FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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KENNAMETAL INC

CIK:**55242**| IRS No.: **250900168** | State of Incorp.:**PA** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **001-05318** | Film No.: **94527808**
SIC: **3540** Metalworkg machinery & equipment

Business Address
RTE 981 AT WESTMORELAND
COUNTY AIRPORT
P O BOX 231
LATROBE PA 15650
4125395000

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, 1994

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 Number)

ROUTE 981 AT WESTMORELAND COUNTY AIRPORT
P.O. BOX 231
LATROBE, PENNSYLVANIA 15650

(Address of registrant's principal executive offices)

Registrant's telephone number, including area code: (412) 539-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

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

TITLE OF EACH CLASS	OUTSTANDING AT APRIL 30, 1994
Capital Stock, par value $1.25 per share	13,168,435

KENNAMETAL INC.
FORM 10-Q
FOR QUARTER ENDED MARCH 31, 1994

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KENNAMETAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
- --
(Dollars in thousands)

<TABLE>
<CAPTION>

	March 31, 1994	June 30, 1993
<S>	<C>	<C>
ASSETS		
- ------		
Current Assets:		
Cash and equivalents	$ 13,429	$ 4,149
Accounts receivable, less allowance for doubtful accounts of $9,235 and $2,062	142,179	89,496
Inventories	156,896	115,230
Other current assets	12,252	-
Total current assets	324,756	208,875
Property, plant and equipment	475,891	402,428
Less: accumulated depreciation	(220,874)	(210,123)
Net property, plant and equipment	255,017	192,305
Other Assets:		
Investments in affiliated companies	4,962	4,819
Intangible assets, less accumulated		

amortization of $15,472 and $12,368	57,598	29,766
Other	27,937	12,498
Total other assets	90,497	47,083
Total assets	$ 670,270	$ 448,263

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Current maturities of term debt and capital leases	$ 4,530	$ 2,184
Notes payable to banks	49,977	20,553
Accounts payable	44,877	32,492
Accrued vacation pay	15,887	12,233
Other	80,822	20,536
Total current liabilities	196,093	87,998
Term Debt and Capital Leases		
Less Current Maturities	89,530	87,891
Deferred Income Taxes	18,641	10,744
Other Liabilities	52,055	6,489
Total liabilities	356,319	193,122
Minority Interest	4,690	-
Shareholders' Equity:		
Capital stock, $1.25 par value; 30,000,000 shares authorized; 14,684,829 and 12,712,579 shares issued	18,356	15,891
Preferred stock, 5,000,000 shares authorized and none issued	-	-
Additional paid-in capital	102,042	28,135
Retained earnings	235,461	263,531
Treasury shares, at cost (1,518,976 and 1,754,744 shares)	(39,529)	(44,974)
Cumulative translation adjustments	(7,069)	(7,442)
Total shareholders' equity	309,261	255,141
Total liabilities and shareholders' equity	$ 670,270	$ 448,263

See accompanying notes to condensed consolidated financial statements.
</TABLE>

KENNAMETAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollars in thousands, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1994	1993	1994	1993

<S>	<C>	<C>	<C>	<C>
NET SALES	$211,809	$153,691	$582,641	$443,218
COSTS AND EXPENSES:				
Cost of goods sold	123,380	88,748	347,281	264,725
Research and development	3,080	3,698	10,670	11,255
Marketing	49,183	36,348	139,397	107,804
General and administrative	14,249	10,082	43,921	31,617
Interest expense	3,099	2,420	10,786	7,238
Amortization of intangibles	1,012	949	2,971	2,606
Restructuring charge	-	-	24,749	-
Patent Settlement	-	-	-	(1,738)
Total costs and expenses	194,003	142,245	579,775	423,507
OTHER INCOME	673	287	1,633	525
INCOME BEFORE TAXES ON INCOME, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	18,479	11,733	4,499	20,236
PROVISION FOR INCOME TAXES	7,500	4,400	7,997	7,800
MINORITY INTEREST IN LOSSES OF HERTEL AG	111	-	626	-
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	11,090	7,333	(2,872)	12,436
CUMULATIVE EFFECT OF ACCOUNTING CHANGES, NET OF INCOME TAXES:				
POSTRETIREMENT BENEFITS	-	-	(20,060)	-
INCOME TAXES	-	-	5,057	-
NET INCOME (LOSS)	$ 11,090	$ 7,333	$(17,875)	$ 12,436
PER SHARE DATA:				
Earnings (loss) before cumulative effect of accounting changes	$ 0.85	$ 0.68	$ (0.25)	$ 1.15
Cumulative effect of accounting changes:				
Postretirement benefits	-	-	(1.69)	-
Income taxes	-	-	0.43	-
Earnings (loss) per share	$ 0.85	$ 0.68	$ (1.51)	$ 1.15
Dividends per share	$ 0.29	$ 0.29	$ 0.87	$ 0.87
Average shares outstanding (in thousands)	13,111	10,858	11,846	10,835

See accompanying notes to condensed consolidated financial statements.
</TABLE>

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

(Dollars in thousands)

<TABLE>
<CAPTION>

	Nine Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(17,875)	$ 12,436
Adjustments for non-cash items	48,877	23,884
Changes in certain assets and liabilities	(12,640)	(12,697)
Net cash flow from operating activities	18,362	23,623
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(21,111)	(17,784)
Purchase of Hertel AG, net of cash	(19,226)	-
Other	4,949	(1,866)
Net cash flow used for investing activities	(35,388)	(19,650)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term debt	11,636	1,126
Increase in term debt	3,938	1,000
Reduction in term debt	(62,144)	(4,201)
Net proceeds from issuance of common stock	73,692	-
Dividend reinvestment and employee stock plans	8,126	1,800
Cash dividends paid to shareholders	(10,196)	(9,421)
Other	210	750
Net cash flow from (used for) financing activities	25,262	(8,946)
Effect of exchange rate changes on cash	1,044	(85)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	9,280	(5,058)
Cash and equivalents, beginning	4,149	9,007
Cash and equivalents, ending	$ 13,429	$ 3,949
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 8,440	$ 6,363
Income taxes paid	$ 7,752	$ 11,902

See accompanying notes to condensed consolidated financial statements.
</TABLE>

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

1. The condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the company's 1993 Annual Report. The condensed consolidated balance sheet as of June 30, 1993 has been derived from

the audited balance sheet included in the company's 1993 Annual Report. These interim statements are unaudited; however, management believes that all adjustments necessary for a fair presentation have been made and all adjustments are normal, recurring adjustments. The results for the nine months ended March 31, 1994 are not necessarily indicative of the results to be expected for the full fiscal year.

2. Inventories are stated at lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for a significant portion of domestic inventories and the first-in, first-out (FIFO) method or average cost for other inventories. The company used the LIFO method of valuing its inventories for approximately 60 percent of total inventories at March 31, 1994. 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 (dollars in thousands):

<TABLE>
<CAPTION>

	March 31, 1994	June 30, 1993
<S>	<C>	<C>
Finished goods	$108,579	$ 97,365
Work in process and powder blends	53,967	38,177
Raw materials and supplies	21,041	8,803
Inventory at current cost	183,587	144,345
Less LIFO valuation	(26,691)	(29,115)
Total inventories	$156,896	$115,230

</TABLE>

4. In the ordinary course of business, there have been various legal proceedings brought against the company, including certain product liability cases. Since 1984, the company, along with varying numbers of other parties, has been named as a codefendant in numerous complaints which allege that former or existing employees of competitors and customers suffered personal injury as a result of exposure to certain metallurgical substances or other materials during their employment. The involvement of many of the defendants, including the company, is based on assertions that these defendants sold metallurgical materials or other products to the plaintiffs' former or existing employers. Unspecified damages are sought jointly and severally from all defendants, with certain of the complaints seeking both compensatory and punitive damages and others seeking compensatory damages only. The company is vigorously defending these cases and, to date, a significant number of these cases have been either dismissed or settled for a nominal amount. All such dismissed or settled cases have been resolved without a finding of liability of the company. It is management's opinion, based on its evaluation and discussions with outside counsel, that the company has viable defenses to the remaining complaints and that, in any event, this litigation will not have a material adverse effect on the results of operations or financial position of the company.

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

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

5. On August 4, 1993, the company completed the acquisition of an 81 percent interest in Hertel AG (Hertel) for $43 million in cash and $55 million of assumed debt. Hertel is a manufacturer of cemented carbide tools and tooling systems based in Furth, Germany.

The Hertel acquisition was recorded under the purchase method of accounting and, accordingly, the results of operations of Hertel for the period beginning as of August 4, 1993 forward are included in the accompanying financial statements. The purchase price has been allocated to assets acquired and liabilities assumed based on fair market values at the date of acquisition. The excess of the purchase price over the fair market value of the net assets acquired has been recorded as goodwill and is being amortized over forty years. The fair values of assets acquired and liabilities assumed are summarized below (in thousands):

Current assets	$117,500
Property, plant and equipment	73,700
Intangible assets (goodwill)	30,900
Other noncurrent assets	10,700
Current liabilities	102,400
Long-term liabilities	83,200

As presented above, current liabilities includes a reserve of approximately $34.1 million (pretax) for the restructuring of Hertel. The restructuring costs primarily include amounts for severance, phase-out, relocation and provisions for the disposal of surplus inventory and machinery and equipment. It is expected that the restructuring, which began on August 4, 1993, will be substantially completed during fiscal year 1995.

The effect of the purchase on the company's operations, assuming the transaction had occurred on July 1, 1992, would be as follows:

<TABLE>
PRO FORMA (UNAUDITED)
- ----------
(Dollars in thousands, except per share data)

<CAPTION>

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
Net sales	$211,809	$218,933	$595,323	$572,124
Income (loss) before cumulative effect of accounting changes	$ 11,090	$ 5,715	$ (4,651)	$ 5,971
Net income (loss)	$ 11,090	$ 5,715	$(19,654)	$ 5,971
Per share data:				
Earnings (loss) before cumulative effect of accounting changes	$ 0.85	$ 0.53	$ (0.40)	$ 0.55
Cumulative effect of accounting changes:				
Postretirement benefits	-	-	(1.69)	-
Income taxes	-	-	0.43	-
Earnings (loss) per share	$ 0.85	$ 0.53	$ (1.66)	$ 0.55

</TABLE>

The pro forma financial information presented above does not purport to present what the company's results of operations would actually have been if the acquisition of Hertel had occurred on July 1, 1992, or to project the company's results of operations for any future period.

6. In connection with the acquisition of Hertel, the company announced on September 3, 1993 that it intends to close its manufacturing facility in Neunkirchen, Germany. During the September 1993 quarter, the company recognized a special charge of approximately $20.4 million after taxes in connection with the Neunkirchen closure and other integration related actions.

7. Effective July 1, 1993, the company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The change did not significantly affect earnings before cumulative effect of changes in methods of accounting in the three and nine month periods ended March 31, 1994.

The company provides varying levels of postretirement health care and life insurance benefits to most U.S. employees who retire from active service after having attained age 55 and 10 years of service. This plan remains in effect for all current retirees and employees that will retire prior to January 1, 1997. However, for those employees retiring on or after January 1, 1997, the following plan amendments will be effective. The retirees' health care payments will be capped at 1996 levels. To qualify for medical benefits at normal retirement (age 65 or later), employees must have a minimum of 5 years of service after age 40. Medical benefits will be available for only those retirements that begin on or after the normal retirement age of 65.

The following table presents the components of the company's liability for future retiree health care and life insurance benefits as of July 1, 1993:

<TABLE>
<CAPTION>

(Dollars in thousands)

	July 1, 1993
<S>	<C>
Accumulated postretirement benefit obligation:	
Retirees	$(15,100)
Fully eligible active participants	(7,600)
Other active participants	(11,300)
Total	$(34,000)
Assets at fair value	-
Accrued postretirement benefit cost	$(34,000)

As of March 31, 1994, the company's accrued postretirement benefit liability was $35.3 million.

The components of retiree health care cost for the three and nine month periods ended March 31, 1994 were as follows:

<CAPTION>

(Dollars in thousands)

	Three Months Ended March 31, 1994	Nine Months Ended March 31, 1994
<S>	<C>	<C>
Service cost	$ 300	$ 900
Interest cost	700	2,100
Total cost	$1,000	$3,000

</TABLE>

The discount rate used in calculating the accumulated postretirement benefit obligation is 8.5 percent. For fiscal year 1994, the assumed rates of increase in health care costs used to calculate the accumulated postretirement benefit obligation are 15.0 percent for retirees under age 65 and 10.0 percent for persons age 65 and older. These rates are assumed to decrease to varying degrees annually to 6.0 percent for years 2002 and thereafter. A one percent increase in the trend rate would increase both the accumulated postretirement benefit obligation at July 1, 1993 and the total cost of the plan for the third quarter of fiscal year 1994 by approximately eight percent. The accumulated postretirement benefit obligation is unfunded.

8. Effective July 1, 1993, the company adopted SFAS No. 109, "Accounting for Income Taxes." The company previously accounted for income taxes pursuant to the provisions of APB No. 11. The new standard requires the use of the liability method to recognize deferred income tax

assets and liabilities using expected future tax rates. As a result of implementing the change in accounting principle, a net deferred tax liability of $5.6 million was recognized relating to net operating loss carryforwards and other tax attributes existing as of July 1, 1993. In addition, the income tax effect of the new method of accounting related to the company's adoption of SFAS No. 106 as of July 1, 1993 was the recognition of additional deferred tax assets of $13.9 million. The combined effect of these items resulted in the recognition of an $8.3 million net deferred tax asset and a net income tax benefit of $5.1 million. The components of the company's deferred income tax assets and liabilities arising under SFAS No. 109 were as follows:

<TABLE>
<CAPTION>

	(Dollars in thousands) As of July 1, 1993
<S>	<C>
Deferred tax assets:	
Net operating loss carryforwards	$ 1,086
Deductible temporary differences:	
Inventories	6,375
Property, plant and equipment	1,902
Vacation pay	3,287
Pensions and other long-term liabilities	2,288
Postretirement benefits other than pensions	13,940
Other deductible temporary differences	2,424
Valuation allowance	(1,086)
	30,216
Deferred tax liabilities:	
Accumulated depreciation	(21,953)
Net deferred tax asset	$ 8,263

</TABLE>

As of July 1, 1993, the company had available foreign net operating loss carryforwards of approximately $3.2 million expiring in 1996 through 2001.

As a component of its cumulative adjustment from implementing SFAS No. 109, the company recognized a charge of $1.1 million to establish a valuation reserve related to certain tax attributes comprising its net deferred tax asset. As of July 1, 1993, deferred tax liabilities associated with existing taxable temporary differences exceeded deferred tax assets from future deductible temporary differences, excluding those attributable to SFAS No. 106, by approximately $5.7 million. The recognition by the company as of July 1, 1993 of the entire transition obligation related to adopting the provisions of SFAS No. 106 resulted in the recognition of a $13.9 million deferred tax asset. Future operating costs under SFAS No. 106 are expected to exceed deductible amounts for income tax purposes for many years. In addition, under current Federal tax regulations, should the company incur tax losses in future periods, such losses may be carried forward to offset taxable income for a period of up to 15 years. Based upon the length of the period during which the SFAS No. 106-generated deferred tax asset can be utilized, the company believes that it is more likely than not that future taxable income will be sufficient to fully offset these future deductions and a valuation

allowance for this deferred tax asset is not necessary. The length of time associated with the carryforward period available to utilize existing net operating losses is more definite. The company has adopted a conservative approach with respect to these attributes and provided a valuation allowance as of July 1, 1993 equal to 100% of the value of its net operating loss carryforwards.

9. In July 1993, in connection with the acquisition of Hertel, the company entered into a new $130 million credit agreement. The credit agreement provided a $40 million bridge loan facility and $90 million of revolving credit lines. The new revolving credit lines replaced previous facilities totaling $80 million. These revolving credit lines, of which $3.0 million were utilized at March 31, 1994, allows borrowings through July 1996 and requires a facility fee of .15 percent per annum on the total revolving credit commitment. In addition, there is a commitment fee of .10 percent per annum on unborrowed amounts under one-half of the revolving credit lines.

The new credit agreement requires compliance with certain financial covenants related to, among others, tangible net worth, fixed charge coverage and debt leverage. The company has remained in compliance with these covenants since the inception of this agreement.

The company also arranged DM113.5 million ($69 million) of credit lines for Hertel which are guaranteed by the company. These facilities, of which DM48.2 million ($28.9 million) were utilized at March 31, 1994, allow borrowings through August 1996 and require either a facility fee of .25 percent to .375 percent per annum on the total facility or a commitment fee of .25 percent per annum on unborrowed amounts.

10. On December 23, 1993, the company completed the sale of 1,715,000 shares of common stock to underwriters, at a price of $37.605 per share, who resold these shares to the public at a price of $39.375 per share. The net proceeds to the company were $64,018,500. In addition, the underwriters exercised the over-allotment option for an additional 257,250 shares of common stock at the same price per share resulting in additional proceeds of $9,673,900. The total proceeds to the company were $73,692,400.

The company used $38,700,000 of the proceeds from the offering to repay the bridge loan, which has expired, and $34,992,400 to reduce borrowings under the revolving credit lines.

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

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

On August 4, 1993, the company completed the previously announced acquisition of an 81 percent interest in Hertel. In connection with the acquisition, the company obtained a new $130 million credit agreement dated as of July 29, 1993 (the "credit agreement"). The credit agreement provided a $40 million bridge loan facility dedicated to purchasing Hertel shares ($38.7 million of which was borrowed) and $90 million of revolving credit lines in two equal tranches. The bridge loan was repaid and therefore expired. Any Tranche A loans mature on July 27, 1994 while any Tranche B loans mature on July 27, 1996.

On December 23, 1993, the company completed the sale of 1,972,250 shares of common stock resulting in net proceeds of $73,692,400. The company used $38,700,000 of the proceeds from the offering to repay the bridge loan and

$34,992,400 to reduce borrowings under the revolving credit lines.

In the first quarter of fiscal year 1994, the company recorded cumulative effect charges aggregating $15 million after taxes for the adoption of SFAS No. 106 and SFAS No. 109. While these charges did not involve the use of cash, they had a significant effect on various components of the company's consolidated financial position at March 31, 1994.

The ratio of current assets to current liabilities decreased from 2.4 at June 30, 1993 to 1.7 at March 31, 1994. The debt to capital ratio (i.e., total debt divided by the sum of total debt, minority interest and shareholders' equity) increased to 31.4 percent as of March 31, 1994, as compared with 30.2 percent as of June 30, 1993. The increase is due to borrowings assumed to finance the acquisition of Hertel, the cumulative effect charges related to SFAS No. 106 and SFAS No. 109 and the restructuring charge relating to the closure of the company's Neunkirchen manufacturing facility and other actions related to the integration of the operations of Hertel with those of the company.

Capital expenditures are estimated to be $30-35 million in fiscal year 1994. Expenditures are being made to upgrade machinery and equipment and to modernize facilities. Capital expenditures are being financed with cash from operations and borrowings under existing revolving credit agreements.

RESULTS OF OPERATIONS

SALES AND EARNINGS

During the quarter ended March 31, 1994, consolidated sales were $212 million, up 38 percent from $154 million in the same quarter last year. The increase in sales during the quarter resulted primarily from the acquisition of an 81 percent interest in Hertel. Excluding Hertel, sales were up 11 percent from the prior year.

Net income for the quarter was $11.1 million, or $0.85 per share, as compared with $7.3 million, or $0.68 per share last year.

During the nine month period ended March 31, 1994, consolidated sales were $583 million, up 31 percent from $443 million last year. The increase in sales during the nine month period resulted primarily from the acquisition of an 81 percent interest in Hertel. Excluding Hertel, sales were up seven percent from the prior year.

For the nine month period, the company recorded a net loss of $17.9 million, or $1.51 per share, as compared with net income of $12.4 million, or $1.15 per share, in the same period last year. The net loss for the nine months ended March 31, 1994, includes the unfavorable cumulative noncash effect of adopting SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ($20.1 million net of income tax effect), and the favorable cumulative noncash effect of adopting SFAS No. 109, "Accounting for Income Taxes" ($5.1 million). In addition, the results include a restructuring charge ($20.4 million after taxes) and the impact of additional operating costs resulting from the adoption of SFAS No. 106 ($0.9 million).

The Hertel acquisition decreased net income and increased the net loss for the three and nine month periods ended March 31, 1994, respectively, by approximately $0.2 million and $3.3 million, respectively. Excluding the cumulative effect of accounting changes, the restructuring charge and the acquisition impacts, the company had net income of $11.3 million and $20.8 million for the three and nine month periods ended March 31, 1994, respectively, as compared with $7.3 million and $12.4 million last year.

The following table presents the company's sales by product class and geographic area (dollars in thousands):

<TABLE>
<CAPTION>

	Quarter Ended March 31,			Nine Months Ended March 31,		
	1994	1993	% Change	1994	1993	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales by Product Class:						
Metalworking	$180,412	$125,922	43	$491,524	$355,180	38
Mining and construction	25,293	22,415	13	73,865	72,519	2
Metallurgical	6,104	5,354	14	17,252	15,519	11
Net sales	$211,809	$153,691	38	$582,641	$443,218	31
Sales by Geographic Area:						
Within the U.S.	$134,777	$114,211	18	$377,112	$323,359	17
Foreign and export	77,032	39,480	95	205,529	119,859	71
Net sales	$211,809	$153,691	38	$582,641	$443,218	31

</TABLE>

METALWORKING PRODUCTS

During the March 1994 quarter, excluding the effects of the acquisition of Hertel, worldwide sales of metalworking products increased 11 percent from those of the prior year.

In the United States, sales of metalcutting inserts and toolholding devices increased eight percent from the previous year. Total sales of industrial supply products increased 23 percent as a result of increased sales through mail order catalogs and full service supply programs.

International sales of metalworking products, excluding the effects of the acquisition of Hertel, increased three percent from the previous year primarily because of improved sales in Canada and the Asia-Pacific markets. Excluding currency translation effects, international sales increased eight percent from last year.

For the nine month period, excluding the effects of the acquisition of Hertel, worldwide sales of metalworking products increased eight percent from the prior year primarily because of increased sales of metalworking products in the United States. Excluding foreign currency translation effects, international sales of metalworking products increased one percent from last year.

MINING AND CONSTRUCTION PRODUCTS

During the March 1994 quarter, sales of mining and construction tools, excluding the effects of the acquisition of Hertel, increased 13 percent from the previous year as a result of strong domestic demand for highway construction and mining tools.

For the nine month period, sales of mining and construction tools, excluding the effects of the acquisition of Hertel, increased two percent from the prior year.

METALLURGICAL PRODUCTS

During the March 1994 quarter, sales of metallurgical products increased 14 percent from the previous year due to increased demand for hardfacing products.

For the nine month period, sales of metallurgical products rose 11 percent because of strong demand for hardfacing products.

GROSS PROFIT MARGIN

As a percentage of sales, the gross profit margin for the March 1994 quarter was 41.7 percent. The gross profit margin was unfavorably affected by the inclusion of Hertel's financial results. Excluding the effects of the acquisition, the gross margin was 42.5 percent, as compared with 42.3 percent in the same period last year.

For the nine month period, the gross profit margin was 40.4 percent, as compared with 40.3 percent last year. The gross profit margin was unfavorably affected by the inclusion of Hertel's financial results. Excluding the effects of the acquisition, the gross profit was 41.1 percent.

OPERATING EXPENSES

For the quarter ended March 31, 1994, research and development, marketing, and general and administrative expenses increased 33 percent. Excluding the effects of the Hertel acquisition, operating expenses increased two percent.

As a percentage of sales, operating expenses were 31.4 percent for the quarter ended March 31, 1994, as compared with 32.6 percent for the same period last year.

For the nine month period, as a percentage of sales, operating expenses were 33.3 percent, as compared with 34.0 percent in the same period last year.

INTEREST EXPENSE

Interest expense was $3.1 million and $10.8 million for the quarter and nine months ended March 31, 1994, respectively, as compared with $2.4 million and $7.2 million, respectively, for the same periods last year. The increase in both periods was primarily due to the debt incurred and assumed in connection with the Hertel acquisition. As of March 31, 1994, approximately 35 percent of the company's total debt was subject to variable interest rates.

INCOME TAXES

For the quarter ended March 31, 1994, the effective tax rate was 40.6 percent, as compared with 37.5 percent in the same period last year. Excluding the effects of the accounting changes and the restructuring charge, the effective tax rate for the nine month period ended March 31, 1994 was 42.2 percent, as compared with 38.5 percent in the same period last year.

OUTLOOK

In looking to the fourth quarter ending June 30, 1994, management expects domestic demand for the company's products to remain strong. In addition, international sales in Europe are expected to improve as the German economy begins to emerge from the recession.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in footnote 4 to the condensed consolidated financial statements, contained in Part I, Item 1 of this Form 10-Q, is incorporated by reference herein and supplements the information previously reported in Part I, Item 3(a) of the company's Form 10-K for the year ended June 30, 1993, which is also incorporated by reference herein.

On August 13, 1993 Kennametal was served with a Notice of Violation dated August 9, 1993, issued by the United States Environmental Protection Agency ("EPA"). The EPA alleges violations concerning visible emissions from the company's Fallon, Nevada facility. The EPA on October 6, 1993 issued an interim compliance order with respect to this matter. On April 26, 1994, Kennametal was served with a second Notice of Violation dated April 19, 1994 which relates to the first Notice of Violation. The EPA alleges in the second but related notice the violation of a regulation concerning the allowable particulate emission rate. Kennametal anticipates that the EPA will impose a penalty in excess of $100,000 with respect to these violations; however, it is management's opinion, based on its evaluation and discussions with outside counsel, that the ultimate resolution of this matter will not have a material adverse effect on the results of operations or financial position of the company.

At the annual meeting of shareholders of Hertel held on December 6, 1993, two minority shareholders of Hertel (Dr. Bernard Appel and Christa Gotz), one of whom purported to own or control 2,500 shares and the other of whom purported to own 5 shares, filed protests with respect to the resolution adopted by the Hertel shareholders which authorized and approved Hertel entering into the Domination Contract with Kennametal which permits Kennametal to direct Hertel's operations. Under German law, Kennametal is required to offer to minority shareholders to purchase their shares for a reasonable compensation and to guarantee dividends during the term of the Domination Contract (ending June 30, 1996 subject to annual renewals) and to pay to Hertel any net cumulative losses it sustains during the term and has liability to Hertel creditors as if Hertel merged with Kennametal. The filing of a protest is a prerequisite to a shareholder's filing a formal complaint which must be filed within an applicable time period. Mrs. Gotz filed a formal complaint within the applicable time period in the District Court at Nuremberg, Bavaria, Germany that seeks to declare null and void the resolution by arguing that it should not have been considered at the annual meeting because the requisite prior notice period for presenting a resolution to approve a domination contract (30 days) had not expired, even though Hertel had published notice of the proposed Domination Contract more than 30 days prior to the date of the annual meeting, due to Hertel's having also subsequently published a clarification of certain terms of the Domination Contract relating to German taxes within 30 days prior to the date of the annual meeting. Since Kennametal holds sufficient shares of Hertel to approve a domination contract, Kennametal could cure any defective notice by having the Domination Contract presented again to Hertel's shareholders for approval at a subsequent annual or special meeting of Hertel's shareholders. The complaint also asserts that the tax treatment specified in the clarification is improper under German law which renders the resolution void. Apart from the complaint challenging the validity of the resolution approving and authorizing the Domination Contract, minority shareholders are contesting the reasonableness of the purchase price for minority shares and the minimum dividend on minority shares offered by Kennametal in connection with the Domination Contract. It is management's opinion that Hertel has viable defenses to all of the challenges raised to the validity of the adoption of the resolution

approving and authorizing the Domination Contract and to the contest of the reasonableness of the minority share purchase price and minimum dividend and, in any event, that the ultimate outcome of this matter will not have a material adverse effect on the results of operations or financial position of the company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits	Reference
(1) Underwriting Agreement	
(1.1) Underwriting Agreement (U.S. Version)	Filed herewith
(1.2) Underwriting Agreement (International Version)	Filed herewith

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 1994.

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 13, 1994 By: /s/RICHARD J. ORWIG

Richard J. Orwig
Vice President, Chief Financial
and Administrative Officer

EXHIBIT INDEX

Exhibit No.	
1.1	Underwriting Agreement (U.S. Version)
1.2	Underwriting Agreement (International Version)

EXHIBIT 1.1

Kennametal Inc.
Common Stock
(par value $1.25 per share)

Underwriting Agreement
(U.S. Version)

December 16, 1993

Goldman, Sachs & Co.,
Merrill Lynch, Pierce, Fenner & Smith Incorporated,
As representatives of the several Underwriters
named in Schedule I hereto,
c/o Goldman, Sachs & Co.,
85 Broad Street,
New York, New York 10004.

Dear Sirs:

Kennametal Inc., a Pennsylvania corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 1,372,000 shares (the "Firm Shares") and, at the election of the Underwriters, up to 205,800 additional shares (the "Optional Shares") of Capital Stock (par value $1.25 per share) ("Stock") of the Company (the Firm Shares and the Optional Shares which the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the "Shares").

It is understood and agreed to by all parties that the Company is concurrently entering into an agreement (the "International Underwriting Agreement") providing for the sale by the Company of up to a total of 394,450 shares of Stock (the "International Shares"), including the overallotment option thereunder, through arrangements with certain underwriters outside the United States (the "International Underwriters"), for whom Goldman Sachs International Limited and Merrill Lynch International Limited are acting as lead managers. Anything herein or therein to the contrary notwithstanding, the respective closings under this Agreement and the International Agreement are hereby expressly made conditional on one another. The Underwriters hereunder and the International

Underwriters are simultaneously entering into an Agreement between U.S. and International Underwriting Syndicates (the "Agreement between Syndicates") which provides, among other things, for the transfer of shares of Stock between the two syndicates. Two forms of prospectus are to be used in connection with the offering and sale of shares of Stock contemplated by the foregoing, one relating to the Shares hereunder and the other relating to the International Shares. The latter form of prospectus will be identical to the former except for certain substitute pages as included in the registration statement and amendments thereto as mentioned below. Except as used in Sections 2, 3, 4, 9 and 11 herein, and except as the context may otherwise require, references hereinafter to the Shares shall include all the shares of Stock which may be sold pursuant to either this Agreement or the International Underwriting Agreement, and references herein to any prospectus whether in preliminary or final form, and whether as amended or supplemented, shall include both the U.S. and the international versions thereof.

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) A registration statement in respect of the Firm Shares and Optional Shares has been filed with the Securities and Exchange Commission (the "Commission"); such registration statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto but including all documents incorporated by reference in the prospectus contained therein, to you for each of the other Underwriters, have been declared effective by the Commission in such form; no other document with respect to such registration statement or document incorporated by reference therein has heretofore been filed with the Commission; and no stop orders suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Securities Act of 1933, as amended (the "Act"), being hereinafter called a "Preliminary Prospectus"; the various parts of such registration statement, including all exhibits thereto and including (i) the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to

be part of the registration statement at the time it was declared effective and (ii) the documents incorporated by reference in the prospectus contained in the registration statement at the time such part of the registration statement became effective, each as amended at the time such part of the registration statement became effective, being hereinafter called the "Registration Statement"; such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, being hereinafter called the "Prospectus"; and any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement;

(b) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use therein;

(c) The documents incorporated by reference in the Prospectus, when they (or if such document has been amended, such document as most recently amended) became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as

applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use therein;

(d) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use therein;

(e) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has

not been any change in the capital stock (other than shares of Stock issued pursuant to the Company's employee Stock Option plans, dividend reinvestment and stock purchase plan and directors stock plan, in each case existing on the date of this Agreement) or any increase in the long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus;

(f) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as in the aggregate are not material to the Company and its subsidiaries taken as a whole, and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions such as in the aggregate are not material to the Company and its subsidiaries taken as a whole;

(g) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no liability or disability that is material to the Company and its subsidiaries taken as a whole by reason of the failure to be so qualified in any such jurisdiction; and each subsidiary of the Company has been duly incorporated and is validly existing as a corporation and is in good standing under the laws of its jurisdiction of incorporation;

(h) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform to the description of the Stock contained in the Prospectus; and all of the issued shares of capital stock of each subsidiary of the Company

have been duly and validly authorized and issued, are fully paid and non-assessable and as to each U.S. and European subsidiary of the Company (except for directors' qualifying shares and except as set forth in the Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims;

(i) The unissued Shares to be issued and sold by the Company to the Underwriters hereunder and under the International Underwriting Agreement have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein and in the International Underwriting Agreement, will be duly and validly issued and fully paid and nonassessable and will conform to the description of the Stock contained in the Prospectus;

(j) The issue and sale of the Firm Shares and Optional Shares by the Company and the compliance by the Company with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having juris diction over the Company or any of its subsidiaries or any of their properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Firm Shares and Optional Shares or the consummation by the Company of the transactions contemplated by this Agreement and the International Underwriting Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and the International Underwriters;

(k) Other than as set forth or contemplated in the

Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, it determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of the Company and its subsidiaries; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(l) Arthur Andersen & Co., who have certified certain financial statements of the Company and its subsidiaries and Hertel Aktiengesellschaft Werkzeuge + Hartstoffe ("Hertel AG"), are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder; and

(m) The Company has complied with all provisions of Florida Statutes, Section 157.075 relating to issuers doing business with Cuba.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of $37.605 the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter In Schedule I hereto and the denominator of which is the maximum number of the Optional Shares which all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to 205,800 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering overallotments in

the sale of the Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

4. Certificates in definitive form for the Shares to be purchased by each Underwriter hereunder, and in such denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Company, shall be delivered by or on behalf of the Company to you for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by certified or official bank check or checks, payable to the order of the Company in New York Clearing House funds, all at the office of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m. New York City time, on December 23, 1993, or at such other time and date as you and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date required to be specified by you in the written notice given by you of the Underwriters' election to purchase such Optional Shares, or at such other time and date as you and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery," such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery," and each such time and date for delivery is herein called a "Time of Delivery." Such certificates will be made available for checking and packaging at least twenty-four hours prior to each Time of Delivery at the office of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b)

under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus prior to the last Time of Delivery which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when the Registration Statement, or any amendment thereto, has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish you with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Shares; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish the Underwriters with copies of the Prospectus in such quantities as you may from time to time reasonably request, and, if the delivery of a prospectus is required at any time prior to the

expiration of nine months after the effective date of the Registration Statement (or the most recent post-effective amendment thereto) and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify you and upon your request to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its security holders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c)), an earning statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations thereunder (including at the option of the Company Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 180 days after the last Time of Delivery, not to offer, sell, contract to sell or otherwise dispose of any securities of the Company (other than pursuant to the Company's employee stock option plans, dividend reinvestment and stock purchase plan and directors stock plan, in each case existing on the date of this Agreement) which are substan tially similar to the Stock, without your prior written consent;

(f) To furnish to its stockholders as soon as practicable after the end of each fiscal year an annual

report (including a balance sheet and statements of income, stockholders' equity and cash flow of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail; and

(g) During a period of five years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission).

6. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the International Underwriting Agreement, the Agreement between Syndicates, the Selling Agreement, the Blue Sky Memorandum and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky and legal investment surveys; (iv) the filing fees incident to securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (v) the cost of preparing

stock certificates; (vi) the cost and charges of any transfer agent or registrar; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, Section 8 and Section 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company herein are, at and as of such Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Sullivan & Cromwell, counsel for the Underwriters, shall have furnished to you such opinion or opinions, dated such Time of Delivery, with respect to the incorporation of the Company, the validity of the Shares being delivered at such Time of Delivery, the Registration Statement, the Prospectus, and other related matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Buchanan Ingersoll Professional Corporation, counsel for the Company, shall have furnished to you their written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated and is

validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with all corporate power and authority to own its properties and conduct its business as described in the Prospectus;

(ii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company (including the Shares being delivered at such Time of Delivery) have been duly and validly authorized and issued and are fully paid and nonassessable; and the Shares conform to the description of the Stock contained in the Prospectus;

(iii) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which reasonably would be expected individually or in the aggregate to have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole; and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(iv) This Agreement and the International Underwriting Agreement have been duly authorized, executed and delivered by the Company;

(v) The issue and sale of the Shares being delivered at such Time of Delivery by the Company and the compliance by the Company with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject other than conflicts, breaches, violations or defaults which would not, individually or in the aggregate, reasonably be expected to have a material

adverse effect on the financial condition or results of operations of the Company and its subsidiaries taken as a whole, nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties;

(vi) No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement and the International Underwriting Agreement, except the registration under the Act of the Shares, and such consents, approvals, authorizations, registrations or qualifications as may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and the International Underwriters;

(vii) The documents incorporated by reference in the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements, pro forma financial information and related schedules therein, as to which such counsel need express no opinion), when (or if such document has been amended, such document as most recently amended) they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder; and they have no reason to believe that any of such documents, when such documents became effective or were so filed, as the case may be, contained, in the case of a registration statement which became effective under the Act, an untrue statement of a material fact, or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or, in the case of other documents which were filed under the Exchange Act with the Commission, an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such documents were so filed, not misleading; and

(viii) The Registration Statement and the Prospectus and any further amendments and supplements thereto made by the Company prior to such Time of Delivery (other than the financial statements, pro forma financial information and related schedules therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder; they have no reason to believe that, as of its effective date, the Registration Statement or any further amendment thereto made by the Company prior to such Time of Delivery (other than the financial statements, pro forma financial information and related statements and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements, pro forma financial information and related schedules therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of such Time of Delivery, either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements, pro forma financial information and related schedules therein, as to which such counsel need express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and they do not know of any amendment to the Registration Statement required to be filed or of any contracts or other documents of a character required to be filed as an exhibit to the Registration Statement or required to be incorporated by reference into the Prospectus or required to be described in the Registration Statement or the Prospectus which are not filed or incorporated by reference or described as required.

(d) David T. Cofer, Vice President and General Counsel of the Company, shall have furnished to you his

written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of failure to be so qualified in any such jurisdiction;

(ii) Each U.S. subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; and all of the issued shares of capital stock of each such subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and (except for directors' qualifying shares and except as otherwise set forth in the Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims;

(iii) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as in the aggregate are not material to the Company and its subsidiaries taken as a whole, and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions such as in the aggregate are not material to the Company and its subsidiaries taken as a whole;

(e) German counsel for Hertel AG shall have furnished to you their written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) Hertel AG has been duly established and is validly existing as a stock corporation ("Aktiengesellschaft") in good standing under German laws, with all corporate power and authority to own its properties and conduct its business;

(ii) Hertel AG has an authorized capitalization and all of the issued shares of capital stock of Hertel

have been duly and validly authorized and issued and are fully paid and nonassessable;

(iii) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which Hertel or any of its subsidiaries is a party or of which any property of Hertel AG or any of its subsidiaries is the subject which reasonably would be expected individually or in the aggregate to have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of Hertel AG and its subsidiaries taken as a whole; and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(f) At 10:00 a.m., New York City time, on the effective date of the Registration Statement and the most recently filed post-effective amendment to the Registration Statement and also at each Time of Delivery, Arthur Andersen & Co., the Company's and Hertel AG's independent public accountants, shall have furnished to you a letter or letters, dated the respective date of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I and Annex II, respectively, hereto;

(g)(i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus there shall not have been any change in the capital stock (other than shares of Stock issued pursuant to employee stock option plans, the dividend reinvestment and stock purchase plan and the directors stock plan existing on the date of this Agreement) or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in Clause (i) or (ii), is in your judgment so

material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(h) On or after the date hereof (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or preferred stock;

(i) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; or (iii) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iii) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated by the Prospectus;

(j) The Shares to be sold by the Company at such Time of Delivery shall have been duly listed, subject to notice of issuance, on the New York Stock Exchange;

(k) The Company shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company satisfactory to you as to the accuracy of the representations and warranties of the Company herein at and as of such Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (g) of this Section and as to such other matters as you may reasonably request; and

(l) The sale of the International Shares pursuant to the International Underwriting Agreement shall have occurred simultaneously.

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through you expressly for use therein.

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through you expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the foregoing, if the indemnified party has reasonably concluded that there may be one or more defenses available to the indemnified party which may be different from or additional to those available to the indemnifying party, then the indemnified party shall have the right to employ separate counsel and in that event the reasonable fees and expenses of such separate counsel for the indemnified party shall be paid by the indemnifying party; provided, however, that the indemnifying party shall only be obligated to pay the reasonable fees and expenses of a single law firm (and any reasonably necessary local counsel) employed by all of the indemnified parties unless the indemnified parties have been advised by counsel in writing that there may be one or more defenses available to one or more indemnified parties which are different from or additional to those available to another indemnified party, in which case the indemnifying party shall be obligated to pay the reasonable fees and expenses of a separate single law firm (and any reasonable necessary local counsel) employed by each indemnified party to which such additional or other defenses are available.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or

actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribu tions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this sub section (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price

at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any nondefaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Section 6 and Section 8 hereof; but, if for any other reason, any Shares are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Section 6 and Section 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman, Sachs & Co. on behalf of you as the representatives.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representatives in care of Goldman, Sachs & Co., at 85 Broad Street, New York, N.Y. 10004, Attention: Registration Department; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us five counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters (U.S. Version), the form of which shall be submitted to the Company for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

Kennametal Inc.

By: /s/ David T. Cofer

Name: David T. Cofer
Title: Vice President,Secretary and General Counsel

Accepted as of the date hereof:

Goldman, Sachs & Co.
Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated

By: /s/ Goldman, Sachs & Co.

(Goldman, Sachs & Co.)

On behalf of each of the Underwriters

SCHEDULE I

Underwriter	Total Number of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Goldman, Sachs & Co.	411,000	61,650
Merrill Lynch, Pierce, Fenner & Smith Incorporated	411,000	61,650
Dain Bosworth Incorporated	50,000	7,500
Donaldson, Lufkin & Jenrette Securities Corporation	90,000	13,500
C.J. Lawrence/Deutsche Bank Securities Corporation	50,000	7,500
Lehman Brothers Inc.	90,000	13,500
Morgan Stanley & Co. Incorporated	90,000	13,500
Oppenheimer & Co., Inc.	90,000	13,500
Wertheim Schroder & Co. Incorporated	90,000	13,500
Total	1,372,000	205,800

EXHIBIT 1.2

Kennametal Inc.
Common Stock
(par value $1.25 per share)

Underwriting Agreement
(International Version)

December 16, 1993

Goldman Sachs International Limited,
Merrill Lynch International Limited,
As representatives of the several Underwriters
named in Schedule I hereto,
c/o Goldman Sachs International Limited,
Peterborough Court,
133 Fleet Street,
London EC4A 2BB, England.

Dear Sirs:

Kennametal Inc., a Pennsylvania corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 343,000 shares (the "Firm Shares") and, at the election of the Underwriters, up to 51,450 additional shares (the "Optional Shares") of Capital Stock (par value $1.25 per share) (the "Stock") of the Company (the Firm Shares and the Optional Shares which the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the "Shares").

It is understood and agreed to by all parties that the Company is concurrently entering into an agreement, a copy of which is attached hereto (the "U.S. Underwriting Agreement"), providing for the offering by the Company of up to a total of 1,577,800 shares of Stock (the "U.S. Shares") including the overallotment option thereunder through arrangements with certain underwriters in the United States (the "U.S. Underwriters"), for whom Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives. Anything herein and therein to the contrary notwithstanding, the respective closings under this Agreement and the U.S. Underwriting Agreement are hereby expressly made conditional on one another. The Underwriters hereunder and the U.S. Underwriters are simultaneously entering into an Agreement between U.S. and

International Underwriting Syndicates (the "Agreement between Syndicates"), which provides, among other things, for the transfer of shares of Stock between the two syndicates and for consultation by the Lead Managers hereunder with Goldman, Sachs & Co. prior to exercising the rights of the Underwriters under Section 7 hereof. Two forms of prospectus are to be used in connection with the offering and sale of shares of Stock contemplated by the foregoing, one relating to the Shares hereunder and the other relating to the U.S. Shares. The latter form of prospectus will be identical to the former except for certain substitute pages as included in the registration statement and amendments thereto as mentioned below. Except as used in Sections 2, 3, 4, 9 and 11 herein, and except as the context may otherwise require, references hereinafter to the Shares shall include all the shares of Stock which may be sold pursuant to either this Agreement or the U.S. Underwriting Agreement, and references herein to any prospectus whether in preliminary or final form, and whether as amended or supplemented shall include both of the U.S and the international versions thereof.

In addition, this Agreement incorporates by reference certain provisions from the U.S. Underwriting Agreement (including the related definitions of terms, which are also used elsewhere herein) and, for purposes of applying the same, references (whether in these precise words or their equivalent) in the incorporated provisions to the "Underwriters" shall be to the Underwriters hereunder, to the "Shares" shall be to the Shares hereunder as just defined, to "this Agreement" (meaning therein the U.S. Underwriting Agreement) shall be to this Agreement (except where this Agreement is already referred to or as the context may otherwise require) and to the representatives of the Underwriters or to Goldman, Sachs & Co. shall be to the addressees of this Agreement and to Goldman Sachs International Limited ("GSIL"), and, in general, all such provisions and defined terms shall be applied mutatis mutandis as if the incorporated provisions were set forth in full herein having regard to their context in this Agreement, as opposed to the U.S. Underwriting Agreement.

1. The Company hereby makes with the Underwriters the same representations, warranties and agreements as are set forth in Section 1 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally

and not jointly, to purchase from the Company, at a purchase price per share of $37.605, the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of the Optional Shares which all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to 51,450 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering overallotments in the sale of the Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by GSIL of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus and in the forms of Agreement among Underwriters (International Version) and Selling Agreements, which have been previously submitted to the Company by you. Each Underwriter hereby makes to and with the Company the representations and agreements of such Underwriter as a member of the selling group contained in Sections 3(d) and 3(e) of the form of Selling Agreements.

4. Certificates in definitive form for the Shares to be purchased by each Underwriter hereunder, and in such denominations and registered in such names as GSIL may request upon at least forty-eight hours prior notice to the

Company, shall be delivered by or on behalf of the Company to GSIL for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by certified or official bank check or checks, payable to the order of the Company in New York Clearing House funds, all at the office of Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m. New York City time, on December 23, 1993, or at such other time and date as you and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date specified in the written notice of the Underwriters' election to purchase such Optional Shares, or at such other time and date as you and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery," such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery," and each such time and date for delivery is herein called a "Time of Delivery". Such certificates will be made available for checking and packaging at least twenty-four hours prior to each Time of Delivery at the office of Goldman, Sachs & Co.

5. The Company hereby makes to the Underwriters the same agreements as are set forth in Section 5 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

6. The Company and the Underwriters hereby agree with respect to certain expenses on the same terms as are set forth in Section 6 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

7. Subject to the provisions of the Agreement between Syndicates, the obligations of the Underwriters hereunder shall be subject, in their discretion, at each Time of Delivery, to the condition that all representations and warranties and other statements of the Company herein are, at and as of such Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and additional conditions identical to those set forth in Section 7 of the U.S. Underwriting Agreement which Section is incorporated herein by this reference.

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such

losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred: provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through GSIL expressly for use therein.

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through GSIL expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in

writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstand ing the foregoing, if the indemnified party has reasonably concluded that there may be one or more defenses available to the indemnified party which may be different from or additional to those available to the indemnifying party, then the indemnified party shall have the right to employ separate counsel and in that event the reasonable fees and expenses of such separate counsel for the indemnified party shall be paid by the indemnifying party; provided, however, that the indemnifying party shall only be obligated to pay the reasonable fees and expenses of a single law firm (and any reasonably necessary local counsel) employed by all of the indemnified parties unless the indemnified parties have been advised by counsel in writing that there may be one or more defenses available to one or more indemnified parties which are different from or additional to those available to another indemnified party, in which case the indemnifying party shall be obligated to pay the reasonable fees and expenses of a separate single law firm (and any reasonable necessary local counsel) employed by each indemnified party to which such additional or other defenses are available.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the

one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus relating to such Shares. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent

misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company [(including any person who, with his consent, is named in the Registration Statement as about to become a director of the Company)] and to each person, if any, who controls the Company within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in

subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligation of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Section 6

and Section 8 hereof, but, if for any other reason any Shares are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through GSIL for all out-of-pocket expenses approved in writing by GSIL, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter in respect of the Shares not so delivered, except as provided in Section 6 and Section 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by GSIL on behalf of you as the representatives of the Underwriters.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Underwriters in care of GSIL, Peterborough Court, 133 Fleet Street, London EC4A 2BB, England, Attention: Equity Capital Markets, Telex No. 94012165, facsimile transmission no. (071) 774-1550; and if to the Company shall be delivered or sent by registered mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by GSIL upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Section 8 and Section 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States of America.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us six counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters (International Version), the form of which shall be furnished to the Company for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

Kennametal Inc.

By: /s/ David T. Cofer

Name: David T. Cofer
Title: Vice President, Secretary and General Counsel

Accepted as of the date hereof:

Goldman Sachs International Limited
Merrill Lynch International Limited

By: Goldman Sachs International Limited

By: /s/ A. David Miller, Jr.

(Attorney-in-fact)
On behalf of each of the Underwriters

SCHEDULE I

Underwriter	Total Number of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Goldman Sachs International Limited	109,000	16,350
Merrill Lynch International Limited	109,000	16,350
Bayerische Vereinsbank Aktiengesellschaft	25,000	3,750
James Capel & Co. Limited	25,000	3,750
Deutsche Bank Aktiengesellschaft	25,000	3,750
B. Metzler seel. Sohn & Co. Kommanditgesellschaft auf Aktien	25,000	3,750
Swiss Bank Corporation	25,000	3,750
Total	343,000	51,450