FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

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)	(I.R.S. Employer Identification No.)

ROUTE 981 AT WESTMORELAND COUNTY AIRPORT
P.O. BOX 231
LATROBE, PENNSYLVANIA 15650
(Address of registrant's principal executive offices)

Registrant's telephone number, including area code: (412) 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 [X] NO [ ]

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

TITLE OF EACH CLASS	OUTSTANDING AT OCTOBER 31, 1997
Capital Stock, par value $1.25 per share	26,264,454

KENNAMETAL INC.
FORM 10-Q
FOR QUARTER ENDED SEPTEMBER 30, 1997

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KENNAMETAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)	September 30, 1997	June 30, 1997
ASSETS		
Current Assets:		
Cash and equivalents	$ 45,409	$ 21,869
Accounts receivable, less allowance for doubtful accounts of $7,370 and $7,325	202,144	200,515
Inventories	214,068	210,111
Deferred income taxes	24,949	25,384
Total current assets	486,570	457,879
Property, Plant and Equipment:		
Land and buildings	160,474	156,292
Machinery and equipment	494,466	473,850
Less accumulated depreciation	(344,377)	(329,756)
Net property, plant and equipment	310,563	300,386
Other Assets:		
Investments in affiliated companies	14,648	11,736
Intangible assets, less accumulated amortization of $25,031 and $23,960	57,691	49,915
Deferred income taxes	31,644	34,307
Other	18,473	15,086
Total other assets	122,456	111,044
Total assets	$919,589	$869,309
LIABILITIES		
Current Liabilities:		
Current maturities of term debt and capital leases	$ 14,010	$ 13,853
Notes payable to banks	46,784	120,166
Accounts payable	61,306	60,322
Accrued vacation pay	17,818	18,176
Other	88,217	69,485
Total current liabilities	228,135	282,002
Term Debt and Capital Leases, Less Current Maturities	40,464	40,445
Deferred Income Taxes	21,138	21,055
Other Liabilities	55,621	57,060
Total liabilities	345,358	400,562
Minority Interest in Consolidated Subsidiaries	44,162	9,139
SHAREHOLDERS' EQUITY		
Shareholders' Equity:		
Preferred stock, 5,000 shares authorized; none issued	-	-
Capital stock, $1.25 par value; 70,000 shares authorized; 29,370 shares issued	36,712	36,712
Additional paid-in capital	148,438	91,049
Retained earnings	419,174	406,083
Treasury shares, at cost; 3,153 and 3,263 shares held	(61,101)	(62,400)
Cumulative translation adjustments	(13,154)	(11,836)
Total shareholders' equity	530,069	459,608
Total liabilities and shareholders' equity	$919,589	$869,309

See accompanying notes to condensed consolidated financial statements.

KENNAMETAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended September 30, 1997	Three Months Ended September 30, 1996
OPERATIONS:		
Net sales	$310,792	$275,203
Cost of goods sold	178,569	160,493
Gross profit	132,223	114,710
Research and development expenses	5,227	5,739
Selling, marketing and distribution expenses	68,571	63,019
General and administrative expenses	24,720	18,206
Amortization of intangibles	1,052	546
Operating Income	32,653	27,200
Interest expense	1,180	2,642
Other income (expense)	(440)	627
Income before income taxes and minority interest	31,033	25,185
Provision for income taxes	12,100	9,800
Minority interest	1,385	182
Net income	$ 17,548	$ 15,203
PER SHARE DATA:		
Earnings per share	$ 0.67	$ 0.57
Dividends per share	$ 0.17	$ 0.15
Weighted average shares outstanding	26,171	26,729

See accompanying notes to condensed consolidated financial statements.

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

(in thousands)

	Three Months Ended September 30, 1997	Three Months Ended September 30, 1996
OPERATING ACTIVITIES:		
Net income	$17,548	$15,203
Adjustments for noncash items:		
Depreciation and amortization	10,326	9,948
Other	1,091	2,335
Changes in certain assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(4,077)	9,647
Inventories	(2,319)	(2,551)
Accounts payable and accrued liabilities	8,903	2,702
Other	9,150	(344)
Net cash flow from operating activities	40,622	36,940
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(16,695)	(14,615)
Disposals of property, plant and equipment	193	16
Acquisitions, net of cash	(17,031)	(14,102)
Other	1,116	1,938
Net cash flow used for investing activities	(32,417)	(26,763)
FINANCING ACTIVITIES:		
Decrease in short-term debt	(72,733)	(1,406)
Increase in term debt	-	403
Reduction in term debt	(939)	(312)
Net proceeds from issuance and sale of subsidiary stock	90,462	-
Dividend reinvestment and employee stock plans	4,062	1,230
Cash dividends paid to shareholders	(4,457)	(4,009)
Net cash flow from (used for) financing activities	16,395	(4,094)
Effect of exchange rate changes on cash	(1,060)	254
CASH AND EQUIVALENTS:		
Net increase in cash and equivalents	23,540	6,337
Cash and equivalents, beginning	21,869	17,090
Cash and equivalents, ending	$45,409	$23,427
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 520	$ 1,288
Income taxes paid	2,257	3,994

See accompanying notes to condensed consolidated financial statements.

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

1. The condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the Company's 1997 Annual Report. The condensed consolidated balance sheet as of June 30, 1997 has been derived from the audited balance sheet included in the Company's 1997 Annual Report. These interim statements are unaudited; however, management believes that all adjustments necessary for a fair presentation have been made and all adjustments are normal, recurring adjustments. The results for the three months ended September 30, 1997 are not necessarily indicative of the results to be expected for the full fiscal year.

2. Inventories are stated at lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for a significant portion of domestic inventories and the first-in, first-out (FIFO) method or average cost for other inventories. The Company used the LIFO method of valuing its inventories for approximately 45 percent of total inventories at September 30, 1997. 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 management's projections of expected year-end inventory levels and costs. Therefore, the interim financial results are subject to any final year-end LIFO inventory adjustments.

3. The major classes of inventory as of the balance sheet dates were as follows (in thousands):

	September 30, 1997	June 30, 1997
Finished goods	$184,628	$183,961
Work in process and powder blends	51,027	50,351
Raw materials and supplies	17,016	16,494
Inventory at current cost	252,671	250,806
Less LIFO valuation	(38,603)	(40,695)
Total inventories	$214,068	$210,111

4. The Company has been involved in various environmental cleanup and remediation activities at several of its manufacturing facilities. In addition, the Company has been named as a potentially responsible party at four Superfund sites in the United States. However, it is management's opinion, based on its evaluations and discussions with outside counsel and independent consultants, that the ultimate resolution of these environmental matters will not have a material adverse effect on the results of operations, financial position or cash flows of the Company.

The Company maintains a Corporate Environmental, Health and Safety (EH&S) Department to facilitate compliance with environmental regulations and to monitor and oversee remediation activities. In addition, the Company has established an EH&S administrator at each of its domestic manufacturing facilities. The Company's financial management team periodically meets with members of the Corporate EH&S Department and the Corporate Legal Department to review and evaluate the status of environmental projects and contingencies. On a quarterly and annual basis, management establishes or adjusts financial provisions and reserves for environmental contingencies in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies."

5. The Financial Accounting Standards Board (FASB) recently issued SFAS No. 128, "Earnings Per Share" (SFAS No. 128) and SFAS No. 129, "Disclosure of Information about Capital Structures" (SFAS No. 129). SFAS No. 128 was issued in February 1997 and is effective for periods ending after December 15, 1997. This statement, upon adoption, will require all prior ending earnings per share (EPS) data to be restated to conform to the provisions of the statement. This statement's objective is to simplify the computations of EPS and to make the U.S. standard for EPS computations more compatible with that of the International Accounting Standards Committee. The Company will adopt SFAS No. 128 in the second quarter of fiscal 1998 and does not anticipate that the statement will have a significant impact on its reported EPS.

SFAS No. 129 was issued in February 1997 and is effective for periods ending after December 15, 1997. This statement, upon adoption, will require all companies to provide specific disclosure regarding their capital structure. SFAS No. 129 will specify the disclosure for all companies, including descriptions of their capital structure and the contractual rights of the holders of such securities. The Company will adopt SFAS No. 129 in the second quarter of fiscal 1998 and does not anticipate that the statement will have a significant impact on its disclosure.

Additionally, in June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" (SFAS No. 130) and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" (SFAS No. 131). SFAS No. 130 is effective for years ending after December 15, 1997. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The Company will adopt SFAS No. 130 in fiscal 1998 and does not anticipate that the statement will have a significant impact on its disclosures.

SFAS No. 131 introduces a new model for segment reporting called the "management approach." The management approach is based on the way the chief operating decision-maker organizes segments within a company for making operating decisions and assessing performance. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. The Company is in the process of evaluating the effect of applying this statement.

6. On July 2, 1997, an initial public offering (IPO) of approximately 4.9 million shares of common stock at a price of $20.00 per share of JLK Direct Distribution Inc. (JLK), a subsidiary of the Company, was consummated. JLK operates the industrial supply operations consisting of the Company's wholly owned J&L Industrial Supply (J&L) subsidiary and its Full Service Supply programs. The net proceeds from the offering were approximately $90 million and represented approximately 20 percent of JLK's common stock. The transaction has been accounted for as a capital transaction in the Company's consolidated financial statements. The net proceeds were used by JLK to repay $20 million of indebtedness related to a dividend to the Company and $20 million related to intercompany obligations to the Company. The Company used these proceeds to repay short-term debt. In connection with the IPO, the remaining net proceeds were loaned to the Company, under an intercompany debt/investment and cash management agreement at a fluctuating rate of interest equal to the Company's short-term borrowing costs. The Company will maintain unused lines of credit to enable it to repay any portion of the borrowed funds as the amounts are due on demand by JLK.

The Company today owns approximately 80 percent of the outstanding common stock of JLK and intends to retain a majority of both the economic and voting interests of JLK.

7. On September 1, 1997, the Company acquired Ruebig G.m.b.H. of Munich, Germany, a manufacturer and marketer of precision tools for carbide drilling, milling and other metal removal applications for approximately $16 million. Ruebig had annual sales totaling approximating $21 million.

Additionally, subsequent to September 30, 1997, the Company acquired Presto Engineers Cutting Tools Limited of Sheffield, United Kingdom, a manufacturer of industrial high-speed steel cutting tools and entered into an agreement to acquire GRS Industrial Supply Company (GRS) and Car-Max Tool & Cutter Sales, Inc. (Car-Max). GRS and Car-Max are engaged in the distribution of metalcutting tools and industrial supplies. The combined companies had annual sales approximating $45 million.

The acquisitions were accounted for using the purchase method of accounting. The consolidated financial statements include the operating results from the date of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant.

8. On October 12, 1997, Kennametal and Greenfield Industries, Inc. (Greenfield) signed a definitive merger agreement under which Kennametal will acquire Greenfield in a total transaction valued at $1 billion. Under the terms of the agreement, which has been approved by the Boards of Directors of both companies, Kennametal commenced an all-cash tender offer on October 17, 1997, to acquire all of Greenfield's outstanding common stock for $38.00 per share, including the assumption of outstanding debt and convertible securities, which have a current combined value of approximately $320 million. The tender offer is subject to the conditions set forth in the Offer to Purchase, Exhibit

(a)(1) to the Company's Schedule 14D-1 filed with the Securities and Exchange Commission (SEC) on October 17, 1997. The Company will finance the acquisition initially through a new bank credit facility.

The Company was informed that the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 expired. Following its filing with the German Federal Cartel Office (FCO) and discussions with the FCO, the Company no longer needs to have the applicable one-month waiting period under the German Act Against Restraints of Competition expire in order to proceed with its tender offer and acquisition of Greenfield. The FCO will have the right to continue to review the transaction following Kennametal's acquisition of Greenfield.

In addition, on November 12, 1997, the Company learned that the United Kingdom Office of Fair Trade (OFT) had issued an Invitation to Comment Announcement in the United Kingdom in response to Kennametal's prior informal submission to the OFT regarding the acquisition of Greenfield. Kennametal understands that this announcement is part of the OFT's normal procedures and that it will not delay its tender offer or acquisition of Greenfield. The OFT will also have the right to continue to review this matter following Kennametal's acquisition of Greenfield.

Kennametal does not expect the relevant German or U.K. agencies to raise any significant objections to the combination in their respective countries following consummation of its acquisition of Greenfield. The tender offer remains subject to the other conditions listed in the Offer to Purchase. The tender offer is scheduled to expire at 12:00 midnight New York City Time on Friday, November 14, 1997.

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

RESULTS OF OPERATIONS

SALES AND EARNINGS

During the quarter ended September 30, 1997, consolidated sales were $311 million, up 13 percent from $275 million in the same quarter last year. Sales rose 16 percent excluding unfavorable foreign currency translation effects. The increase in sales was primarily attributable to higher sales of metalworking products in North America and from higher sales of industrial supplies sold by J&L Industrial Supply (J&L) and by Full Service Supply programs, both operating within Kennametal's JLK Direct Distribution Inc. (JLK) subsidiary.

Net income for the first quarter ended September 30, 1997, was $17.5 million, or $0.67 per share, as compared with net income of $15.2 million, or $0.57 per share in the same quarter last year. The results included expenses of $5.2 million, or $0.12 per share, for the completion of the relocation and related expenses incurred in connection with the construction of the new world headquarters. Earnings benefited from higher sales of metalcutting and related products in North America and Europe as well as from higher production levels and productivity improvements related to the Focused Factory initiative. This was partially offset by unfavorable foreign currency translation effects.

The following table presents the Company's sales by market and geographic area (in thousands):

	Three Months Ended September 30, 1997	1996	% Change
By Market:			
Metalworking:			
North America	$ 97,267	$ 90,907	7%
Europe	60,456	60,694	-
Asia Pacific	10,121	10,400	(3)
Industrial Supply	99,051	73,278	35
Mining and Construction	43,897	39,924	10
Net sales	$310,792	$275,203	13%
By Geographic Area:			
Within the United States	$209,963	$177,500	18%
International	100,829	97,703	3
Net sales	$310,792	$275,203	13%

METALWORKING MARKETS
- --------------------
During the September 1997 quarter, sales in the North America Metalworking market increased 7 percent from the previous year. Sales of metalcutting inserts and toolholding devices in North America increased due to improved economic conditions in the United States in most major end markets and from continued emphasis on milling and drilling products. Additionally, sales of metalcutting and toolholding devices sold through all sales channels in North America, including sales through the Industrial Supply market, increased 11 percent.

Sales in the Europe Metalworking market on a local currency basis increased 13 percent over the same quarter a year ago. Including unfavorable foreign currency translation effects, sales in the Europe Metalworking market were flat. Demand for metalworking products continued to show improvement during the quarter in most key end markets as a result of improved market conditions in Europe, principally in Germany. Sales in the European market have posted double-digit order gains for four consecutive months.

Effective September 1, 1997, the Company acquired Ruebig G.m.b.H. of Munich, Germany, a manufacturer and marketer of precision tools for carbide drilling, milling and other metal removal applications. Also, on October 1, 1997, the Company acquired Presto Engineers Cutting Tools Limited of Sheffield, United Kingdom, a manufacturer of industrial high-speed steel cutting tools. The combined companies had annual sales approximating $42 million.

The acquisitions were accounted for using the purchase method of accounting. The consolidated financial statements include the operating results from the date of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant.

In the Asia Pacific Metalworking market, sales decreased slightly as results were affected by weak economic conditions in Korea, Singapore and Thailand. Excluding unfavorable foreign currency translation effects, sales in the Asia Pacific Metalworking market increased 3 percent. Additionally, effective August 1, 1997, the Company acquired a 100 percent interest in Kennako Japan from its joint venture partner Kobe Steel.

INDUSTRIAL SUPPLY MARKET
- ------------------------
Sales in the Industrial Supply market rose 35 percent as a result of increased sales through mail order, Full Service Supply programs and from acquisitions. Excluding the acquisitions, sales increased approximately 24 percent. Sales increased because of four additional showrooms, from the integration of new showroom locations from acquired companies, from further penetration of existing customers and from an expanded product offering of more than 10,000 new stock keeping units (SKUs) in J&L Industrial Supply's 1998 master catalog issued September 1, 1997.

Subsequent to September 30, 1997, the Company's JLK subsidiary opened a new showroom and distribution center in Seattle, Washington, and announced that it has entered into an agreement to acquire GRS Industrial Supply Company (GRS) and Car-Max Tool & Cutter Sales, Inc. (Car-Max). GRS and Car-Max are engaged in the distribution of metalcutting tools and industrial supplies and had sales approximating $23.9 million in the year ended December 31, 1996. The acquisitions were accounted for using the purchase method of accounting. The consolidated financial statements include the operating results from the date of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant.

MINING AND CONSTRUCTION MARKET
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During the September 1997 quarter, sales in the Mining and Construction market increased 10 percent from the previous year as a result of increased domestic demand for highway construction tools. International sales of mining and highway construction tools also improved as a result of strong market demand in South Africa and China.

GROSS PROFIT MARGIN
- -------------------
As a percentage of sales, gross profit margin for the September 1997 quarter was 42.5 percent as compared with 41.7 percent in the prior year. The gross profit margin increased primarily as a result of productivity improvements related in part to the Focused Factory initiative and from higher production levels. This increase was partially offset by unfavorable foreign currency translation effects.

OPERATING EXPENSES
- ------------------
Operating expenses as a percentage of sales were 31.7 percent compared to

31.6 percent last year. Operating expenses increased 13 percent primarily because of relocation and related costs incurred in connection with the construction of the new world headquarters, which amounted to approximately $5.2 million during the first quarter. The project is now successfully completed. Operating expenses also increased because of higher costs related to acquisitions and from the JLK showroom expansion program, including higher direct mail costs and increased direct marketing costs in new territories in the United States and in Europe.

INTEREST EXPENSE
- ----------------

Interest expense for the September 1997 quarter was $1.2 million compared to $2.6 million in the same quarter of a year ago. Interest expense decreased as a result of lower debt balances as the Company used the proceeds received from the JLK IPO to reduce its overall debt.

INCOME TAXES
- ------------

The effective tax rate for the September 1997 quarter was 39.0 percent compared to an effective tax rate of 38.9 percent in the prior year.

LIQUIDITY AND CAPITAL RESOURCES
- -------------------------------

The Company's cash flow from operations is the primary source of financing for capital expenditures and internal growth. During the quarter ended September 30, 1997, the Company generated $40.6 million in cash from operations. The increase in cash provided by operations resulted primarily from higher net income and slightly lower incremental working capital requirements.

Net cash used in investing activities was $32.4 million. The increase in net cash used in investing activities resulted from higher capital expenditures and from the acquisition of Ruebig G.m.b.H. and the remaining interest in Kennako Japan from its joint venture partner Kobe Steel. Capital expenditures were made to complete the construction of a new corporate headquarters in Latrobe, PA, and a manufacturing facility in China, to acquire additional client-server information systems and to upgrade machinery and equipment.

Net cash flow from financing activities was $16.4 million. The increase in net cash from financing activities was a result of proceeds received from the issuance of common stock of the Company's JLK subsidiary, offset by repayments of short-term debt and dividends.

Additionally, subsequent to September 30, 1997, the Company acquired Presto Engineers Cutting Tools Limited of Sheffield, United Kingdom, a manufacturer of industrial high-speed steel cutting tools, and entered into an agreement to acquire GRS Industrial Supply (GRS) and Car-Max Tool & Cutter Sales, Inc. (Car-Max). GRS and Car-Max are engaged in the distribution of metalcutting tools and industrial supplies. The combined companies had annual sales approximating $45 million.

On October 12, 1997, Kennametal and Greenfield Industries, Inc. (Greenfield) signed a definitive merger agreement under which Kennametal will acquire Greenfield in a total transaction valued at $1 billion. Under the terms of the agreement, which has been approved by the Boards of Directors of both companies, Kennametal commenced an all-cash tender offer on October 17, 1997, to acquire all of Greenfield's outstanding common stock for $38.00 per share, including the assumption of outstanding debt and convertible securities, which have a current combined value of approximately $320 million. The tender offer is subject to the conditions set forth in the Offer to Purchase, Exhibit (a) (1) to the Company's Schedule 14D-1 filed with the Securities and Exchange Commission (SEC) on October 17, 1997. The Company will finance the acquisition initially through a new bank credit facility.

The Company was informed that the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 expired. Following its filing with the German Federal Cartel Office (FCO) and discussions with the FCO, the Company no longer needs to have the applicable one-month waiting period under the German Act Against Restraints of Competition expire in order to proceed with its tender offer and acquisition of Greenfield. The FCO will have the right to continue to review the transaction following Kennametal's acquisition of Greenfield.

In addition, on November 12, 1997, the Company learned that the United Kingdom Office of Fair Trade (OFT) had issued an Invitation to Comment Announcement in the United Kingdom in response to Kennametal's prior informal submission to the OFT regarding the acquisition of Greenfield. Kennametal understands that this announcement is part of the OFT's normal procedures and that it will not delay its tender offer or acquisition of Greenfield. The OFT will also have the right to continue to review this matter following Kennametal's acquisition of Greenfield.

Kennametal does not expect the relevant German or U.K. agencies to raise any significant objections to the combination in their respective countries following consummation of its acquisition of Greenfield. The tender offer remains subject to the other conditions listed in the Offer to Purchase. The tender offer is scheduled to expire at 12:00 midnight New York City Time on Friday, November 14, 1997.

FINANCIAL CONDITION

Kennametal's financial condition continues to remain strong. Total assets were $920 million at September 30, 1997, up 6 percent from $869 million at June 30, 1997. Net working capital was $258 million, up 47 percent from $176 million from the previous quarter, and the ratio of current assets to current liabilities was 2.1 as of September 30, 1997, and 1.6 as of June 30, 1997. Also, the debt to capital ratio (i.e., total debt divided by the sum of total debt and shareholders' equity) was 16.0 percent as of September 30, 1997, and 27.5 percent as of June 30, 1997.

The most significant event that affected the Company's financial condition during the quarter was the IPO of approximately 4.9 million shares of JLK's Class A Common Stock at $20.00 per share of JLK. The net proceeds received from the offering were approximately $90 million and were used to repay short-term debt.

OUTLOOK

In looking to the second quarter ending December 31, 1997, management expects Kennametal's consolidated sales to increase over the second quarter of a year ago. In addition, second quarter results could be affected to the extent that the proposed acquisition of Greenfield Industries, Inc. would close during the quarter.

Sales in the North America Metalworking market should benefit from strong market conditions in the United States. Sales in the Europe Metalworking market are also expected to benefit from improving market conditions throughout Europe, especially in Germany. Sales in the Asia Pacific Metalworking market are expected to remain weak.

Sales in the Industrial Supply market should benefit from expansion of locations, increased mail order sales as a result of the expanded product offering in the new J&L Industrial Supply master catalog, and from acquisitions offset in part by the termination of the General Electric Full Service Supply contract. Sales in the Mining and Construction market should increase from additional domestic demand.

This Form 10-Q contains "forward-looking statements" as defined in Section 21E of the Securities Exchange Act of 1934. Actual results can materially differ from those in the forward-looking statements to the extent that the anticipated economic conditions in the United States and Europe are not sustained. The Company undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances occurring after the date hereof.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 4 to the condensed consolidated financial statements, contained in Part I, Item 1 of this Form 10-Q, is incorporated by reference herein and supplements the information previously reported in Part I, Item 3 of the Company's Form 10-K for the year ended June 30, 1997, which is also incorporated by reference herein.

Agreement of settlement has been reached, and in management's opinion, based on its evaluation and discussions with outside counsel, the Company has viable defenses to this case and that, in any event, the ultimate resolution of this matter will not have a materially adverse effect on the results of operations, financial position or cash flows of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders on October 27, 1997, the stockholders of the Company voted on the election of directors and independent public accountants. The following is the number of shares voted in favor of and against each matter, and the number of shares having authority to vote on each matter but withheld.

1. With respect to the votes cast for directors whose terms expire in 2000:

	For	Withheld	Broker Non-Vote
Richard C. Alberding	22,415,230	257,687	0
William R. Newlin	22,163,349	509,568	0

The following other directors' terms of office continued after the meeting:
Peter B. Bartlett, A. Peter Held, Warren H. Hollinshead, Robert L. McGeehan, Aloysius T. McLaughlin, Jr. and Larry Yost.

2. With respect to the election of the firm of Arthur Andersen LLP, independent public accountants, to audit the financial statements of the Company and its subsidiary companies for the fiscal year ending June 30, 1998:

	For	Against	Abstained	Broker Non-Vote
Arthur Andersen LLP	22,614,072	15,445	43,400	0

ITEM 5. OTHER INFORMATION

On October 12, 1997, Kennametal and Greenfield signed a definitive merger agreement pursuant to which Kennametal will acquire Greenfield in a total transaction valued at $1 billion. Under the terms of the agreement, which has been approved by the Boards of Directors of both companies, Kennametal commenced an all-cash tender offer on October 17, 1997, to acquire all of Greenfield's outstanding common stock for $38.00 per share, including the assumption of outstanding debt and convertible securities, which have a current combined value of approximately $320 million. The tender offer is subject to the conditions set forth in the Offer to Purchase, Exhibit (a)(1) to the Company's Schedule 14D-1 filed with the SEC on October 17, 1997. The Company will finance the acquisition initially through a new bank credit facility.

The Company was informed that the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 expired. Following its filing with the German Federal Cartel Office (FCO) and discussions with the FCO, the Company no longer needs to have the applicable one-month waiting period under the German Act Against Restraints of Competition expire in order to proceed with its tender offer and acquisition of Greenfield. The FCO will have the right to continue to review the transaction following Kennametal's acquisition of Greenfield.

In addition, on November 12, 1997, the Company learned that the United Kingdom Office of Fair Trade (OFT) had issued an Invitation to Comment Announcement in the United Kingdom in response to Kennametal's prior informal submission to the OFT regarding the acquisition of Greenfield. Kennametal understands that this announcement is part of the OFT's normal procedures and that it will not delay its tender offer or acquisition of Greenfield. The OFT will also have the right to continue to review this matter following Kennametal's acquisition of Greenfield.

Kennametal does not expect the relevant German or U.K. agencies to raise any significant objections to the combination in their respective countries following consummation of its acquisition of Greenfield. The tender offer remains subject to the other conditions listed in the Offer to Purchase. The tender offer is scheduled to expire at 12:00 midnight New York City Time on Friday, November 14, 1997.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(2) Agreement and Plan of Merger by and among Kennametal Inc., Palmer Acquisition Corp. and Greenfield Industries, Inc. dated as of October 10, 1997 (incorporated herein by reference to Exhibit (c) (1) of the Company's Schedule 14D-1 filed with the SEC on October 17, 1997).

(27) Financial Data Schedule for three months ended September 30, 1997, submitted to the Securities and Exchange Commission in electronic format, filed herewith

(99) Additional Exhibits
- 99.a Press Release Dated October 12, 1997, filed herewith
- 99.b Press Release Dated October 17, 1997, filed herewith
- 99.c Press Release Dated October 31, 1997 (incorporated herein by reference to Exhibit (A)(10) of the Company's Amendment No. 1 to its schedule 14D-1 filed with the SEC on October 31, 1997)
- 99.d Press Release Dated November 13, 1997

(incorporated herein by reference to Exhibit (A)(11) of the Company's Amendment No. 3 to its schedule 14D-1 filed with the SEC on November 13, 1997)

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 30, 1997.

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: November 14, 1997   By: /s/ RICHARD J. ORWIG

Richard J. Orwig
Vice President
Chief Financial and Administrative Officer

EXHIBIT 99.a

Contacts: For Kennametal
Frank P. Simpkins (Investors)
412-539-4617
Charles T. Glazer (Media)
412-539-4618

For Greenfield
Gary L. Weller
706-650-4218

FOR IMMEDIATE RELEASE

KENNAMETAL INC. TO ACQUIRE GREENFIELD INDUSTRIES, INC. IN TRANSACTION VALUED AT APPROXIMATELY $1 BILLION

Acquisition to Enhance Kennametal's Position as a Manufacturer and Distributor of Consumable Tools and Other Related Products to Customers in Metalworking and Other Industries Worldwide

All-Cash Tender Offer for Greenfield's Common Stock at $38.00 Per Share to Commence on or Prior to October 20, 1997

LATROBE, PENNSYLVANIA and AUGUSTA, GEORGIA, OCTOBER 12, 1997 - Kennametal Inc. (NYSE: KMT) and Greenfield Industries, Inc. (NASDAQ: GFII) today jointly announced the signing of a definitive merger agreement under which Kennametal will acquire Greenfield in a transaction valued at approximately $1 billion.

Under the terms of the agreement, which has been approved by the Boards of Directors of both companies, Kennametal will commence an all-cash tender offer on or prior to October 20, 1997 to acquire all of Greenfield's common stock for $38.00 per share, representing a premium of 18 percent over Greenfield's closing price of $32 3/16 on Friday, October 10, 1997. As of September 30, 1997, Greenfield had approximately 16.4 million shares outstanding. Under the terms of the agreement, Kennametal also will assume Greenfield's outstanding debt and convertible preferred securities, which have a current combined value of approximately $320 million.

"The acquisition will significantly enhance Kennametal's competitive position as a global leader in the metalworking consumable tooling industry by forming an alliance of the two companies' complementary manufacturing capabilities, product lines and sales channels," said Robert L. McGeehan, president and chief executive officer of Kennametal. "Moreover, the transaction serves as an important step in our long-term strategy to provide the market with the most complete offering of products and services to meet customers' metalworking needs. Greenfield will bring to Kennametal valuable new products with strong brand-name recognition, and will provide access to markets and customers not currently reached by Kennametal."

Paul W. Jones, president and chief executive officer of Greenfield, commented, "Joining forces with Kennametal is a unique and exciting opportunity for all Greenfield shareholders, customers and employees. The strengths of both organizations in our respective markets will position Kennametal to be the leading provider of high-quality cutting tools to our customers on a worldwide basis. Kennametal, which is the North American leader and has excellent market positions in Europe and Asia Pacific, will be strengthened by Greenfield's broad product offering and reputation for service. Furthermore, Kennametal has world-class materials science and other technical capabilities that will be utilized by many of Greenfield's operations allowing them to expand into and serve markets and customers in ways not possible before."

In the course of conducting extensive due diligence, Kennametal was provided with Greenfield's internal financial projections for 1997 and 1998. These projections anticipate sales of approximately $577 million for 1997 and approximately $636 million for 1998. Greenfield's fully diluted earnings per share, before any possible restructuring charges, are expected to be in a range of $1.56 to $1.78 for 1997. These projections, as well as Greenfield's expectation that its earnings will improve significantly in 1998, were taken into consideration in determining Kennametal's offer.

"We greatly value Greenfield's management, brands and products and believe the true fundamentals of their business have been obscured by slower-than-expected improvements in certain operations," said Mr. McGeehan. "We look forward to working in combination with Greenfield's management to help us fulfill our strategic vision for the combined enterprises."

Greenfield will continue to operate under its current name as a subsidiary of Kennametal. Mr. Jones will continue in his capacity as president and CEO of Greenfield and will report to Mr. McGeehan.

Mr. McGeehan added, "We will continue to strive to be the customer's first choice for metalworking tools, supplies and technical support through our direct-sales organization and JLK operation, which serves customers through catalogs, showrooms and integrated supply programs. We view Greenfield's products and distributor network as excellent additions to these existing efforts."

Kennametal said it will finance the acquisition initially through its new revolving credit agreement. Completion of the acquisition, which is subject to customary regulatory approvals in the United States and certain other countries, is expected to occur by year-end.

Merrill Lynch & Co. served as the financial advisor to Kennametal. Credit Suisse First Boston and NationsBanc Capital Markets, Inc. served as financial advisors to Greenfield.

Greenfield Industries, Inc. is a leading worldwide manufacturer of consumable cutting tools and related products used in a variety of industrial, electronics, energy and construction, engineered and consumer markets. Greenfield also manufactures and sells various products for the marine industry. The company, which has 5,100 employees, had sales of $520 million in 1996.

Kennametal Inc. markets, manufactures and distributes a broad range of tools and industrial supplies and accessories for the metalworking, mining and highway construction industries. With more than 7,500 employees worldwide and sales of approximately $1.2 billion for the year ended June 30, 1997, Kennametal is one of the world's leading producers and suppliers of cutting tools and wear-resistant parts made of cemented carbides and other hard materials.

This Press Release contains certain "forward-looking statements," as defined in Section 21E of the Securities Exchange Act of 1934, concerning Kennametal's and Greenfield's operations and performance, including, in particular, Greenfield's future results of operations. These statements are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies which are not controllable and actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to vary include general economic and market conditions in North America and Europe and to a lesser extent Asia Pacific, conditions in stock and debt markets, successful integration of Kennametal and Greenfield and restructurings.

KENNAMETAL INC. FACT SHEET

Kennametal Inc. is a marketer, manufacturer and distributor of a broad range of tools and industrial supplies for the metalworking, mining and highway construction industries. Kennametal is one of the world's leading producers of cutting tools and wear-resistant parts made of cemented carbides and other hard materials.

METALWORKING. Kennametal is a world leader in the metalworking market, with a No. 1 market position in North America and a No. 2 market position in Europe. Using its proprietary carbide technology, the company produces metalcutting inserts and other tools used by manufacturers in a wide range of industries, including automotive, aerospace, construction and farm machinery, factory equipment, fabricated parts, engines, turbines, and oil and gas equipment. A key element of Kennametal's multi-channel distribution strategy is its direct sales organization including 350 sales engineers who are adept at solving customers' machining problems.

In addition to its industry leading positions in North America and Europe, Kennametal has a growing position in Asia Pacific, the world's fastest-growing and potentially largest metal-working market. The company has invested in a new $20 million state-of-the-art facility in Shanghai, China, and has an extensive sales force in the region.

INDUSTRIAL SUPPLY. Kennametal's industrial supply business is the fastest-growing area of the company. With a focus on metalworking, industrial supply provides customers with complete one-stop shopping for their metalworking and machining needs, by combining Kennametal's products with products and supplies not manufactured by Kennametal. The products are distributed through the company's JLK Direct Distribution Inc. (JLK) subsidiary, which was recently formed to better focus the company's efforts in capitalizing on opportunities in industrial supply.

MINING AND HIGHWAY CONSTRUCTION. Kennametal is the world leader in mining and highway construction tools. Kennametal leads the way with advanced technology and expert application advice in both traditional markets, such as North America and Europe, and in emerging economies, such as China, South America and Eastern Europe.

Corporate Name:	Kennametal Inc. (NYSE: KMT)
Chairman:	William R. Newlin
President and CEO:	Robert L. McGeehan
Annual Sales Revenues:	$1.2 billion in fiscal 1997
Number of Employees:	7,500 worldwide
Corporate Headquarters:	Latrobe, Pennsylvania
Corporate Milestones:	IPO of JLK Direct Distribution Inc. - 1997
	$34 million World Headquarters - 1997
	Acquisition of Hertel, Fuerth, Germany -1993
	$30 million corporate research center - 1991

GREENFIELD INDUSTRIES, INC. FACT SHEET

Greenfield Industries is a leading manufacturer of consumable cutting tools and related products, sold under some of the best-known brand names in the metalworking industry. Its operations fall into six key areas:

INDUSTRIAL PRODUCTS. The Industrial Products Group, the company's largest segment representing approximately 55 percent of sales, produces a wide range of cutting tool products made of high-speed steel and tungsten carbide, for customers in a variety of industries. The company is the leading manufacturer of industrial drill bits, taps and dies and fixed limit gages in North America. Its brand names include Greenfield Tap & Die, Cleveland Twist Drill, Putnam, Chicago-Latrobe, Vermont Tap & Die, Eclipse, Metcut, Threads, Inc. and Metal Removal, among others.

ENERGY & CONSTRUCTION PRODUCTS. Greenfield's Energy and Construction Products Group manufactures products used in oil and gas drilling, mining and highway resurfacing. The company is the largest independent supplier of oil field compacts in the United States.

ELECTRONICS PRODUCTS. The Electronics Products Group manufactures carbide drills, endmills and routers used to make printed circuit boards for the electronics industry, and is the world's leading manufacturer of circuit board drills.

ENGINEERED PRODUCTS. The Engineered Products Group manufactures "made-to-order" tungsten-carbide parts for demanding wear applications, such as plastics processing, tool and die manufacturing, and petroleum flow control.

CONSUMER PRODUCTS. Greenfield's Consumer Products Group manufactures cutting tools, drill bits, saw blades and other tools for builders, contractors, mechanics and "do-it-yourselfers," and has been the exclusive supplier of Craftsman drill bits to Sears since 1930.

MARINE PRODUCTS. The Marine Products Group manufactures a variety of marine products such as Rule bilge pumps, Danforth anchors and compasses.

Corporate Name:	Greenfield Industries, Inc. (Nasdaq: GFII)
President and CEO:	Paul W. Jones
Annual Sales Revenues:	$520 million in 1996
Number of Employees:	5,100 worldwide
Corporate Headquarters:	Augusta, Georgia
Corporate Milestones:	IPO of Greenfield Industries - 1993
	Secondary Offering - 1994
	Acquisition of Cleveland Twist Drill-1994
	Acquisition of Rule Industries - 1996

EXHIBIT 99.b

October 17, 1997

Immediate

KENNAMETAL COMMENCES ALL-CASH TENDER OFFER FOR GREENFIELD INDUSTRIES SHARES

LATROBE, PA, OCTOBER 17, 1997 - Kennametal Inc. (KMT:NYSE) today commenced its previously announced all-cash tender offer for all of the outstanding shares of Greenfield Industries, Inc. (NASDAQ:GFII) at a price of $38.00 per share. The tender offer is scheduled to expire at 12:00 midnight New York City time on November 14, 1997, unless extended.

The complete terms and conditions are set forth in the Offer to Purchase, copies of which are available by contacting the information agent, Georgeson & Company Inc. (1-800-848-3155).

Merrill Lynch & Co. is the dealer manager for the offer.

Kennametal and Greenfield each filed its Premerger Notification and Report Form with the Federal Trade Commission and the Antitrust Division of the Department of Justice under the Hart-Scott-Rodino Act.

Kennametal Inc. markets, manufactures and distributes a broad range of tools and industrial supplies and accessories for the metalworking, mining and highway construction industries. With more than 7,500 employees worldwide and sales of approximately $1.2 billion for the fiscal year ended June 30, 1997, Kennametal is one of the world's leading producers and suppliers of cutting tools and wear-resistant parts made from cemented carbides and other hard materials.

This schedule contains summary financial information extracted from the September 30, 1997 Condensed Consolidated Financial Statements (unaudited) and is qualified in its entirety by reference to such financial statements.

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3-MOS
JUN-30-1998
JUL-01-1997
SEP-30-1997
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