

Private and Confidential

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DATED 23rd September 2005

KENNAMETAL UK LIMITED (1)

-and-

KENNAMETAL MANUFACTURING UK
LIMITED (2)

HIVE OUT AGREEMENT
for the transfer of the manufacturing business
and assets of KENNAMETAL UK LIMITED

DWF
Centurion House
129 Deansgate,
Manchester
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Certified to be a true copy of the
original *Kevin Wells*

DWF
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Dated 13/10/2005



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THIS AGREEMENT is dated 23rd September, 2005 and is made BETWEEN:-

- (1) KENNAMETAL UK LIMITED, a company incorporated in England and Wales (Registered Number: 03425094), whose registered office is at PO Box 29, Pensnett Trading Estate, Kingswinford, West Midlands, DY6 7NP, England ("KUKL"); and
- (2) KENNAMETAL MANUFACTURING UK LIMITED, a company incorporated in England and Wales (Registered Number: 05440463 whose registered office is at Building 14, PO Box 29, Pensnett Trading Estate, Kingswinford, West Midlands, DY6 7NP, England ("KMUUKL").

IT IS HEREBY AGREED as follows:-

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement and in the Schedules, the following words and expressions shall have the following meanings:-

<u>Expression</u>	<u>Meaning</u>
"Act"	the Companies Act 1985.
"Assets"	all the property, assets and rights of the Business (as provided for as "Kingswinford Manufacturing" within the SAP System of KUKL) to be sold by KUKL and purchased by KMUKL under the terms of this Agreement, as listed or referred to in Clause 2.1.
"Business"	the business of manufacturing bespoke machine tools carried on by KUKL at the Property under the Business Names as at the Completion Date, but for the avoidance of doubt excluding any aspect of the HSS manufacturing business.
"Business Day"	a day other than a Saturday or a Sunday on which clearing banks are open for business in the City of London for dealings in pounds sterling.
"Business Names"	"Kennametal" or "KM Specials" and each and any part or combination or abbreviation of them and the right to use such names in the style or format in which such names are or have been used by KUKL in connection with the Business or any part of it.
"Business Records"	(a) all stationery, labels, stickers, advertising materials, brochures, catalogues, manuals, sales and promotional literature, technical information and data owned or used by KUKL in relation to the Business to the extent that they relate exclusively to the Business;

- (b) all lists of customers and suppliers, computer records and programs, sales records, customer and supplier files and records, sales targets, sales statistics, market share statistics and marketing surveys owned or used by KUKL in relation to the Business to the extent that they relate exclusively to the Business; and
- (c) personnel files, payroll records and medical and other records relating to the Transferring Employees (including the accident book or books), engineering inspection records, test certificates and specifications relating to any of the Assets.

"Claims"

if and to the extent that the same are freely transferable by KUKL, all KUKL's rights against third parties, including all rights under any warranties, conditions, guarantees or indemnities or under the Sale of Goods Act 1979 relating to any of the Assets and the benefit of any amount to which KUKL is entitled from a person in respect of damages or injury to any of the Assets, other than an amount spent before the Transfer Time in repairing the damage or injury.

"Completion"

completion of the sale and purchase of the Business and the Assets by the performance of the parties of their respective obligations under Clause 4.

"Completion Date"

1st October 2005.

"Confidential Information"

all information which is not publicly known and which is used in or otherwise relating to the Business and the Assets including, without limitation, information relating to:-

- (a) the marketing of goods or services including, without limitation, customer names and lists and other details of customers, sales targets, sales statistics, market share statistics, prices, market research reports and surveys, and advertising or other promotional materials; or
- (b) trade secrets and information equivalent to them (including, but not limited to, formulae, processes, methods, knowledge

and know-how); or

- (c) future projects, business development or planning, commercial relationships and negotiations.

"Contracts"

any contracts entered into or placed, as the case may be, with, by or on behalf of KUKL which relate exclusively to the Business and which were entered into on arm's length terms and in the ordinary and proper course of business with customers of, and suppliers of goods and services to, the Business, which are wholly or partly unperformed at the Completion Date and "Contract" means any one of the Contracts.

"Creditors"

the amounts owed by KUKL in connection with the Business as at the Transfer Time to or in respect of trade creditors and accruals relating to the normal running of the Business but for the avoidance of doubt excluding the Excluded Liabilities.

"Debts"

all amounts of money due or payable to KUKL in relation to the Business at the Transfer Time (including the right to receive payment for goods despatched and delivered and services rendered before the Transfer Time but not yet invoiced before the Transfer Time and including all securities, guarantees, indemnities and other rights whatsoever of KUKL in respect of the same and the benefit of prepayments and accrued income as at that time relating to the Business).

"Employees"

the employees of KUKL employed wholly or mainly in the Business whose names and other details are set out in Schedule 2.

"Encumbrance"

a claim, mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, encumbrance of any kind or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect or any agreement or commitment to create any of them.

"Excluded Liabilities"

all the liabilities or obligations relating to the Business or Assets and outstanding on or accrued or referable to the period up to and including the Transfer Time or arising by virtue of the sale and purchase recorded by this

	<p>Agreement, including, but not limited to, any and all liabilities in respect of National Insurance, PAYE, VAT or other Taxation attributable to KUKL in respect of the Business, the Assets or the Employees in respect of the period ending on the Transfer Time and all bank and other overdrafts and loans owing by KUKL, the Debts and Creditors.</p>
"Goodwill"	<p>the goodwill of the Business, together with the non-exclusive right for KMUKL or its successors or assigns to carry on and to represent itself as carrying on the Business in succession to KUKL and to use the Business Names.</p>
"ICTA"	<p>Income and Corporation Taxes Act 1988.</p>
"Intellectual Property Rights"	<p>all patents, trade and other marks, registered design, copyrights, Business Names, supply, distributorship, agency and other like agreements, inventions, computer programmes and Know-How belonging to KUKL and used by KUKL exclusively in connection with the Business.</p>
"Know-How"	<p>all industrial and commercial information and techniques, accounts, records and information (wherever situate) pertaining exclusively to the Business.</p>
"Machinery"	<p>the loose plant, machinery, equipment and other similar articles owned by KUKL and used in connection with the Business as at the Transfer Time more particularly set out at Schedule 3.</p>
"Property"	<p>Building 14, PO Box 29, Pensnett Trading Estate, Kingswinford, West Midlands DY6 7NP.</p>
"Regulations"	<p>the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended) and so that reference to any numbered Regulation shall be interpreted accordingly.</p>
"Sale"	<p>the sale and purchase referred to in Clause 2.1.</p>
"Statutory Records"	<p>all accounting, financial and Taxation records of KUKL which relate to the Business, in whatever form, which are required by statute to be retained by KUKL after Completion together with any records relating to VAT in respect of which the necessary direction is to be sought pursuant to Clause 7.2.</p>
"Tax" and "Taxation"	<p>any form of taxation, levy, duty, charge, contribution or impost of whatever nature</p>

(including any related fine, penalty, surcharge or interest) imposed, collected or assessed by a Tax Authority.

"Tax Authority" and
"Taxation Authority"

any local, municipal, governmental state, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world including, without limitation, the Inland Revenue and H M Customs & Excise.

"Transfer Time"

the opening of business on the Completion Date.

"VAT"

value added tax.

"VATA"

Value Added Tax Act 1994.

1.2 In this Agreement, a reference to:-

- (a) a "subsidiary undertaking" or "parent undertaking" is to be construed in accordance with section 258 of the Act and a "subsidiary" or "holding company" is to be construed in accordance with section 736 of the Act;
- (b) words importing the singular shall include the plural and vice versa, words importing a gender shall include any gender and references to persons include references to bodies corporate, associations, partnerships, a state or state agency;
- (c) a person includes a reference to that person's legal personal representatives and successors;
- (d) any professional partnership or company includes any firm or company effectively succeeding to the whole, or substantially the whole, of its practice or business;
- (e) a clause, paragraph or schedule, unless the context otherwise requires, is a reference to a clause or paragraph of or schedule to this Agreement;
- (f) words and phrases which are defined for the purpose of the Act shall bear the meanings attributed to them by that Act as at the date of this Agreement;
- (g) a person shall be deemed to be "associated with" another person or an "associated person" of that other person, if such person is an associate of the other person within the meaning of section 435 Insolvency Act 1986;
- (h) the words and phrases "other", "including" and "in particular" shall not limit the generality of any preceding words and any words which follow them shall not be construed as being limited in scope to the same class as the preceding words where a wider construction is possible; and
- (i) "writing" or "written" includes faxes and any non-transitory form of visible reproduction of words.

1.3 The headings to provisions of this Agreement are inserted for convenience only and do not affect its interpretation.

2. SALE AND PURCHASE OF THE BUSINESS AND ASSETS

2.1 KUKL sells with full title guarantee and KMUKL hereby purchases as at and with effect from the Transfer Time upon and subject to the terms and conditions of this Agreement, the Business as a going concern and all the property, assets and rights of KUKL which relate to or are used in connection with the Business, free of any Encumbrance, including (without limitation):-

- (a) the benefit (subject to the burden) of the Contracts;
- (b) the Goodwill;
- (c) the Machinery;
- (d) the Intellectual Property Rights;
- (e) the Claims; and
- (f) the Business Records.

2.2 The Sale does not include any business or assets other than the Business and Assets and, in particular, there shall be specifically excluded from the Sale and shall remain with KUKL and nothing in this Agreement shall operate to transfer to KMUKL the Excluded Liabilities.

3. CONSIDERATION

3.1 The consideration payable by the Buyer for the Business and Assets shall be satisfied by the allotment to the Seller of 5,000 (five thousand) Ordinary Shares of £1.00 each in the capital of the Company (the "Consideration Shares") which shall be treated as fully paid. The difference in the aggregate nominal value of the Consideration Shares and the excess of the aggregate book values of the Assets at the Transfer Date, as agreed between KUKL and KMUKL, over the value of the Liabilities shall be allocated to the share premium account of KMUKL.

4. COMPLETION

4.1 Completion shall take place on the Completion Date at such place as the parties shall agree when all the matters set out in Schedule 1 shall be effected.

4.2 KUKL shall permit KMUKL to assume the conduct and control of the Business at Completion and shall deliver to KMUKL such of the Assets as are capable of being transferred by delivery.

4.3 Risk and title to the Assets shall pass to KMUKL at the Transfer Time with the intention that such transfer takes place with effect from the Transfer Time (where practicable) and KUKL shall thereafter act as trustee for KMUKL in respect of all the Assets until the same shall have been delivered and/or formally transferred or assigned to KMUKL.

5. APPORTIONMENTS

5.1 All rents, rates and any periodic outgoings or income relating to or payable or accruing in respect of any Assets down to and including the Transfer Time shall be borne by and belong to KUKL and all rent, rates and any period outgoings or income

relating to or payable or accruing in respect of the Assets following the Transfer Time shall be borne by and belong to KMUKL.

- 5.2 All salaries, wages and other periodic outgoings (including without limitation holiday pay in respect of holiday accrued due but not taken) for which KUKL is accountable and all employer's contributions to the Pension Scheme and all other normal employment costs (including without limitation employer's national insurance contributions) in respect of the Employees up until the Transfer Time shall be borne by KUKL and shall thereafter be borne by KMUKL PROVIDED THAT in each case holiday pay shall be apportioned on the basis of holidays accrued but not taken or taken but not accrued as at the Transfer Time (as appropriate) for each of the Employees.

6. ACTION AFTER COMPLETION

- 6.1 Immediately following Completion, KUKL shall wholly discontinue carrying on the Business to the intent that KMUKL may carry on and continue the Business in succession to KUKL.
- 6.2 On or as soon as practicable after Completion KUKL shall, if so requested by KMUKL and jointly with KMUKL, arrange for the despatch to all or any past and present customers, clients and suppliers of the Business selected by KMUKL of a letter in the agreed form announcing the Sale and introducing KMUKL as their successor and KUKL shall take all such other steps as KMUKL may reasonably require in order that KMUKL may obtain the full benefit of the Goodwill.

7. VALUE ADDED TAX

- 7.1 All payments to be made pursuant to this Agreement shall (SAVE where otherwise specifically stated) be taken to be exclusive of VAT (if applicable) and any VAT chargeable in respect of the matters giving rise to such payments shall be added to the amount of, and paid in addition to, them.
- 7.2 The parties intend that Section 49(1) VATA and Article 5 VAT (Special Provisions) Order 1995 (SI 1995/1268) will apply to the transfer of the Business and, accordingly:
- (a) KMUKL confirms its intention to use the Assets in carrying on (whether or not as part of its existing business) the same kind of business as the Business;
 - (b) KUKL and KMUKL agree to use all reasonable endeavours to secure that the transfer of the Assets under this Agreement is treated as neither a supply of goods nor a supply of services for the purposes of VAT;
 - (c) each of KUKL and KMUKL agrees and warrants that it will, on Completion, be duly registered for VAT purposes;
 - (d) KUKL shall apply to Customs & Excise for permission pursuant to Section 49(1)(b) VATA to retain the VAT records and:
 - (i) if Customs & Excise so consent, shall retain and preserve them for such period as may be required by law and subject to such conditions as Customs & Excise shall impose as a condition for giving such consent; or

- (ii) if Customs & Excise shall not so consent, shall promptly deliver them to KMUKL,

and each of KUKL and KMUKL hereby undertakes to preserve in the United Kingdom such of the VAT records as are (in the case of KUKL) so retained by them or (in the case of KMUKL) so delivered to it for such period as may be required by law and, during such period, to allow the other party hereto to inspect them;

8. CONTRACTS AND CLAIMS

- 8.1 Subject to Clauses 8.2 and 8.3, KMUKL shall, with effect from Completion Date, take over and perform and discharge the outstanding obligations of KUKL under the Contracts (to the extent that such obligations are in the normal course of business), and shall indemnify and keep indemnified KUKL against all actions, claims, proceedings, costs, expenses, losses, demands, damages and liabilities whatsoever arising out of, or as a consequence of, the performance of KMUKL's obligations under each Contract to the extent that the loss, liability, cost, damage, demand, action or proceeding is attributable to any event, act, default, or omission of KMUKL after the Completion Date (including, without limitation, all losses, liabilities, costs, damages, demands, actions and proceedings incurred as a result of defending or settling any claim alleging any such liability).
- 8.2 KUKL shall indemnify and keep indemnified KMUKL against all actions, claims, proceedings, costs, expenses, losses, demands, damages and liabilities whatsoever brought or made against or incurred or suffered by KMUKL arising out of, or as a consequence of the performance of KUKL's obligations under each Contract to the extent that the loss, liability, cost, damage, demand, action or proceedings is attributable to any event, act, default or omission of KUKL (including, without limitation, all losses, liabilities, costs, damages, demands, actions or proceedings incurred as a result of defending or settling any claim alleging any such liability).
- 8.3 To the extent that any of the Contracts and/or the Claims cannot be assigned to KMUKL without the consent of another party or without an agreement of novation, this Agreement shall not constitute an assignment or an attempted assignment if such assignment or attempted assignment would constitute a breach thereof.
- 8.4 If such consent is required for any such assignment or novation, the parties will use all reasonable endeavours to obtain (as soon as practicable) the consent of the other party to such assignment, or to procure a novation, to KMUKL, of the relevant Contracts and/or the relevant Claims on no less favourable terms.
- 8.5 Pending such consent or novation being obtained or if such consent is not obtained, KUKL will fully co-operate with KMUKL in any reasonable arrangements designed to provide for KMUKL the benefits (subject to the burden) under any of the Contracts, including, without limitation, enforcement at the cost of and for the account of KMUKL of any and all rights of KUKL against the other party to the Contract or Claim (as the case may be).
- 8.6 If and to the extent that in respect of any of such Contracts and/or Claims any such arrangements cannot be made, neither KUKL nor KMUKL shall have any further obligation to each other relating to the transfer of such Contracts and/or Claims, KUKL shall forthwith repay to KMUKL any amount paid by KMUKL to KUKL in respect of the relevant Contracts and/or Claims and shall fully indemnify KMUKL against all payments made or costs incurred by KMUKL in prior performance of those

obligations after making due allowance for any payments or other benefits under such Contracts and/or Claims which have been received by KMUKL.

8.7 This Clause 8 shall be without prejudice to the rights of KMUKL in respect of any contract, right, licence, instrument or commitment which KUKL has warranted is assignable or may be performed by KMUKL in place of KUKL without an agreement of novation.

8.8 KUKL will at the request of KMUKL take all such steps as KMUKL shall reasonably require to enforce any claim against any third party concerned in respect of a breach or default by such third party in relation to any aspect of the Business or to any of the Contracts or Claims.

9. EMPLOYEES

9.1 KUKL and KMUKL agree that Completion will constitute a relevant transfer for the purposes of the Regulations and, accordingly, on Completion, the contracts of employment of the Employees (SAVE insofar as any such contract relates to any occupational pension scheme or to any Employee who informs KUKL or KMUKL that he or she objects to becoming employed by KMUKL under Regulation 5(4A) of the Regulations) will have effect after Completion (which is agreed to be the time of the relevant transfer), as if originally made between KMUKL and the Employees. For the avoidance of doubt nothing in this Agreement shall seek to vary the terms and conditions of the contracts of employment of the Employees.

9.2 KMUKL shall be liable for and shall discharge all salaries, wages, holiday pay and bonuses and other emoluments relating to the Employees (and shall reimburse all expenses incurred by the Employees) due or payable in respect of any period up to and including the Transfer Time, including holiday pay in respect of holiday accrued due but not yet taken, KMUKL making allowance for holidays taken but not yet accrued due and KUKL shall indemnify and keep indemnified KMUKL against any and all actions, claims, proceedings, costs, expenses (including, without limitation, legal and other professional expenses), losses, demands, damages, awards, compensation, fines and any other liabilities whatsoever which relate to or arise out of any failure by KUKL to fulfil the obligations assumed by them under this Clause 9.2.

9.3 KUKL warrants that it has complied with its obligations under Regulation 10 and will indemnify KMUKL against any compensation, costs and expenses (including, without limitation, legal and other professional expenses) for which KMUKL may become liable as a result of any breach thereof by KUKL.

9.4 KUKL shall indemnify KMUKL against every cost, claim, expense, demand and other liability which arises out of or in connection with the employment of the Employees in the Business during the period ending on the Transfer Time or any event occurring prior to the Transfer Time in respect of any current or former employee of the Business, including any matter arising out of:-

- (a) KUKL's rights, powers and liabilities under or in connection with the contract of employment of any Employee or any collective agreements relating to any Employee; or
- (b) any act or omission on or before the Transfer Time by KUKL in respect of any contract of employment or any collective agreement relating to any person employed in the Business.

- 9.5 Subject to Clause 9.6, KMUKL shall indemnify KUKL against every cost, claim, expense, demand and other liability which arises out of or in connection with the employment of the Employees in the Business during the period commencing at the Transfer Time or any event occurring after the Transfer Time in connection with the contract of employment of any Employee or any collective agreement relating to any Employee; or:-
- (a) any act or omission on or after the Transfer Time by KMUKL in respect of any contract of employment or any collective agreement or any person employed in the Business;
 - (b) any act or omission on or after the Transfer Time by KMUKL in respect of any contract of employment for any collective agreement relating to any person employed in the Business.
- 9.6 If, as a result of Completion, any contract of employment or collective agreement relating to the Business takes effect as if originally made between KMUKL and any employee, or as the case may be, any trade union as a result of the provisions of the Regulations:-
- (a) KMUKL may, upon becoming aware of the application of the Regulations to any such contract or agreement, terminate that contract or agreement forthwith; and
 - (b) KUKL shall indemnify KMUKL against any and all actions, claims, proceedings, costs, expenses, (including, without limitation, legal and other professional expenses) losses, demands, damages, award, compensation, fines and any other liabilities whatsoever which relate to or arise out of any act or omission of or connected with any such contract or agreement or its termination and against any sum payable to or in respect of that employee in respect of his employment (whether before or after Completion) or any sums payable to or on behalf of the relevant trade unions, as the case may be.
- 9.7 KUKL shall following Completion at KMUKL's request provide KMUKL in relation to any Employee such information or documents which are not delivered to KMUKL at Completion relating to the terms and conditions of employment, pension and life assurance arrangements, health, or any other matter concerning such Employee or his employment with KUKL prior to Completion.
- 9.8 As soon as reasonably practicable following Completion, the parties shall send letters to the Employees notifying them of the change in their employer.
10. FURTHER ASSURANCE
- Upon and at any time after Completion forthwith on being requested to do so by KMUKL KUKL shall co-operate with KMUKL to ensure that it obtains the benefit of the Business and the Assets and KUKL shall do and execute all such acts, deeds, documents and things as are required by KMUKL for the purpose of vesting the Business and the Assets in KMUKL and, pending such effective vesting, shall hold such parts of the Business and Assets as are not effectively vested on trust for KMUKL.
11. CONFIDENTIAL INFORMATION
- 11.1 Before and after Completion, KUKL shall:-

- (a) not use or disclose to a person any Confidential Information it has or acquires; and
- (b) make every effort to prevent the use or disclosure of Confidential Information.

12. NOTICES

- 12.1 A notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post pre-paid recorded delivery (or air mail, if overseas) or by fax to the party due to receive the notice or communication, at its address set out in this Agreement or another address specified by that party by written notice to the other.
- 12.2 In the absence of evidence of earlier receipt, a notice or other communication is deemed given:
 - (a) if delivered personally, when left at the address referred to in Clause 15.1;
 - (b) if sent by mail except air mail, two days after posting it;
 - (c) if sent by air mail, six days after posting it; and
 - (d) if sent by fax, on completion of its transmission, PROVIDED THAT a hard copy of the same is sent by first class post within twenty-four hours of despatch of the fax copy.

13. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, is an original, but all the counterparts together constitute the same document.

14. ENTIRE AGREEMENT

- 14.1 This Agreement (including the Schedules hereto) constitutes the entire agreement between the parties with respect to the subject matter of this Agreement.
- 14.2 Except for any misrepresentation or breach of warranty which constitutes fraud:-
 - (a) this Agreement supersedes and extinguishes all previous agreements between the parties relating to the subject matter thereof and any representations and warranties previously given or made, other than those contained in the Transaction Documents;
 - (b) each party acknowledges to the other (and shall execute the Transaction Documents in reliance on such acknowledgement) that it has not been induced to enter into any such documents nor relied upon any representation or warranty other than the representations and/or warranties contained therein; and
 - (c) each party hereby irrevocably and unconditionally waives any right it may have to claim damages or to rescind this Agreement or any of the other Transaction Documents by reason of any misrepresentation and/or warranty not set forth in any such document.

- 14.3 Each of the parties acknowledges and agrees for the purposes of the Misrepresentation Act 1967 and the Unfair Contract Terms Act 1977 that the provisions of this Clause 17 are reasonable.

15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

The parties agree that a person who is not a party to this Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, except that:-

- (a) following an assignment of the benefit of this Agreement, any such assignee may enforce the terms of this Agreement; and
- (b) this Clause shall not affect any right or remedy of a third party which exists or is available apart from that Act.

16. GENERAL

- 16.1 A variation of this Agreement is valid only if it is made in writing, refers specifically to this Agreement and is signed by or on behalf of each party.

- 16.2 The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.

- 16.3 KMUKL's rights and remedies contained in this Agreement are cumulative and not exclusive of rights or remedies provided by law.

- 16.4 Except to the extent that they have been performed and except where this Agreement provides otherwise, the obligations contained in this Agreement remain in force after Completion.

- 16.5 If any sum or sums become(s) due or owing after Completion by KMUKL to KUKL under this Agreement, such sum or sums may be set off by KMUKL against any sum or sums becoming due or owing by KUKL to KMUKL under the terms of this Agreement.

- 16.6 If any term or provision in this Agreement shall in whole or in part be held to any extent to be illegal or unenforceable under any enactment or rule of law, that term or provision or part shall, to that extent, be deemed not to form part of this Agreement and the enforceability of the remainder of this Agreement shall not be affected.

- 16.7 None of the provisions of this Agreement and no action taken by either of the parties to this Agreement shall constitute or be deemed to constitute a partnership between the parties or an association, joint venture or other co-operative entity and neither of them shall have any authority to bind the other in any way.

17. GOVERNING LAW AND JURISDICTION

- 17.1 This Agreement is governed by English law.

- 17.2 The courts of England have exclusive jurisdiction to hear and decide any suit, action or proceedings and to settle any disputes which may arise out of or in connection

with this Agreement (respectively, "Proceedings" and "Disputes") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England.

- 17.3 Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agrees not to claim that the courts of England are not a convenient or appropriate forum.

IN WITNESS WHEREOF this Agreement has been executed as a deed on the date first stated above

SCHEDULE 1 COMPLETION

1 KUKL SHALL DELIVER OR CAUSE TO BE DELIVERED OR (IF SO REQUESTED BY KUKL) MAKE AVAILABLE TO KUKL:

- (a) for collection at the normal location at which they are held, used or stored and give physical possession to KUKL or as it may direct of such of the Assets as are transferable by delivery;
- (b) *all documents of title or other records establishing title to those Assets;*
- (c) copies of the Contracts;
- (d) the Business Records;
- (e) copies of the contracts of employment of each of the Employees, together with all national insurance and PAYE records fully completed and showing that payments are up to date in respect of all the Employees;
- (f) each of the parties hereto shall supply to the other a copy (certified as true by *its secretary or a director*) of the resolutions of its directors authorising the execution and delivery of, and the performance by it of its obligations under, this Agreement and any of the other Transaction Documents as are to be entered into by it.

SCHEDULE 2 THE EMPLOYEES

David	Foster
Ian	Aitken
Keith	Beddard
Wayne	Hawkins
Gary	Holland
Stuart	Homer
Stephen	Geary
Gary	Stubbs
Leslie	Dean
Trevor	Edwards
Philip	Hough
Harold	Pickstone
Brian	Simpson
Ian	Ward
Iain	Collins
Lesley	Collins
Paul	Beech
Jeffrey	Law
Raymond	Muggleton
Edward	Brettel
Adrian	Ruff
Alan	McDonald
Gary	Shaw
Steve	Edwards

SCHEDULE 3 MACHINERY

Kennametal Manufacturing UK Limited

Asset Number	Capitalisation.date	Asset description
496	01.01.1990	UG11 Planar mill
497	01.01.1990	Toolware s/w licence
498	01.01.1987	UG11Basic des lic & surf
499	01.01.1990	UG11 Basic machining
501	01.01.1988	UG11 Basic machining
502	01.01.1987	UG11 Basic machining
503	01.01.1989	UG11 Lathe
504	01.01.1987	UG11 Lathe
505	01.01.1987	UG11 Planar & surface mill
506	01.01.1987	UG11 Planar & surface mill
1117	01.11.1998	Unigraphics Upgrade Software UG10100 gateway,
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Asset Class 11		5 YEAR COMPUTER SOFTWARE
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516	01.07.1985	Messma Kelch
523	01.07.1989	Leonard belt grinder
524	01.07.1990	Henniger
531	30.09.1973	Triple 12 Saw
537	01.10.1995	VK 5511 Vert m/c centre
537	01.10.1996	VK 5511 Vert m/c centre
540	01.01.1999	1 X New Fixture (94bm312563) & 1 X (94bm312564)for
542	01.03.1995	Hycell 30CNC turning centre
542	11.10.1996	Hycell 30CNC turning centre
543	01.02.1996	VK 5511 vertical m/c centre
543	22.08.1996	VK 5511 vertical m/c centre
544	01.07.1978	J & S 540P
545	01.07.1986	Hitachi Seiki HC400
548	01.07.1989	Hitachi Seiki HC400
560	01.06.1997	1 F34 FILTERMIST UNIT
579	01.01.1981	Technol Mag Chuck
600	01.01.1983	Sigmeasure 200 (300x300)
605	01.04.1993	Nikon hgt preset
606	01.04.1993	XYZ 1500VS Turret millers/n663
607	01.02.1993	J&S 1300
609	01.01.1995	Bridgeport
612	01.01.1964	Jones & Shipman 310
613	01.01.1964	Parker Majestic
622	01.01.1980	Mag sine table
642	01.12.1994	Cincinnati no 2
663	01.01.1979	Floor crane
811	01.10.1996	TRIPET TST300CNC-4R GRINDING MACHINE & INSTALATION
811	01.07.1997	TRIPET TST300CNC-4R GRINDING MACHINE & INSTALATION
888	01.02.1997	CNC GRINDING MACHINE

888	01.06.1997	CNC GRINDING MACHINE/SCHEENBURGER
907	01.04.1997	Genie Industrial Work platform
1037	01.10.1997	1 HPC SECOTEC REFRIGERANT DRYER MODEL TC44
1037	01.10.1997	1 HPC FILTER WITH DIFFERENTIAL PRESSURE GUAGE
1037	01.10.1997	1 HPC FILTER WITH DIFFERENTIAL PRESSURE GUAGE
		AS44 HPC PULSAIR PACKAGED ROTARY SCREW
1077	01.01.1998	COMPRESSOR
1077	01.01.1998	MAC41 CONTROLLER FOR PLUSAIR COMPRESSOR
1077	01.01.1998	INSTALL NEW HPC AS44 COMPRESSOR AND REINSTALL
1100	01.06.1998	HITACHI SEIKI HICELL-30 CNC TURNING CENTRE WITH
1110	01.09.1998	1 X 100 WATT SCRIPT LASER ENGRAVER SYSTEM
1113	01.09.1998	1 X KEL VARIA KELCO 90 EXTERNAL FINISHING MACHINE
1169	01.01.2001	TOOLBOSS MACHINE TOOL DISPENSER
2159	01.07.2001	SMP INDEXER TILT AND ROTATE PRCICART 50
2161	01.10.2001	VEE BLOCK FIXTURE FOR M17
		FIXTURISATION FOR SPRING PACK FUNCTIONALITY
2162	01.07.2001	TESTS
		SCHNEEBERGER GEMINI 5 AXIS CNC GRINDER (EX
2172	01.04.2002	LEASE)
2930	01.11.2003	FREDDY ECOVAC 500 240V 3KW 300L INUSTRIAL CLEANER
2953	01.06.2004	CV 3000H4 CONTRACER MEASURING EQUIPMENT
2965	01.11.2004	1 X GUYSON TIGER GT2 BLAST SYSTEM FOR GLASS BEAD
2966	01.11.2004	1 X EDGE PREPARATION MACHINE
2967	01.11.2004	HPC PLUSAIR SCREW COMPRESSOR
2971	01.12.2004	New Extraction Ventilation System Manufacturing
3014	01.11.2004	1 X GUYSON TIGER GT2 BLAST SYSTEM FOR ALUM OXIDE

Aset Class 6

MACHINERY & EQUIPMENT

453 01.07.1989

UG11 basic design licence

Aset Class 9

5 YEAR COMPUTER HARDWARE

1158 01.10.2000



COURIER 50 1.3L VAN MANUAL REG NO N992 BDP

Aset Class 12

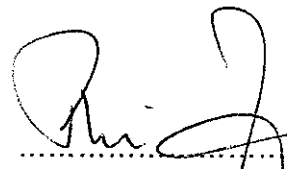
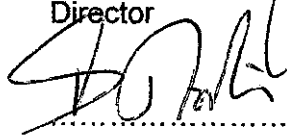
AUTOS & TRUCKS

TOTAL

Executed and Delivered as a Deed by
KENNAMETAL UK LIMITED)
acting by two duly authorised officers:)


.....
Director

.....
Director

Executed and Delivered as a Deed by
KENNAMETAL MANUFACTURING)
UK LIMITED)
acting by two duly authorised officers:)


.....
Director

.....
Director