

PEOPLE

Focused development of our greatest strength

We are continuing to cultivate a performance culture through a focus on talent management and development combined with consistent measurement and feedback, and with rewards closely tied to performance. We have doubled our investment in training and development and have qualified virtually all of our supervisors/managers and individual contributor salaried employees in our formal Performance Planning and Management process. We have also expanded business literacy training, with a particular focus on sales, marketing and financial skills. Plans for fiscal year 2003 include expanded supervisory, leadership and sales training. **Kennametal is becoming a learning organization with significant ongoing investment in people development.**

For example, in our Nabburg, Germany plant (pictured here), **a central information center has been created to help employees learn the business and continuously improve performance, and contains a wealth of information and feedback.** The center includes graphic depictions of stretch goals and measured performance against them. There is important technical information on new-product introductions and updates on customers' feedback from quarterly visits. The Center also contains PCs with Intranet access to all relevant technical and informational programs, allowing employees to efficiently answer questions.

Inside the information center, two focal areas are exclusively dedicated to results of lean projects, and the three-month plan of upcoming projects. **An employee skills qualification matrix and a schedule of upcoming training programs provide employees the opportunity to proactively improve their own applicable skills.**

In addition, the daily efficiency of each operation is clearly measured and posted, as are shift and vacation plans, all designed to reinforce the connection between demands on the focused factory and the need to change shift schedules or planned days off within the team and foster teamwork.

In fiscal 2003, we will intensify our focus on re-energizing our workforce through continued talent development and a learning focus. This will include development and delivery on the promise of Kennametal University (KU) by creating the Kennametal University Leadership Institute under the KU umbrella. Utilizing the infrastructure and distinguished reputation of KU, a more formal and disciplined set of leadership-training programs will be built to complement the current technical courses. Our increased investment in training includes an annual target of 20+ hours of training for every salaried employee, as we continue to propel the organization to become a market-driven company.