==

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 MARCH 31, 2003

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.)

WORLD HEADQUARTERS
1600 TECHNOLOGY WAY
P.O. BOX 231
LATROBE, PENNSYLVANIA 15650-0231
(Address of registrant's principal executive offices)

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 [X] NO [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). YES [X] 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, 2003
Capital Stock, par value $1.25 per share	35,389,350

==

KENNAMETAL INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2003

TABLE OF CONTENTS

Item No.		Page
	PART I. FINANCIAL INFORMATION	
1.	Financial Statements:	
	Condensed Consolidated Statements of Income (Unaudited) Three and nine months ended March 31, 2003 and 2002	1
	Condensed Consolidated Balance Sheets March 31, 2003 (Unaudited) and June 30, 2002	2
	Condensed Consolidated Statements of Cash Flows (Unaudited) Nine Months ended March 31, 2003 and 2002	3
	Notes to Condensed Consolidated Financial Statements (Unaudited)	4
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
3.	Quantitative and Qualitative Disclosures about Market Risk	25
4.	Controls and Procedures	25
	PART II. OTHER INFORMATION	
5.	Other Information	26
6.	Exhibits and Reports on Form 8-K	26
	Signatures	27
	Certifications	28

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,		Nine Months Ended March 31,	
	2003	2002	2003	2002
OPERATIONS				
Net sales	$ 459,243	$ 393,852	$ 1,295,192	$ 1,180,844
Cost of goods sold	307,582	266,205	875,079	806,893
Gross profit	151,661	127,647	420,113	373,951
Operating expense	122,592	95,695	343,104	288,711
Restructuring and asset impairment charge	3,269	3,944	11,649	22,650
Amortization of intangibles	1,196	728	3,310	2,107
Operating income	24,604	27,280	62,050	60,483
Interest expense	8,979	7,421	27,058	25,076
Other (income) expense, net	713	(14)	(414)	(179)
Income before provision for income taxes and minority interest	14,912	19,873	35,406	35,586
Provision for income taxes	4,474	6,359	10,622	11,387
Minority interest	739	370	1,786	1,071
Income before cumulative effect of change in accounting principle	9,699	13,144	22,998	23,128
Cumulative effect of change in accounting principle, net of tax of $2,389	--	--	--	(250,406)
Net income (loss)	$ 9,699	$ 13,144	$ 22,998	$ (227,278)
PER SHARE DATA				
Basic earnings per share before cumulative effect of change in accounting principle	$ 0.28	$ 0.42	$ 0.65	$ 0.75
Cumulative effect of change in accounting principle per share	--	--	--	(8.08)
Basic earnings (loss) per share	$ 0.28	$ 0.42	$ 0.65	$ (7.33)
Diluted earnings per share before cumulative effect of change in accounting principle	$ 0.27	$ 0.42	$ 0.65	$ 0.74
Cumulative effect of change in accounting principle per share	--	--	--	(7.96)
Diluted earnings (loss) per share	$ 0.27	$ 0.42	$ 0.65	$ (7.22)
Dividends per share	$ 0.17	$ 0.17	$ 0.51	$ 0.51
Basic weighted average shares outstanding	35,243	31,089	35,137	31,002
Diluted weighted average shares outstanding	35,480	31,553	35,412	31,454

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

KENNAMETAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2003 (Unaudited)	June 30, 2002
ASSETS		
Current assets:		
Cash and equivalents	$ 17,250	$ 10,385
Marketable equity securities available-for-sale	9,839	10,728
Accounts receivable, less allowance for doubtful accounts of $22,449 and $12,671	235,908	179,101
Inventories	408,996	345,076
Deferred income taxes	81,651	71,375
Other current assets	34,447	20,719
Total current assets	788,091	637,384
Property, plant and equipment:		
Land and buildings	247,173	227,539
Machinery and equipment	925,589	847,196
Less accumulated depreciation	(696,554)	(639,619)
Net property, plant and equipment	476,208	435,116
Other assets:		
Investments in affiliated companies	12,141	11,681
Intangible assets, less accumulated amortization of $78,989 and $75,390	491,987	367,992
Other	95,018	71,438
Total other assets	599,146	451,111
Total assets	$ 1,863,445	$ 1,523,611
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt and capital leases	$ 3,201	$ 16,554
Notes payable to banks	11,867	6,926
Accounts payable	120,981	101,586
Accrued income taxes	16,170	4,066
Accrued vacation pay	32,397	28,190
Accrued payroll	32,624	22,696
Restructuring liability	25,425	6,595
Other current liabilities	102,200	75,487
Total current liabilities	344,865	262,100
Long-term debt and capital leases, less current maturities	565,067	387,887
Deferred income taxes	38,382	52,570
Pension and other post-employment benefits	133,291	87,027
Other liabilities	7,259	9,394
Total liabilities	1,088,864	798,978
Minority interest in consolidated subsidiaries	18,070	10,671
Commitments and contingencies	--	--
SHAREOWNERS' EQUITY		
Preferred stock, no par value; 5,000 shares authorized; none issued	--	--
Capital stock, $1.25 par value; 70,000 shares authorized; 37,529 and 37,383 shares issued	46,912	46,729
Additional paid-in capital	503,264	491,263
Retained earnings	312,149	307,631
Treasury shares, at cost; 2,220 and 2,573 shares held	(67,938)	(72,026)
Unearned compensation	(9,258)	(4,856)
Accumulated other comprehensive loss	(28,618)	(54,779)
Total shareowners' equity	756,511	713,962
Total liabilities and shareowners' equity	$ 1,863,445	$ 1,523,611

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

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

(in thousands)

	Nine Months Ended March 31,	
	2003	2002
OPERATING ACTIVITIES		
Net income (loss)	$ 22,998	$(227,278)
Adjustments for non-cash items:		
Depreciation	58,509	53,130
Amortization	3,310	2,107
Stock-based compensation expense	7,682	7,930
Restructuring and asset impairment charges	(181)	12,914
Cumulative effect of change in accounting principle, net of tax	--	250,406
Other	1,829	(3,168)
Changes in certain assets and liabilities (excluding acquisitions)		
Accounts receivable	3,134	37,469
Accounts receivable securitization	(2,286)	3,200
Inventories	14,644	25,948
Accounts payable and accrued liabilities	12,030	(31,886)
Other	(6,235)	(18,748)
Net cash flow provided by operating activities	115,434	112,024
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(35,966)	(30,349)
Disposals of property, plant and equipment	1,504	5,799
Acquisition, net of cash	(165,521)	--
Purchase of subsidiary stock	(6,691)	--
Other	1,267	(6,350)
Net cash flow used for investing activities	(205,407)	(30,900)
FINANCING ACTIVITIES		
Net decrease in notes payable	(13,320)	(5,104)
Net decrease in revolver and other lines of credit	(40,678)	(53,022)
Term debt borrowings	186,665	455
Term debt repayments	(23,473)	(8,076)
Purchase of treasury stock	--	(12,417)
Dividend reinvestment and employee benefit and stock plans	4,115	12,118
Cash dividends paid to shareowners	(18,480)	(15,807)
Other	(1,060)	(1,654)
Net cash flow provided by (used for) financing activities	93,769	(83,507)
Effect of exchange rate changes on cash and equivalents	3,069	148
CASH AND EQUIVALENTS		
Net increase (decrease) in cash and equivalents	6,865	(2,235)
Cash and equivalents, beginning of year	10,385	12,940
Cash and equivalents, end of period	$ 17,250	$ 10,705
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 19,003	$ 24,705
Income taxes paid	793	27,078
Increase in fair value of interest rate swaps	19,025	--
Businesses acquired:		
Fair value of assets acquired	303,117	--
Liabilities assumed	132,192	--

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

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") is a leading global manufacturer, marketer and distributor of a broad range of cutting tools, tooling systems, supplies and technical services, as well as wear-resistant parts. We believe that our reputation for manufacturing excellence and technological expertise and innovation in our principal products has helped us achieve a leading market presence in our primary markets. We believe we are the second largest global provider of metalcutting tools and tooling systems. 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.

2. BASIS OF PRESENTATION

The condensed consolidated financial statements, which include our accounts and those of our majority-owned subsidiaries, should be read in conjunction with the Notes to Consolidated Financial Statements included in our 2002 Annual Report. The condensed consolidated balance sheet as of June 30, 2002 was derived from the audited balance sheet included in our 2002 Annual Report. These interim statements are unaudited; however, we believe that all adjustments necessary for a fair presentation were made and all adjustments are normal, recurring adjustments. The results for the nine months ended March 31, 2003 and 2002 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. 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. We reclassified certain amounts in the prior years' consolidated financial statements to conform with the current year presentation.

3. STOCK-BASED COMPENSATION

Stock options generally are granted to eligible employees at fair market value at the date of grant. Options are exercisable under specific conditions for up to 10 years from the date of grant. Under provisions of the plans, participants may deliver 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.

Kennametal accounts for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations using the intrinsic value method. In addition to stock option grants, several plans permit the award of restricted stock to directors, officers and key employees. Costs associated with restricted stock grants are amortized to expense over the vesting period. The Company has recognized $0.9 million, $0.4 million, $2.6 million and $1.0 million of stock-based compensation expense, net of tax, related to stock awards and option grants for the three months and nine months ended March 31, 2003 and 2002, respectively.

Kennametal's net income and earnings per share would have been reduced to the pro forma amounts shown below if compensation cost had been determined based on the fair value at the grant dates in accordance with SFAS Nos. 123 and 148, "Accounting for Stock-Based Compensation."

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net income (loss), as reported	$ 9,699	$ 13,144	$ 22,998	$ (227,278)
Less: incremental compensation cost determined under the fair value method, net of tax	1,416	911	4,250	2,624
Pro forma net income (loss)	$ 8,283	$ 12,233	$ 18,748	$ (229,902)
Basic earnings (loss) per share:				
As reported	$ 0.28	$ 0.42	$ 0.65	$ (7.33)
Pro forma	0.24	0.39	0.53	(7.42)
Diluted earnings (loss) per share:				
As reported	$ 0.27	$ 0.42	$ 0.65	$ (7.22)
Pro forma	0.23	0.39	0.53	(7.35)

4. ACQUISITIONS

On August 30, 2002, we purchased the Widia Group (Widia) in Europe and India from Milacron Inc. for EUR188 million ($185.3 million) subject to a purchase price adjustment. On February 12, 2003, Milacron Inc. and Kennametal signed a settlement agreement with respect to the calculation of the post-closing purchase price adjustment for the Widia acquisition pursuant to which Milacron paid Kennametal EUR 18.8 million ($20.1 million) in cash. The net cash purchase price of $166.5 million includes the actual purchase price of $185.3 million less the settlement of $20.1 million plus $5.6 million of direct acquisition costs ($1.2 million paid in fiscal year 2002 and $4.4 million paid during the nine month period ended March 31, 2003) less $4.3 million of acquired cash. We financed the acquisition with funds borrowed under our new three-year, multi-currency, revolving credit facility which we entered into on June 27, 2002 with a group of financial institutions. The acquisition of Widia improves our global competitiveness, strengthens our European position and represents a strong platform for increased penetration in Asia. Widia's operating results have been included in our consolidated results since the acquisition date of August 30, 2002.

In accordance with SFAS No. 141, "Business Combinations", we accounted for the acquisition using the purchase method of accounting. Accordingly, the preliminary purchase price allocations have been made based upon an estimated fair value of net assets acquired resulting in the recognition of approximately $70.6 million of goodwill and $36.4 million of other intangibles. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" the goodwill will not be amortized but will instead be subject to an annual impairment test. The preliminary purchase price allocations are subject to adjustment and may be modified within one year from the acquisition when additional information concerning asset and liability valuations are obtained. In accordance with the integration plan, we are also finalizing our analysis of any potential environmental exposures related to the Widia acquisition. Subsequent changes are not expected to have a material effect on our consolidated financial position.

The unaudited pro forma consolidated financial data presented below gives effect to the Widia acquisition as if it had occurred as of the beginning of each period presented. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable, including additional interest expense and amortization that resulted from the transaction, net of any applicable income tax effects. The unaudited pro forma consolidated financial data is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated on the date indicated, nor are they indicative of future operating results. Except for actions actually taken as of and since the close of the transaction and for which any related impact would be included in the actual results through the period end, anticipated cost savings have not been reflected in this pro forma presentation. The unaudited pro forma consolidated financial data should be read in conjunction with the historical consolidated financial statements and accompanying notes.

Pro Forma Consolidated Financial Data	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Net sales	$ 459,243	$ 447,926	$ 1,330,586	$ 1,349,452
Income before cumulative effect of change in accounting principle	9,699	7,934	18,357	14,304
Net income (loss)	9,699	7,934	18,357	(236,102)
Basic earnings per share before cumulative effect of change in accounting principle	0.28	0.26	0.52	0.46
Basic earnings (loss) per share	0.28	0.26	0.52	(7.62)
Diluted earnings per share before cumulative effect of change in accounting principle	0.27	0.25	0.52	0.45
Diluted earnings (loss) per share	0.27	0.25	0.52	(7.51)

Additionally, during the first quarter of the current year, we acquired the remaining nine percent minority interest of our subsidiary in Poland for total consideration of $0.2 million. This subsidiary is now wholly-owned by Kennametal. During the second and third quarter of the current year, we acquired an additional one percent ownership interest from minority shareowners of our subsidiary in Germany for a total consideration of $4.2 million bringing our ownership to 99.3 percent. An additional payment of $2.3 million was made during the second quarter related to minority shareowners that sold their shares in the prior year. Total goodwill resulting from these transactions was $5.2 million.

5. 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 (FIFO) or average cost methods. We used the LIFO method of valuing inventories for approximately 42 and 49 percent of total inventories at March 31, 2003 and June 30, 2002, 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 as of the balance sheet dates consisted of the following (in thousands):

	March 31, 2003	June 30, 2002
Finished goods	$ 283,442	$ 260,783
Work in process and powder blends	116,835	91,871
Raw materials and supplies	37,626	34,452
Inventory at current cost	437,903	387,106
Less: LIFO valuation	(28,907)	(42,030)
Total inventories	$ 408,996	$ 345,076

6. ENVIRONMENTAL MATTERS

We are involved in various environmental cleanup and remediation activities at several of our manufacturing facilities. In addition, we are currently named as a potentially responsible party (PRP) at the Li Tungsten Superfund site in Glen Cove, New York. In December 1999, we recorded a remediation reserve of $3.0 million with respect to our involvement in these matters, which was recorded as a component of operating expense. This represents our best estimate of the undiscounted future obligation based on our evaluations and discussions with outside counsel and independent consultants, and the current facts and circumstances related to these matters. We recorded this liability because certain events occurred, including the identification of other PRPs, an assessment of potential remediation solutions and direction from the government for the remedial action plan that clarified our level of involvement in these matters and our relationship to other PRPs. This led us to conclude that it was probable a liability had been incurred. At March 31, 2003, we have an accrual of $2.8 million remaining relative to this environmental issue. No cash payments have been made nor additional charges incurred against this reserve during the current quarter and nine months ended March 31, 2003.

In addition to the amount currently reserved, we may be subject to loss contingencies related to these matters estimated to be up to an additional $3.0 million. We believe that such undiscounted unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. The reserved and unreserved liabilities for all environmental concerns could change substantially in the near term due to factors such as the nature and extent of contamination, changes in remedial requirements, technological changes, discovery of new information, the financial strength of other PRPs, the identification of new PRPs and the involvement of and direction taken by government agencies on these matters.

Additionally, we also maintain reserves for other potential environmental issues associated with domestic operations and a location operated by our German subsidiary. At March 31, 2003, the total of these accruals was $1.3 million and represents anticipated costs associated with the remediation of these issues. Cash payments of $0.1 million have been made against this reserve during the quarter.

We maintain a Corporate Environmental, Health and Safety (EH&S) Department, as well as an EH&S Policy Committee, to ensure compliance with environmental regulations and to monitor and oversee remediation activities. In addition, we have established an EH&S administrator at all our global manufacturing facilities. Our 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 basis, we establish or adjust financial provisions and reserves for environmental contingencies in accordance with Statement of Financial Accounting Standard (SFAS) No. 5, "Accounting for Contingencies."

7. 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 issuance of capital stock under stock option grants. The difference between basic and diluted earnings per share relates solely to the effect of capital stock options.

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 by 236,673 and 464,218 for the three months ended March 31, 2003 and 2002, respectively, and 274,718 and 452,505 for the nine months ended March 31, 2003 and 2002, respectively. Unexercised stock options to purchase our capital stock of 2.0 million and 0.6 million shares for the three months ended March 31, 2003 and 2002, respectively, and 1.7 million and 1.2 million for the nine months ended March 31, 2003 and 2002, respectively, are not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price for the respective period.

8. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) for the three and nine months ended March 31, 2003 and 2002 is as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Income before cumulative effect of change in accounting principle	$ 9,699	$ 13,144	$ 22,998	$ 23,128
Cumulative effect of change in accounting principle, net of tax	--	--	--	(250,406)
Unrealized (loss) gain on derivatives designated and qualified as cash flow hedges, net of tax	(754)	1,547	(1,434)	1,058
Reclassification of unrealized gain (loss) on matured derivatives, net of tax	1,879	(362)	3,224	(1,412)
Unrealized gain (loss) on marketable equity securities available-for-sale, net of tax	1,059	1,120	(184)	(1,506)
Minimum pension liability adjustment, net of tax	(64)	49	(215)	(105)
Foreign currency translation adjustments	8,059	1,441	24,770	5,276
Comprehensive income (loss)	$ 19,878	$ 16,939	$ 49,159	$(223,967)

The components of accumulated other comprehensive after-tax loss consist of the following (in thousands):

	March 31, 2003		
	Pre-tax	Tax	After-Tax
Unrealized loss on marketable equity securities available-for-sale	$ (1,087)	$ 413	$ (674)
Unrealized loss on derivatives designated and qualified as cash flow hedges	(6,461)	2,455	(4,006)
Minimum pension liability adjustment	(7,541)	2,861	(4,680)
Foreign currency translation adjustments	(29,133)	9,875	(19,258)
Total	$(44,222)	$ 15,604	$(28,618)

	June 30, 2002		
	Pre-tax	Tax	After-Tax
Unrealized loss on marketable equity securities available-for-sale	$ (791)	$ 301	$ (490)
Unrealized loss on derivatives designated and qualified as cash flow hedges	(9,339)	3,543	(5,796)
Minimum pension liability adjustment	(7,195)	2,730	(4,465)
Foreign currency translation adjustments	(47,520)	3,492	(44,028)
Total	$(64,845)	$ 10,066	$(54,779)

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill attributable to each segment at March 31, 2003 and June 30, 2002 is as follows (in thousands):

	March 31, 2003	June 30, 2002
MSSG	$ 235,104	$ 147,157
AMSG	166,596	167,542
J&L Industrial Supply	39,649	39,649
Full Service Supply	4,707	4,707
Total	$ 446,056	$ 359,055

The increase in the goodwill carried by the Metalworking Solutions and Services Group (MSSG) is associated with the acquisition of Widia and the acquisition of outstanding minority interests of our subsidiaries in Germany and Poland.

Material amounts of recorded goodwill attributable to each of our reporting units were tested for impairment during 2002 by comparing the fair value of each reporting unit with its carrying value. This testing resulted in a 2002 non-cash, net of tax, charge of $250.4 million, specific to the electronics (Advanced Materials Solutions Group (AMSG) segment - $82.1 million) and the industrial product group (MSSG segment - $168.3 million) businesses, which were acquired in 1998 as part of the acquisition of Greenfield Industries. The initial phase of the impairment tests were performed within six months of adoption of SFAS No. 142, or December 31, 2001, and are required at least annually thereafter. On an ongoing basis (absent any impairment indicators), we expect to perform our impairment tests during the June quarter of each fiscal year, in connection with our annual budgeting process.

The components of our other intangible assets are as follows (in thousands), the remaining lives of which range from one to fifteen years.

	March 31, 2003		June 30, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract based	$ 11,626	$ (10,519)	$ 11,910	$ (9,488)
Estimated intangibles associated with Widia	39,917	(1,470)	--	--
Technology based and other	3,374	(2,699)	3,374	(2,423)
Intangible pension asset	5,702	--	5,564	--
Total	$ 60,619	$ (14,688)	$ 20,848	$ (11,911)

10. RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

2003 Workforce Restructuring Program In October 2002, we announced a global salaried workforce reduction of approximately five percent. The reduction is expected to cost between $9 million and $10 million. The components of the restructuring accrual at March 31, 2003 for this program are as follows (in thousands):

	Accrual at June 30, 2002	Expense	Cash Expenditures	Accrual at March 31, 2003
Employee severance	$ --	$ 7,859	$ (4,373)	$ 3,486
Total	$ --	$ 7,859	$ (4,373)	$ 3,486

The restructuring accrual at March 31, 2003 represents expected future cash payments for these obligations over the next six months.

Widia Integration In addition to the 2003 Workforce Restructuring Program, we have implemented two Widia acquisition-related integration programs (Kennametal Integration Restructuring Program and Widia Integration) which together are expected to result in a global headcount reduction of between 650 and 700 positions, approximately 80% of which is expected to be completed in 2003. We will also close a number of manufacturing facilities and warehouses throughout Europe.

Kennametal Integration Restructuring Program This program currently will include employee severance costs associated with existing Kennametal facilities.

The components of the restructuring accrual at March 31, 2003 for this program are as follows (in thousands):

	Accrual at June 30, 2002	Expense	Cash Expenditures	Accrual at March 31, 2003
Employee severance	$ --	$ 4,029	$ (785)	$ 3,244
Total	$ --	$ 4,029	$ (785)	$ 3,244

The restructuring accrual at March 31, 2003 represents future cash payments for these obligations over the next twelve months.

Widia Integration Plan In connection with the acquisition, we have established a Widia integration plan that will consolidate certain Widia and Kennametal operations and functions. This integration plan is to establish centers of excellence in functional areas and enable long-term growth and competitive advantages. Certain costs that are incurred under this plan will be accounted for under EITF 95-3 "Recognition of Liabilities in Connection with a Purchase Business Combination." As a result, these costs have been recorded as an adjustment to goodwill and not charged to expense.

	Accrual at June 30, 2002	Adjustment to Goodwill	Cash Expenditures	Non-Cash Adjustment	Accrual at March 31, 2003
Facility rationalizations	$ --	$ 1,237	$ (265)	$ 118	$ 1,090
Employee severance	--	16,482	(3,281)	1,481	14,682
Terminated contracts	--	1,326	(410)	125	1,041
Total	$ --	$19,045	$(3,956)	$ 1,724	$16,813

Widia Restructuring In connection with our acquisition of Widia, we assumed $2.4 million of restructuring accruals related to restructuring programs initiated by Widia prior to the acquisition date. These programs, initiated in December 2001, relate to the severance of 156 European employees in both production and administration. The accrual balance at March 31, 2003 of $0.2 million represents a decrease of $2.2 million related to cash payments made during the period since acquisition.

2002 AMSG and MSSG Restructuring In November 2001, we announced a restructuring program whereby we expected to recognize special charges of $15 to $20 million, including period costs, for the closure of three manufacturing locations and the relocation of the production of a certain product line to another plant, and associated workforce reductions. This was done in response to continued steep declines in the end market demand in the electronics and industrial products groups businesses. Additionally, we implemented other worldwide workforce reductions and facility closures in these segments in reaction to the declines in our end markets. All initiatives under this program have been implemented. Total restructuring and asset impairment charges of $17.3 million were recognized in 2002 and $2.5 million were recognized as a component of cost of goods sold in 2002.

We implemented the measures associated with the closing and consolidation of the AMSG electronics facility in Chicago, IL, and MSSG industrial product group's Pine Bluff, AR, and Monticello, IN locations, the production of a particular line of products in Rogers, AR and several customer service centers. The components of the restructuring accrual at March 31, 2003 for this program are as follows (in thousands):

	Accrual at June 30, 2002	Expense	Expense Adjustment	Cash Expenditures	Accrual at March 31, 2003
Facility rationalizations	$ 2,977	$ 15	$ (110)	$(1,849)	$ 1,033
Employee severance	1,220	110	--	(1,121)	209
Total	$ 4,197	$ 125	$ (110)	$(2,970)	$ 1,242

The restructuring accrual at March 31, 2003 represents future cash payments for these obligations, of which the majority are expected to occur over the next two quarters.

Previous Programs

During the current quarter, we completed the 2000 Restructuring Program, the 2001 Core-Business Resize Program and the J&L and FSS Business Improvement Program. Cash expenditures during 2003 related to these programs were $0.1 million, $0.2 million and $1.1 million, respectively. There were no material adjustments to the accruals under these programs.

11. SEGMENT DATA

We operate four global business units consisting of Metalworking Solutions & Services Group (MSSG), Advanced Materials Solutions Group (AMSG), J&L Industrial Supply (J&L) and Full Service Supply (FSS), and corporate functional shared services. Our external sales, intersegment sales and operating income by segment for the three and nine months ended March 31, 2003 and 2002 are as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
External sales:				
MSSG	$ 297,995	$ 224,971	$ 824,143	$ 666,006
AMSG	79,039	72,879	231,038	227,498
J&L	51,729	58,873	148,012	173,997
FSS	30,480	37,129	91,999	113,343
Total external sales	$ 459,243	$ 393,852	$ 1,295,192	$ 1,180,844
Intersegment sales:				
MSSG	$ 28,615	$ 29,071	$ 81,085	$ 86,680
AMSG	8,361	5,934	22,867	18,014
J&L	480	533	1,531	1,602
FSS	871	639	2,403	1,995
Total intersegment sales	$ 38,327	$ 36,177	$ 107,886	$ 108,291
Total sales:				
MSSG	$ 326,610	$ 254,042	$ 905,228	$ 752,686
AMSG	87,400	78,813	253,905	245,512
J&L	52,209	59,406	149,543	175,599
FSS	31,351	37,768	94,402	115,338
Total sales	$ 497,570	$ 430,029	$ 1,403,078	$ 1,289,135
Operating income (loss):				
MSSG	$ 24,156	$ 25,999	$ 66,488	$ 68,080
AMSG	8,757	6,988	25,153	16,699
J&L	1,323	1,208	5,209	(1,725)
FSS	31	380	(320)	1,799
Corporate and eliminations	(9,663)	(7,295)	(34,480)	(24,370)
Total operating income	$ 24,604	$ 27,280	$ 62,050	$ 60,483

12. NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. The adoption of this standard, effective July 1, 2002, had no material impact on the results of our operations or financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of and supersedes SFAS No. 121. This statement retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and measurement of long-lived assets to be disposed of by sale. The provisions of this statement are effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The adoption of this standard effective July 1, 2002, did not have a material impact on our consolidated financial statements.

In April 2002, SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," was issued. This statement updates, clarifies and simplifies existing accounting pronouncements. While the technical corrections to existing pronouncements are not substantive in nature, in some instances they may change accounting practice. The provisions of this standard related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. Prospectively, as a result of the adoption of SFAS No. 145, debt extinguishment costs previously classified as extraordinary items will be reclassified as interest expense.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities," which addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal activities, including restructuring activities. SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. The provisions of this statement have been applied to any exit or disposal activities entered into after January 1, 2003.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 clarifies the requirements of FASB Statement No. 5, "Accounting for Contingencies," relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee, FIN 45 also requires enhanced disclosures in company's interim and annual filings. FIN 45 is effective for guarantees issued or modified after December 31, 2002. The disclosure requirements were effective for financial statements of both interim and fiscal years ending after December 15, 2002. The adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2003, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation Transition and Disclosure," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure provisions of that statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, the statement amends APB Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial information. The amendments to APB Opinion No. 28 are effective for financial reports containing Condensed Financial Statements for interim periods beginning after December 15, 2002. The disclosure provisions of this statement were adopted on January 1, 2003.

In January 2003 the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for the Company after July 31, 2003 and will not have a material impact on the Company's results of operations or financial condition.

In January 2003, the EITF released Issue No. 00-21, ("EITF 00-21"), "Revenue Arrangements with Multiple Deliverables," which addresses certain aspects of the accounting by a vendor for arrangement under which it will perform multiple revenue-generating activities. Specifically, EITF 00-21 addresses whether an arrangement contains more than one unit of accounting and the measurement and allocation to the separate units of accounting in the arrangement. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Management is currently assessing the details of the standard and is preparing a plan of implementation.

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

RESULTS OF OPERATIONS

SALES

Sales for the March 2003 quarter were $459.2 million, an increase of $65.4 million or 16.6 percent from $393.9 million in the year-ago quarter. The increase in sales is attributed to the positive benefit of $54.4 million from the Widia acquisition and the favorable foreign currency effects of $16.5 million. This was offset by the sale of Strong Tool which comprised $7.8 million of the third quarter 2002 revenue. After taking these factors into consideration, the significant components of the remaining change in sales was attributed to increased sales of $2.7 million in South America, $5.9 million in the industrial products group and $2.6 million in the engineered products markets, all in local currency. This was offset by declining sales of $6.7 million in the FSS segment and in Europe of $1.1 million.

Sales for the nine months ended March 31, 2003 were $1,295.2 million compared to $1,180.8 million in the same period a year ago, an increase of $114.3 million or 9.7 percent. The increase in sales is attributed to the Widia acquisition which had sales of $132.3 million for the nine-month period. Additionally, favorable foreign currency effects of $27.5 million contributed to the increase in sales. This was offset by the sale of Strong Tool which comprised $24.2 million of 2002 revenue for the nine month period and FSS which had a decrease in sales of $21.3 million.

GROSS PROFIT MARGIN

The gross profit margin for the March 2003 quarter was 33.0 percent, a 60 basis point increase compared with 32.4 percent in the year-ago quarter. The increase is a result of favorable raw material prices, manufacturing efficiencies from the Kennametal Lean Enterprise initiatives and a benefit from foreign currency exchange of $12.0 million, or 260 basis points, offset, in part, by a combination of lower Widia margins of $1.8 million or 40 basis points, unfavorable product mix and $0.5 million, or 10 basis points, in decreased pension income.

Consolidated gross profit margin was 32.4 percent for the nine months ended March 31, 2003, a 70 basis point increase compared with 31.7 percent in the same period a year ago. Gross profit margin was affected by the factors mentioned above.

OPERATING EXPENSE

Operating expense for the March 2003 quarter was $122.6 million or 26.7 percent of sales compared to $95.7 million or 24.3 percent of sales for the prior year, resulting in a increase of $26.9 million or 28.1 percent. The increase in operating expenses is associated with the Widia acquisition, unfavorable foreign exchange of $7.4 million, reinstatement of the Company match to the 401(k) plans of approximately $0.7 million, $1.7 million of decreased pension income and increased insurance costs which was offset, in part, by the Strong tool divestiture which comprised $1.5 million of the March 2002 quarterly operating expense.

For the nine months ended March 31, 2003, operating expense was $343.1 million or 26.5 percent of sales, an increase of $54.4 million or 18.8 percent compared to the same period a year ago. The increase in operating expenses is associated with the Widia acquisition, $12.2 million of unfavorable foreign currency effects, a decrease in pension income of $2.8 million and lower expenses in the prior year due to last year's temporary cost reductions offset, in part, by the Strong Tool divestiture which comprised $4.6 million of the nine months ended March 2002 operating expense.

RESTRUCTURING AND ASSET IMPAIRMENT CHARGE

2003 Workforce Restructuring Program In October 2002, we announced a global salaried workforce reduction of approximately five percent. The reduction is expected to cost between $9 million and $10 million, and is anticipated to generate in excess of $10 million in cash savings during fiscal 2003. The components of the restructuring accrual at March 31, 2003 for this program are as follows (in thousands):

	Accrual at June 30, 2002	Expense	Cash Expenditures	Accrual at March 31, 2003
Employee severance	$ --	$ 7,859	$(4,373)	$ 3,486
Total	$ --	$ 7,859	$(4,373)	$ 3,486

The restructuring accrual at March 31, 2003 represents expected future cash payments for these obligations over the next six months.

Widia Integration In addition to the 2003 Workforce Restructuring Program, we have implemented two Widia acquisition-related integration programs (Kennametal Integration Restructuring Program and Widia Integration) which together are expected to result in a global headcount reduction of between 650 and 700 positions, approximately 80% of which is expected to be completed in 2003. We will also close a number of manufacturing facilities and warehouses throughout Europe.

Kennametal Integration Restructuring Program This program currently will include employee severance costs associated with existing Kennametal facilities.

The components of the restructuring accrual at March 31, 2003 for this program are as follows (in thousands):

	Accrual at June 30, 2002	Expense	Cash Expenditures	Accrual at March 31, 2003
Employee severance	$ --	$4,029	$ (785)	$3,244
Total	$ --	$4,029	$ (785)	$3,244

pppp

The restructuring accrual at March 31, 2003 represents future cash payments for these obligations over the next twelve months.

Widia Integration Plan In connection with the acquisition, we have established a Widia integration plan that will consolidate certain Widia and Kennametal operations and functions. This integration plan is to establish centers of excellence in functional areas and enable long-term growth and competitive advantages. Certain costs that are incurred under this plan will be accounted for under EITF 95-3 "Recognition of Liabilities in Connection with a Purchase Business Combination." As a result, certain of these costs have been recorded as an adjustment to goodwill and not charged to expense.

	Accrual at June 30, 2002	Adjustment to Goodwill	Cash Expenditures	Non-Cash Adjustment	Accrual at March 31, 2003
Facility rationalizations	$ --	$ 1,237	$ (265)	$ 118	$ 1,090
Employee severance	--	16,482	(3,281)	1,481	14,682
Terminated contracts	--	1,326	(410)	125	1,041
Total	$ --	$19,045	$(3,956)	$ 1,724	$16,813

Widia Restructuring In connection with our acquisition of Widia, we assumed $2.4 million of restructuring accruals related to restructuring programs initiated by Widia prior to the acquisition date. These programs, initiated in December 2001, relate to the severance of 156 European employees in both production and administration. The accrual balance at March 31, 2003 of $0.2 million represents a decrease of $2.2 million related to cash payments made during the period since acquisition.

2002 AMSG and MSSG Restructuring In November 2001, we announced a restructuring program whereby we expected to recognize special charges of $15 to $20 million, including period costs, for the closure of three manufacturing locations and the relocation of the production of a certain product line to another plant, and associated workforce reductions. This was done in response to continued steep declines in the end market demand in the electronics and industrial products groups businesses. Additionally, we implemented other worldwide workforce reductions and facility closures in these segments in reaction to the declines in our end markets. All initiatives under this program have been implemented. Total restructuring and asset impairment charges of $17.3 million were recognized in 2002 and $2.5 million were recognized as a component of cost of goods sold in 2002.

We implemented the measures associated with the closing and consolidation of the AMSG electronics facility in Chicago, IL, and MSSG industrial product group's Pine Bluff, AR, and Monticello, IN locations, the production of a particular line of products in Rogers, AR and several customer service centers. The components of the restructuring accrual at March 31, 2003 for this program are as follows (in thousands):

	Accrual at June 30, 2002	Expense	Expense Adjustments	Cash Expenditures	Accrual at March 31, 2003
Facility rationalizations	$ 2,977	$ 15	$ (110)	$(1,849)	$ 1,033
Employee severance	1,220	110	--	(1,121)	209
Total	$ 4,197	$ 125	$ (110)	$(2,970)	$ 1,242

The restructuring accrual at March 31, 2003 represents future cash payments for these obligations, of which the majority are expected to occur over the next two quarters.

Previous Programs
During the current quarter, we completed the 2000 Restructuring Program, the 2001 Core-Business Resize Program and the J&L and FSS Business Improvement Program. Cash expenditures during 2003 related to these programs were $0.1 million, $0.2 million and $1.1 million, respectively. There were no material adjustments to the accruals under these programs.

INTEREST EXPENSE

Interest expense for the March 2003 quarter increased 21.0 percent to $9.0 million from $7.4 million a year ago. This increase was primarily due to the greater average level of borrowings which increased by $185.3 million to fund the Widia acquisition. As indicated in Note 4, the original purchase price was reduced by approximately $20.1 million in February 2003 as a result of the settlement agreement with Milacron. The proceeds from the Milacron settlement were used to reduce Euro denominated borrowings. For the nine months ended March 31, 2003, interest expense increased approximately 7.9 percent to $27.1 million from $25.1 million a year ago for the same reasons. Our average U.S. borrowing rate for the quarter and nine month period was 5.17 and 5.40 percent, respectively, compared to 4.61 and 5.06 percent for the three month and nine month periods of a year ago. The increase is due primarily to the ten-year note issue, partially offset by lower short-term interest rates.

OTHER (INCOME) EXPENSE, NET

For the three months ended March 31, 2003 and 2002, other expense, net was $0.7 million versus other income, net of $0.01 million, respectively. Included in these amounts were fees of $0.4 million and $0.5 million, respectively, incurred in connection with the accounts receivable securitization program. The decline in these fees is due to lower interest rates in the commercial paper market. Also included in other (income) expense is interest income which has increased from $0.3 million in the prior year to $0.8 million in the current year. The benefits associated with the securitization program and interest income were offset by an increase in expense related to foreign exchange hedging losses which increased by $1.5 million, and equity losses which increased by $0.4 million.

For the nine months ended March 31, 2003 and 2002, other income, net was $0.4 million and $0.2 million, respectively. Fees associated with the accounts receivable securitization program declined $0.5 million to $1.5 million in 2003 due to the factor mentioned above. Interest income increased $1.3 million to $2.3 million due to higher cash balances. The other significant components of the increase were higher foreign exchange losses of $0.4 million and equity losses which increased by $0.5 million.

PROVISION FOR INCOME TAXES

The effective tax rate for the three and nine months ended March 31, 2003 was 30 percent compared to an effective rate of 32 percent for the three and nine month period ended March 31, 2002. Management has updated the tax provision to reflect the impact of the Widia acquisition on our effective tax rate. During the three and nine months ended March 31, 2003, we have benefited from foreign tax planning which has resulted in a lower effective tax rate.

CHANGE IN ACCOUNTING PRINCIPLE

We adopted SFAS No. 142, "Goodwill and Other Intangible Assets," effective July 1, 2001, which establishes new accounting and reporting requirements for goodwill and other intangible assets, including new measurement techniques for evaluating the recoverability of such assets. Under SFAS No. 142, all goodwill amortization ceased effective July 1, 2001. Material amounts of recorded goodwill attributable to each of our reporting units, including those affected by the restructuring program announced in November 2001, were tested for impairment by comparing the fair value of each reporting unit with its carrying value. As a result of the adoption of this rule, we recorded a non-cash, net of tax charge of $250.4 million, or $7.96 per diluted share specific to the electronics (AMSG segment - $82.1 million) and the industrial product group (MSSG segment - $168.3 million) businesses, which were acquired in 1998 as part of the acquisition of Greenfield Industries. The fair values of these reporting units were determined using a combination of discounted cash flow analysis and market multiples based upon historical and projected financial information. Under SFAS No. 142, the impairment adjustment recognized at adoption of this standard was reflected as a cumulative effect of a change in accounting principle, effective July 1, 2001.

NET INCOME

Net income for the quarter ended March 31, 2003 was $9.7 million, or $0.27 per diluted share, compared to $13.1 million, or $0.42 per diluted share, in the same quarter last year. The decline in earnings is attributable to the dilutive effect of the Widia acquisition, increased operating costs and interest expense, partially offset by improved margins and a decline in restructuring charges.

Net income for the nine months ended March 31, 2003 was $23.0 million, or $0.65 per diluted share, compared to a net loss of $227.3 million, or $7.22 per diluted share, in the same period last year. The significant change in net income on a year-over-year basis is the result of a prior year cumulative effect of change in accounting principles which was $250.4 million. The remainder of the change in earnings is attributable to the factors mentioned above.

BUSINESS SEGMENT REVIEW

We operate four global business units consisting of Metalworking Solutions & Services Group (MSSG), Advanced Materials Solutions Group (AMSG), J&L Industrial Supply (J&L) and Full Service Supply (FSS), and corporate functional shared services.

METALWORKING SOLUTIONS & SERVICES GROUP

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
External sales	$ 297,995	$ 224,971	$ 824,143	$ 666,006
Intersegment sales	28,615	29,071	81,085	86,680
Operating income	24,156	25,999	66,488	68,080

MSSG external sales increased $73.0 million or 32.5 percent compared to the March 2002 quarter due primarily to the acquisition of Widia, favorable foreign exchange and increased sales in South America and industrial product markets. Widia external sales were $54.4 million or 74.5 percent of the increase in MSSG's March quarter external sales. Favorable foreign exchange effects accounted for $12.4 million or 17.0 percent of the increase in MSSG's March quarter external sales due to a weaker U.S. dollar. Excluding the benefits from the Widia acquisition and foreign exchange, North America sales were flat, while in Europe, sales were down $1.1 million or 1.6 percent. Automotive in North America continued to show weakening market conditions during the quarter while light and general engineering and aerospace remained weak. Heavy engineering, machine tool builders and tool and die makers had modest improvements over the quarter. Product pricing levels were maintained in both the North American and European markets. The industrial products group helped offset these other factors with an increase in sales of $5.9 million or 12.4 percent over the same quarter last year.

For the quarter ended March 31, 2003, operating income of $24.2 million decreased 7.1 percent compared to $26.0 million last year. Included in operating income is $1.1 million and $1.9 million of restructuring costs for the March 31, 2003 and 2002 quarters, respectively. Additionally, included in the March 31, 2003 operating income is $1.9 million of costs associated with the Widia integration. The decline in operating income is due to the Widia integration costs and the dilutive effect of the Widia acquisition. These increased costs are offset by the Kennametal Lean Enterprise initiatives, lower raw material prices, lower restructuring expense, and on-going cost controls.

For the nine months ended March 31, 2003, MSSG external sales increased $158.1 million or 23.7 percent compared to the same period last year. Most of this increase was associated with the Widia acquisition which contributed $132.3 million in external sales during the nine month period. Additionally, the favorable benefits of foreign exchange contributed $20.7 million of the increase in external sales. Excluding the Widia acquisition and favorable foreign exchange effects, sales in North America and Europe were down $7.9 million or 3.4 percent and $8.0 million or 4.1 percent, respectively. This was offset by increases in sales (excluding Widia) in South America of $6.7 million or 78.8 percent, Asia of $2.6 million or 5.7 percent and the industrial products group which increased $9.2 million or 6.3 percent, all in local currency.

For the nine-month period, operating income was $66.5 million compared to $68.1 million last year representing a decrease of $1.6 million or 2.3 percent compared to the prior year. Included in operating income for the nine-month period is $6.0 million and $8.1 million of restructuring costs for 2003 and 2002, respectively. The reduction in restructuring expense was offset, in part, by $4.0 million of Widia integration costs. The remainder of the change in operating income is due to the factors mentioned above.

ADVANCED MATERIALS SOLUTIONS GROUP

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
External sales	$ 79,039	$ 72,879	$ 231,038	$ 227,498
Intersegment sales	8,361	5,934	22,867	18,014
Operating income	8,757	6,988	25,153	16,699

For the quarter ended March 31, 2003, AMSG external sales increased by $6.2 million or 8.5 percent. The increase in external sales for the quarter is attributed to favorable foreign exchange of $3.4 million and increased sales of $2.6 million in the engineered products market, in local currency.

Operating income for the quarter was $8.8 million compared to $7.0 million last year. The increase in operating income is attributable to increased sales, improved manufacturing efficiencies, lower raw material costs, and the benefits derived from the previously implemented restructuring efforts. Restructuring expense for the quarter increased from $0.6 million in 2002 to $1.1 million in 2003.

For the nine months ended March 31, 2003, external sales increased by $3.6 million or 1.6 percent. The most significant components of the increase are favorable foreign exchange effects which contributed $5.3 million and the Carmet acquisition which contributed $4.9 million. Excluding the benefits of foreign exchange and the Carmet acquisition, sales for the nine-month period declined $6.6 million or 2.9 percent. Lower demand for products used for oil and gas exploration and mining contributed to the decline. Improved year-over-year sales in the engineered products market partially mitigated this decrease.

Operating income was $25.2 million compared to $16.7 million last year. The increase is due to the cost cutting programs mentioned above and due to restructuring expense which has decreased from $6.6 million in 2002 to $3.2 million in 2003.

J&L INDUSTRIAL SUPPLY

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
External sales	$ 51,729	$ 58,873	$ 148,012	$ 173,997
Intersegment sales	480	533	1,531	1,602
Operating income	1,323	1,208	5,209	(1,725)

For the three months ended March 31, 2003, J&L external sales decreased $7.1 million or 12.1 percent from $58.9 million to $51.7 million. The decrease in external sales is attributed to the Strong Tool divestiture which comprised $7.8 million of the $58.9 million March 2002 external sales. Sales for this segment relate primarily to automotive and aerospace customers which continue to experience weak market conditions. Operating income for the current quarter was $1.3 million compared to $1.2 million in the March 2002 quarter. The increase in operating income is attributed to the reduction in restructuring expense which decreased from $2.4 million for the 2002 quarter to $0.8 million for the 2003 quarter, mostly offset by continued sales volume and pricing pressures.

For the nine months ended March 31, 2003, J&L external sales declined by $26.0 million or 14.9 percent from $174.0 million to $148.0 million. The decline is attributed to the Strong Tool divestiture which comprised $24.2 million of the $174.0 million external sales for the nine-month period ended March 2002. Additionally, slower sales in automotive and aerospace markets also contributed to the decline in external sales. Operating income for the nine-month period increased by $6.9 million from a loss of $1.7 million in 2002 to income of $5.2 million in 2003. The most significant component of the increase was the decline in restructuring expense which decreased by $8.6 million from $9.8 million in 2002 to $1.3 million in 2003. The decline in restructuring expense was offset by increased marketing costs.

FULL SERVICE SUPPLY

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
External sales	$ 30,480	$ 37,129	$ 91,999	$ 113,343
Intersegment sales	871	639	2,403	1,995
Operating income	31	380	(320)	1,799

FSS external sales decreased for the quarter by $6.6 million or 17.9 percent compared to last year due to the loss of sales associated with the discontinuance of certain customer relationships. Operating income for the March 2003 quarter has decreased by $0.3 million over the March 2002 quarter due to the inability of the margins associated with the reduced volume to cover fixed costs. This issue is being remedied through right-sizing efforts, as described in Note 10 - Restructuring and Asset Impairment Charges, as well as through a continuous program to reduce operating expense. Additionally, new marketing and business development programs are underway to replace the lost sales.

Compared to the same period last year, FSS external sales declined $21.3 million or 18.8 percent for the nine months ended March 31, 2003. For the nine month period, FSS had an operating loss of $0.3 million, a decline of $2.1 million compared to the same period last year. These declines are due to the same factors as mentioned above.

LIQUIDITY AND CAPITAL RESOURCES

Our cash flow from operations is the primary source of financing for capital expenditures and internal growth. During the nine months ended March 31, 2003, we generated $115.4 million in cash flow from operations, an increase of $3.4 million compared to the year-ago period. The increase resulted primarily from cash generated by a federal income tax refund of $15.0 million, partially offset by an increase in cash payments for restructuring expense which increased to $14.8 million in the nine-month period ended March 31, 2003 from $6.9 million for the same period last year.

Net cash used for investing activities was $205.4 million, an increase of $174.5 million compared to the nine months ended March 31, 2002. The increase is almost entirely due to the net cost paid for Widia of $165.5 million. Additionally, capital expenditures of $36.0 million were incurred during the current period. We have projected our capital expenditures for 2003 to be in the range of $50 to $55 million and will be primarily used to support new strategic initiatives, new products and to upgrade machinery and equipment. We believe this level of capital spending is sufficient to maintain competitiveness and improve productivity.

On February 12, 2003, Milacron Inc. and Kennametal signed a settlement agreement with respect to the calculation of the post-closing purchase price adjustment for the Widia acquisition pursuant to which Milacron paid us, on February 24, 2003, Euro 18.8 million ($20.1 million) in cash. The proceeds from the Milacron settlement were used to reduce Euro denominated borrowings.

Fiscal 2003 restructuring and integration programs are expected to result in cash payment of $50 to $60 million during the fourth quarter of fiscal year 2003 and into fiscal 2004. We anticipate that cash provided from operating activities will exceed capital expenditures and cash restructuring charges, and debt will be further reduced throughout fiscal 2003.

Net cash provided from financing activities was $93.8 million, an increase of $177.3 million compared to the same period last year. This increase is due to the incremental borrowings required to finance the Widia acquisition of $165.5 million, partially offset by debt repayments, lower purchases of treasury stock and increased cash payments for dividends due to additional shares being issued in June 2002.

In September 2001, we continued our program to repurchase, from time to time, our outstanding capital stock for investment or other general corporate purposes. During the first quarter of the prior fiscal year, we purchased 375,000 shares of our capital stock at a total cost of $12.4 million. No shares were repurchased during the current quarter or the nine month period ending March 31, 2003. As a result of last year's repurchases, we had completed our repurchase program announced January 31, 1997 of 1,600,000 shares and brought the total purchased under the authority of the second repurchase program announced in October 2000 to approximately 200,000 shares, of a total 2,000,000 authorized. The repurchases were financed principally by cash from operations and short-term borrowings. Cumulatively, we have repurchased 1,755,900 shares under the authority of these programs. Repurchases may be made from time to time in the open market, in negotiated or other permissible transactions.

FINANCIAL CONDITION

Total assets were $1,863.4 million at March 31, 2003, compared to $1,523.6 million at June 30, 2002. Net working capital was $443.2 million, up 18.1 percent from $375.3 million at June 30, 2002. The increase in total assets (including goodwill) and net working capital is primarily related to the Widia acquisition which increased total assets by $303.1 million and working capital by $55.8 million. The Widia acquisition also was the primary reason for increases in accounts receivable, the allowance for doubtful accounts, inventories, net property, plant and equipment, long-term debt and pension and other post-employment benefits.

We measure our working capital management performance and our ability to generate cash flow by monitoring selected components of working capital. In particular, we focus on accounts receivable, inventories and accounts payable since these working capital items are controllable at the business unit level. The following summarizes these selected working capital items:

	Quarter Ended March 31,		Quarter Ended June 30,
	2003	2002	2002
Accounts receivable, net	$ 235,908	$ 168,094	$ 179,101
Inventories	408,996	351,129	345,076
Less: accounts payable	(120,981)	(93,810)	(101,586)
Total	$ 523,923	$ 425,413	$ 422,591

Inventory turnover increased to 3.1 at March 31, 2003, compared to 2.9 at June 30, 2002 and 2.9 at March 31, 2002, due to continued initiatives aimed at maintaining favorable inventory turns. The total debt-to-total capital ratio increased to 43 percent at March 31, 2003 from 37 percent at June 30, 2002, primarily due to the borrowings to fund the Widia acquisition.

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. The adoption of this standard, effective July 1, 2002, did not have a material impact on our consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of and supersedes SFAS No. 121. This statement retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and measurement of long-lived assets to be disposed of by sale. The provisions of this statement are effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The adoption of this standard effective July 1, 2002, had no material impact on the results of our operations or financial position.

In April 2002, SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," was issued. This statement updates, clarifies and simplifies existing accounting pronouncements. While the technical corrections to existing pronouncements are not substantive in nature, in some instances they may change accounting practice. The provisions of this standard related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. Prospectively, as a result of the adoption of SFAS No. 145, debt extinguishment costs previously classified as extraordinary items will be reclassified as interest expense.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities," which addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal activities, including restructuring activities. SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability incurred. The provisions of this statement have been applied to any exit or disposal activities entered into after January 1, 2003.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 clarifies the requirements of FASB Statement No. 5, "Accounting for Contingencies," relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee, FIN 45 also requires enhanced disclosures in company's interim and annual filings. FIN 45 is effective for guarantees issued or modified after December 31, 2002. The disclosure requirements were effective for financial statements of both interim and fiscal years ending after December 15, 2002. The adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2003, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation Transition and Disclosure," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure provisions of that statement to require prominent disclosure about the effects of reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, the Statement amends APB Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial information. The amendments to APB Opinion No. 28 are effective for financial reports containing Condensed Financial Statements for interim periods beginning after December 15, 2002. The disclosure provisions of this statement were adopted January 1, 2003.

In January 2003 the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for the Company after July 31, 2003 and will not have a material impact on the Company's results of operations or financial condition.

In January 2003, the EITF released Issue No. 00-21, ("EITF 00-21"), "Revenue Arrangements with Multiple Deliverables," which addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, EITF 00-21 addresses whether an arrangement contains more than one unit of accounting and the measurement and allocation to the separate units of accounting in the arrangement. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Management is currently assessing the details of the standard and is preparing a plan of implementation.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934. You can identify these forward-looking statements by the fact they use words such as "should," "anticipate," "estimate," "approximate," "expect," "may," "will," "project," "intend," "plan," "believe" and other words of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements are likely to relate to, among other things, our goals, plans and projections regarding our financial position, results of operations, cash flows, market position and product development, which are based on current expectations that involve inherent risks and uncertainities, including factors that could delay, divert or change any of them in the next several years. Although it is not possible to predict or identify all factors, they may include the following: global economic conditions; future terrorist attacks; epidemics; risks associated with integrating and divesting businesses and achieving the expected savings and synergies; demands on management resources; risks associated with international markets such as currency exchange rates, and social and political environments; competition; labor relations; commodity prices; demand for and market acceptance of new and existing products, and risks associated with the implementation of restructuring plans and environmental remediation matters. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have experienced certain changes in our exposure to market risk from June 30, 2002.

During the quarter and nine months ended March 31, 2003, we recognized non-cash increases of $0.2 million and $19.0 million, respectively, in our long-term debt associated with our fixed-to-floating interest rate swap agreements. In April of 2003, we terminated the interest rate swap resulting in Kennametal receiving cash of $15.5 million.

Additionally, as a result of the recent acquisition of Widia, we now have an increased exposure to fluctuations in the value of the Euro. As a result of the acquisition, management believes that there now exists a more balanced distribution of investment in the North American and European markets which is subject to foreign currency fluctuation.

ITEM 4. CONTROLS AND PROCEDURES

Within 90 days before filing this report, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that we file or submit under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported in accordance with 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. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

During the three-month period ended March 31, 2003, the Audit Committee approved new or recurring engagements of PricewaterhouseCoopers LLP for tax compliance and planning.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Form 10-Q

(99) Additional Exhibits

(99.1) Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 executed by Markos I. Tambakeras, Chief Executive Officer of Kennametal Inc. and F. Nicholas Grasberger III, Chief Financial Officer of Kennametal Inc.

A signed original of this written statement required by Section 906 has been provided to Kennametal Inc. and will be retained by Kennametal Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished in accordance with Securities and Exchange Commission Release No. 34-47551 and shall not be considered filed as part of the Form 10-Q.

(b) Reports on Form 8-K

The following were filed during the quarter ended March 31, 2003.

Form 8-K dated March 28, 2003, reported under Item 9. Regulation FD Disclosure regarding the press release announcing revised sales and earnings outlook for the company's fiscal 2003 third and fourth quarters.

Form 8-K for the event dated January 28, 2003, reporting under Item 5. Other events and Regulations FD Disclosure regarding the election of Larry Stranghoener to the Board of Directors.

Form 8-K dated January 29, 2003, reported under Item 9. Regulation FD Disclosure regarding the press release announcing second quarter fiscal 2003 financial results.

The following were filed subsequent to the quarter ended March 31, 2003.

Form 8-K dated April 30, 2003, reported under Item 9. Regulation FD Disclosure regarding the press release announcing third quarter 2003 financial results.

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 14, 2003

By: /s/ TIMOTHY A. HIBBARD

Timothy A. Hibbard
Corporate Controller and
Chief Accounting Officer

CERTIFICATIONS

I, Markos I. Tambakeras, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ MARKOS I. TAMBAKERAS

Markos I. Tambakeras
Chairman, President and
Chief Executive Officer

I, F. Nicholas Grasberger III, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ F. NICHOLAS GRASBERGER III

F. Nicholas Grasberger III
Vice President and Chief Financial Officer

Exhibit 99.1

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, 2003 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. Section 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/ MARKOS I. TAMBAKERAS
- --------------------------------
Markos I. Tambakeras
Chairman, President and Chief Executive Officer
Kennametal Inc.

May 14, 2003

/s/ F. NICHOLAS GRASBERGER III
- --------------------------------
F. Nicholas Grasberger III
Vice President and Chief Financial Officer
Kennametal Inc.

May 14, 2003

*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.