KENNAMETAL INC
Form 424B3
July 08, 2009

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-160474

SUBJECT TO COMPLETION, DATED JULY 8, 2009

Preliminary Prospectus Supplement
(To Prospectus dated July 8, 2009)

6,500,000 Shares

Common Stock

We are offering 6,500,000 shares of our capital stock (common stock), par value $1.25 per share.

Our common stock is listed on the New York Stock Exchange under the symbol KMT. On July 7, 2009, the last reported sale price of our common stock on the New York Stock Exchange was $17.60 per share.

	Per share	**Total**
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to us, before expenses	$	$

We have granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase up to 975,000 additional shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any.

We expect that delivery of the shares will be made on or about July , 2009.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-9 of this prospectus supplement and the Risk Factors section in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

J.P.Morgan **Merrill Lynch & Co.**

The date of this Prospectus Supplement is July , 2009

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any time subsequent to the date of such information.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement supplements the accompanying prospectus. The accompanying prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration process, we may offer from time to time common stock, senior or subordinated debt securities, preferred stock, warrants, purchase contracts, units or depositary shares. The accompanying prospectus provides you with a general description of these securities, and this prospectus supplement contains specific information about the terms of this offering of shares of our common stock. Both this prospectus supplement and the accompanying prospectus include important information about us, our securities and other information you should know before investing.

This prospectus supplement, or the information incorporated by reference, may add, update or change information in the accompanying prospectus. If information in this prospectus supplement, or the information incorporated by reference, is inconsistent with the accompanying prospectus, this prospectus supplement, or the information incorporated by reference, will apply and will supersede that information in the accompanying prospectus.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents we have referred you to under Where You Can Find More Information below.

When used in this prospectus supplement, unless the context requires otherwise, the terms we, our, us, the Company and Kennametal refer to Kennametal Inc. and its subsidiaries. Unless otherwise specified, any reference to a year is to a fiscal year ended June 30.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Kennametal s SEC filings are also available to the public from commercial retrieval services, at the website maintained by the SEC at www.sec.gov and on Kennametal s website at www.kennametal.com. Reports, proxy statements and other information are also available for inspection at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC and which is incorporated by reference will automatically update and supersede this information. We incorporate by reference the documents listed below and all future filings made pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) other than any information furnished pursuant to Item 2.02 or Item 7.01 of any Current Report on Form 8-K unless we specifically state in such Current Report that such information is to be considered filed under the Exchange Act or we incorporate it by reference into a filing under the Securities Act of 1933 (the Securities Act) or the Exchange Act.

Our Annual Report on Form 10-K for the year ended June 30, 2008 filed with the SEC on August 14, 2008;

Our 2008 Proxy Statement filed with the SEC on September 8, 2008 (those parts incorporated by reference in our Annual Report on Form 10-K only);

Our quarterly reports on Form 10-Q filed with the SEC for the quarters ended September 30, 2008 (filed on November 6, 2008), December 31, 2008 (filed on February 4, 2009) and March 31, 2009 (filed on May 6, 2009);

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Our Current Reports on Form 8-K filed on July 24, 2008 (excluding items 2.02 and 9.01 and exhibit 99.1), October 23, 2008 (excluding items 2.02 and 9.01 and exhibit 99.1), January 12, 2009 (excluding items 2.02 and 9.01 and exhibit 99.1), April 15, 2009 (excluding items 2.02 and 9.01 and exhibit 99.1), May 19, 2009, June 26, 2009, and July 6, 2009; and

The description of our common stock contained in our Form 8-K dated July 8, 2009.

We will provide to each person to whom a copy of this prospectus supplement is delivered, including any beneficial owner, upon the written or oral request of such person, without charge, a copy of any or all of the documents that are incorporated herein by reference. Requests should be directed to: Kennametal Inc. World Headquarters, 1600 Technology Way, P.O. Box 231, Latrobe, Pennsylvania 15650-0231, Attention: General Counsel, (724) 539-5000.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary only highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that you should consider before purchasing shares of common stock. You should read the entire prospectus supplement, including the accompanying prospectus and the documents incorporated by reference, which are described under the caption Where You Can Find More Information.

Kennametal Inc.

We are a leading global supplier of tooling, engineered components and advanced materials consumed in production processes. We specialize in developing and manufacturing metalworking tools and wear-resistant parts using a specialized type of powder metallurgy. We operate in two business segments: Metalworking Solutions & Services Group and Advanced Materials Solutions Group.

Over the past several years, we have been actively engaged in further balancing our geographic footprint between North America, Western Europe and the rest of the world markets. This strategy, together with steps we have taken to enhance the balance of our sales among our end markets and business units, has helped to create a more diverse business base, provide additional sales opportunities and limit reliance on and exposure to any specific region or market sector.

For our fiscal year ended June 30, 2008, we achieved record sales of $2.7 billion and reported net income of $167.8 million. Our sales continued to grow during the first months of our fiscal year 2009 and we reported record September quarter sales for the three months ended September 30, 2008. Since then, global economic conditions and industrial activity have deteriorated substantially with a further downward acceleration in the March 2009 quarter. The decline has resulted in significantly lower industrial production and much lower demand for our products in all major geographic regions, as well as most industry and market sectors. This has had a corresponding effect on our sales levels and operating performance. We believe that our experience is commensurate with most other global manufacturing companies.

In response to the impact of the rapid and steep decline in global demand, we have undertaken and will continue to aggressively implement restructuring and other actions to reduce our manufacturing costs and operating expenses. We also have taken, and will continue to take, targeted steps to maximize cash flow and liquidity. We remain confident in our ability to manage through the global economic downturn and are poised to respond quickly to further changes in global markets while continuing to serve our customers and preserve our competitive strengths. At the same time, we will maintain our sharp focus on cash flow.

Our sales for the nine months ended March 31, 2009 were $1.7 billion, a decrease of 14% from $2.0 billion for the same period of the previous year. The decrease in sales was due to a 13% organic decline and a 2% decrease from unfavorable foreign currency effects partially offset by the net favorable impact of acquisitions and divestitures of 1%. Also for the nine months ended March 31, 2009, we reported a net loss of $86.7 million which included non-cash pre-tax charges for impairment of goodwill and intangible assets of $111.0 million ($101.2 million net of tax) as well as pre-tax charges of $52.8 million ($54.4 million net of tax) related to our restructuring plans. For information concerning our current expectations for financial results for our fourth fiscal quarter ended June 30, 2009, as well as our present expectations for financial performance for our new fiscal year which began on July 1, 2009, see Recent Developments Financial update beginning on page S-5 of this prospectus supplement.

Metalworking Solutions & Services Group (MSSG)

Our MSSG segment provides consumable metalcutting tools and tooling systems to manufacturing companies in a wide range of industries throughout the world. Metalcutting operations include turning, boring, threading, grooving, milling and drilling. Our tooling systems consist of a steel toolholder and cutting tool such as an indexable insert or drill made from cemented tungsten carbides, ceramics, cermets or other hard materials. During a metalworking operation, the toolholder is positioned in a machine that provides turning power. While the workpiece or toolholder is rapidly rotating, the cutting tool insert or drill contacts the workpiece and cuts or shapes the workpiece. The cutting tool insert or drill is consumed during use and must be replaced periodically.

We also provide custom solutions to our customers metalcutting needs through engineering services aimed at improving their competitiveness. Engineering services include field sales engineers identifying products that enhance productivity and engineering product designs to meet customer needs.

We serve a wide variety of industries that cut and shape metal and composite parts, including manufacturers of automobiles, trucks, aerospace components, farm equipment, oil and gas drilling and processing equipment, railroad, marine and power generation equipment, light and heavy machinery, appliances, factory equipment and metal components, as well as job shops and maintenance operations. We deliver our products to customers through a direct field sales force, distribution, integrated supply programs and electronic commerce. With a global marketing organization and operations worldwide, we believe we are one of the largest global providers of consumable metalcutting tools and supplies.

Advanced Materials Solutions Group (AMSG)

Our AMSG segment s principal business lines include the production and sale of cemented tungsten carbide products used in mining, highway construction and engineered applications requiring wear and corrosion resistance, including compacts and other similar applications. These products have technical commonality to our metalworking products. Additionally, we manufacture and market engineered components with a proprietary metal cladding technology as well as other hard materials that likewise provide wear resistance and life extension. These products include radial bearings used for directional drilling for oil and gas, extruder barrels used by plastics manufacturers and food processors and numerous other engineered components to service a wide variety of industrial markets. We also sell metallurgical powders to manufacturers of cemented tungsten carbide products, intermetallic composite ceramic powders and parts used in the metalized film industry, and we provide application-specific component design services and on-site application support services. Lastly, we provide our customers with engineered component process technology and materials, which focus on component deburring, polishing and producing controlled radii.

Our mining and construction tools are fabricated from steel parts and tipped with cemented carbide. Mining tools, used primarily in the coal industry, include longwall shearer and continuous miner drums, blocks, conical bits, drills, pinning rods, augers and a wide range of mining tool accessories. Highway construction cutting tools include carbide-tipped bits for ditching, trenching and road planing, grader blades for site preparation and routine roadbed control and snowplow blades and shoes for winter road plowing. We produce these products for mine operators and suppliers, highway construction companies, municipal governments and manufacturers of mining equipment. We believe we are the worldwide market leader in mining and highway construction tooling.

Our customers use engineered products in manufacturing or other operations where extremes of abrasion, corrosion or impact require combinations of hardness or other toughness afforded by cemented tungsten carbides, ceramics or other hard materials. We believe we are the largest independent supplier of oil field compacts in the world. Compacts are the cutting edge of oil well drilling bits, which are commonly referred to as rock bits. We sell these products through a direct field sales force, distribution and electronic commerce.

Competitive Strengths

We believe our competitive strengths together with our Kennametal Value Business System position us to meet our long term goals of growing sales faster than the market, margin expansion, earnings growth and higher returns.

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Global market leading positions with respected brands

We believe that we are one of the largest global providers of metalcutting tools and tooling systems and have a leading market position in many of the products we bring to market. We believe that our reputation for manufacturing excellence, as well as our technological expertise and innovation in our principal products, has helped us achieve this leading market presence in our primary markets. Our customer service capabilities, including multiple distribution channels, our global presence, state-of-the-art manufacturing capabilities, ability to develop solutions to address customer needs through new and improved tools and the consistent high quality of our products, allow us to sell products based upon the value added productivity to the customer rather than strictly on competitive prices.

We believe that our brands include some of the most widely recognized and respected names in the markets we serve. These brands and trademarks include Kennametal®, the letter K with other identifying letters and/or numbers, Block Style K, Kenloc®, Kenna-LOK, KM Micro®, Kentip®, Widia Heinlein®, Top Notch®, ToolBoss®, Kyon®, Fix-Perfect®, Mill1, RTW®, Circle®, Conforma Clad®, Extrude Hone® and Surftran®. Through these brands, we are able to introduce related products and services to markets that we already serve and broaden our presence with our customers.

Focused product portfolio with diversified customers, end markets and geographic exposure

We believe we have achieved a degree of product breadth and end market and geographic diversity that differentiates us from many of our competitors. We have more than 80,000 customers, with no customer accounting for more than 3% of our sales, and have actively managed our product portfolio to maintain the consumable product mix at about 80%. Our service engineers and technicians directly assist customers with product design, selection and application, with a focus on delivering complete, high value-add solutions. Additionally, through our focus on product innovation and lifecycle management, we continue to optimize our product portfolio. Since 2004, we have reduced our metalworking SKUs by over 60% from more than 380,000 to less than 150,000.

We are also working to focus our business portfolio and rationalize our manufacturing footprint through selective divestitures and acquisitions. In 2006, we divested J&L Industrial Supply as part of our strategy to divest non-core businesses. Similarly, from fiscal year 2006 through fiscal year 2008, we divested five other businesses, including five facilities. A portion of the proceeds from these divestitures was employed to make strategic acquisitions of complementary businesses. Furthermore, we recently completed the sale of certain high speed steel product lines, which included four facilities.

The diverse set of industries we serve includes metalworking manufacturers and suppliers in an array of industries, including the aerospace, automotive, machine tool, light machinery and heavy machinery industries, as well as manufacturers, producers and suppliers in a number of other industries, including the highway construction, coal mining, quarrying and oil and gas exploration and production industries. We believe the diversity of our customer base and products coupled with our global reach can help mitigate the effects of downturns in individual product and geographic markets and position us well as the global economy recovers.

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The following charts illustrate the percentage of our sales by end market and geographic region for the fiscal year ended June 30, 2008:

Sales By End-Market **Sales By Geographic Region**

Significant focus on technological innovation

We believe our continued investment in product innovation is a key driver of our ability to offer innovative solutions for our customers manufacturing problems and productivity requirements. Our world-class research scientists and engineers develop over 40 new patents per year, enabling us to achieve over 40% of our sales from products less than five years old.

Since 2000, our product development cycle has decreased to fewer than 10 months from 24 months. We believe our stage-gate product development process and market planning have led to this increase in productivity and innovation. Our program provides discipline and focus for the development process by establishing gateways, or sequential tests, to remove inefficiencies and accelerate improvements. This program is designed to ensure a strong link between customer needs and corporate strategy and to enable us to gain full benefit from our investments in new product design.

Our Kennametal Value Business System

We believe our Kennametal Value Business System enables consistent and disciplined decision-making across all facets of our business. This system oversees our strategic planning, product development, customer excellence, talent development, portfolio management and lean initiatives, which are designed to filter out wasteful or inefficient processes. We believe these initiatives increase productivity and allow us to offer savings in materials, expenses and other resources, ultimately creating value for our customers. Our Kennametal Value Business System will continue to guide us as we advance toward our financial goals for the future.

Aggressive cost reduction efforts

We believe that our cost reduction efforts will improve our operating leverage well into the future. Our initiatives focus on restructuring and other cost reduction programs to rationalize our manufacturing footprint, increase manufacturing productivity and reduce operating expenses. Over the past several years, we have closed certain manufacturing facilities on a pay-as-you-go basis. In 2008 and 2009, we implemented various restructuring initiatives and other cost reduction actions that are further described below in Recent Developments.

In addition, we have taken significant steps to simplify our business. From consolidating business units to rationalizing our product portfolio, we are striving to become a more market-facing, efficient organization. For example, over the last three years, we have consolidated the Advanced Materials Solutions Group from seven to four customer facing business units and we continually evaluate consolidating brand names within our portfolio. We also continue to streamline and consolidate our support functions to improve customer service and operational effectiveness while lowering expenses.

Recent Developments

Restructuring and other cost reduction actions

In response to the impact of the rapid and steep decline in global demand, we have undertaken and will continue to aggressively implement restructuring and other actions to reduce our manufacturing costs and operating expenses. In April 2008, we announced restructuring actions to rationalize certain manufacturing and service facilities, as well as other employment and cost reduction programs. In January 2009, we announced global salaried workforce reductions. In April 2009, we announced further restructuring actions which involve additional employment and other cost reduction programs. Annual ongoing benefits from these actions, once fully implemented, are expected to be approximately $125 million. We expect to incur pre-tax charges of approximately $115 million in connection with the execution of these initiatives, including $61 million recorded through March 31, 2009. The majority of the remaining charges are expected to be incurred by December 31, 2009, most of which are expected to be cash expenditures. In addition to these restructuring programs, we have taken and will continue to take other actions to adjust our costs and level of operations to the extent necessary and appropriate. These other actions included employee furloughs from March 2009 through June 2009, the suspension of matching contributions to certain employee benefit plans effective March 2009 and the implementation of salary reductions effective July 2009. We will also continue to take other specific and targeted steps to maximize cash flow and liquidity.

Sale of high speed steel drills and related product lines

On June 30, 2009, we completed the sale of our high speed steel drills, related product lines and assets. Total cash proceeds from this divestiture amount to $29 million, of which $2 million was received prior to closing, $24 million is expected to be received in the September 2009 quarter and $3 million is expected to be received in the December 2009 quarter. The sale was in alignment with our strategy to shape our business portfolio and to rationalize our manufacturing footprint. We expect to recognize a pre-tax loss on the sale and related pre-tax charges of $30 million to $33 million, the majority of which will be recorded in our fourth fiscal quarter ended June 30, 2009. The sale included four facilities and operations specifically related to the product lines located at Evans, Georgia; Clemson, South Carolina; Mexico City, Mexico; and Mississauga, Ontario, Canada.

Amendment to credit facility

On July 6, 2009, we entered into an amendment to our existing $500 million credit facility, which expires on March 21, 2011. The amendment, among other things, provides additional flexibility with respect to financial covenants while maintaining the current size and maturity of the credit facility, increases our interest rates and other costs, and provides for the granting of security in limited circumstances.

Financial update

On April 24, 2009, we announced that we expected organic sales for our fourth fiscal quarter ended June 30, 2009 to be down by more than 40 percent from the same quarter of the prior year. At the same time, we also announced that we expected that our June 2009 quarter operating results, excluding charges related to restructuring, would be somewhat lower than the operating results for the March 2009 quarter, excluding charges related to restructuring and impairment.

For our fourth fiscal quarter ended June 30, 2009, we currently expect our financial results to be in line with our previously announced expectations and, therefore, we expect to record a loss per diluted share (LPS), excluding restructuring and divestiture related charges, for the June 2009 quarter.

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Despite the current global recession, recently, a number of traditional industry indicators point to potential market stabilization. The U.S. Purchasing Managers Index reached a low of 32.9 in December 2008 and has increased each month for six consecutive months to 44.8 as of June 2009. Historically, an index rating at or below 50 indicates a contraction in industrial activity. Another key index, the Industrial Production Index, is forecasted to grow beginning in September 2009 by Global Insight, a respected economic research organization, indicating that a recovery in general industrial manufacturing may start in the first quarter of calendar year 2010.

Although there have been recent indications of some stabilization in industrial activity, and certain signals point toward possible economic recovery, we believe that we will continue to experience the adverse effects of the global recession during the first part of our new fiscal year 2010 which began on July 1, 2009. As such, for the quarter ending September 30, 2009, we presently expect to record a loss per diluted share (LPS), excluding restructuring and divestiture related charges, that will be greater than the LPS for the quarter ended June 30, 2009, excluding restructuring and divestiture related charges. The principal reason for the expected change in LPS from the previous quarter is due to the difference in temporary cost savings from the employee furloughs made in the June 2009 quarter and the salary reductions placed into effect at the beginning of the September 2009 quarter. While there can be no assurance, we currently expect to see the effects of an economic recovery reflected in our results for the second half of our fiscal year 2010.

Corporate Information

Our principal executive offices are located at 1600 Technology Way, P.O. Box 231, Latrobe, Pennsylvania 15650-0231, and our telephone number is (724) 539-5000.

The Offering

Issuer	Kennametal Inc.
Common stock offered	6,500,000 shares.
Over-allotment option	975,000 shares.
Common stock to be outstanding immediately after this offering (1)	79,733,255 shares.
Use of proceeds	We intend to use the net proceeds of this offering to pay down outstanding indebtedness under our amended credit facility and for general corporate purposes. See Use of Proceeds.
Dividend Policy	The policy of our board of directors is to declare regular quarterly dividends when justified by our financial condition. Since the second fiscal quarter of 2008, we have paid a regular quarterly dividend of $0.12 per share. The amount of future dividends, if any, will depend on the general business conditions we encounter, our earnings, our financial condition, our capital requirements and any other factors that our board of directors deems relevant.
New York Stock Exchange symbol	KMT.

(1) The number of shares of our common stock that will be outstanding after this offering is based on 73,233,255 shares of our common stock outstanding as of June 30, 2009, which excludes 2,970,921 shares available for future grant under our equity compensation plans and 4,264,425 shares issuable pursuant to outstanding stock unit awards or upon exercise of outstanding stock options at June 30, 2009 and also assumes no exercise of the underwriters over-allotment option.

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Summary Consolidated Financial Information

The following table sets forth summary consolidated historical financial data for each of the fiscal years in the three year period ended June 30, 2008. Also included is summary consolidated financial data for the nine months ended March 31, 2009 and for the nine months ended March 31, 2008. The information set forth in this table should be read in conjunction with Kennametal s consolidated financial statements and the related notes thereto and other financial data incorporated by reference in this prospectus supplement.

(dollars in thousands, except per share data)		Fiscal year ended June 30, 2006	2007	2008	Nine months ended March 31, 2008	2009
Operating results						
Sales	(1)	$ 2,329,628	$ 2,385,493	$ 2,705,129	$ 1,952,168	$ 1,679,260
Cost of goods sold		1,497,462	1,543,931	1,781,889	1,281,273	1,193,385
Operating expense		579,907	554,634	605,004	443,414	392,084
Restructuring and asset impairment charges			5,970	39,891	35,000	158,092
Interest expense		31,019	29,141	31,728	24,335	21,814
Provision (benefit) for income taxes		172,902	70,469	64,057	48,953	(1,456)
Net income (loss)	(2)	256,283	174,243	167,775	108,195	(86,748)
Financial position						
Total assets		2,435,272	2,606,227	2,784,349	2,825,084	2,397,371
Total debt, including capital leases and notes payable		411,722	366,829	346,652	428,456	502,093
Total shareowners equity		1,295,365	1,484,467	1,647,907	1,615,568	1,249,328
Per share data	(5)					
Basic earnings (loss)	(3)	3.33	2.27	2.18	1.41	(1.18)
Diluted earnings (loss)	(4)	3.24	2.22	2.15	1.38	(1.18)
Dividends per share		0.38	0.41	0.47	0.35	0.36
Other data	(5)					
Basic weighted average shares outstanding		76,864	76,788	76,811	76,984	73,238
Diluted weighted average shares outstanding		79,101	78,545	78,201	78,374	73,238
Key ratios						
Sales growth		5.8	2.4	13.4	12.9	(14.0)

Gross profit margin	35.7%	35.3%	34.1%	34.4%	28.9%
Operating profit (loss) margin	20.5	11.3	9.8	9.3	(4.4)

(1) We divested J&L Industrial Supply effective June 1, 2006. J&L Industrial Supply sales were $0.3 billion for 2006.

(2) Net income includes loss from discontinued operations of ($2.6) million and ($16.0) million for 2007 and 2006, respectively.

(3) Basic earnings per share includes basic loss from discontinued operations per share of ($0.03) and ($0.21) for 2007 and 2006, respectively.

(4) Diluted earnings per share includes diluted loss from discontinued operations per share of ($0.03) and ($0.20) for 2007 and 2006, respectively.

(5) Share and per share amounts have been restated to reflect the Company s 2-for-1 stock split completed in December 2007.

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RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this prospectus supplement and the accompanying prospectus before deciding whether to purchase our common stock. In addition, you should carefully consider, among other things, the matters discussed under Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, and in other documents that we subsequently file with the Securities and Exchange Commission, all of which are incorporated by reference in this prospectus supplement and the accompanying prospectus. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition and results of operations would suffer. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Forward-Looking Statements.

We reported a net loss per diluted share for the third fiscal quarter of 2009 and remain subject to the effects of the global economic downturn.

Our sales for the quarter ended March 31, 2009 declined by 36% from the same quarter of the previous year. The year-to-year decline in sales was due to a 32% organic decline and a 5% decrease from unfavorable foreign currency effects, partially offset by the net favorable impact of acquisitions and divestitures of 1%. We reported a net loss of $137.9 million for the quarter ended March 31, 2009. The net loss for the March 2009 quarter was primarily driven by non-cash pre-tax charges for impairment of goodwill and intangible assets of $111.0 million ($101.2 million net of tax) and pre-tax charges of $33.5 million ($37.2 million net of tax) related to the company s restructuring plans as well as the impact of the global economic downturn. We believe that our results will continue to be impacted by the global economic downturn, which has materially and adversely affected industrial activity on a global basis as well as the demand for our products and our sales levels. In light of the weakness in market conditions, we have limited visibility as to when our markets will stabilize. We cannot assure you that we will not incur additional restructuring charges, that we will achieve all of the anticipated benefits from restructuring actions we have taken or that our markets will recover in the near term.

Current worldwide economic conditions may adversely affect our ability to obtain capital and liquidity.

Changes in the ratings that rating agencies assign to our debt may ultimately impact our access to the debt capital markets and the costs we incur to borrow funds. The tightening in the credit markets and the low level of liquidity in many financial markets due to the current turmoil in the financial and banking industries could also affect our access to the debt capital markets. Both Standard & Poor s and Moody s have recently reaffirmed our current investment grade ratings, but have modified their outlook from stable to negative, reflecting global economic uncertainty. If we experience downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade, or if the credit and capital markets were to deteriorate, our access to the capital markets, the price we would have to pay and the amount we could raise may be negatively impacted.

In addition, several large financial institutions have either recently failed or been dependent on the assistance of the U.S. federal government to continue to operate as a going concern. Although we believe that the banks participating in our credit facility have adequate capital and resources, we can provide no assurance that all of these banks will continue to operate as a going concern in the future. If any of the banks in our lending group were to fail, it is possible that the borrowing capacity under our credit facility would be reduced. In the event that the availability under our credit facility was reduced significantly, we could be required to obtain capital from alternate sources in order to finance our capital needs. Our options for addressing such capital constraints would include, but not be limited to (i) obtaining commitments from the remaining banks in the lending group or from new banks to fund increased amounts under the terms of our

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