and stock-based compensation expense, interest expense, other expense, income taxes or minority interest to our MSSG and AMSG operating segments.

Our external sales, intersegment sales and operating income by segment are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2007	2006	2007	2006
External sales:				
MSSG	$415,525	$360,161	$1,146,604	$1,027,938
AMSG	200,359	174,612	581,412	484,798
J&L	—	74,386	—	204,725
Total external sales	$615,884	$606,159	$1,728,016	$1,717,461
Intersegment sales:				
MSSG	$ 33,179	$ 50,573	$ 98,627	$ 139,783
AMSG	11,524	10,096	31,963	28,800
J&L	—	220	—	619
Total intersegment sales	$ 44,703	$ 60,889	$ 130,590	$ 169,202
Total sales:				
MSSG	$448,704	$410,734	$1,245,231	$1,167,721
AMSG	211,883	184,708	613,375	513,598
J&L	—	74,606	—	205,344
Total sales	$660,587	$670,048	$1,858,606	$1,886,663
Operating income:				
MSSG	$ 60,784	$ 49,609	$ 151,658	$ 138,135
AMSG	31,970	33,563	93,349	86,997
J&L	—	9,454	—	22,610
Corporate	(16,627)	(26,660)	(64,653)	(78,091)
Total operating income	$ 76,127	$ 65,966	$ 180,354	$ 169,651

16. SHARE REPURCHASE PROGRAM

On October 24, 2006, the Board of Directors authorized a share repurchase program for up to 3.3 million shares of our outstanding capital stock. The purchases would be made from time to time, on the open market or in private transactions, with consideration given to the market price of the stock, the nature of other investment opportunities, cash flows from operating activities and general economic conditions. As of March 31, 2007, 2.9 million shares remained available for repurchase under this program.

17. AUTHORIZED SHARES OF CAPITAL STOCK

At the Annual Meeting of Shareowners on October 24, 2006, our shareowners voted to increase the authorized shares of capital stock from 70,000,000 shares to 120,000,000 shares. Shares of capital stock may be used for general purposes, including stock splits and stock dividends, acquisitions, possible financing activities and other employee, executive and director benefit plans. We have no present plans, arrangements, commitments or understanding with respect to the issuance of these additional shares of capital stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF CONTINUING OPERATIONS

SALES

Sales for the three months ended March 31, 2007 were $615.9 million, an increase of $6.7 million, or 1.1 percent, from $609.2 million in the prior year quarter. The change in sales is primarily attributed to 7.0 percent organic growth and a 3.0 percent favorable foreign currency impact mostly offset by the net impact of acquisitions and divestitures, primarily the divestiture of J&L Industrial Supply (J&L). The organic increase in sales for the quarter is primarily attributed to growth in European and developing economies, growth in the distribution and general engineering markets and favorable conditions in certain other markets, particularly in the energy and mining markets.

Sales for the nine months ended March 31, 2007 were $1,728.0 million, an increase of $10.5 million, or 0.6 percent, from $1,717.5 million in the same period a year ago. The change in sales is primarily attributed to 6.0 percent organic growth and a 3.0 percent favorable foreign currency impact mostly offset by the net impact of acquisitions and divestitures, primarily the divestiture of J&L. The organic increase in sales for the period is primarily attributed to the above-mentioned factors for the quarter.

GROSS PROFIT

Gross profit for the three months ended March 31, 2007 increased $6.7 million to $220.8 million from $214.1 million in the prior year quarter. This increase is primarily due to the favorable impacts of organic sales growth, foreign currency effects, a reduction in pension expense of $1.7 million and higher capacity utilization, mostly offset by a reduction from the net impact of acquisitions and divestitures amounting to $9.8 million, higher raw material costs and costs related to a plant closure of $0.8 million.

Gross profit margin for the three months ended March 31, 2007 was 35.9 percent, an increase of 80 basis points from 35.1 percent for the prior year quarter. This increase is primarily attributed to the net impact of acquisitions and divestitures and a reduction in pension expense, which favorably impacted the margin by 190 basis points and 30 basis points, respectively, partially offset by higher raw material costs and ramp-up costs associated with new plants in China and Brazil.

Gross profit for the nine months ended March 31, 2007 decreased $2.1 million, to $606.0 million from $608.1 million in the prior year period. This decrease is primarily due to the unfavorable net impact of acquisitions and divestitures amounting to $42.8 million, higher raw material costs and costs related to a plant closure of $3.5 million, mostly offset by the favorable impact of organic sales growth, favorable foreign currency effects and a reduction in pension expense of $5.0 million.

Gross profit margin for the nine months ended March 31, 2007 decreased 30 basis points to 35.1 percent from 35.4 percent in the prior year period. The decrease is primarily attributed to higher raw material costs and an unfavorable 20 basis point impact due to the above-mentioned plant closure costs partially offset by the net impact of acquisitions and divestitures and a reduction in pension expense, which favorably impacted the margin by 110 basis points and 30 basis points, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

OPERATING EXPENSE

Operating expense for the three months ended March 31, 2007 was $136.9 million, a decrease of $9.1 million, or 6.2 percent, compared to $146.0 million in the prior year quarter. The decrease in operating expense is attributed to the net impact of acquisitions and divestitures of $11.8 million and a reduction in employment costs of $5.3 million, partially offset by the unfavorable impact of foreign currency exchange rate fluctuations of $4.2 million and a $3.8 million increase in other operating expenses.

Operating expense for the nine months ended March 31, 2007 was $412.3 million, a decrease of $21.3 million, or 4.9 percent, compared to $433.6 million in the prior year period. The decrease in operating expense is attributed to the net impact of acquisitions and divestitures of $33.6 million and a reduction in professional fees of $4.9 million, partially offset by the unfavorable impact of foreign currency exchange rate fluctuations of $9.7 million and an increase in other operating expenses of $7.5 million.

ASSET IMPAIRMENT CHARGE

As mentioned in our 2006 annual report, we are reviewing and enhancing our marketing strategies related to all of our brands. During the three months ended March 31, 2007, we completed our strategic analysis and plan for our Widia brand. As a key element of our channel and brand strategy, we will leverage the strength of this brand to accelerate growth in the distribution market. Since demand in the distribution market is mostly for standard products and to further our relationship with our Widia distributors, we intend to migrate direct sales of Widia custom solutions products to the Kennametal brand. As a result, we recorded a $6.0 million asset impairment charge related to our MSSG Widia trademark during the three months ended March 31, 2007.

LOSS ON DIVESTITURES

Loss on divestiture of $1.6 million for the nine months ended March 31, 2007 was the result of a post-closing adjustment related to our divestiture of J&L. Loss on divestiture of $0.7 million for the three and nine months ended March 31, 2006 was the result of the divestiture of Presto in 2006.

AMORTIZATION EXPENSE

Amortization expense was $1.8 million for the three months ended March 31, 2007, an increase of $0.4 million from $1.4 million in the prior year quarter. Amortization expense was $5.7 million for the nine months ended March 31, 2007, an increase of $1.5 million from $4.2 million in the prior year period. These increases are due to the impact of acquisitions.

INTEREST EXPENSE

Interest expense for the three months ended March 31, 2007 decreased to $6.9 million from $7.7 million in the prior year quarter. This decrease is due primarily to a $140.0 million decrease in average domestic borrowings partially offset by the impact of higher average borrowing rates. The weighted average domestic borrowing rate increased from 5.7 percent in the prior year quarter to 7.0 percent in the current quarter.

Interest expense for the nine months ended March 31, 2007 decreased to $21.6 million from $23.5 million in the prior year period. This decrease is due primarily to a $168.5 million decrease in average domestic borrowings partially offset by the impact of higher average borrowing rates. The weighted average domestic borrowing rate increased from 5.4 percent in the prior year period to 7.0 percent in the current period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

OTHER (INCOME) EXPENSE, NET

Other income for the three months ended March 31, 2007 was $1.8 million compared to expense of $0.1 million in the prior year quarter. This change is primarily due to a reduction in accounts receivable securitization fees of $1.2 million and favorable foreign currency effects of $0.5 million.

Other income for the nine months ended March 31, 2007 was $5.4 million compared to $1.9 million in the prior year period. This increase is primarily due to a reduction in accounts receivable securitization fees of $3.4 million, an increase in interest income of $1.6 million and an increase of $1.1 million of miscellaneous income partially offset by unfavorable foreign currency effects of $2.6 million.

INCOME TAXES

The effective income tax rate for the three months ended March 31, 2007 and 2006 was 26.1 percent and 33.9 percent, respectively. The reduction from the prior period rate was primarily the result of increased earnings from our pan-European business strategy and that the prior period rate was unfavorably impacted by charges that did not provide a tax benefit.

The effective income tax rate for the nine months ended March 31, 2007 and 2006 was 28.9 percent and 33.4 percent, respectively. The reduction from the prior period rate was primarily the result of increased earnings from our pan-European business strategy, the extension of the research, development and experimental tax credit and that the prior period rate was unfavorably impacted by charges that did not provide a tax benefit.

INCOME FROM CONTINUING OPERATIONS

Income from continuing operations for the three months ended March 31, 2007 was $51.7 million, or $1.32 per diluted share, compared to $37.6 million, or $0.94 per diluted share, in the same quarter last year. Income from continuing operations for the nine months ended March 31, 2007 was $114.7 million, or $2.93 per diluted share, compared to $96.6 million, or $2.45 per diluted share, in the prior year period. The increase in income from continuing operations is a result of the factors discussed above.

DISCONTINUED OPERATIONS

During 2006, our Board of Directors and management approved plans to divest our Kemmer Praezision Electronics business (Electronics) and our consumer retail product line, including industrial saw blades (CPG) as part of our strategy to exit non-core businesses. These divestitures are accounted for as discontinued operations. As a result, prior years' financial results have been restated to reflect the activity from these operations as discontinued operations.

Electronics The divestiture of Electronics, which was part of the Advanced Materials Solutions Group (AMSG) segment, was completed in two separate transactions. The first transaction closed during 2006. The second transaction closed on December 31, 2006. During the six months ended December 31, 2006, we recognized a pre-tax gain on divestiture of $0.1 million to adjust the related net assets to fair value, which has been presented in discontinued operations. The assets and liabilities of the business were recorded at fair value as of June 30, 2006.

During the three months ended December 31, 2006, management completed its assessment of the future use of a building owned and previously used by Electronics, but not divested. We concluded that we had no future economic use for this facility. As a result, during the three months ended December 31, 2006, we wrote the building down to fair value and recognized a pre-tax impairment charge of $3.0 million, which has been presented in discontinued operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

CPG The divestiture of CPG, which was part of the Metalworking Solutions and Services Group (MSSG) segment, closed August 31, 2006 for net consideration of $31.2 million. We have received $26.0 million in net proceeds related to the sale of this business of which $1.5 million and $24.5 million were received during 2006 and the nine months ended March 31, 2007, respectively. We expect to receive $2.0 million during the fourth quarter of 2007 and the remaining $3.0 million in 2008. During the nine months ended March 31, 2007, we recognized additional pre-tax losses on divestiture of $1.0 million related to post-closing adjustments, which have been recorded in discontinued operations. For the three months ended March 31, 2006, we recorded a pre-tax goodwill impairment charge of $5.0 million related to CPG based primarily on a discounted cash flow analysis. This charge is presented in discontinued operations. The assets and liabilities of this business were recorded at fair value and presented as held for sale as of June 30, 2006.

The following represents the results of discontinued operations:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2007	2006	2007	2006
Sales	$ —	$21,955	$15,034	$68,129
Loss from discontinued operations before income taxes	$ —	$ (4,265)	$ (2,464)	$ (4,161)
Income tax expense (benefit)	—	459	135	367
Loss from discontinued operations	$ —	$ (4,724)	$ (2,599)	$ (4,528)

BUSINESS SEGMENT REVIEW

Our operations were previously organized into three reportable operating segments consisting of MSSG, AMSG and J&L, and Corporate. We divested J&L in 2006. For the three and nine months ended March 31, 2006, J&L outside sales, intersegment sales and operating income were $74.4 million and $0.2 million, $9.5 million and $204.7 million, and $0.6 million and $22.6 million, respectively. The presentation of segment information reflects the manner in which we organize segments for making operating decisions and assessing performance.

METALWORKING SOLUTIONS & SERVICES GROUP

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2007	2006	2007	2006
External sales	$415,525	$360,162	$1,146,604	$1,027,938
Intersegment sales	33,179	50,573	98,627	139,783
Operating income	60,784	49,609	151,658	138,135

For the three months ended March 31, 2007, MSSG external sales increased $55.4 million, or 15.4 percent, from the prior year quarter. This increase was driven primarily by growth in European sales of 16.9 percent, North American sales of 12.9 percent, primarily due to the effect of an acquisition, Asia Pacific sales of 25.9 percent and India sales of 25.8 percent. MSSG experienced growth in the distribution, general engineering and machine tool markets. Favorable foreign currency effects were $15.3 million for the quarter.

For the three months ended March 31, 2007, operating income increased $11.2 million, or 22.5 percent, from the prior year quarter. Operating margin on total sales of 13.5 percent for the three months ended March 31, 2007 increased 140 basis points compared to 12.1 percent in the prior year quarter. The current quarter results benefited from sales growth as discussed above, the impact of a 2007 business acquisition and continued cost containment, partially offset by the asset impairment charge of $6.0 million and plant closure costs of $0.8 million. The prior year quarter results included divestiture-related charges of $8.0 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

For the nine months ended March 31, 2007, MSSG external sales increased $118.7 million, or 11.5 percent, from the prior year period. This increase was driven primarily by growth in European sales of 13.3 percent, North American sales of 9.8 percent, aided somewhat by the effect of an acquisition, Asia Pacific sales of 16.6 percent and India sales of 13.2 percent. MSSG experienced growth in the distribution, general engineering, aerospace and machine tool markets. Favorable foreign currency effects were $34.1 million for the period.

For the nine months ended March 31, 2007, operating income increased $13.5 million, or 9.8 percent, from the prior year period. Operating margin on total sales of 12.2 percent for the nine months ended March 31, 2007 increased 40 basis points compared to 11.8 percent in the prior year period. The current period results benefited from sales growth as discussed above and continued cost containment, partially offset by the asset impairment charge of $6.0 million and $3.5 million of plant closure costs. The prior year period results included divestiture-related charges of $8.0 million.

ADVANCED MATERIALS SOLUTIONS GROUP

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2007	2006	2007	2006
External sales	$200,359	$174,612	$581,412	$484,798
Intersegment sales	11,524	10,096	31,963	28,800
Operating income	31,970	33,563	93,349	86,997

For the three months ended March 31, 2007, AMSG external sales increased $25.7 million, or 14.7 percent, from the prior year quarter. The increase in sales is primarily attributed to the impact of favorable market conditions and the effects of acquisitions. The increase in sales was achieved primarily in energy product sales, which were up 16.1 percent, engineered product sales, which were up 20.3 percent, and mining and construction products, which were up 4.5 percent. Favorable foreign currency effects were $3.4 million for the quarter.

For the three months ended March 31, 2007, operating income decreased $1.6 million, or 4.7 percent, over the prior year quarter. The decrease is primarily attributed to higher raw material costs, partially offset by the benefits of higher sales volumes, the effects of acquisitions and new product introductions.

For the nine months ended March 31, 2007, AMSG external sales increased $96.6 million, or 19.9 percent, from the prior year period. The increase in sales is primarily attributed to the impact of favorable market conditions and the effects of acquisitions. The increase in sales was achieved primarily in energy product sales, which were up 27.1 percent, engineered product sales, which were up 18.6 percent, and mining and construction products, which were up 7.1 percent.

For the nine months ended March 31, 2007, operating income increased $6.4 million, or 7.3 percent, over the prior year period. The increase is primarily attributed to the benefits of higher sales volumes, the effects of acquisitions and new product introductions, partially offset by higher raw material costs.

CORPORATE

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2007	2006	2007	2006
Operating loss	$(16,627)	$(26,660)	$(64,653)	$(78,091)

Corporate represents certain corporate shared service costs, certain employee benefit costs, certain employment costs, such as performance-based bonuses and stock-based compensation expense, and eliminations of operating results between segments.

For the three months ended March 31, 2007, operating loss decreased $10.0 million, or 37.6 percent, compared to the prior year quarter. The decrease is primarily attributed to reductions in employment costs of $3.6 million, a reduction in pension expense of $3.4 million, the effect of divestiture-related costs in the prior year period of $1.9 million and a reduction in professional fees of $1.6 million.

For the nine months ended March 31, 2007, operating loss decreased $13.4 million, or 17.2 percent, compared to the prior year period. The decrease is primarily attributed to reductions in employment costs of $6.9 million, a reduction in professional fees of $3.1 million, a reduction in pension and other postretirement benefit expenses of $2.9 million and the effect of divestiture-related costs of $1.9 million in the prior year period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from discontinued operations are not deemed material and have been combined with cash flows from continuing operations within each cash flow statement category. The absence of cash flows from discontinued operations is not expected to have a material impact on our future liquidity and capital resources.

Our cash flow from operations is our primary source of financing for capital expenditures and internal growth. During the nine months ended March 31, 2007, cash flow provided by operating activities was $113.4 million, compared to $117.3 million for the prior year period. Cash flow provided by operating activities for the nine months ended March 31, 2007 consists of net income and non-cash items totaling $191.8 million offset by changes in certain assets and liabilities netting to $78.4 million. Contributing to these changes were an increase in inventories of $19.4 million due to higher sales volume and increased raw material inventory, an increase in accounts receivable of $15.1 million due to higher sales volume, an increase in accounts payable and accrued liabilities of $27.4 million and a decrease in accrued income taxes of $73.9 million primarily due to first quarter tax payments of $86.2 million primarily related to the gain on divestiture of J&L and cash repatriated during 2006 under the American Jobs Creation Act.

Cash flow provided by operating activities for the nine months ended March 31, 2006 consisted of net income and non-cash items totaling $176.1 million offset by changes in certain assets and liabilities netting to $58.8 million. Contributing to this change was an increase in inventory of $24.2 million primarily resulting from higher raw material costs offset by a decrease in accounts payable and accrued liabilities of $41.6 million, which includes $33.0 million for the funding of our U.K. defined benefit pension plans.

Cash flow used for investing activities was $179.5 million for the nine months ended March 31, 2007, an increase of $103.2 million, compared to $76.3 million in the prior year period. During the nine months ended March 31, 2007, cash used for investing activities includes $143.8 million used for the acquisition of business assets and $67.1 million used for purchases of property, plant and equipment, which consisted primarily of equipment upgrades, partially offset by proceeds from divestitures of $34.2 million. During the prior year period, cash used for investing activities included $49.5 million of purchases of property, plant and equipment, which consisted primarily of equipment upgrades, and $31.1 million used for the acquisition of business assets.

During the nine months ended March 31, 2007, cash flow used for financing activities was $75.7 million, an increase of $35.8 million, compared to $39.9 million in the prior year period. During the current year period, cash used for financing activities includes a $52.4 million net decrease in borrowings, $35.3 million for the repurchase of capital stock and $23.6 million of cash dividends paid to shareowners offset by $38.1 million of dividend reinvestment and the effects of employee benefit and stock plans. The reduction in borrowings, repurchase of capital stock and increase in cash dividends paid of $1.4 million reflect the Company's priority uses of cash as a result of the J&L divestiture in 2006. During the prior year period, cash used for financing activities included a $56.6 million net decrease in borrowings, $22.2 million of cash dividends paid to shareowners and $13.8 million for the repurchase of capital stock offset by $56.9 million of dividend reinvestment and the effects of employee benefit and stock plans.

We believe that cash flow from operations and the availability under our credit lines will be sufficient to meet our cash requirements over the next 12 months.

There have been no material changes in our contractual obligations and commitments since June 30, 2006.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is party to a three-year securitization program, which permits us to securitize up to $10.0 million of accounts receivable. As of March 31, 2007, the Company had no securitized accounts receivable.

FINANCIAL CONDITION

Total assets were $2,504.8 million at March 31, 2007, compared to $2,435.3 million at June 30, 2006. Working capital decreased $42.5 million to $582.1 million at March 31, 2007 from $624.7 million at June 30, 2006. The decrease in working capital is primarily driven by cash used for acquisitions of $143.8 million, partially offset by proceeds from divestitures of $34.2 million. Net property, plant and equipment increased $47.5 million to $577.9 million at March 31, 2007 from $530.4 million at June 30, 2006 due to acquisitions of business assets and machinery and equipment upgrades partially offset by depreciation expense.

Total liabilities decreased $68.6 million to $1,056.7 million at March 31, 2007 from $1,125.3 million at June 30, 2006, primarily due to decreases in accrued income taxes of $78.6 million and a net reduction in long-term debt, notes payable and capital leases of $40.2 million.

Shareowners' equity increased $135.8 million to $1,431.2 million as of March 31, 2007 from $1,295.4 million as of June 30, 2006. The increase is primarily a result of net income of $112.1 million, the effect of employee benefit and stock plans of $42.9 million and foreign currency translation adjustments of $33.0 million, partially offset by repurchases of capital stock of $35.3 million and cash dividends paid to shareowners of $23.6 million.

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.

Superfund Sites We are involved as a potentially responsible party (PRP) at various sites designated by the United States Environmental Protection Agency (USEPA) as Superfund sites, including the Li Tungsten Superfund site in Glen Cove, New York. With respect to the Li Tungsten site, we recorded an environmental reserve following the identification of other PRPs, an assessment of potential remediation solutions and an entry of a unilateral order by the USEPA directing certain remedial action. In May 2006, we reached an agreement in principle with the U.S. Department of Justice (DOJ) with respect to this site; the DOJ informed us that it would accept a payment of $0.9 million in full settlement for its claim against us for costs related to the Li Tungsten site. To date, the draft Consent Order and Agreement for settlement of our Li Tungsten liability has not been finalized, but we expect that the final settlement will proceed according to the terms outlined in the agreement in principle. At March 31, 2007 we had an accrual of $1.0 million recorded relative to this environmental issue.

During 2006, the USEPA notified us that we have been named as a PRP at the Alternate Energy Resources Inc. site located in Augusta, Georgia. The proceedings in this matter have not yet progressed to a stage where it is possible to estimate the ultimate cost of remediation, the timing and extent of remedial action that may be required by governmental authorities, or the amount of our liability, if any, alone or in relation to that of any other PRPs.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Other Environmental Issues Additionally, we also maintain reserves for other potential environmental issues. At March 31, 2007 the total of these accruals was $5.6 million, and represents anticipated costs associated with the remediation of these issues. We recorded unfavorable foreign currency translation adjustments of $0.3 million for the nine months ended March 31, 2007 related to these reserves.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES

There have been no material changes to our critical accounting policies since June 30, 2006.

NEW ACCOUNTING STANDARDS

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 permits entities to measure many financial instruments at fair value with the changes in fair value recognized in earnings at each subsequent reporting date. SFAS 159 is effective for Kennametal July 1, 2008. We are in the process of evaluating the provisions of SFAS 159 to determine the impact of adoption on our results of operations or financial condition.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status through comprehensive income of a business entity in the year in which the changes occur. SFAS 158 is effective for Kennametal as of June 30, 2007. The provisions of SFAS 158 are to be applied on a prospective basis; therefore, prior periods presented will not be restated. Based on the funded status of our pension and other postretirement benefit plans as of June 30, 2006, the adoption of SFAS 158 would have resulted in the following estimated impacts: a $0.8 million reduction of intangible assets, recognition of a $0.5 million deferred tax asset, a $78.5 million reduction of prepaid pension assets, a $20.8 million reduction in deferred tax liabilities, a $6.2 million reduction in accrued postretirement benefits, recognition of a $4.9 million pension liability and recognition of a $56.7 million other comprehensive loss. The ultimate impact is contingent on plan asset returns and the assumptions that will be used to measure the funded status of each of our pension and other postretirement benefit plans as of June 30, 2007.

SFAS 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The funded status of each of our pension and other postretirement benefit plans is currently measured as of June 30.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, (SAB 108), which expresses the staff's views regarding the process of quantifying financial statement misstatements. The guidance in SAB 108 must be applied in our 2007 annual financial statements. The impact of adoption is not expected to be material.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for Kennametal as of July 1, 2008. Upon adoption, the provisions of SFAS 157 are to be applied prospectively with limited exceptions. We are in the process of evaluating the impact of the provisions of SFAS 157 on our consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 prescribes a method of recognition, measurement, presentation and disclosure within the financial statements for uncertain tax positions that a company has taken or expects to take in a tax return. FIN 48 is effective for Kennametal as of July 1, 2007. We are in the process of evaluating the impact of the provisions of FIN 48 on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have experienced certain changes in our exposure to market risk from June 30, 2006. The fair value of our interest rate swap agreements was a liability of $7.1 million as of March 31, 2007 compared to a liability of $14.2 million as of June 30, 2006. The offset to this liability is a corresponding increase to long-term debt, as the instruments are accounted for as a fair value hedge of our long-term debt. The $7.1 million change in the recorded value of these agreements was non-cash and was the result of marking these instruments to market.

There have been no other material changes to our market risk exposure since June 30, 2006.

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, 2007 to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act was (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 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 (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 through January 31, 2007	55,257	$59.49	50,900	3.0 million
February 1 through February 28, 2007	67,198	$63.69	26,200	3.0 million
March 1 through March 31, 2007	59,983	$61.06	59,100	2.9 million
Total:	182,438	$61.54	136,200	

(1) Employees delivered 7,056 shares of restricted stock to Kennametal, upon vesting, to satisfy tax-withholding requirements. Employees delivered 2,376 shares of stock to Kennametal as payment for the exercise price of stock options. During the three months ended March 31, 2007, 36,806 shares were purchased on the open market on behalf of Kennametal to fund the Company's dividend reinvestment program.

(2) On October 24, 2006, Kennametal's Board of Directors authorized a share repurchase program, under which Kennametal is authorized to repurchase up to 3.3 million shares of its capital stock. This repurchase program does not have a specified expiration date.

ITEM 5. OTHER INFORMATION

On May 8, 2007, the Board of Directors of the Company adopted amendments to Article VI, Sections 1 through 4 of the Company's Amended and Restated Bylaws (the "Restated Bylaws"), effective on May 8, 2007, to permit the issuance of shares of the Company's capital stock in uncertificated form. The amendments to the Restated Bylaws will permit direct or "book-entry" registration of shares of the Company's capital stock and thereby facilitate the Company's eligibility to participate in a direct registration system (DRS).

The Restated Bylaws, as amended and restated in their entirety to include amended Article VI, Sections 1 through 4 as discussed above, are set forth in the attached Exhibit 3.1 and are incorporated herein by reference.

ITEM 6. EXHIBITS

(3)	**Articles of Incorporation and Bylaws**	
(3.1)	Bylaws of Kennametal Inc. as amended through May 8, 2007	Filed herewith.
(31)	**Rule 13a-14a/15d-14(a) Certifications**	
(31.1)	Certification executed by Carlos M. Cardoso, President and Chief Executive Officer of Kennametal Inc.	Filed herewith.
(31.2)	Certification executed by Frank P. Simpkins, 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 Carlos M. Cardoso, President and Chief Executive Officer of Kennametal Inc., and Frank P. Simpkins, Vice President and Chief Financial Officer of Kennametal Inc.	Filed herewith.

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 9, 2007

By: /s/ Wayne D. Moser
Wayne D. Moser
Vice President Finance and Corporate Controller

Exhibit 3.1

BY-LAWS
OF
KENNAMETAL INC.

As Amended Through May 8, 2007

Article I
Office

The principal office of the Corporation shall be in Unity Township, Westmoreland County, Pennsylvania.

Article II
Seal

The Corporation may have a seal which shall be circular in form and which shall have inscribed thereon the name of the Corporation and the words "Seal —Pennsylvania."

Article III
Shareholders' Meetings

Section 1. PLACE OF MEETING. All meetings of shareholders shall be held at the principal office of the Corporation, unless the Board of Directors shall decide otherwise, in which case such meetings may be held within or without the Commonwealth of Pennsylvania, as the Board of Directors may from time to time direct.

Section 2. ANNUAL MEETING. The annual meeting of shareholders shall be held during the month of October in each calendar year on such date and at such time as may be fixed by the Board of Directors, for the election of directors and the transaction of such other business as may properly come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the state where the meeting is to be held, such meeting shall be held on the next succeeding business day.

Section 3. SPECIAL MEETINGS. Special meetings of the shareholders may be called at any time by the Chairman of the Board, the President, the Secretary, or by the Board of Directors. At any time, upon written request of any person entitled to call a special meeting of the shareholders, it shall be the duty of the Secretary to call a special meeting to be held at such time as the Secretary may fix. If the Secretary shall neglect or refuse to issue such call, the person or persons making the request may do so.

Section 4. NOTICE. Except as provided in this Section 4, written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person or, if they neglect or refuse to do so, may be given by the person or persons calling the meeting, to each shareholder of record entitled to vote at the meeting, at least five (5) days prior to the day named for a meeting, unless a greater period of notice is required by statute in the particular case. The notice of meeting shall specify the place, day and hour of the meeting and, in the case of a special meeting, the general nature of the business to be transacted, and, if applicable, the notice shall state that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the By-Laws in which case the notice shall include, or be accompanied by, a copy of the proposed amendment or a summary of the changes to be effected thereby.

When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at the adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

Written notice includes notice given by facsimile transmission, e-mail, or other electronic communication to the shareholder's facsimile number or address for e-mail or other electronic communication provided by such shareholder to the Corporation for the purpose of notice.

Section 5. QUORUM. At any meeting of the shareholders, the presence in person or by proxy of the holders of the majority of the outstanding shares entitled to vote shall constitute a quorum. The shareholders present at a duly organized meeting may continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum. If a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine. Those shareholders entitled to vote who attend a meeting called for the election of directors that has previously been adjourned for lack of a quorum, although less than a quorum as fixed herein, shall nevertheless constitute a quorum for the purpose of electing directors. In other cases, those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least fifteen (15) days because of an absence of a quorum, although less than a quorum as fixed herein, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting, provided that the notice of the meeting states that those shareholders who attend such adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter set forth in the notice.

Section 6. VOTING. Every shareholder entitled to vote at any shareholders' meeting shall be entitled to one vote for every share of capital stock standing in his name on the books of the Corporation. Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent corporate action in writing without a meeting, may do so in person or may authorize another person or persons to act for him by proxy. Whenever any corporate action is to be taken by vote of the shareholders, it shall be authorized by a majority of the votes cast at a duly organized meeting of shareholders by the holders of shares entitled to vote thereon, except where a different vote is required by law or the articles or these By-Laws.

Section 7. VOTING LISTS. The officer or agent having charge of the transfer books for shares of the Corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof. Failure to comply with the requirements of this By-Law shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list.

Section 8. NOMINATING AND PROPOSAL PROCEDURES. Without limiting any other notice requirements imposed by law, the Articles or these By-Laws, any nomination for election to the Board of Directors or other proposal to be presented by any shareholder at a shareholders' meeting (the "Proponent") will be properly presented only if written notice of the Proponent's intent to make such nomination or proposal has been personally delivered to and otherwise in fact received by the Secretary of the Corporation, not later than (i) for an annual meeting to be held during the month of October of any year, prior to the 1st day of July, but not before the first day of May, immediately preceding such October meeting, (ii) for an annual meeting to be held on any other date for which the Corporation gives at least 90 days prior notice of such date to shareholders, not less than 50 nor more than 75 days prior to such meeting, or (iii) for any other annual meeting or a special meeting, the close of business on the tenth day after notice of such meeting is first given to shareholders; provided, however, that nothing contained herein shall limit or restrict the right of any shareholder to present at a shareholders' meeting any proposal made by such shareholder in accordance with Rule 14a-8 promulgated pursuant to the Securities Exchange Act of 1934, as it may hereafter be amended, or any successor rule. Such notice by the Proponent to the corporation shall set forth in reasonable detail information concerning the nominee (in the case of a nomination for election to the Board of Directors) or the substance of the proposal (in the case of any other shareholder proposal), and shall include: (a) the name and residence address and business address of the shareholder who intends to present, the nomination or other proposal or of any person who participates or is expected to participate in making such nomination and of the person or persons, if any, to be nominated and the principal occupation or employment and the name, type of business and address of the business and address of the corporation or other organization in which such employment is carried on of each such shareholder, participant and nominee; (b) a representation that the Proponent is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the nomination or other proposal specified in the notice; (c) a description of all arrangements or understandings between the Proponent and any other person or persons (naming such person or persons) pursuant to which the nomination or other proposal is to be made by the Proponent; (d) such other information regarding each proposal and each nominee as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nomination or other proposal been made by the Board of Directors; and (e) the consent of each nominee, if any, to serve as a director of the Corporation if elected. Within fifteen (15) days following the receipt by the Secretary of a notice of nomination or proposal pursuant hereto, the Board of Directors or a committee of the Board of Directors shall advise the Proponent and the Secretary of the Corporation in writing of any deficiencies in the notice and of any additional information the Corporation is requiring to determine the eligibility of the proposed nominee or the substance of the proposal. A Proponent who has been notified of deficiencies in the notice of nomination or proposal and/or of the need for additional information shall cure such deficiencies and/or provide such additional information within fifteen (15) days after receipt of the notice of such deficiencies and/or the need for additional information. The chairman of the meeting may, in his or her sole discretion, refuse to acknowledge a nomination or other proposal presented by any person that does not comply with the foregoing procedure and, upon his or her instructions, all votes cast for such nominee or with respect to such proposal may be disregarded.

Section 9. ELECTION OF DIRECTORS. Election of directors need not be by ballot, except upon demand by a shareholder made at the election and before the voting begins. In each election for directors every shareholder entitled vote shall have the right in person or by proxy to multiply the number of shares which the shareholder is entitled to vote by the number of directors to be elected in that election, and cast the whole number of votes so determined for one candidate or distribute them among any two or more candidates in that election.

Section 10. ORDER OF BUSINESS. All meetings of the shareholders shall be called to order and presided over by the Chairman of the Board or the President, or in their absence by a Vice President, or in his absence by the Secretary, and if none of these be present by a chairman elected by the shareholders.

Section 11. PROXIES. Every proxy shall be executed or authenticated by the shareholder, or by his duly authorized attorney in-fact, and shall be filed with or transmitted to the Secretary of the Corporation before being voted. A shareholder or his duly authorized attorney in-fact may execute or authenticate a writing or transmit an electronic message authorizing another person to act for him by proxy. A telegram, telex, cablegram, datagram, e-mail or Internet communication or other similar means of electronic transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact shall be treated as properly executed for purposes of this section; provided such transmission or reproduction sets forth a confidential and unique identification number or other mark furnished by the Corporation to the shareholder for the purposes of a particular meeting or transaction.

Section 12. JUDGES OF ELECTION. In advance of any meeting of shareholders, the Board of Directors may appoint judges of election, who need not be shareholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of any such meeting may, and on the request of any shareholder shall, make such appointment at the meeting. The number of judges shall be one or three. No person who is a candidate for office to be filled at the meeting shall act as a judge. In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof. The judge or judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies, shall receive votes or ballots, shall hear and determine all challenges and questions in any way arising in connection with the right to vote, shall count and tabulate all votes and determine the result and shall do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judge or judges of election shall perform their duties impartially, in good faith, to the best of their ability, and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all. On request of the presiding officer of the meeting, or of any shareholder, the judge or judges shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Article IV
Directors

Section 1. BOARD OF DIRECTORS. All powers vested by law in the Corporation shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors. The Board shall consist of not less than eight nor more than twelve directors, the exact number to be fixed from time to time by resolution of the Board of Directors. Each director shall hold office for the term for which he is elected and until his successor is elected and qualified or until his earlier death, resignation or removal. Compensation may be allowed to the directors for their services, and a director also may be a salaried officer of the Corporation. Directors need not be shareholders.

Section 2. CLASSIFICATION. The directors shall be classified with respect to the time for which they shall severally hold office by dividing them into three classes as nearly equal in number as possible. Each class shall hold office for a term of three years, and the term of office of one class shall expire in each succeeding year. At each annual meeting of shareholders, the successors to the directors of the class whose terms expire that year shall be elected to hold office for a term of three years. If at any meeting of the shareholders, whether an annual meeting or a special meeting for the election of directors, directors of more than one class are to be elected, separate elections shall be held for the directors of each class.

Section 3. VACANCIES. Vacancies in the Board of Directors and newly-created directorships resulting from any increase in the authorized number of directors shall be filled by a majority vote of the remaining members of the Board, though less than a quorum, and each person so elected shall be a director to serve for the balance of the unexpired term and until his or her successor has been selected and qualified or until said member’s earlier death, resignation or removal.

Section 4. MEETINGS. The Board of Directors shall hold a meeting without other notice immediately after the annual meeting of the shareholders, and other meetings at such times and places as it may determine. Special meetings of the Board may be called by the Chairman of the Board, the President, the Secretary, or any two directors. Meetings of the Board of Directors may be held at such places within the Commonwealth of Pennsylvania or elsewhere as a majority of the directors may from time to time determine.

Section 5. NOTICE. No notice of regular meetings of the Board of Directors need be given. A written notice of all special meetings of the Board of Directors specifying the place, day and hour shall be given to each director at least 48 hours prior to the time set for the meeting. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting, or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

Section 6. QUORUM. A majority of the directors in office shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting a quorum shall not be present, the meeting may be adjourned from time to time until a quorum shall be present.

Section 7. ELECTION OF OFFICERS AND BOARD CHAIRMAN. The Board of Directors shall elect a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer, and a Controller. The Board shall also from time to time elect such other officers and agents as it deems necessary or advisable. The Chairman of the Board must be selected from among the members of the Board of Directors, but the President and other officers may or may not be Directors. Unless sooner removed by the Board of Directors, all officers shall hold office for the term fixed by the Board and until their successors are elected and qualified or until their earlier death or resignation. Any two or more offices may be held by the same person, except the office of President and Secretary, but in no case shall the same person act in the same matter in two such official capacities. At the time of the election of the Chairman of the Board, the Board of Directors shall specify whether or not the individual so elected shall serve in the capacity of an officer-employee entitled to receive a salary, or in the capacity of a director entitled only to receive director’s fees and allowances.

Section 8. REMOVAL OF OFFICERS. Any officer or agent of the Corporation may be removed by the Board of Directors with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. The Board of Directors shall have power to fill any vacancies in any office occurring in any manner.

Section 9. COMMITTEES. The Board of Directors may from time to time by resolution adopted by a majority of the directors in office, designate one or more committees, each committee to consist of two or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee to the extent provided in the designating resolution of the Board of Directors shall have and exercise the authority of the Board of Directors in the management of the business and affairs of the Corporation except that a committee shall not have any power or authority as to: (i) the submission to shareholders of any action requiring the approval of shareholders pursuant to the Business Corporation Law, as it may hereafter be amended, (ii) the creation or filling of vacancies in the Board of Directors, (iii) the adoption, amendment or repeal of the By-Laws, (iv) the amendment, adoption or repeal of any resolution of the Board that by its terms is amendable or repealable only by the Board, or (v) action on matters committed by the By-Laws or resolution of the Board to another committee of the Board. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. Each committee of the Board shall serve at the pleasure of the Board. Unless the Board of Directors provides otherwise by resolution each committee shall conduct its business and take action in the same manner as the Board conducts its business pursuant to the articles of the Corporation and these By-Laws.

Section 10. OTHER POWERS. In addition to the powers and authorities expressly conferred by these By-Laws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the shareholders.

Article V
Officers and Board Chairman

Section 1. CHAIRMAN OF THE BOARD. The Chairman of the Board of Directors shall preside at all meetings of the shareholders and of the Board of Directors at which he is present. He shall perform such other duties as may be assigned to him from time to time by the Board of Directors.

Section 2. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall be responsible for directing the implementation of the general policies and procedures of the Corporation and for the performance of such other duties as may be assigned from time to time by the Board of Directors. Except when prohibited by law or regulation, he shall be ex-officio a member of all Committees of the Board of Directors.

Section 3. PRESIDENT. The President shall have general and active management of the Corporation's business, and shall perform the usual duties incident to the office of President as required by law, the Articles of the Corporation or these By-Laws, and such other duties as may be assigned to him from time to time by the Board of Directors. Except when prohibited by law or regulation, he shall be ex-officio a member of all Committees of the Board of Directors.

Section 4. VICE PRESIDENT. Any Vice President shall perform such duties as shall be assigned to him by the Board of Directors or President, and, in the absence or disability of the President, he shall perform the duties of the President.

Section 5. SECRETARY. The Secretary shall attend the meetings of the shareholders and Board of Directors and keep minutes thereof in suitable books kept for that purpose. He shall have custody of the stock books and stock ledgers of this Corporation, and shall give, or cause to be given, all notices as are required by law, or by the Articles of Incorporation, or by these By-Laws. He shall perform such other duties as may be prescribed by the Board of Directors or by the President, as well as all the usual duties incident to the office of Secretary.

Section 6. TREASURER. The Treasurer shall have custody of the corporate funds and securities and shall keep, or cause to be kept, full and accurate accounts of receipts and disbursements in books kept for that purpose. He shall deposit all monies, and other valuable effects, in the name and to the credit of the Corporation, in such depository as shall be designated from time to time by the Board of Directors. As directed by the Board of Directors or the President, he shall disburse monies of the Corporation, taking proper vouchers for such disbursements and shall render upon request from time to time to the President and directors an account of all his transactions as Treasurer and of the financial condition of the Corporation. In addition, he shall perform all the usual duties incident to the office of Treasurer and such other duties as the Board of Directors or the President may prescribe.

Section 7. CONTROLLER. The Controller shall have charge of the accounting of the Corporation, and shall perform all the usual duties incident to the office of Controller and such other duties as the Board of Directors may prescribe or require.

Section 8. DELEGATION OF DUTIES. In case of the absence or disability of any officer of the Corporation, or if it is deemed expedient and desirable so to do, the Board of Directors or the President may delegate the powers or duties of any officer to any other officer or director for such time or period as may be specified.

Section 9. CONTRACTS. All promissory notes, drafts, bills of exchange or other negotiable instruments shall be signed by the President or a Vice President and the Secretary or the Treasurer, or by such officer or officers or such other person or persons as the Board of Directors may from time to time designate. All other written contracts shall be signed by the President or a Vice President, or by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Article VI
Share Certificates and Transfers

Section 1. SHARE CERTIFICATES. Shares of the capital stock of the Corporation may be certificated or uncertificated, as provided under the Business Corporation Law of the Commonwealth of Pennsylvania. Each shareholder, upon written request to the transfer agent or registrar of the Corporation, shall be entitled to a certificate of the capital stock of the Corporation in such form as the Board of Directors may from time to time determine. Every share certificate shall be signed by the President or Vice President and countersigned by the Treasurer or Assistant Treasurer or by the Secretary or Assistant Secretary and may be sealed with the corporate seal, which may be a facsimile, engraved or printed, but where such certificate is signed by a transfer agent or a registrar, the signature of any corporate officer upon such certificate may be a facsimile, engraved or printed.

Section 2. TRANSFERS. Shares of the Corporation evidenced by certificates shall upon the surrender and cancellation of the certificate or certificates representing the same be transferred upon the books of the Corporation at the request of the holder thereof named in the surrender certificate or certificates, in person or by his legal representative, or by his attorney duly authorized by written power of attorney filed with the Corporation or its transfer agent. Shares of the stock of the Corporation which are uncertificated shall, upon the receipt of proper transfer instructions from the registered owner of uncertificated shares, be cancelled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the holder entitled thereto. It shall be the duty of the Corporation to issue a new certificate or evidence of the issuance of uncertificated shares to the holder entitled thereto, cancel the old certificate and record the transaction upon the Corporation's books. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice that shall set forth the name of the Corporation, that the Corporation is organized under the laws of the Commonwealth of Pennsylvania, the name of the holder, the number and class (and the designation of the series, if any) of the shares represented, and any restrictions on the transfer or registration of such shares of stock imposed by the Articles of Incorporation, these By-Laws, any agreement among shareholders or any agreement between shareholders and the Corporation.

Section 3. TRANSFER AGENT AND REGISTRAR. The Board of Directors may appoint a transfer agent or transfer clerk or a registrar of transfers, or both, for all shares of the Corporation, whether certificated or uncertificated, and it may require all stock certificates to bear the signature of either or both. The Board of Directors may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of shares of the Corporation, whether certificated or uncertificated.

Section 4. LOSS, THEFT OR DESTRUCTION OF CERTIFICATES. In case of loss, theft or destruction of a share certificate another certificate (or uncertificated share) may be issued in lieu thereof in such manner and upon such terms as the Board of Directors shall from time to time authorize.

Section 5. TRANSFERS. Shares of the Corporation shall upon the surrender and cancellation of the certificate or certificates representing the same be transferred upon the books of the Corporation at the request of the holder thereof named in the surrendered certificate or certificates, in person or by his legal representative, or by his attorney duly authorized by written power of attorney filed with the Corporation or its transfer agent.

Section 6. TRANSFER AGENT AND REGISTRAR. The Board of Directors may appoint a transfer agent or transfer clerk or a registrar of transfers, or both, and it may require all stock certificates to bear the signature of either or both. The Board of Directors may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates for shares of the Corporation.

Section 7. LOSS, THEFT OR DESTRUCTION OF CERTIFICATES. In case of loss, theft or destruction of a share certificate another may be issued in lieu thereof in such manner and upon such terms as the Board of Directors shall from time to time authorize.

Section 8. DETERMINATION OF SHAREHOLDERS OF RECORD. The Board of Directors may fix a time, not more than seventy days prior to the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares will be made or go into effect, or the date fixed for any other matter as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares or entitled to receive or take action with respect to any other matter. In such case, only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to notice of, or to vote at, such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to receive or take action with respect to any other matter as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid.

Article VII
Waiver of Notice, Action Without Meeting and Meetings By Conference Telephone

Section 1. WAIVER OF NOTICE. Whenever any written notice is required to be given under the Pennsylvania Business Corporation Law, the articles or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a special meeting of shareholders, neither the business to be transacted at nor the purpose of the meeting need be specified in the waiver of notice of such meeting.

The attendance of a person either in person or by proxy at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 2. ACTION BY CONSENT. Any action which may be taken at a meeting of the shareholders or of the directors, or of any committee of directors, may be taken without a meeting, if a consent in writing setting forth the action so taken shall be signed by all the shareholders who would be entitled to vote at a meeting for such purpose or by all of the directors, or by all of the members of such committee, as the case may be, and shall be filed with the Secretary of the Corporation.

Section 3. MEETINGS BY CONFERENCE TELEPHONE. One or more directors may participate in a meeting of the Board or of a committee of the Board, and the Board of Directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the Corporation, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Such participation shall constitute presence in person at the meeting.

Section 4. MANNER OF GIVING NOTICE. Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these By-Laws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by telecopier, to the shareholder’s address (or to the shareholder’s telex, TWX, telecopier or telephone number) appearing on the books of the Corporation or, in the case of directors, supplied by the director to the Corporation for the purpose of notice. Notice sent by mail, by telegraph or by courier service shall be deemed to have been given when deposited in the United States mail or with a telegraph office or courier service for delivery except that, in the case of directors, notice sent by regular mail shall be deemed to have been given forty-eight hours after being deposited in the United States mail or, in the case of telex, TWX or telecopier, when dispatched.

Article VIII
Fiscal Year

The fiscal year of the Corporation shall end on the 30th day of June.

Article IX
Limitation of Director's Liability and Indemnification

Section 1. LIMITATION OF DIRECTOR'S LIABILITY. A director of the Corporation shall not be personally liable for monetary damages for any action taken or failure to take any action unless the director has breached or failed to perform the duties of his office under Section 8363 of the Directors' Liability Act [15 Pa. C.S. §511 and §1721] and such breach or failure to perform constitutes self-dealing, willful misconduct or recklessness; provided, however, that the foregoing provision shall not eliminate or limit the liability of a director (i) for any responsibility or liability of such director pursuant to any criminal statute, or (ii) for any liability of a director for the payment of taxes pursuant to local, State or Federal law. No repeal or modification of this Article IX, Section 1 nor the adoption of any provision inconsistent with this Article IX, Section 1 shall adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification or the adoption of such inconsistent provision.

Section 2. INDEMNIFICATION OF DIRECTORS AND OFFICERS

(a) Right to Indemnification.

Except as otherwise provided below, each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding") and whether or not by or in the right of the Corporation or otherwise, by reason of the fact that he or she, or a person of whom he or she is the heir, executor or administrator, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or trustee, or in any other capacity while serving as a director or officer or trustee, shall be indemnified and held harmless by the Corporation against all reasonable expenses, including attorneys' fees, and any liability and loss, including judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement, incurred or paid by such person in connection therewith; provided, however, that such person shall not be entitled to indemnification hereunder if the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness; provided further, that except with respect to the enforcement of claims described in paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this section shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of the final disposition thereof; provided, however, that to the extent required by law, the payment of such expenses incurred by an officer or director in advance of the final disposition of a proceeding shall be made only upon receipt of an undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that he or she is not entitled to be indemnified under this section or otherwise. The right to indemnification including the right to the advancement of expenses provided herein shall be a contract right and continue as to a person who has ceased to be a director or officer or trustee, and shall inure to the benefit of the heirs, executors and administrators of such person.

(b) Right of Claimant to Bring Suit.

If a claim under paragraph (a) of this section is not paid in full by the Corporation within forty-five (45) days after a written claim has been received by the Corporation, the claimant may, at any time thereafter, bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim.

(c) Non-Exclusivity of Rights.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of a final disposition conferred in this Article IX shall not be exclusive of any other rights to which those seeking indemnification or advancement of expenses hereunder may be entitled under any by-law, agreement, vote of stockholders or directors, applicable law, or otherwise, both as to action in his official capacity and as to action in any other capacity while holding that office, the Corporation having the express authority to enter into such agreements as the Board of Directors deems appropriate for the indemnification and advancement of expenses to present or future directors and officers of the Corporation.

(d) Funding.

The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations, whether arising under or pursuant to this By-Law or otherwise.

Article X
Resignations

Any director or officer may resign from office at any time, such resignation to be made in writing and to take effect from the time of its receipt, unless some time be fixed in the resignation and then from that time. The acceptance of a resignation shall not be required to make it effective.

Article XI
Amendments

These By-Laws may be amended or repealed, and new By-Laws may be adopted, by the Board of Directors, regardless of whether the shareholders have previously adopted or approved the By-Law being amended or repealed, except where the power to repeal, adopt or amend a By-Law on any subject is expressly committed to the shareholders by the Business Corporation Law, and subject always to the power of the shareholders to change any action taken by the Board. Any change in the By-Laws shall take effect when adopted unless otherwise provided in the resolution effecting the change.

Article XII
Miscellaneous

When used in these By-Laws, any terms stated in the singular and/or masculine gender (such as he or him) shall be construed to include the plural and/or feminine gender as the context and circumstances shall warrant appropriate.

Article XIII
Applicability of Certain Provisions of the Pennsylvania Business Corporation Law

Subchapters G (relating to control share acquisitions), H (relating to disgorgement by certain controlling shareholders following attempts to acquire control), I (relating to severance compensation for employees terminated following certain control share acquisitions), and J (relating to the status of labor contracts following certain business combination transactions) of Chapter 25 of the Pennsylvania Business Corporation Law shall not be applicable to the Corporation.

Exhibit 31.1

I, Carlos M. Cardoso, 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 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 8, 2007

/s/ Carlos M. Cardoso

Carlos M. Cardoso
President and
Chief Executive Officer

Exhibit 31.2

I, Frank P. Simpkins, 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 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 8, 2007

/s/ Frank P. Simpkins
Frank P. Simpkins
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, 2007, 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/ Carlos M. Cardoso
Carlos M. Cardoso
President and Chief Executive Officer
Kennametal Inc.

May 8, 2007

/s/ Frank P. Simpkins
Frank P. Simpkins
Vice President and Chief Financial Officer
Kennametal Inc.

May 8, 2007

* 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.