KENNAMETAL INC
Form 10-K
August 13, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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 or organization)	(I.R.S. Employer Identification No.)

World Headquarters
1600 Technology Way
P.O. Box 231

Latrobe, Pennsylvania	15650-0231
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (724) 539-5000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Capital Stock, par value $1.25 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]
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 by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [X] NO [ ]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]

Non-accelerated filer [ ] (Do not check if smaller reporting company) Smaller reporting company [ ]
Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes [ ] No [X]
As of December 31, 2014, the aggregate market value of the registrant's Capital Stock held by non-affiliates of the registrant, estimated solely for the purposes of this Form 10-K, was approximately $2,089,500,000. For purposes of the foregoing calculation only, all directors and executive officers of the registrant and each person who may be deemed to own beneficially more than 5% of the registrant's Capital Stock have been deemed affiliates.
As of July 31, 2015, there were 79,420,596 of the Registrant's Capital Stock outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
Portions of the Proxy Statement for the 2015 Annual Meeting of Shareholders are incorporated by reference into Part III.

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FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. For example, statements about Kennametal's outlook for earnings, sales volumes, and cash flow for its fiscal year 2016, its expectations regarding future growth and any statements regarding future operating or financial performance or events are forward-looking. We have also included forward looking statements in this Form 10-K concerning, among other things, our strategy, goals, plans and projections regarding our financial position, liquidity and capital resources, results of operations, market position, and product development. These statements are based on current estimates that involve inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, our actual results could vary materially from our current expectations. There are a number of factors that could cause our actual results to differ from those indicated in the forward-looking statements. They include: economic recession; availability and cost of the raw materials we use to manufacture our products; our foreign operations and international markets, such as foreign currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability; changes in the regulatory environment in which we operate, including environmental, health and safety regulations; our ability to protect and defend our intellectual property; competition; our ability to retain our management and employees; demands on management resources; potential claims relating to our products; integrating acquisitions and achieving the expected savings and synergies; business divestitures; global or regional catastrophic events; energy costs; commodity prices; labor relations; demand for and market acceptance of new and existing products; and implementation of environmental remediation matters. We provide additional information about many of the specific risks we face in the “Risk Factors” Section of this Annual Report on Form 10-K. We can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

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PART I

ITEM 1 - BUSINESS

OVERVIEW From its founding in 1938, the McKenna family incorporated Kennametal Inc. (sometimes referred to herein as “Kennametal” or “the Company”) in Pennsylvania in 1943. As a global industrial leader, Kennametal delivers productivity solutions to customers seeking peak performance in demanding environments. The Company provides innovative wear-resistant products, application engineering and services backed by advanced material science serving customers across diverse sectors of industrial production, transportation, earthworks, energy, infrastructure and aerospace. Kennametal solutions are built around industry-essential technology platforms, including precision-engineered metalworking tools and components, surface technologies and earth cutting tools that are mission-critical to customer operations battling extreme conditions associated with wear fatigue, corrosion and high temperatures. The Company’s reputation for material and industrial technology excellence, as well as expertise and innovation in the development of custom solutions and services, contributes to its leading position in its primary industrial and infrastructure markets. End users of the Company’s products include manufacturers, metalworking suppliers, machinery operators and processors engaged in a diverse array of industries, including the manufacture of transportation vehicles and systems; machine tool, light machinery and heavy machinery industries; airframe and aerospace components and systems, defense; as well as producers and suppliers in equipment-intensive operations such as coal mining, road construction, quarrying, oil and gas exploration, refining, production and supply.

Our product offering includes a wide selection of standard and customized technologies for metalworking, such as sophisticated metal cutting tools, tooling systems and services, as well as advanced, high-performance materials, such as cemented tungsten carbide products, super alloys, coatings and investment castings to address customer demands. We offer these products through a variety of channels to meet customer-specified needs. We are a leading global supplier of tooling, engineered components and advanced materials consumed in production processes. We believe we are one of the largest global providers of consumable metal cutting tools and tooling supplies.

We specialize in developing and manufacturing metalworking tools and wear-resistant engineered components and coatings using a specialized type of powder metallurgy. Our metalworking tools are made of cemented tungsten carbides, ceramics, cermets and super-hard materials. We also manufacture and market a complete line of tool holders, tool-holding systems and rotary-cutting tools by machining and fabricating steel bars and other metal alloys. In addition, we produce specialized compacts and metallurgical powders, as well as products made from tungsten carbide or other hard materials that are used for custom-engineered and challenging applications, including mining and highway construction, among others. Further, we develop, manufacture and market engineered components and surface technology solutions with proprietary metal cladding capabilities, as well as process technology and materials that focus on component deburring, polishing and effecting controlled radii.

Unless otherwise specified, any reference to a “year” refers to the fiscal year ending on June 30.

BUSINESS SEGMENT REVIEW The Company manages and reports its business in the following two segments: Industrial and Infrastructure. The Company's reportable operating segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities, the manner in which we organize segments for making operating decisions and assessing performance and the availability of separate financial results. Sales and operating income by segment are presented in Management’s Discussion and Analysis of Financial Condition and Results of Operation set forth in Item 7 of this annual report on Form 10-K (MD&A). Additional segment data is provided in Note 19 of our consolidated financial statements set forth in Item 8 of this annual report on Form 10-K (Item 8) which is incorporated herein by reference.

INDUSTRIAL In the Industrial segment, we focus on customers in the transportation, general engineering, aerospace and defense market sectors, as well as the machine tool industry. Our customers in these end markets use our products and services in the manufacture of engines, airframes, automobiles, trucks, ships and other various types of industrial equipment. The technology and customization requirements we provide vary by customer, application and industry. The value we deliver to our Industrial segment customers centers on knowledge of our customers' processes, application expertise and our diverse offering of products and services.

INFRASTRUCTURE In the Infrastructure segment, we focus on customers in the energy and earthworks market sectors who support primary industries such as oil and gas, power generation and chemicals; underground, surface and hard-rock mining; highway construction and road maintenance; and process industries such as food and beverage. Our success is determined by our associates gaining an in-depth understanding of our customers' engineering and development needs, to be able to offer complete system solutions and high-performance capabilities to optimize and add value to their operations.

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INTERNATIONAL OPERATIONS During 2015, we generated approximately 55 percent of our sales in markets outside of the United States of America (U.S.), with principal international operations in Western Europe, Asia, Canada and Latin America. In addition, we operate additional manufacturing and distribution facilities in Israel and South Africa, while serving customers through sales offices, agents and distributors in Eastern Europe and other parts of the world. While geographic diversification helps to minimize the sales and earnings impact of respective demand changes in any one particular region, our international operations are subject to normal risks of doing business globally, including fluctuations in currency exchange rates and changes in social, political and economic environments.

Our international assets and sales are presented in Note 19 of the Company's consolidated financial statements, set forth in Item 8 and are incorporated herein by reference. Further information about the effects and risks of currency exchange rates is presented in the Quantitative and Qualitative Disclosures About Market Risk section, as set forth in Item 7A of this annual report on Form 10-K (Item 7A).

GENERAL DEVELOPMENT OF BUSINESS We began fiscal 2015 within expected performance overall in the first half of the year. However, late in the December quarter end, the Company experienced an abrupt change in customer demand in the oil and gas markets that is expected to continue at least through the first half of fiscal year 2016, coupled with the severe and persistent decline in the earthworks markets. This resulted in significantly lower demand for our products in the energy and earthworks end markets in all major geographic regions. This had a corresponding effect on our sales levels, operating performance and financial results in the latter half of the year.

In response to the impact of the decline in demand for these end markets, we have undertaken and will continue to aggressively implement restructuring and other actions, which include consolidating operations, reducing administrative overhead, leveraging the supply chain, rationalizing certain manufacturing facilities and implementing enterprise-wide and employment-related cost reduction programs. We also have taken, and will continue to take, other specific and targeted steps to maximize cash flow and liquidity. We remain confident in our ability to manage through the markets' downturns and are poised to respond quickly to further changes in the markets while continuing to serve our customers and preserve our competitive strengths. At the same time, we will maintain a sharp focus on cash flow. Further discussion and analysis of the development in our business is set forth in MD&A in Item 7 of this annual report on Form 10-K.

ACQUISITIONS AND DIVESTITURES We continue to evaluate new opportunities for the expansion of existing product lines into new market areas where appropriate. We also continue to evaluate opportunities for the introduction of new and/or complementary product offerings into new and/or existing market areas where appropriate. However, rather than evaluating potential acquisitions in the near term, we expect to continue to grow our business and further enhance our market position through the investment opportunities that exist within our core businesses.

We are currently exploring strategic alternatives for several businesses mostly within the Infrastructure segment, which have total estimated net book values of approximately $170 million to $250 million. Our portfolio review will be ongoing and not a onetime effort.

MARKETING AND DISTRIBUTION To market our products, we maintain two premium brands: Kennametal® and WIDIA®. We sell our products through the following, distinct sales channels: (i) a direct sales force; (ii) a network of independent distributors and sales agents in North America, Europe, Latin America, Asia and other regions around the world; (iii) integrated supply channels; and (iv) via the internet. Application engineers and technicians are critical to the sales process and directly assist our customers with specified product design, selection, application and support.

RAW MATERIALS AND SUPPLIES Major metallurgical raw materials consist of ore concentrates, compounds and secondary materials containing tungsten, tantalum, titanium, niobium and cobalt. Although an adequate supply of these raw materials currently exists, our major sources for raw materials are located abroad and prices fluctuate at times. We have entered into extended raw material supply agreements and will implement product price increases as deemed necessary to mitigate rising costs. For these reasons, we exercise great care in selecting, purchasing and managing availability of raw materials. We also purchase steel bars and forgings for making toolholders and other tool parts, as well as for producing rotary cutting tools and accessories. We obtain products purchased for use in manufacturing processes and for resale from thousands of suppliers located in the U.S. and abroad. Our internal capabilities help mitigate our reliance on third parties for raw materials as they provide access to additional sources of raw materials and offer tungsten carbide recycling capabilities.

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RESEARCH AND DEVELOPMENT Our product development efforts focus on providing solutions to our customers' manufacturing challenges and productivity requirements. Our product development program provides discipline and focus for the product development process by establishing "gateways," or sequential tests, during the development process to remove inefficiencies and accelerate improvements. This program speeds and streamlines development into a series of actions and decision points, combining efforts and resources to produce new and enhanced products faster. This program is designed to assure a strong link between customer requirements and corporate strategy, and to enable us to gain full benefit from our investment in new product development.

We hold a number of patents and trademarks which, in the aggregate, are material to the operation of our businesses. Research and development expenses included in operating expense totaled $45.1 million, $44.0 million and $39.7 million in 2015, 2014 and 2013, respectively.

SEASONALITY Our business is affected by seasonal variations to varying degrees by traditional summer vacation shutdowns of customers' plants and holiday shutdowns that affect our sales levels during the first and second quarters of our fiscal year.

BACKLOG Our backlog of orders generally is not significant to our operations.

COMPETITION As one of the world's leading producers of engineered cemented carbide products and specialty wear-resistant components and coating solutions, we maintain a leading competitive position in major markets worldwide. We strengthen our competitive position by providing additional innovative surface and wear solutions, as well as super-alloy materials and investment casting capabilities. We actively compete in the sale of all our products with several large global competitors and with many smaller niche businesses offering various capabilities to customers around the world. While several of our competitors are divisions of larger corporations, our industry remains largely fragmented, with several hundred fabricators, toolmakers and niche specialty coating businesses. Many of our competitors operate relatively small facilities, producing a limited selection of tools while buying cemented tungsten carbide components from original producers of cemented tungsten carbide products, including Kennametal. We also supply coating solutions and other engineered wear-resistant products to both larger corporations and smaller niche businesses. Given the fragmentation, opportunities for consolidation exist from both U.S.-based and internationally-based firms, as well as among thousands of industrial supply distributors.

The principal competitive differentiators in our businesses include customer focused technical application and support, custom and standard product innovation, product performance, quality and availability, as well as service, pricing and productivity delivered ascribed to our brands. We derive competitive advantage from our premium brand positions, global presence, application expertise and ability to address unique customer needs with new and improved tools, innovative surface and wear solutions, highly engineered components, consistent quality, traditional and digital customer service and technical assistance capabilities, state-of-the-art manufacturing and multiple sales channels. With these strengths, we are able to sell products based on the value-added productivity we deliver to our customers, rather than competing on price.

REGULATION From time to time, we are a party to legal claims and proceedings that arise in the ordinary course of business, which may relate to our operations or assets, including real, tangible, or intellectual property. While we currently believe that the amount of ultimate liability, if any, with respect to these actions will not materially affect our financial position, results of operations or liquidity, the ultimate outcome of any litigation is uncertain. Were an unfavorable outcome to occur or if protracted litigation were to ensue, the impact could be material to us.

Compliance with government laws and regulations pertaining to the discharge of materials or pollutants into the environment or otherwise relating to the protection of the environment did not have a material effect on our capital expenditures or competitive position for the years covered by this report, nor is such compliance expected to have a material effect in the future.

We are involved as a potentially responsible party (PRP) at various sites designated by the United States Environmental Protection Agency (USEPA) as Superfund sites. For certain of these sites, we have evaluated the claims and potential liabilities and have determined that neither are material, individually or in the aggregate. For certain other sites, proceedings are in the very early stages and have not yet progressed to a point where it is possible to estimate the ultimate cost of remediation, the timing and extent of remedial action that may be required by governmental authorities or the amount of our liability alone or in relation to that of any other PRPs.

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Reserves for other potential environmental issues at June 30, 2015 and 2014 were $12.6 million and $11.0 million, respectively. The reserves that we have established for environmental liabilities represent our best current estimate of the costs of addressing all identified environmental situations, based on our review of currently available evidence, and take into consideration our prior experience in remediation and that of other companies, as well as public information released by the USEPA, other governmental agencies, and by the PRP groups in which we are participating. Although the reserves currently appear to be sufficient to cover these environmental liabilities, there are uncertainties associated with environmental liabilities, and we can give no assurance that our estimate of any environmental liability will not increase or decrease in the future. The reserved and unreserved liabilities for all environmental concerns could change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements, technological changes, discovery of new information, the financial strength of other PRPs, the identification of new PRPs and the involvement of and direction taken by the U.S. government on these matters.

We maintain a Corporate Environmental, Health and Safety (EHS) Department to monitor compliance with environmental regulations and to oversee remediation activities. In addition, we have designated EHS coordinators who are responsible for each of our manufacturing facilities. Our financial management team periodically meets with members of the Corporate EHS Department and the Corporate Legal Department to review and evaluate the status of environmental projects and contingencies. On a quarterly basis, we review financial provisions and reserves for environmental contingencies and adjust these reserves when appropriate.

EMPLOYEES We employed approximately 12,700 people at June 30, 2015, of which approximately 4,800 were located in the U.S. and 7,900 in other parts of the world, principally Europe, Asia Pacific and India. At June 30, 2015, approximately 3,300 of the above employees were represented by labor unions. We consider our labor relations to be generally good.

AVAILABLE INFORMATION Our Internet address is www.kennametal.com. On the SEC Filings page of our Web Site, which is accessible under the "About Us" tab, under Investor Relations, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (SEC): our annual report on Form 10-K, our annual proxy statement, our annual Form SD, our annual reports on Form 11-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act). Our SEC Filings page of our Web Site also includes Forms 3, 4 and 5 filed pursuant to Section 16(a) of the Exchange Act. All filings posted on our SEC Filings page of our Web Site are available to be viewed on the Web page free of charge. On the Corporate Governance page of our Web Site, which is under the "About Us" tab, under Investor Relations, we post the following charters and guidelines: Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter, Kennametal Inc. Corporate Governance Guidelines and Kennametal Inc. Stock Ownership Guidelines. On the Ethics and Compliance page of our Web Site, which is under the "About Us" tab, under Company Profile, we post our Code of Business Ethics and Conduct and our Conflict Minerals Statement. All charters and guidelines posted on our Web pages are available to be viewed on our Web page free of charge. Information contained on our Web site is not part of this annual report on Form 10-K or our other filings with the SEC. Copies of this annual report on Form 10-K and those items disclosed on the Corporate Governance and Ethics and Compliance pages of our Web Site are available without charge upon written request to: Investor Relations, Quynh McGuire, Kennametal Inc., 1600 Technology Way, P.O. Box 231 Latrobe, Pennsylvania 15650-0231.

ITEM 1A – RISK FACTORS

This section describes material risks to our business that are currently known to us. Our business, financial condition or results of operations may be materially affected by a number of factors. Our management regularly monitors the risks inherent in our business, with input and assistance from our Enterprise Risk Management department. In addition to real time monitoring, we conduct a formal, annual, enterprise-wide risk assessment to identify factors and circumstances that might present significant risk to the Company. Many of these factors are discussed throughout this report. The risks below, however, are not exhaustive. We operate in a rapidly changing environment. Other risks that we currently believe to be immaterial could become material in the future. We also are subject to legal and regulatory change. New factors can emerge, and it is not possible to predict the outcome of all other factors on our business, financial condition or results of operations. The following discussion details some of the important factors and uncertainties that we believe could cause Kennametal’s actual results to differ materially from those projected in any forward-looking statements:

Downturns in the business cycle could adversely affect our sales and profitability. Our business has historically been cyclical and subject to significant impact from economic downturns. Global economic downturn coupled with global financial and credit market disruptions have had a negative impact on our sales and profitability historically. These events could contribute to weak end markets, a sharp drop in demand and higher costs of borrowing and/or diminished credit availability. Although we believe that the long-term prospects for our business remain positive, we are unable to predict the future course of industry variables or the strength, pace or sustainability of economic recovery and the effects of government intervention.

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There can be no assurance that our restructuring efforts will have the intended effects. We are in the process of implementing restructuring and other actions to improve our manufacturing costs and operating expenses. However, there is no assurance that these actions, or any others that we have taken or may take, will be sufficient to counter any future economic or industry disruptions. We cannot provide assurance that we will not incur additional restructuring charges or impairment charges, or that we will achieve all of the anticipated benefits from restructuring actions we have taken. If we are unable to effectively restructure our operations in the light of evolving market conditions, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our international operations pose certain risks that may adversely impact sales and earnings. We have manufacturing operations and assets located outside of the U.S., including but not limited to those in Western Europe, Brazil, Canada, China, India, Israel and South Africa. We also sell our products to customers and distributors located outside of the U.S. During the year ended June 30, 2015, approximately 55 percent of our consolidated sales were derived from non-U.S. markets. These international operations are subject to a number of special risks, in addition to the risks of our domestic business, including currency exchange rate fluctuations, differing protections of intellectual property, trade barriers, exchange controls, regional economic uncertainty, differing (and possibly more stringent) labor regulations, labor unrest, risk of governmental expropriation, domestic and foreign customs and tariffs, current and changing regulatory environments (including, but not limited to, the risks associated with the importation and exportation of products and raw materials), risk of failure of our foreign employees to comply with both U.S. and foreign laws, including antitrust laws, trade regulations and the Foreign Corrupt Practices Act, difficulty in obtaining distribution support, difficulty in staffing and managing widespread operations, differences in the availability and terms of financing, political instability and unrest and risks of increases in taxes. Also, in some foreign jurisdictions, we may be subject to laws limiting the right and ability of entities organized or operating therein to pay dividends or remit earnings to affiliated companies unless specified conditions are met. To the extent we are unable to effectively manage our international operations and these risks, our international sales may be adversely affected, we may be subject to additional and unanticipated costs, and we may be subject to litigation or regulatory action. As a consequence, our business, financial condition and results of operations could be seriously harmed.

Changes in the regulatory environment, including environmental, health and safety regulations, could subject us to increased compliance and manufacturing costs, which could have a material adverse effect on our business.

Health and Safety Regulations. Certain of our products contain hard metals, including tungsten and cobalt. Hard metal dust is being studied for potential adverse health effects by organizations in several regions throughout the world, including the U.S., Europe and Japan. Future studies on the health effects of hard metals may result in our products being classified as hazardous to human health, which could lead to new regulations in countries in which we operate that may restrict or prohibit the use of, and/or exposure to, hard metal dust. New regulation of hard metals could require us to change our operations, and these changes could affect the quality of our products and materially increase our costs.

Environmental Regulations. We are subject to various environmental laws, and any violation of, or our liabilities under, these laws could adversely affect us. Our operations necessitate the use and handling of hazardous materials and, as a result, we are subject to various federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment, including those governing discharges to air and water, handling and disposal practices for solid and hazardous wastes, the cleanup of contaminated sites and the maintenance of a safe workplace. These laws impose penalties, fines and other sanctions for noncompliance and liability for response costs, property damages and personal injury resulting from past and current spills, disposals or other releases of, or exposure to, hazardous materials. We could incur substantial costs as a result of noncompliance with or liability for cleanup or other costs or damages under these laws. We may be subject to more stringent environmental laws in the future. If more stringent environmental laws are enacted in the future, these laws could have a material adverse effect on our business, financial condition and results of operations.

Regulations affecting the mining and drilling industries or utilities industry. Some of our principal customers are mining and drilling and utility companies. Many of these customers supply coal, oil, gas or other fuels as a source for the production of utilities in the U.S. and other industrialized regions. The operations of these mining and drilling companies are geographically diverse and are subject to or affected by a wide array of regulations in the jurisdictions where they operate, such as applicable environmental laws and regulations governing the operations of utilities. As a result of changes in regulations and laws relating to such industries, our customers' operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with mining, drilling and environmental regulations may also induce customers to discontinue or limit their operations, and may discourage companies from developing new opportunities. As a result of these factors, demand for our mining- and drilling-related products could be substantially affected by regulations adversely impacting the mining and drilling industries or altering the consumption patterns of utilities.

Impairment of goodwill and other intangible assets with indefinite lives could result in a negative impact on our financial condition and results of operations. At June 30, 2015, goodwill and other intangible assets, net of accumulated amortization, totaled $704.1 million or 25% of our total assets. Goodwill results from acquisitions, representing the excess of cost over the fair value of the net tangible and other identifiable intangible assets we have acquired. At a minimum, we assess annually whether there has been impairment in the value of our intangible assets. If future operating performance at one or more of our reporting units were to fall significantly below current levels, we could record, under current applicable accounting rules, a non-cash impairment charge for goodwill or other intangible asset impairment. Any determination requiring the impairment of a significant portion of goodwill or other intangible assets would negatively affect our financial condition and results of operations.

Our continued success depends on our ability to protect and defend our intellectual property. Our future success depends in part upon our ability to protect and defend our intellectual property. We rely principally on nondisclosure agreements and other contractual arrangements and trade secret laws and, to a lesser extent, trademark and patent laws, to protect our intellectual property. However, these measures may be inadequate to protect our intellectual property from infringement by others or prevent misappropriation of our proprietary rights. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do U.S. laws. If one of our patents is infringed upon by a third party, we may need to devote significant time and financial resources to attempt to halt the infringement. We may not be successful in defending the patents involved in such a dispute. Similarly, while we do not knowingly infringe on patents, copyrights or other intellectual property rights owned by other parties, we may be required to spend a significant amount of time and financial resources to resolve any infringement claims against us. We may not be successful in defending our position or negotiating an alternative remedy. Our inability to protect our proprietary information and enforce or defend our intellectual property rights in proceedings initiated by or against us could have a material adverse effect on our business, financial condition and results of operations.

Failure of our information technology infrastructure to operate could adversely affect our business. We rely on information technology infrastructure to achieve our business objectives. Any disruption of this infrastructure could negatively impact our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on business in the normal course. Any such events could cause us to lose customers or revenue and could require us to incur significant expense to remediate.

A security breach of our information technology could also interrupt or damage our operations or harm our reputation. In addition, we could be subject to liability if confidential information relating to customers, suppliers, employees or other parties is misappropriated from our computer system. Despite the implementation of security measures, these systems may be vulnerable to physical break-ins, computer viruses, programming errors or similar disruptive problems.

We operate in a highly competitive environment. Our domestic and foreign operations are subject to significant competitive pressures. We compete directly and indirectly with other manufacturers and suppliers of metalworking tools, engineered components and advanced materials. Some of our competitors are larger than we are and may have greater access to financial resources or be less leveraged than us. In addition, the industry in which our products are used is a large, fragmented industry that is highly competitive.

If we are unable to retain our qualified management and employees, our business may be negatively affected. Our ability to provide high quality products and services depends in part on our ability to retain our skilled personnel in the areas of management, product engineering, servicing and sales. Competition for such personnel is intense, and our competitors can be expected to attempt to hire our management and skilled employees from time to time. In addition, our restructuring activities and strategies for growth have placed, and are expected to continue to place, increased demands on our management’s skills and resources. If we are unable to retain our management team and professional personnel, our customer relationships and level of technical expertise could be negatively affected, which may materially and adversely affect our business.

Any interruption of our workforce, including interruptions due to unionization efforts, changes in labor relations or shortages of appropriately skilled individuals could impact our business.

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Our future operating results may be affected by fluctuations in the prices and availability of raw materials. The raw materials we use for our products include ore concentrates, compounds and secondary materials containing tungsten, tantalum, titanium, niobium and cobalt. A significant portion of our raw materials is supplied by sources outside of the U.S. The raw materials industry as a whole is highly cyclical and at times pricing and supply can be volatile due to a number of factors beyond our control, including natural disasters, general economic and political conditions, labor costs, competition, import duties, tariffs and currency exchange rate fluctuations. This volatility can significantly affect our raw material costs. In an environment of increasing raw material prices, competitive conditions can affect how much of the price increases in raw materials that we can recover in the form of higher sales prices for our products. To the extent we are unable to pass on any raw material price increases to our customers, our profitability could be adversely affected. Furthermore, restrictions in the supply of tungsten, cobalt and other raw materials could adversely affect our operating results. If the prices for our raw materials increase or we are unable to secure adequate supplies of raw materials on favorable terms, our profitability could be impaired. If the prices for our raw materials decrease, we could face product pricing challenges.

Product liability claims could have a material adverse effect on our business. The sale of metalworking, mining, highway construction and other tools and related products as well as engineered components and advanced materials entails an inherent risk of product liability claims. We cannot give assurance that the coverage limits of our insurance policies will be adequate or that our policies will cover any particular loss. Insurance can be expensive, and we may not always be able to purchase insurance on commercially acceptable terms, if at all. Claims brought against us that are not covered by insurance or that result in recoveries in excess of our insurance coverage could have a material adverse affect on our business, financial condition and results of operations.

We may not be able to complete, manage or integrate acquisitions successfully. In the past, we have acquired companies and we may continue to evaluate acquisition opportunities that have the potential to support and strengthen our business. We can give no assurances, however, that any acquisition opportunities will arise or if they do, that they will be consummated, or that additional financing, if needed, will be available on satisfactory terms. In addition, acquisitions involve inherent risks that the businesses acquired will not perform in accordance with our expectations. We may not be able to achieve the synergies and other benefits we expect from the integration of acquisitions as successfully or rapidly as projected, if at all. Our failure to consummate an acquisition or effectively integrate newly acquired operations could prevent us from realizing our expected strategic growth and rate of return on an acquired business and could have a material and adverse effect on our results of operations and financial condition.

Natural disasters or other global or regional catastrophic events could disrupt our operations and adversely affect results. Despite our concerted effort to minimize risk to our production capabilities and corporate information systems and to reduce the effect of unforeseen interruptions to us through business continuity planning, we still may be exposed to interruptions due to catastrophe, natural disaster, pandemic, terrorism or acts of war, which are beyond our control. Disruptions to our facilities or systems, or to those of our key suppliers, could also interrupt operational processes and adversely impact our ability to manufacture our products and provide services and support to our customers. As a result, our business, our results of operations, financial position, cash flows and stock price could be adversely affected.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

Our principal executive offices are located at 1600 Technology Way, P.O. Box 231, Latrobe, Pennsylvania, 15650. A summary of our principal manufacturing facilities and other materially important properties is as follows:

Location	Owned/Leased	Principal Products	Segment
United States:			
Gurley, Alabama	Owned	Metallurgical Powders	Infrastructure
Huntsville, Alabama	Owned	Metallurgical Powders	Infrastructure

Irondale, Alabama	Owned	Custom Fabricated Wear Plate Solutions and Pins	Infrastructure
Madison, Alabama	Owned	Tungsten Heavy Alloy	Infrastructure
Rogers, Arkansas	Owned/Leased	Carbide Products and Pelletizing Die Plates	Infrastructure
University Park, Illinois	Owned	Custom Fabricated Wear Plate Solutions	Infrastructure
Rockford, Illinois	Owned	Indexable Tooling	Industrial
Goshen, Indiana	Leased	Powders; Welding Rods, Wires and Machines	Infrastructure

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Location	Owned/Leased	Principal Products	Segment
New Albany, Indiana	Leased	High Wear Coating for Steel Parts	Infrastructure
Greenfield, Massachusetts	Owned	High-Speed Steel Taps	Industrial
Shelby Township, Michigan	Leased	Thermal Deburring and High Energy Finishing	Industrial
Traverse City, Michigan	Owned	Wear Parts	Industrial
Elko, Nevada	Owned	Custom Fabricated Wear Plate Solutions	Infrastructure
Fallon, Nevada	Owned	Metallurgical Powders	Infrastructure
Asheboro, North Carolina	Owned	Carbide Round Tools	Industrial
Henderson, North Carolina	Owned	Metallurgical Powders	Infrastructure
Roanoke Rapids, North Carolina	Owned	Metalworking Inserts	Industrial
Cleveland, Ohio	Leased	Distribution	Industrial
Orwell, Ohio	Owned	Metalworking Inserts	Industrial
Solon, Ohio	Owned	Metalworking Toolholders	Industrial
Whitehouse, Ohio	Owned	Metalworking Inserts and Round Tools	Industrial
Bedford, Pennsylvania	Owned/Leased	Mining and Construction Tools and Wear Parts and Distribution	Infrastructure
Irwin, Pennsylvania	Owned/Leased	Carbide Wear Parts and Abrasive Flow Machining	Industrial
New Castle, Pennsylvania	Owned/Leased	Specialty Metals and Alloys	Industrial
Waynesboro, Pennsylvania	Owned	Thread Rolling Tooling	Industrial
Johnson City, Tennessee	Owned	Metalworking Inserts	Industrial
La Vergne, Tennessee	Owned	Metalworking Inserts	Industrial
Houston, Texas	Owned	Downhole Drilling Carbide Components	Infrastructure
Chilhowie, Virginia	Owned	Mining and Construction Tools and Wear Parts	Infrastructure
New Market, Virginia	Owned	Metalworking Toolholders	Industrial
International:			
La Paz, Bolivia	Owned	Tungsten Concentrate	Infrastructure
Indaiatuba, Brazil	Leased	Metalworking Carbide Drills and Toolholders	Industrial
Belleville, Canada	Owned	Casting Components, Coatings and Powder Metallurgy Components	Infrastructure
Victoria, Canada	Owned	Wear Parts	Industrial
Baotou, China	Leased	Mining Tools	Infrastructure
Fengpu, China	Owned	Intermetallic Composite Ceramic Powders and Parts	Infrastructure
Shanghai, China	Owned	Powders, Welding Rods and Wires and Casting Components	Infrastructure
Shanghai, China	Owned	Distribution	Industrial
Tianjin, China	Owned	Metalworking Inserts and Carbide Round Tools	Industrial
Xuzhou, China	Leased	Mining Tools	Infrastructure
Ebermannstadt, Germany	Owned	Metalworking Inserts	Industrial
Essen, Germany	Owned	Metallurgical Powders and Wear Parts	Industrial
Holzgünz, Germany	Leased	Electrochemical Machining	Infrastructure
Koblenz, Germany	Owned	Casting Components and Coatings	Infrastructure
Koenigsee, Germany	Leased	Metalworking Carbide Drills	Industrial
Lichtenau, Germany	Owned	Metalworking Toolholders	Industrial
Mistelgau, Germany	Owned	Metallurgical Powders, Metalworking Inserts and Wear Parts	Infrastructure
Nabburg, Germany	Owned	Metalworking Toolholders and Metalworking Round Tools, Drills and Mills	Industrial

Neunkirchen, Germany	Owned	Distribution	Industrial
Schongau, Germany	Owned	Ceramic Vaporizer Boats	Infrastructure
Vohenstrauss, Germany	Owned	Metalworking Carbide Drills	Industrial
Bangalore, India	Owned	Metalworking Inserts and Toolholders and Wear Parts	Industrial
Gurgaon, India	Leased	Coatings	Infrastructure
Shlomi, Israel	Owned	High-Speed Steel and Carbide Round Tools	Industrial
San Giuliano Milanese, Italy	Leased	Indexable Inserts	Industrial

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Location	Owned/Leased	Principal Products	Segment
Pieve Emanuele, Italy	Owned	Investment Casting	Infrastructure
Zory, Poland	Leased	Mining and Construction Conicals	Infrastructure
Boksburg, South Africa	Leased	Mining and Construction Conicals	Infrastructure
Barcelona, Spain	Leased	Metalworking Cutting Tools	Industrial
Kingswinford, United Kingdom	Leased	Distribution	Industrial
Melksham, United Kingdom	Leased	Indexable Inserts Cutter Bodies	Industrial
Newport, United Kingdom	Owned	Intermetallic Composite Powders	Infrastructure

We also have a network of warehouses and customer service centers located throughout North America, Europe, India, Asia Pacific and Latin America, a significant portion of which are leased. The majority of our research and development efforts are conducted in a corporate technology center located adjacent to our world headquarters in Latrobe, Pennsylvania, U.S., as well as in our facilities in Rogers, Arkansas, U.S.; Fuerth, Germany and Essen, Germany.

We use all of our significant properties in the businesses of powder metallurgy, tools, tooling systems, engineered components and advanced materials. Our production capacity is adequate for our present needs. We believe that our properties have been adequately maintained, are generally in good condition and are suitable for our business as presently conducted.

ITEM 3 - LEGAL PROCEEDINGS

The information set forth in Part I, Item 1, of this annual report on Form 10-K under the caption “Regulation” is incorporated into this Item 3. From time to time, we are party to legal claims and proceedings that arise in the ordinary course of business, which may relate to our operations or assets, including real, tangible or intellectual property. Although certain of these actions are currently pending, we do not believe that any individual proceeding is material or that our pending legal proceedings in the aggregate are material to Kennametal.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference into this Part I is the information set forth in Part III, Item 10 under the caption “Executive Officers of the Registrant” of this annual report on Form 10-K.

PART II

ITEM 5 - MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our capital stock is traded on the New York Stock Exchange (symbol KMT). The number of Shareholders of record as of July 31, 2015 was 1,772. Stock price ranges and dividends declared and paid were as follows:

Quarter ended	September 30	December 31	March 31	June 30
Fiscal 2015				
High	$46.76	$42.18	$36.25	$39.91
Low	40.00	33.23	27.63	33.09
Dividends	0.18	0.18	0.18	0.18
Fiscal 2014				
High	$47.95	$52.37	$52.18	$49.24
Low	37.98	43.10	38.85	42.66
Dividends	0.18	0.18	0.18	0.18

The information incorporated by reference in Part III, Item 12 of this annual report on Form 10-K from our 2015 Proxy Statement under the heading “Equity Compensation Plans – Equity Compensation Plan Information” is hereby incorporated by reference into this Item 5.

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PERFORMANCE GRAPH

The following graph compares cumulative total shareholder return on our capital stock with the cumulative total shareholder return on the common stock of the companies in the Standard & Poor’s Mid-Cap 400 Market Index (S&P Midcap 400), the Standard & Poor’s Composite 1500 Market Index (S&P 1500 Composite), the Standard & Poor's Global 1200 Industrials Index (S&P Global 1200 Industrials) and the peer groups of companies determined by us for the period from July 1, 2010 to June 30, 2015.

The Peer Group consists of the following companies: Actuant Corporation; Allegheny Technologies Incorporated; Ametek, Inc.; Carpenter Technology Corporation; Crane Co.; Donaldson Company, Inc.; Dresser-Rand Group Inc.; Flowserve Corporation; Greif; Harsco Corporation; IDEX Corporation; Joy Global Inc.; Lincoln Electric Holdings, Inc.; Pall Corporation; Parker Hannifin Corporation; Sandvik AB, Corp.; Teleflex Incorporated; The Timken Company; and Woodward, Inc.

Assumes $100 Invested on July 1, 2010 and All Dividends Reinvested

	2010	2011	2012	2013	2014	2015
Kennametal	$100.00	$168.30	$133.98	$159.56	$193.21	$145.12
Peer Group Index	100.00	156.09	133.73	157.17	201.31	186.87
S&P Midcap 400	100.00	139.38	136.13	170.42	213.43	227.08
S&P 1500 Composite	100.00	131.64	137.74	166.84	208.05	223.27
S&P Global 1200 Industrials	100.00	137.35	122.99	148.16	186.63	183.16

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ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [(2)]
April 1 through April 30, 2015	577	$ 33.54	—	10,100,100
May 1 through May 31, 2015	11,969	38.42	—	10,100,100
June 1 through June 30, 2015	24,165	34.22	—	10,100,100
Total	36,711	$ 35.58	—	

(1) During the fourth quarter of 2015, 1,995 shares were purchased on the open market on behalf of Kennametal to fund the Company's dividend reinvestment program. Also, during the current period employees delivered 24,742 shares of restricted stock to Kennametal, upon vesting, to satisfy tax withholding requirements and 9,974 shares of Kennametal stock as payment for the exercise price of stock options.

(2) On July 25, 2013, the Company publicly announced an amended repurchase program for up to 17 million shares of its outstanding capital stock.

UNREGISTERED SALES OF EQUITY SECURITIES

None.

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ITEM 6 - SELECTED FINANCIAL DATA

		2015	2014	2013	2012	2011
OPERATING RESULTS (in thousands)						
Sales		$2,647,195	$2,837,190	$2,589,373	$2,736,246	$2,403,493
Cost of goods sold		1,841,202	1,940,187	1,744,369	1,741,996	1,519,102
Operating expense		554,895	589,768	527,850	561,490	538,530
Restructuring and asset impairment charges	(1)	582,235	17,608	—	—	12,586
Interest expense		31,466	32,451	27,472	27,215	22,760
(Benefit) provision for income taxes		(16,654)	66,611	59,693	79,136	63,856
(Loss) income from continuing operations attributable to Kennametal		(373,896)	158,366	203,265	307,230	229,727
Net (loss) income attributable to Kennametal		(373,896)	158,366	203,265	307,230	229,727
FINANCIAL POSITION (in thousands)						
Working capital		$775,802	$962,440	$1,031,880	$704,340	$446,064
Total assets		2,849,529	3,868,086	3,301,039	3,034,188	2,754,469
Long-term debt, including capital leases, excluding current maturities		735,885	981,666	703,626	490,608	1,919
Total debt, including capital leases and notes payable		751,587	1,061,783	747,945	565,745	312,882
Total Kennametal shareholders' equity		1,345,807	1,929,256	1,781,826	1,643,850	1,638,072
PER SHARE DATA ATTRIBUTABLE TO KENNAMETAL SHAREHOLDERS						
Basic (loss) earnings from continuing operations	(2)	$(4.71)	$2.01	$2.56	$3.83	$2.80
Basic (loss) earnings	(2)	(4.71)	2.01	2.56	3.83	2.80
Diluted (loss) earnings from continuing operations	(2)	(4.71)	1.99	2.52	3.77	2.76
Diluted (loss) earnings	(2)	(4.71)	1.99	2.52	3.77	2.76
Dividends		0.72	0.72	0.64	0.54	0.48
Book value (at June 30)		16.96	24.52	22.89	20.53	20.19
Market Price (at June 30)		34.12	46.28	38.83	33.15	42.21
OTHER DATA (in thousands, except number of employees)						
Capital expenditures		$100,939	$117,376	$82,835	$103,036	$83,442
Number of employees (at June 30)		12,718	13,521	12,648	12,932	11,612
Basic weighted average shares outstanding		79,342	78,678	79,463	80,216	82,063
Diluted weighted average shares outstanding		79,342	79,667	80,612	81,439	83,173
KEY RATIOS						
Sales growth		(6.7)%	9.6%	(5.4)%	13.8%	27.6%
Gross profit margin		30.4	31.6	32.6	36.3	36.8
Operating margin	(3)	(13.5)	9.3	11.4	15.2	13.4

(1) In 2015, the charges related to impairments of $536.2 million for Infrastructure goodwill and an Infrastructure indefinite-lived trademark intangible asset, restructuring charges of $40.5 million and an impairment of $5.5 million for Infrastructure contract-based technology intangible asset. In 2014 and 2011, the charges related to restructuring activity.

(2) In 2015, basic and diluted loss per share included $6.09 per share related to Infrastructure goodwill and other intangible asset impairment charges.

(3) In 2015, operating margin included $536.2 million of Infrastructure goodwill and other intangible asset impairment charges.

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ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with the consolidated financial statements of Kennametal Inc. and the related financial statement notes. Unless otherwise specified, any reference to a “year” is to a fiscal year ended June 30. Additionally, when used in this annual report on Form 10-K, unless the context requires otherwise, the terms “we,” “our” and “us” refer to Kennametal Inc. and its subsidiaries.

OVERVIEW As a global industrial leader, Kennametal Inc. delivers productivity solutions to customers seeking peak performance in demanding environments. We provide innovative wear-resistant products, application engineering and services backed by advanced material science serving customers across diverse sectors of industrial production, transportation, earthworks, energy, infrastructure and aerospace. Our solutions are built around industry-essential technology platforms, including precision-engineered metalworking tools and components, surface technologies and earth cutting tools that are mission-critical to customer operations battling extreme conditions associated with wear fatigue, corrosion and high temperatures. The Company's reputation for material and industrial technology excellence, as well as expertise and innovation in development of custom solutions and services, contributes to our leading position in our primary industrial and infrastructure markets. End users of our products include manufacturers, metalworking suppliers, machinery operators and processors engaged in a diverse array of industries, including the manufacture of transportation vehicles and systems; machine tool, light machinery and heavy machinery industries; airframe and aerospace components and systems; defense; as well as producers and suppliers in equipment-intensive operations such as coal mining, road construction, quarrying, oil and gas exploration, refining, production and supply. We believe we are one of the largest global providers of consumable metal cutting tools and tooling supplies.

For 2015, sales were $2,647.2 million, a decrease of 6.7 percent compared to prior year sales of $2,837.2 million, driven by organic sales decline and unfavorable currency exchange, offset partially by prior year net acquisition and divestiture activity. Operating loss was $357.8 million. The operating loss was driven by non-cash goodwill and other intangible asset impairment charges in the Infrastructure segment of $536.2 million, organic sales decline and unfavorable mix in Infrastructure, offset partially by restructuring benefits. The Company reported loss per diluted share of $4.71 in 2015.

We generated cash flow from operating activities of $351.4 million in the current year, driven by improved working capital management. We have actively managed our capital structure by decreasing our debt by $310.2 million and by returning $57.0 million to Shareholders through dividends. In addition, we made capital expenditures of $100.9 million during the year.

We invested further in technology and innovation to continue delivering a high level of new products to our customers. Research and development expenses included in operating expense totaled $45.1 million for 2015. In addition, we generated approximately 46 percent of our sales from new products in fiscal year 2015.

During 2015, the Company experienced an abrupt change in customer demand in the oil and gas markets that is expected to continue at least through the first half of fiscal year 2016, coupled with the severe and persistent decline in the earthworks markets. This has had a corresponding effect on our projected sales levels and operating performance in our Infrastructure segment. As a result of these declining economic conditions, total non-cash pre-tax impairment charges of $536.2 million, or $6.09 per share were recorded in the Infrastructure segment. See Note 2 in our consolidated financial statements set forth in Part II Item 8 of this Annual Report on Form 10-K (Note 2) for a description of goodwill and other intangible assets.

The permanent savings that we are realizing from restructuring are the result of programs that we have undertaken over the past 21 months. Pre-tax benefits from these restructuring actions reached approximately $35 million in 2015 due to rationalization of certain manufacturing facilities and employment and cost reduction programs, of which approximately $32 million were incremental to prior year.

RESTRUCTURING AND RELATED CHARGES AND SAVINGS

	Estimated Charges	Current Year Charges	Charges To Date	Estimated Annualized Savings	Approximate Current Year	Approximate Savings To	Expected Completion

					Savings	Date	Date
Phase 1	$55M-$60M	$33M	$52M	$50M-$55M	$28M	$30M	6/30/2016
Phase 2	$90M-$100M	$24M	$24M	$40M-$50M	$7M	$7M	12/31/2016
Phase 3	$40M-$45M	$1M	$1M	$25M-$30M	—	—	3/31/2017
Total	$185M-$205M	$58M	$77M	$115M-$135M	$35M	$37M	

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RESULTS OF CONTINUING OPERATIONS

SALES Sales of $2,647.2 million in 2015 decreased 6.7 percent from $2,837.2 million in 2014 reflecting a 5 percent organic sales decline and a 4 percent unfavorable currency exchange impact, offset by 2 percent net increase from prior year acquisition and divestiture activity. Sales decreased by 10 percent in the Infrastructure segment and 4 percent in the Industrial segment. Drivers of the sales decrease, excluding the impact of currency exchange, were earthworks of 10 percent, energy markets of 10 percent, aerospace and defense of 6 percent, transportation of 1 percent and general engineering of 1 percent.

Sales of $2,837.2 million in 2014 increased 9.6 percent from $2,589.4 million in 2013 reflecting an 8 percent increase from the Tungsten Materials Business (TMB) acquisition and a 2 percent organic increase. Sales increased by 4 percent in the Industrial segment and decreased by 1 percent in the Infrastructure segment. Drivers of the sales increase, excluding TMB, were general engineering of 7 percent, transportation of 5 percent, energy markets of 4 percent, partially offset by sales declines in earthworks of 5 percent and aerospace and defense of 4 percent.

GROSS PROFIT Gross profit decreased $91.0 million to $806.0 million in 2015 from $897.0 million in 2014. This decrease was primarily due to organic sales decline, unfavorable currency exchange and unfavorable business mix in the Infrastructure segment, offset partially by restructuring benefits, contributions from the TMB acquisition and the benefit of a nonrecurring inventory charge of $6.4 million that occurred in the prior year. The gross profit margin for 2015 was 30.4 percent compared to 31.6 percent in 2014.

Gross profit increased $52.0 million to $897.0 million in 2014 from $845.0 million in 2013. This increase was primarily due to the effects of owning TMB for eight months, organic sales growth of $44.6 million and favorable raw material pricing, partially offset by higher employment costs and a nonrecurring inventory charge of $6.4 million. The gross profit margin for 2014 was 31.6 percent compared to 32.6 percent in 2013.

OPERATING EXPENSE Operating expense in 2015 was $554.9 million, a decrease of $34.9 million, or 5.9 percent, compared to $589.8 million in 2014. The decrease is primarily due to foreign currency exchange impacts of $24.7 million, restructuring benefits and the impact of cost reduction initiatives, offset partially by annual merit increase.

Operating expense in 2014 was $589.8 million, an increase of $61.9 million, or 11.7 percent, compared to $527.9 million in 2013. The increase is primarily due to operating expense of $28.8 million related to eight months of owning TMB, $22.2 million increase in employment costs, mostly related to annual merit increase and sales compensation, acquisition-related charges of $7.5 million and unfavorable currency exchange rates of $2.0 million.

RESTRUCTURING AND RELATED CHARGES AND ASSET IMPAIRMENT CHARGES

Restructuring and Related Charges

During 2015, we recorded restructuring and related charges of $58.1 million. Of this amount, restructuring charges totaled $42.1 million, of which $1.5 million were charges related to inventory disposals and were recorded in cost of goods sold. Restructuring-related charges of $8.2 million were recorded in cost of goods sold and $7.8 million in operating expense during 2015. Total restructuring and related charges since the inception of our restructuring plans through 2015 were $77.2 million. See Note 14 in our consolidated financial statements set forth in Part II Item 8 of this Annual Report on Form 10-K (Note 14).

During 2014, we recorded restructuring and related charges of $19.1 million. Of this amount, restructuring charges totaled $17.8 million, of which $0.2 million were charges related to inventory disposals and were recorded in cost of goods sold. Restructuring-related charges of $1.2 million were recorded in cost of goods sold and $0.1 million in operating expense during 2015. See Note 14.

During 2013, there were no restructuring and related charges recorded.

Phase 1

We are implementing restructuring actions to achieve synergies across Kennametal as a result of the TMB acquisition by consolidating operations among both organizations, reducing administrative overhead and leveraging the supply chain. These restructuring actions are expected to be completed by the end of fiscal 2016 and are anticipated to be mostly cash expenditures.

Phase 2

We are implementing restructuring actions to streamline the Company's cost structure. These initiatives are expected to enhance operational efficiencies through the rationalization of certain manufacturing facilities as well as other employment and cost reduction programs. These restructuring actions are expected to be completed by December of fiscal 2017 and are anticipated to be mostly cash expenditures.

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Phase 3
We are implementing restructuring actions to further enhance operational efficiencies through an enterprise-wide cost reduction program as well as the consolidation of certain manufacturing facilities. These restructuring actions are expected to be completed by March of fiscal 2017 and are anticipated to be mostly cash expenditures.
Asset Impairment Charges
We have recorded non-cash pre-tax asset impairment charges of $541.7 million during 2015. During 2014 and 2013, there were no asset impairment charges. See Note 2.
AMORTIZATION OF INTANGIBLES Amortization expense was $26.7 million, $26.2 million and $20.8 million in 2015, 2014 and 2013, respectively. The increase of amortization expense in 2014 of $5.4 million or 26.2 percent was due to eight months of amortization of intangibles related to the TMB acquisition.
INTEREST EXPENSE Interest expense decreased $1.0 million to $31.5 million in 2015, compared with $32.5 million in 2014 due to lower average borrowings throughout the current period. The portion of our debt subject to variable rates of interest was approximately 7 percent and 34 percent at June 30, 2015 and 2014, respectively. The decrease in the portion of our debt subject to variable rates was due to the decrease in the balance outstanding on our revolving credit facility.
Interest expense increased $5.0 million to $32.5 million in 2014, compared with $27.5 million in 2013 due to increased borrowings to fund the TMB acquisition. The portion of our debt subject to variable rates of interest was approximately 34 percent and 6 percent at June 30, 2014 and 2013, respectively. The increase in the portion of our debt subject to variable rates was due to the increase in the balance outstanding on our revolving credit facility.
OTHER (INCOME) EXPENSE, NET In 2015, other income, net was $1.7 million compared to other expense, net of $2.2 million in 2014. The year over year change is due primarily to gains on derivatives in the current year.
In 2014, other expense, net was $2.2 million compared to other expense, net of $2.3 million in 2013.
INCOME TAXES The effective tax rate for 2015 was 4.3 percent (benefit on a loss) compared to 29.1 percent (provision on income) for 2014. The change in the effective rate from 2014 to 2015 was primarily driven by the asset impairment charges recorded in the current year, non-deductible restructuring and divestiture costs recorded in the prior year and charges related to a change in assertion with respect to certain foreign subsidiaries' undistributed earnings which are no longer considered permanently reinvested. All earnings of other non U. S. subsidiaries are permanently reinvested and no deferred taxes have been provided on those earnings.
The effective tax rate for 2014 was 29.1 percent compared to 22.4 percent for 2013. The change in the effective rate from 2013 to 2014 was primarily driven by a $7.2 million tax charge related to a change in assertion of a foreign subsidiary’s certain undistributed earnings, which are no longer considered permanently reinvested. This change in assertion is related to the repatriation of $57.0 million. All earnings of other non U.S. subsidiaries are permanently reinvested and no deferred taxes have been provided on those earnings. In addition to this tax charge, the 2014 rate increased due to non-deductible restructuring and divestiture costs, and expiration of the credit for increasing research activities.
(LOSS) INCOME ATTRIBUTABLE TO KENNAMETAL SHAREHOLDERS Loss attributable to Kennametal Shareholders was $373.9 million, or $4.71 per diluted share, in 2015, compared to income of $158.4 million, or $1.99 per diluted share, in 2014. The decrease in (loss) income from continuing operations was a result of the factors previously discussed.
Income from continuing operations attributable to Kennametal Shareholders was $158.4 million or $1.99 per diluted share, in 2014, compared to $203.3 million, or $2.52 per diluted share, in 2013. The decrease in income from continuing operations was a result of the factors previously discussed.

BUSINESS SEGMENT REVIEW We operate two reportable operating segments consisting of Industrial and Infrastructure. Corporate expenses that are not allocated are reported in Corporate. Segment determination is based upon internal organizational structure, the manner in which we organize segments for making operating decisions and assessing performance and the availability of separate financial results.

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INDUSTRIAL

(in thousands)	2015	2014	2013
External sales	$1,461,744	$1,524,075	$1,386,690
Operating income	160,894	177,040	192,828

External sales of $1,461.7 million in 2015 decreased by $62.3 million, or 4 percent, from 2014. The decrease in sales is attributable to unfavorable currency exchange impact of 5 percent, offset partially by an increase of 1 percent due to prior year net acquisition and divestiture activity. Excluding the impact of currency exchange, sales increased in both general engineering and transportation by approximately 2 percent while the aerospace and defense served markets decreased approximately 4 percent and energy decreased approximately 6 percent. In general engineering, sales growth in the indirect channel was partially offset by weak demand in the energy market due to the downturn in the oil and gas markets. Transportation end market sales increased due to strong growth in Asia from our component solutions focus, partially offset by fewer new tooling programs sales in the Americas and slower market conditions in Europe. Sales in aerospace and defense declined due to our decision to exit certain low margin business. On a regional basis, excluding impacts of acquisition and divestiture, sales increased by approximately 8 percent in Asia and remained flat in the Americas, while sales decreased 2 percent in Europe. The sales increase in Asia was driven primarily by transportation and to a lesser extent aerospace and defense and general engineering. The Americas sales benefited from increases in general engineering, offset by decreases in aerospace and defense and transportation. The sales decrease in Europe was driven primarily by aerospace and defense and to a lesser extent transportation.

In 2015, Industrial operating income was $160.9 million and decreased by $16.1 million from 2014. The primary drivers of the decrease in operating income were increased restructuring and related charges of $16.6 million and lower absorption of manufacturing costs due to an inventory reduction initiative, offset partially by the impact of acquisition, restructuring benefits and decreased operating expense as a result of cost reduction efforts. Industrial operating margin was 11.0 percent compared with 11.6 percent in the prior year.

External sales of $1,524.1 million in 2014 increased by $137.4 million, or 10 percent, from 2013. The increase in sales was attributed to the impact of acquisition of 5 percent, organic sales increase of 4 percent and the impact of more business days of 1 percent. Sales increased in all served market sectors and geographies. Excluding TMB, sales increased in both general engineering and transportation by approximately 7 percent while the aerospace and defense served markets increased slightly. General engineering increased due to improvements in production and overall demand for machinery and demand in distribution channels. The transportation market benefited from increased demand in the light vehicle markets world-wide. On a regional basis, excluding TMB, sales increased by approximately 9 percent in Asia, 6 percent in Europe and 2 percent in the Americas. The Americas sales were dampened by the weather impacts in North America. The sales increase in Asia was driven by general engineering followed by transportation and to a lesser extent aerospace and defense. The sales increase in Europe was driven by both transportation and general engineering and the Americas was driven by general engineering and to a lesser extent transportation.

In 2014, Industrial operating income was $177.0 million and decreased by $15.8 million from 2013. The primary drivers of the decrease in operating income were restructuring and related charges of $13.2 million; the dilutive effects of eight months of TMB base operations of $9.8 million, which included purchase accounting impacts of $13.4 million; higher employment costs and acquisition-related charges of $2.9 million, partially offset by the margin impact of higher organic sales. Industrial operating margin was 11.6 percent compared with 13.9 percent in the prior year.

INFRASTRUCTURE

(in thousands)	2015	2014	2013
External sales	$1,185,451	$1,313,115	$1,202,683
Operating (loss) income	(509,381)	94,940	111,453

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External sales of $1,185.5 million in 2015 decreased by $127.7 million, or 10 percent, from 2014. The decrease in sales was attributed to organic sales decline of 11 percent and unfavorable currency exchange impact of 4 percent, offset partially by the impact of acquisition of 5 percent. Excluding the impact of currency exchange, sales decreased approximately 11 percent in the energy market and approximately 10 percent in the earthworks markets. The energy market was impacted by the severe downturn in oil and gas markets. In the earthworks market, underground mining remained weak throughout 2015, while construction sales were down in all regions, particularly in Europe and Asia due to lower infrastructure project work year over year. General industrial sales decreased, tied largely to the impacts of the downturn in oil and gas markets, while weakness in machine demand resulted in lower surface finishing sales. On a regional basis, excluding impacts of acquisition, sales decreased 12 percent in Asia, 10 percent in Europe and 9 percent in the Americas. The sales decreases in all geographic regions were driven by the energy markets and the earthworks market.

In 2015, Infrastructure operating loss in 2015 was $509.4 million, a decrease of $604.3 million from 2014 operating income of $94.9 million. In addition to the previously mentioned impairment charges of $536.2 million, operating results for the current period were negatively impacted by lower organic sales, higher restructuring and related charges of $17.7 million, lower manufacturing absorption due to lower sales volumes and an inventory reduction initiative and unfavorable mix, partly offset by the impacts of the TMB acquisition and restructuring benefits. Prior year operating income included a non-recurring inventory charge of $6.4 million.

The further acceleration or extended persistence of the current downturn in the global end markets could have a further negative impact on our business and financial performance. We are currently exploring strategic alternatives for several businesses mostly within the Infrastructure segment, which have total estimated net book values of approximately $170 million to $250 million as of June 30, 2015. As the strategic direction has not yet been determined for these businesses, the Company cannot determine if additional impairment charges will be incurred.

External sales of $1,313.1 million in 2014 increased by $110.4 million, or 9 percent, from 2013. The increase in sales was attributed to the impact of acquisition of 10 percent, partially offset by an organic sales decrease of 1 percent. Excluding TMB, the energy market had sales growth of 4 percent, which was offset by the decrease of 6 percent in the earthworks markets. Energy sales improved year over year reflecting improved demand in oil and gas drilling activity, coupled with continued gains in the production, completion and process applications. Earthworks sales declined from persistently weak underground coal and surface mining markets globally, as well as weaker road construction activity. On a regional basis, excluding TMB, sales grew 2 percent in Europe, offset by decreased sales of approximately 5 percent in Asia and 3 percent in the Americas. The sales increase in Europe was driven by the energy markets and a slightly favorable earthworks market. The sales decrease in Asia was driven by the earthworks market, which overshadowed the positive growth in the energy markets, while the Americas sales decline was due to the earthworks market and to a slightly lesser extent the energy markets.

In 2014, Infrastructure operating income decreased $16.5 million from 2013. The primary drivers of the decrease in operating income were lower organic sales, a nonrecurring physical inventory adjustment of $6.4 million, lower absorption of fixed manufacturing costs, restructuring and related charges of $5.9 million, acquisition-related charges of $4.7 million and higher employment costs, partially offset by TMB's operating income contribution of $2.6 million and continued cost discipline. Infrastructure operating margin decreased to 7.2 percent from 9.3 percent in the prior year.

CORPORATE

(in thousands)	2015	2014	2013
Corporate unallocated expense	$(9,336)	$(8,548)	$(7,887)

In 2015, Corporate unallocated expense increased $0.8 million, or 9.2 percent, from 2014, primarily due to restructuring-related charges in the current period. In 2014, Corporate unallocated expense increased $0.7 million, or 8.4 percent, from 2013.

LIQUIDITY AND CAPITAL RESOURCES Cash flow from operations is the primary source of funding for capital expenditures and internal growth. During the year ended June 30, 2015, cash flow provided by operating activities was $351.4 million.

Our five-year, multi-currency, revolving credit facility (2011 Credit Agreement) is used to augment cash from operations and as an additional source of funds. The 2011 Credit Agreement permits revolving credit loans of up to $600.0 million for working capital, capital expenditures and general corporate purposes. The 2011 Credit Agreement allows for borrowings in U.S. dollars, euro, Canadian dollars, pound sterling and Japanese yen. Interest payable under the 2011 Credit Agreement is based upon the type of borrowing under the facility and may be (1) LIBOR plus an applicable margin, (2) the greater of the prime rate or the Federal Funds effective rate plus an applicable margin or (3) fixed as negotiated by us. The 2011 Credit Agreement matures in April 2018. We had outstanding borrowings on our 2011 Credit Agreement of $42.8 million as of June 30, 2015.

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The 2011 Credit Agreement requires us to comply with various restrictive and affirmative covenants, including two financial covenants: a maximum leverage ratio and a minimum consolidated interest coverage ratio (as those terms are defined in the agreement). We were in compliance with all covenants as of June 30, 2015. For the year ended June 30, 2015, average daily borrowings outstanding under the 2011 Credit Agreement were approximately $189.7 million. Borrowings under the 2011 Credit Agreement are guaranteed by our significant domestic subsidiaries.

Additionally, we obtain local financing through credit lines with commercial banks in the various countries in which we operate. At June 30, 2015, these borrowings amounted to $7.6 million of notes payable and $1.8 million of term debt, capital leases and other debt. We believe that cash flow from operations and the availability under our credit lines will be sufficient to meet our cash requirements over the next 12 months.

Based upon our debt structure at June 30, 2015 and 2014, approximately 7 percent and 34 percent of our debt, respectively, was exposed to variable rates of interest. The decrease in the portion of our debt subject to variable rates was due to the decrease in the balance outstanding on our 2011 Credit Agreement.

Except as noted below, we consider the unremitted earnings of our non-U.S. subsidiaries that have not previously been taxed in the U.S. to be permanently reinvested. As of June 30, 2015, cash and cash equivalents of $42.0 million would not be available for use in the U.S. on a long-term basis without incurring U.S. federal and state income tax consequences. We have not repatriated, nor do we anticipate the need to repatriate, funds to the U.S. to satisfy domestic liquidity needs arising in the ordinary course of business or associated with our domestic debt service requirements. Notwithstanding the above, we redeployed cash from certain non-U.S. subsidiaries for U.S. and foreign debt reduction of $100.2 million during the fourth quarter of 2015. We recorded a tax charge of $2.9 million related to this cash redeployment. The remaining undistributed earnings of our foreign subsidiaries continue to be permanently reinvested and would not be available for use in the U.S. on a long term basis without incurring U.S. federal and state income tax consequences.

At June 30, 2015, we had cash and cash equivalents of $105.5 million. Total Kennametal Shareholders' equity was $1,345.8 million and total debt was $751.6 million. Our current senior credit ratings are at investment grade levels. We believe that our current financial position, liquidity and credit ratings provide us access to the capital markets. We continue to closely monitor our liquidity position and the condition of the capital markets, as well as the counterparty risk of our credit providers.

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The following is a summary of our contractual obligations and other commercial commitments as of June 30, 2015 (in thousands):

Contractual Obligations		Total	2016	2017-2018	2019-2020	Thereafter
Long-term debt	(1)	$866,042	$30,692	$79,847	$444,123	$311,380
Notes payable	(2)	7,721	7,721	—	—	—
Pension benefit payments		(3)	55,365	100,168	107,909	(3)
Postretirement benefit payments		(3)	2,237	4,095	3,568	(3)
Capital leases	(4)	1,900	76	1,824	—	—
Operating leases		111,008	24,821	29,937	18,005	38,245
Purchase obligations	(5)	376,370	157,842	158,774	29,877	29,877
Unrecognized tax benefits	(6)	15,274	12,156	—	—	3,118
Total			$290,910	$374,645	$603,482	

(1) Long-term debt includes interest obligations of $123.6 million. Interest obligations were determined assuming interest rates as of June 30, 2015
remain constant.

(2) Notes payable includes interest obligations of $0.1 million. Interest obligations were determined assuming interest rates as of June 30, 2015 remain constant.

(3) Annual payments are expected to continue into the foreseeable future at the amounts noted in the table.

(4) Capital leases include interest obligations of $0.1 million.

(5) Purchase obligations consist of purchase commitments for materials, supplies and machinery and equipment as part of the ordinary conduct of business. Purchase obligations with variable price provisions were determined assuming market prices as of June 30, 2015 remain constant.

(6) Unrecognized tax benefits are positions taken or expected to be taken on an income tax return that may result in additional payments to tax authorities. These amounts include interest of $0.5 million and penalty of $0.2 million accrued related to such positions as of June 30, 2015. The amount included for 2016 is expected to be settled within the next twelve months. The remaining amount of unrecognized tax benefits is included in the ‘Thereafter’ column as we are not able to reasonably estimate the timing of potential future payments of the total amount included in the 'Thereafter' column. $11.9 million of income tax credits would be available in the U.S. to offset the payment if made to the relevant tax authority. If a tax authority agrees with the tax position taken or expected to be taken or the applicable statute of limitations expires, then additional payments will not be necessary.

Other Commercial Commitments	Total	2016	2017-2018	2019-2020	Thereafter
Standby letters of credit	$15,237	$15,237	$—	$—	$—
Guarantees	26,695	15,480	500	249	10,466
Total	$41,932	$30,717	$500	$249	$10,466

The standby letters of credit relate to insurance and other activities. The guarantees are non-debt guarantees with financial institutions, which are required primarily for security deposits, product performance guarantees and advances.

Cash Flow Provided by Operating Activities

During 2015, cash flow provided by operating activities was $351.4 million, compared to $271.9 million in 2014. During 2015, cash flow provided by operating activities for the current year consisted of net income and non-cash items amounting to $279.1 million and changes in certain assets and liabilities netting to $72.4 million. These changes were primarily driven by a decrease in inventory of $70.9 million due to improved working capital management, a decrease in accounts receivable of $46.6 million due to lower sales volume and a decrease in accounts payable and accrued liabilities of $8.2 million.

During 2014, cash flow provided by operating activities was $271.9 million, compared to $284.2 million in 2013. During 2014, cash flow provided by operating activities for the current year consisted of net income and non-cash items amounting to $338.7 million, offset by changes in certain assets and liabilities netting to $66.8 million. These changes were primarily driven by an increase in accounts receivable of $45.0 million due to higher sales volumes and a decrease in accrued income taxes of $12.5 million.

During 2013, cash flow provided by operating activities was $284.2 million. Cash flow provided by operating activities consisted of net income and non-cash items amounting to $344.7 million, offset by changes in certain assets and liabilities netting to $60.6 million. These changes were primarily driven by, a decrease in accounts payable and accrued liabilities of $90.4 million, primarily driven by lower accounts payable and a decrease in accrued bonus, a decrease in accounts receivable of $33.8 million due to lower sales volumes and a decrease in other of $10.7 million.

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Cash Flow Used for Investing Activities

Cash flow used for investing activities was $84.6 million for 2015, a decrease of $655.6 million, compared to $740.2 million in 2014. During 2015, cash flow used for investing activities included capital expenditures, net of $84.8 million, which consisted primarily of equipment upgrades.

Cash flow used for investing activities was $740.2 million for 2014, an increase of $659.5 million, compared to $80.7 million in 2013. During 2014, cash flow used for investing activities included the TMB acquisition for $607.0 million, net of cash acquired, the Emura acquisition for $25.6 million cash paid in 2014 and $2.0 million related to a small acquisition in the Infrastructure segment. Capital expenditures, net were $116.1 million, which consisted primarily of equipment upgrades. These cash outflows were partially offset by $10.2 million of proceeds from sale of a small non-core business acquired as part of the TMB acquisition.

Cash flow used for investing activities was $80.7 million for 2013. During 2013, cash flow used for investing activities included capital expenditures, net of $79.8 million, which consisted primarily of equipment upgrades.

Cash Flow (Used for) Provided by Financing Activities

Cash flow used for financing activities was $333.0 million for 2015, compared to cash flow provided by financing activities of $270.4 million in 2014. During 2015, cash flow used for financing activities included $282.5 million net decrease in borrowings and $57.0 million of cash dividends paid to Shareholders, partially offset by $13.8 million of dividend reinvestment and the effect of employee benefit and stock plans.

Cash flow provided by financing activities was $270.4 million for 2014, compared to $52.1 million in 2013. During 2014, cash flow provided by financing activities included a $313.1 million net increase in borrowings which included $287.1 million of borrowings outstanding under our 2011 Credit Agreement, $26.7 million of dividend reinvestment and the effect of employee benefit and stock plans, partially offset by $56.4 million of cash dividends paid to Shareholders and $14.2 million used for the purchase of capital stock.

Cash flow provided by financing activities was $52.1 million for 2013. During 2013, cash flow provided by financing activities included a $183.2 million net increase in borrowings which included the issuance of $400 million of 2.65 percent Senior Unsecured Notes due in 2019 and $3.6 million of borrowings outstanding under our 2011 Credit Agreement, $26.7 million from the sale of capital stock in a subsidiary in India and $17.4 million of dividend reinvestment and the effect of employee benefit and stock plans. These cash flows were partially offset by $121.4 million used for the purchase of capital stock and $51.0 million of cash dividends paid to Shareholders.

FINANCIAL CONDITION At June 30, 2015, total assets were $2,849.5 million, a decrease of $1,018.6 million from $3,868.1 million at June 30, 2014. Total liabilities decreased $432.4 million from $1,906.5 million at June 30, 2014 to $1,474.1 million at June 30, 2015.

Working capital was $775.8 million at June 30, 2015, a decrease of $186.6 million, or 19.4 percent from $962.4 million at June 30, 2014. Inventory decreased $128.2 million due to lower work in process, finished goods and raw materials driven by improved working capital management. Accounts receivable decreased $86.1 million due to lower sales volume and cash and cash equivalents decreased $72.4 million. These changes were partially offset by a decrease in current maturities of long-term debt, capital leases and notes payable of $64.4 million due to debt reduction initiatives; a decrease in accounts payable of $19.5 million; and a decrease in accrued payroll of $12.3 million primarily due to timing of payments. Currency exchange rate effects accounted for $82.2 million of the decrease in working capital.

Property, plant and equipment, net decreased $68.6 million from $884.5 million at June 30, 2014 to $815.8 million at June 30, 2015, primarily due to depreciation expense of $105.0 million, unfavorable currency exchange impacts of $49.7 million and capital disposals of $16.1 million. Partially offsetting these items was capital expenditures of $100.9 million, which includes a net $9.9 million change which was included in accounts payable at June 30, 2015 related to purchases of property, plant and equipment.

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At June 30, 2015, other assets were $775.2 million, a decrease of $683.3 million from $1,458.4 million at June 30, 2014. The primary drivers for the decrease were a decrease in goodwill of $558.2 million and a decrease in other intangible assets of $56.5 million, and a decrease in other assets of $51.5 million. The change in goodwill was due to impairment charges in the Infrastructure segment of $527.5 million and unfavorable currency exchange effects of $33.7 million. The change in other intangible assets was due to amortization expense of $26.7 million, Infrastructure contract-based technology and other intangible asset impairments of $19.2 million and unfavorable currency exchange effects of $10.7 million. The decrease in other assets of $51.5 million was primarily due to a decrease in pension assets due to lower return on plan assets and lump sum settlement.

Long-term debt and capital leases decreased $245.8 million to $735.9 million at June 30, 2015 from $981.7 million at June 30, 2014. This change was driven by the $244.3 million decrease of borrowings outstanding on our 2011 Credit Agreement.

Kennametal Shareholders' equity was $1,345.8 million at June 30, 2015, a decrease of $583.4 million from $1,929.3 million in the prior year. The decrease was primarily due to net loss attributable to Kennametal of $373.9 million, unfavorable currency exchange of $136.1 million, cash dividends paid to Shareholders of $57.0 million and unrecognized net pension and other postretirement benefit loss of $48.0 million, partially offset by capital stock issued under employee benefit and stock plans of $24.8 million.

ENVIRONMENTAL MATTERS The operation of our business has exposed us to certain liabilities and compliance costs related to environmental matters. We are involved in various environmental cleanup and remediation activities at certain of our locations.

Superfund Sites We are involved as a PRP at various sites designated by the USEPA as Superfund sites. For certain of these sites, we have evaluated the claims and potential liabilities and have determined that neither are material, individually or in the aggregate. For certain other sites that are being monitored, the matters have not yet progressed to a point where it is possible to estimate the ultimate cost of remediation, the timing and extent of remedial action that may be required by governmental authorities or the amount of our liability alone or in relation to that of any other PRPs.

Other Environmental Issues We establish and maintain reserves for other potential environmental issues. At June 30, 2015 and 2014, the total of accruals for these reserves was $12.6 million and $11.0 million, respectively. These reserves represent anticipated costs associated with the remediation of these issues.

The reserves we have established for environmental liabilities represent our best current estimate of the costs of addressing all identified environmental situations, based on our review of currently available evidence, and taking into consideration our prior experience in remediation and that of other companies, as well as public information released by the USEPA, other governmental agencies, and by the PRP groups in which we are participating. Although the reserves currently appear to be sufficient to cover these environmental liabilities, there are uncertainties associated with environmental liabilities, and we can give no assurance that our estimate of any environmental liability will not increase or decrease in the future. The reserved and unreserved liabilities for all environmental concerns could change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements, technological changes, discovery of new information, the financial strength of other PRPs, the identification of new PRPs and the involvement of and direction taken by the government on these matters.

We maintain a Corporate EHS Department to monitor compliance with environmental regulations and to oversee remediation activities. In addition, we have designated EHS coordinators who are responsible for each of our global manufacturing facilities. Our financial management team periodically meets with members of the Corporate EHS Department and the Corporate Legal Department to review and evaluate the status of environmental projects and contingencies. On a quarterly basis, we review financial provisions and reserves for environmental contingencies and adjust these reserves when appropriate.

EFFECTS OF INFLATION Despite modest inflation in recent years, rising costs, including the cost of certain raw materials, continue to affect our operations throughout the world. We strive to minimize the effects of inflation through cost containment, productivity improvements and price increases.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES In preparing our financial statements in conformity with accounting principles generally accepted in the U.S., we make judgments and estimates about the amounts reflected in our financial statements. As part of our financial reporting process, our management collaborates to determine the necessary information on which to base our judgments and develops estimates used to prepare the financial statements. We use historical experience and available information to make these judgments and estimates. However, different amounts could be reported using different assumptions and in light of different facts and circumstances. Therefore, actual amounts could differ from the estimates reflected in our financial statements. Our significant accounting policies are described in Note 2 of our consolidated financial statements set forth in Item 8. We believe that the following discussion addresses our critical accounting policies.

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Revenue Recognition We recognize revenue for our products and assembled machines when title and all risks of loss and damages pass to the buyer. Our general conditions of sale explicitly state that the delivery of our products and assembled machines is freight on board shipping point and that title and all risks of loss and damages pass to the buyer upon delivery of the sold products or assembled machines to the common carrier.

Our general conditions of sale explicitly state that acceptance of the conditions of shipment is considered to have occurred unless written notice of objection is received by Kennametal within 10 calendar days of the date specified on the invoice. We do not ship products or assembled machines unless we have documentation authorizing shipment to our customers. Our products are consumed by our customers in the manufacture of their products. Historically, we have experienced very low levels of returned products and assembled machines and do not consider the effect of returned products and assembled machines to be material. We have recorded an estimated returned goods allowance to provide for any potential returns.

We warrant that products and services sold are free from defects in material and workmanship under normal use and service when correctly installed, used and maintained. This warranty terminates 30 days after delivery of the product to the customer and does not apply to products that have been subjected to misuse, abuse, neglect or improper storage, handling or maintenance. Products may be returned to Kennametal only after inspection and approval by Kennametal and upon receipt by the customer of shipping instructions from Kennametal. We have included an estimated allowance for warranty returns in our returned goods allowance discussed above.

We recognize revenue related to the sale of specialized assembled machines upon customer acceptance and installation, as installation is deemed essential to the functionality of a specialized assembled machine. Sales of specialized assembled machines were immaterial for 2015, 2014 and 2013.

Stock-Based Compensation We recognize stock-based compensation expense for all stock options, restricted stock awards and restricted stock units over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service (substantive vesting period). We utilize the Black-Scholes valuation method to establish the fair value of all stock option awards. Time vesting stock units are valued at the market value of the stock on the grant date. Performance vesting stock units with a market condition are valued using a Monte Carlo model.

Accounting for Contingencies We accrue for contingencies when it is probable that a liability or loss has been incurred and the amount can be reasonably estimated. Contingencies by their nature relate to uncertainties that require the exercise of judgment in both assessing whether or not a liability or loss has been incurred and estimating the amount of probable loss. The significant contingencies affecting our financial statements include environmental, health and safety matters and litigation.

Long-Lived Assets We evaluate the recoverability of property, plant and equipment and intangible assets that are amortized whenever events or changes in circumstances indicate the carrying amount of such assets may not be fully recoverable. Changes in circumstances include technological advances, changes in our business model, capital structure, economic conditions or operating performance. Our evaluation is based upon, among other things, our assumptions about the estimated future undiscounted cash flows these assets are expected to generate. When the sum of the undiscounted cash flows is less than the carrying value, we will recognize an impairment loss to the extent that carrying value exceeds fair value. We apply our best judgment when performing these evaluations to determine if a triggering event has occurred, the undiscounted cash flows used to assess recoverability and the fair value of the asset.

Goodwill and Indefinite-Lived Intangible Assets We evaluate the recoverability of goodwill of each of our reporting units by comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples based upon historical and projected financial information. We apply our best judgment when assessing the reasonableness of the financial projections used to determine the fair value of each reporting unit. We evaluate the recoverability of indefinite-lived intangible assets using a discounted cash flow analysis based on projected financial information. We perform our annual impairment tests during the June quarter in connection with our annual planning process, unless there are impairment indicators based on the results of an ongoing cumulative qualitative assessment that warrant a test prior to that. The $304.5 million of goodwill at the Industrial reporting unit is not at risk of failing Step 1 of the impairment test since fair value exceeded the carrying value by approximately 90 percent as of the date of the last impairment test. As discussed in Note 2, we recorded non-cash pre-tax goodwill and other intangible asset impairment charges in the Infrastructure segment. Therefore, as of the date of the last impairment test, the Infrastructure reporting unit had a fair value that approximates carrying value. The amount of goodwill allocated to the Infrastructure reporting unit is $112.9 million.

We completed Step 1 of the Infrastructure goodwill impairment test using both an income approach and a market approach. The discounted cash flow method was used to measure the fair value of our equity under the income approach. A terminal value utilizing a constant growth rate of cash flows was used to calculate a terminal value after the explicit projection period. The estimates and assumptions used in our calculations include revenue growth rates, expense growth rates, expected capital

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expenditures to determine projected cash flows, expected tax rates and an estimated discount rate to determine present value of expected cash flows. These estimates are based on historical experiences, our projections of future operating activity and our weighted average cost of capital ("WACC"). The discount rate used was 12.5 percent. Management forecasts were used for the years ending June 30, 2016-2022, with a residual period growth rate of 3.0 percent. The tax rate used was 30.0 percent. Under the market approach, we estimate the fair value based on market multiples of revenue and earnings of comparable publicly traded companies and comparable transactions of similar companies.

In order to determine the discount rate, the Company uses a market perspective WACC approach. The WACC is calculated incorporating weighted average returns on debt and equity from market participants. Therefore, changes in the market, which are beyond the control of the Company, may have an impact on future calculations of estimated fair value. The Company performed a sensitivity analysis on this assumption. A one percentage point increase in the discount rate would cause the Infrastructure fair value to be approximately 25 percent less than the carrying value.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill and indefinite-lived intangible impairment test will prove to be an accurate prediction of the future. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) a decrease in expected future cash flows, specifically, a decrease in sales volume driven by a prolonged weakness in consumer demand or other competitive pressures adversely affecting our long term volume trends, unfavorable working capital changes and an inability to successfully achieve our cost savings targets; (ii) an economic recovery that significantly differs from our assumptions in timing and/or degree; (iii) volatility in the equity and debt markets or other country specific factors which could result in a higher discount rate; and (iv) sensitivity to market transaction multiples.

Pension and Other Postretirement Benefits We sponsor these types of benefit plans for certain employees and retirees. Accounting for the cost of these plans requires the estimation of the cost of the benefits to be provided well into the future and attributing that cost over the expected work life of employees participating in these plans. This estimation requires our judgment about the discount rate used to determine these obligations, expected return on plan assets, rate of future compensation increases, rate of future health care costs, withdrawal and mortality rates and participant retirement age. Differences between our estimates and actual results may significantly affect the cost of our obligations under these plans.

In the valuation of our pension and other postretirement benefit liabilities, management utilizes various assumptions. Our discount rates are derived by identifying a theoretical settlement portfolio of high quality corporate bonds sufficient to provide for a plan’s projected benefit payments. This rate can fluctuate based on changes in the corporate bond yields. At June 30, 2015, a hypothetical 25 basis point increase in our discount rates would increase our pre-tax income by approximately $1.7 million, and a hypothetical 25 basis point decrease in our discount rates would decrease our pre-tax income by approximately $2.3 million.

The long-term rate of return on plan assets is estimated based on an evaluation of historical returns for each asset category held by the plans, coupled with the current and short-term mix of the investment portfolio. The historical returns are adjusted for expected future market and economic changes. This return will fluctuate based on actual market returns and other economic factors.

The rate of future health care cost increases is based on historical claims and enrollment information projected over the next fiscal year and adjusted for administrative charges. This rate is expected to decrease until 2024. At June 30, 2015, a hypothetical 1 percent increase or decrease in our health care cost trend rates would be immaterial to our pre-tax income.

Future compensation rates, withdrawal rates and participant retirement age are determined based on historical information. These assumptions are not expected to significantly change. Mortality rates are determined based on a review of published mortality tables.

We expect to contribute approximately $16.8 million and $2.2 million to our pension and other postretirement benefit plans, respectively, in 2016.

Allowance for Doubtful Accounts We record allowances for estimated losses resulting from the inability of our customers to make required payments. We assess the creditworthiness of our customers based on multiple sources of information and analyze additional factors such as our historical bad debt experience, industry and geographic concentrations of credit risk, current economic trends and changes in customer payment terms. This assessment requires significant judgment. If the financial condition of our customers was to deteriorate, additional allowances may be required, resulting in future operating losses that are not included in the allowance for doubtful accounts at June 30, 2015.

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Inventories Inventories are stated at the lower of cost or market. We use the last-in, first-out method for determining the cost of a significant portion of our U.S. inventories. The cost of the remainder of our inventories is determined under the first-in, first-out or average cost methods. When market conditions indicate an excess of carrying costs over market value, a lower-of-cost-or-market provision is recorded. Excess and obsolete inventory reserves are established based upon our evaluation of the quantity of inventory on hand relative to demand.
Income Taxes Realization of our deferred tax assets is primarily dependent on future taxable income, the timing and amount of which are uncertain, in part, due to the expected profitability of certain foreign subsidiaries. A valuation allowance is recognized if it is “more likely than not” that some or all of a deferred tax asset will not be realized. As of June 30, 2015, the deferred tax assets net of valuation allowances relate primarily to net operating loss carryforwards, pension benefits, accrued employee benefits and inventory reserves. In the event that we were to determine that we would not be able to realize our deferred tax assets in the future, an increase in the valuation allowance would be required. In the event we were to determine that we are able to use our deferred tax assets and a valuation allowance had been recorded against the deferred tax assets, a decrease in the valuation allowance would be required.

NEW ACCOUNTING STANDARDS

Adopted

In July 2013, the Financial Accounting Standards Board (FASB) issued new guidance on the presentation in the financial statements of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance takes into account these losses and carryforwards as well as the intended or likelihood of use of the unrecognized tax benefit in determining the balance sheet classification as an asset or liability. This guidance was effective for Kennametal beginning July 1, 2014 and did not have a material impact.

Issued

In April 2015, the FASB issued new guidance on the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. This standard is effective for Kennametal beginning July 1, 2016. The guidance is not expected to have a material effect under our current debt structure.
In April 2015, the FASB issued new guidance on accounting for fees paid in a cloud computing arrangement. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license and accounting for the arrangement as capitalized and amortized as an intangible asset or expensed as incurred as a service contract. This standard is effective for Kennametal beginning July 1, 2016. We are in the process of evaluating the impact of adoption on our consolidated financial statements.
In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers: Topic 606.” This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which will require significant judgment. This standard is effective for Kennametal July 1, 2017. We are in the process of assessing the impact the adoption of this ASU will have on our consolidated financial statements.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK We are exposed to certain market risks arising from transactions that are entered into in the normal course of business. As part of our financial risk management program, we use certain derivative financial instruments to manage these risks. We do not enter into derivative transactions for speculative purposes and, therefore, hold no derivative instruments for trading purposes. We use derivative financial instruments to provide predictability to the effects of changes in foreign exchange rates on our consolidated results and to achieve our targeted mix of fixed and floating interest rates on outstanding debt. Our objective in managing foreign exchange exposures with derivative instruments is to reduce volatility in cash flow, allowing us to focus more of our attention on business operations. With respect to interest rate management, these derivative instruments allow us to achieve our targeted fixed-to-floating interest rate mix as a separate decision from funding arrangements in the bank and public debt markets. We measure hedge effectiveness by assessing the changes in the fair value or expected future cash flows of the hedged item. The ineffective portions are recorded in other (income) expense, net. See Notes 2 and 15 of our consolidated financial statements set forth in Item 8.

We are exposed to counterparty credit risk for nonperformance of derivative contracts and, in the event of nonperformance, to market risk for changes in interest and currency exchange rates, as well as settlement risk. We manage exposure to counterparty credit risk through credit standards, diversification of counterparties and procedures to monitor concentrations of credit risk. We do not anticipate nonperformance by any of the counterparties.

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The following provides additional information on our use of derivative instruments. Included below is a sensitivity analysis that is based upon a hypothetical 10 percent weakening or strengthening in the U.S. dollar compared to the June 30, 2015 currency exchange rates and the effective interest rates under our current borrowing arrangements. We compared the contractual derivative and borrowing arrangements in effect at June 30, 2015 to the hypothetical foreign exchange or interest rates in the sensitivity analysis to determine the effect on interest expense, pre-tax income or accumulated other comprehensive (loss) income. Our analysis takes into consideration the different types of derivative instruments and the applicability of hedge accounting.

CASH FLOW HEDGES Currency A portion of our operations consists of investments in foreign subsidiaries. Our exposure to market risk from changes in foreign exchange rates arises from these investments, intercompany loans utilized to finance these subsidiaries, trade receivables and payables and firm commitments arising from international transactions. We manage our foreign exchange transaction risk to reduce the volatility of cash flows caused by currency exchange rate fluctuations through natural offsets where appropriate and through foreign exchange contracts. These contracts are designated as hedges of forecasted transactions that will settle in future periods and that would otherwise expose us to currency risk.

Our foreign exchange hedging program minimizes our exposure to currency exchange rate movements. This exposure arises largely from anticipated cash flows from cross-border intercompany sales of products and services. This program utilizes range forwards and forward contracts primarily to sell foreign currency. The notional amounts of the contracts translated into U.S. dollars at June 30, 2015 and 2014 were $53.8 million and $91.1 million, respectively. We would have received $2.6 million and $0.2 million at June 30, 2015 and 2014 to settle these contracts representing the fair value of these agreements. At June 30, 2015, a hypothetical 10 percent strengthening or weakening of the U.S. dollar would have changed accumulated other comprehensive (loss) income, net of tax, by $2.3 million.

In addition, we may enter into forward contracts to hedge transaction exposures or significant cross-border intercompany loans by either purchasing or selling specified amounts of foreign currency at a specified date. At June 30, 2015 and 2014, we had outstanding forward contracts to purchase and sell foreign currency with notional amounts, translated into U.S. dollars at June 30, 2015 and 2014 rates, of $93.4 million and $160.2 million, respectively. At June 30, 2015, a hypothetical 10 percent change in the year-end exchange rates would have resulted in an increase or decrease in pre-tax income of $9.4 million related to these positions.

Interest Rate Our exposure to market risk for changes in interest rates relates primarily to our long-term debt obligations. We seek to manage our interest rate risk in order to balance our exposure between fixed and floating rates, while attempting to minimize our borrowing costs. To achieve these objectives, we primarily use interest rate swap contracts to manage exposure to interest rate changes related to these borrowings. We had no swaps in place as of June 30, 2015 and 2014.

DEBT AND NOTES PAYABLE At June 30, 2015 and 2014, we had $751.6 million and $1,061.8 million, respectively, of outstanding debt, including capital leases and notes payable. Effective interest rates as of June 30, 2015 and 2014 were 3.0 percent and 2.9 percent, respectively. A hypothetical change of 10 percent in interest rates from June 30, 2015 levels would increase or decrease annual interest expense by an immaterial amount.

CURRENCY EXCHANGE RATE FLUCTUATIONS Currency exchange rate fluctuations did not have a material impact on diluted earnings per share in 2015, and decreased diluted earnings per share by $0.07 and $0.10 in 2014 and 2013, respectively. Currency exchange rate fluctuations may have a material impact on future earnings in the short term and long term.

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ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has conducted an assessment of the Company’s internal controls over financial reporting as of June 30, 2015 using the criteria in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment, management has concluded that the Company maintained effective internal control over financial reporting as of June 30, 2015, based on criteria in Internal Control – Integrated Framework (2013) issued by the COSO. The effectiveness of the Company’s internal control over financial reporting as of June 30, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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Report of Independent Registered Public Accounting Firm

To the Shareholders of Kennametal Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flow and shareholders' equity present fairly, in all material respects, the financial position of Kennametal Inc. and its subsidiaries at June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
August 13, 2015

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CONSOLIDATED STATEMENTS OF INCOME

Year ended June 30 (in thousands, except per share data)	2015	2014	2013
Sales	$2,647,195	$2,837,190	$2,589,373
Cost of goods sold	1,841,202	1,940,187	1,744,369
Gross profit	805,993	897,003	845,004
Operating expense	554,895	589,768	527,850
Restructuring and asset impairment charges (Notes 2 and 14)	582,235	17,608	—
Amortization of intangibles	26,686	26,195	20,760
Operating (loss) income	(357,823)	263,432	296,394
Interest expense	31,466	32,451	27,472
Other (income) expense, net	(1,674)	2,172	2,313
(Loss) income before income taxes	(387,615)	228,809	266,609
(Benefit) provision for income taxes	(16,654)	66,611	59,693
Net (loss) income	(370,961)	162,198	206,916
Less: Net income attributable to noncontrolling interests	2,935	3,832	3,651
Net (loss) income attributable to Kennametal	$(373,896)	$158,366	$203,265
PER SHARE DATA ATTRIBUTABLE TO KENNAMETAL SHAREHOLDERS			
Basic (loss) earnings per share	$(4.71)	$2.01	$2.56
Diluted (loss) earnings per share	$(4.71)	$1.99	$2.52
Dividends per share	$0.72	$0.72	$0.64
Basic weighted average shares outstanding	79,342	78,678	79,463
Diluted weighted average shares outstanding	79,342	79,667	80,612

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	2015	2014	2013
Net (loss) income	$(370,961)	$162,198	$206,916
Other comprehensive (loss) income, net of tax			
Unrealized gain (loss) on derivatives designated and qualified as cash flow hedges	6,652	(706)	(611)
Reclassification of unrealized (gain) loss on expired derivatives designated and qualified as cash flow hedges	(2,873)	1,987	1,377
Unrecognized net pension and other postretirement benefit (loss) gain	(47,982)	(11,990)	39,376
Reclassification of net pension and other postretirement benefit loss	2,931	2,184	9,679
Foreign currency translation adjustments	(139,465)	31,763	9,223
Total other comprehensive (loss) income, net of tax	(180,737)	23,238	59,044
Total comprehensive (loss) income	(551,698)	185,436	265,960
Less: comprehensive (loss) income attributable to noncontrolling interests	(410)	4,198	3,101
Comprehensive (loss) income attributable to Kennametal Shareholders	$(551,288)	$181,238	$262,859

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

As of June 30 (in thousands, except per share data)	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$105,494	$177,929
Accounts receivable, less allowance for doubtful accounts of $13,560 and $14,027, respectively	445,373	531,515
Inventories (Note 7)	575,531	703,766
Deferred income taxes (Note 11)	72,449	47,897
Other current assets	59,699	64,089
Total current assets	1,258,546	1,525,196
Property, plant and equipment:		
Land and buildings	401,207	437,783
Machinery and equipment	1,573,597	1,638,215
Less accumulated depreciation	(1,158,979)	(1,191,540)
Property, plant and equipment, net	815,825	884,458
Other assets:		
Investments in affiliated companies	361	495
Goodwill (Note 2)	417,389	975,576
Other intangible assets, less accumulated amortization of $153,370 and $139,245, respectively (Note 2)	286,669	343,176
Deferred income taxes (Note 11)	24,091	41,006
Other	46,648	98,179
Total other assets	775,158	1,458,432
Total assets	$2,849,529	$3,868,086
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt and capital leases (Note 9)	$8,129	$7,662
Notes payable to banks (Note 10)	7,573	72,455
Accounts payable	187,381	206,891
Accrued income taxes	25,237	16,953
Accrued vacation pay	26,566	38,456
Accrued payroll	49,180	61,436
Other current liabilities (Note 8)	178,678	158,903
Total current liabilities	482,744	562,756
Long-term debt and capital leases, less current maturities (Note 9)	735,885	981,666
Deferred income taxes (Note 11)	59,744	118,092
Accrued postretirement benefits (Note 12)	19,230	22,516
Accrued pension benefits (Note 12)	143,799	158,268
Accrued income taxes	3,002	21,384
Other liabilities	29,690	41,796
Total liabilities	1,474,094	1,906,478
Commitments and contingencies (Note 18)		
EQUITY		
Kennametal Shareholders' Equity:		
Preferred stock, no par value; 5,000 shares authorized; none issued	—	—
Capital stock, $1.25 par value; 120,000 shares authorized; 79,375 and 78,672 shares issued, respectively	99,219	98,340

Additional paid-in capital	419,829	395,890
Retained earnings	1,070,282	1,501,157
Accumulated other comprehensive loss	(243,523)	(66,131)
Total Kennametal Shareholders’ Equity	1,345,807	1,929,256
Noncontrolling interests	29,628	32,352
Total equity	1,375,435	1,961,608
Total liabilities and equity	$2,849,529	$3,868,086

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOW

Year ended June 30 (in thousands)	2015	2014	2013
OPERATING ACTIVITIES			
Net (loss) income	$(370,961)	$162,198	$206,916
Adjustments for non-cash items:			
Depreciation	104,978	104,027	92,344
Amortization	26,686	26,195	20,760
Stock-based compensation expense	16,827	17,641	21,874
Restructuring and asset impairment charges (Notes 2 and 14)	548,028	3,408	—
Deferred income tax provision	(48,575)	23,119	232
Other	2,098	2,106	2,577
Changes in certain assets and liabilities:			
Accounts receivable	46,552	(45,041)	33,801
Inventories	70,874	(5,310)	5,879
Accounts payable and accrued liabilities	(8,218)	13,748	(90,449)
Accrued income taxes	(10,163)	(12,485)	949
Other	(26,689)	(17,733)	(10,733)
Net cash flow provided by operating activities	351,437	271,873	284,150
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(100,939)	(117,376)	(82,835)
Disposals of property, plant and equipment	16,122	1,236	3,016
Business acquisition, net of cash acquired (Note 4)	—	(634,615)	(500)
Proceeds from sale of business	—	10,225	—
Other	263	356	(379)
Net cash flow used for investing activities	(84,554)	(740,174)	(80,698)
FINANCING ACTIVITIES			
Net (decrease) increase in notes payable	(63,647)	31,568	(833)
Net increase (decrease) in short-term revolving and other lines of credit	200	(3,600)	(23,600)
Term debt borrowings	89,712	736,079	944,152
Term debt repayments	(308,736)	(450,928)	(736,562)
Purchase of capital stock	(318)	(14,165)	(121,408)
Sale of subsidiary stock	—	—	26,665
Dividend reinvestment and the effect of employee benefit and stock plans	13,844	26,676	17,356
Cash dividends paid to Shareholders	(56,979)	(56,436)	(51,011)
Other	(7,039)	1,214	(2,612)
Net cash flow (used for) provided by financing activities	(332,963)	270,408	52,147
Effect of exchange rate changes on cash and cash equivalents	(6,355)	(1,494)	5,251
CASH AND CASH EQUIVALENTS			
Net (decrease) increase in cash and cash equivalents	(72,435)	(199,387)	260,850
Cash and cash equivalents, beginning of year	177,929	377,316	116,466
Cash and cash equivalents, end of year	$105,494	$177,929	$377,316

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	2015		2014		2013	
Year ended June 30 (in thousands)	Shares	Amount	Shares	Amount	Shares	Amount
CAPITAL STOCK						
Balance at beginning of year	78,672	$98,340	77,842	$97,303	80,085	$100,106
Dividend reinvestment	7	9	7	9	6	8
Capital stock issued under employee benefit and stock plans	703	879	1,155	1,443	837	1,047
Purchase of capital stock	(7)	(9)	(332)	(415)	(3,086)	(3,858)
Balance at end of year	79,375	99,219	78,672	98,340	77,842	97,303
ADDITIONAL PAID-IN CAPITAL						
Balance at beginning of year		395,890		374,300		447,433
Dividend reinvestment		311		319		253
Capital stock issued under employee benefit and stock plans		23,939		35,019		31,649
Sale of subsidiary stock to noncontrolling interests		—		—		12,515
Purchase of capital stock		(311)		(13,748)		(117,550)
Balance at end of year		419,829		395,890		374,300
RETAINED EARNINGS						
Balance at beginning of year		1,501,157		1,399,227		1,246,973
Net (loss) income		(373,896)		158,366		203,265
Cash dividends paid to Shareholders		(56,979)		(56,436)		(51,011)
Balance at end of year		1,070,282		1,501,157		1,399,227
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME						
Balance at beginning of year		(66,131)		(89,004)		(150,662)
Unrealized gain (loss) on derivatives designated and qualified as cash flow hedges, net of tax		6,652		(706)		(611)
Reclassification of unrealized (gain) loss on expired derivatives designated and qualified as cash flow hedges, net of tax		(2,873)		1,987		1,377
Unrecognized net pension and other postretirement benefit (loss) gain, net of tax		(47,982)		(11,990)		39,376
Reclassification of net pension and other postretirement benefit loss, net of tax		2,931		2,184		9,679
Foreign currency translation adjustments, net of tax		(136,120)		31,398		9,772
Other comprehensive (loss) income, net of tax		(177,392)		22,873		59,593
Sale of subsidiary stock to noncontrolling interests		—		—		2,065
Balance at end of year		(243,523)		(66,131)		(89,004)
NONCONTROLLING INTERESTS						
Balance at beginning of year		32,352		30,467		24,371
Net (loss) income		2,935		3,832		3,651
		(3,345)		366		(550)

Other comprehensive (loss) income, net of tax			
Sale of subsidiary stock to noncontrolling interests	—	—	7,727
Purchase of noncontrolling interests	—	—	(479)
Acquisition by noncontrolling interests	—	—	—
Cash dividends paid to noncontrolling interests	(2,314)	(2,313)	(4,253)
Balance at end of year	29,628	32,352	30,467
Total equity, June 30	$1,375,435	$1,961,608	$1,812,293

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — NATURE OF OPERATIONS
Kennametal Inc. delivers productivity solutions to customers seeking peak performance in demanding environments. We provide innovative wear-resistant products, application engineering and services backed by advanced material science serving customers across diverse sectors of industrial production, transportation, earthworks, energy, infrastructure and aerospace. Our solutions are built around industry-essential technology platforms, including precision-engineered metalworking tools and components, surface technologies and earth cutting tools that are mission-critical to customer operations battling extreme conditions associated with wear fatigue, corrosion and high temperatures. The Company's reputation for material and industrial technology excellence, as well as expertise and innovation in development of custom solutions and services, contributes to our leading position in our primary industrial and infrastructure markets. End users of our products include manufacturers, metalworking suppliers, machinery operators and processors engaged in a diverse array of industries, including the manufacture of transportation vehicles and systems; machine tool, light machinery and heavy machinery industries; airframe and aerospace components and systems; defense; as well as producers and suppliers in equipment-intensive operations such as coal mining, road construction, quarrying, oil and gas exploration, refining, production and supply.
Our product offering includes a wide selection of standard and customized technologies for metalworking, such as sophisticated metal cutting tools, tooling systems and services, as well as advanced, high-performance materials, such as cemented tungsten carbide products, super alloys, coatings and investment castings to address customer demands. We offer these products through a variety of channels to meet customer-specified needs. We are a leading global supplier of tooling, engineered components and advanced materials consumed in production processes. We believe we are one of the largest global providers of consumable metal cutting tools and tooling supplies.
We specialize in developing and manufacturing metalworking tools and wear-resistant engineered components and coatings using a specialized type of powder metallurgy. Our metalworking tools are made of cemented tungsten carbides, ceramics, cermets and super-hard materials. We also manufacture and market a complete line of tool holders, tool-holding systems and rotary-cutting tools by machining and fabricating steel bars and other metal alloys. In addition, we produce specialized compacts and metallurgical powders, as well as products made from tungsten carbide or other hard materials that are used for custom-engineered and challenging applications, including mining and highway construction, among others. Further, we develop, manufacture and market engineered components and surface technology solutions with proprietary metal cladding capabilities, as well as process technology and materials that focus on component deburring, polishing and effecting controlled radii.
Unless otherwise specified, any reference to a “year” is to a fiscal year ended June 30. When used in this annual report on Form 10-K, unless the context requires otherwise, the terms “we,” “our” and “us” refer to Kennametal Inc. and its subsidiaries.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The summary of our significant accounting policies is presented below to assist in evaluating our consolidated financial statements.
PRINCIPLES OF CONSOLIDATION The consolidated financial statements include our accounts and those of our majority-owned subsidiaries. All significant intercompany balances and transactions are eliminated. Investments in entities of less than 50 percent of the voting stock over which we have significant influence are accounted for on an equity basis. The factors used to determine significant influence include, but are not limited to, our management involvement in the investee, such as hiring and setting compensation for management of the investee, the ability to make operating and capital decisions of the investee, representation on the investee’s board of directors and purchase and supply agreements with the investee. Investments in entities of less than 50 percent of the voting stock in which we do not have significant influence are accounted for on the cost basis.
USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.

GAAP), we make judgments and estimates about the amounts reflected in our financial statements. As part of our financial reporting process, our management collaborates to determine the necessary information on which to base our judgments and develop estimates used to prepare the financial statements. We use historical experience and available information to make these judgments and estimates. However, different amounts could be reported using different assumptions and in light of different facts and circumstances. Therefore, actual amounts could differ from the estimates reflected in our financial statements.

CASH AND CASH EQUIVALENTS Cash investments having original maturities of three months or less are considered cash equivalents. Cash equivalents principally consist of investments in money market funds and bank deposits at June 30, 2015.

ACCOUNTS RECEIVABLE We market our products to a diverse customer base throughout the world. Trade credit is extended based upon periodically updated evaluations of each customer's ability to satisfy its obligations. We make judgments as to our ability to collect outstanding receivables and provide allowances for the portion of receivables when collection becomes doubtful. Accounts receivable reserves are determined based upon an aging of accounts and a review of specific accounts.

INVENTORIES Inventories are stated at the lower of cost or market. We use the last-in, first-out (LIFO) method for determining the cost of a significant portion of our United States (U.S.) inventories. The cost of the remainder of our inventories is determined under the first-in, first-out or average cost methods. When market conditions indicate an excess of carrying costs over market value, a lower-of-cost-or-market provision is recorded. Excess and obsolete inventory reserves are established based upon our evaluation of the quantity of inventory on hand relative to demand. The excess and obsolete inventory reserve at June 30, 2015 and 2014 was $45.0 million and $52.7 million, respectively.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment are carried at cost. Major improvements are capitalized, while maintenance and repairs are expensed as incurred. Retirements and disposals are removed from cost and accumulated depreciation accounts, with the gain or loss reflected in operating income. Interest related to the construction of major facilities is capitalized as part of the construction costs and is depreciated over the facilities' estimated useful lives.

Depreciation for financial reporting purposes is computed using the straight-line method over the following estimated useful lives: building and improvements over 15-40 years; machinery and equipment over 4-15 years; furniture and fixtures over 5-10 years and computer hardware and software over 3-5 years.

Leased property and equipment under capital leases are depreciated using the straight-line method over the terms of the related leases.

LONG-LIVED ASSETS We evaluate the recoverability of property, plant and equipment and intangible assets that are amortized, whenever events or changes in circumstances indicate the carrying amount of any such assets may not be fully recoverable. Changes in circumstances include technological advances, changes in our business model, capital structure, economic conditions or operating performance. Our evaluation is based upon, among other things, our assumptions about the estimated future undiscounted cash flows these assets are expected to generate. When the sum of the undiscounted cash flows is less than the carrying value of the asset or asset group, we will recognize an impairment loss to the extent that carrying value exceeds fair value. We apply our best judgment when performing these evaluations to determine if a triggering event has occurred, the undiscounted cash flows used to assess recoverability and the fair value of the asset.

GOODWILL AND OTHER INTANGIBLE ASSETS Goodwill represents the excess of cost over the fair value of the net assets of acquired companies. Goodwill and other intangible assets with indefinite lives are tested at least annually for impairment. We perform our annual impairment tests during the June quarter in connection with our annual planning process, unless there are impairment indicators based on the results of an ongoing cumulative qualitative assessment that warrant a test prior to that. We evaluate the recoverability of goodwill for each of our reporting units by comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples based upon historical and projected financial information. We apply our best judgment when assessing the reasonableness of the financial projections used to determine the fair value of each reporting unit. We evaluate the recoverability of indefinite-lived intangible assets using a discounted cash flow analysis based on projected financial information. This evaluation is sensitive to changes in market interest rates and other external factors.

Identifiable assets with finite lives are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. During the March and December quarters, we performed reviews of our identifiable assets with finite lives and determined that the assets were not impaired. Additionally, the Industrial reporting unit passed the annual goodwill impairment test with estimated fair value exceeding carrying values by approximately 90 percent.

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2015 December Quarter Impairment Charge

Late in the December quarter, the Company experienced an abrupt change in customer demand in the oil and gas markets that is expected to continue into the foreseeable future, coupled with the severe and persistent decline in the earthworks markets. In view of the severe downturn in the global Infrastructure markets in the December quarter, we made an assessment of the possible impairment of the goodwill and other long-lived assets of our Infrastructure reporting unit. As a result of this assessment, we determined that the magnitude and duration of the economic downturn of the Infrastructure end markets; the overall financial performance of the Infrastructure reporting unit; a change in composition or carrying amount of Infrastructure net assets and the testing for recoverability of a significant asset group within Infrastructure; and a sustained trend of decrease in the Company’s share price necessitated an interim impairment test of our Infrastructure reporting unit. As previously disclosed, we recorded a preliminary non-cash pre-tax impairment charge of $376.5 million in the Infrastructure segment, of which $375.0 million was for goodwill and $1.5 million was for an indefinite-lived trademark intangible asset.

During the March quarter, we completed our review of the fair values related to property, plant and equipment in relation to the preliminary charge and no additional charges were recorded. We recorded an additional $6.8 million charge for an indefinite-lived trademark intangible asset based upon completion of the December valuation.

2015 March Quarter Impairment Charge

During the March 2015 quarter, we recorded an additional non-cash pre-tax impairment charge of $152.9 million in the Infrastructure reporting unit, of which $152.5 million was for goodwill and $0.4 million was for an indefinite-lived trademark intangible asset. These charges were due to the continued weakening of the overall financial performance of the Infrastructure reporting unit, which was driven by the further decline in the future outlook for the global energy market being more severe than originally indicated during the second quarter 2015 impairment testing discussed above, coupled with the extended persistence of the downturn in the earthworks markets into the foreseeable future. Therefore, as of the date of the last impairment test, the goodwill in the Infrastructure reporting unit had a fair value that approximates carrying value. Since the Infrastructure reporting unit indefinite-lived intangible assets were adjusted to their estimated fair values in connection with the impairment charges, and because certain trademarks have subsequently been written down because they were partially impaired (as discussed above), there is not a significant excess of fair value over the carrying values. If current expectations of future growth rates are not met or specific valuation factors outside of our control, such as discount rates, change significantly, then one or more intangible assets might become impaired in the future.

The further acceleration or extended persistence of the current downturn in the global end markets could have a further negative impact on our business and financial performance. We are currently exploring strategic alternatives for several businesses mostly within the Infrastructure segment, which have total estimated net book values of approximately $170 million to $250 million as of June 30, 2015. As the strategic direction has not yet been determined for these businesses, the Company cannot determine if additional impairment charges will be incurred.

Goodwill Acquired

On November 4, 2013, we acquired TMB from Allegheny Technologies Incorporated (ATI), the operations of which are included in both the Industrial and Infrastructure segments. As a result of the acquisition, we increased goodwill by $243.6 million in 2014 based on our purchase price allocations: $183.5 million in the Infrastructure segment and $60.1 million in the Industrial segment. The goodwill recorded relates to operating synergies associated with the acquisition that we expected to realize. Goodwill of $202.1 million was deductible for tax purposes. We recorded an additional $3.0 million of goodwill in the Industrial segment in 2015 based on finalization of the purchase price allocation.

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A summary of the carrying amount of goodwill attributable to each segment, as well as the changes in such, is as follows:

(in thousands)	Industrial	Infrastructure	Total
Gross goodwill	$408,925	$463,672	$872,597
Accumulated impairment losses	(150,842)	—	(150,842)
Balance as of June 30, 2013	$258,083	$463,672	$721,755
Activity for the year ended June 30, 2014:			
Acquisition	60,100	183,477	243,577
Translation	3,312	6,932	10,244
Change in gross goodwill	63,412	190,409	253,821
Gross goodwill	472,337	654,081	1,126,418
Accumulated impairment losses	(150,842)	—	(150,842)
Balance as of June 30, 2014	$321,495	$654,081	$975,576
Activity for the year ended June 30, 2015:			
Acquisition	2,984	—	2,984
Translation	(19,950)	(13,721)	(33,671)
Change in gross goodwill	(16,966)	(13,721)	(30,687)
Impairment charges	—	(527,500)	(527,500)
Gross goodwill	455,371	640,360	1,095,731
Accumulated impairment losses	(150,842)	(527,500)	(678,342)
Balance as of June 30, 2015	$304,529	$112,860	$417,389

The components of our other intangible assets were as follows:

(in thousands)	Estimated Useful Life (in years)	June 30, 2015 Gross Carrying Amount	Accumulated Amortization	June 30, 2014 Gross Carrying Amount	Accumulated Amortization
Contract-based	3 to 15	$8,523	$(6,990)	$23,446	$(10,820)
Technology-based and other	4 to 20	52,820	(29,723)	54,842	(28,516)
Customer-related	10 to 21	275,796	(90,141)	285,751	(76,376)
Unpatented technology	10 to 30	59,449	(14,426)	61,867	(12,549)
Trademarks	5 to 20	18,575	(12,090)	19,256	(10,984)
Trademarks	Indefinite	24,876	—	37,259	—
Total		$440,039	$(153,370)	$482,421	$(139,245)

During 2015, an impairment of $10.5 million was recorded for a contract-based technology intangible asset that was part of the Infrastructure segment, resulting in a non-cash impairment charge of $5.5 million and a reduction in a liability of $5.0 million.

As a result of the TMB acquisition, we increased other intangible assets by $127.3 million in 2014 based on our purchase price allocations. In the Infrastructure segment we recorded customer-related intangible assets of $102.0 million with an estimated useful life of 18 years to 21 years, technology-based and other intangibles of $13.1 million with an estimate useful life of 10 years to 13 years, trademarks of $2.7 million with an estimated useful life of 10 years and contract-based intangibles of $1.6 million with an estimated useful life of 3 years. In the Industrial segment we recorded customer-related intangible assets of $2.9 million with an estimated useful life of 10 years, trademarks of $2.5 million with an estimated useful life of 10 years, unpatented technology of $2.3 million with an estimated useful life of 10 years and technology-based and other intangibles of $0.2 million with an estimated useful life of 5 years.

These other intangible assets will be amortized over their respective estimated useful lives.

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On August 1, 2013, we acquired the operating assets of Comercializadora Emura S.R.L. and certain related entities (Emura), in our Infrastructure segment. As a result of the acquisition we increased other intangible assets by $16.4 million based on our purchase price allocations. We recorded supplier relationship intangible assets in technology-based and other of $15.9 million with an estimated useful life of 20 years, contract-based intangibles of $0.4 million with an estimated useful life of 3 years and trademarks of $0.1 million with an estimated useful life of 20 years. These intangible assets will be amortized over their respective estimated useful lives.
We recorded currency translation adjustments which decreased other intangible assets by $10.7 million in 2015 and increased other intangible assets by $3.0 million in 2014.
Amortization expense for intangible assets was $26.7 million, $26.2 million and $20.8 million for 2015, 2014 and 2013, respectively. Estimated amortization expense for 2016 through 2020 is $24.0 million, $22.3 million, $20.5 million, $19.8 million, and $14.4 million, respectively.
We recorded no goodwill or other intangible asset impairments in 2014 and 2013.

PENSION AND OTHER POSTRETIREMENT BENEFITS We sponsor these types of benefit plans for certain employees and retirees. Accounting for the cost of these plans requires the estimation of the cost of the benefits to be provided well into the future and attributing that cost over the expected work life of employees participating in these plans. This estimation requires our judgment about the discount rate used to determine these obligations, expected return on plan assets, rate of future compensation increases, rate of future health care costs, withdrawal and mortality rates and participant retirement age. Differences between our estimates and actual results may significantly affect the cost of our obligations under these plans.
In the valuation of our pension and other postretirement benefit liabilities, management utilizes various assumptions. Discount rates are derived by identifying a theoretical settlement portfolio of high quality corporate bonds sufficient to provide for a plan's projected benefit payments. This rate can fluctuate based on changes in the corporate bond yields.
The long-term rate of return on plan assets is estimated based on an evaluation of historical returns for each asset category held by the plans, coupled with the current and short-term mix of the investment portfolio. The historical returns are adjusted for expected future market and economic changes. This return will fluctuate based on actual market returns and other economic factors.
The rate of future health care costs is based on historical claims and enrollment information projected over the next year and adjusted for administrative charges. This rate is expected to decrease until 2024.
Future compensation rates, withdrawal rates and participant retirement age are determined based on historical information. These assumptions are not expected to significantly change. Mortality rates are determined based on a review of published mortality tables.

EARNINGS PER SHARE Basic earnings per share is computed using the weighted average number of shares outstanding during the period, while diluted earnings per share is calculated to reflect the potential dilution that occurs related to the issuance of capital stock under stock option grants, restricted stock awards and restricted stock units. The difference between basic and diluted earnings per share relates solely to the effect of capital stock options, restricted stock awards and restricted stock units.
In 2015, the effect of unexercised capital stock options and unvested restricted stock units was anti-dilutive as a result of a net loss in the period and therefore has been excluded from diluted shares outstanding as well as from the diluted earnings per share calculation. For purposes of determining the number of diluted shares outstanding at June 30, 2014 and 2013, weighted average shares outstanding for basic earnings per share calculations were increased due solely to the dilutive effect of unexercised capital stock options, unvested restricted stock awards and unvested restricted stock units by 1.0 million and 1.1 million shares, respectively. Unexercised capital stock options, unvested restricted stock awards and restricted stock units of 0.3 million and 1.0 million shares at June 30, 2014 and 2013, respectively, were not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price, and therefore the inclusion would have been anti-dilutive.

REVENUE RECOGNITION We recognize revenue for our products and assembled machines when title and all risks of loss and damages pass to the buyer. Our general conditions of sale explicitly state that the delivery of our products and assembled machines is freight on board shipping point and that title and all risks of loss and damage pass to the buyer upon delivery of the sold products or assembled machines to the common carrier.

Our general conditions of sale explicitly state that acceptance of the conditions of shipment are considered to have occurred unless written notice of objection is received by Kennametal within 10 calendar days of the date specified on the invoice. We do not ship products or assembled machines unless we have documentation from our customers authorizing shipment. Our products are consumed by our customers in the manufacture of their products. Historically, we have experienced very low levels of returned products and assembled machines and do not consider the effect of returned products and assembled machines to be material. We have recorded an estimated returned goods allowance to provide for any potential returns.

We warrant that products and services sold are free from defects in material and workmanship under normal use and service when correctly installed, used and maintained. This warranty terminates 30 days after delivery of the product to the customer and does not apply to products that have been subjected to misuse, abuse, neglect or improper storage, handling or maintenance. Products may be returned to Kennametal, only after inspection and approval by Kennametal and upon receipt by the customer of shipping instructions from Kennametal. We have included an estimated allowance for warranty returns in our returned goods allowance.

We recognize revenue related to the sale of specialized assembled machines upon customer acceptance and installation, as installation is deemed essential to the functionality of a specialized assembled machine. Sales of specialized assembled machines were immaterial for 2015, 2014 and 2013.

STOCK-BASED COMPENSATION We recognize stock-based compensation expense for all stock options, restricted stock awards and restricted stock units over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service (substantive vesting period). We utilize the Black-Scholes valuation method to establish the fair value of all stock option awards. Time vesting stock units are valued at the market value of the stock on the grant date. Performance vesting stock units with a market condition are valued using a Monte Carlo model.

Capital stock options are granted to eligible employees at fair market value at the date of grant. Capital stock options are exercisable under specified conditions for up to 10 years from the date of grant. At the 2013 Annual Meeting of Shareowners, the Kennametal Inc. Stock and Incentive Plan of 2010, as Amended and Restated on October 22, 2013 (A/R 2010 Plan) was approved. The A/R 2010 Plan authorizes the issuance of up to 9,500,000 shares of the Company’s capital stock plus any shares remaining unissued under the Kennametal Inc. Stock and Incentive Plan of 2002, as amended (2002 Plan). Under the provisions of the A/R 2010 Plan participants may deliver stock, owned by the holder for at least six months, in payment of the option price and receive credit for the fair market value of the shares on the date of delivery. The fair market value of shares delivered during 2015, 2014 and 2013 was immaterial. In addition to stock option grants, the A/R 2010 Plan permits the award of stock appreciation rights, performance share awards, performance unit awards, restricted stock awards, restricted unit awards and share awards to directors, officers and key employees.

RESEARCH AND DEVELOPMENT COSTS Research and development costs of $45.1 million, $44.0 million and $39.7 million in 2015, 2014 and 2013, respectively, were expensed as incurred. These costs are included in operating expense in the consolidated statements of income.

SHIPPING AND HANDLING FEES AND COSTS All fees billed to customers for shipping and handling are classified as a component of sales. All costs associated with shipping and handling are classified as a component of cost of goods sold.

INCOME TAXES Deferred income taxes are recognized based on the future income tax effects (using enacted tax laws and rates) of differences in the carrying amounts of assets and liabilities for financial reporting and tax purposes. A valuation allowance is recognized if it is “more likely than not” that some or all of a deferred tax asset will not be realized.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES As part of our financial risk management program, we use certain derivative financial instruments. We do not enter into derivative transactions for speculative purposes and, therefore, hold no derivative instruments for trading purposes. We use derivative financial instruments to provide predictability to the effects of changes in foreign exchange rates on our consolidated results, achieve our targeted mix of fixed and floating interest rates on outstanding debt. Our objective in managing foreign exchange exposures with derivative instruments is to reduce volatility in cash flow, allowing us to focus more of our attention on business operations. With respect to interest rate management, these derivative instruments allow us to achieve our targeted fixed-to-floating interest rate mix, as a separate decision from funding arrangements, in the bank and public debt markets.

We account for derivative instruments as a hedge of the related asset, liability, firm commitment or anticipated transaction, when the derivative is specifically designated as a hedge of such items. We measure hedge effectiveness by assessing the changes in the fair value or expected future cash flows of the hedged item. The ineffective portions are recorded in other (income) expense, net. Certain currency forward contracts hedging significant cross-border intercompany loans are considered other derivatives and, therefore, do not qualify for hedge accounting. These contracts are recorded at fair value in the balance sheet, with the offset to other expense (income), net.

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CASH FLOW HEDGES Currency Forward contracts and range forward contracts (a transaction where both a put option is purchased and a call option is sold) are designated as cash flow hedges and hedge anticipated cash flows from cross-border intercompany sales of products and services. Gains and losses realized on these contracts at maturity are recorded in accumulated other comprehensive (loss) income, and are recognized as a component of other (income) expense, net when the underlying sale of products or services is recognized into earnings.
Interest Rate Floating-to-fixed interest rate swap contracts, designated as cash flow hedges, are entered into from time to time to hedge our exposure to interest rate changes on a portion of our floating rate debt. These interest rate swap contracts convert a portion of our floating rate debt to fixed rate debt. We record the fair value of these contracts as an asset or a liability, as applicable, in the balance sheet, with the offset to accumulated other comprehensive (loss) income.
FAIR VALUE HEDGES Interest Rate Fixed-to-floating interest rate swap contracts, designated as fair value hedges, are entered into from time to time to hedge our exposure to fair value fluctuations on a portion of our fixed rate debt. These interest rate swap contracts convert a portion of our fixed rate debt to floating rate debt. When in place, these contracts require periodic settlement, and the difference between amounts to be received and paid under the contracts is recognized in interest expense.
CURRENCY TRANSLATION Assets and liabilities of international operations are translated into U.S. dollars using year-end exchange rates, while revenues and expenses are translated at average exchange rates throughout the year. The resulting net translation adjustments are recorded as a component of accumulated other comprehensive (loss) income. The local currency is the functional currency of most of our locations. A gain of $1.7 million, a loss of $2.5 million and a loss of $4.5 million from currency transactions were included in other (income) expense, net in 2015, 2014 and 2013, respectively.
NEW ACCOUNTING STANDARDS
Adopted
In July 2013, the Financial Accounting Standards Board (FASB) issued new guidance on the presentation in the financial statements of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance takes into account these losses and carryforwards as well as the intended or likelihood of use of the unrecognized tax benefit in determining the balance sheet classification as an asset or liability. This guidance was effective for Kennametal beginning July 1, 2014 and did not have a material impact.
Issued
In April 2015, the FASB issued new guidance on the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. This standard is effective for Kennametal beginning July 1, 2016. The guidance is not expected to have a material effect under our current debt structure.
In April 2015, the FASB issued new guidance on accounting for fees paid in a cloud computing arrangement. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license and accounting for the arrangement as capitalized and amortized as an intangible asset or expensed as incurred as a service contract. This standard is effective for Kennametal beginning July 1, 2016. We are in the process of evaluating the impact of adoption on our consolidated financial statements.
In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers: Topic 606.” This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which will require significant judgment. This standard is effective for Kennametal July 1, 2017. We are in the process of assessing the impact the adoption of this ASU will have on our consolidated financial statements.

NOTE 3 — SUPPLEMENTAL CASH FLOW DISCLOSURES

Year ended June 30 (in thousands)	2015	2014	2013
Cash paid during the period for:			
Interest	$30,984	$29,836	$24,432

Income taxes	40,295	49,393	51,098
Supplemental disclosure of non-cash information:			
Changes in accounts payable related to purchases of property, plant and equipment	(9,900)	2,100	(8,600)

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NOTE 4 — ACQUISITIONS

TMB
On November 4, 2013, the Company completed its transaction to acquire TMB from ATI which included all of the assets of TDY Industries, LLC, a wholly owned subsidiary of ATI, used or held for use by TDY in connection with the business; and all of the shares of TDY Limited and ATI Holdings SAS, both wholly-owned subsidiaries of ATI, for a purchase price of $607.0 million, net of cash acquired. We funded the acquisition primarily through a combination of cash from operations and available borrowings under our existing credit facility. TMB is a leading producer of tungsten metallurgical powders, as well as tooling technologies and components. When acquired, the business had approximately 1,175 employees in 12 locations primarily in the United States of America, and 6 other countries.

As part of the acquisition of TMB, Kennametal incurred $8.7 million for the year ended June 30, 2014 of acquisition-related costs, which are included in operating expense and cost of goods sold.

Purchase Price Allocation
In accordance with the accounting guidance for business combinations, the TMB acquisition was accounted for under the acquisition method of accounting and accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on estimated fair values at the date of acquisition. The consolidated balance sheet as of June 30, 2014 reflects the allocation of the purchase price.

The allocation of the total purchase price to the fair values of the assets acquired and liabilities assumed as of June 30, 2014 is as follows:

(in thousands)	Total
ASSETS	
Current assets:	
Cash and cash equivalents	$1,294
Accounts receivable	41,164
Inventories	100,453
Other current assets	4,014
Total current assets	146,925
Property, plant and equipment	127,838
Goodwill	243,577
Other intangible assets	127,300
Deferred income taxes	6,978
Other	603
Total assets	$653,221
LIABILITIES	
Current liabilities:	
Accounts payable	$22,790
Accrued payroll	3,401
Accrued expenses	5,434
Total current liabilities	31,625
Deferred income taxes	4,585
Other long-term liabilities	8,781
Total liabilities	44,991
Net assets acquired	$608,230

In connection with this acquisition, we identified and valued certain intangible assets, including existing customer relationships, technologies, trademarks and contract-based intangibles, as discussed in Note 2. The goodwill recorded of $243.6 million is attributable to the operating synergies associated with the acquisition that we expected to realize, as discussed in Note 2.

The accompanying consolidated balance sheet as of June 30, 2015 reflects the final allocation of the purchase price. We recorded an additional $3.0 million of goodwill in 2015 based on finalization of the purchase price allocation. See Note 2.

The operating results for the year ended June 30, 2014 include net sales of $194.9 million and net loss attributable to Kennametal of $10.5 million related to TMB.

Unaudited Pro Forma Financial Information
The following unaudited pro forma summary of operating results presents the consolidated results of operations as if the TMB acquisition had occurred on July 1, 2012. These amounts were calculated after applying our accounting policies and adjusting TMB's results to reflect increased depreciation and amortization expense resulting from recording fixed assets and intangible assets at fair value, as well as increased cost of sales resulting from recording inventory at fair value. The pro forma results for the year ended June 30, 2014 excludes $8.7 million of acquisition-related and includes $19.1 million of restructuring-related pre-tax costs. The pro forma results for the year ended June 30, 2013 includes $8.7 million of integration-related pre-tax costs. The pro forma results have been presented for comparative purposes only, include no expected sales or cost synergies and are not indicative of future results of operations or what would have occurred had the acquisition been made on July 1, 2012.

Unaudited pro forma summary of operating results of Kennametal, assuming the acquisition had occurred as of July 1, 2012, are as follows:

Year ended June 30 (in thousands)	2014	2013
Pro forma (unaudited):		
Net Sales	$2,941,005	$2,902,160
Net income attributable to Kennametal	$175,804	$190,863
Per share data attributable to Kennametal Shareholders :		
Basic earnings per share	$2.23	$2.40
Diluted earnings per share	$2.21	$2.37

Emura
On August 1, 2013, the Company acquired the operating assets of Emura, based in La Paz, Bolivia, and secured related material sourcing agreements for a purchase price of $40.1 million, of which $25.6 million was paid in fiscal year 2014 and $0.5 million was paid in fiscal year 2013, and $14.0 million of contingent consideration, as discussed in Note 5. Emura's principal operations are engaged in collecting, testing, processing and exporting tungsten ore material, and was a long-standing supplier to Kennametal. The addition of Emura enhances the Company's strategic tungsten sourcing capabilities to serve growth globally.

Other
On September 30, 2013, the Company completed a small acquisition in the Infrastructure segment for $2.0 million.

NOTE 5 — FAIR VALUE MEASUREMENTS
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy consists of three levels to prioritize the inputs used in valuations, as defined below:
Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are unobservable.

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As of June 30, 2015, the fair values of the Company’s financial assets and financial liabilities measured at fair value on a recurring basis are categorized as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Derivatives [(1)]	$—	$2,678	$—	$2,678
Total assets at fair value	$—	$2,678	$—	$2,678
Liabilities:				
Derivatives [(1)]	$—	$44	$—	$44
Contingent consideration	—	—	10,000	10,000
Total liabilities at fair value	$—	$44	$10,000	$10,044

The fair value of contingent consideration payable that was classified as Level 3 relates to our probability assessments of expected future milestone targets, primarily associated with product delivery, related to the Emura acquisition. The contingent consideration is to be paid over the next two years. During 2015, the Company paid $4.0 million in conjunction with achieved milestone targets. During the current year the Company reassessed this contingent consideration and determined that no adjustment to the fair value was deemed necessary and that no changes in the expected outcome have occurred during the year ended June 30, 2015.

As of June 30, 2014, the fair value of the Company’s financial assets and financial liabilities measured at fair value on a recurring basis are categorized as follows:

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Derivatives [(1)]	$—	$253	$—	$253
Total assets at fair value	$—	$253	$—	$253
Liabilities:				
Derivatives [(1)]	$—	$1,053	$—	$1,053
Contingent consideration			14,000	14,000
Total liabilities at fair value	$—	$1,053	$14,000	$15,053

[(1)] Currency derivatives are valued based on observable market spot and forward rates and are classified within Level 2 of the fair value hierarchy.

NOTE 6 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As part of our financial risk management program, we use certain derivative financial instruments. See Note 2 for discussion on our derivative instruments and hedging activities policy.

The fair value of derivatives designated and not designated as hedging instruments in the consolidated balance sheet are as follows:

(in thousands)	2015	2014
Derivatives designated as hedging instruments		
Other current assets - range forward contracts	$2,626	$184
Other current liabilities - range forward contracts	—	(6)
Other assets - range forward contracts	—	42
Total derivatives designated as hedging instruments	2,626	220
Derivatives not designated as hedging instruments		
Other current assets - currency forward contracts	52	27
Other current liabilities - currency forward contracts	(44)	(1,047)
Total derivatives not designated as hedging instruments	8	(1,020)

Total derivatives	$2,634	$(800)

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Certain currency forward contracts that hedge significant cross-border intercompany loans are considered as other derivatives and therefore do not qualify for hedge accounting. These contracts are recorded at fair value in the consolidated balance sheet, with the offset to other (income) expense, net. (Gains) losses related to derivatives not designated as hedging instruments have been recognized as follows:

(in thousands)	2015	2014	2013
Other (income) expense, net - currency forward contracts	$(1,026)	$1,057	$1,210

FAIR VALUE HEDGES

Fixed-to-floating interest rate swap contracts, designated as fair value hedges, are entered into from time to time to hedge our exposure to fair value fluctuations on a portion of our fixed rate debt. We had no such contracts outstanding at June 30, 2015 and June 30, 2014.

CASH FLOW HEDGES

Currency forward contracts and range forward contracts (a transaction where both a put option is purchased and a call option is sold) are designated as cash flow hedges and hedge anticipated cash flows from cross-border intercompany sales of products and services. Gains and losses realized on these contracts at maturity are recorded in accumulated other comprehensive (loss) income, and are recognized as a component of other (income) expense, net when the underlying sale of products or services is recognized into earnings. The notional amount of the contracts translated into U.S. dollars at June 30, 2015 and 2014 was $53.8 million and $91.1 million, respectively. The time value component of the fair value of range forward contracts is excluded from the assessment of hedge effectiveness. Assuming the market rates remain constant with the rates at June 30, 2015, we expect to recognize into earnings in the next 12 months $2.4 million of losses on outstanding derivatives.

Floating-to-fixed interest rate swap contracts, designated as cash flow hedges, are entered into from time to time to hedge our exposure to interest rate changes on a portion of our floating rate debt. These interest rate swap contracts convert a portion of our floating rate debt to fixed rate debt. We record the fair value of these contracts as an asset or a liability, as applicable, in the balance sheet, with the offset to accumulated other comprehensive (loss) income, net of tax. We had no such contracts outstanding at June 30, 2015 or 2014, respectively.

The following represents losses related to cash flow hedges:

(in thousands)	2015	2014	2013
Gains (losses) recognized in other comprehensive loss, net	$6,651	$(702)	$(611)
(Gains) losses reclassified from accumulated other comprehensive loss into other (income) expense, net	$(250)	$1,399	$1,116

No portion of the gains or losses recognized in earnings was due to ineffectiveness and no amounts were excluded from our effectiveness testing for the years ended June 30, 2015, 2014 and 2013.

NOTE 7 — INVENTORIES

Inventories consisted of the following at June 30:

(in thousands)	2015	2014
Finished goods	$324,840	$371,599
Work in process and powder blends	249,629	308,129
Raw materials	100,881	126,004
Inventories at current cost	675,350	805,732
Less: LIFO valuation	(99,819)	(101,966)
Total inventories	$575,531	$703,766

We used the LIFO method of valuing inventories for approximately 47 percent and 43 percent of total inventories at June 30, 2015 and 2014, respectively.

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NOTE 8 — OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following at June 30:

(in thousands)	2015	2014
Accrued employee benefits	$40,995	$29,758
Accrued restructuring (Note 14)	20,788	9,002
Payroll, state and local taxes	15,006	16,401
Accrued legal and professional fees	11,710	11,848
Other	90,179	91,894
Total other current liabilities	$178,678	$158,903

NOTE 9 — LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital lease obligations consisted of the following at June 30:

(in thousands)	2015	2014
2.65% Senior Unsecured Notes due 2019 net of discount of $0.3 million for 2015 and $0.4 million for 2014	$399,671	$399,595
3.875% Senior Unsecured Notes due 2022 net of discount of $0.2 million for 2015 and $0.3 million for 2014	299,757	299,720
Credit Agreement:		
Euro-denominated borrowings, 0.9% to 1.1% in 2015 and 1.1% to 1.3% in 2014, due 2018	42,609	200,112
U.S. Dollar-denominated borrowings, 1.2% in 2015 and 2014, due 2018	200	87,000
Capital leases with terms expiring through 2018 at 1.6% to 5.4% in 2015 and 2014	1,771	2,886
Other	6	15
Total debt and capital leases	744,014	989,328
Less current maturities:		
Long-term debt	(8,049)	(7,512)
Capital leases	(74)	(135)
Other	(6)	(15)
Total current maturities	(8,129)	(7,662)
Long-term debt and capital leases, less current maturities	$735,885	$981,666

Senior Unsecured Notes On November 7, 2012, we issued $400.0 million of 2.65 percent Senior Unsecured Notes due in 2019. Interest is paid semi-annually on May 1 and November 1 of each year. We used the net proceeds from this notes offering to repay outstanding indebtedness under our credit facility and for general corporate purposes. On February 14, 2012, we issued $300 million of 3.875 percent Senior Unsecured Notes due in 2022. Interest is paid semi-annually on February 15 and August 15 of each year.

2011 Credit Agreement The five-year, multi-currency, revolving credit facility (2011 Credit Agreement) permits revolving credit loans of up to $600 million for working capital, capital expenditures and general corporate purposes. The 2011 Credit Agreement matures in April 2018 and allows for borrowings in U.S. dollars, euro, Canadian dollars, pound sterling and Japanese yen. Interest payable under the 2011 Credit Agreement is based upon the type of borrowing under the facility and may be (1) LIBOR plus an applicable margin, (2) the greater of the prime rate or the Federal Funds effective rate plus an applicable margin, or (3) fixed as negotiated by us.

The 2011 Credit Agreement requires us to comply with various restrictive and affirmative covenants, including two financial covenants: a maximum leverage ratio and a minimum consolidated interest coverage ratio (as those terms are defined in the agreement). We were in compliance with all covenants as of June 30, 2015. We had $42.8 million and $287.1 million of borrowings outstanding under the 2011 Credit Agreement as of June 30, 2015 and June 30, 2014, respectively. Borrowings under the 2011 Credit Agreement are guaranteed by our significant domestic subsidiaries.

Future principal maturities of long-term debt are $8.0 million in 2016, $34.8 million in 2018, $399.7 million in 2020 and $299.8 million beyond 2020.

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Future minimum lease payments under capital leases for the next five years and thereafter in total are as follows:

(in thousands)	
2016	$76
2017	1,625
2018	199
2019	—
2020	—
After 2021	—
Total future minimum lease payments	1,900
Less amount representing interest	(129)
Amount recognized as capital lease obligations	$1,771

At June 30, 2015 and 2014 our collateralized debt consisted of capitalized lease obligations of $1.8 million and $2.9 million, respectively. The underlying assets collateralize these obligations.

NOTE 10 — NOTES PAYABLE AND LINES OF CREDIT

Notes payable to banks of $7.6 million and $72.5 million at June 30, 2015 and 2014, respectively, represents short-term borrowings under credit lines with commercial banks. These credit lines, translated into U.S. dollars at June 30, 2015 exchange rates, totaled $200.4 million at June 30, 2015, of which $192.8 million was unused. The weighted average interest rate for notes payable and lines of credit was 2.0 percent and 1.5 percent at June 30, 2015 and 2014, respectively.

NOTE 11 — INCOME TAXES

(Loss) income before income taxes consisted of the following for the years ended June 30:

(in thousands)	2015	2014	2013
(Loss) income before income taxes:			
United States	$(323,299)	$59,160	$87,499
International	(64,316)	169,649	179,110
Total (loss) income before income taxes	$(387,615)	$228,809	$266,609
Current income taxes:			
Federal	$(9,328)	$15,108	$10,645
State	816	896	3,441
International	40,433	27,488	45,375
Total current income taxes	31,921	43,492	59,461
Deferred income taxes:			
Federal	$(38,943)	$10,157	$12,951
State	(8,680)	(62)	2,433
International	(952)	13,024	(15,152)
Total deferred income taxes:	(48,575)	23,119	232
(Benefit) provision for income taxes	$(16,654)	$66,611	$59,693
Effective tax rate	4.3%	29.1%	22.4%

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The reconciliation of income taxes computed using the statutory U.S. income tax rate and the provision for income taxes was as follows for the years ended June 30:

(in thousands)	2015	2014	2013
Income taxes at U.S. statutory rate	$(135,665)	$80,083	$93,313
State income taxes, net of federal tax benefits	(1,748)	1,593	4,051
U.S. income taxes provided on international income	3,679	2,423	3,067
Combined tax effects of international income	(21,560)	(22,580)	(30,692)
Impact of goodwill impairment charges	134,657	—	—
Change in valuation allowance and other uncertain tax positions	1,530	(2,603)	(4,550)
Impact of domestic production activities deduction	—	(942)	(3,546)
Research and development credit	(3,087)	(1,385)	(4,141)
Change in permanent reinvestment assertion	2,945	7,170	—
Other	2,595	2,852	2,191
(Benefit) provision for income taxes	$(16,654)	$66,611	$59,693

During 2015, we recorded goodwill impairment charges related to our Infrastructure segment for the majority of which there was no tax benefit. The federal effect of these permanent differences is included in the income tax reconciliation table under the caption "impact of goodwill charges."

During 2015, we recorded an adjustment of $2.9 million related to a change in assertion of certain foreign subsidiaries' undistributed earnings, which are no longer considered permanently reinvested. The effect of this charge is included in the income tax reconciliation table under the caption "change in permanent reinvestment assertion."

During 2014 and 2013, we recorded adjustments of $2.2 million and $4.2 million, respectively, related to the effective settlement of uncertain tax positions in Europe, which reduced income tax expense. The effects of these tax benefits are included in the income tax reconciliation table under the caption “change in valuation allowance and other uncertain tax positions.”

During 2014, we recorded a valuation allowance adjustment of $1.2 million, which reduced income tax expense. The valuation allowance adjustment is related to a state tax law change. The effect of this tax benefit is included in the income tax reconciliation table under the caption “change in valuation allowance and other uncertain tax positions.”

During 2014, we recorded an adjustment of $7.2 million related to a change in assertion of a foreign subsidiary’s certain undistributed earnings, which are no longer considered permanently reinvested. The effect of this charge is included in the income tax reconciliation table under the caption “change in permanent reinvestment assertion.”

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The components of net deferred tax assets and (liabilities) were as follows at June 30:

(in thousands)	2015	2014
Deferred tax assets:		
Net operating loss carryforwards	$47,289	$52,812
Inventory valuation and reserves	18,023	20,612
Pension benefits	23,559	2,427
Other postretirement benefits	7,359	8,432
Accrued employee benefits	23,674	29,034
Other accrued liabilities	18,210	12,981
Hedging activities	4,354	14,996
Tax credits and other carryforwards	13,815	2,082
Other	12,028	14,617
Total	168,311	157,993
Valuation allowance	(16,771)	(17,860)
Total deferred tax assets	$151,540	$140,133
Deferred tax liabilities:		
Tax depreciation in excess of book	$102,480	$107,171
Intangible assets	18,688	70,957
Total deferred tax liabilities	$121,168	$178,128
Total net deferred tax assets (liabilities)	$30,372	$(37,995)

Included in deferred tax assets at June 30, 2015 is $47.3 million associated with net operating loss carryforwards in state and foreign jurisdictions. Of that amount, $5.3 million expires through 2020, $7.4 million expires through 2025, $2.8 million expires through 2030, $1.9 million expires through 2035, and the remaining $29.9 million does not expire. The realization of these tax benefits is primarily dependent on future taxable income in these jurisdictions.

A valuation allowance of $16.8 million has been placed against deferred tax assets in Europe, China, Hong Kong, Brazil and the U.S., all of which would be allocated to income tax expense upon realization of the deferred tax assets. In 2015, the valuation allowance related to these deferred tax assets decreased by $1.1 million. As the respective operations generate sufficient income, the valuation allowances will be partially or fully reversed at such time we believe it will be more likely than not that the deferred tax assets will be realized.

As of June 30, 2015, unremitted earnings of our non-U.S. subsidiaries and affiliates of $2,087.9 million, the majority of which have not been previously taxed in the U.S., are considered permanently reinvested, and accordingly, no deferred tax liability has been recorded in connection therewith. It is not practical to estimate the income tax effect that might be incurred if cumulative prior year earnings not previously taxed in the U.S. were remitted to the U.S.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest) is as follows as of June 30:

(in thousands)	2015	2014	2013
Balance at beginning of year	$20,366	$26,798	$7,298
Increases for tax positions of prior years	—	1,461	—
Decreases for tax positions of prior years	(3,188)	(6,982)	—
Increases for tax positions related to the current year	—	116	23,231
Decreases related to settlement with taxing authority	(348)	(2,161)	(3,813)
Decreases related to lapse of statute of limitations	(398)	—	—
Foreign currency translation	(1,813)	1,134	82
Balance at end of year	$14,619	$20,366	$26,798

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate in 2015, 2014 and 2013 is $2.7 million, $2.4 million and $4.3 million, respectively. Our policy is to recognize interest and penalties related to income taxes as a component of the provision for income taxes in the consolidated statement of income. We recognized a reduction in interest of 0.7 million and 1.9 million in 2015 and 2013 respectively. We recognized interest expense of $0.8 million in 2014. As of June 30, 2015 and 2014 the amount of interest accrued was $0.5 million and $1.3 million, respectively. As of June 30, 2015 and 2014, the amount of penalty accrued was $0.2 million and $0.4 million, respectively.

With few exceptions, we are no longer subject to income tax examinations by tax authorities for years prior to 2009. The Internal Revenue Service has audited all U.S. tax years prior to 2014. Various state and foreign jurisdiction tax authorities are in the process of examining our income tax returns for various tax years ranging from 2009 to 2013.

We continue to execute and expand our pan-European business model. As a result of this and other matters, we continuously review our uncertain tax positions and evaluate any potential issues that may lead to an increase or decrease in the total amount of unrecognized tax benefits recorded.

We believe that it is reasonably possible that the amount of unrecognized tax benefits could decrease by approximately $11.9 million within the next twelve months as a result of a settlement with one foreign tax jurisdiction of a position that was taken in 2013. In 2015 and 2014, we refined our estimate for this position which resulted in a reduction of the liability of $3.2 million and $7.0 million respectively. A corresponding deferred tax asset in the amount of $11.9 million was recorded for the position in the U. S. and is included in the components of net deferred tax assets and liabilities table under the caption "other."

NOTE 12 — PENSION AND OTHER POSTRETIREMENT BENEFITS

Pension benefits under defined benefit pension plans are based on years of service and, for certain plans, on average compensation for specified years preceding retirement. We fund pension costs in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, for U.S. plans and in accordance with local regulations or customs for non-U.S. plans.

We have an Executive Retirement Plan for various executives and a Supplemental Executive Retirement Plan which was closed to future participation on July 26, 2006.

We presently provide varying levels of postretirement health care and life insurance benefits to certain employees and retirees. Postretirement health care benefits are available to employees and their spouses retiring on or after age 55 with 10 or more years of service. Beginning with retirements on or after January 1, 1998, our portion of the costs of postretirement health care benefits is capped at 1996 levels. Beginning with retirements on or after January 1, 2009, we have no obligation to provide a company subsidy for retiree medical costs.

We use a June 30 measurement date for all of our plans.

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Defined Benefit Pension Plans

The funded status of our pension plans and amounts recognized in the consolidated balance sheets as of June 30 were as follows:

(in thousands)	2015	2014
Change in benefit obligation:		
Benefit obligation, beginning of year	$969,904	$890,831
Service cost	5,474	6,910
Interest cost	39,007	41,084
Participant contributions	12	15
Actuarial losses	50,464	56,925
Benefits and expenses paid	(73,897)	(43,948)
Currency translation adjustments	(36,377)	16,994
Effect of acquired business	—	1,093
Special termination benefits	459	—
Curtailments	(592)	—
Benefit obligation, end of year	$954,454	$969,904
Change in plans' assets:		
Fair value of plans' assets, beginning of year	$884,264	$796,079
Actual return on plans' assets	20,007	108,640
Company contributions	8,703	10,902
Participant contributions	12	15
Benefits and expenses paid	(73,897)	(43,948)
Currency translation adjustments	(11,752)	12,576
Fair value of plans' assets, end of year	$827,337	$884,264
Funded status of plans	$(127,117)	$(85,640)
Amounts recognized in the balance sheet consist of:		
Long-term prepaid benefit	$31,274	$81,307
Short-term accrued benefit obligation	(14,592)	(8,679)
Accrued pension benefits	(143,799)	(158,268)
Net amount recognized	$(127,117)	$(85,640)

The increase in benefits and expenses paid of $29.9 million is primarily due the completion of lump sum settlement program in 2015 of $32.8 million.

The decrease in actual return on plans' assets of $88.6 million is primarily due to the strong market performance of fixed income securities in 2014 that did not repeat in 2015 in addition to the decrease in plan assets due to the payout of the lump sum settlement in 2015.

The pre-tax amounts related to our defined benefit pension plans recognized in accumulated other comprehensive (loss) income were as follows at June 30:

(in thousands)	2015	2014
Unrecognized net actuarial losses	$196,567	$121,799
Unrecognized net prior service credits	(953)	(939)
Unrecognized transition obligations	951	1,105
Total	$196,565	$121,965

Prepaid pension benefits are included in other long-term assets. The assets of our U.S. and international defined benefit pension plans consist principally of capital stocks, corporate bonds and government securities.

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To the best of our knowledge and belief, the asset portfolios of our defined benefit pension plans do not contain our capital stock. We do not issue insurance contracts to cover future annual benefits of defined benefit pension plan participants. Transactions between us and our defined benefit pension plans include the reimbursement of plan expenditures incurred by us on behalf of the plans. To the best of our knowledge and belief, the reimbursement of cost is permissible under current ERISA rules or local government law. The accumulated benefit obligation for all defined benefit pension plans was $943.5 million and $956.7 million as of June 30, 2015 and 2014, respectively.

Included in the above information are plans with accumulated benefit obligations exceeding the fair value of plan assets as of June 30 as follows:

(in thousands)	2015	2014
Projected benefit obligation	$165,281	$190,679
Accumulated benefit obligation	164,913	189,391
Fair value of plan assets	7,394	23,390

The components of net periodic pension (income) cost include the following as of June 30:

(in thousands)	2015	2014	2013
Service cost	$5,474	$6,910	$7,797
Interest cost	39,007	41,084	38,183
Expected return on plans' assets	(59,698)	(59,527)	(56,111)
Amortization of transition obligation	78	78	69
Amortization of prior service cost	(361)	(234)	(195)
Special termination benefit charge	459	—	—
Curtailment loss	358	—	—
Settlement loss	261	—	158
Recognition of actuarial losses	3,671	2,642	14,961
Net periodic pension (income) cost	$(10,751)	$(9,047)	$4,862

Net periodic pension income was $10.8 million in 2015 as compared to $9.0 million in 2014. Net periodic pension income was $9.0 million in 2014 as compared to cost of $4.9 million in 2013. This change was primarily the result of discount rate changes.

During 2015, we recognized a special termination benefit charge of $0.5 million and a curtailment loss of $0.4 million for one of our U.S.-based defined benefit pension plans resulting from a plant closure. The special termination benefit charge was recognized in restructuring expense.

As of June 30, 2015, the projected benefit payments, including future service accruals for these plans for 2016 through 2020, are $55.4 million, $49.3 million, $50.8 million, $53.0 million and $55.0 million, respectively, and $295.9 million in 2021 through 2025.

The amounts of accumulated other comprehensive loss expected to be recognized in net periodic pension cost during 2016 related to net actuarial losses and transition obligations are $7.3 million and $0.1 million, respectively. The amount of accumulated other comprehensive income expected to be recognized in net periodic pension cost during 2016 related to prior service credit is $0.4 million.

We expect to contribute approximately $16.8 million to our pension plans in 2016.

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Other Postretirement Benefit Plans

The funded status of our other postretirement benefit plans and the related amounts recognized in the consolidated balance sheets were as follows:

(in thousands)	2015	2014
Change in benefit obligation:		
Benefit obligation, beginning of year	$24,476	$21,422
Service cost	45	55
Interest cost	934	1,006
Actuarial losses	1,489	3,658
Benefits paid	(2,155)	(1,665)
Curtailments	(3,584)	—
Benefit obligation, end of year	$21,205	$24,476
Funded status of plan	$(21,205)	$(24,476)
Amounts recognized in the balance sheet consist of:		
Short-term accrued benefit obligation	$(1,975)	$(1,960)
Accrued postretirement benefits	(19,230)	(22,516)
Net amount recognized	$(21,205)	$(24,476)

The pre-tax amounts related to our other postretirement benefit plans which were recognized in accumulated other comprehensive (loss) income were as follows at June 30:

(in thousands)	2015	2014
Unrecognized net actuarial losses	$5,969	$8,554
Unrecognized net prior service credits	(172)	(452)
Total	$5,797	$8,102

The components of net periodic other postretirement benefit cost include the following for the years ended June 30:

(in thousands)	2015	2014	2013
Service cost	$45	$55	$72
Interest cost	934	1,006	938
Amortization of prior service credit	(59)	(111)	(111)
Recognition of actuarial loss	492	317	417
Curtailment gain	(221)	—	—
Net periodic other postretirement benefit cost	$1,191	$1,267	$1,316

The curtailment gain of $0.2 million during 2015 was a result of the plant closure discussed above.

As of June 30, 2015, the projected benefit payments, including future service accruals for our other postretirement benefit plans for 2016 through 2020, are $2.2 million, $2.1 million, $2.0 million, $1.8 million and $1.7 million, respectively, and $7.3 million in 2021 through 2025.

The amounts of accumulated other comprehensive loss expected to be recognized in net periodic pension cost during 2016 related to net actuarial losses are $0.3 million. The amount of accumulated other comprehensive income expected to be recognized in net periodic pension cost during 2016 related to prior service credit is immaterial.

We expect to contribute approximately $2.2 million to our postretirement benefit plans in 2016.

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Assumptions

The significant actuarial assumptions used to determine the present value of net benefit obligations for our defined benefit pension plans and other postretirement benefit plans were as follows:

	2015	2014	2013
Discount Rate:			
U.S. plans	3.2-4.5%	4.4 %	4.9 %
International plans	2.3-3.8%	2.9-4.3%	3.5-4.8%
Rates of future salary increases:			
U.S. plans	3.0-4.0%	3.0-5.0%	3.0-5.0%
International plans	2.5-3.0%	2.5-3.0%	2.5-3.0%

The significant assumptions used to determine the net periodic (income) cost for our pension and other postretirement benefit plans were as follows:

	2015	2014	2013
Discount Rate:			
U.S. plans	4.4 %	4.9 %	4.0 %
International plans	2.9-4.3%	3.5-4.8%	4.0-5.5%
Rates of future salary increases:			
U.S. plans	3.0-5.0%	3.0-5.0%	3.0-5.0%
International plans	2.5-3.0%	2.5-3.0%	2.5-4.0%
Rate of return on plans assets:			
U.S. plans	7.5 %	8.0 %	8.0 %
International plans	5.0-6.0%	5.0-6.0%	5.6 %

The rates of return on plan assets are based on historical performance, as well as future expected returns by asset class considering macroeconomic conditions, current portfolio mix, long-term investment strategy and other available relevant information.

The annual assumed rate of increase in the per capita cost of covered benefits (the health care cost trend rate) for our postretirement benefit plans was as follows:

	2015	2014	2013
Health care costs trend rate assumed for next year	7.3 %	7.5 %	7.8 %
Rate to which the cost trend rate gradually declines	5.0 %	5.0 %	4.5 %
Year that the rate reaches the rate at which it is assumed to remain	2024	2024	2029

A change of one percentage point in the assumed health care cost trend rates would have the following effects on the total service and interest cost components of our other postretirement cost and other postretirement benefit obligation at June 30, 2015:

(in thousands)	1% Increase	1% Decrease
Effect on total service and interest cost components	$45	$(40)
Effect on other postretirement obligation	881	(790)

Plan Assets

The primary objective of certain of our pension plans' investment policies is to ensure that sufficient assets are available to provide the benefit obligations at the time the obligations come due. The overall investment strategy for the defined benefit pension plans' assets combine considerations of preservation of principal and moderate risk-taking. The assumption of an acceptable level of risk is warranted in order to achieve satisfactory results consistent with the long-term objectives of the portfolio. Fixed income securities comprise a significant portion of the portfolio due to their plan-liability-matching characteristics and to address the plans' cash flow requirements. Additionally, diversification of investments within each asset class is utilized to further reduce the impact of losses in single investments.

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Investment management practices must comply with ERISA and all applicable regulations and rulings thereof. The use of derivative instruments is permitted where appropriate and necessary for achieving overall investment policy objectives. Currently, the use of derivative instruments is not significant when compared to the overall investment portfolio.

The Company utilizes a liability driven investment strategy (LDI) for the assets of its U.S. defined benefit pension plans in order to reduce the volatility of the funded status of these plans and to meet the obligations at an acceptable cost over the long term. This LDI strategy entails modifying the asset allocation and duration of the assets of the plans to more closely match the liability profile of these plans. The asset reallocation involves increasing the fixed income allocation, reducing the equity component and adding alternative investments. Longer duration interest rate swaps have been utilized periodically in order to increase the overall duration of the asset portfolio to more closely match the liabilities.

Our defined benefit pension plans' asset allocations as of June 30, 2015 and 2014 and target allocations for 2016, by asset class, were as follows:

	2015		2014		Target %	
Equity	32	%	34	%	30	%
Fixed Income	65	%	63	%	70	%
Other	3	%	3	%	—	%

The following sections describe the valuation methodologies used by the trustee to measure the fair value of the defined benefit pension plan assets, including an indication of the level in the fair value hierarchy in which each type of asset is generally classified (see Note 5 for the definition of fair value and a description of the fair value hierarchy).

Corporate fixed income securities Investments in corporate fixed income securities consist of corporate debt and asset backed securities. These investments are classified as level two and are valued using independent observable market inputs such as the treasury curve, swap curve and yield curve.

Common / collective trusts Investments in common / collective trusts invest primarily in publicly traded securities and are classified as level two and valued based on observable market data.

Common stock Common stocks are classified as level one and are valued at their quoted market price.

Government securities Investments in government securities consist of fixed income securities such as U.S. government and agency obligations and foreign government bonds and asset and mortgage backed securities such as obligations issued by government sponsored organizations. These investments are classified as level two and are valued using independent observable market inputs such as the treasury curve, credit spreads and interest rates.

Other fixed income securities Investments in other fixed income securities are classified as level two and valued based on observable market data.

Other Other investments consist primarily of state and local obligations and short term investments including cash, corporate notes, and various short term debt instruments which can be redeemed within a nominal redemption notice period. These investments are primarily classified as level two and are valued using independent observable market inputs.

The fair value methods described may not be reflective of future fair values. Additionally, while the Company believes the valuation methods used by the plans' trustee are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

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The following table presents the fair value of the benefit plan assets classified under the appropriate level of the fair value hierarchy as of June 30, 2015:

(in thousands)	Level 1	Level 2	Level 3	Total
Corporate fixed income securities	$—	$391,275	$—	$391,275
Common / collective trusts:				
Value funds	—	102,466	—	102,466
Growth funds	—	54,179	—	54,179
Balanced funds	—	10,090	—	10,090
Common stock	94,964	—	—	94,964
Government securities:				
U.S. Government securities	—	68,628	—	68,628
Foreign government securities	—	44,474	—	44,474
Other fixed income securities	—	32,540	—	32,540
Other	3,396	25,325	—	28,721
Total investments	$98,360	$728,977	$—	$827,337

The following table presents the fair value of the benefit plan assets classified under the appropriate level of the fair value hierarchy as of June 30, 2014:

(in thousands)	Level 1	Level 2	Level 3	Total
Corporate fixed income securities	$—	$409,167	$—	$409,167
Common / collective trusts:				
Value funds	—	117,479	—	117,479
Growth funds	—	64,830	—	64,830
Balanced funds	—	22,262	—	22,262
Common stock	101,527	—	—	101,527
Government securities:				
U.S. Government securities	—	66,709	—	66,709
Foreign government securities	—	41,202	—	41,202
Other fixed income securities	—	36,469	—	36,469
Other	3,156	21,463	—	24,619
Total investments	$104,683	$779,581	$—	$884,264

Defined Contribution Plans

We sponsor several defined contribution retirement plans. Costs for defined contribution plans were $23.1 million, $20.4 million and $16.7 million in 2015, 2014 and 2013, respectively.

NOTE 13 — ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Total accumulated other comprehensive loss (AOCL) consists of net income and other changes in equity from transactions and other events from sources other than shareholders. It includes postretirement benefit plan adjustments, currency translation adjustments, and unrealized gains and losses from derivative instruments designated as cash flow hedges.

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The components of and changes in AOCL were as follows (net of tax) for the year ended June 30, 2015 (in thousands):

Attributable to Kennametal:	Post-retirement benefit plans	Currency translation adjustment	Derivatives	Total
Balance, June 30, 2014	$(93,742)	$38,811	$(11,200)	$(66,131)
Other comprehensive (loss) income before reclassifications	(47,982)	(136,120)	6,652	(177,450)
Amounts Reclassified from AOCL	2,931	—	(2,873)	58
Net current period other comprehensive loss	(45,051)	(136,120)	3,779	(177,392)
AOCL, June 30, 2015	$(138,793)	$(97,309)	$(7,421)	$(243,523)
Attributable to noncontrolling interests:				
Balance, June 30, 2014	$—	$1,087	$—	$1,087
Other comprehensive loss before reclassifications	—	(3,345)	—	(3,345)
Net current period other comprehensive loss	—	(3,345)	—	(3,345)
AOCL, June 30, 2015	$—	$(2,258)	$—	$(2,258)

The components of and changes in AOCL were as follows (net of tax) for the year ended June 30, 2014 (in thousands):

Attributable to Kennametal:	Post-retirement benefit plans	Currency translation adjustment	Derivatives	Total
Balance, June 30, 2013	$(83,936)	$7,413	$(12,481)	$(89,004)
Other comprehensive (loss) income before reclassifications	(11,990)	31,398	(706)	18,702
Amounts Reclassified from AOCL	2,184	—	1,987	4,171
Net current period other comprehensive loss	(9,806)	31,398	1,281	22,873
AOCL, June 30, 2014	$(93,742)	$38,811	$(11,200)	$(66,131)
Attributable to noncontrolling interests:				
Balance, June 30, 2013	$—	$721	$—	$721
Other comprehensive income before reclassifications	—	366	—	366
Net current period other comprehensive loss	—	366	—	366
AOCL, June 30, 2014	$—	$1,087	$—	$1,087

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The components of and changes in AOCL were as follows (net of tax) for the year ended June 30, 2013 (in thousands):

Attributable to Kennametal:	Post-retirement benefit plans	Currency translation adjustment	Derivatives	Total
Balance, June 30, 2012	$(132,991)	$(4,424)	$(13,247)	$(150,662)
Other comprehensive income (loss) before reclassifications	39,376	9,772	(611)	48,537
Amounts Reclassified from AOCL	9,679	—	1,377	11,056
Net current period other comprehensive loss	49,055	9,772	766	59,593
Sale of subsidiary stock to noncontrolling interest	—	2,065	—	2,065
AOCL, June 30, 2013	$(83,936)	$7,413	$(12,481)	$(89,004)
Attributable to noncontrolling interests:				
Balance, June 30, 2012	$—	$1,271	$—	$1,271
Other comprehensive loss before reclassifications	—	(550)	—	(550)
Net current period other comprehensive loss	—	(550)	—	(550)
AOCL, June 30, 2013	$—	$721	$—	$721

Reclassifications out of AOCL for the years ended June 30, 2015, 2014 and 2013 consisted of the following:

	Year Ended June 30,			
Details about AOCL components (in thousands)	2015	2014	2013	Affected line item in the Income Statement
Gains and losses on cash flow hedges:				
Forward starting interest rate swaps	$2,021	$1,945	$1,872	Interest expense
Currency exchange contracts	(6,700)	1,260	363	Other (income) expense, net
Total before tax	(4,679)	3,205	2,235	
Tax (expense) benefit	(1,806)	1,218	858	(Benefit) provision for income taxes
Net of tax	$(2,873)	$1,987	$1,377	
Post-retirement benefit plans:				
Amortization of transition obligations	$78	$78	$69	See Note 12 for further details
Amortization of prior service credit	(420)	(345)	(306)	See Note 12 for further details
Recognition of actuarial losses	4,163	2,959	15,378	See Note 12 for further details
Total before tax	3,821	2,692	15,141	
Tax benefit	890	508	5,462	(Benefit) provision for income taxes
Net of tax	$2,931	$2,184	$9,679	

The amount of income tax allocated to each component of other comprehensive (loss) for the year ended June 30, 2015:

(in thousands)	Pre-tax	Tax impact	Net of tax
	$10,834	$(4,182)	$6,652

Unrealized gain on derivatives designated and qualified as cash flow hedges			
Reclassification of unrealized gain on expired derivatives designated and qualified as cash flow hedges	(4,679)	1,806	(2,873)
Unrecognized net pension and other postretirement benefit loss	(76,029)	28,047	(47,982)
Reclassification of net pension and other postretirement benefit loss	3,821	(890)	2,931
Foreign currency translation adjustments	(147,172)	7,707	(139,465)
Other comprehensive (loss)	$(213,225)	$32,488	$(180,737)

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The amount of income tax allocated to each component of other comprehensive income for the year ended June 30, 2014:

(in thousands)	Pre-tax	Tax impact	Net of tax
Unrealized loss on derivatives designated and qualified as cash flow hedges	$(1,139)	$433	$(706)
Reclassification of unrealized loss on expired derivatives designated and qualified as cash flow hedges	3,205	(1,218)	1,987
Unrecognized net pension and other postretirement benefit loss	(15,900)	3,910	(11,990)
Reclassification of net pension and other postretirement benefit loss	2,692	(508)	2,184
Foreign currency translation adjustments	33,493	(1,730)	31,763
Other comprehensive income	$22,351	$887	$23,238

The amount of income tax allocated to each component of other comprehensive income for the year ended June 30, 2013:

(in thousands)	Pre-tax	Tax impact	Net of tax
Unrealized loss on derivatives designated and qualified as cash flow hedges	(992)	381	(611)
Reclassification of unrealized loss on expired derivatives designated and qualified as cash flow hedges	2,235	(858)	1,377
Unrecognized net pension and other postretirement benefit gain	64,340	(24,964)	39,376
Reclassification of net pension and other postretirement benefit loss	15,141	(5,462)	9,679
Foreign currency translation adjustments	10,414	(1,191)	9,223
Other comprehensive income	91,138	(32,094)	59,044

NOTE 14 — RESTRUCTURING AND RELATED CHARGES AND ASSET IMPAIRMENT CHARGES

Restructuring and Related Charges

Phase 1

We are implementing restructuring actions in conjunction with our Phase 1 restructuring program to achieve synergies across Kennametal as a result of the TMB acquisition by consolidating operations among both organizations, reducing administrative overhead and leveraging the supply chain. These restructuring actions are expected to be completed by the end of fiscal 2016 and are anticipated to be mostly cash expenditures.

The total pre-tax charges for Phase 1 programs are expected to be in the range of $55 million to $60 million, which is expected to be approximately 50 percent Industrial and 50 percent Infrastructure. Total restructuring and related charges since inception of $51.9 million have been recorded for these Phase 1 programs through June 30, 2015: $29.7 million in Industrial, $20.0 million in Infrastructure, and $2.2 million in Corporate.

Phase 2

We are implementing restructuring actions in conjunction with Phase 2 to streamline the Company's cost structure. These initiatives are expected to enhance operational efficiencies through the rationalization of certain manufacturing facilities as well as other employment and cost reduction programs. These restructuring actions are expected to be completed by December 2016 and are anticipated to be mostly cash expenditures.

The total pre-tax charges for Phase 2 programs are expected to be in the range of $90 million to $100 million, which is expected to be approximately 85 percent Industrial and 15 percent Infrastructure. Total restructuring and related charges since inception of $23.6 million have been recorded for these Phase 2 programs through June 30, 2015: $14.2 million in Industrial, $8.2 million in Infrastructure, and $1.2 million in Corporate.

Phase 3

We are implementing restructuring actions in conjunction with Phase 3. These initiatives are expected to enhance operational efficiencies through an enterprise-wide cost reduction program as well as the consolidation of certain manufacturing facilities. These restructuring actions are expected to be completed by March 2017 and are anticipated to be mostly cash expenditures.

The total pre-tax charges for Phase 3 programs are expected to be in the range of $40 million to $45 million, which is expected to be approximately 50 percent Industrial and 50 percent Infrastructure. Total restructuring and related charges since inception of $1.6 million have been recorded in Infrastructure for these Phase 3 programs through June 30, 2015.

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Combined

During 2015, we recognized total restructuring and related charges of $58.1 million, of this amount, restructuring charges totaled $42.1 million, of which $1.5 million were charges related to inventory disposals and were recorded in cost of goods sold. Total restructuring-related charges of $8.2 million were recorded in cost of goods sold and $7.8 million in operating expense during 2015.

During 2014, we recognized total restructuring and related charges of $19.1 million, of this amount, restructuring charges totaled $17.8 million, of which $0.2 million were charges related to inventory disposals and were recorded in cost of goods sold. Total restructuring-related charges of $1.2 million were recorded in cost of goods sold and $0.1 million in operating expense during 2014.

During 2013, we recorded no restructuring and related charges.

The restructuring accrual is recorded in other current liabilities in our consolidated balance sheet and the amount attributable to each segment is as follows:

(in thousands)	June 30, 2014	Expense	Asset Write-Down	Other [2]	Translation	Cash Expenditures	June 30, 2015
Industrial							
Severance	$5,815	$20,713	$—	$—	$(328)	$(12,744)	$13,456
Facilities	444	2,277	(2,231)	—	(15)	(475)	—
Other	67	77	—	—	(2)	(114)	28
Total Industrial	$6,326	$23,067	$(2,231)	$—	$(345)	$(13,333)	$13,484
Infrastructure							
Severance	$2,458	$14,027	$—	$(459)	$(223)	$(8,630)	$7,173
Facilities	190	4,969	(3,638)	—	(32)	(1,358)	131
Other	28	—	—	—	(3)	(25)	—
Total Infrastructure	2,676	18,996	(3,638)	(459)	(258)	(10,013)	7,304
Total	$9,002	$42,063	$(5,869)	$(459)	$(603)	$(23,346)	$20,788

(2) Special termination benefit charge for one of our U.S.-based benefit pension plans resulting from a plant closure - see Note 12.

(in thousands)	June 30, 2013	Expense	Asset Write-Down	Other	Translation	Cash Expenditures	June 30, 2014
Industrial							
Severance	$—	$9,536	$—	$—	$11	$(3,732)	$5,815
Facilities	—	2,829	(2,395)	—	14	(4)	444
Other	—	136	—	—	13	(82)	67
Total Industrial	$—	$12,501	$(2,395)	$—	$38	$(3,818)	$6,326
Infrastructure							
Severance	$—	$4,034	$—	$—	$4	$(1,580)	$2,458
Facilities	—	1,197	(1,013)	—	8	(2)	190
Other	—	57	—	—	6	(35)	28
Total Infrastructure	—	5,288	(1,013)	—	18	(1,617)	2,676
Total	$—	$17,789	$(3,408)	$—	$56	$(5,435)	$9,002

Asset impairment Charges

See discussion on Infrastructure segment goodwill and other intangible asset impairment charges in Note 2.

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NOTE 15 — FINANCIAL INSTRUMENTS
The methods used to estimate the fair value of our financial instruments are as follows:
Cash and Equivalents, Current Maturities of Long-Term Debt and Notes Payable to Banks The carrying amounts approximate their fair value because of the short maturity of the instruments.
Long-Term Debt Fixed rate debt had a fair market value of $698.0 million and $705.3 million at June 30, 2015 and 2014, respectively. The fair value is determined based on the quoted market price of this debt as of June 30 and were classified in Level 2 of the fair value hierarchy.
Foreign Exchange Contracts The notional amount of outstanding foreign exchange contracts, translated at current exchange rates, was $53.8 million and $91.1 million at June 30, 2015 and 2014, respectively. We would have received $2.6 million and $0.2 million at June 30, 2015 and 2014, respectively, to settle these contracts representing the fair value of these agreements. The carrying value equaled the fair value for these contracts at June 30, 2015 and 2014. Fair value was estimated based on quoted market prices of comparable instruments.
Concentrations of Credit Risk Financial instruments that potentially subject us to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. By policy, we make temporary cash investments with high credit quality financial institutions and limit the amount of exposure to any one financial institution. With respect to trade receivables, concentrations of credit risk are significantly reduced because we serve numerous customers in many industries and geographic areas.
We are exposed to counterparty credit risk for nonperformance of derivatives and, in the unlikely event of nonperformance, to market risk for changes in interest and currency exchange rates, as well as settlement risk. We manage exposure to counterparty credit risk through credit standards, diversification of counterparties and procedures to monitor concentrations of credit risk. We do not anticipate nonperformance by any of the counterparties. As of June 30, 2015 and 2014, we had no significant concentrations of credit risk.

NOTE 16 — STOCK-BASED COMPENSATION
Stock Options
The assumptions used in our Black-Scholes valuation related to grants made during 2015, 2014 and 2013 were as follows:

	2015		2014		2013	
Risk-free interest rate	1.5	%	1.3	%	0.6	%
Expected life (years) (3)	4.5		4.5		4.5	
Expected volatility (4)	32.5	%	40.3	%	49.5	%
Expected dividend yield	1.7	%	1.7	%	1.5	%

(3) Expected life is derived from historical experience.
(4) Expected volatility is based on the implied historical volatility of our stock.

Changes in our stock options for 2015 were as follows:

	Options		Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic value (in thousands)
Options outstanding, June 30, 2014	2,264,824		$33.95		
Granted	436,541		40.81		
Exercised	(416,534	)	27.18		
Lapsed and forfeited	(190,794	)	41.08		
Options outstanding, June 30, 2015	2,094,037		$36.08	4.4	$4,720
Options vested and expected to vest, June 30, 2015	2,062,054		$36.02	4.4	$4,720
Options exercisable, June 30, 2015	1,615,372		$34.65	3.2	$4,720

During 2015, 2014 and 2013, compensation expense related to stock options was $3.2 million, $4.3 million and $6.2 million, respectively. As of June 30, 2015, the total unrecognized compensation cost related to options outstanding was $2.1 million and is expected to be recognized over a weighted average period of 2.6 years.

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Weighted average fair value of options granted during 2015, 2014 and 2013 was $10.16, $13.76 and $13.53, respectively. Fair value of options vested during 2015, 2014 and 2013 was $7.6 million, $5.1 million and $5.2 million, respectively.
Tax benefits relating to excess stock-based compensation deductions, are presented in the statement of cash flow as financing cash inflows. Tax benefits resulting from stock-based compensation deductions exceeded amounts reported for financial reporting purposes by $1.3 million, $6.0 million and $4.2 million in 2015, 2014 and 2013, respectively.
The amount of cash received from the exercise of capital stock options during 2015, 2014 and 2013 was $11.7 million, $20.6 million and $12.5 million, respectively. The related tax benefit for 2015, 2014 and 2013 was $2.0 million, $4.6 million and $2.8 million, respectively. The total intrinsic value of options exercised during 2015, 2014 and 2013 was $5.3 million, $14.8 million and $8.3 million, respectively.
Under the provisions of the A/R 2010 Plan, participants may deliver stock, owned by the holder for at least six months, in payment of the option price and receive credit for the fair market value of the shares on the date of delivery. The fair market value of shares delivered during 2015, 2014 and 2013 were immaterial.

Restricted Stock Units – Time Vesting and Performance Vesting
Performance vesting restricted stock units are earned pro rata each year if certain performance goals are met over a three-year period, and are also subject to a service condition that requires the individual to be employed by the Company at the payment date after the three-year performance period, with the exception of retirement eligible grantees, who upon retirement are entitled to receive payment for any units that have been earned, including a prorated portion in the partially completed fiscal year in which the retirement occurs. Time vesting stock units are valued at the market value of the stock on the grant date. Performance vesting stock units with a market condition are valued using a Monte Carlo model.
Changes in our time vesting and performance vesting restricted stock units for 2015 were as follows:

	Performance Vesting Stock Units	Performance Vesting Weighted Average Fair Value	Time Vesting Stock Units	Time Vesting Weighted Average Fair Value
Unvested performance vesting and time vesting restricted stock units, June 30, 2014	197,356	$40.92	743,326	$39.20
Granted	88,536	43.16	455,296	42.00
Vested	(28,022)	38.95	(385,321)	37.42
Performance metric not achieved	(65,373)	43.16	—	—
Forfeited	(91,252)	42.96	(124,033)	42.20
Unvested performance vesting and time vesting restricted stock units, June 30, 2015	101,245	$43.00	689,268	$41.53

During 2015, 2014 and 2013, compensation expense related to time vesting and performance vesting restricted stock units was $13.5 million, $13.1 million and $15.2 million, respectively. As of June 30, 2015, the total unrecognized compensation cost related to unvested time vesting and performance vesting restricted stock units was $12.5 million and is expected to be recognized over a weighted average period of 2.5 years.

NOTE 17— ENVIRONMENTAL MATTERS
The operation of our business has exposed us to certain liabilities and compliance costs related to environmental matters. We are involved in various environmental cleanup and remediation activities at certain of our locations.
Superfund Sites We are involved as a potentially responsible party (PRP) at various sites designated by the United States Environmental Protection Agency (USEPA) as Superfund sites. For certain of these sites, we have evaluated the claims and potential liabilities and have determined that neither are material, individually or in the aggregate. For certain other sites that are being monitored, the matters have not yet progressed to a point where it is possible to

estimate the ultimate cost of remediation, the timing and extent of remedial action that may be required by governmental authorities or the amount of our liability alone or in relation to that of any other PRPs.

Other Environmental Matters We establish and maintain reserves for other potential environmental issues. At June 30, 2015 and 2014, the balance of these reserves was $12.6 million and $11.0 million, respectively. These reserves represent anticipated costs associated with the remediation of these issues.

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The reserves we have established for environmental liabilities represent our best current estimate of the costs of addressing all identified environmental situations, based on our review of currently available evidence, and taking into consideration our prior experience in remediation and that of other companies, as well as public information released by the USEPA, other governmental agencies and by the PRP groups in which we are participating. Although the reserves currently appear to be sufficient to cover these environmental liabilities, there are uncertainties associated with environmental liabilities, and we can give no assurance that our estimate of any environmental liability will not increase or decrease in the future. The reserved and unreserved liabilities for all environmental concerns could change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements, technological changes, discovery of new information, the financial strength of other PRPs, the identification of new PRPs and the involvement of and direction taken by the government on these matters.
We maintain a Corporate Environmental Health and Safety (EHS) Department to monitor compliance with environmental regulations and to oversee remediation activities. In addition, we have designated EHS coordinators who are responsible for each of our global manufacturing facilities. Our financial management team periodically meets with members of the Corporate EHS Department and the Corporate Legal Department to review and evaluate the status of environmental projects and contingencies. On a quarterly basis, we review financial provisions and reserves for environmental contingencies and adjust these reserves when appropriate.

NOTE 18 — COMMITMENTS AND CONTINGENCIES

Legal Matters Various lawsuits arising during the normal course of business are pending against us. In our opinion, the ultimate liability, if any, resulting from these matters will have no significant effect on our consolidated financial positions or results of operations.
Lease Commitments We lease a wide variety of facilities and equipment under operating leases, primarily for warehouses, production and office facilities and equipment. Lease expense under these rentals amounted to $29.4 million, $31.9 million and $30.8 million in 2015, 2014 and 2013, respectively. Future minimum lease payments for non-cancelable operating leases are $24.8 million, $18.3 million, $11.7 million, $8.9 million and $9.1 million for the years 2016 through 2020 and $38.2 million thereafter.
Purchase Commitments We have purchase commitments for materials, supplies and machinery and equipment as part of the ordinary conduct of business. Some of these commitments extend beyond one year and are based on minimum purchase requirements. We believe these commitments are not at prices in excess of current market.
Other Contractual Obligations We do not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect our liquidity.
Related Party Transactions Sales to affiliated companies were immaterial in 2015, 2014 and 2013. We do not have any other related party transactions that affect our operations, results of operations, cash flow or financial condition.

NOTE 19 — SEGMENT DATA

The Company manages and reports its business in the following two segments: Industrial and Infrastructure. The Company's reportable operating segments have been determined in accordance with the Company's internal management structure, which is organized based on operating activities, the manner in which we organize segments for making operating decisions and assessing performance and the availability of separate financial results. We do not allocate certain corporate expenses related to executive retirement plans, the Company’s Board of Directors and strategic initiatives, as well as certain other costs and report them in Corporate. Neither of our two reportable operating segments represent the aggregation of two or more operating segments.
Sales to a single customer did not aggregate 4 percent or more of total sales in 2015, 2014 and 2013. Export sales from U.S. operations to unaffiliated customers were $71.0 million, $82.2 million and $102.1 million in 2015, 2014 and 2013, respectively.
At the start of fiscal 2014, the Company enhanced its organizational structure to align a broader base management team with customer-facing products and technology platforms, as well as to further increase cross-selling

opportunities. This operating structure supports the Company's stated growth objectives across diverse market sectors, preserves the focus on customers and increases product innovation. Consistent with previous allocation methodologies, corporate expenses related to each segment have been classified accordingly. We restated the segment financial information for the year ended June 30, 2013 to reflect the change in reportable operating segments.

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INDUSTRIAL The Industrial segment generally serves customers that operate in industrial end markets such as transportation, general engineering, aerospace and defense. The customers in these end markets manufacture engines, airframes, automobiles, trucks, ships and various types of industrial equipment. The technology and customization requirements for customers we serve vary by customer, application and industry. The value we deliver to our Industrial segment customers centers on our application expertise and our diverse offering of products and services.
INFRASTRUCTURE The Infrastructure segment generally serves customers that operate in the earthworks and energy sectors who support primary industries such as oil and gas, power generation, underground, surface and hard-rock mining, highway construction and road maintenance. Generally, we rely on customer intimacy to serve this segment. By gaining an in-depth understanding of our customers' engineering and development needs, we are able to offer complete system solutions and high-performance capabilities to optimize and add value to their operations.
Segment data is summarized as follows:

(in thousands)	2015	2014	2013
Sales:			
Industrial	$1,461,744	$1,524,075	$1,386,690
Infrastructure	1,185,451	1,313,115	1,202,683
Total sales	$2,647,195	$2,837,190	$2,589,373
Operating (loss) income:			
Industrial	$160,894	$177,040	$192,828
Infrastructure	(509,381)	94,940	111,453
Corporate	(9,336)	(8,548)	(7,887)
Total operating (loss) income	$(357,823)	$263,432	$296,394
Interest expense	$31,466	$32,451	$27,472
Other (income) expense, net	(1,674)	2,172	2,313
(Loss) income before income taxes	$(387,615)	$228,809	$266,609
Depreciation and amortization:			
Industrial	$64,188	$65,820	$60,458
Infrastructure	67,413	64,339	52,583
Corporate	63	63	63
Total depreciation and amortization	$131,664	$130,222	$113,104
Equity income:			
Industrial	$—	$34	$—
Infrastructure	6	50	42
Total equity income	$6	$84	$42
Total assets:			
Industrial	$1,259,270	$1,449,688	$1,190,026
Infrastructure	1,279,608	1,986,724	1,522,470
Corporate	310,651	431,674	588,543
Total assets	$2,849,529	$3,868,086	$3,301,039
Capital expenditures:			
Industrial	$64,497	$71,628	$47,501
Infrastructure	36,442	45,748	35,334
Total capital expenditures	$100,939	$117,376	$82,835

Investments in affiliated companies:			
Industrial	$—	$—	$234
Infrastructure	361	495	437
Total investments in affiliated companies	$361	$495	$671

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Geographic information for sales, based on country of origin, and assets is as follows:

(in thousands)	2015	2014	2013
Sales:			
United States	$1,176,622	$1,198,541	$1,052,466
Germany	442,009	511,209	454,807
China	246,953	248,212	239,418
Italy	85,530	107,511	94,183
India	85,193	81,455	83,401
Canada	73,912	78,163	93,257
United Kingdom	70,600	105,041	92,614
Other	466,376	507,058	479,227
Total sales	$2,647,195	$2,837,190	$2,589,373
Total assets:			
United States	$1,338,594	$1,842,453	$1,228,923
Germany	394,491	538,661	646,983
China	274,774	341,949	311,053
Switzerland	194,139	264,928	207,000
India	97,463	94,897	94,914
Italy	94,978	178,141	172,764
United Kingdom	71,342	79,657	107,738
Canada	60,492	133,481	138,959
Other	323,256	393,919	392,705
Total assets:	$2,849,529	$3,868,086	$3,301,039

Approximate sales by end markets as a percentage of consolidated sales are as follows:

	2015	2014	2013
End Markets:			
General engineering	36 %	31 %	29 %
Transportation	21	21	21
Energy	19	23	23
Earthworks	17	19	20
Aerospace and defense	7	6	7
Total	100 %	100 %	100 %

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NOTE 20 — SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

For the quarter ended (in thousands, except per share data)	September 30	December 31	March 31	June 30
2015				
Sales	$694,941	$675,631	$638,970	$637,653
Gross profit	218,099	199,458	199,470	188,966
Net income (loss) attributable to Kennametal	39,489	(388,302)	(46,229)	21,146
Basic earnings (loss) per share attributable to Kennametal (5)				
Net income	0.50	(4.89)	(0.58)	0.27
Diluted earnings (loss) per share attributable to Kennametal (5)				
Net income	0.49	(4.89)	(0.58)	0.26
2014				
Sales	$619,808	$689,936	$755,242	$772,204
Gross profit	198,237	206,971	238,955	252,840
Net income attributable to Kennametal	37,837	24,209	50,865	45,455
Basic earnings per share attributable to Kennametal (5)				
Net income	0.48	0.31	0.65	0.58
Diluted earnings per share attributable to Kennametal (5)				
Net income	0.48	0.30	0.64	0.57

(5) Earnings per share amounts attributable to Kennametal for each quarter are computed using the weighted average number of shares outstanding during the quarter. Earnings per share amounts attributable to Kennametal for the full year are computed using the weighted average number of shares outstanding during the year. Thus, the sum of the four quarters' earnings per share attributable to Kennametal does not always equal the full-year earnings per share attributable to Kennametal.

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ITEM 9 — CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A — CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company’s management evaluated, with the participation of the Company’s Chief Executive Officer and Interim Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2015. The Company’s disclosure controls were designed to provide a reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. However, the controls have been designed to provide reasonable assurance of achieving the controls’ stated goals. Based on that evaluation, the Company’s Chief Executive Officer and Interim Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective to provide reasonable assurance at June 30, 2015 to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (i) accumulated and communicated to management, including the Company’s Chief Executive Officer and Interim Chief Financial Officer, to allow timely decisions regarding required disclosure and (ii) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) Management’s Report on Internal Control over Financial Reporting

Management’s Report on Internal Control over Financial Reporting is included in Item 8 of this Form 10-K and incorporated herein by reference.

(c) Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of Kennametal’s internal control over financial reporting as of June 30, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included in Item 8 of this annual report on Form 10-K, which is incorporated herein by reference.

(d) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during the fourth quarter of 2015 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B — OTHER INFORMATION

None.

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PART III

ITEM 10 — DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the executive officers of Kennametal Inc. is as follows: Name, Age, Position, and Experience During the Past Five Years [1].

Donald A. Nolan, 54
President and Chief Executive Officer
President and Chief Executive Officer since November 2014; Formerly, President, Materials Group at Avery Dennison (provides labeling and packaging materials and solutions) from March 2008 to November 2014.

Judith L. Bacchus, 53
Vice President and Chief Human Resources Officer
Vice President and Chief Human Resources Officer since June 2011; Vice President, Human Resources Field Services from July 2009 to June 2011.

Robert J. Clemens, 58
Vice President and Chief Technical Officer
Vice President and Chief Technical Officer since March 2013; Formerly, Vice President, Corporate Technology at Eastman Chemical Company (specialty chemical company) from January 2008 to February 2013.

Peter Dragich, 52
Vice President Integrated Supply Chain and Logistics
Vice President Integrated Supply Chain and Logistics since October 2012; Formerly, Vice President, Global Field Operations, Climate, Controls, and Security for United Technologies Corporation (provides products and services to aerospace and building systems industries) from May 2010 to October 2012.

Martha Fusco, 41
Interim Chief Financial Officer, Vice President Finance and Corporate Controller
Interim Chief Financial Officer since February 2015; Vice President Finance and Corporate Controller since December 2009.

Jeswant Gill, 52
Vice President and Executive Vice President, Industrial Business Segment
Vice President and Executive Vice President, Industrial Business Segment since June 2014; Formerly, Vice President, Global Services Industrial Technologies at Ingersoll-Rand Company (provides products and services in global commercial, industrial and residential markets) from January 2011 to May 2014; and President, Ingersoll-Rand Security Technologies, Asia Pacific at Ingersoll-Rand Company from January 2008 to December 2010.

Steven R. Hanna, 61
Vice President and Chief Information Officer
Vice President and Chief Information Officer since October 2008.

John H. Jacko, Jr., 58
Vice President and Chief Marketing Officer
Vice President and Chief Marketing Officer since July 2008.

Kevin G. Nowe, 63
Vice President, Secretary and General Counsel
Vice President, Secretary and General Counsel since November 2009.

(1) Each executive officer has been elected by the Board of Directors to serve until removed or until a successor is elected and qualified. Unless otherwise noted, none of the executive officers (i) has an arrangement or understanding with any other person(s) pursuant to which he or she was selected as an officer, (ii) has any family relationship with any director or executive officer of the Company, or (iii) is involved in any legal proceeding which would require disclosure under this item.

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Incorporated herein by reference is the information provided under the captions “Proposal I. Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after June 30, 2015 (2015 Proxy Statement). Also incorporated herein by reference is the information set forth under the caption “Ethics and Corporate Governance-Code of Business Ethics and Conduct” and "Ethics and Corporate Governance -- Corporate Governance" in the 2015 Proxy Statement. The Company has a separately designated standing Audit Committee established in accordance with Section 3(a)(58) (A) of the Exchange Act. The members of the Audit Committee are: Timothy R. McLevish (Chair); Cindy L. Davis; Lawrence W. Stranghoener and Steven H. Wunning. Incorporated herein by reference is the information provided under the caption “Board of Directors and Board Committees-Committee Functions-Audit Committee” in the 2015 Proxy Statement.

ITEM 11 — EXECUTIVE COMPENSATION

Incorporated herein by reference is certain information in the “Executive Compensation, Compensation Discussion and Analysis” section of the 2015 Proxy Statement including, without limitation, Compensation Committee Report, Analysis of Risk Inherent in our Compensation Policies and Practices, the Executive Compensation Tables and Potential Payments Upon Termination or Change in Control. Also incorporated herein by reference is certain information in “Board of Directors Compensation and Benefits” and “Board of Directors and Board Committees."

ITEM 12 — SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated herein by reference from our 2015 Proxy Statement are: (i) the information set forth under the caption “Equity Compensation Plans” (ii) the information set forth under the caption “Ownership of Capital Stock by Directors, Nominees and Executive Officers” with respect to the directors’ and officers’ shareholdings; and (iii) the information set forth under the caption “Principal Holders of Voting Securities” with respect to other beneficial owners.

ITEM 13 — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated herein by reference is certain information set forth under the captions “Ethics and Corporate Governance—Corporate Governance – Board of Director Review and Approval of Related Person Transactions,” “Executive Compensation,” “Executive Compensation Tables” and “Ethics and Corporate Governance – Corporate Governance – Board Composition and Independence” in the 2015 Proxy Statement.

ITEM 14 — PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference is the information with respect to pre-approval policies set forth under the caption “Proposal II. Ratification of PriceWaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Fiscal Year ending June 30, 2015 - Audit Committee Pre-Approval Policy” and the information with respect to principal accountant fees and services set forth under “Proposal II. Ratification of PriceWaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Fiscal Year ending June 30, 2015 - Fees and Services” in the 2015 Proxy Statement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: August 13, 2015	By:	/s/ Martha Fusco
		Martha Fusco
		Interim Chief Financial Officer
		Vice President Finance and Corporate Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ DONALD A. NOLAN Donald A. Nolan	President and Chief Executive Officer	August 13, 2015
/s/ MARTHA FUSCO Martha Fusco	Interim Chief Financial Officer, Vice President Finance and Corporate Controller	August 13, 2015
/s/ WILLIAM R. NEWLIN William R. Newlin	Chairman of the Board	August 13, 2015
/s/ CINDY L. DAVIS Cindy L. Davis	Director	August 13, 2015
/s/ RONALD M. DEFEO Ronald M. DeFeo	Director	August 13, 2015
/s/ PHILIP A. DUR Philip A. Dur	Director	August 13, 2015
/s/ WILLIAM J. HARVEY William J. Harvey	Director	August 13, 2015
/s/ TIMOTHY R. MCLEVISH Timothy R. McLevish	Director	August 13, 2015
/s/ LAWRENCE W. STRANGHOENER Lawrence W. Stranghoener	Director	August 13, 2015
/s/ STEVEN H. WUNNING Steven H. Wunning	Director	August 13, 2015

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PART IV

ITEM 15 — EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Form 10-K report.

1. Financial Statements included in Part II, Item 8
2. Financial Statement Schedule

The financial statement schedule required by Part II, Item 8 of this document is filed as part of this report. All of the other schedules are omitted as the required information is inapplicable or the information is presented in our consolidated financial statements or related notes.

3. Exhibits

2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	
2.1	Share Sale and Purchase Agreement relating to Deloro Stellite Holdings 1 Limited dated 2012	Exhibit 2.1 of the Form 10-Q filed February 8, 2012 (File No. 001-05318) is incorporated herein by reference.
2.2	Warranty Agreement relating to Deloro Stellite Holdings 1 Limited dated January 13, 2012	Exhibit 2.2 of the Form 10-Q filed February 8, 2012 (File No. 001-05318) is incorporated herein by reference.
2.3	Tax Deed Covenant relating to Deloro Stellite Holdings 1 Limited dated March 1, 2012	Exhibit 2.1 of the Form 10-Q filed May 9, 2012 (File No. 001-05318) is incorporated herein by reference.
2.4	Purchase Agreement relating to the Tungsten Materials Business of Allegheny Technologies Incorporated dated as of September 13, 2013	Exhibit 2.1 of the Form 10-Q filed November 7, 2013 (File No. 001-05318) is incorporated herein by reference.
3	Articles of Incorporation and Bylaws	
3.1	Amended and Restated Articles of Incorporation as amended through October 30, 2006	Exhibit 3.1 of the December 31, 2006 Form 10-Q filed February 9, 2007 (File No. 001-05318) is incorporated herein by reference.
3.2	Bylaws of Kennametal Inc. as amended through January 24, 2012	Exhibit 3.3 of the Form 8-K filed January 26, 2012 (File No. 001-05318) is incorporated herein by reference.
3.3	Articles of Incorporation of Kennametal Inc., as amended through October 28, 2014	Exhibit 3.(i) of the Form 8-K filed October 30, 2014 (File No. 001-05318) is incorporated herein by reference.
3.4	By-Laws of Kennametal Inc., as amended through October 28, 2014	Exhibit 3.(ii) of the Form 8-K filed October 30, 2014 (File No. 001-05318) is incorporated herein by reference.
4	Instruments Defining the Rights of Security Holders, Including Indentures	
4.1	Indenture, dated as of June 19, 2002, by and between the Registrant and Bank One Trust Company, N.A., as trustee	Exhibit 4.1 of the Form 8-K filed June 20, 2002 (File No. 001-05318) is incorporated herein by reference.
4.2	First Supplemental Indenture, dated as of June 19, 2002, by and between the Registrant and Bank One Trust Company, N.A., as trustee	Exhibit 4.2 of the Form 8-K filed June 20, 2002 (File No. 001-05318) is incorporated herein by reference.

4.3	Indenture dated February 14, 2012 between Kennametal Inc. and U.S. Bank National Association	Exhibit 4.1 of the Form 8-K filed February 14, 2012 (File No. 001-05318) is incorporated herein by reference.
4.4	First Supplemental Indenture dated February 14, 2012 between Kennametal Inc. and U.S. Bank National Association (including Form of 3.875% Note due 2022)	Exhibit 4.2 of the Form 8-K filed February 14, 2012 (File No. 001-05318) is incorporated herein by reference.
4.5	Second Supplemental Indenture dated November 7, 2012 between Kennametal Inc. and U.S. Bank National Association (including Form of 2.65% Note due 2019)	Exhibit 4.4 of the Form 8-K filed November 7, 2012 (File No. 001-05318) is incorporated herein by reference.

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10	Material Contracts	
10.1*	Kennametal Inc. Management Performance Bonus Plan	Appendix A to the 2011 Proxy Statement filed September 12, 2011 (File No. 001-05318) is incorporated herein by reference.
10.2*	Deferred Fee Plan for Outside Directors, as amended and restated effective December 30, 2008	Exhibit 10.1 of the December 31, 2008 Form 10-Q filed February 4, 2009 (File No. 001-05318) is incorporated herein by reference.
10.3*	Executive Deferred Compensation Trust Agreement	Exhibit 10.5 of the June 30, 1988 Form 10-K (File No. 001-05318) is incorporated herein by reference.
10.4*	Directors Stock Incentive Plan, as amended and restated effective December 30, 2008	Exhibit 10.2 of the December 31, 2008 Form 10-Q filed February 4, 2009 (File No. 001-05318) is incorporated herein by reference.
10.5*	Performance Bonus Stock Plan of 1995, as amended and restated effective December 30, 2008	Exhibit 10.3 of the December 31, 2008 Form 10-Q filed February 4, 2009 (File No. 001-05318) is incorporated herein by reference.
10.6*	Kennametal Inc. Stock and Incentive Plan of 2002 (as amended on October 21, 2008)	Appendix A to the 2008 Proxy Statement filed September 8, 2008 (File No. 001-05318) is incorporated herein by reference.
10.7*	Forms of Award Agreements under the Kennametal Inc. Stock and Incentive Plan of 2002, as amended	Exhibit 10.18 of the June 30, 2004 Form 10-K filed September 10, 2004 (File No. 001-05318) is incorporated herein by reference.
10.8*	Form of Kennametal Inc. Restricted Unit Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2002, as amended)	Exhibit 10.1 of the September 30, 2009 Form 10-Q filed November 5, 2009 (File No. 001-05318) is incorporated herein by reference.
10.9*	Form of Kennametal Inc. Performance Unit Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2002, as amended)	Exhibit 10.1 of Form 10-Q filed November 5, 2010 (File No. 001-05318) is incorporated herein by reference.
10.10*	Form of Employment Agreement with Carlos M Cardoso	Exhibit 10.9 of the June 30, 2000 Form 10-K filed September 22, 2000 (File No. 001-05318) is incorporated herein by reference.
10.11*	Letter Agreement amending Employment Agreement with Carlos M. Cardoso	Exhibit 10.2 of the Form 8-K filed December 9, 2005 (File No. 001-05318) is incorporated herein by reference.
10.12*	Amendment No. 3 to Employment Agreement with Carlos M. Cardoso	Exhibit 10.5 of the December 31, 2008 Form 10-Q filed February 4, 2009 (File No. 001-05318) is incorporated herein by reference.
10.13*	Form of Amended and Restated Employment Agreement with Named Executive Officers (other than Mr. Cardoso)	Exhibit 10.1 of the December 31, 2006 Form 10-Q filed February 9, 2007 (File No. 001-05318) is incorporated herein by reference.
10.14*	Form of Amendment to Amended and Restated Employment Agreement with Named Executive Officers (other than Mr. Cardoso)	Exhibit 10.6 of the December 31, 2008 Form 10-Q filed February 4, 2009 (File No. 001-05318) is incorporated herein by reference.
10.15*	Schedule of Named Executive Officers who have entered into the Form of Amended and Restated Employment Agreement and Form of Amendment as set forth in Exhibits 10.13 and 10.14	Exhibit 10.19 of the Form 10-K filed August 13, 2013 (File No. 001-05318) is incorporated herein by reference.
10.16*	Form of Officer's Employment Agreement	Filed herewith.

10.17*	Schedule of Named Executive Officers who have entered into the Form of Officer's Employment Agreement as set forth in Exhibit 10.16.	Filed herewith.
10.18*	Form of Indemnification Agreement for Named Executive Officers	Exhibit 10.2 of the Form 8-K filed March 22, 2005 (File No. 001-05318) is incorporated herein by reference.
10.19*	Schedule of Named Executive Officers who have entered into the Form of Indemnification Agreement as set forth in Exhibit 10.18	Filed herewith.
10.20*	Form of Employment Agreement with Donald A. Nolan	Exhibit 10.1 of the Form 8-K filed November 17, 2015 (File No. 001-05318) is incorporated herein by reference.
10.21*	Form of Stock Option Award Agreement for President and CEO	Exhibit 10.2 of the Form 8-K filed November 17, 2015 (File No. 001-05318) is incorporated herein by reference.
10.22*	Form of Restricted Stock Unit Award Agreement for President and CEO	Exhibit 10.3 of the Form 8-K filed November 17, 2015 (File No. 001-05318) is incorporated herein by reference.

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10.23*	Kennametal Inc. Executive Retirement Plan (for Designated Others) (as amended effective December 30, 2008)	Exhibit 10.8 of the December 31, 2008 Form 10-Q filed February 4, 2009 (File No. 001-05318) is incorporated herein by reference.
10.24*	Amendment No. 1 to Kennametal Inc. Executive Retirement Plan (dated January 27, 2015)	Exhibit 10.2 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.25*	Amendment No. 2 to Kennametal Inc. Executive Retirement Plan (dated June 18, 2015)	Exhibit 10.1 of the Form 8-K filed June 23, 2015 (File No. 001-05318) is incorporated herein by reference.
10.26*	Kennametal Inc. Supplemental Executive Retirement Plan (as amended effective December 30, 2008)	Exhibit 10.9 of the December 31, 2008 Form 10-Q filed February 4, 2009 (File No. 001-05318) is incorporated herein by reference.
10.27*	Amendment No. 1 to the Kennametal Inc. Supplemental Executive Retirement Plan (as amended effective December 30, 2008) (dated June 18, 2015)	Exhibit 10.2 of the Form 8-K filed June 23, 2015 (File No. 001-05318) is incorporated herein by reference.
10.28*	Description of Compensation Payable to Non-Employee Directors	Exhibit 10.24 of the Form 10-K filed August 13, 2013 (File No. 001-05318) is incorporated herein by reference.
10.29	Third Amended and Restated Credit Agreement dated as of June 25, 2010 among Kennametal Inc., Kennametal Europe GmbH, Bank of America, N.A., London Branch (as Euro Swingline Lender), PNC Bank, National Association and JPMorgan Chase Bank, N.A. (as Co-Syndication Agents), Citizens Bank of Pennsylvania and Bank of Tokyo- Mitsubishi UFJ Trust Company (as Co-Documentation Agents), Bank of America, N.A. (as the Administrative Agent), and the following lenders: Bank of America, N.A., PNC Bank, National Association, JPMorgan Chase Bank, N.A., Bank of Tokyo-Mitsubishi UFJ Trust Company, Citizens Bank of Pennsylvania, Mizuho Corporate Bank, Ltd., Comerica Bank, Commerzbank AG New York and Grand Cayman Branches, HSBC Bank USA, National Association, Intesa Sanpaolo S.p.A New York Branch, U.S. Bank National Association, First Commonwealth Bank and TriState Capital Bank	Exhibit 10.1 of Form 8-K filed June 30, 2010 (File No. 001-05318) is incorporated herein by reference.
10.30	Amendment No. 1, dated as of October 21, 2011, to the Third Amended and Restated Credit Agreement by and among Kennametal Inc., Kennametal Europe GmbH, Bank of America, N.A., Bank of America, N.A., London Branch, PNC Bank, National Association, JPMorgan Chase Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citizens Bank of Pennsylvania, Mizuho Corporate Bank, Ltd., HSBC Bank USA, N.A., U.S. Bank National Association, Comerica Bank, Commerzbank AG New York and Grand Cayman Branches,The Huntington National Bank, First Commonwealth Bank and Intesa Sanpaolo S.p.A	Exhibit 10.1 of Form 8-K filed October 27, 2011 (File No. 001-05318) is incorporated herein by reference.

10.31	Amendment No. 2, dated as of April 5, 2013, to the Third Amended and Restated Credit Agreement by and among Kennametal Inc., Kennametal Europe GmbH, Bank of America, N.A., Bank of America, N.A., London Branch, PNC Bank, National Association, JPMorgan Chase Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citizens Bank of Pennsylvania, Mizuho Corporate Bank, Ltd., HSBC Bank USA, N.A., U.S. Bank National Association, Commerzbank AG New York and Grand Cayman Branches,The Huntington National Bank, Compass Bank and First Commonwealth Bank.	Exhibit 10.1 of Form 8-K filed April 11, 2013 (File No. 001-05318) is incorporated herein by reference.
10.32	Form of Third Amended and Restated Guarantee (in connection with the Third Amended and Restated Credit Agreement)	Exhibit 10.26 of Form 10-K filed August 12, 2010 (File No. 001-05318) is incorporated herein by reference.
10.33*	Stock and Incentive Plan of 2010	Exhibit A of the 2010 Proxy Statement filed September 13, 2010 (File No. 001-05318) is incorporated herein by reference.
10.34*	Form of Kennametal Inc. Performance Unit Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2010)	Exhibit 10.2 of Form 10-Q filed February 8, 2011 (File No. 001-05318) is incorporated herein by reference.
10.35*	Form of Kennametal Inc. Restricted Unit Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2010)	Exhibit 10.3 of Form 10-Q filed February 8, 2011 (File No. 001-05318) is incorporated herein by reference.
10.36*	Form of Kennametal Inc. Restricted Unit Award for Non-Employee Directors (granted under the Kennametal Inc. Stock and Incentive Plan of 2010)	Exhibit 10.4 of Form 10-Q filed February 8, 2011 (File No. 001-05318) is incorporated herein by reference.

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10.37*	Form of Kennametal Inc. Nonstatutory Stock Option Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2010)	Exhibit 10.5 of Form 10-Q filed February 8, 2011 (File No. 001-05318) is incorporated herein by reference.
10.38*	Form of Kennametal Inc. Nonstatutory Stock Option Award for Non-Employee Directors (granted under the Kennametal Inc. Stock and Incentive Plan of 2010)	Exhibit 10.6 of Form 10-Q filed February 8, 2011 (File No. 001-05318) is incorporated herein by reference
10.39*	Form of Performance Unit Award (granted under Kennametal Inc. Stock and Incentive Plan 2010)	Exhibit 10.2 of Form 10-Q filed November 8, 2011 (File No. 001-05318) is incorporated herein by reference
10.40*	Form of Officer's Employment Agreement	Exhibit 10.1 of Form 8-K filed May 13, 2011 (File No. 001-05318) is incorporated herein by reference.
10.41*	Schedule of Executive Officers who have entered into the Form of Officer's Employment Agreement as set forth in Exhibit 10.40	Filed herewith.
10.42*	Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013)	Appendix A of the 2013 Proxy Statement filed September 17, 2013 (File No. 001-05318) is incorporated herein by reference.
10.43*	Form of Kennametal Inc. Performance Unit Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.38 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated herein by reference.
10.44*	Form of Kennametal Inc. Restricted Unit Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.39 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated herein by reference.
10.45*	Form of Kennametal Inc. Restricted Unit Award for Non-Employee Directors (granted under the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.40 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated herein by reference.
10.46*	Form of Kennametal Inc. Nonstatutory Stock Option Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.41 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated herein by reference.
10.47*	Form of Kennametal Inc. Nonstatutory Stock Option Award for Non-Employee Directors (granted under the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.42 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated herein by reference.
10.48*	Form of Kennametal Inc. Cash Settled Share-Based Award for China-based Employees (granted under the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.43 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated herein by reference.
10.49*	Form of Kennametal Inc. Stock Appreciation Right Award for China-based Employees (granted under the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.44 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated herein by reference.
10.50*	Form of Kennametal Inc. Restricted Unit Award - Alternate Form (granted under the Kennametal Inc.	Exhibit 10.45 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated

	Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	herein by reference.
10.51*	Form of Kennametal Inc. Nonstatutory Stock Option Award - Alternate Form (granted under the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.46 of Form 10-K filed August 13, 2014 (File No. 001-05318) is incorporated herein by reference.
10.52*	Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013)	Exhibit 10.1 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.53*	Form of Kennametal Inc. Performance Unit Award (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.3 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.54*	Form of Kennametal Inc. Restricted Unit Award (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.4 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.

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10.55*	Form of Kennametal Inc. Restricted Unit Award for Non-Employee Directors (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.5 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.56*	Form of Kennametal Inc. Restricted Unit Award - Alternate Form (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.6 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.57*	Form of Kennametal Inc. Restricted Unit Award - CEO (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.7 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.58*	Form of Kennametal Inc. Nonstatutory Stock Option Award (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.8 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.59*	Form of Kennametal Inc. Nonstatutory Stock Option Award for Non-Employee Directors (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.9 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.60*	Form of Kennametal Inc. Nonstatutory Stock Option Award - Alternate Form (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.10 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.61*	Form of Kennametal Inc. Nonstatutory Stock Option Award - CEO (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.11 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.62*	Form of Kennametal Inc. Cash Settled Share-Based Award for China-based Employees (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.12 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.63*	Form of Kennametal Inc. Stock Appreciation Right Award for China-based Employees (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.13 to the Form 8-K dated February 2, 2015 (File No. 001-05318) is incorporated herein by reference.
10.64*	Form of Kennametal Inc. Performance Unit Award (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.1 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
10.65*	Form of Kennametal Inc. Performance Unit Award - President and CEO (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.2 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
10.66*		

	Form of Kennametal Inc. Restricted Unit Award (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.3 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
10.67*	Form of Kennametal Inc. Restricted Unit Award - President and CEO (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.4 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
10.68*	Form of Kennametal Inc. Restricted Unit Award - Alternate Form (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.5 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
10.69*	Form of Kennametal Inc. Cash Settled Share-Based Award for China-based Employees (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.6 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.

10.70*	Form of Kennametal Inc. Nonstatutory Stock Option Award (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.7 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
10.71*	Form of Kennametal Inc. Nonstatutory Stock Option Award - President and CEO (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.8 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
10.72*	Form of Kennametal Inc. Nonstatutory Stock Option Award - Alternate Form (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.9 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
10.73*	Form of Kennametal Inc. Stock Appreciation Right Award for China-based Employees (granted under Amendment No. 1 to the Kennametal Inc. Stock and Incentive Plan of 2010 (As Amended and Restated October 22, 2013))	Exhibit 10.10 to the Form 8-K dated July 30, 2015, (File No. 001-05318) is incorporated herein by reference.
21	Subsidiaries of the Registrant	Filed herewith.
23	Consent of Independent Registered Public Accounting Firm	Filed herewith.
31	Certifications	
31.1	Certification executed by Donald A. Nolan, President and Chief Executive Officer of Kennametal Inc.	Filed herewith.
31.2	Certification executed by Martha Fusco, Interim Chief Financial Officer, Vice President Finance and Corporate Controller of Kennametal Inc.	Filed herewith.
32	Section 1350 Certifications	
32.1	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Donald A. Nolan, President and Chief Executive Officer of Kennametal Inc., and Martha Fusco, Interim Chief Financial Officer, Vice President Finance and Corporate Controller of Kennametal Inc.	Filed herewith.

*Denotes management contract or compensatory plan or arrangement.

101	XBRL	
101.INS	XBRL Instance Document.	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Definition Linkbase	Filed herewith.

101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.

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SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(In thousands) For the year ended June 30	Balance at Beginning of Year	Charges to Costs and Expenses	Charged to Other Comprehensive (Loss) Income	Recoveries	Other Adjustments	Deductions from Reserves	Balance at End of Year
2015							
Allowance for doubtful accounts	$14,027	$3,602	$ —	$40	$(1,095) (1)	$(3,014) (2)	$13,560
Reserve for excess and obsolete inventory	52,737	8,666	—	—	(5,613) (1)	(10,770) (3)	45,020
Deferred tax asset valuation allowance	17,860	1,846	—	—	(2,935) (1)	—	16,771
2014							
Allowance for doubtful accounts	$11,949	$2,880	$ —	$207	$111 (1)	$(1,120) (2)	$14,027
Reserve for excess and obsolete inventory	52,739	9,252	—	—	1,317 (1)	(10,571) (3)	52,737
Deferred tax asset valuation allowance	15,569	3,001	24	—	505 (1)	(1,239) (4)	17,860
2013							
Allowance for doubtful accounts	$12,530	$1,532	$ —	$193	$55 (1)	$(2,361) (2)	$11,949
Reserve for excess and obsolete inventory	55,042	6,688	—	—	508 (1)	(9,499) (3)	52,739
Deferred tax asset valuation allowance	19,502	(148)	—	—	(2,288) (5)	(1,497) (4)	15,569

(1)Represents primarily currency translation adjustment.
(2)Represents uncollected accounts charged against the allowance.
(3)Represents scrapped inventory and other charges against the reserve.
(4)Represents a forfeited net operating loss deduction.
(5)Represents $2.0 million charged to goodwill relating to the business acquisition and $0.3 million relating to currency translation adjustment.