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 DECEMBER 31, 1999

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 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 February 1, 2000
Capital Stock, par value $1.25 per share	30,293,917

KENNAMETAL INC.
FORM 10-Q
FOR QUARTER ENDED DECEMBER 31, 1999

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KENNAMETAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
OPERATIONS				
Net sales	$453,928	$484,318	$896,871	$965,240
Cost of goods sold	285,061	303,256	564,675	605,162
Gross profit	168,867	181,062	332,196	360,078
Operating expenses	126,702	130,540	249,189	269,459
Restructuring and asset impairment charges	3,981	--	3,981	--
Amortization of intangibles	6,597	6,261	13,600	12,666
Operating income	31,587	44,261	65,426	77,953
Interest expense	13,753	17,635	28,280	35,256
Other expense (income), net	510	(223)	252	193
Income before provision for income taxes and minority interest	17,324	26,849	36,894	42,504
Provision for income taxes	7,709	11,400	16,418	18,100
Minority interest	1,104	1,413	2,052	2,974
Income before extraordinary item	8,511	14,036	18,424	21,430
Extraordinary loss on early extinguishment of debt, net of tax of $178	(267)	--	(267)	--
Net income	$ 8,244	$ 14,036	$ 18,157	$ 21,430
PER SHARE DATA				
Basic earnings per share before extraordinary item	$ 0.28	$ 0.47	$ 0.61	$ 0.72
Extraordinary item	(0.01)	--	(0.01)	--
Basic earnings per share	$ 0.27	$ 0.47	$ 0.60	$ 0.72
Diluted earnings per share before extraordinary item	$ 0.28	$ 0.47	$ 0.61	$ 0.72
Extraordinary item	(0.01)	--	(0.01)	--
Diluted earnings per share	$ 0.27	$ 0.47	$ 0.60	$ 0.72
Dividends per share	$ 0.17	$ 0.17	$ 0.34	$ 0.34
Basic weighted average shares outstanding	30,184	29,878	30,146	29,868
Diluted weighted average shares outstanding	30,330	29,889	30,255	29,915

See accompanying notes to condensed consolidated financial statements.

KENNAMETAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)

	December 31, 1999	June 30, 1999
ASSETS		
Current assets:		
Cash and equivalents	$ 17,258	$ 17,408
Marketable equity securities available-for-sale	10,113	13,436
Accounts receivable, less allowance for doubtful accounts of $14,626 and $15,269	224,022	231,287
Inventories	417,473	434,462
Deferred income taxes	43,657	44,182
Other current assets	16,717	9,673
Total current assets	729,240	750,448
Property, plant and equipment:		
Land and buildings	231,937	235,375
Machinery and equipment	736,886	756,917
Less accumulated depreciation	(450,085)	(452,492)
Net property, plant and equipment	518,738	539,800
Other assets:		
Investments in affiliated companies	916	844
Intangible assets, less accumulated amortization of $75,709 and $64,096	671,678	685,695
Deferred income taxes	33,742	33,996
Other	32,707	32,865
Total other assets	739,043	753,400
Total assets	$1,987,021	$2,043,648
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt and capital leases	$ 4,672	$ 117,217
Notes payable to banks	16,423	26,222
Accounts payable	111,056	89,339
Accrued vacation pay	27,305	27,323
Accrued payroll	19,006	19,730
Other current liabilities	102,719	97,035
Total current liabilities	281,181	376,866
Long-term debt and capital leases, less current maturities	750,322	717,852
Deferred income taxes	53,834	53,108
Other liabilities	95,271	97,186
Total liabilities	1,180,608	1,245,012
Minority interest in consolidated subsidiaries	54,245	53,505
SHAREOWNERS' EQUITY		
Preferred stock, no par value; 5,000 shares authorized; none issued	--	--
Capital stock, $1.25 par value; 70,000 shares authorized; 32,994 and 32,903 shares issued	41,242	41,128
Additional paid-in capital	328,956	325,382
Retained earnings	485,502	477,593
Treasury shares, at cost; 2,746 and 2,836 shares held	(56,068)	(57,199)
Unearned compensation	(2,836)	(3,330)
Accumulated other comprehensive loss	(44,628)	(38,443)
Total shareowners' equity	752,168	745,131
Total liabilities and shareowners' equity	$1,987,021	$2,043,648

See accompanying notes to condensed consolidated financial statements.

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

(in thousands)

	Six Months Ended December 31, 1999	Six Months Ended December 31, 1998
OPERATING ACTIVITIES		
Net income	$ 18,157	$ 21,430
Adjustments for noncash items:		
Depreciation	37,685	34,749
Amortization	13,600	12,666
Restructuring and asset impairment charges	2,673	--
Loss on early extinguishment of debt, net of tax	267	--
Other	3,541	9,327
Changes in certain assets and liabilities, net of effects of acquisitions and divestiture:		
Accounts receivable	3,586	17,396
Inventories	13,894	(22,677)
Accounts payable and accrued liabilities	20,335	(27,507)
Other	(288)	(11,268)
Net cash flow from operating activities	113,450	34,116
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(21,676)	(61,681)
Disposals of property, plant and equipment	5,964	2,515
Other	405	(2,384)
Net cash flow used for investing activities	(15,307)	(61,550)
FINANCING ACTIVITIES		
Increase (decrease) in short-term debt	(9,965)	5,441
Increase in long-term debt	104,586	88,609
Decrease in long-term debt	(186,779)	(47,109)
Dividend reinvestment and employee stock plans	4,549	1,745
Cash dividends paid to shareowners	(10,248)	(10,155)
Other	(409)	(298)
Net cash flow from (used for) financing activities	(98,266)	38,233
Effect of exchange rate changes on cash	(27)	146
CASH AND EQUIVALENTS		
Net increase (decrease) in cash and equivalents	(150)	10,945
Cash and equivalents, beginning	17,408	18,366
Cash and equivalents, ending	$ 17,258	$ 29,311
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 31,092	$ 37,234
Income taxes paid	7,128	14,779

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 the Consolidated Financial Statements included in the company's 1999 Annual Report. The condensed consolidated balance sheet as of June 30, 1999 has been derived from the audited balance sheet included in the company's 1999 Annual Report. These accompanying 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 and six months ended December 31, 1999 are not necessarily indicative of the results to be expected for the full fiscal year. Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the current year presentation.

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 December 31, 1999. 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):

	December 31, 1999	June 30, 1999
Finished goods	$316,304	$318,736
Work in process and powder blends	100,442	117,987
Raw materials and supplies	33,222	32,619
Inventory at current cost	449,968	469,342
Less LIFO valuation	(32,495)	(34,880)
Total inventories	$417,473	$434,462

4. The company has been involved in various environmental cleanup and remediation activities at several of its manufacturing facilities. In addition, the company is currently named as a potentially responsible party (PRP) at several Superfund sites in the United States. In the December 1999 quarter, the company recorded a remediation reserve of $3.0 million with respect to its involvement in these matters, which is recorded as a component of operating expenses. This represents management's best estimate of its future obligation based on its evaluations and discussions with outside counsel and independent consultants, and the current facts and circumstances related to these matters. The company has recorded this liability in the December quarter because certain events occurred, including sufficient progress made by the government and the PRPs in the identification of other PRPs and review of potential remediation solutions, that clarified the level of involvement in these matters by the company and its relationship to other PRPs. This led the company to conclude that it was probable that a liability had been incurred.

In addition to the amount currently reserved, the company may be subject to loss contingencies related to these matters estimated to be up to an additional $3.3 million. The company believes that such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. The reserved and unreserved liabilities may 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 and the identification of new PRPs.

The company maintains 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, the company has established an EH&S administrator at 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. For purposes of determining the number of dilutive shares outstanding, weighted average shares outstanding for basic earnings per share calculations were increased due to the dilutive effect of unexercised stock options by 145,834 and 10,783 for the three months ended December 31, 1999 and 1998, respectively, and 108,417 and 46,956 for the six months ended December 31, 1999 and 1998, respectively.

6. Comprehensive income for the three and six months ended December 31, 1999 and 1998 is as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
Net income	$ 8,244	$14,036	$18,157	$21,430
Unrealized loss on marketable equity securities available-for-sale, net of tax	(1,328)	--	(3,326)	--
Minimum pension liability adjustment	73	--	47	--
Foreign currency translation adjustments	(6,968)	2,925	(2,906)	399
Comprehensive income	$ 21	$16,961	$11,972	$21,829

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

	December 31, 1999	June 30, 1999
Unrealized gain (loss) on marketable equity securities available-for-sale, net of tax	$ (2,166)	$ 1,160
Minimum pension liability adjustment	(1,218)	(1,265)
Foreign currency translation adjustments	(41,244)	(38,338)
Total accumulated other comprehensive loss	$(44,628)	$(38,443)

7. In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. The company must adopt the standard by the beginning of the first quarter of fiscal 2001. SFAS No. 133 establishes accounting and reporting standards requiring all derivative instruments (including certain derivative instruments imbedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at their fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting

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

criteria are met. Accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The company is currently evaluating the effects of SFAS No. 133 and does not believe that the adoption will have a material effect on the financial statements or results of operations of the company.

8. In March 1999, the company's management began to implement restructuring plans, including several programs to reduce costs, improve operations and enhance customer satisfaction. The costs accrued for these plans were based on management estimates using the latest information available at the time that the accrual was established. The costs charged against the accrual as of December 31, 1999 were as follows (in thousands):

	June 30, 1999	Cash Expenditures	Adjustments	December 31, 1999
Plant closure	$2,200	$(1,581)	$ --	$ 619
Voluntary early retirement program	1,367	(412)	--	955
Total	$3,567	$(1,993)	$ --	$1,574

Additional period costs of $0.6 million and $2.0 million resulting from the relocation of employees, hiring and training new employees and other costs associated with the temporary duplication of certain operations and other inefficiencies related to the Solon, Ohio plant closure were included in cost of goods sold during the three and six-month periods ended December 31, 1999, respectively. The remaining period costs related to these items are estimated to be $0.5 million and will be incurred through the remainder of fiscal 2000.

9. During the September 1999 quarter, the company entered into two interest rate swap agreements that effectively convert a notional amount of $50.0 million from floating to fixed interest rates. This increases the total notional amount of floating-to-fixed interest rate swaps to $100.0 million. These new agreements mature in July 2002.

At December 31, 1999, the company would have received $2.2 million to settle all interest rate swap agreements, representing the excess of fair value over the carrying cost of these agreements. The effect of all interest rate swaps on the company's composite interest rate on long-term debt was not material at December 31, 1999.

At December 31, 1999, the company had a notional amount of $21.4 million of outstanding foreign exchange forward contracts to sell foreign currency. These contracts mature before March 31, 2000. The net unrealized loss on foreign currency contracts was $1.1 million at December 31, 1999.

10. In November 1999, the company announced plans to close, consolidate or downsize several plants, warehouses and offices, and associated workforce reductions as part of its overall plan to increase asset utilization and financial performance, and to reposition the company to become the premier tooling solutions supplier. The company expects to record total charges of $25 to $30 million related to these programs by its fiscal 2000 year-end.

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

Management implemented several of these programs in the December 1999 quarter. The costs accrued for the implemented programs were based upon management estimates using the latest information available at the time that the accrual was established. The components of the charges are as follows (in thousands):

	Total Charge	Asset Write-Downs	Initial Restructuring Liability
Asset impairment charges	$2,544	$(2,544)	$ --
Employee severance	1,368	--	1,368
Product rationalization	100	(100)	--
Facility rationalizations	69	(29)	40
Total	$4,081	$(2,673)	$1,408

In conjunction with the company's ongoing review of underperforming businesses, certain assets are reviewed for impairment pursuant to the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." An asset impairment charge of $1.6 million was recorded in the December 1999 quarter, related to a metalworking manufacturing operation in Shanghai, China as it was determined to be impaired.

This operation became fully operational in fiscal 1998 and to date, has not generated the performance that was expected at the time the company entered into this market. Management performed an in-depth review of the operations, capacity utilization and the local management team, and engaged a consultant to perform an independent review of the same. These reviews enabled management to determine that the market served by this operation had eroded compared to the original expectations, that the operations were in good working order and utilized modern technology, and that the management team in place was competent. Management also determined that this facility had excess capacity given the level of market demand.

Accordingly, management updated its operating forecast to reflect the current market demand. In comparing the projected cash flows of the updated forecast to the net book value of the assets of this operation, management determined that the full value of these assets would not be recoverable. Accordingly, a charge was recorded to adjust the carrying value of the long-lived assets of this operation to fair value. The estimated fair value of these assets was based on various methodologies, including a discounted value of estimated future cash flows.

The product rationalization charge of $0.1 million represents the write-down of certain discontinued product lines manufactured in these operations. The company manufactured these products specifically for the market served by these operations and management has determined that these products are no longer salable. This charge has been recorded as a component of cost of goods sold.

The company recorded an asset impairment charge of $0.7 million related to the write-down of equipment in its North American metalworking operations. Management completed an assessment of the assets currently being used in these operations and determined that these assets were not going to be further utilized in conducting these operations. This amount represents the write-down of the book value of the assets, net of salvage value.

The company also recorded an asset impairment charge of $0.2 million related to a mining and construction manufacturing operation in China, as certain assets of this operation were not considered recoverable.

The company accrued $1.4 million related to severance packages provided to 77 hourly and salaried employees terminated in connection with a global workforce reduction. The charge for facility rationalization relates to employee severance for 13 employees and other exit costs associated with the closure or downsizing of several offices in the Asia Pacific region and in South America.

The costs related to the asset impairment charges, employee severance and facility rationalizations of $4.0 million have been recorded as a component of restructuring and asset impairment charges. The costs charged against the restructuring cost accrual as of December 31, 1999 were as follows (in thousands):

	Initial Liability	Cash Expenditures	Adjustments	December 31, 1999
Employee severance	$1,368	$(577)	$ --	$791
Facility rationalizations	40	--	--	40
Total	$1,408	$(577)	$ --	$831

The company continues to review its business strategies and pursue other cost-reduction activities, some of which could result in future charges.

11. In November 1999, the company repaid its term loan under the Bank Credit Agreement. This resulted in an acceleration of the write-off of deferred financing fees of $0.4 million, which was recorded as an extraordinary item of $0.3 million, net of tax.

12. In the December 1999 quarter, the company engaged an investment bank to explore strategic alternatives regarding its 83 percent owned subsidiary, JLK Direct Distribution Inc. (JLK), including a possible divestiture. Management believes a divestiture may enhance growth prospects for both the company and JLK by allowing each company to focus on its core competencies. Management intends to conclude the evaluation of its alternatives by June 30, 2000. The company is currently not a party to any written or oral agreement regarding the divestiture of this business.

13. On December 16, 1999, the company determined that certain performance measurements in the accounts receivable securitization program agreement were not met due to an increase in the aging of the accounts receivable of one of the participating subsidiaries as a result of a system implementation at that subsidiary. The program sponsor waived this condition and the agreement was amended to temporarily revise the performance measurements until May 2000, at which time these performance measurements revert to the original terms of the agreement.

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

14. In November 1999, management reorganized the financial reporting of its operations to focus on global business units consisting of Metalworking, Engineered Products, Mining & Construction and JLK/Industrial Supply, and corporate functional shared services. The results for all periods presented have been restated to conform to the new reporting structure. The company's external sales, intersegment sales and operating income by business unit for the three and six months ended December 31, 1999 and 1998 are as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
External sales:	1999	1998	1999	1998
Metalworking	$253,450	$267,890	$495,614	$ 528,727
Engineered Products	43,926	45,459	83,109	90,337
Mining & Construction	39,010	40,678	84,627	86,894
JLK/Industrial Supply	117,542	130,291	233,521	259,282
Total external sales	$453,928	$484,318	$896,871	$ 965,240
Intersegment sales:				
Metalworking	$ 28,567	$ 28,357	$ 70,470	$ 50,950
Engineered Products	4,988	4,930	9,763	10,947
Mining & Construction	1,122	1,290	3,735	2,470
JLK/Industrial Supply	2,187	3,444	4,523	6,215
Total intersegment sales	$ 36,864	$ 38,021	$ 88,491	$ 70,582
Total sales:				
Metalworking	$282,017	$296,247	$566,084	$ 579,677
Engineered Products	48,914	50,389	92,872	101,284
Mining & Construction	40,132	41,968	88,362	89,364
JLK/Industrial Supply	119,729	133,735	238,044	265,497
Total sales	$490,792	$522,339	$985,362	$1,035,822
Operating income:				
Metalworking	$ 26,049	$ 35,575	$ 55,306	$ 64,308
Engineered Products	5,462	6,724	9,258	11,895
Mining & Construction	2,479	3,153	9,306	9,222
JLK/Industrial Supply	7,089	8,937	14,068	15,351
Corporate & Eliminations	(9,492)	(10,128)	(22,512)	(22,823)
Total operating income	$ 31,587	$ 44,261	$ 65,426	$ 77,953

Metalworking operating income for the three and six months ended December 31, 1999 was reduced by $3.5 million related to asset impairment charges, and costs associated with employee severance and product and facility rationalizations. Mining & Construction operating income for the three and six months ended December 31, 1999 was reduced by $0.4 million related to asset impairment charges and costs associated with employee severance. Corporate operating income for the three and six months ended December 31, 1999 was reduced by $3.0 million and $0.2 million related to environmental remediation costs and costs associated with employee severance, respectively.

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

The company's assets by business area at December 31, 1999 and June 30, 1999 are as follows (in thousands):

	December 31, 1999	June 30, 1999
Assets:		
Metalworking	$1,006,458	$1,039,854
Engineered Products	326,026	363,739
Mining & Construction	134,106	146,295
JLK/Industrial Supply	291,293	274,989
Corporate	229,138	218,771
Total assets	$1,987,021	$2,043,648

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

RESULTS OF OPERATIONS

OVERVIEW

Sales for the December 1999 quarter were $453.9 million, a decrease of six percent from $484.3 million in the year-ago quarter. Sales were down three percent from the same quarter a year ago excluding the one percent impact of the divestiture of the Strong Tool Company steel mill supply business and unfavorable foreign currency translation effects of two percent. The remainder of the decline was due to weak demand in the company's end markets.

Net income for the quarter ended December 31, 1999 was $8.2 million, or $0.27 per share, compared to net income of $14.0 million, or $0.47 per share, in the same quarter last year. The results for the quarter ended December 31, 1999 were reduced by approximately $7.5 million, or $0.14 per share, including $4.1 million, or $0.07 per share, related to restructuring and asset impairment charges, $3.0 million, or $0.06 per share, related to environmental remediation, and $0.4 million, or $0.01 per share, related to an extraordinary loss related to the early extinguishment of debt. The performance for the quarter was in line with management's expectations and reflects the company's growing success in implementing operational improvement programs and strong cost controls.

Sales for the six months ended December 31, 1999 were $896.9 million compared to $965.2 million in the same period a year ago, a decline of seven percent. Unfavorable foreign currency effects and the divestiture of the Strong Tool Company steel mill supply business accounted for two and one percent, respectively, of the sales decline from last year. Net income for the six months ended December 31, 1999 was $18.2 million, or $0.60 per share, compared to $21.4 million, or $0.72 per share, in the same period last year. Sales and earnings were affected by the factors mentioned above.

BUSINESS SEGMENT REVIEW

In November 1999, management reorganized the financial reporting of its operations to focus on global business units consisting of Metalworking, Engineered Products, Mining & Construction and JLK/Industrial Supply, and corporate functional shared services. The results for all periods presented have been restated to conform to the new reporting structure.

METALWORKING

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
External sales	$253,450	$267,890	$495,614	$528,727
Intersegment sales	28,567	28,357	70,470	50,950
Operating income	26,049	35,575	55,306	64,308

Sales in the Metalworking segment declined five percent during the December 1999 quarter, compared to the same quarter a year ago. Unfavorable foreign currency effects accounted for three percent of this decline. Sales in North America were down two percent compared to last year due to continued weak demand in the aerospace and agriculture markets, partially offset by strong sales in the automotive and truck markets.

Sales in the European Metalworking market decreased 16 percent over the same quarter last year. Unfavorable foreign currency translation effects accounted for nine percent of this decline. The decline in sales was due to weaker customer demand in the German automotive and light engineering markets, as well as internal plant consolidations and a weak market in the United Kingdom. Sales in Asia continued to grow and were up 21 percent, in local currency, compared to the prior year.

Operating income declined to $26.0 million and was affected by lower sales levels, restructuring and asset impairment charges of $3.5 million, an unfavorable sales mix and lower production levels. This was partially offset by continued strong cost controls, improved manufacturing variances, and a reduction in operating expenses due to the cost improvement program the company initiated in November 1998. Period costs associated with the Solon, Ohio plant closure were $0.6 million for the quarter ended December 31, 1999.

For the six months ended December 31, 1999, sales declined six percent compared to last year due to the same factors mentioned above. Unfavorable foreign currency effects accounted for two percent of the decline. Operating income declined to $55.3 million and was affected by the same factors mentioned above. Period costs associated with the Solon, Ohio plant closure were $2.0 million for the six months ended December 31, 1999.

ENGINEERED PRODUCTS

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
External sales	$43,926	$45,459	$83,109	$90,337
Intersegment sales	4,988	4,930	9,763	10,947
Operating income	5,462	6,724	9,258	11,895

Sales in the Engineered Products market declined three percent compared to last year due to unfavorable foreign exchange effects. Sales were affected by increased demand for electronic circuit board drills, offset by year-over-year weakness in the oil industry. Sales to the energy sector improved sequentially during the December 31, 1999 quarter. Operating income for the December 31, 1999 quarter declined to $5.5 million due to an unfavorable sales mix and reduced sales levels, partially offset by improved manufacturing variances.

Compared to a year ago, sales for the six months ended December 31, 1999 declined eight percent, including unfavorable foreign exchange effects of two percent, due to the factors mentioned above. Operating income declined to $9.3 million also due to the factors mentioned above.

MINING & CONSTRUCTION

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
External sales	$39,010	$40,678	$84,627	$86,894
Intersegment sales	1,122	1,290	3,735	2,470
Operating income	2,479	3,153	9,306	9,222

Sales in this segment declined four percent from the December 1998 quarter. Strong construction tool sales in North America were offset by continued weakness in the underground coal, energy and in the European construction markets. Included in the sales decline are unfavorable foreign currency translation effects of two percent. Operating income decreased to $2.5 million in the December 31, 1999 quarter due to higher manufacturing variances resulting from lower sales and production levels, and

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

restructuring and asset impairment charges of $0.4 million. This was partially offset by a favorable sales mix and continued cost control.

Sales for the six months ended December 31, 1999 declined three percent, including one percent unfavorable foreign exchange effects, compared to the year-ago period due to the factors mentioned above. Operating income increased to $9.3 million due to a favorable sales mix and continued cost controls, partially offset by higher manufacturing variances, restructuring and asset impairment charges and lower sales volumes.

JLK/INDUSTRIAL SUPPLY

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
External sales	$117,542	$130,291	$233,521	$259,282
Intersegment sales	2,187	3,444	4,523	6,215
Operating income	7,089	8,937	14,068	15,351

In this segment, sales declined ten percent from the same quarter a year ago due to reduced demand in North America and the divestiture of the Strong Tool Company steel mill business unit. Excluding the divestiture, sales declined seven percent. In North America, the J&L catalog business continues to be affected by weak market conditions and from a competitive price environment.

Full Service Supply sales increased two percent compared to the December 1998 quarter, however FSS growth continued to be curtailed by the implementation of its new business system and from weakness in some accounts. Management has delayed the implementation of new programs in order to focus attention on keeping existing customers serviced. The company provided FSS programs to 154 customers covering 247 different facilities at December 31, 1999, compared to 135 customers covering 210 different facilities at December 31, 1998.

Operating income declined to $7.1 million due to lower sales and an unfavorable sales mix, partially offset by continued operating cost controls. The gross margin was 31.8 percent compared to 32.2 percent due to a decline in the higher-margin J&L catalog sales. Operating expenses declined $3.1 million due primarily to the implementation of several cost reduction initiatives since December 1998.

For the six months ended December 31, 1999, sales declined ten percent compared to a year ago. Excluding the divestiture, sales declined seven percent due to the factors mentioned above. Operating income declined to $14.1 million due to the factors mentioned above.

GROSS PROFIT MARGIN

The consolidated gross profit margin for the December 1999 quarter was 37.2 percent, compared to 37.4 percent in same quarter in the prior year. Gross profit margin was essentially unchanged despite an unfavorable sales mix and lower production levels. Lean manufacturing techniques allowed the company to improve manufacturing variances despite lower production levels. The December 1999 quarter gross profit margin was negatively affected by $0.6 million of Solon, Ohio plant closure period costs and $0.1 million for the write-down of discontinued product lines.

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

Consolidated gross profit margin was 37.0 percent for the six months ended December 31, 1999, compared with 37.3 percent in same period a year ago. Period costs incurred in fiscal 2000 of $2.0 million related to the Solon, Ohio plant closure account for the majority of the decline. Excluding these costs, gross profit margin was affected by the factors mentioned above.

OPERATING EXPENSES

Operating expenses for the December 1999 quarter were $126.7 million, a reduction of three percent from $130.5 million in the same quarter last year. Operating expenses for 1999 include a $3.0 million charge for environmental remediation costs. Excluding this charge, operating expenses for the current quarter were five percent below the prior year quarter and reflects management's resolve to control costs. The improvement is due to ongoing cost and productivity improvement programs.

For the six months ended December 31, 1999, operating expenses of $249.2 million were eight percent below 1998 levels despite the $3.0 million charge for environmental remediation costs. Operating expenses improved due to the factors mentioned above.

RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

In November 1999, the company announced plans to close, consolidate or downsize several plants, warehouses and offices, and associated workforce reductions as part of its overall plan to increase asset utilization and financial performance, and to reposition the company to become the premier tooling solutions supplier. The company expects to record total one-time charges of $25 to $30 million related to these programs by its fiscal 2000 year-end. Additional period costs are estimated to be $5 to $6 million and are expected to be incurred through fiscal 2000 and 2001.

Management implemented several of these programs in the December 1999 quarter. The costs accrued for the implemented programs were based upon management estimates using the latest information available at the time that the accrual was established. The components of the charges are as follows (in thousands):

	Total Charge	Asset Write-Downs	Initial Restructuring Liability
Asset impairment charges	$2,544	$(2,544)	$ --
Employee severance	1,368	--	1,368
Product rationalization	100	(100)	--
Facility rationalizations	69	(29)	40
Total	$4,081	$(2,673)	$1,408

In conjunction with the company's ongoing review of underperforming businesses, certain assets are reviewed for impairment pursuant to the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." An asset impairment charge of $1.6 million was recorded in the December 1999 quarter, related to a metalworking manufacturing operation in Shanghai, China as it was determined to be impaired.

This operation became fully operational in fiscal 1998 and to date, has not generated the performance that was expected at the time the company entered into this market. Management performed an in-depth review of the operations, capacity utilization and the local management team, and engaged a consultant to perform an independent review of the same. These reviews enabled management to determine that the market served by this operation had eroded compared to the original expectations, that the operations were in good working order and utilized modern technology, and that the management team in place was competent. Management also determined that this facility had excess capacity given the level of market demand.

Accordingly, management updated its operating forecast to reflect the current market demand. In comparing the projected cash flows of the updated forecast to the net book value of the assets of this operation, management determined that the full value of these assets would not be recoverable. Accordingly, a charge was recorded to adjust the carrying value of the long-lived assets of this operation to fair value. The estimated fair value of these assets was based on various methodologies, including a discounted value of estimated future cash flows.

The product rationalization charge of $0.1 million represents the write-down of certain discontinued product lines manufactured in these operations. The company manufactured these products specifically for the market served by these operations and management has determined that these products are no longer salable. This charge has been recorded as a component of cost of goods sold.

The company recorded an asset impairment charge of $0.7 million related to the write-down of equipment in its North American metalworking operations. Management completed an assessment of the assets currently being used in these operations and determined that these assets were not going to be further utilized in conducting these operations. This amount represents the write-down of the book value of the assets, net of salvage value.

The company also recorded an asset impairment charge of $0.2 million related to a mining and construction manufacturing operation in China, as certain assets of this operation were not considered recoverable.

The company accrued $1.4 million related to severance packages provided to 77 hourly and salaried employees terminated in connection with a global workforce reduction. The charge for facility rationalization relates to employee severance for 13 employees and other exit costs associated with the closure or downsizing of several offices in the Asia Pacific region and in South America.

The costs related to the asset impairment charges, employee severance and facility rationalizations of $4.0 million have been recorded as a component of restructuring and asset impairment charges. The costs charged against the restructuring cost accrual as of December 31, 1999 were as follows (in thousands):

	Initial Liability	Cash Expenditures	Adjustments	December 31, 1999
Employee severance	$1,368	$(577)	$ --	$791
Facility rationalizations	40	--	--	40
Total	$1,408	$(577)	$ --	$831

The company continues to review its business strategies and pursue other cost-reduction activities, some of which could result in future charges.

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

INTEREST EXPENSE

Interest expense for the December 1999 quarter declined to $13.8 million due to reduced debt levels, partially offset by higher borrowing rates. Average U.S. borrowing rates of 6.59 percent were 31 basis points higher compared to a year ago due to the rising interest rate environment.

Interest expense for the six months ended December 31, 1999 declined to $28.3 million due to reduced debt levels. The average U.S. borrowing rate was flat for both periods at 6.49 percent, which reflects the higher interest rate environment in fiscal 2000, offset by improved pricing under the company's Bank Credit Agreement.

OTHER EXPENSE (INCOME)

Other expense for the December 1999 quarter included fees of $1.3 million incurred in connection with the accounts receivable securitization program initiated in June 1999. This was partially offset by gains from the sale of miscellaneous underutilized assets and dividend income.

For the six months ended December 31, 1999, other expense included fees of $2.5 million related to the accounts receivable securitization program. This was partially offset by the factors mentioned above and a gain of $1.4 million from asset sales.

INCOME TAXES

The effective tax rate for the December 1999 quarter was 44.5 percent compared to 42.5 percent in the prior year. The increase in the effective tax rate is attributable to the non-recurring utilization of tax benefits from costs to repay senior debt in fiscal 1999. For the six months ended December 31, 1999, the effective tax rate was 44.5 percent compared to 42.6 percent in the prior year. The increase in the effective tax rate is attributable to the factor mentioned above.

EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT

In November 1999, the company repaid its term loan under the Bank Credit Agreement. This resulted in an acceleration of the write-off of deferred financing fees of $0.4 million, which has been recorded as an extraordinary item of $0.3 million, net of tax.

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 six months ended December 31, 1999, the Company generated $113.5 million in cash flow from operations. Compared to the prior year, cash flow increased significantly due to improved working capital requirements and higher levels of non-cash items. This was partially offset by lower net income. The working capital improvement reflects management's initiatives to reduce working capital and generate strong cash flow.

Net cash used for investing activities was $15.3 million for the six months ended December 31, 1999. The decrease in net cash used for investing activities was due to lower capital expenditures and

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

acquisition activity, coupled with increased proceeds from the sale of underutilized assets. This reduction reflects management's enhanced capital expenditure approval process and focus on monetizing underutilized assets.

Net cash used for financing activities was $98.3 million for the six months ended December 31, 1999. This compares to cash flow from financing activities of $38.2 million in the prior year. The reduction in debt in the December 1999 quarter is attributable to the increase in operating cash flows, as well as the company's focus on debt repayment.

Through the new management incentive program, management is reinforcing the focus on cash flow and working capital improvement. Management believes free operating cash flow (FOCF) is an appropriate measure of the company's cash flow. The company generated FOCF of $51.5 million and $1.7 million for the quarters ended December 31, 1999 and 1998, respectively. The company generated $102.0 million for the six months ended December 31, 1999, compared to a use of $25.9 million in the comparative period a year ago. The improvements in FOCF are due to improved working capital and lower capital expenditures, partially offset by lower levels of net income.

FOCF is defined as funds from operations minus capital expenditures, plus the change in working capital (excluding changes in cash, marketable securities and short-term debt). Funds from operations is defined as net income from continuing operations plus depreciation, amortization, deferred income taxes and other non-cash items. Cash flows from operating activities, as defined by generally accepted accounting principles (GAAP), may be used as a measure of cash flow. While FOCF is not a GAAP alternative measure of cash flow and may not be comparable to other similarly titled measures of other companies, the company's management believes FOCF is a meaningful measure of the company's cash flow.

On December 16, 1999, the company determined that certain performance measurements in the accounts receivable securitization program agreement were not met due to an increase in the aging of the accounts receivable of one of the participating subsidiaries as a result of a system implementation at that subsidiary. The program sponsor waived this condition and the agreement was amended to temporarily revise the performance measurements until May 2000, at which time these performance measurements revert to the original terms of the agreement.

FINANCIAL CONDITION

Total assets were $2.0 billion at December 31, 1999, a three percent decline from June 30, 1999. Net working capital was $448.1 million, up 20 percent from $373.6 million at June 30, 1999. The ratio of current assets to current liabilities at December 31, 1999 improved to 2.6 compared to 2.0 at June 30, 1999. The improvements in net working capital and the current ratio compared to June 30, 1999 is due to the repayment of short-term debt. The total debt-to-total-capital ratio declined to 48.9 percent as of December 31, 1999 from 51.9 percent as of June 30, 1999 due to the FOCF generated by the company during the six months ended December 31, 1999.

One of the features of the new management incentive program is the focus on the more efficient use of working capital to generate sales. Management believes the ratio of primary working capital as a percentage of sales (PWC%) is appropriate for measuring the company's efficiency in utilizing working capital to generate sales. The company's PWC% at December 31, 1999 was 30.9 percent, compared to 34.9 percent at June 30, 1999 and 35.5 percent at December 31, 1998. The improvement in PWC% is due to lower primary working capital, partially offset by lower sales levels.

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

Primary working capital (PWC) is defined as inventory plus accounts receivable, less accounts payable. PWC% is calculated by averaging beginning of the year and quarter-end balances for PWC, divided by annualized sales. Other asset turnover ratios, as defined by GAAP, may be used to measure asset utilization efficiency. While PWC% is not a GAAP alternative measure of asset utilization efficiency and may not be comparable to other similarly titled measures of other companies, the company's management believes PWC% is a meaningful measure of the company's efficiency in utilizing working capital to generate sales.

STRATEGIC ALTERNATIVES

In the December 1999 quarter, the company engaged an investment bank to explore strategic alternatives regarding its 83 percent owned subsidiary, JLK Direct Distribution Inc. (JLK), including a possible divestiture. Management believes a divestiture may enhance growth prospects for both the company and JLK by allowing each company to focus on its core competencies. Management intends to conclude the evaluation of its alternatives by June 30, 2000. The company is currently not a party to any written or oral agreement regarding the divestiture of this business.

ENVIRONMENTAL

The company has been involved in various environmental cleanup and remediation activities at several of its manufacturing facilities. In addition, the company is currently named as a potentially responsible party (PRP) at several Superfund sites in the United States. In the December 1999 quarter, the company recorded a remediation reserve of $3.0 million with respect to its involvement in these matters, which is recorded as a component of operating expenses. This represents management's best estimate of its future obligation based on its evaluations and discussions with outside counsel and independent consultants, and the current facts and circumstances related to these matters. The company has recorded this liability in the December quarter because certain events occurred, including sufficient progress made by the government and the PRPs in the identification of other PRPs and review of potential remediation solutions, that clarified the level of involvement in these matters by the company and its relationship to other PRPs. This led the company to conclude that it was probable that a liability had been incurred.

In addition to the amount currently reserved, the company may be subject to loss contingencies related to these matters estimated to be up to an additional $3.3 million. The company believes that such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. The reserved and unreserved liabilities may 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 and the identification of new PRPs.

The company maintains 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, the company has established an EH&S administrator at 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."

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

YEAR 2000

Management believes that the company substantially mitigated its exposure relative to year 2000 issues for both information and non-information technology systems. The transition into the year 2000 resulted in no significant impact to the financial position or operations of the company.

The company initiated a program beginning in 1996 to assess the exposure to the year 2000 issue, and to prepare its computer systems, computer applications and other systems for the year 2000. A management committee actively monitored the status of the readiness program of each of the company's business units. The company completed the tasks identified to remediate its mission critical systems and processes.

Year 2000 exposure related to information systems was mitigated throughout key metalworking and mining and construction operations through the implementation of SAP R3 for most business processes. The company completed the process of modifying existing non-compliant business systems in its industrial product and engineered product operations to ensure these operations are supported by a year 2000 compliant information system. These modifications were completed and tested by September 1999.

At JLK, HK Systems' Enterprise Information System was implemented and tested by August 1999 in the FSS business to address the year 2000 issue. The company modified the existing non-compliant systems in the catalog business to ensure that J&L is supported by a year 2000 compliant information system. Testing of these modifications was performed in September 1999.

The company also completed an assessment of the impact of this issue on its non-information technology systems, including the company's personal computers, embedded technology in manufacturing and processing equipment, and other non-information technology items. All non-year 2000 compliant systems were identified and remediated through replacement of or modification to the existing systems. Such remedies were tested for year 2000 compliance in September 1999. Contingency plans included shifting production processes to year 2000 compliant manufacturing operations. The company was not required to employ this contingency plan.

The company estimates the total year 2000 expenditures were approximately $53.0 million, approximately half of which were for computer hardware to replace non-compliant computer systems and the other half to replace non-compliant computer software, including software implementation and employee training. These costs included both internal and external personnel costs related to the assessment and remediation processes, as well as the cost of purchasing certain hardware and software.

The majority of these costs were incurred in 1997 and 1996. Expenditures incurred to date in fiscal 2000 approximate $3.5 million. The company does not anticipate incurring additional expenditures related to year 2000 issues. Cash flows from operations provided funding for these expenditures.

Management believed the most significant impact of the year 2000 issue would have been an interrupted supply of goods and services from the company's vendors. The company had an ongoing effort to gain assurances and certifications of suppliers' readiness programs. To date, the company's suppliers continue to provide the company with sufficient goods and services in the year 2000. There were no failures by major third-party businesses and public and private providers of infrastructure services, such as utilities, communications services and transportation that affected the company during the transition to the year 2000. Contingency plans included purchasing raw materials and supplies from alternate certified vendors and a further increase of safety stock of critical materials and supplies. The company was not required to employ these contingency plans.

There can be no guarantee that the efforts of the company or of third parties, whose systems the company relies upon, will completely mitigate any year 2000 problem that could have a material adverse affect on the company's operations or financial results. While such problems could affect important operations of the company and its subsidiaries, either directly or indirectly, in a significant manner, the company cannot at present estimate either the likelihood or the potential cost of such failures. However, the company will continue to aggressively pursue remediation of any newly discovered year 2000 problem.

OUTLOOK

In looking to the third quarter of fiscal 2000, management expects Kennametal's consolidated sales to increase by six to nine percent over the December 1999 quarter as sales in the second half of the fiscal year are typically higher than in the first half. Demand in most end markets is expected to remain weak, however, management sees continued strength in auto and improvement in energy. Management will continue to focus on operational improvement programs and cost discipline.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains "forward-looking statements" as defined by Section 21E of the Securities Exchange Act of 1934. Actual results may differ materially from those expressed or implied in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the extent that the economic conditions in the United States and Europe, and to a lesser extent, Asia Pacific are not sustained, risks associated with integrating businesses, demands on management resources, risks associated with international markets such as currency exchange rates, competition, risks associated with the implementation of restructuring actions and environmental remediation, the effect of third party or company failures to achieve timely remediation of year 2000 issues, and the effect of the conversion to the Euro on the company's operations. The company undertakes no obligation to publicly release any revisions to forward-looking statements to reflect events or circumstances occurring after the date hereof.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the September 1999 quarter, the company entered into two interest rate swap agreements that effectively convert a notional amount of $50.0 million from floating to fixed interest rates. This increases the total notional amount of floating-to-fixed interest rate swaps to $100.0 million. These new agreements mature in July 2002.

At December 31, 1999, the company would have received $2.2 million to settle all interest rate swap agreements, representing the excess of fair value over the carrying cost of these agreements. The effect of all interest rate swaps on the company's composite interest rate on long-term debt was not material at December 31, 1999.

At December 31, 1999, the company had a notional amount of $21.4 million of outstanding foreign exchange forward contracts to sell foreign currency. These contracts mature before March 31, 1999. The net unrealized loss on foreign currency contracts was $1.1 million at December 31, 1999. A hypothetical 10 percent change in the applicable December 31, 1999 quarter-end forward rates would result in an increase or decrease in pretax income of approximately $2.2 million related to these positions.

There were no other material changes in the company's exposure to market risk from June 30, 1999.

PART II. OTHER INFORMATION

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

The information set forth in Part II, Item 4 of the company's September 30, 1999 Form 10-Q is incorporated by reference herein.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(10) Material Contracts

10.1 Kennametal Inc. Stock Option and Incentive Plan of 1999 is incorporated herein by reference to Exhibit A of the company's 1999 Proxy Statement.

(27) Financial Data Schedule for the six months ended December 31, 1999, submitted to the Securities and Exchange Commission in electronic format. Filed herewith.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1999.

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: February 11, 2000

By: /s/ FRANK P. SIMPKINS

Frank P. Simpkins
Corporate Controller and
Chief Accounting Officer

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This schedule contains summary financial information extracted from the December
31, 1999 Condensed Consolidated Financial Statements (unaudited) and is
qualified in its entirety by reference to such financial statements.

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JUN-30-2000
JUL-01-1999
DEC-31-1999
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