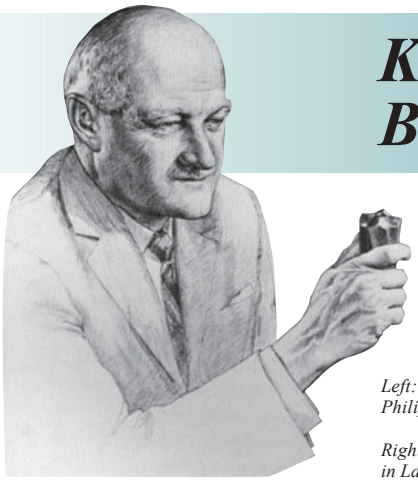
Kennametal Inc. — Global Manufacturer Based in Southwest Pennsylvania



By Joy Chandler
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Kennametal Inc.

Left: Kennametal founder, Philip M. McKenna

Right: Kennametal Corporate Headquarters in Latrobe, Pennsylvania

Today, Kennametal Inc. is a $2.3 billion company with 14,000-plus employees working in 60 countries around the world. However, in 1938 this company, now a world leader in tooling, advanced materials and engineered components, was just a tiny start-up in the Southwestern Pennsylvania town of Latrobe. Nearly seven decades ago, company founder Philip M. McKenna started McKenna Metals with all of his personal savings, plus some breakthrough innovations in the science of tooling. That first year, the company had about a dozen employees and annual revenue of $30,000.

McKenna, a metallurgist, based his company on innovation. After years of research, he created a tungsten-titanium carbide alloy for cutting tools that provided a productivity breakthrough in the machining of steel. Referred to as "Kennametal," the material cut faster and lasted longer, and thereby facilitated metalworking in products from airliners to automobiles and road working machinery. The company was later renamed Kennametal.

The company continued to grow, and with the advent of World War II, American heavy industry shifted into high gear. Kennametal's annual sales approached $10 million and employment was nearly 900 as the company's tools were used extensively in the wartime economy. Foreseeing that this boom would be temporary, Kennametal sought new ways to exploit the toughness and wear resistance of tungsten carbide alloys. In the mid-1940s, the company pioneered the use of carbide tooling for mining, which led to the development of the continuous mining machine. Kennametal also found uses for tungsten carbide in demanding specialty applications where resistance to wear was vital, such as in valves, dies, drill bits and snowplow blades.

From the very beginning, Kennametal saw the importance of becoming a global supplier, and the company developed its international distribution early on by entering into joint ventures. Earliest partners were in Italy, the United Kingdom, Canada and Germany. However, Kennametal realized that in order to better serve customers that were becoming global and to position the company to grow with developing markets, Kennametal needed to add manufacturing facilities in key locations. By 1955, Kennametal had facilities in 19 countries and non-US sales accounted for 34 percent of annual revenue.

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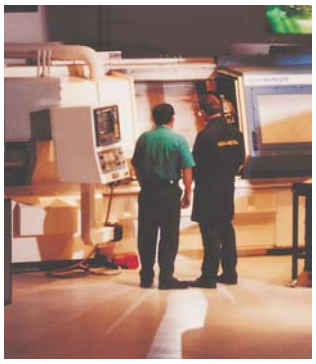
In 1993, Kennametal acquired Hertel AG, a tooling systems manufacturer headquartered in Fürth, Germany, with operations throughout Europe and worldwide. This enabled the corporation to compete more effectively in Western Europe, gain better access to emerging markets in Eastern Europe, and offer additional product lines in Asia Pacific. The Asia Pacific effort was further expanded to include manufacturing joint ventures for mining tools in China and a metalworking tool manufacturing plant in Shanghai. In 2002, Kennametal acquired Widia, a leading manufacturer and marketer of metalworking tools in Europe and India. Widia, with its strong brands and highly respected technology, enables Kennametal to expand its capabilities to better serve customers in Europe, India and around the world.

Kennametal is now in the process of constructing a second manufacturing plant in China. Demand for Kennametal products and services is so high in this rapidly developing economy that all products from this 170,000 square-foot facility will be absorbed locally for the foreseeable future.

Even with all this global growth, Kennametal's world headquarters remains in Southwestern Pennsylvania, where the company's growth strategy led to the 2005 acquisition of Extrude Hone, located in Irwin, Pennsylvania. The acquisition of this global company furthers Kennametal's strategy to significantly grow its advanced materials and engineered components business.

Kennametal was founded on the strength of a technological breakthrough, and a list of highlights demonstrates that it has continued to lead its industry in innovation. In 1946, the company introduced the Kendex line of mechanically held, indexable insert systems that accelerated tool changing and increased machining precision. Kennametal's unique, patented thermit process for producing impact-resistant macrocrystalline tungsten carbide today remains the best way to produce extremely tough tool materials for demanding applications such as mining. In 1964, Kennametal introduced tungsten-carbide-tipped Kengrip tire studs. Although studs clearly contributed to safe winter travel, they became controversial amid speculation about their role in road deterioration. After legislation limited the use of carbide studs, Kennametal left the business in 1977.

The list of pioneering products never stops growing. Kennametal led development of silicon-nitride "sialon" ceramics for the machining of exotic aerospace materials. Kennametal was the first to develop cobalt-enriched substrates for coated inserts, was first to introduce commercial physical-vapor-deposition (PVD) coatings for carbides and created the first commercially viable diamond-coated carbide inserts. Kennametal also drove the development of quick-change tooling sys-



> **"Kennametal finished its fiscal year 2005 with 45 percent of sales from new products"**

tems that today lead the world in versatility, speed and accuracy.

The company's track record of 'game changing' technology advancements keeps Kennametal customers on the cutting edge of productivity and performance. Just five years ago, 17 percent of the company's revenue was generated by the sale of new products — these are products that are less than 5 years old and that also deliver at least a 30 percent productivity gain to the customer. Although the 17 percent might have been acceptable in the industry, Kennametal decided to move to the next level and set an aggressive target of 40 percent of sales revenue from new products. Through talented employees and a disciplined, gated new product development process called ACE, Kennametal finished its fiscal year 2005 with 45 percent of sales from new products, and this level of performance is sustainable.

Kennametal maintains its technological leadership through, of course, its talented workforce and its $30-million Technology Center at its Latrobe headquarters, complemented by facilities in Rogers, Arkansas; Beford, Pennsylvania; Evans, Georgia; Fürth and Essen, Germany; and Bangalore, India. The facilities are dedicated to rapid development of products engineered to meet specific customer requirements.

The customer has, from the beginning, been the driving force behind the innovation for which Kennametal has become known around the world. Quick, thorough response to customer needs has been a key component of Kennametal's success. The application experts who make up the company's field sales force work directly on the customer shop floor, at the mine face or on the construction site to solve problems and increase productivity. Kennametal's real-time, on-line customer service system provides instantaneous information on global product availability, order status and application solutions. The customer acquisition process is our systematic, repeatable method for increasing sales to existing customers and winning new customers.

Kennametal goes to market through a wide variety of sales channels. Kennametal's subsidiary, J&L Industrial Supply, markets and distributes a broad line of consumable metalcutting tools and other industrial supplies. In November 1997, Kennametal acquired Greenfield Industries, Inc., the leading North American manufacturer of drilling and other rotary high-speed steel consumable metalcutting tools. Kennametal recently acquired Conforma Clad Inc. in March 2004 and Extrude Hone Corporation, as mentioned above, in March 2005. Conforma Clad Inc. is a leading provider of engineered components that deliver premium wear solutions and Extrude Hone Corporation is a supplier of market leading engineered component process technology. Kennametal continuously explores opportunities for profitable growth through partnerships with customers, distributors and suppliers, as well as through selected strategic acquisitions.

From its modest beginnings, Kennametal Inc., still based in Latrobe, Pennsylvania, has grown into a leading global supplier of tooling, engineered components and advanced materials consumed in production processes. Traded on the New York Stock Exchange, the company improves customers' competitiveness by providing superior economic returns through the delivery of application knowledge and advanced technology to master the toughest of materials application demands. Companies producing everything from airframes to coal, from medical implants to oil wells and from turbochargers to motorcycle parts recognize Kennametal for extraordinary contributions to their value chains.