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KENNAMETAL INC
Form 8-K/A
August 15, 2003

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): JULY 30, 2003

KENNAMETAL INC.
(Exact name of registrant as specified in its charter)

Commission file number 1-5318

PENNSYLVANIA
(State or other jurisdiction
of incorporation)

25-0900168
(I.R.S. Employer
Identification No.)

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

Registrant's telephone number, including area code: (724) 539-5000

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ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Explanatory Note: This filing on Form 8-K/A amends and restates in its entirety the Form 8-K filed by the registrant on July 30, 2003. This 8-K/A is being filed to correct the reconciliation of Debt to Equity included in the text of the 8-K which contained a typographical error. Additionally Exhibit 99.1 inadvertently excluded, in the Reconciliation to GAAP Cash Flow Information, the total Free Operating Cash Flow. The press release as filed with PR Newswire on July 30, 2003 and included on the Kennametal website did contain the appropriate information.

On July 30, 2003, Kennametal Inc. ("Kennametal") issued a press release announcing financial results for its fourth quarter and fiscal year ended June 30, 2003.

The press release contains non-GAAP (generally accepted accounting principles) financial measures, including gross profit, operating expense, operating income,

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net income (loss) and diluted EPS in each case excluding special items. The special items include: restructuring charges, Widia integration costs electronics and goodwill impairment. Kennametal management excludes these items in measuring and compensating internal performance to better understand underlying operations. We believe investors should have available the same information that management uses to measure and compensate performance. Kennametal management believes that presentation of these non-GAAP financial measures provides useful information into the results of operations of the company for the current, past and future periods.

Kennametal also presents free operating cash flow in the press release. Free operating cash flow is a non-GAAP presentation and is defined as cash provided by continuing operations (in accordance with GAAP) less capital expenditures and proceeds from asset disposals. Free operating cash flow is considered to be an important indicator of Kennametal's ability to generate liquidity because it better represents cash generated from operations that can be used for strategic initiatives, dividends or debt repayment.

Additionally, during our quarterly teleconference we may use various non-GAAP financial measures to describe the underlying operating results. Accordingly, we have compiled below certain reconciliations as required by Regulation G.

Primary working capital

Primary working capital is a non-GAAP presentation and is defined as accounts receivable, net of allowance for doubtful accounts, plus inventories minus accounts payable. The most directly comparable GAAP number is working capital which is defined as current assets less current liabilities. We believe primary working capital better represents Kennametal's performance in managing certain assets and liabilities controllable at the business unit level and is used as such for internal performance measurement.

EBIT

EBIT is an acronym for Earnings Before Interest and Taxes and is not a calculation in accordance with GAAP. However, we believe that EBIT is widely used as a measure of operating performance and we believe EBIT to be an important indicator of the Company's operational strength and performance. Nevertheless, the measure should not be considered in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining liquidity that is calculated in accordance with GAAP.

Adjusted sales

Kennametal adjusted sales as reported under GAAP for specific items including acquisitions and foreign currency translation. Management believes that adjusting the sales as reported under GAAP provides additional insight into the underlying operations. Management uses this information in reviewing operating performance and in the determination of compensation.

Adjusted Gross Profit

Kennametal adjusted gross profit as recorded under GAAP for specific items including Widia integration and restructuring charges. Management believes that the adjusted gross profit information is an important indicator of the Company's underlying operating performance.

Operating expense reconciliation:

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Kennametal adjusted operating expense as reported under GAAP for Widia Integration, Restructuring charges, Widia operating expense, foreign exchange and decreased pension income. Management believes that the adjusted operating expense provides additional insight into the underlying operations. Management uses this information in reviewing operating performance and in the determination of compensation.

Debt-to-Capital:

 Debt to equity in accordance with GAAP is defined as total debt divided by Stockholder's Equity and total debt. Debt to equity is defined by Kennametal as total current and long term debt divided by total Shareowner's equity plus minority interest plus total debt. Kennametal adjusted its debt to equity percentage for the additional minimum pension charge and electronics impairment that is recorded in equity. Management believes that the adjustment provides additional insight into the underlying capital structuring and performance of the company.

FINANCIAL HIGHLIGHTS

RECONCILIATION TO GAAP PRIMARY WORKING CAPITAL (UNAUDITED)

	June 30,	
	2003	2002
	-----	-----
Current assets	\$ 764,679	\$ 637,384
Current liabilities	336,347	262,100
	-----	-----
Working capital in accordance with GAAP	428,332	375,284
Excluded items:		
Cash and cash equivalents	(15,093)	(10,385)
Deferred income taxes	(79,564)	(71,375)
Other current assets	(42,119)	(31,447)
	-----	-----
Total excluded current assets	\$ (136,776)	\$ (113,207)
Adjusted current assets	627,903	524,177
Short-term debt	(10,845)	(23,480)
Accrued liabilities	(205,649)	(137,034)
	-----	-----
Total excluded current liabilities	\$ (216,494)	\$ (160,514)
Adjusted current liabilities	119,853	101,586

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Primary working capital \$ 508,050 \$ 422,591

SUPPLEMENTAL INFORMATION AND RECONCILIATIONS

KENNAMETAL INC. EBIT RECONCILIATION (UNAUDITED)

	Quarter Ended June 30,		Twelve Mont June 3
	2003	2002	2003
Operating income, as reported	\$ 5,875	\$ 30,834	\$ 67,925
As % of sales	1.3%	7.7%	3.9%
Adjusted other (income) (1)	(1,981)	(145)	(1,608)
EBIT	7,856	30,979	69,533
Adjustments:			
Restructuring	4,195	5,025	15,844
Electronics impairment	16,110	-	16,110
Strong Tool divestiture	-	3,522	-
Widia integration	3,681	144	7,685
EBIT, excluding special charges	\$ 31,842	\$ 39,670	\$ 109,172
As % of sales	6.9%	9.8%	6.2%
(1) Other (income), as reported	\$ (2,117)	\$ (182)	\$ (2,531)
Minus Interest income	(549)	(570)	(2,815)
Plus Securitization fees	413	533	1,892
Adjusted other (income)	\$ (1,981)	\$ (145)	\$ (1,608)

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FINANCIAL HIGHLIGHTS (CONTINUED)

MSSG SEGMENT (UNAUDITED):

	Quarter Ended June 30,		Twelve Months Ended June 30,	
	2003	2002	2003	2002
Sales, as reported	\$ 299,032	\$ 231,151	\$ 1,123,175	\$ 897,157
Widia sales	(43,038)	-	(162,427)	-
Foreign currency exchange	(23,694)	-	(57,311)	-
Adjusted sales	\$ 232,300	\$ 231,151	\$ 903,437	\$ 897,157

MSSG EBIT (UNAUDITED):

	Quarter Ended June 30,		Twelve Months Ended June 30,	
	2003	2002	2003	2002
MSSG Operating income, as reported	\$ 24,139	\$ 29,243	\$ 90,627	\$ 97,323
As % of sales	8.1%	12.7%	8.1%	10.8%
Other income	3,073	2,020	3,619	4,539
EBIT	27,212	31,263	94,246	101,862
Adjustments:				
MSSG restructuring	3,134	2,104	9,060	10,245
Widia integration	2,511	-	6,493	-
EBIT, excluding special charges	\$ 32,857	\$ 33,367	\$109,799	\$112,107
As % of sales	11.0%	14.4%	9.8%	12.5%

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FINANCIAL HIGHLIGHTS (CONTINUED)

AMSG SEGMENT (UNAUDITED) :

	Quarter Ended June 30,		Twelve Months Ended June 30,	
	2003	2002	2003	2002
Sales, as reported	\$ 88,185	\$ 80,170	\$ 319,223	\$ 307,668
Widia acquisition	(1,438)	-	(1,438)	-
Carmet acquisition	-	-	(4,851)	-
Foreign currency exchange	(4,184)	-	(9,521)	-
Adjusted sales	\$ 82,563	\$ 80,170	\$ 303,413	\$ 307,668

AMSG EBIT (UNAUDITED) :

	Quarter Ended June 30,		Twelve Months Ended June 30,
	2003	2002	2003
AMSG Operating income (expense), as reported	\$ (7,805)	\$ 10,082	\$ 17,348
As % of sales	-8.9%	12.6%	5.4%
Other income (expense)	111	1,139	(30)
EBIT	(7,694)	11,221	17,318
Adjustments:			
AMSG restructuring	1,224	1,424	4,406
Electronics impairment	16,110	-	16,110
Widia integration	1,170	-	1,192

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EBIT, excluding special charges	----- \$ 10,810 =====	----- \$ 12,645 =====	----- \$ 39,026 =====
As % of sales	12.3%	15.8%	12.2%

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FINANCIAL HIGHLIGHTS (CONTINUED)

J&L SEGMENT (UNAUDITED):

	Quarter Ended June 30,		Twelve Months Ended June 30,	
	2003	2002	2003	2002
Sales, as reported	\$ 48,158	\$ 52,013	\$ 196,170	\$ 226,010
Strong Tool sales	-	(1,651)	-	(25,860)
Foreign currency exchange	(546)	-	(1,982)	-
Adjusted sales	\$ 47,612	\$ 50,362	\$ 194,188	\$ 200,150

J&L EBIT (UNAUDITED):

	Quarter Ended June 30,		Twelve Months Ended June 30,	
	2003	2002	2003	2002
J&L Operating income, as reported	\$ 931	\$ 1,044	\$ 6,140	\$ (681)
As % of sales	1.9%	2.0%	3.1%	0.3%
Other (expense)	(3)	(3,487)	(58)	(3,370)
EBIT	928	(2,443)	6,082	(4,051)
Adjustments:				
Loss on sale of strong tool		3,522	--	3,522
J&L restructuring	(64)	247	1,203	10,093
EBIT, excluding special charges	\$ 864	\$ 1,326	\$ 7,285	\$ 9,564

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As % of sales	=====	=====	=====	=====
	1.8%	2.5%	3.7%	4.2%

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FINANCIAL HIGHLIGHTS (CONTINUED)

FSS SEGMENT (UNAUDITED):

	Quarter Ended June 30,		Twelve Months Ended June 30,	
	2003	2002	2003	2002
Sales, as reported	\$ 28,390	\$ 39,564	\$ 120,389	\$ 152,907
Foreign currency exchange	(47)	-	(68)	-
Adjusted sales	\$ 28,343	\$ 39,564	\$ 120,321	\$ 152,907

FSS EBIT (UNAUDITED):

	Quarter Ended June 30,		Twelve Months Ended June 30,	
	2003	2002	2003	2002
FSS Operating income, as reported	\$ 264	\$ 215	\$ (56)	\$ 2,014
As % of sales	0.9%	0.5%	0.0%	1.3%
Other (expense) income	-	(100)	58	(163)
EBIT	264	115	2	1,851
Adjustments:				
FSS restructuring	-	335	38	635
EBIT, excluding special charges	\$ 264	\$ 450	\$ 40	\$ 2,486
As % of sales	0.9%	1.1%	0.0%	1.6%

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SUPPLEMENTAL INFORMATION AND RECONCILIATIONS

RECONCILIATION TO GAAP - GROSS PROFIT (UNAUDITED)

	QUARTER ENDED JUNE 30,		QUARTER ENDED JUNE 30,		TWELVE M JU
	2003	AS A % OF SALES	2002	AS A % OF SALES	2003
Gross Profit	\$148,791	32.1%	\$136,873	34.0%	\$568,904
Widia integration and restructuring charges	2,011	0.4%	357	0.1%	2,209
Gross Profit, excluding special items	\$150,802	32.5%	\$137,230	34.1%	\$571,113

OPERATING EXPENSE RECONCILIATION: (UNAUDITED)

	Quarter ended June 30, 2003	Quarter ended June 30, 2002
Operating expense, as reported	121,757	100,685
Integration costs	(1,670)	(155)
Operating expense, excluding special items	120,087	100,530
Less:		
Widia operating expense	12,000	-
Unfavorable foreign exchange	7,947	-
Decrease in pension income	1,591	-
Operating expense, excluding special items and Widia expense, foreign exchange and decreased pension income	98,549	100,530
DEBT TO EQUITY RECONCILIATION (UNAUDITED):	June 30, 2003	
In accordance with GAAP	42.1%	

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Less: Adjustments	(0.6%)

Adjusted debt to capital	41.5%
Electronics impairment	(0.5%)
Excluding minimum pension adjustments	(1.1%)

Adjusted Debt to Equity net of pension	39.9%

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Exhibit Index

Exhibit	Description
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99.1	Press Release dated July 30, 2003. Furnished herewith.

SIGNATURE

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 hereunto duly authorized.

KENNAMETAL INC.

Date: August 14, 2003

By: /s/ TIMOTHY A. HIBBARD

Timothy A. Hibbard
Corporate Controller and
Chief Accounting Officer