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1955 Annual Report

INDUSTRY AND
KENNAMETAL
...Partners in Progress

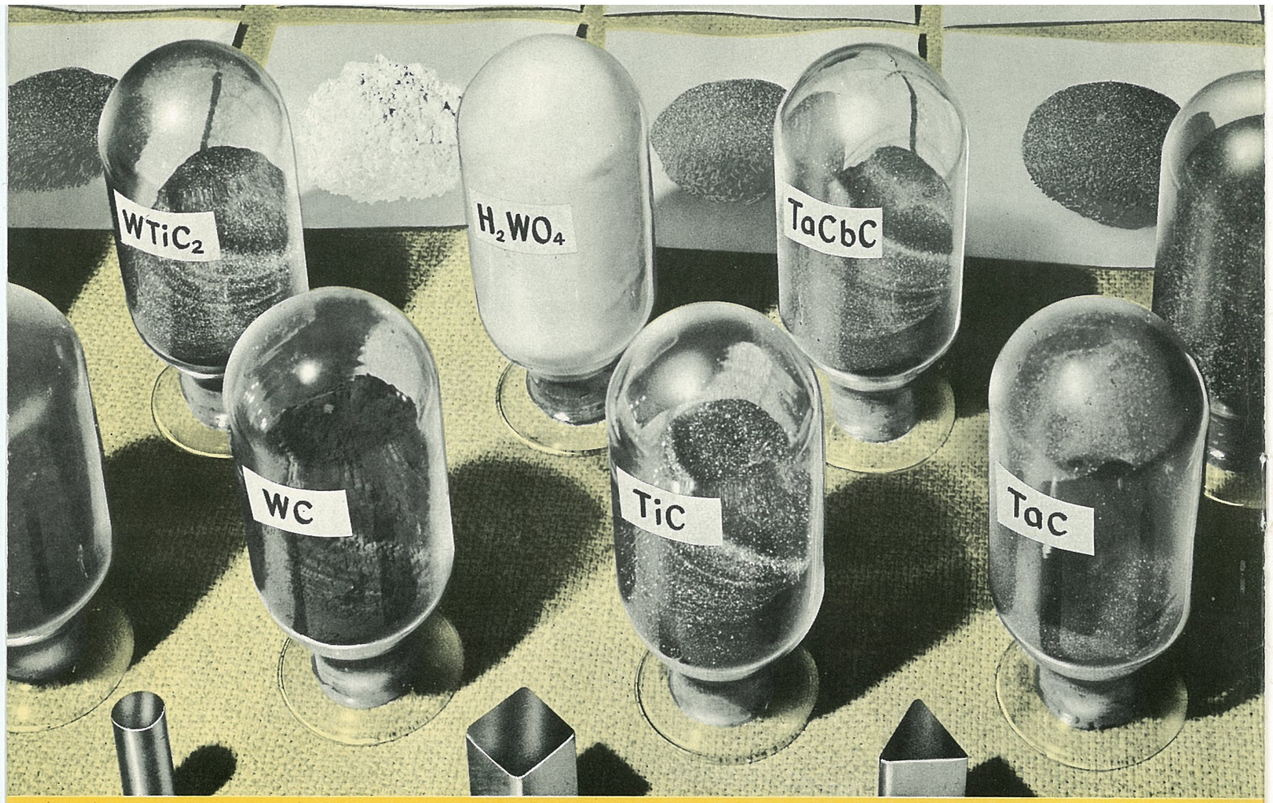
KENNAMETAL Inc.
LATROBE, PENNSYLVANIA

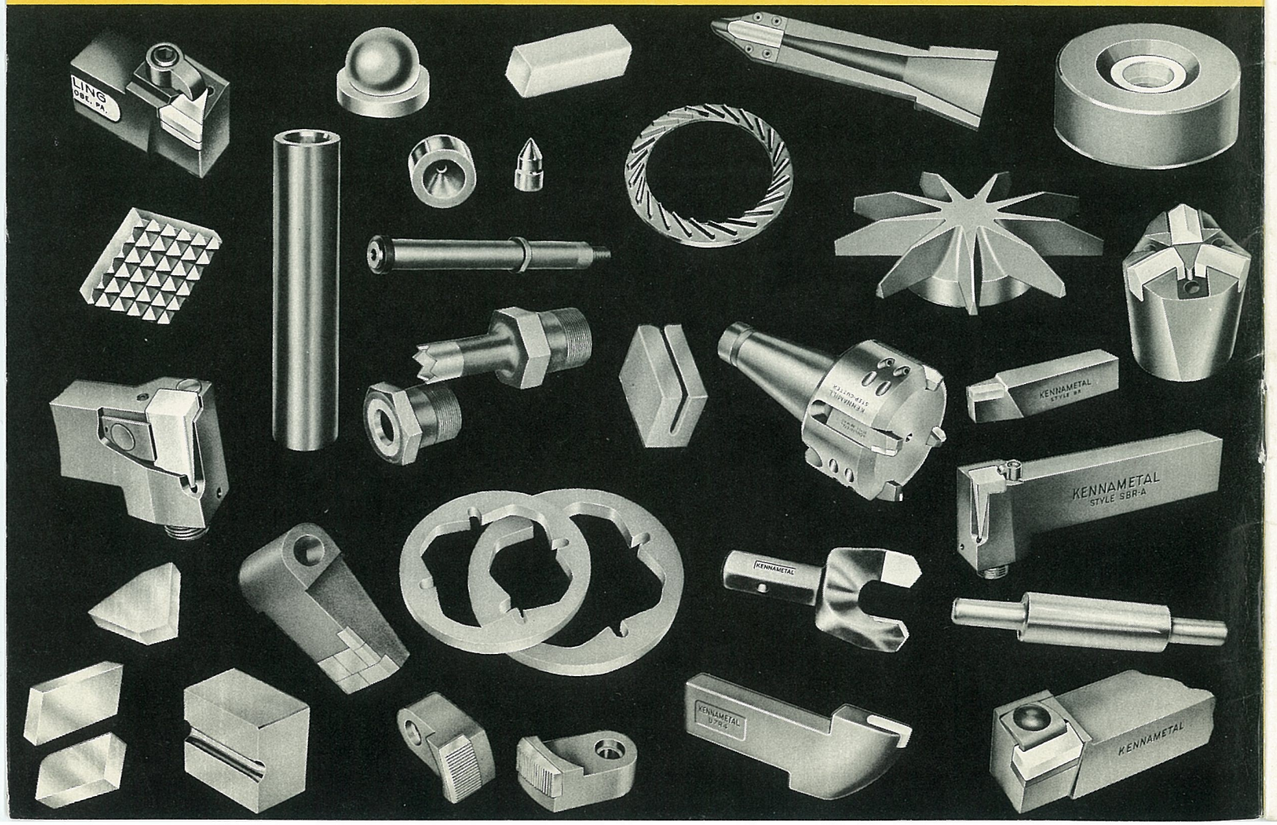
1955 Annual Report

FOR THE YEAR ENDED JUNE 30, 1955

KENNAMETAL Inc. LATROBE, PENNSYLVANIA

INDUSTRY AND
KENNAMETAL
...Partners in Progress





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Annual Meeting

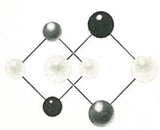
The 1955 annual meeting of the shareholders of the Company is scheduled for Monday, September 19, and will be held at the general offices of Kennametal Inc. in Latrobe, Pa. A formal notice of the meeting, together with a proxy form, will be mailed to each shareholder of record on August 26, 1955. Proxies will be solicited by the management.

KENNAMETAL INC., Latrobe, Pa.

KENNAMETAL is both a trade name and a company name. As a trade name, it applies to a series of hard carbide compositions, the first of which was invented by Philip M. McKenna in 1937. That series of compositions, having as the characteristic ingredient tungsten-titanium carbide ($WTiC_2$), achieved acceptance for use in steel-cutting carbide tools on a commercially important scale beginning in 1938.

Since the invention of the original compositions and processes, a series of hard carbide alloys of tungsten, titanium, columbium and tantalum have been developed for use in tools for the metalworking, mining, woodworking and construction industries; also as material with which to make strong, hard component parts for machines and processing equipment. A few representative applications of Kennametal are illustrated on the opposite page. Inasmuch as the ingredients of the compositions can be blended to meet almost any specific need where parts must withstand any one or a combination of such destructive forces as abrasion, deflection, deformation, impact, galling, corrosion or high temperatures, the field of application for Kennametal hard carbides is almost limitless.

The primary business of Kennametal includes mining, metallurgy, mechanical development and the sales engineering of hard carbide products. Research in chemical and metallurgical techniques has always been a major activity of the company, hence the accompanying molecular symbol.



Wherever the following names appear in this report, they are used as Trade-Marks: Kennametal, Kentanium, Kendex.

FINANCIAL HIGHLIGHT SUMMARY

1955

	Fiscal Year Ended June 30		Increase (+) Decrease (—)	
	1955	1954	Amount	Percent
NET INCOME:				
Sales and other income	$19,915,335	$24,163,842	—$ 4,248,507	—17.6%
Net income before taxes, other than payroll taxes	$ 3,542,042	$ 4,292,518	—$ 750,476	—17.5%
Taxes	1,738,304	2,554,569	— 816,265	—31.9%
Net income for the year	$ 1,803,738	$ 1,737,949	+$ 65,789	+ 3.8%
Net income—per share*	$ 3.01	$ 2.90	+ .11	+ 3.8%
Dividends paid—per share*	.833	.833	—	—
FINANCIAL POSITION:				
Current assets	$10,991,508	$ 9,873,782	+$ 1,117,726	
Current liabilities	3,652,237	4,013,816	— 361,579	
Working capital	$ 7,339,271	$ 5,859,966	+$ 1,479,305	
Other assets	279,385	242,094	+ 37,291	
Plant and equipment—net	4,473,396	4,565,754	— 92,358	
Goodwill, trade-marks, patents, etc.	638,187	758,187	— 120,000	
	$12,730,239	$11,426,001	+$ 1,304,238	
Less: Long-term debt†	1,250,000	1,750,000	— 500,000	
Net worth	$11,480,239	$ 9,676,001	+$ 1,804,238	
Represented by:				
Capital stock	$ 5,994,000	$ 4,995,000	+$ 999,000	
Paid-in surplus	—	11,424	— 11,424	
Earned surplus	5,486,239	4,669,577	+ 816,662	
	$11,480,239	$ 9,676,001	+$ 1,804,238	

*Adjusted to reflect 6 for 5 stock split in June 1955.

†Less current maturities.

NARRATIVE HIGHLIGHTS

- Sales and other income amounted to $19,915,335 for fiscal 1955 and $24,163,842 for fiscal 1954. The decrease in the amount of $4,248,507 represents, for the most part, the reduction in sales of high velocity armor-piercing projectiles to the United States Government. Sales of this item in fiscal 1955 amounted to $1,596,181 and, in 1954, amounted to $5,890,880.
- The decrease in net income before taxes was somewhat more than offset by the decrease in taxes.
- Dividends paid during the year totaled $1.00 per share —25¢ per share on stock outstanding on quarterly dividend dates.
- Working capital increased $1,479,305 during the year, bringing the total working capital to $7,339,271. The ratio of current assets to current liabilities at year end was 3.0 to 1.
- Our requirements for expansion and improvements of production facilities were somewhat reduced as compared to fiscal 1954. Expenditures for the year amounted to $524,495 while depreciation and amortization of fixed assets amounted to $616,853, thereby resulting in a net decrease in our investment in plant and equipment of $92,358.
- Our policy of amortizing intangible assets has been continued and the carrying value of goodwill, trade-marks, patents, etc. has been reduced by $120,000 to a balance of $638,187 at year end.
- Our long-term debt was reduced by $500,000 during the year. This reduction represents the maturities of two semi-annual installments of $125,000 each and the prepayment of the final installment of $125,000 on each of the two series of notes. The balance payable, including current maturities, was $1,500,000 at year end.
- Capital stock increased as the result of a 6 for 5 stock split in June 1955. This was effected by transfers from earned surplus and capital surplus of $987,576 and $11,424 respectively.
- The increase of $816,662 in earned surplus during the year represents the excess of net income of $1,803,738 plus the restoration of the reserve for contingencies in connection with government contracts of $500,000 over the sum of (a) $499,500 dividends paid and (b) $987,576 transferred to capital stock, above.

REPORT TO KENNAMETAL SHAREHOLDERS

Latrobe, Pa. August 10, 1955

To the Shareholders of Kennametal Inc.:

Sales from all divisions totaled $19,915,335 for the fiscal year 1955. Profit was $1,803,738 after a provision, as in prior years, of $120,000 for amortization of goodwill, trade-marks, patents, etc. We paid two serial notes aggregating $250,000 which matured during the year and prepaid an additional $250,000 of serial notes, thus reducing our long-term debt from $2,000,000, at the beginning of the year, to $1,500,000.

Substantial earnings ($762,581) were attributable to the tungsten mining operations of Nevada Scheelite Corp., a former division which was organized as a wholly-owned subsidiary on October 1, 1954. When and if the Government curtails its stockpiling program and when and if the price of tungsten recedes and the sales volume of our mining subsidiary declines as a result, our manufacturing operations will benefit from lower costs of our raw material, tungsten, which will permit wider scope in the use of Kennametal in elements of machines as well as in cutting tools.

Pursuant to Clearance Notices received from the Renegotiation Board, the Company has no liability to pay over to the Government any renegotiated profits with respect to the fiscal years 1951 and 1952.

A current liability reserve in the amount of $500,000, established through profit and loss provisions in prior years in contemplation of contingencies in connection with government contracts, is no longer considered necessary and the amount of $500,000 has been transferred to Earned Surplus.

Refund of amounts taken from us in renegotiation of fiscal years 1944 and 1945 is being sought under regulations of the Renegotiation Board and in the Tax Court.

The field of usefulness of our products—harder and stronger than steel—can be expanded profitably with intelligent, persevering effort. As conditions become more competitive and as labor costs increase, our economical, longer-lasting, hard metals have a greater appeal when brought to the attention of cost-conscious management. In this connection, the National Machine Tool Builders Association Show at Chicago in September, 1955, will exhibit many metalworking machines equipped with Kennametal cutting tools.

We have been devising new processes and equipment which should have a favorable influence on profits in coming years. We plan to increase our efforts in research and development during 1956. Our sales managers are constantly searching for further opportunities to serve our customers. Your officers and employees join with me in this over-all effort.

Yours very sincerely,

Philip M. McKenna

President

REVIEW OF KENNAMETAL OPERATIONS IN 1955

SALES

Sales and other income in fiscal 1955 amounted to $19,915,335 as compared to $24,163,842 in the preceding fiscal year. This decrease is due mainly to the reduction in sales of HVAP shot resulting from the cancellation of Government contracts as of June 30, 1954, coupled with lower volume of regular products experienced during the first half of fiscal 1955.

DISPOSITION OF SALES DOLLARS

Our sales dollars for fiscal 1955 were divided this way:

36.0c for wages, salaries, payroll taxes and provision for retirement benefits—an increase of $439,638 over fiscal 1954.

42.5c for materials, supplies and services purchased from others—a decrease of $4,047,387 from fiscal 1954.

8.7c for income taxes and miscellaneous taxes—a decrease of $816,265 from fiscal 1954.

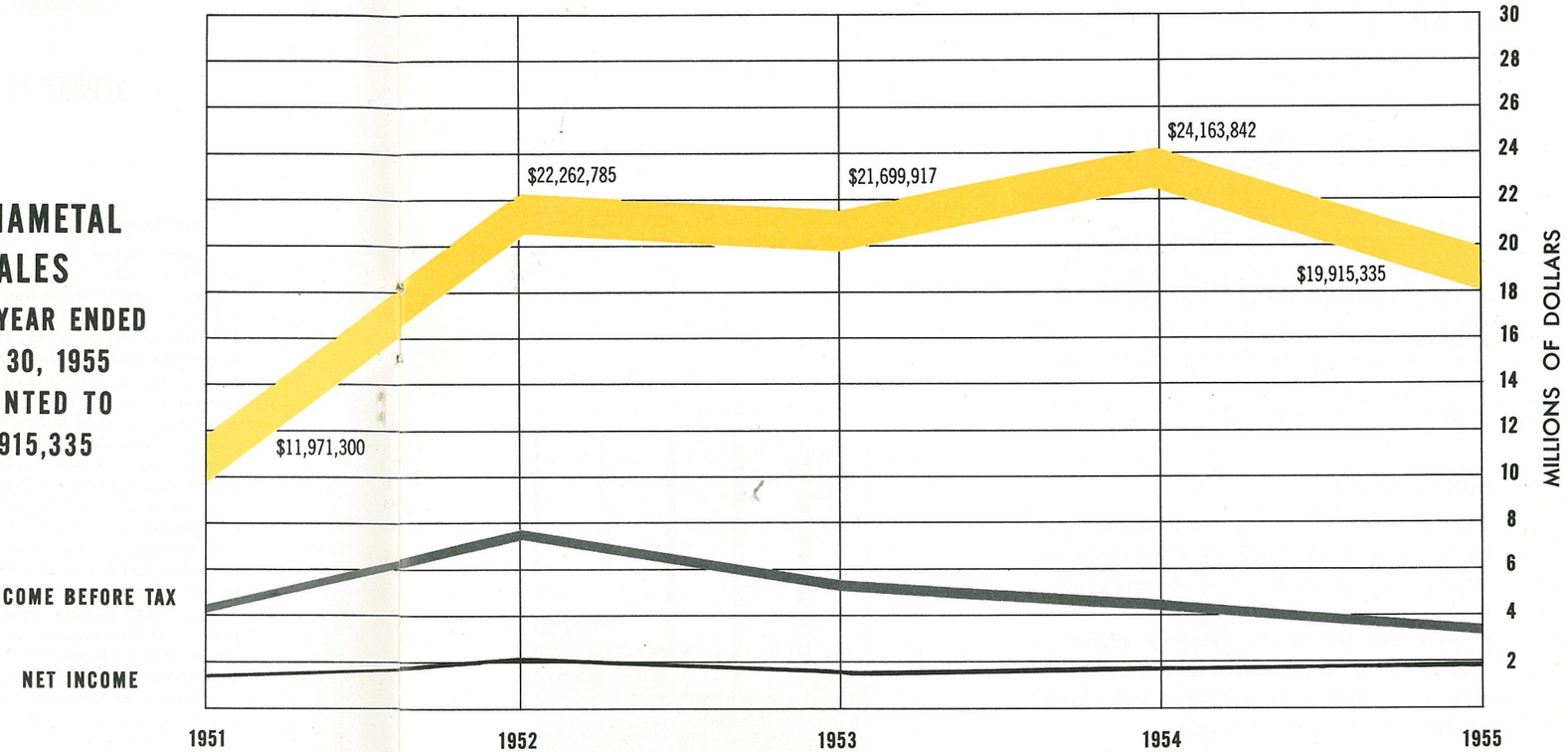
3.7c retained to replace worn out and obsolete facilities and to cover amortization of goodwill, trade-marks, patents, etc.—an increase of $109,718 over fiscal 1954.

2.5c for payment of dividends to shareholders—25¢ per share on stock outstanding on quarterly dividend dates for a total of $1.00 per share—499,500 shares outstanding at dividend dates in both 1955 and 1954. There were 1,272 registered shareholders at the end of fiscal 1955 and 983 at the end of fiscal 1954.

6.6c retained in the business—an increase of $65,789 over fiscal 1954.

KENNAMETAL SALES

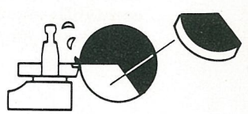
IN THE YEAR ENDED JUNE 30, 1955 AMOUNTED TO $19,915,335



WHAT HAPPENED TO THE DOLLARS KENNAMETAL RECEIVED IN 1955

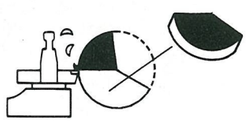
36.0c PAID TO EMPLOYEES
as against 27.8c in 1954

Total Dollars Paid:
1955: $7,167,987
1954: 6,728,349



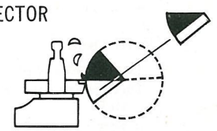
42.5c USED TO BUY GOODS AND SERVICES FROM OTHERS
as against 51.8c in 1954

Total Dollars Paid:
1955: $ 8,468,453
1954: 12,515,840



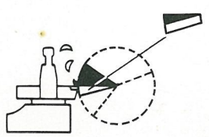
8.7c PAID TO TAX COLLECTOR
as against 10.6c in 1954

Total Dollars Paid:
1955: $1,738,304
1954: 2,554,569



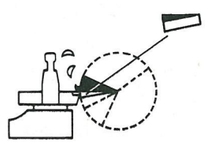
3.7c USED TO REPLACE WORN OUT TOOLS
as against 2.6c in 1954

Total Dollars Paid:
1955: $736,853
1954: 627,135



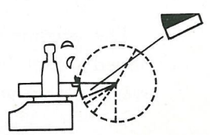
2.5c PAID TO OWNERS OF THE BUSINESS
as against 2.1c in 1954

Total Dollars Paid:
1955: $499,500
1954: 499,500



6.6c SAVED FOR FUTURE IMPROVEMENTS
as against 5.1c in 1954

Total Dollars Paid:
1955: $1,304,238
1954: 1,238,449



LONG-TERM DEBT

The long-term debt was reduced by $500,000 during the year, the regular semi-annual payments of $125,000 having been made in November 1954 and May 1955. Additional payments of $125,000 each, representing prepayment of notes due May 1957 and May 1962, were also made. Interest paid on this loan during the year amounted to $79,354 compared to $90,180 for the preceding fiscal year.

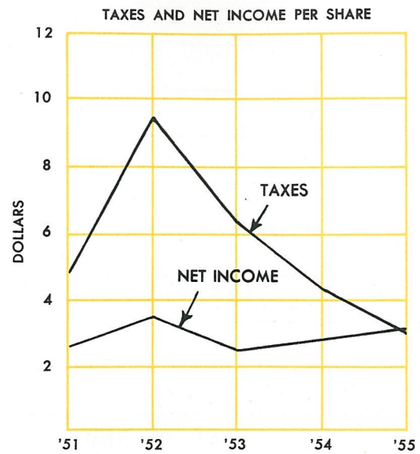
The loan agreement provides that $2,443,552 of the earned surplus balance at June 30, 1955 is not available for the payment of cash dividends. The agreement further provides for the maintenance of not less than $4,000,000 of net working capital. At June 30, 1955 net working capital amounted to $7,339,271.

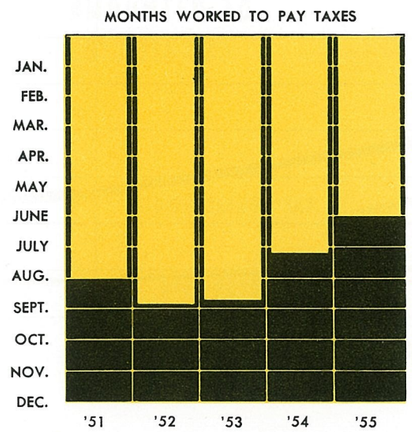
WORKING CAPITAL

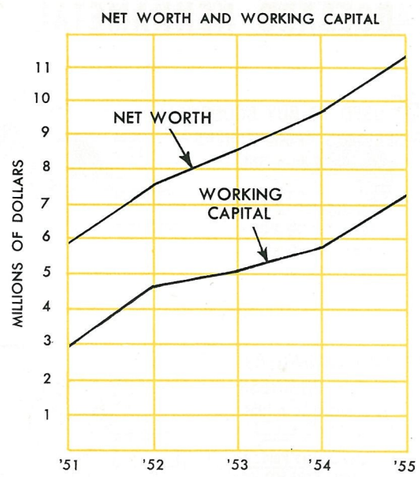
Working capital (current assets, less current liabilities) amounted to $7,339,271, an increase of $1,479,305 as compared to working capital at the end of the preceding year. The increase is accounted for in the following summary which shows the sources from which funds were obtained as well as the manner in which such funds were used during the year:

Funds obtained:		
Net income for the year	$1,803,738	
Provisions for depreciation and amortization	616,853	
Amortization of goodwill, trade-marks, etc.	120,000	
Reserve, provided in prior years, for contingencies in connection with government contracts no longer required	500,000	$3,040,591
Funds used:		
Dividends paid	$ 499,500	
Payments on long-term debt	500,000	
Additions to fixed assets (net)	524,495	
Increase in prepaid expenses, etc.	37,291	1,561,286
Increase in working capital		$1,479,305

The accompanying graph reveals the continued growth in working capital and net worth over the past several years.







SHAREHOLDERS' EQUITY

As the result of the 6 for 5 stock split effected on June 20, 1955, outstanding shares were increased by 99,900 to a total of 599,400. The book value per share at June 30, 1955, amounted to $19.15 and represented an increase in shareholders' equity of $3.01 since June 30, 1954. This improvement in equity amounted, in the aggregate, to $1,804,238 and represents the excess of fiscal 1955 earnings over cash dividends paid, plus the restoration to earned surplus of the reserve for contingencies in connection with government contracts of $500,000 which is no longer required. A tabulation setting forth the changes in equity is shown as follows:

	1955	1954	Increase (Decrease)
Capital stock	$ 5,994,000	$4,995,000	$ 999,000
Paid-in surplus	—	11,424	(11,424)
Earned surplus	5,486,239	4,669,577	816,662
Total	$11,480,239	$9,676,001	$1,804,238
Book value per share	$ 19.15	$ 16.14	$ 3.01

EMPLOYEES' RETIREMENT AND PENSION PLANS

Effective June 30, 1954, the Company established a Retirement Income Plan under which substantially all of its salaried employees are, or will become, eligible to participate. Initially set up on a temporary basis under a trust arrangement, the plan is now being funded by means of a deposit administration type of group annuity contract with Massachusetts Mutual Life Insurance Company of Springfield, Massachusetts. Both the participant and the Company contribute to the cost of the plan.

As of November 27, 1954, the Company adopted a Pension Plan covering hourly-rated production and maintenance employees at the Latrobe and Kingston Station plants. The Company contributes the entire cost of this plan, which is funded under a trust agreement with Mellon National Bank and Trust Company of Pittsburgh, Pennsylvania.

The Company's contributions to the Retirement Income Plan and Pension Plan were $175,168 and $102,500 respectively, for the fiscal year ended June 30, 1955.

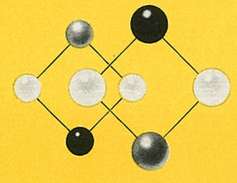
DISTRIBUTION OF SHARES

During the year the company's shareholders increased in number from 983 to 1,272. However, there was little change in the respective holdings of the major shareholders, as indicated in the tabulation which follows:

Owners of	Number of Shareholders at June 30 — 1955	1954
Up to 50 shares	460	487
51— 100 shares	244	233
101— 500 shares	468	177
501— 1,000 shares	42	40
1,001— 5,000 shares	42	31
5,001—10,000 shares	6	6
10,001—20,000 shares	5	3
20,001—30,000 shares	1	1
Over 30,000 shares	4	5
	1,272	983

The following tabulation of shareholders on a geographical basis indicates the extent of investor interest. Kennametal shareholders reside in all but eight of the United States.

California	94
Colorado	21
Connecticut	22
Delaware	3
District of Columbia	7
Florida	13
Georgia	3
Illinois	20
Indiana	6
Iowa	6
Kansas	3
Kentucky	2
Maine	9
Maryland	10
Massachusetts	70
Michigan	22
Minnesota	2
Mississippi	3
Missouri	18
Montana	1
Nebraska	1
New Hampshire	2
New Jersey	29
New York	152
North Carolina	4
Ohio	31
Oklahoma	1
Oregon	4
Pennsylvania	652
Rhode Island	7
South Carolina	3
South Dakota	2
Tennessee	2
Texas	5
Utah	1
Vermont	1
Virginia	9
Washington	3
West Virginia	10
Wisconsin	17
Wyoming	1



CONSOLIDATED BALANCE SHEETS—JUNE 30, 1955 AND 1954

ASSETS

	June 30 1955	June 30 1954
CURRENT ASSETS:		
Cash	$ 2,923,895	$ 1,978,348
Trade receivables, less reserves of $31,722 in 1955 and $26,980 in 1954	2,975,938	1,791,760
Inventories, at lower of cost or market—		
Finished goods and work in process	$ 3,678,790	$ 4,339,318
Raw materials and supplies	1,412,885	1,764,356
Total inventories	$ 5,091,675	$ 6,103,674
Total current assets	$10,991,508	$ 9,873,782
PREPAID PREMIUMS AND CASH SURRENDER VALUE OF $300,000 OF INSURANCE ON LIFE OF OFFICER	26,321	22,107
PREPAID EXPENSES, DEFERRED CHARGES, ETC.	253,064	219,987

PROPERTY, PLANT AND EQUIPMENT, at cost less reserves for depreciation and amortization:

	Cost	Reserves	Net	June 30 1955	June 30 1954
Land	$ 111,160	$ —	$ 111,160		
Buildings	2,235,151	686,710	1,548,441		
Machinery, equipment, etc.	3,952,351	1,497,556	2,454,795		
Mining buildings, equipment and claims	963,868	604,868	359,000		
	$7,262,530	$2,789,134	$4,473,396	4,473,396	4,565,754
GOODWILL, TRADE-MARKS, PATENTS, ETC., representing par value of capital stock issued in exchange therefor in an amount determined by the management, in process of amortization				638,187	758,187
				$16,382,476	$15,439,817

LIABILITIES

	June 30 1955	June 30 1954
CURRENT LIABILITIES:		
Current maturities on long-term debt	$ 250,000	$ 250,000
Accounts payable	1,291,603	988,979
Accrued liabilities	542,146	428,991
Federal and State taxes on income less U. S. treasury bills of $499,775 in 1954	1,568,488	1,845,846
Reserve for contingencies in connection with government contracts	—	500,000
Total current liabilities	$ 3,652,237	$ 4,013,816
LONG-TERM DEBT (see Note 1):		
3¾% notes, due $125,000 semiannually to November 14, 1956, less $250,000 included in current liabilities	$ 125,000	$ 500,000
4½% notes, due $125,000 semiannually beginning November 14, 1957	1,125,000	1,250,000
	$ 1,250,000	$ 1,750,000
CAPITAL STOCK AND SURPLUS:		
Common stock, $10 par value, authorized 750,000 shares, issued and outstanding 599,400 shares at June 30, 1955, and 499,500 shares at June 30, 1954	$ 5,994,000	$ 4,995,000
Paid-in surplus	—	11,424
Earned surplus, per accompanying statement (see Note 1)	5,486,239	4,669,577
	$11,480,239	$ 9,676,001
	$16,382,476	$15,439,817

The accompanying notes (Page 10) are an integral part of this statement.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED JUNE 30, 1955 AND 1954

	June 30	
	1955	1954
SALES AND OTHER INCOME	$19,915,335	$24,163,842
COST AND OTHER CHARGES:		
Wages, salaries and payroll taxes	$ 7,167,987	$ 6,728,349
Materials, supplies, services, etc.	8,389,099	12,425,660
Depreciation and amortization of plant and equipment	616,853	507,135
Interest expense on long-term debt	79,354	90,180
Amortization of goodwill, trade-marks, patents, etc.	120,000	120,000
Taxes, other than payroll taxes	1,738,304	2,554,569
	$18,111,597	$22,425,893
Net income for the year	$ 1,803,738	$ 1,737,949

CONSOLIDATED STATEMENT OF EARNED SURPLUS
FOR THE YEAR ENDED JUNE 30, 1955

BALANCE AT BEGINNING OF YEAR		$ 4,669,577
ADD:		
Net income for the year	$ 1,803,738	
Reserve, provided in prior years, for contingencies in connection with government contracts no longer required	500,000	2,303,738
		$ 6,973,315
DEDUCT:		
Cash dividends paid	$ 499,500	
Amount transferred to capital stock in connection with distribution to stockholders (99,900 shares of $10 par value common stock less $11,424 transferred from paid-in surplus)	987,576	1,487,076
BALANCE AT END OF YEAR		$ 5,486,239

NOTES TO THE FINANCIAL STATEMENTS—JUNE 30, 1955

(1) The long-term loan agreement as amended provides that: (a) of the earned surplus of $5,486,239 at June 30, 1955, $2,443,552 is not available for cash dividends, and (b) net working capital may not be less than $4,000,000.

(2) Effective November 27, 1954, the company established a non-contributory pension plan for hourly rated employees. A contributory retirement income plan for salaried employees was established as of June 30, 1954. The annual cost of the two plans, including funding of past services over a ten-year period, will be approximately $267,000. In 1955, $95,200 for current services and $117,200 for past services was charged to operations. Unfunded costs of past services were approximately $1,125,000 at June 30, 1955. The Company has agreed to continue the pension plan until November 26, 1959. The retirement income plan may be amended or terminated at any time.

(3) At June 30, 1955, the company, as Agent for the U. S. Government in the procurement of certain strategic ores, held cash of $8,636 and ores costing $3,115,000. The agency transactions are not reflected in the financial statements.

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

Kennametal Inc.:

We have examined the consolidated balance sheet of KENNAMETAL INC. (a Pennsylvania corporation) and subsidiary (Nevada Scheelite Corp.) as of June 30, 1955, and the related consolidated statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We satisfied ourselves as to the accounts receivable from agencies or departments of the U. S. Government by auditing procedures other than confirmation by direct correspondence.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and earned surplus present fairly the financial position of Kennametal Inc. and subsidiary as of June 30, 1955, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

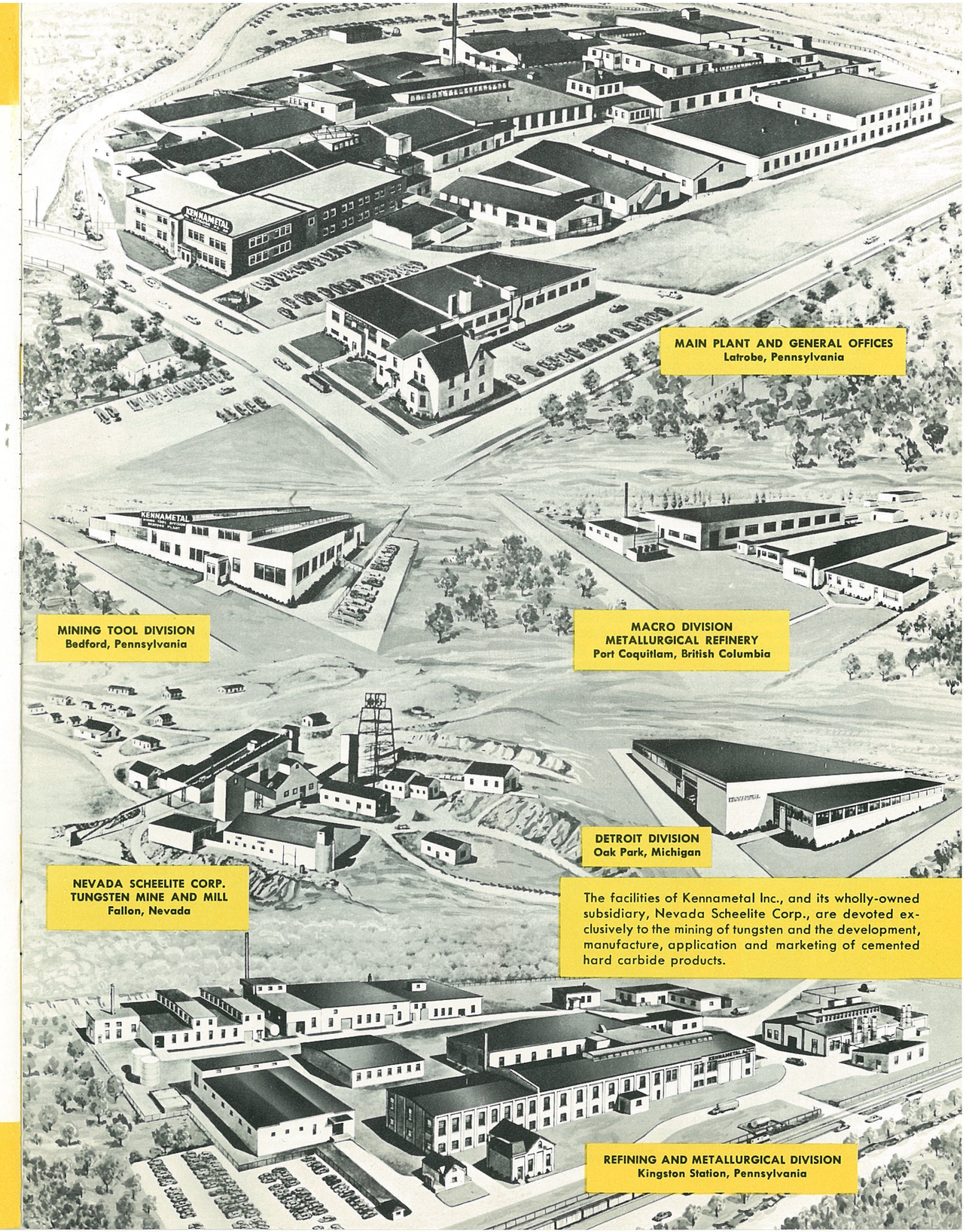
Chicago, Illinois,
August 5, 1955.

TEN-YEAR REVIEW

FISCAL YEARS ENDING JUNE 30

KENNAMETAL Inc. LATROBE, PENNSYLVANIA	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946
Sales and other income	$19,915,335	$24,163,842	$21,699,917	$22,262,785	$11,971,300	$4,956,717	$6,456,145	$4,970,173	$4,172,562	$3,501,532
Taxes, other than payroll taxes	$ 1,738,304	$ 2,554,569	$ 3,855,206	$ 5,694,444	$ 2,956,147	$ 238,565	$ 562,019	$ 358,118	$ 214,040	$ 39,193
Taxes, other than payroll taxes —per share*	$ 2.90	$ 4.26	$ 6.43	$ 9.50	$ 4.93	$ .40	$ .94	$ .60	$ .36	$ .07
Net income for the year	$ 1,803,738	$ 1,737,949	$ 1,501,872	$ 2,067,364	$ 1,467,070	$ 179,239	$ 626,294	$ 414,370	$ 183,142	($ 109,210)
Net income for the year—per share*	$ 3.01	$ 2.90	$ 2.51	$ 3.45	$ 2.45	$ .30	$ 1.04	$ .69	$ .31	$ (.18)
Dividends paid	$ 499,500	$ 499,500	$ 498,845	$ 448,829	$ 212,288	$ 199,800	$ 199,800	$ 116,700	$ 79,500	$ 26,500
Dividends paid—per share*	$ .833	$ .833	$ .833	$ .75	$ .354	$ .333	$ .333	$ .222	$ .162	$ .056
Working capital	$ 7,339,271	$ 5,859,966	$ 5,083,661	$ 4,699,754	$ 2,997,136	$1,963,001	$1,886,948	$1,721,472	$1,392,092	$1,352,584
Ratio, current assets to current liabilities	3.0	$ 2.5	1.9	1.9	2.0	3.8	3.3	3.2	2.6	2.6
Additions to plant and equipment—net	$ 524,495	$ 847,761	$ 890,474	$ 1,560,265	$ 604,261	$ 111,895	$ 402,789	$ 155,799	$ 91,675	$ 332,476
Depreciation and amortization of plant and equipment	$ 616,853	$ 507,135	$ 426,020	$ 334,442	$ 170,415	$ 150,661	$ 145,917	$ 115,769	$ 111,554	$ 167,539
Plant and equipment—net	$ 4,473,396	$ 4,565,754	$ 4,225,128	$ 3,760,674	$ 2,067,011	$1,633,165	$1,671,928	$1,399,038	$1,359,008	$1,378,887
Long-term debt	$ 1,250,000	$ 1,750,000	$ 2,000,000	$ 2,250,000	$ 675,000	$ 20,000	$ 75,000	$ 180,000	$ 672,500	$1,187,500
Capital stock and surplus (net worth)	$11,480,239	$ 9,676,001	$ 8,437,552	$ 7,428,174	$ 5,963,174	$4,708,391	$4,728,952	$4,302,458	$3,572,038	$3,122,023
Number of shares issued (end of year)	599,400	499,500	499,500	499,500	249,750	199,800	199,800	33,300	29,100	26,500
Book value per share*	$ 19.15	$ 16.14	$ 14.08	$ 12.39	$ 9.95	$ 7.86	$ 7.89	$ 7.18	$ 5.96	$ 5.21
Number of registered shareholders (end of year)	1,272	983	865	427	250	187	137	112	95	87
Number of employees (end of year)	1,516	1,234	1,444	1,235	867	598	642	587	582	502

*Adjusted to reflect increased number of shares resulting from 6% stock dividend in April 1945; a 6 for 1 stock split in June 1949; a 5 for 4 stock split in June 1951; a 2 for 1 stock split in February 1952 and a 6 for 5 stock split in June 1955.



The facilities of Kennametal Inc., and its wholly-owned subsidiary, Nevada Scheelite Corp., are devoted exclusively to the mining of tungsten and the development, manufacture, application and marketing of cemented hard carbide products.

Kennametal Divisions During 1955

REFINING AND METALLURGICAL DIVISION

Progress was made in all areas of our metallurgical research program at Latrobe, Kingston Station, and Port Coquitlam, B.C., Canada. Along with the development of new grades for metal-cutting and mining tools, improvements were made in processes which contributed to our ability not only to make these new compositions but to improve existing grades. Increased emphasis was also placed on metallurgical control of our products.

Further progress was made in the development of Kentanium, a light-weight titanium carbide base composition, which retains high strength and hardness and resists oxidation in temperature ranges that destroy conventional alloys. New Kentanium grades, with improved physical properties, were created for high temperature service. Additional basic engineering information was developed to aid design engineers in applying Kentanium.

The operation of our experimental turbine to test Kentanium under certain conditions was brought to a successful conclusion. Performance data compiled from this project are expected to stimulate interest in the use of Kentanium in gas turbines, particularly small units for auxiliary and guided missile use.

Accelerated activity in refining raw materials during the year was based upon metallurgical research on processes conducted at our laboratory and pilot plant. During the past six months, new control techniques for the refining of tantalum and columbium-bearing raw materials were developed.

Kennametal's emphasis on research required the construction of a new building and facilities at Kingston Station plant for the recovery and refining of tungsten. This is an additional step in the long-range integration program to develop new metallurgical materials for new products designed for new markets.

*Trade-Mark applied for.

METALWORKING DIVISION

Sales of metalworking tools for fiscal 1955 were slightly lower than for fiscal 1954, as a result of the production curtailment and severe reduction of tool inventories by many industries during the second and third quarters of calendar 1954. The return to more normal replacement of inventories and new tool purchases was not reflected in our sales until December 1954, after which a sharp improvement in sales continued throughout the remainder of fiscal 1955.

Production and sales of Kendex tools increased substantially during the year. New design principles now permit use of a turnover-type insert, so that both the top and bottom edges can be used. As the inserts are thin, they can be discarded economically after all edges are used, thus eliminating costly resharpening. With today's high labor costs, time-saving Kendex tools are being more readily adopted by cost-conscious managements, and are creating a new trend in the metalworking industry. Application has been made for patents to cover certain design features of the Kendex tool.

In December 1954, another new product was announced. It is a new composition, Grade K21,* created for general purpose steel-cutting and to help industry realize the highest productivity from today's new machine tools . . . machines with higher speeds. A suitable combination of characteristics are provided by K21 to meet these needs. It is giving outstanding performance over a broad range of machining operations. K21 is also proving highly effective on automatic production lines, where continuous operation is most important, and in machining the new stainless alloys, titanium, and high-temperature-resistant metals now used in jet engines.

Also contributing to metalworking sales were intensified efforts to find new applications for Kennametal products. Gratifying progress is being made, especially in the use of Kennametal as a die material. Manufacturers of cans, for instance, are finding that dies with Kennametal cutting elements wear up to 50 times longer than steel dies in slitting, blanking, and notching stock for making cans. Similar results are being obtained with dies for compacting metals and abrasive materials, cold heading of bolts, drawing of seamless tubing and stamping of components for electrical equipment. Other applications include seal rings for rotary pumps, cylinder liners for compressors and valve parts used in the petroleum, chemical, and plastics industries where abrasion and corrosion are major problems.

New applications of Kennametal were made in the woodworking, lumber, plywood and related building materials industries in the form of large planer and cutter knives. Planer blades up to 50″ in length are now being successfully produced. These and similar diversified applications are consuming an increasing amount of our metals.

DETROIT DIVISION

Production in the Detroit plant was maintained at a high level during its first full year of operation. Intended primarily to manufacture Kennametal tool blanks, production has been broadened to include many special items.

Considerable improvement in service to customers in that area has been achieved. Establishment of the Detroit plant is part of a program to locate our operations strategically in order to facilitate service to all markets.

MINING TOOL DIVISION

Sales of Kennametal mining tools at the Bedford, Pa., plant for the fiscal twelve-month period showed a substantial increase over sales for the previous fiscal year. This improvement was especially outstanding during the last six-month period. Partly responsible for these gains were high production levels in the steel and coal industries.

Another major factor is the increased use of mechanized mine equipment. Efficient operation of continuous coal cutters and other new mining equipment will require an ever-increasing supply of Kennametal cutting tools.

The market for Kennametal rock bits in the metal mining, nonmetallic mining and construction industries has followed a similar pattern of growth.

Direct sales of mining tools were supplemented by appointing additional distributors during the year. This action increases sales coverage and provides additional local warehousing facilities in strategic mining districts. Local warehouses were established in two locations in Pennsylvania, five in West Virginia, two in Kentucky, one in Alabama, one in Michigan, and one in New Mexico.

MACRO DIVISION

Operations at our Macro Division at Port Coquitlam, B.C., Canada are being continued on a limited basis. Activities are being confined to the development of new refining techniques and research and experimental work on various raw materials. The Canadian market provides a substantial potential for the utilization of our various Kennametal products, and it is expected that, in time, this plant will occupy a prominent position in our over-all planning.

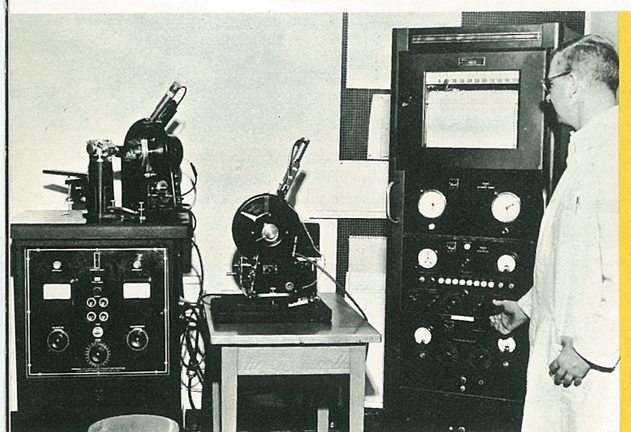
NEVADA SCHEELITE CORP.

The Nevada Scheelite Corp. was incorporated on October 1, 1954, as a wholly-owned subsidiary of Kennametal Inc., to operate the tungsten mine and mill at Rawhide, near Fallon, Nevada, as a successor to Nevada Scheelite Division.

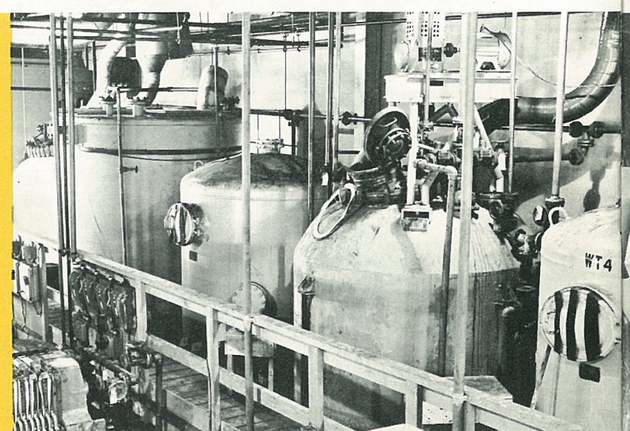
Substantial gains in ore production were recorded for fiscal 1955. Diamond drilling disclosed additional reserves of ore at previously-mined levels and at lower depths.

During the year an inclined shaft was sunk to the depth of 565 feet, completing preparations for tapping the 500-ft. level. Shaft design permits the transfer of both ore and waste on the 200-ft. level, and expedites passage of men and materials into the mine. On the surface, a new 750KW diesel generator was installed to improve the power supply.

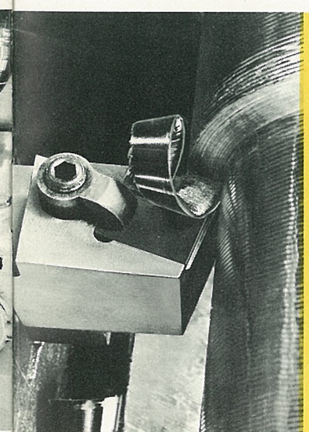
A capital expenditure of $55,000 was made for the construction of a flotation mill at Dead Horse Wells, near the mine, to rework ore waste. This somewhat

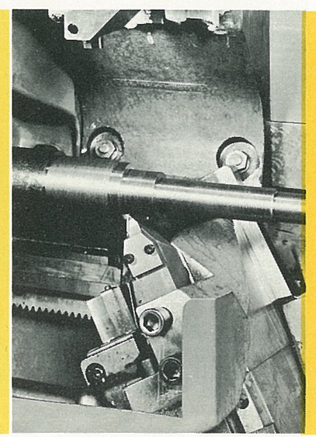


Production of hard carbide metals of uniform quality is a highly specialized art involving processes that must be accurately controlled by means of scientific apparatus. Every mix or batch of Kennametal must pass many metallurgical examinations by skilled technicians.

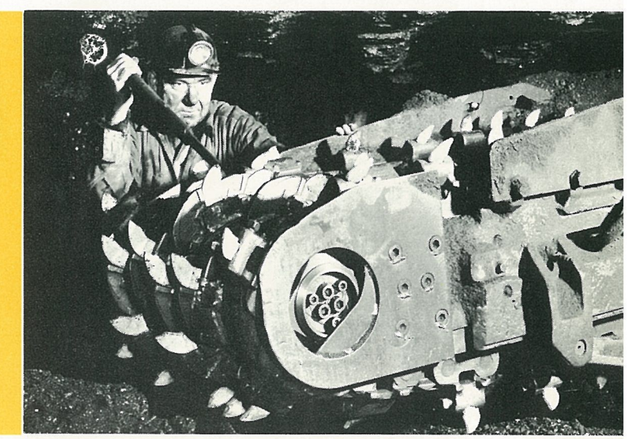


Raw materials containing tungsten, tantalum, columbium, titanium or cobalt are refined at our Kingston Station, Pa. plant to supply our requirements for these ingredients. Complex chemical processes are involved in segregating basic elements from raw materials.





New Kennametal grades and specially-designed tools have been developed to help industry obtain highest productivity from new machines and machining techniques being developed for automatic production lines; also for cutting the newer alloys and metals.



The wider use of continuous mining machines and modern drilling equipment requires an ever-increasing supply of carbide-tipped cutter and drill bits in the coal mining industry. Kennametal drill bits are also used in metal mining, construction, quarrying and related industries.

minor project is expected to be completed in about a year.

Tungsten stockpiles continued to grow in 1954. More than 1,700,000 units of domestically-mined ore have been mined by Nevada Scheelite Corp., and the other producers in the U. S., under the government purchasing program. The 3,000,000 unit goal of this program should be reached, at current production rates, considerably before the June 30, 1958 closing date originally established. Because of these heavy reserves of mined tungsten, Kennametal Inc., declined to join the action of other producers in urging Congress to extend this program.

Diligent field search is being conducted to determine whether other mineral properties can be found to utilize the Nevada Scheelite organization and equipment profitably, should economic conditions require a suspension of tungsten operations.

EXPORTS

Export sales during fiscal 1955 showed considerable expansion in many countries. Kennametal products are used extensively in Europe, Mexico, South America, South Africa and the Far East. Reports from correspondents abroad indicate optimism with respect to the future market for our products.

OTHER ACTIVITIES

Teletype facilities were expanded and mechanized office equipment added, to expedite order service and provide greater flexibility in the use of our inventories. The teletype system now transmits orders between district offices, Latrobe and warehousing points, also between the order and shipping departments at Latrobe, to speed and simplify order processing.

In early 1955 a cadmium plating machine was installed at the Latrobe plant to improve the finish on many products. In addition to an effective and substantial savings in labor, this process gives greater protection to tools against surface corrosion and improves product appearance.

In March 1955, Kennametal increased prices 10% on standard metal-cutting tools and blanks. Other companies now sell at different prices for various compositions they produce, with a range 10% lower for straight tungsten carbide grades to 10% higher for high tantalum grades. Our increase in prices also included mining tools.

During the year a methods training program was conducted for over 50 selected personnel at the Latrobe and Kingston Station plants. As part of the program, each participant submitted a methods-improvement project based on some phase of our operations. Many worthwhile suggestions were received, some of which have already been put into effect.

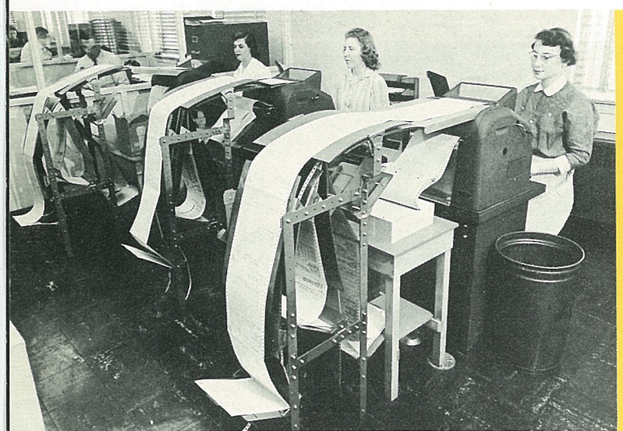
Our "in-plant" training course to help customers' personnel in the selection, use and care of Kennametal tooling was continued. The program was extended to many additional customer plants in the metal working industry.

Sales promotion activities were carried on continuously and included exhibits of our products at the leading metalworking and mining trade shows. Our intensive program to develop new applications for Kennametal was supplemented by advertising in scientific journals and trade magazines reaching research and design engineers.

LOOKING AHEAD

Opportunities for a greatly increased scope of use of our products exist. Your management intends to continue to devote its efforts to tell of the economic advantages of Kennametal. Alert managements are adopting Kennametal along with better machines to reduce labor costs. Wherever wear and tear on tools and machines impede production, we have an opportunity to prove the value of Kennametal.

Hard, intelligent, intensive effort in solving problems where high forces, high temperatures or corrosive conditions must be withstood will, we trust, yield an increasing business for Kennametal.



Modern communications systems and equipment are important factors in Kennametal's service to customers; also in obtaining a satisfactory turnover of inventories. During fiscal 1955, additional specialized equipment was installed to speed order processing and shipments.

Exploration for essential raw materials; also the mining and refining of these materials, is an important part of the Company's activities. Proven ore reserves of Nevada Scheelite Corp. are greater now than when we acquired the property in 1951.

DIRECTORS AND PRINCIPAL EXECUTIVES

PHILIP M. McKENNA, President and Director

ALEX G. McKENNA, Exec. Vice Pres. and Director
DONALD C. McKENNA, Vice Pres. and Director
GEORGE T. KEARNS, Sec.-Treas. and Director
JOHN C. REDMOND, Vice President

GEORGE G. SCHUSTER, Director
BENNETT BURGOON, JR., Sales Manager
EDWIN H. JOHNSON, Manager, Mining Tool Division
WILBUR L. KENNICOTT, Chief Engineer

FRANCIS J. LENNON, General Superintendent
WILLIAM O. TOUHEY, Purchasing Agent
RAY W. SENOGLES, Controller
WILLIAM M. STOLL, Manager, Macro Division

DIVISIONS

REFINING AND METALLURGICAL DIVISION—Kingston Station, Pa.
METALWORKING TOOL DIVISION—Latrobe, Pa.
DETROIT DIVISION—Oak Park, Mich.
MINING TOOL DIVISION—Bedford, Pa.
MACRO DIVISION—Port Coquitlam, British Columbia

SUBSIDIARY

NEVADA SCHEELITE CORP.—Fallon, Nev.

DISTRICT OFFICES AND SALES REPRESENTATIVES

ANDOVER, VA.—Central Supply Co. of Va., Inc.
ATLANTA 8, GA.—70 Fourth St., N.W.
BIRMINGHAM, ALA.—1727 6th Ave., N.
BIRMINGHAM 1, ALA.—Salmon & Co., Inc.
BOISE, IDAHO—M. R. Priest & Sons, Inc.
BUFFALO 11, N. Y.—31 Moeller St.
CHATTANOOGA, TENN.—310 W. 8th St.
CHICAGO 50, ILL.—5830 W. 26th St.
CINCINNATI 37, OHIO—4873 Reading Rd.
CLEVELAND 15, OHIO—2443 Prospect Ave.
DALLAS 7, TEXAS—Engineering Sales Co.
DAYTON 6, OHIO—Room 101, 2676 Salem Ave.
DENVER 4, COLO.—F. J. Leonard Co.
DETROIT 37, MICH.—10201 Capital Ave. (Oak Park)
ERIE, PA.—3615 W. Ridge Rd.
HONOLULU 14, T. H.—Chapson Bros. Ltd.
HOUSTON 1, TEXAS—Engineering Sales Co.
INDIANAPOLIS 8, IND.—2445 N. Meridian St.
IRON MOUNTAIN, MICH.—Champion, Inc.
KANSAS CITY 41, MO.—P. O. Box 1081
LOS ANGELES 58, CALIF.—2600 Leonis Blvd.
MILWAUKEE 3, WISC.—744 N. Fourth St.
MINNEAPOLIS 3, MINN.—605 Wesley Temple Bldg.
ORLANDO, FLA.—Harry P. Leu, Inc.
PHILADELPHIA 40, PA.—3701 N. Broad St.
PITTSBURGH 19, PA.—600 Grant St.
PITTSBURGH 19, PA.—Natl. Mine Service Co.
PORTLAND 9, ORE.—Lindsay Brothers
ROCKFORD, ILL.—2314 Barton Blvd.
ST. LOUIS 8, MO.—Room 202, 4505 Olive St.
SALT LAKE CITY, UTAH—Capitol City Steel Co.
SAN FRANCISCO 27, CALIF.—4095 19th Ave.
SEATTLE 4, WASH.—Campbell Ind. Supply Co.
SPRINGFIELD, MASS.—758 Sumner Ave.
SYRACUSE 2, N. Y.—109 So. Warren St.
TULSA, OKLA.—626 E. Third St.
WHEELING, W. VA.—Pa. & W. Va. Supply Corp.

Sales specialists represent the Metalworking and Mining Divisions in leading industrial centers and in all major coal and non-metallic producing areas.

Foreign sales representatives in: Belgium—Belgian Congo—Brazil—Canada—Chile—Cuba—Denmark—France—Holland—Indonesia—Italy—Japan—Luxembourg—Mexico—Norway—Sweden—Switzerland—Union of South Africa—and Rhodesia.

LEGAL COUNSEL

SMITH, BUCHANAN, INGERSOLL, RODEWALD & ECKERT
Pittsburgh, Pa.

PAUL, LAWRENCE & ROCK
Pittsburgh, Pa.

DES JARDINS, ROBINSON & KEISER
Cincinnati, Ohio

AUDITORS

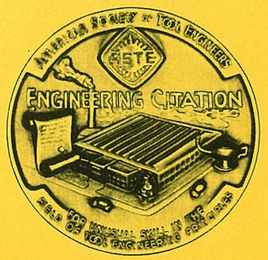
ARTHUR ANDERSEN & CO.
Chicago, Ill.

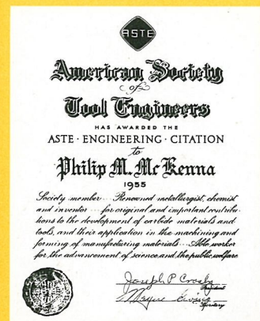
TRANSFER AGENT

MELLON NATIONAL BANK AND TRUST COMPANY
Pittsburgh, Pa.

REGISTRAR

FIDELITY TRUST COMPANY
Pittsburgh, Pa.





ASTE

American Society of Tool Engineers

HAS AWARDED THE

ASTE · ENGINEERING · CITATION

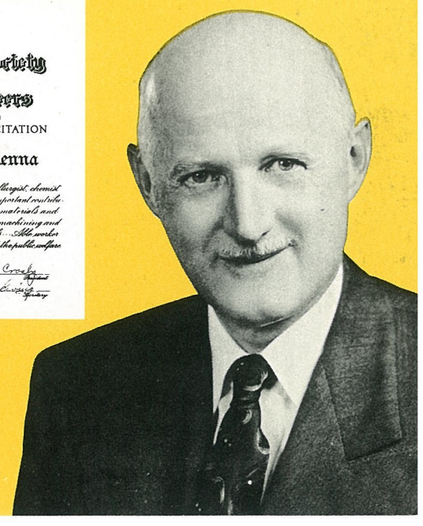
to

Philip M. McKenna

1955

Society member · Renowned metallurgist, chemist and inventor · for original and important contributions to the development of carbide materials and tools, and their application in the machining and forming of manufacturing materials · Able worker for the advancement of science and the public welfare

The American Society of Tool Engineers presented Mr. Philip M. McKenna with its Engineering Citation at the society's annual convention in Los Angeles, March 14-18, 1955.

The award was in recognition of Mr. McKenna's "original and important contributions to the development of carbide materials and tools, and their application in the machining and forming of manufacturing materials." The citation also recognized Mr. McKenna as an "able worker for the advancement of science and the public welfare."

In 1953 Mr. McKenna was honored by the American Society of Mechanical Engineers which presented him with its Holley Medal and invited him to deliver the Henry Robinson Towne Lecture at its annual meeting.