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Form FWP
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Deutsche Bank AG Airbag Phoenix Autocallable Optimization Securities
$• Deutsche Bank AG Securities Linked to the Common Stock of Cubist Pharmaceuticals, Inc. due on or about March 18, 2016
$• Deutsche Bank AG Securities Linked to the Common Stock of Salesforce.com, Inc. due on or about March 18, 2016
$• Deutsche Bank AG Securities Linked to the Common Stock of H&E Equipment Services, Inc. due on or about March 18, 2016
$• Deutsche Bank AG Securities Linked to the Common Shares of Silver Wheaton Corp. due on or about March 18, 2016

Investment Description

Airbag Phoenix Autocallable Optimization Securities (the "Securities") are unsubordinated and unsecured obligations of Deutsche Bank AG, London Branch (the "Issuer") with returns linked to the performance of the common stock or common shares of a specific company described herein (each, an "Underlying"). Each Security will have a face amount (the "Face Amount") equal to $1,000. If the Closing Price of the relevant Underlying on the applicable monthly Coupon Observation Date (including the Final Valuation Date) is greater than or equal to the Coupon Barrier, Deutsche Bank AG will pay you a monthly contingent coupon (a "Contingent Coupon"). Otherwise, no coupon will be accrued or payable with respect to that Coupon Observation Date. If the Closing Price of the relevant Underlying on any quarterly Autocall Observation Date (including the Final Valuation Date) is greater than or equal to the Initial Price, Deutsche Bank AG will automatically call the Securities and, for each $1,000 Face Amount of Securities, pay you the Face Amount plus the applicable Contingent Coupon for that date and no further amounts will be owed to you. If the Securities are not automatically called and the Final Price is greater than or equal to the Conversion Price, Deutsche Bank AG will pay you a cash payment per $1,000 Face Amount of Securities equal to the Face Amount at maturity. However, if the Securities are not automatically called and the Final Price is less than the Conversion Price, Deutsche Bank AG will deliver to you at maturity a number of shares of the applicable Underlying per $1,000 Face Amount of Securities equal to the Face Amount divided by the Conversion Price (the "Share Delivery Amount"), which is expected to have a value of less than the Face Amount and may have no value at all. In addition, the applicable Contingent Coupon for the final month will be payable at maturity if the Final Price is greater than or equal to the applicable Coupon Barrier regardless of whether Deutsche Bank AG pays you the Face Amount or delivers the Share Delivery Amount at maturity. Investing in the Securities involves significant risks. You may lose some or all of your initial investment. In exchange for potentially receiving the Contingent Coupons, you are accepting the risk of receiving shares of the applicable Underlying at maturity that are worth less than your initial investment and the credit risk of the Issuer for all payments under the Securities. Generally, the higher the Contingent Coupon Rate on the Securities, the greater the risk of loss on such Securities. The contingent repayment of your initial investment applies only if you hold the Securities to maturity. Any payment on the Securities, including any payment of a Contingent Coupon, any payment upon an automatic call and any payment of your initial investment at maturity, is subject to the creditworthiness of the Issuer. If the Issuer were to default on its payment obligations, you might not receive any amounts owed to you under the terms of the Securities and you could lose your entire investment.

Features

q Contingent Coupon — If the Closing Price of the relevant Underlying on the applicable monthly Coupon Observation Date (including the Final Valuation Date) is greater than or equal to the Coupon Barrier, Deutsche Bank AG will pay you the relevant Contingent Coupon applicable to such Coupon Observation Date. Otherwise, no coupon will be accrued or payable with respect to that

Key Dates1

Trade Date	September 12, 2014
Settlement Date	September 17, 2014
Coupon Observation Dates2	Monthly
Autocall Observation Dates2	Quarterly
Final Valuation Date2	March 14, 2016
Maturity Date2	March 18, 2016

Coupon Observation Date.

q Automatically Callable — If the Closing Price of the relevant Underlying on any quarterly Autocall Observation Date (including the Final Valuation Date) is greater than or equal to the Initial Price, Deutsche Bank AG will automatically call the Securities and, for each $1,000 Face Amount of Securities, pay you the Face Amount plus the applicable Contingent Coupon for that date and no further amounts will be owed to you. If the Securities are not automatically called, investors may have downside market exposure to the relevant Underlying at maturity.

q Downside Exposure with Contingent Repayment of Your Initial Investment at Maturity — If the Securities are not automatically called and the Final Price is greater than or equal to the Conversion Price, Deutsche Bank AG will pay you a cash payment per $1,000 Face Amount of Securities equal to the Face Amount at maturity. However, if the Securities are not automatically called and the Final Price is less than the Conversion Price, Deutsche Bank AG will deliver to you at maturity a number of shares of the applicable Underlying equal to the Share Delivery Amount per $1,000 Face Amount of Securities, which is expected to have a value of less than the Face Amount and may have no value at all. The contingent repayment of your initial investment only applies if you hold the Securities to maturity. Any payment on the Securities, including any payment of a Contingent Coupon, any payment upon an automatic call and any payment of your initial investment at maturity, is subject to the creditworthiness of the Issuer. If the Issuer were to default on its payment obligations, you might not receive any amounts owed to you under the terms of the Securities and you could lose your entire investment.

1Expected

2See page 4 for additional details

NOTICE TO INVESTORS: THE SECURITIES ARE SIGNIFICANTLY RISKIER THAN CONVENTIONAL DEBT INSTRUMENTS. THE ISSUER IS NOT NECESSARILY OBLIGATED TO REPAY THE FULL FACE AMOUNT OF SECURITIES AT MATURITY, AND THE SECURITIES CAN HAVE THE FULL DOWNSIDE MARKET RISK OF THE RELEVANT UNDERLYING. THIS MARKET RISK IS IN ADDITION TO THE CREDIT RISK INHERENT IN PURCHASING AN OBLIGATION OF DEUTSCHE BANK AG. YOU SHOULD NOT PURCHASE THE SECURITIES IF YOU DO NOT UNDERSTAND OR ARE NOT COMFORTABLE WITH THE SIGNIFICANT RISKS INVOLVED IN INVESTING IN THE SECURITIES. THE SECURITIES WILL NOT BE LISTED ON ANY SECURITIES EXCHANGE.

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED UNDER “KEY RISKS” BEGINNING ON PAGE 6 OF THIS FREE WRITING PROSPECTUS AND UNDER “RISK FACTORS” BEGINNING ON PAGE 9 OF THE ACCOMPANYING PRODUCT SUPPLEMENT BEFORE PURCHASING ANY SECURITIES. EVENTS RELATING TO ANY OF THOSE RISKS, OR OTHER RISKS AND UNCERTAINTIES, COULD ADVERSELY AFFECT THE MARKET VALUE OF, AND THE RETURN ON, YOUR SECURITIES. YOU MAY LOSE SOME OR ALL OF YOUR INITIAL INVESTMENT IN THE SECURITIES.

Security Offering

We are offering four separate Airbag Phoenix Autocallable Optimization Securities (each, a "Security"). Each Security is linked to the performance of the common stock or common shares of a different company, and each may have a different Contingent Coupon Rate, Initial Price, Coupon Barrier and Conversion Price. The Contingent Coupon Rate, Initial Price, Coupon Barrier and Conversion Price for each Security will be determined on the Trade Date. The performance of each Security will not depend on the performance of any other Security. The Securities will be issued in minimum denominations equal to $1,000 and integral multiples of $1,000 thereof.

Underlying	Ticker	Contingent Coupon Rate Per Annum	Initial Price	Coupon Barrier	Conversion Price	CUSIP/ISIN
Common stock of Cubist Pharmaceuticals, Inc.	CBST	7.50% - 9.50% per annum	$	75% of the Initial Price	85% of the Initial Price	25190A609 / US25190A6091
Common stock of salesforce.com, inc.	CRM	7.50% - 9.50% per annum	$	75% of the Initial Price	85% of the Initial Price	25190A708 / US25190A7081
Common stock of H&E Equipment Services, Inc.	HEES	7.50% - 9.50% per annum	$	75% of the Initial Price	85% of the Initial Price	25190A807 / US25190A8071
Common shares of Silver Wheaton Corp.	SLW	7.50% - 9.50% per annum	$	80% of the Initial Price	85% of the Initial Price	25190A880 / US25190A8808

See "Additional Terms Specific to the Securities" in this free writing prospectus. The Securities will have the terms specified in product supplement BK dated October 5, 2012, the prospectus supplement dated September 28, 2012 relating to our Series A global notes of which these Securities are a part, the prospectus dated September 28, 2012 and this free writing prospectus.

For the Securities linked to the common stock of Cubist Pharmaceuticals, Inc., the Issuer's estimated value of the Securities on the Trade Date is approximately $949.10 - $969.10 per $1,000 Face Amount of Securities. For the Securities linked to the common stock of salesforce.com, inc., the Issuer's estimated value of the Securities on the Trade Date is approximately $956.60 - $976.60 per $1,000 Face Amount of Securities. For the Securities linked to the common stock of H&E Equipment Services, Inc., the Issuer's estimated value of the Securities on the Trade Date is approximately $943.60 - $963.60 per $1,000 Face Amount of Securities. For the Securities linked to the common shares of Silver Wheaton Corp., the Issuer's estimated value of the Securities on the Trade Date is approximately $956.50 - $976.50 per $1,000 Face Amount of Securities. The Issuer's estimated value of each Security is less than the Issue Price. Please see "Issuer's Estimated Value of the Securities" on the following page of this free writing prospectus for additional information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these Securities or passed upon the accuracy or the adequacy of this free writing prospectus or the accompanying product supplement BK, prospectus supplement or prospectus. Any representation to the contrary is a criminal offense. The Securities are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Offering of Securities	Price to Public		Discounts and Commissions(1)		Proceeds to Us	
	Total	Per Security	Total	Per Security	Total	Per Security
Securities linked to the common stock of Cubist Pharmaceuticals, Inc.	$	$1,000.00	$	$15.00	$	$985.00
Securities linked to the common stock of salesforce.com, inc.	$	$1,000.00	$	$15.00	$	$985.00
Securities linked to the common stock of H&E Equipment Services, Inc.	$	$1,000.00	$	$15.00	$	$985.00
Securities linked to the common shares of Silver Wheaton Corp.	$	$1,000.00	$	$15.00	$	$985.00

(1)

For more detailed information about discounts and commissions, please see "Supplemental Plan of Distribution (Conflicts of Interest)" in this free writing prospectus.

Deutsche Bank Securities Inc. ("DBSI") is our affiliate. For more information, see "Supplemental Plan of Distribution (Conflicts of Interest)" in this free writing prospectus.

UBS Financial Services Inc. Deutsche Bank Securities

Issuer's Estimated Value of the Securities

The Issuer's estimated value of the Securities is equal to the sum of our valuations of the following two components of the Securities: (i) a bond and (ii) an embedded derivative(s). The value of the bond component of the Securities is calculated based on the present value of the stream of cash payments associated with a conventional bond with a principal amount equal to the Face Amount of Securities, discounted at an internal funding rate, which is determined primarily based on our market-based yield curve, adjusted to account for our funding needs and objectives for the period matching the term of the Securities. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the Securities, reduces the economic terms of the Securities to you and is expected to adversely affect the price at which you may be able to sell the Securities in any secondary market. The value of the embedded derivative(s) is calculated based on our internal pricing models using relevant parameter inputs such as expected interest and dividend rates and mid-market levels of price and volatility of the assets underlying the Securities or any futures, options or swaps related to such underlying assets. Our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect.

The Issuer's estimated value of the Securities on the Trade Date (as disclosed on the cover of this free writing prospectus) is less than the Issue Price of the Securities. The difference between the Issue Price and the Issuer's estimated value of the Securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the Securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge.

The Issuer's estimated value of the Securities on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your Securities in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the Securities from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the Securities on the Trade Date. Our purchase price, if any, in secondary market transactions will be based on the estimated value of the Securities determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the Securities and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our Securities for use on customer account statements would generally be determined on the same basis. However, during the period of approximately five months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the Securities on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

Additional Terms Specific to the Securities

You should read this free writing prospectus, together with product supplement BK dated October 5, 2012, the prospectus supplement dated September 28, 2012 relating to our Series A global notes of which these Securities are a part and the prospectus dated September 28, 2012. You may access these documents on the website of the Securities and Exchange Commission (the "SEC") at.www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

♦ Product supplement BK dated October 5, 2012: http://www.sec.gov/Archives/edgar/data/1159508/000095010312005314/crt_dp33259-424b2.pdf

♦ Prospectus supplement dated September 28, 2012: http://www.sec.gov/Archives/edgar/data/1159508/000119312512409437/d414995d424b21.pdf

♦ Prospectus dated September 28, 2012: http://www.sec.gov/Archives/edgar/data/1159508/000119312512409372/d413728d424b21.pdf

Deutsche Bank AG has filed a registration statement (including a prospectus) with the Securities and Exchange Commission for the offerings to which this free writing prospectus relates. Before you invest in the Securities offered hereby, you should read these documents and any other documents relating to these offerings that Deutsche Bank AG has filed with the SEC for more complete information about Deutsche Bank AG and these offerings. You may obtain these documents without cost by visiting EDGAR on the SEC website at.www.sec.gov. Our Central Index Key, or CIK, on the SEC website is 0001159508. Alternatively, Deutsche Bank AG, any agent or any dealer participating in these offerings will arrange to send you the prospectus, prospectus supplement, product supplement and this free writing prospectus if you so request by calling toll-free 1-800-311-4409.

The trustee has appointed Deutsche Bank Trust Company Americas as its authenticating agent with respect to our Series A global notes.

You may revoke your offer to purchase Securities at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, Securities prior to their issuance. We will notify you in the event of any changes to the terms of the Securities, and you will be asked to accept such changes in connection with your purchase of the Securities. You may also choose to reject such changes, in which case we may reject your offer to purchase Securities.

References to "Deutsche Bank AG," "we," "our" and "us" refer to Deutsche Bank AG, including, as the context requires, acting through one of its branches. In this free writing prospectus, "Securities" refers to the Airbag Phoenix Autocallable Optimization Securities that are offered hereby, unless the context otherwise requires. This free writing prospectus, together with the documents listed above, contains the terms of the Securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Key Risks" in this free writing prospectus and "Risk Factors" in the accompanying product supplement, as the Securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before deciding to invest in the Securities.

If the terms described in this free writing prospectus are inconsistent with those described in the accompanying product supplement, prospectus supplement or prospectus, the terms described in this free writing prospectus shall control. All references to "Closing Price" in this free writing prospectus shall be deemed to refer to "Closing Level," as used in the accompanying product supplement.

Investor Suitability

The suitability considerations identified below are not exhaustive. Whether or not the Securities are a suitable investment for you will depend on your individual circumstances, and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Securities in light of your particular circumstances. You should also review "Key Risks" on page 6 of this free writing prospectus and "Risk Factors" on page 9 of the accompanying product supplement.

The Securities may be suitable for you if, among other considerations:

- You fully understand the risks inherent in an investment in the Securities, including the risk of loss of your entire investment.
- You can tolerate a loss of some or all of your initial investment in the Securities and are willing to make an investment that may have the full downside market risk of an investment in the relevant Underlying.
- You believe the Closing Price of the relevant Underlying will be greater than or equal to the applicable Coupon Barrier on the specified Coupon Observation Dates, including the Final Valuation Date.
- You believe the Final Price of the relevant Underlying is not likely to be less than the applicable Conversion Price and, if it is, you can tolerate receiving shares of such Underlying at maturity that are worth less than your initial investment or may have no value at all.
- You are willing to make an investment whose positive return is limited to the applicable Contingent Coupons, regardless of any potential increase in the price of the relevant Underlying, which could be significant.
- You are willing to accept the risks of owning equities in general and the relevant Underlying in particular.
- You can tolerate fluctuations in the value of the Securities prior to maturity that may be similar to or exceed the downside price fluctuations of the relevant Underlying.
- You would be willing to invest in the Securities if the applicable Contingent Coupon Rate were set equal to the bottom of the applicable range, as set forth on the cover of this free writing prospectus.
- You do not seek guaranteed current income from this investment and are willing to forgo any dividends or any other distributions paid on the relevant Underlying.

The Securities may not be suitable for you if, among other considerations:

- You do not fully understand the risks inherent in an investment in the Securities, including the risk of loss of your entire investment.
- You require an investment designed to provide a full return of your initial investment at maturity.
- You cannot tolerate a loss of some or all of your initial investment or are not willing to make an investment that may have the full downside market risk of an investment in the relevant Underlying.
- You believe the Closing Price of the relevant Underlying will be less than the applicable Coupon Barrier on the specified Coupon Observation Dates, including the Final Valuation Date.
- You believe the Final Price of the relevant Underlying is likely to be less than the applicable Conversion Price, which could result in a total loss of your initial investment.
- You cannot tolerate receiving shares of the relevant Underlying at maturity that are worth less than your initial investment or may have no value at all.
- You seek an investment that participates in any increase in the price of the relevant Underlying or that has unlimited return potential.
- You are not willing to accept the risks of owning equities in general and the relevant Underlying in particular.
- You cannot tolerate fluctuations in the value of the Securities prior to maturity that may be similar to or exceed the downside price fluctuations of the relevant Underlying.
- You would be unwilling to invest in the Securities if the applicable Contingent Coupon Rate were set equal to the bottom of the applicable range, as set forth on the cover of this free writing prospectus.
- You seek guaranteed current income from this investment or you prefer to receive dividends or any other distributions paid on the relevant Underlying.

¨ You are willing and able to hold the Securities that will be called on any Autocall Observation Date on which the Closing Price of the relevant Underlying is greater than or equal to the Initial Price, and you are otherwise willing and able to hold the Securities to the Maturity Date, as set forth on the cover of this free writing prospectus, and are not seeking an investment for which there will be an active secondary market.

¨ You are willing to assume the credit risk associated with Deutsche Bank AG, as Issuer of the Securities, and understand that if Deutsche Bank AG defaults on its obligations you might not receive any amounts due to you, including any payment of a Contingent Coupon, any payment upon an automatic call or any payment of your initial investment at maturity.

¨ You are unable or unwilling to hold the Securities that will be called on any Autocall Observation Date on which the Closing Price of the relevant Underlying is greater than or equal to the Initial Price, or you are otherwise unable or unwilling to hold the Securities to the Maturity Date, as set forth on the cover of this free writing prospectus, or seek an investment for which there will be an active secondary market.

¨ You are not willing or are unable to assume the credit risk associated with Deutsche Bank AG, as Issuer of the Securities for all payments on the Securities, including any payment of a Contingent Coupon, any payment upon an automatic call or any payment of your initial investment at maturity.

Indicative Terms	
Issuer	Deutsche Bank AG, London Branch
Issue Price	100% of the Face Amount of Securities
Face Amount	$1,000
Term	Eighteen months, subject to an earlier automatic call
Trade Date1	September 12, 2014
Settlement Date1	September 17, 2014
Final Valuation Date1, 2	March 14, 2016
Maturity Date1, 2, 3	March 18, 2016
Underlyings	Common stock of Cubist Pharmaceuticals, Inc. (Ticker: CBST) Common stock of salesforce.com, inc. (Ticker: CRM) Common stock of H&E Equipment Services, Inc. (Ticker: HEES) Common shares of Silver Wheaton Corp. (Ticker: SLW)
Call Feature	The Securities will be automatically called if the Closing Price of the relevant Underlying on any Autocall Observation Date is greater than or equal to the Initial Price. If the Securities are automatically called, Deutsche Bank AG will pay you on the applicable Call Settlement Date a cash payment per $1,000 Face Amount of Securities equal to the Face Amount plus the applicable Contingent Coupon otherwise due on such day pursuant to the contingent coupon feature. Following an automatic call, no further amounts will be owed to you under the Securities.
Autocall Observation Dates1, 2	Quarterly, on December 12, 2014, March 12, 2015, June 12, 2015, September 14, 2015, December 14, 2015 and March 14, 2016 (the “Final Valuation Date”)
Call Settlement Dates3	Two business days following the relevant Autocall Observation Date, except that the Call Settlement Date for the final Autocall Observation Date will be the Maturity Date.
Contingent Coupon	If the Closing Price of the relevant Underlying on any Coupon Observation Date is greater than or equal to the Coupon Barrier, Deutsche Bank AG will pay you the relevant Contingent Coupon per $1,000 Face Amount of Securities applicable to such Coupon Observation Date on the related Coupon Payment Date. If the Closing Price of the relevant Underlying on any Coupon Observation Date is less than the Coupon Barrier, the relevant Contingent Coupon applicable to such Coupon Observation Date will not be accrued or payable and Deutsche Bank AG will not make any payment to you on the related Coupon Payment Date. The Contingent Coupon for each Underlying will be a fixed amount based upon equal monthly installments at the Contingent Coupon Rate for such Underlying set forth below.

	For each Coupon Observation Date, the Contingent Coupon for the Securities that would be payable for such Coupon Observation Date on which the Closing Price of the relevant Underlying is greater than or equal to the applicable Coupon Barrier is set forth below under "Contingent Coupon payments." Contingent Coupon payments on the Securities are not guaranteed. Deutsche Bank AG will not pay you the Contingent Coupon for any Coupon Observation Date on which the Closing Price of the relevant Underlying is less than the Coupon Barrier.
Contingent Coupon Rate	For the Securities linked to the common stock of Cubist Pharmaceuticals, Inc., between 7.50% and 9.50% per annum (to be determined on the Trade Date). For the Securities linked to the common stock of salesforce.com, inc., between 7.50% and 9.50% per annum (to be determined on the Trade Date). For the Securities linked to the common stock of H&E Equipment Services, Inc., between 7.50% and 9.50% per annum (to be determined on the Trade Date). For the Securities linked to the common shares of Silver Wheaton Corp., between 7.50% and 9.50% per annum (to be determined on the Trade Date).
Contingent Coupon payments	For the Securities linked to the common stock of Cubist Pharmaceuticals, Inc., \$6.2500 - \$7.9167 per \$1,000 Face Amount of Securities (to be determined on the Trade Date). For the Securities linked to the common stock of salesforce.com, inc., \$6.2500 - \$7.9167 per \$1,000 Face Amount of Securities (to be determined on the Trade Date). For the Securities linked to the common stock of H&E Equipment Services, Inc., \$6.2500 - \$7.9167 per \$1,000 Face Amount of Securities (to be determined on the Trade Date). For the Securities linked to the common shares of Silver Wheaton Corp., \$6.2500 - \$7.9167 per \$1,000 Face Amount of Securities (to be determined on the Trade Date).
Coupon Observation Dates1, 2	Monthly, on the dates set forth in the table below.
Coupon Payment Dates3, 4	Two business days following the relevant Coupon Observation Date, except that the Coupon Payment Date for the final Coupon Observation Date will be the Maturity Date.

Coupon Observation Dates	Expected Coupon Payment Dates
October 14, 2014	October 16, 2014
November 12, 2014	November 14, 2014
December 12, 2014*	December 16, 2014
January 12, 2015	January 14, 2015

February 12, 2015	February 17, 2015
March 12, 2015*	March 16, 2015
April 13, 2015	April 15, 2015
May 12, 2015	May 14, 2015
June 12, 2015*	June 16, 2015
July 13, 2015	July 15, 2015
August 12, 2015	August 14, 2015
September 14, 2015*	September 16, 2015
October 13, 2015	October 15, 2015
November 12, 2015	November 16, 2015
December 14, 2015*	December 16, 2015
January 12, 2016	January 14, 2016
February 12, 2016	February 17, 2016
March 14, 2016* (the Final Valuation Date)	March 18, 2016 (the Maturity Date)

* These Coupon Observation Dates are also Autocall Observation Dates. If the Securities are automatically called prior to the Final Valuation Date, the applicable Contingent Coupon will be paid on the corresponding Call Settlement Date and no further amounts will be owed to you under the Securities.

Payment at Maturity (per $1,000 Face Amount of Securities)

If the Securities are not automatically called, Deutsche Bank AG will pay you a cash payment or deliver to you a number of shares of the applicable Underlying at maturity as described below.

If the Final Price of the relevant Underlying is greater than or equal to the applicable Conversion Price, Deutsche Bank AG will pay you a cash payment per $1,000 Face Amount of Securities at maturity equal to the Face Amount plus the Contingent Coupon for the final month otherwise due on the Maturity Date.

If the Final Price of the relevant Underlying is less than the applicable Conversion Price, Deutsche Bank AG will deliver to you at maturity a number of shares of the applicable Underlying equal to the Share Delivery Amount per $1,000 Face Amount of Securities (subject to adjustments in the case of certain corporate events as described in the accompanying product supplement).

· If the Final Price is less than the applicable Conversion Price, but is greater than or equal to the applicable Coupon Barrier, in addition to delivering the Share Delivery Amount, Deutsche Bank AG will pay you a cash payment per $1,000 Face Amount of Securities equal to the applicable Contingent Coupon for the final month otherwise due on the Maturity Date.

· If the Final Price is less than both the applicable Conversion Price and Coupon Barrier, Deutsche Bank AG will only deliver to you at maturity the Share Delivery Amount per

$1,000 Face Amount of Securities. The applicable Contingent Coupon for the final month will not be paid.

Under these circumstances, the shares of the relevant Underlying delivered as the Share Delivery Amount at maturity are expected to be worth less than your initial investment or may have no value at all.

If you receive the Share Delivery Amount at maturity, we will pay cash in lieu of delivering any fractional shares in an amount equal to that fraction multiplied by the closing price of the Underlying on the Final Valuation Date.

Initial Price	The Closing Price of the relevant Underlying on the Trade Date
Final Price	The Closing Price of the relevant Underlying on the Final Valuation Date
Coupon Barrier	For the Securities linked to the common stock of Cubist Pharmaceuticals, Inc., 75% of the Initial Price. For the Securities linked to the common stock of salesforce.com, inc., 75% of the Initial Price. For the Securities linked to the common stock of H&E Equipment Services, Inc., 75% of the Initial Price. For the Securities linked to the common shares of Silver Wheaton Corp., 80% of the Initial Price.
Conversion Price	For the Securities linked to the common stock of Cubist Pharmaceuticals, Inc., 85% of the Initial Price. For the Securities linked to the common stock of salesforce.com, inc., 85% of the Initial Price. For the Securities linked to the common stock of H&E Equipment Services, Inc., 85% of the Initial Price. For the Securities linked to the common shares of Silver Wheaton Corp., 85% of the Initial Price.
Share Delivery Amount	The Share Delivery Amount for each $1,000 Face Amount of Securities is the number of shares of the applicable Underlying equal to (1) the Face Amount divided by (2) the applicable Conversion Price, as determined on the Trade Date. The Share Delivery Amount is subject to adjustments in the case of certain corporate events as described in the accompanying product supplement.
Closing Price	On any trading day, the last reported sale price of one share of the relevant Underlying on the relevant exchange multiplied by the relevant Stock Adjustment Factor, as determined by the calculation agent
Stock Adjustment Factor	Initially 1.0 for each Underlying, subject to adjustment for certain actions affecting each Underlying. See “Description of Securities — Anti-Dilution Adjustments for Reference Stock” in the accompanying product supplement.

INVESTING IN THE SECURITIES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE SOME OR ALL OF YOUR INITIAL INVESTMENT. YOU MAY RECEIVE SHARES AT MATURITY THAT ARE WORTH LESS THAN YOUR INITIAL INVESTMENT OR MAY HAVE NO VALUE AT ALL. ANY PAYMENT ON THE SECURITIES, INCLUDING ANY PAYMENT OF A CONTINGENT COUPON, ANY PAYMENT UPON AN AUTOMATIC CALL AND ANY REPAYMENT OF YOUR INITIAL INVESTMENT AT MATURITY, IS SUBJECT TO THE CREDITWORTHINESS OF THE ISSUER. IF DEUTSCHE BANK AG WERE TO DEFAULT ON ITS PAYMENT OBLIGATIONS, YOU MIGHT NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE SECURITIES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT.

Investment Timeline

Trade Date:	For each Underlying, the Initial Price is observed, the Coupon Barrier, Conversion Price and Share Delivery Amount are determined and the Contingent Coupon Rate is set.

Monthly (including at maturity):	If the Closing Price of the relevant Underlying on any Coupon Observation Date is greater than or equal to the Coupon Barrier, Deutsche Bank AG will pay you the relevant Contingent Coupon per $1,000 Face Amount of Securities applicable to such Coupon Observation Date on the related Coupon Payment Date.
Quarterly (including the Final Valuation Date):	The Securities will be automatically called if the Closing Price of the relevant Underlying on any Autocall Observation Date is greater than or equal to the Initial Price. If the Securities are automatically called, Deutsche Bank AG will pay you on the applicable Call Settlement Date a cash payment per $1,000 Face Amount of Securities equal to the Face Amount plus the applicable Contingent Coupon otherwise due on such day pursuant to the contingent coupon feature and no further amounts will be due to you under the Securities.
Maturity Date:	The Final Price of the relevant Underlying is determined and the Underlying Return of the relevant Underlying is calculated on the Final Valuation Date. If the Securities are not automatically called, Deutsche Bank AG will pay you a cash payment or deliver to you a number of shares of the applicable Underlying at maturity as described below. If the Final Price of the relevant Underlying is greater than or equal to the applicable Conversion Price, Deutsche Bank AG will pay you a cash payment per $1,000 Face Amount of Securities equal to the Face Amount plus the Contingent Coupon for the final month otherwise due on the Maturity Date. If the Final Price of the relevant Underlying is less than the applicable Conversion Price, Deutsche Bank AG will deliver to you at maturity a number of shares of the applicable Underlying equal to the Share Delivery Amount per $1,000 Face Amount of Securities (subject to adjustments in the case of certain corporate events as described in the accompanying product supplement). · If the Final Price is less than the applicable Conversion Price, but is greater than or equal to the applicable Coupon Barrier, in addition to delivering the Share Delivery Amount, Deutsche Bank AG will pay you a cash payment per $1,000 Face Amount of Securities equal to the applicable Contingent Coupon for the final month otherwise due on the Maturity Date. · If the Final Price is less than both the applicable Conversion Price and Coupon Barrier, Deutsche Bank AG

will only deliver to you at maturity the Share Delivery Amount per $1,000 Face Amount of Securities. The applicable Contingent Coupon for the final month will not be paid.

Under these circumstances, the shares of the relevant Underlying delivered as the Share Delivery Amount at maturity are expected to be worth less than your initial investment and may have no value at all.

1 In the event that we make any change to the expected Trade Date or Settlement Date, the Coupon Observation Dates, Autocall Observation Dates, Final Valuation Date and/or Maturity Date may be changed so that the stated term of the Securities remains the same.

2 Subject to postponement as described under “Description of Securities — Adjustments to Valuation Dates and Payment Dates” in the accompanying product supplement.

3 Notwithstanding the provisions under “Description of Securities — Adjustments to Valuation Dates and Payment Dates” in the accompanying product supplement, in the event the Final Valuation Date is postponed, the Maturity Date will be the fourth business day after the Final Valuation Date as postponed, and in the event that an Autocall Observation Date and/or a Coupon Observation Date (other than the Final Valuation Date) is postponed, the relevant Call Settlement Date and/or Coupon Payment Date, as applicable, will be the second business day after such Autocall Observation Date and/or Coupon Observation Date as postponed.

4 If a Coupon Payment Date or the Maturity Date is postponed, the Contingent Coupon due on such Coupon Payment Date or the Maturity Date will be made on such postponed Coupon Payment Date or the Maturity Date, with the same force and effect as if such Coupon Payment Date or the Maturity Date had not been postponed, but no additional Contingent Coupon will accrue or be payable as a result of the delayed payment.

5

Key Risks

An investment in the Securities involves significant risks. Investing in the Securities is not equivalent to investing directly in the Underlying. Some of the risks that apply to an investment in each Security offered hereby are summarized below, and we urge you to read the more detailed explanation of risks relating to the Securities generally in the "Risk Factors" section of the accompanying product supplement. We also urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the Securities offered hereby.

♦ Your Investment in the Securities May Result in a Loss of Your Initial Investment — The Securities differ from ordinary debt securities in that Deutsche Bank AG will not necessarily pay you the full Face Amount of Securities at maturity. We will only pay you the Face Amount of Securities in cash if the Securities are automatically called or if the Final Price of the applicable Underlying is greater than or equal to the Conversion Price at maturity. If the Securities are not automatically called and the Final Price of the applicable Underlying is below the Conversion Price, we will deliver to you a number of shares of the applicable Underlying equal to the Share Delivery Amount for each $1,000 Face Amount of Securities that you own instead of the Face Amount in cash. Therefore, if the Final Price of an applicable Underlying is below the Conversion Price, the value of the Share Delivery Amount will decline at a percentage higher than the percentage decline below the Conversion Price as measured from the Initial Price. For example, if the Conversion Price is 80% of the Initial Price and the Final Price is less than the Conversion Price, for each $1,000 Face Amount of Securities, you will lose 1.25% of the Face Amount at maturity for each additional 1.00% that the Final Price is less than the Conversion Price. If you receive shares of the applicable Underlying at maturity, the value of those shares is expected to be less than the initial investment of the Securities or may have no value at all.

♦ Your Potential Return on the Securities Is Limited to the Face Amount Plus Any Contingent Coupons and You Will Not Participate in Any Increase in the Price of the Underlying — The Securities will not pay more than the Face Amount plus any Contingent Coupons payable over the term of the Securities. Therefore, your potential return on the Securities will be limited to the Contingent Coupon Rate, but the total return will vary based on the number of Coupon Observation Dates on which the requirement for a Contingent Coupon has been met prior to maturity or an automatic call. If the Securities are automatically called, you will not participate in any increase in the price of the Underlying and you will not receive any Contingent Coupons in respect of any Coupon Observation Date after the applicable Call Settlement Date. If the Securities are automatically called on the first Autocall Observation Date (the third Coupon Observation Date), the total return on the Securities will be minimal. If the Securities are not automatically called and the Final Price is less than the Conversion Price, we will deliver to you at maturity shares of the Underlying, which are expected to be worth less than the Face Amount as of the Maturity Date. Therefore, your positive return potential on the Securities will be limited to the Contingent Coupon Rate and may be less than what your return would be on a direct investment in the Underlying.

♦ You May Not Receive Any Contingent Coupons — Deutsche Bank AG will not necessarily make periodic coupon payments on the Securities. If the Closing Price of the Underlying on any Coupon Observation Date is less than the Coupon Barrier, Deutsche Bank AG will not pay you the Contingent Coupon applicable to such Coupon Observation Date. If the Closing Price of the Underlying is less than the Coupon Barrier on each of the Coupon Observation Dates, Deutsche Bank AG will not pay you any Contingent Coupons during the term of, and you will not receive a positive return on, your Securities.

♦ Contingent Repayment of Your Initial Investment Applies Only if You Hold the Securities to Maturity — If your Securities are not automatically called, you should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the Closing Price of the Underlying is above the Conversion Price.

♦

Higher Contingent Coupon Rates Are Generally Associated with a Greater Risk of Loss — Greater expected volatility with respect to the Underlying reflects a higher expectation as of the Trade Date that the Closing Price of such Underlying could be less than the Conversion Price on the Final Valuation Date of the Securities. This greater expected risk will generally be reflected in a higher Contingent Coupon Rate for the Securities. However, while the Contingent Coupon Rate is a fixed amount set on the Trade Date, the Underlying's volatility can change significantly over the term of the Securities. The price of the Underlying could fall sharply, which could result in a significant loss of your initial investment.

♦ Reinvestment Risk — If your Securities are automatically called, the holding period over which you would receive any applicable Contingent Coupon, which is based on the relevant Contingent Coupon Rate as specified on the cover hereof, could be as little as three months. There is no guarantee that you would be able to reinvest the proceeds from an investment in the Securities at a comparable return for a similar level of risk in the event the Securities are automatically called prior to the Maturity Date.

♦ The Notes are Subject to Our Creditworthiness — The Securities are unsubordinated and unsecured obligations of the Issuer, Deutsche Bank AG, and are not, either directly or indirectly, an obligation of any third party. Any payment(s) to be made on the Securities, including any payment of a Contingent Coupon, any payment upon an automatic call or any payment of your initial investment at maturity, depends on the ability of Deutsche Bank AG to satisfy its obligations as they come due. An actual or anticipated downgrade in Deutsche Bank AG's credit rating or increase in the credit spreads charged by the market for taking our credit risk will likely have an adverse effect on the value of the Securities. As a result, the actual and perceived creditworthiness of Deutsche Bank AG will affect the value of the Securities, and in the event Deutsche Bank AG were to default on its obligations, you might not receive any amount(s) owed to you under the terms of the Securities and you could lose your entire investment.

♦ The Issuer's Estimated Value of the Securities on the Trade Date Will Be Less than the Issue Price of the Securities — The Issuer's estimated value of the Securities on the Trade Date (as disclosed on the cover of this free writing prospectus) is less than the Issue Price of the Securities. The difference between the Issue Price and the Issuer's estimated value of the Securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the Securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. The Issuer's estimated value of the Securities is determined by reference to an internal funding rate and our pricing models. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the Securities, reduces the economic terms of the Securities to you and is expected to adversely affect the price at which you may be able to sell the Securities in any secondary market. In addition, our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. If at any time a third party dealer were to quote a price to purchase your Securities or otherwise value your Securities, that price or value may differ materially from the estimated value of the Securities determined by reference to our internal funding rate and pricing models. This difference is due to, among other things, any difference in funding rates, pricing models or assumptions used by any dealer who may purchase the Securities in the secondary market.

♦ Investing in the Securities Is Not the Same as Investing in the Underlying — The return on your Securities may not reflect the return you would realize if you invested directly in the Underlying. For instance, your return on the Securities is limited to the applicable Contingent Coupons you receive, regardless of any increase in the price of the Underlying, which could be significant.

♦ If the Price of the Underlying Changes, the Value of Your Securities May Not Change in the Same Manner — Your Securities may trade quite differently from the Underlying. Changes in the market price of the Underlying may not result in a comparable change in the value of your Securities.

♦ No Dividend Payments or Voting Rights — As a holder of the Securities, you will not have any voting rights or rights to receive cash dividends or other distributions or other rights that holders of the Underlying would have.

♦ There Are Risks Associated With Investments in Securities Linked to the Value of Equity Securities Issued by a Non-U.S. Company — Silver Wheaton Corp. is incorporated outside of the U.S. There are risks associated with investments in securities linked to the value of equity securities issued by a non-U.S. company. There is generally less publicly available information about non-U.S. companies than about those U.S. companies that are subject to the reporting requirements of the Securities and Exchange Commission, and non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. In addition, the price of equity securities issued by a non-U.S. company may be adversely affected by political, economic, financial and social factors that may be unique to the particular country in which the non-U.S. company is incorporated. These factors include the possibility of recent or future changes in the non-U.S. government's economic and fiscal policies (including any direct or indirect intervention to stabilize the economy and/or securities market of the country of such non-U.S. government), the presence, and extent, of cross shareholdings in non-U.S. companies, the possible imposition of, or changes in, currency exchange laws or other non-U.S. laws or restrictions applicable to non-U.S. companies or investments in non-U.S. securities and the possibility of fluctuations in the rate of exchange between currencies. Moreover, certain aspects of a particular non-U.S. economy may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

♦ Single Stock Risk — Each Security is linked to the equity securities of a single Underlying. The price of each Underlying can rise or fall sharply due to factors specific to such Underlying and its issuer (the "Underlying Issuer"), such as stock price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general stock market volatility and levels, interest rates and economic and political conditions. We urge you to review financial and other information filed periodically by the Underlying Issuer with the SEC.

♦ The Anti-Dilution Protection Is Limited — The calculation agent will make adjustments to the relevant Stock Adjustment Factor, the Share Delivery Amount and the Payment at Maturity in the case of certain corporate events affecting the relevant Underlying. The calculation agent is not required, however, to make such adjustments in response to all events that could affect the relevant Underlying. If an event occurs that does not require the calculation agent to make an adjustment, the value of the Securities may be materially and adversely affected. In addition, you should be aware that the calculation agent may, at its sole discretion, make adjustments to the relevant

Stock Adjustment Factor or any other terms of the Securities that are in addition to, or that differ from, those described in the accompanying product supplement to reflect changes occurring in relation to the Underlying in circumstances where the calculation agent determines that it is appropriate to reflect those changes to ensure an equitable result. Any alterations to the specified anti-dilution adjustments for the Underlying described in the accompanying product supplement may be materially adverse to investors in the Securities. You should read "Description of Securities — Anti-Dilution Adjustments for Reference Stock" in the accompanying product supplement in order to understand the adjustments that may be made to the Securities.

♦ In Some Circumstances, You May Receive the Equity Securities of Another Company and Not the Underlying at Maturity — Following certain corporate events relating to the respective Underlying Issuer where such Underlying Issuer is not the surviving entity, you may receive the equity securities of a successor to the respective Underlying Issuer or any cash or any other assets distributed to holders of the Underlying in such corporate event. The occurrence of these corporate events and the consequent adjustments may materially and adversely affect the value of the Securities. For more information, see the section "Description of Securities — Anti-Dilution Adjustments for Reference Stock" in the accompanying product supplement. Regardless of the occurrence of one or more dilution or reorganization events, you should note that at maturity, for each $1,000 Face Amount of Securities, you will receive an amount in cash from Deutsche Bank AG equal to the Face Amount unless the Final Price of the Underlying is less than the Conversion Price.

♦ There Is No Affiliation Between the Underlying Issuers and Us, and We Have Not Participated in the Preparation of, or Independently Verified, Any Disclosure by Such Issuers — We are not affiliated with the Underlying Issuers. However, we and our affiliates may currently or from time to time in the future engage in business with the Underlying Issuers. Nevertheless, neither we nor our affiliates have participated in the preparation of, or independently verified, any information about the Underlyings and the Underlying Issuers. You, as an investor in the Securities, should make your own investigation into the Underlyings and the Underlying Issuers. None of the Underlying Issuers is involved in the Securities offered hereby in any way and none of them has any obligation of any sort with respect to your Securities. None of the Underlying Issuers has any obligation to take your interests into consideration for any reason, including when taking any corporate actions that might affect the value of your Securities.

♦ Past Performance of the Underlying Is No Guide to Future Performance — The actual performance of the Underlying may bear little relation to the historical closing prices of the Underlying, and may bear little relation to the hypothetical return examples set forth elsewhere in this free writing prospectus. We cannot predict the future performance of the Underlying.

- ♦ Assuming No Changes in Market Conditions and Other Relevant Factors, the Price You May Receive for Your Securities in Secondary Market Transactions Would Generally Be Lower than Both the Issue Price and the Issuer's Estimated Value of the Securities on the Trade Date — While the payment(s) on the Securities described in this free writing prospectus is based on the full Face Amount of your Securities, the Issuer's estimated value of the Securities on the Trade Date (as disclosed on the cover of this free writing prospectus) is less than the Issue Price of the Securities. The Issuer's estimated value of the Securities on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your Securities in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the Securities from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the Securities on the Trade Date. Our purchase price, if any, in secondary market transactions would be based on the estimated value of the Securities determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the Securities and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our Securities for use on customer account statements would generally be determined on the same basis. However, during the period of approximately five months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the Securities on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

In addition to the factors discussed above, the value of the Securities and our purchase price in secondary market transactions after the Trade Date, if any, will vary based on many economic market factors, including our creditworthiness, and cannot be predicted with accuracy. These changes may adversely affect the value of your Securities, including the price you may receive in any secondary market transactions. Any sale prior to the Maturity Date could result in a substantial loss to you. The Securities are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Securities to maturity.

- ♦ The Securities Will Not Be Listed and There Will Likely Be Limited Liquidity — The Securities will not be listed on any securities exchange. There may be little or no secondary market for the Securities. We or our affiliates intend to act as market makers for the Securities but are not required to do so and may cease such market making activities at any time. Even if there is a secondary market, it may not provide enough liquidity to allow you to sell the Securities when you wish to do so or at a price advantageous to you. Because we do not expect other dealers to make a secondary market for the Securities, the price at which you may be able to sell your Securities is likely to depend on the price, if any, at which we or our affiliates are willing to buy the Securities. If, at any time, we or our affiliates do not act as market makers, it is likely that there would be little or no secondary market in the Securities. If you have to sell your Securities prior to maturity, you may not be able to do so or you may have to sell them at a substantial loss, even in cases where the price of the Underlying has increased since the Trade Date.

- ♦ Many Economic and Market Factors Will Affect the Value of the Securities — While we expect that, generally, the price of the Underlying will affect the value of the Securities more than any other single factor, the value of the Securities prior to maturity will also be affected by a number of other factors that may either offset or magnify each other, including:

  - ♦ the expected volatility of the Underlying;
  - ♦ the time remaining to maturity of the Securities;

- ♦ the market price and dividend rates of the Underlying and the stock market generally;
- ♦ the real and anticipated results of operations of the Underlying Issuer;
- ♦ actual or anticipated corporate reorganization events, such as mergers or takeovers, which may affect the Underlying Issuer;
- ♦ interest rates and yields in the market generally and in the markets of the Underlying;
- ♦ geopolitical conditions and a variety of economic, financial, political, regulatory or judicial events that affect the Underlying or markets generally;
- ♦ supply and demand for the Securities; and
- ♦ our creditworthiness, including actual or anticipated downgrades in our credit ratings.

♦ Trading and Other Transactions by Us or Our Affiliates, or UBS AG or its Affiliates, in the Equity and Equity Derivative Markets May Impair the Value of the Securities — We or one or more of our affiliates expect to hedge our exposure from the Securities by entering into equity and equity derivative transactions, such as over-the-counter options or exchange-traded instruments. Such trading and hedging activities may affect the Underlying and make it less likely that you will receive a positive return on your investment in the Securities. It is possible that we or our affiliates could receive substantial returns from these hedging activities while the value of the Securities declines. We or our affiliates, or UBS AG or its affiliates, may also engage in trading in instruments linked to the Underlying on a regular basis as part of our general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers, including block transactions. We or our affiliates, or UBS AG or its affiliates, may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to the Underlying. By introducing competing products into the marketplace in this manner, we or our affiliates, or UBS AG or its affiliates, could adversely affect the value of the Securities. Any of the foregoing activities described in this paragraph may reflect trading strategies that differ from, or are in direct opposition to, investors' trading and investment strategies related to the Securities.

♦ Potential Deutsche Bank AG Impact on Price — Trading or transactions by Deutsche Bank AG or its affiliates in the Underlying and/or over-the-counter options, futures or other instruments with returns linked to the performance of the Underlying, may adversely affect the market price of the Underlying and, therefore, the value of the Securities.

- ♦ We, Our Affiliates or Our Agents, or UBS AG or its Affiliates, May Publish Research, Express Opinions or Provide Recommendations That Are Inconsistent With Investing in or Holding the Securities. Any Such Research, Opinions or Recommendations Could Adversely Affect the Stock Price of the Underlying and the Value of the Securities — We, our affiliates or our agents, or UBS AG or its affiliates, may publish research from time to time on financial markets and other matters that could adversely affect the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research, opinions or recommendations expressed by us, our affiliates or our agents, or UBS AG or its affiliates, may not be consistent with each other and may be modified from time to time without notice. You should make your own independent investigation of the merits of investing in the Securities and the Underlying to which the Securities are linked.

- ♦ Potential Conflict of Interest — Deutsche Bank AG and its affiliates may engage in business with the applicable Underlying Issuer, which may present a conflict between the obligations of Deutsche Bank AG and you, as a holder of the Securities. We and our affiliates play a variety of roles in connection with the issuance of the Securities, including acting as calculation agent, hedging our obligations under the Securities and determining the Issuer's estimated value of the Securities on the Trade Date and the price, if any, at which we or our affiliates would be willing to purchase the Securities from you in secondary market transactions. In performing these roles, our economic interests and those of our affiliates are potentially adverse to your interests as an investor in the Securities. The calculation agent will determine, among other things, all values and levels required to be determined for the purposes of the Securities on any relevant date or time. The calculation agent also has some discretion about certain adjustments to the Stock Adjustment Factor and the Share Delivery Amount and will be responsible for determining whether a market disruption event has occurred and whether the Securities are automatically called. Any determination by the calculation agent could adversely affect the return on the Securities.

- ♦ There Is Substantial Uncertainty Regarding the U.S. Federal Income Tax Consequences of an Investment in the Securities — There is no direct legal authority regarding the proper U.S. federal income tax treatment of the Securities, and we do not plan to request a ruling from the Internal Revenue Service (the "IRS"). Consequently, significant aspects of the tax treatment of the Securities are uncertain, and the IRS or a court might not agree with the treatment of the Securities as prepaid financial contracts that are not debt, with associated contingent coupons, as described below under "What Are the Tax Consequences of an Investment in the Securities?" If the IRS were successful in asserting an alternative treatment for the Securities, the tax consequences of ownership and disposition of the Securities could be materially affected. In addition, as described below under "What Are the Tax Consequences of an Investment in the Securities?", in 2007 the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially affect the tax consequences of an investment in the Securities, possibly with retroactive effect. You should review carefully the section of the accompanying product supplement entitled "U.S. Federal Income Tax Consequences," and consult your tax adviser regarding the U.S. federal tax consequences of an investment in the Securities (including possible alternative treatments and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Scenario Analysis and Hypothetical Examples of Payment upon an Automatic Call or at Maturity

The following table and hypothetical examples below illustrate the payment upon an automatic call or at maturity for a hypothetical range of performances for the relevant Underlying. The following examples and table are hypothetical and provided for illustrative purposes only. They do not purport to be representative of every possible scenario concerning increases or decreases in the price of any Underlying relative to its Initial Price. We cannot predict the Final Price or the Closing Price of any Underlying on any of the Coupon Observation Dates or Autocall Observation Dates (including the Final Valuation Date). You should not take these examples as an indication or assurance of the expected performance of any Underlying. You should consider carefully whether the Securities are suitable to your investment goals. The numbers in the examples and table below have been rounded for ease of analysis and it has been assumed that no event affecting the Underlying has occurred during the term of the Securities that would cause the calculation agent to adjust the Stock Adjustment Factor or the Share Delivery Amount.

The following examples and table illustrate the payment at maturity or upon an automatic call per $1,000 Face Amount of Securities on a hypothetical offering of Securities based on the following assumptions*:

Term:	Eighteen months, subject to an automatic call
Autocall Observation Dates:	Quarterly
Coupon Observation Dates:	Monthly
Hypothetical Initial Price:	$100.00
Hypothetical Contingent Coupon Rate**:	7.50% per annum (or 0.625% per month)
Hypothetical Contingent Coupon**:	$6.25 per month
Hypothetical Coupon Barrier:	$75.00 (75.00% of the Hypothetical Initial Price)
Hypothetical Conversion Price:	$85.00 (85.00% of the Hypothetical Initial Price)
Hypothetical Share Delivery Amount***:	11.7647 shares per $1,000 Face Amount of Securities ($1,000 / Conversion Price of $85.00)

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* Actual Contingent Coupon Rate with respect to the Contingent Coupon, Initial Price, Conversion Price, Coupon Barrier and Share Delivery Amount with respect to each Security are to be set on the Trade Date.

** The Contingent Coupon may be paid monthly in arrears during the term of the Securities, unless earlier called, as described in the "Indicative Terms."

*** If you receive the Share Delivery Amount at maturity, we will pay cash in lieu of delivering any fractional shares in an amount equal to that fraction multiplied by the closing price of the Underlying on the Final Valuation Date. For purposes of the following hypothetical examples, the closing price of one share of the Underlying on the Maturity Date is deemed to be the same as the hypothetical Final Price as of the Final Valuation Date.

Example 1 — The Securities are called on the first Autocall Observation Date.

Date	Closing Price	Payment (per $1,000 Face Amount of Securities)
First Coupon Observation Date	$84 (greater than Coupon Barrier)	$6.25 (Contingent Coupon)

Second Coupon Observation Date	$90 (greater than Coupon Barrier)	$6.25 (Contingent Coupon)
Third Coupon Observation Date (First Autocall Observation Date)	$110 (greater than Initial Price)	$1,006.25 (Face Amount plus Contingent Coupon)
	Total Payment:	$1,018.75 (1.875% return)

If on the first Autocall Observation Date (the third Coupon Observation Date) the Closing Price is $110.00, because the Closing Price is greater than the Initial Price of $100.00, the Securities will be automatically called. Deutsche Bank AG will pay you on the applicable Call Settlement Date a total of $1,006.25 per $1,000 Face Amount of Securities, reflecting the Face Amount plus the applicable Contingent Coupon. When added to the Contingent Coupon payments of $12.50 paid in respect of prior Coupon Observation Dates, Deutsche Bank AG will have paid you a total of $1,018.75 per $1,000 Face Amount of Securities, representing a 1.875% total return on the Securities. No further amount will be owed to you under the Securities.

Example 2 — The Securities are NOT automatically called and the Final Price of the Underlying is greater than the Conversion Price.

Date	Closing Price	Payment (per $1,000 Face Amount of Securities)
First Coupon Observation Date	$84 (greater than Coupon Barrier)	$6.25 (Contingent Coupon)
Second Coupon Observation Date	$70 (less than Coupon Barrier)	$0.00
Third Coupon Observation Date (First Autocall Observation Date)	$64 (less than Coupon Barrier)	$0.00
Fourth to Seventeenth Coupon Observation Dates (Second to Fifth Autocall Observation Dates)	Various (all less than Coupon Barrier)	$0.00
Final Coupon Observation Date (the Final Autocall Observation Date and the Final Valuation Date)	$90 (greater than both the Conversion Price and Coupon Barrier; less than Initial Price)	$1,006.25 (Face Amount plus Contingent Coupon)
	Total Payment:	$1,012.50 (1.25% return)

Deutsche Bank AG will pay you at maturity a total of $1,006.25 per $1,000 Face Amount of Securities, reflecting the Face Amount plus the applicable Contingent Coupon. When added to the Contingent Coupon payment of $6.25 paid in respect of prior Coupon Observation Dates, Deutsche Bank AG will have paid you a total of approximately $1,012.50 per $1,000 Face Amount of Securities, representing a 1.25% total return on the Securities over 18 months.

Example 3 — The Securities are NOT called and the Final Price of the Underlying is less than the Conversion Price, but is greater than the Coupon Barrier.

Date	Closing Price	Payment (per $1,000 Face Amount of Securities)
First Coupon Observation Date	$88 (greater than Coupon Barrier)	$6.25 (Contingent Coupon)
Second Coupon Observation Date	$82 (greater than Coupon Barrier)	$6.25 (Contingent Coupon)
Third Coupon Observation Date (First Autocall Observation Date)	$70 (less than Coupon Barrier)	$0.00
Fourth to Seventeenth Coupon Observation Dates (Second to Fifth Autocall Observation Dates)	Various (all less than Coupon Barrier)	$0.00
Final Coupon Observation Date (the Final Autocall Observation Date and the Final Valuation Date)	$76 (less than Conversion Price, but greater than Coupon Barrier)	11 shares x $76 = $836.00 (value of shares delivered) plus 0.7647 shares x $76 = $58.12 (amount of cash paid for fractional shares) plus $6.25 (Contingent Coupon) = $900.37
	Total Payment:	$912.87 (-8.713% return)

Since the Final Price of the Underlying is less than the hypothetical Conversion Price of $85.00, Deutsche Bank AG will deliver to you a number of shares of the Underlying equal to the Share Delivery Amount per $1,000 Face Amount of Securities you hold and will pay cash in lieu of any fractional shares included in the Share Delivery Amount at the closing price of the Underlying on the Final Valuation Date. The value of shares received at maturity and the total return on the Securities at that time depends on the closing price of the Underlying on the Maturity Date and is expected to result in a loss of some or all of your initial investment. However, because the Final Price is greater than the hypothetical Coupon Barrier of $75.00, Deutsche Bank AG will also pay you the applicable Contingent Coupon of $6.25 per $1,000 Face Amount of Securities. Taking into account the Contingent Coupons of $12.50 paid in respect of prior Coupon Payment Dates, Deutsche Bank AG will have paid you a total of $18.75 of Contingent Coupons per $1,000 Face Amount of Securities.

In this example, the total return on the Securities is a loss of 8.713% while the total return on the Underlying would be a loss of 24.00% if you invested in the Underlying directly.

Example 4 — The Securities are NOT called and the Final Price is less than both the Conversion Price and the Coupon Barrier.

Date	Closing Price	Payment (per $1,000 Face Amount of Securities)

First Coupon Observation Date	$70 (less than Coupon Barrier)	$0.00
Second Coupon Observation Date	$64 (less than Coupon Barrier)	$0.00
Third Coupon Observation Date (First Autocall Observation Date)	$60 (less than Coupon Barrier)	$0.00
Fourth to Seventeenth Coupon Observation Dates (Second to Fifth Autocall Observation Dates)	Various (all less than Coupon Barrier)	$0.00
Final Coupon Observation Date (the Final Autocall Observation Date and the Final Valuation Date)	$50 (less than both Conversion Price and Coupon Barrier)	11 shares x $50 = $550.00 (value of shares delivered) plus 0.7647 shares x $50 = $38.24 (amount of cash paid for fractional shares) = $588.24
	Total Payment:	$588.24 (-41.176% return)

Since the Final Price of the Underlying is less than the hypothetical Conversion Price of $85.00, Deutsche Bank AG will deliver to you a number of shares of the Underlying equal to the Share Delivery Amount per $1,000 Face Amount of Securities you hold and will pay cash in lieu of any fractional shares included in the Share Delivery Amount at the closing price of the Underlying on the Final Valuation Date. The value of shares received at maturity and the total return on the Securities at that time depends on the closing price of the Underlying on the Maturity Date and is expected to result in a loss of some or all of your initial investment. Because the Final Price is also less than the hypothetical Coupon Barrier of $75.00, Deutsche Bank AG will not pay you the applicable Contingent Coupon. Furthermore, because the Closing Price of the Underlying was not greater than or equal to the Coupon Barrier on any of the previous Coupon Observation Dates, Deutsche Bank AG will not have paid you any Contingent Coupons per $1,000 Face Amount of Securities.

In this example, the total return on the Securities is a loss of 41.176% while the total return on the Underlying would be a loss of 50.00% if you invested in the Underlying directly.

Information about the Underlyings

All disclosures contained in this free writing prospectus regarding each Underlying are derived from publicly available information. Neither Deutsche Bank AG nor any of its affiliates has participated in the preparation of, or independently verified, such information about any Underlying contained in this free writing prospectus. You should make your own investigation into each Underlying.

Included on the following pages is a brief description of each Underlying Issuer. We obtained the historical closing price information set forth below from Bloomberg, and we have not participated in the preparation of, or verified, such information. You should not take the historical closing prices of the Underlyings as an indication of future performance. Each of the Underlyings is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Companies with securities registered under the Exchange Act are required to file certain financial and other information specified by the SEC periodically. Information filed by each Underlying Issuer with the SEC can be reviewed electronically through a web site maintained by the SEC. The address of the SEC's web site is.hTYLE="BORDER-BOTTOM:1px solid #000000">

Infrastructure						
Severance	7,637	2,484	-	(9,399)	928	1,650
Facilities	211	1,319	(1,057)	(204)	-	269
Other	168	1,156	-	(530)	58	852
Total Infrastructure	8,016	4,959	(1,057)	(10,133)	986	2,771
Total	$27,254	$ 13,671	$ (2,914)	$ (28,018)	$ 2,718	$ 12,711

8. STOCK-BASED COMPENSATION

On October 26, 2010, the Company s shareowners approved the Kennametal Inc., Stock and Incentive Plan of 2010 (the 2010 Plan). The 2010 Plan authorizes the issuance of up to 3,500,000 shares of the Company s common stock plus the remaining shares from the Kennametal Inc., Stock Incentive Plan of 2002, as amended (the 2002 Plan). Shares can be issued in the form of incentive stock options, non-statutory stock options, stock appreciation rights, performance share awards, performance unit awards, restricted stock awards, restricted unit awards and share awards.

Stock Options

The assumptions used in our Black-Scholes valuation related to grants made during the three months ended September 30, 2011 and 2010 were as follows:

	2011	2010
Risk-free interest rate	1.2%	1.4%
Expected life (years) (2)	4.5	4.5
Expected volatility (3)	47.5%	47.0%
Expected dividend yield	1.5%	2.0%

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

Changes in our stock options for the three months ended September 30, 2011 were as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic value (in thousands)
Options outstanding, June 30, 2011	3,388,003	$ 26.50		
Granted	354,618	38.95		
Exercised	(129,475)	27.70		
Lapsed and forfeited	(16,833)	30.42		
Options outstanding, September 30, 2011	3,596,313	$ 27.67	6.3	$ 22,776
Options vested and expected to vest, September 30, 2011	3,489,292	$ 27.61	6.2	$ 22,235
Options exercisable, September 30, 2011	2,353,830	$ 26.89	5.1	$ 16,021

During the three months ended September 30, 2011 and 2010, compensation expense related to stock options was $2.4 million and $2.0 million, respectively. As of September 30, 2011, the total unrecognized compensation cost related to options outstanding was $6.5 million and is expected to be recognized over a weighted average period of 2.4 years.

Weighted average fair value of options granted during the three months ended September 30, 2011 and 2010 was $13.84 and $9.18, respectively. Fair value of options vested during the three months ended September 30, 2011 and 2010 was $4.3 million and $4.1 million, respectively.

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KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 and were immaterial for the three months ended September 30, 2011 and 2010, respectively.

The amount of cash received from the exercise of capital stock options during the three months ended September 30, 2011 and 2010 was $3.6 million and $0.5 million, respectively. The related tax benefit for the three months ended September 30, 2011 and 2010 was $0.5 million and $0.1 million, respectively. The total intrinsic value of options exercised during the three months ended September 30, 2011 and 2010 was $1.9 million and $0.3 million, respectively.

Under the provisions of the 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 the three months ended September 30, 2011 and 2010 was immaterial.

Restricted Stock Awards

Changes in our restricted stock awards for the three months ended September 30, 2011 were as follows:

	Shares		Weighted Average Fair Value
Unvested restricted stock awards, June 30, 2011	89,315	$	32.90
Vested	(45,596)		33.79
Forfeited	(291)		29.60
Unvested restricted stock awards, September 30, 2011	43,428	$	31.99

During the three months ended September 30, 2011 and 2010, compensation expense related to restricted stock awards was $0.3 million and $0.6 million, respectively. As of September 30, 2011, the total unrecognized compensation cost related to unvested restricted stock awards was $0.6 million and is expected to be recognized over a weighted average period of 0.8 years.

Restricted Stock Units   Time Vesting and Performance Vesting

Performance vesting restricted stock units (performance units) were granted to certain individuals. These performance units are earned pro rata each year if certain performance goals are met over a 3-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 3-year performance period.

Changes in our time vesting and performance vesting restricted stock units for the three months ended September 30, 2011 were as follows:

	Performance Vesting	Performance Vesting	Time Vesting Stock Units	Time Vesting Weighted Average Fair Value

	Stock Units		Weighted Average Fair Value			
Unvested performance vesting and time vesting restricted stock units, June 30, 2011	116,368	$	26.89	906,082	$	25.81
Granted	129,977		38.95	333,595		38.95
Vested	-		-	(197,315)		25.60
Forfeited	-		-	(4,493)		31.27
Unvested performance vesting and time vesting restricted stock units, September 30, 2011	246,345	$	31.27	1,037,869	$	30.05

During the three months ended September 30, 2011 and 2010, compensation expense related to time vesting and performance vesting restricted stock units was $5.2 million and $3.6 million, respectively. As of September 30, 2011, the total unrecognized compensation cost related to unvested time vesting and performance vesting restricted stock units was $23.3 million and is expected to be recognized over a weighted average period of 2.7 years.

KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Restricted Stock Units STEP

On November 26, 2007, the Company adopted a one-time, long-term equity program, the Kennametal Inc. 2008 Strategic Transformational Equity Program, under the 2002 Plan (STEP). The STEP was designed to compensate participating executives for achievement of certain performance conditions during the period which began on October 1, 2007 and ended on September 30, 2011. Each participant was awarded a maximum number of restricted stock units, each representing a contingent right to receive one share of capital stock of the Company to the extent the unit was earned during the performance period and would have become payable under the STEP. The performance conditions were based on the Company s total shareholder return (TSR) which governed 35 percent of the awarded restricted stock units, and cumulative adjusted earnings per share (EPS), which governed 65 percent of the awarded restricted stock units. The performance period for the STEP ended on September 30, 2011 and the minimum threshold levels of performance were not achieved. Therefore, all outstanding restricted stock units were forfeited by participating executives. As of September 30, 2011, no restricted stock units had been earned or paid under the STEP. There were no voting rights or dividends associated with restricted stock units under the STEP.

Changes to the EPS performance-based portion of the STEP restricted stock units for the three months ended September 30, 2011 were as follows:

	Stock Units	Weighted Average Fair Value
Unvested EPS performance-based restricted stock units, June 30, 2011	431,789	$ 35.23
Forfeited	(431,789)	35.23
Unvested EPS performance-based restricted stock units, September 30, 2011	-	$ -

Changes to the TSR performance-based portion of the STEP restricted stock units for the three months ended September 30, 2011 were as follows:

	Stock Units	Weighted Average Fair Value
Unvested TSR performance-based restricted stock units, June 30, 2011	232,497	$ 8.21
Forfeited	(232,497)	8.21
Unvested TSR performance-based restricted stock units, September 30, 2011	-	$ -

During the three months ended September 30, 2011 and 2010, compensation expense related to STEP restricted stock units was $0.2 million in both periods.

9. BENEFIT PLANS

We sponsor several defined benefit pension plans. Additionally, we provide varying levels of postretirement health care and life insurance benefits to some U.S. employees.

The table below summarizes the components of net periodic pension cost:

Three months ended September 30 (in thousands)	2011	2010
Service cost	$ 1,728	$ 1,912
Interest cost	10,380	10,250
Expected return on plan assets	(12,709)	(12,046)
Amortization of transition obligation	16	13
Amortization of prior service credit	(46)	(70)
Settlement loss	256	263
Recognition of actuarial losses	2,063	3,069
Net periodic pension cost	$ 1,688	$ 3,391

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KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The table below summarizes the components of the net periodic other postretirement benefit cost:

Three months ended September 30 (in thousands)	2011	2010
Service cost	$ 19	$ 19
Interest cost	257	259
Amortization of prior service cost	(22)	-
Recognition of actuarial gains	(14)	(47)
Net periodic other postretirement benefit cost	$ 240	$ 231

10. INVENTORIES
We used the last-in, first-out (LIFO) method of valuing inventories for approximately 50 percent of total inventories at both September 30, 2011 and June 30, 2011. Because inventory valuations under the LIFO method are based on an annual determination of quantities and costs as of June 30 of each year, the interim LIFO valuations are based on our projections of expected year-end inventory levels and costs. Therefore, the interim financial results are subject to any final year-end LIFO inventory adjustments.

Inventories consisted of the following:

(in thousands)	September 30, 2011	June 30, 2011
Finished goods	$ 327,038	$ 303,716
Work in process and powder blends	240,543	202,940
Raw materials and supplies	114,980	109,683
Inventories at current cost	682,561	616,339
Less: LIFO valuation	(123,036)	(96,366)
Total inventories	$ 559,525	$ 519,973

11. LONG-TERM DEBT AND CAPITAL LEASES
Long-term debt and capital lease obligations consist primarily of Senior Unsecured Notes issued in June 2002 having an aggregate face amount of $300.0 million, maturing in June 2012, as well as borrowings under a five-year, multi-currency, revolving credit facility (2010 Credit Agreement) which permits revolving credit loans of up to $500.0 million for working capital, capital expenditures and general corporate purposes. The 2010 Credit Agreement allows for borrowings in U.S. dollars, euro, Canadian dollars, pound sterling and Japanese yen. Interest payable under the 2010 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 2010 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 these financial covenants as of September 30, 2011. We had no borrowings outstanding under the 2010 Credit Agreement as of September 30, 2011 and June 30, 2011.

Borrowings under the 2010 Credit Agreement are guaranteed by our significant domestic subsidiaries.

Fixed rate debt had a fair market value of $311.5 million and $315.8 million at September 30, 2011 and June 30, 2011, respectively. The fair value is determined based on the quoted market price of this debt as of September 30, 2011 and June 30, 2011, respectively.

On October 21, 2011, we entered into an amendment to our 2010 Credit Agreement. The amendment provides additional liquidity by increasing the size of the facility from $500 million to $600 million and extending the term to October 2016. The financial covenants and other key provisions remain unchanged.

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KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. 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 U.S. Environmental Protection Agency (US EPA) 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.

Other Environmental We establish and maintain reserves for other potential environmental costs, which amounted to $4.8 million and $5.4 million as of September 30, 2011 and June 30, 2011, respectively. This accrual represents anticipated costs associated with the remediation of these issues. We recorded favorable foreign currency translation adjustments of $0.5 million and cash payments of $0.1 million against the reserve for the three months ended September 30, 2011.

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 US EPA, 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 exposures 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, as well as an EHS Steering Committee, 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.

13. INCOME TAXES

The effective income tax rate for the three months ended September 30, 2011 and 2010 was 23.0 percent and 27.6 percent, respectively. The current year rate reflects the favorable impact of stronger operating results under our pan-European business strategy.

14. EARNINGS PER SHARE

Basic earnings per share are computed using the weighted average number of shares outstanding during the period, while diluted earnings per share are calculated to reflect the potential dilution that may occur related to the issuance of capital stock through grants of capital stock options, 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.

For purposes of determining the number of diluted shares outstanding, 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 1.1 million shares and 0.6 million shares for the three months ended September 30, 2011 and 2010, respectively.

Unexercised capital stock options, restricted stock units and restricted stock awards for the three months ended September 30, 2011 and 2010 of 0.8 million and 1.5 million shares, respectively, were not included in the computation of diluted earnings per share because the inclusion would have been anti-dilutive.

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KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. EQUITY

A summary of the changes in the carrying amounts of total equity, Kennametal shareowners equity and equity attributable to noncontrolling interests as of September 30, 2011 and 2010 is as follows:

	Kennametal Shareowners Equity					
(in thousands)	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance as of June 30, 2011	$ 101,411	$ 470,758	$ 983,374	$ 82,529	$ 20,569	$ 1,658,641
Net income	-	-	71,986	-	1,587	73,573
Other comprehensive loss	-	-	-	(76,477)	(1,701)	(78,178)
Dividend reinvestment	3	64	-	-	-	67
Capital stock issued under employee benefit and stock plans	326	10,815	-	-	-	11,141
Purchase of capital stock	(2,503)	(64,147)	-	-	-	(66,650)
Cash dividends paid	-	-	(9,849)	-	-	(9,849)
Total equity, September 30, 2011	$ 99,237	$ 417,490	$ 1,045,511	$ 6,052	$ 20,455	$ 1,588,745

	Kennametal Shareowners Equity					
(in thousands)	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Non-controlling interests	Total equity
Balance as of June 30, 2010	$ 102,379	$ 492,454	$ 793,448	$ (72,781)	$ 17,943	$ 1,333,443
Net income	-	-	34,921	-	1,035	35,956
Other comprehensive income	-	-	-	68,870	1,509	70,379
Dividend reinvestment	4	69	-	-	-	73
Capital stock issued under employee benefit and stock plans	97	7,705	-	-	-	7,802
Purchase of capital stock	(4)	(69)	-	-	-	(73)
Cash dividends paid	-	-	(9,964)	-	-	(9,964)
Total equity, September 30, 2010	$ 102,476	$ 500,159	$ 818,405	$ (3,911)	$ 20,487	$ 1,437,616

The amounts of comprehensive (loss) income attributable to Kennametal shareowners and noncontrolling interests are disclosed in Note 16.

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KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. COMPREHENSIVE (LOSS) INCOME

Comprehensive (loss) income is as follows:

Three months ended September 30 (in thousands)		2011		2010
Net income	$	73,573	$	35,956
Unrealized loss on derivatives designated and qualified as cash flow hedges, net of income tax benefit of $6.6 million and $2.2 million, respectively		(10,745)		(3,593)
Reclassification of unrealized loss on expired derivatives designated and qualified as cash flow hedges, net of income tax benefit of $0.2 million and $0.0 million, respectively		309		46
Unrecognized net pension and other postretirement benefit gain (loss), net of income tax expense (benefit) of $0.3 million and ($0.6) million, respectively		848		(2,186)
Reclassification of net pension and other postretirement benefit loss, net of income tax benefit of $0.7 million and $1.0 million, respectively		1,287		1,861
Foreign currency translation adjustments, net of income tax (benefit) expense of ($13.0) million and $51.9 million, respectively		(69,877)		74,251
Total comprehensive (loss) income		(4,605)		106,335
Comprehensive (loss) income attributable to noncontrolling interests		(114)		2,544
Comprehensive (loss) income attributable to Kennametal Shareowners	$	(4,491)	$	103,791

17. 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 that warrant a test prior to that. We have noted no impairment indicators warranting additional testing.

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

(in thousands)		Industrial		Infrastructure		Total
Goodwill	$	411,945	$	250,225	$	662,170
Accumulated impairment losses		(150,842)		-		(150,842)
Balance as of June 30, 2011	$	261,103	$	250,225	$	511,328
Adjustments	$	76	$	-	$	76
Translation		(9,362)		(1,719)		(11,081)
Change in goodwill		(9,286)		(1,719)		(11,005)

Goodwill		402,659		248,506		651,165
Accumulated impairment losses		(150,842)		-		(150,842)
Balance as of September 30, 2011	$	251,817	$	248,506	$	500,323

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KENNAMETAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The components of our other intangible assets were as follows:

	Estimated Useful Life	September 30, 2011		June 30, 2011	
(in thousands)	(in years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract-based	4 to 15	$ 6,318	$ (5,403)	$ 6,349	$ (5,380)
Technology-based and other	4 to 15	38,537	(24,664)	39,743	(25,442)
Customer-related	10 to 20	111,541	(39,191)	113,977	(38,275)
Unpatented technology	30	19,393	(5,720)	19,540	(4,740)
Trademarks	5 to 20	10,759	(5,037)	10,902	(4,875)
Trademarks	Indefinite	38,833	-	40,480	-
Total		$ 225,381	$ (80,015)	$ 230,991	$ (78,712)

During the three months ended September 30, 2011, we recorded amortization expense of $3.5 million related to our other intangible assets and unfavorable foreign currency translation adjustments of $3.5 million.

18. SEGMENT DATA

Kennametal delivers productivity to customers seeking peak performance in demanding environments by providing innovative custom and standard wear-resistant solutions, enabled through our advanced materials sciences, application knowledge and commitment to a sustainable environment. Our product offering includes a wide array of standard and custom solution products in metalworking, such as metalcutting tools and tooling systems, and advanced materials, such as cemented tungsten carbide products, to address customer demands. These products are offered through a variety of channels via an enterprise approach to customers in both of our operating segments.

The Industrial segment serves customers that operate in industrial end markets such as aerospace, defense, transportation and general engineering. The customers in these end markets manufacture engines, airframes, automobiles, trucks, ships and various industrial goods. The technology needs and level of customization vary by customer and industry served. We deliver value to our Industrial segment customers through our application expertise and diverse product offering.

The Infrastructure segment serves customers that operate in the earthworks and energy end markets. These customers support primary industries such as oil and gas, power generation, underground mining, surface and hard rock mining, highway construction and road maintenance. Generally, our Infrastructure segment customers are served through a customer intimacy model that allows us to offer full system solutions by gaining an in-depth understanding of our customers engineering needs. Our product offering promotes value by bringing enhanced performance and productivity to our customers processes and systems.

Corporate expenses related to executive retirement plans, the Company s Board of Directors and strategic initiatives, as well as certain other costs, are reported as Corporate.

Our external sales and operating income by segment are as follows:

Three months ended September 30 (in thousands)	2011	2010
External sales:		
Industrial	$ 417,819	$ 330,658
Infrastructure	241,058	198,500
Total external sales	$ 658,877	$ 529,158
Operating income:		
Industrial	$ 72,685	$ 36,108
Infrastructure	32,554	26,503
Corporate	(3,629)	(5,099)
Total operating income	$ 101,610	$ 57,512
Interest expense	$ 5,487	$ 5,963
Other expense, net	574	1,911
Income from continuing operations before income taxes	$ 95,549	$ 49,638

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Kennametal Inc. is a leading global manufacturer and supplier of tooling, engineered components and advanced materials consumed in production processes. We believe that our reputation for manufacturing excellence, as well as our technological expertise and innovation in our principal products, has helped us to achieve a leading market presence in our primary markets. We believe we are one of the largest global providers of consumable metalcutting tools and tooling supplies. End users of our products include metalworking manufacturers and suppliers across a diverse array of industries, including the aerospace, defense, transportation, machine tool, light machinery and heavy machinery industries, as well as manufacturers, producers and suppliers in a number of other industries including coal mining, highway construction, quarrying, and oil and gas exploration and production industries. Our end users products include items ranging from airframes to coal mining, engines to oil wells and turbochargers to construction.

We experienced strong growth for the September quarter across both business segments and all regions. Our sales of $658.9 million for the quarter ended September 30, 2011 grew 25 percent compared to sales for the September quarter one year ago. We had record earnings per diluted share of $0.88 as a result of sales growth and record operating margins.

Operating income was $101.6 million, an increase of $44.1 million compared to operating income of $57.5 million in the prior year quarter. The increase in operating income was driven by higher sales volume and price realization, continued focus on cost containment and incremental restructuring benefits, partially offset by higher raw material costs.

We had cash outflow from operating activities of $7.2 million in the current year quarter due to higher inventory levels and higher payments related to incentive compensation. Capital expenditures were $11.6 million during the three months ended September 30, 2011.

During the quarter we purchased 2 million shares of our capital stock under a previously announced share repurchase program for $66.7 million.

In addition, 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 $9.1 million for the three months ended September 30, 2011.

The following narrative provides further discussion and analysis of our results of operations, liquidity and capital resources, as well as other pertinent matters.

RESULTS OF CONTINUING OPERATIONS

SALES

Sales for the three months ended September 30, 2011 were $658.9 million, an increase of $129.7 million, or 25 percent, from $529.2 million in the prior year quarter. Sales increased due to organic growth of 17 percent, a 7 percent favorable impact from foreign currency effects and a favorable impact from more business days. The improvement in sales was driven by better performance in both business segments and across all regions. Organic sales growth drivers were general engineering of 22 percent, demand in energy markets of 19 percent and growth of 14 percent in both the transportation and earthworks markets.

GROSS PROFIT

Gross profit for the three months ended September 30, 2011 was $251.1 million, an increase of $62.4 million from $188.7 million in the prior year quarter. This increase was primarily due to increased organic sales of $87.0 million, favorable foreign currency effects of $15.3 million, partially offset by higher raw material costs. The gross profit margin for the three months ended September 30, 2011 was 38.1 percent, as compared to 35.7 percent generated in the prior year quarter.

OPERATING EXPENSE

Operating expense for the three months ended September 30, 2011 increased $21.0 million or 16.8 percent to $146.0 million compared to $125.0 million in the prior year quarter. The increase is primarily due to unfavorable impact of foreign currency results of $8.3 million, an increase in employment costs of $7.8 million, including higher sales compensation of $3.2 million due to better operating performance and an increase of $2.0 million related to strategic initiatives.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESTRUCTURING CHARGES

During fiscal year 2011, we completed our restructuring plans to reduce costs and improve operating efficiencies. These actions related to the rationalization of certain manufacturing and service facilities as well as other employment cost reduction programs. As the restructuring programs were completed in fiscal 2011, there were no restructuring and related charges for the three months ended September 30, 2011. The Company s restructuring programs are expected to deliver annual ongoing pre-tax savings of approximately $170 million now that all programs are fully implemented.

Restructuring and related charges recorded during the three months ended September 30, 2010 amounted to $4.3 million, including $3.3 million of restructuring charges. Restructuring related charges of $1.0 million were recorded in cost of goods sold during the three months ended September 30, 2010.

INTEREST EXPENSE

Interest expense was $5.5 million and $6.0 million for the three months ended September 30, 2011 and 2010, respectively.

OTHER EXPENSE, NET

Other expense, net for the three months ended September 30, 2011 was $0.6 million compared to $1.9 million for the prior year quarter. The decrease was primarily driven by favorable foreign currency transaction results of $0.8 million.

INCOME TAXES

The effective income tax rate for the three months ended September 30, 2011 and 2010 was 23.0 percent and 27.6 percent, respectively. The current year rate reflects the favorable impact of stronger operating results under our pan-European business strategy.

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. During 2012, we expect to generate taxable income in jurisdictions where we have a valuation allowance recorded against our net deferred tax assets. The corresponding impact of the realization on the effective tax rate is expected to be immaterial. We believe the sustainability of future income in these jurisdictions remains uncertain. Accordingly, we have not adjusted the valuation allowance against the remaining net deferred tax assets. We will continue to monitor our ability to realize the net deferred tax assets in these jurisdictions, and if appropriate, will adjust the valuation allowance. Such an adjustment would likely result in a material reduction to tax expense in the period the adjustment occurs.

BUSINESS SEGMENT REVIEW

We operate two reportable segments consisting of Industrial and Infrastructure. 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, the availability of separate financial results and materiality considerations.

INDUSTRIAL

	0000000000	0000000000
Three months ended September 30 (in thousands)	2011	2010
External sales	$ 417,819	$ 330,658

Operating income	72,685	36,108

For the three months ended September 30, 2011, Industrial external sales increased by 26 percent, driven by organic sales growth of 17 percent, favorable foreign currency impact of 8 percent and a favorable impact from more business days. On an organic basis, sales increased in all served market sectors led by strong growth in general engineering and transportation sales of 22 percent and 14 percent, respectively. On a regional basis, organic sales increased by approximately 24 percent in Europe, 19 percent in the Americas and 7 percent in Asia.

For the three months ended September 30, 2011, Industrial operating income increased $36.6 million. The primary drivers of the increase in operating income were higher organic sales of $55.9 million and price realization, partially offset by an increase in raw material costs.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

INFRASTRUCTURE

Three months ended September 30 (in thousands)	2011	2010
External sales	$ 241,058	$ 198,500
Operating income	32,554	26,503

For the three months ended September 30, 2011, Infrastructure external sales increased by 21 percent, driven by organic sales growth of 17 percent and favorable foreign currency effects of 4 percent. The organic increase was driven by higher sales in the energy and earthworks markets of 19 percent and 14 percent, respectively. On a regional basis, organic sales increased by approximately 25 percent in Asia, 16 percent in the Americas and 14 percent in Europe.

For the three months ended September 30, 2011, Infrastructure operating income increased $6.1 million. Operating income grew primarily due to higher organic sales of $33.7 million and price realization, despite significantly higher raw material costs.

CORPORATE

Three months ended September 30 (in thousands)	2011	2010
Corporate unallocated expense	$ (3,629)	$ (5,099)

For the three months ended September 30, 2011, unallocated expense decreased $1.5 million to $3.6 million. The decrease was primarily due to lower strategic project spending of $2.1 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations is our primary source of funding for capital expenditures and internal growth.

To augment cash from operations and as an additional source of funds, we maintain a syndicated, five-year, multi-currency, revolving credit facility (2010 Credit Agreement) that originally extended to June 2015. The 2010 Credit Agreement permits revolving credit loans of up to $500.0 million for working capital, capital expenditures and general corporate purposes. The 2010 Credit Agreement allows for borrowings in U.S. dollars, euro, Canadian dollars, pound sterling and Japanese yen. Interest payable under the 2010 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 2010 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 these financial covenants as of September 30, 2011. We had no borrowings outstanding under the 2010 Credit Agreement as of September 30, 2011.

Borrowings under the 2010 Credit Agreement are guaranteed by our significant domestic subsidiaries.

Our $300 million Senior Unsecured Notes due in June 2012 were reclassified to current maturities of long-term debt as of June 30, 2011. The repayment of this debt is expected to be financed in due course through a new corporate bond issuance.

On October 21, 2011, we entered into an amendment to our 2010 Credit Agreement. The amendment provides additional liquidity by increasing the size of the facility from $500 million to $600 million and extending the term to October 2016. The amendment also provides for improved pricing. The financial covenants and other key provisions remain unchanged.

At September 30, 2011, cash and cash equivalents were $102.5 million, total debt was $312.7 million and total Kennametal shareowners equity was $1,568.3 million. Our current senior credit ratings are at investment grade levels. We believe that our current financial position, liquidity and credit ratings provide 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.

There have been no other material changes in our contractual obligations and commitments since June 30, 2011.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Cash Flow (Used for) Provided by Operating Activities

During the three months ended September 30, 2011, cash flow used for operating activities was $7.2 million, compared to cash flow provided by operating activities of $26.4 million for the prior year period. Cash flow used for operating activities for the current year period consisted of net income and non-cash items amounting to an inflow of $106.9 million, partially offset by changes in certain assets and liabilities netting to $114.1 million. Contributing to the changes in certain assets and liabilities was a decrease in accounts payable and accrued liabilities of $64.7 million driven by payment of $27.0 million of incentive compensation and an increase in inventory of $62.7 million driven by higher inventory levels to meet higher demand, partially offset by decrease in accounts receivable of $12.3 million.

During the three months ended September 30, 2010, cash flow provided by operating activities consisted of net income and non-cash items amounting to $68.7 million, partially offset by changes in certain assets and liabilities netting to $42.3 million. Contributing to the changes in certain assets and liabilities was an increase in inventory of $34.0 million driven by an increase in production to meet expected increases in demand, a decrease in accounts payable and accrued liabilities of $9.6 million, and a decrease in other of $5.8 million, partially offset by an increase in domestic and foreign income taxes of $6.3 million.

Cash Flow Used for Investing Activities

Cash flow used for investing activities was $11.0 million for the three months ended September 30, 2011, compared to $8.7 million in the prior year period. During the current year period cash flow used for investing activities included capital expenditures, net of $11.1 million, which consisted primarily of equipment upgrades.

For the three months ended September 30, 2010, cash flow used for investing activities included capital expenditures, net of $10.0 million, which consisted primarily of software and equipment upgrades.

Cash Flow Used for Financing Activities

Cash flow used for financing activities was $72.6 million for the three months ended September 30, 2011 compared to $26.3 million in the prior year period. During the current year period cash flow used for financing activities included $66.7 million used for the purchase of capital stock, $9.8 million of cash dividends paid to shareowners and $3.8 million of other, partially offset by $5.7 million of dividend reinvestment and the effect of employee benefit and stock plans and $2.1 million net increase in borrowings.

For the three months ended September 30, 2010, cash flow used for financing activities included a $17.2 million net decrease in borrowings and $10.0 million of cash dividends paid to shareowners.

FINANCIAL CONDITION

Working capital was $429.7 million at September 30, 2011, a decrease of $16.4 million from $446.1 million at June 30, 2011. The decrease in working capital was driven primarily by a decrease in cash and cash equivalents of $102.0 million due to the purchase of capital stock and dividend payment and a decrease in accounts receivable of $27.1 million, partially offset by an increase in inventories of $39.6 million driven by higher inventory levels to meet higher demand, a decrease in accounts payable of $35.9 million due to the timing of payments, a decrease in other current liabilities of $28.3 million and a decrease in accrued expenses of $15.4 million due to the payout of incentive compensation. Foreign currency effects accounted for $40.3 million of the working capital change.

Property, plant and equipment, net decreased $28.7 million from $697.1 million at June 30, 2011 to $668.4 million at September 30, 2011, primarily due to depreciation expense of $20.7 million and unfavorable foreign currency impact of $18.4 million, partially offset by capital additions of $11.6 million.

At September 30, 2011, other assets were $752.5 million, a decrease of $17.3 million from $769.8 million at June 30, 2011. The driver for the decrease was a decrease in goodwill and other intangible assets of $11.0 million and $6.9 million, respectively. The change in goodwill was primarily due to foreign currency translation effects. The decrease in other intangible assets was due to amortization expense of $3.5 million and unfavorable foreign currency translation adjustments of $3.5 million.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Kennametal shareowners equity was $1,568.3 million at September 30, 2011, a decrease of $69.8 million from $1,638.1 million at June 30, 2011. The decrease was primarily due to foreign currency translation adjustments of $69.9 million, purchase of capital stock of $66.7 million and cash dividends paid to shareowners of $9.8 million, partially offset by net income attributable to Kennametal of $72.0 million and capital stock issued under employee benefit and stock plans of $11.1 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 US EPA 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.

Other Environmental We establish and maintain reserves for other potential environmental costs, which amounted to $4.8 million and $5.4 million as of September 30, 2011 and June 30, 2011, respectively. This accrual represents anticipated costs associated with the remediation of these issues. We recorded favorable foreign currency translation adjustments of $0.5 million and cash payments of $0.1 million against the reserve for the three months ended September 30, 2011.

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 US EPA, 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 exposures 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, as well as an EHS Steering Committee, 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.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES

There have been no changes to our critical accounting policies since June 30, 2011.

NEW ACCOUNTING STANDARDS

See Note 3 to our condensed consolidated financial statements set forth in Part I Item 1 of this Form 10-Q for a description of new accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk exposure since June 30, 2011.

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ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report on Form 10-Q, the Company s management evaluated, with the participation of the Company s Chief Executive Officer and 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)). 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 Securities Exchange Act of 1934, as amended (Exchange Act), 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 Chief Financial Officer have concluded that the Company s disclosure controls and procedures were effective as of September 30, 2011.

There were no changes in the Company s internal control over financial reporting that occurred during the Company s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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]
July 1 through July 31, 2011	12,180	$ 43.78	-	6,505,100
August 1 through August 31, 2011	1,880,886	33.37	1,830,296	4,674,804
September 1 through September 30, 2011	178,170	34.07	169,704	4,505,100
Total	2,071,236	$ 33.49	2,000,000	

(1) During the current period, employees delivered 63,273 shares of restricted stock to Kennametal, upon vesting, to satisfy tax withholding requirements and 7,963 shares were purchased on the open market on behalf of Kennametal to fund the Company s 401(k) basic and matching contribution.

(2) On October 26, 2010, the Company publicly announced a repurchase program for up to 8 million shares of its outstanding common stock.

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ITEM 6. EXHIBITS

(10)	**Material Contracts**	
(10.1)	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 the Form 8-K filed on October 27, 2011 is incorporated herein by reference
(10.2)	Form of Kennametal Inc. Performance Unit Award (granted under the Kennametal Inc. Stock and Incentive Plan of 2010) (effective August 2011)	Filed herewith.
(31)	**Rule 13a-14(a)/15d-14(a) Certifications**	
(31.1)	Certification executed by Carlos M. Cardoso, Chairman, President and Chief Executive Officer of Kennametal Inc.	Filed herewith.
(31.2)	Certification executed by Frank P. Simpkins, Vice President and Chief Financial Officer 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 Carlos M. Cardoso, Chairman, President and Chief Executive Officer of Kennametal Inc., and Frank P. Simpkins, Vice President and Chief Financial Officer of Kennametal Inc.	Filed herewith.
(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.

** The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed filed or part of a registration statement or prospects for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of these sections.

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SIGNATURES

Pursuant to the requirements 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: November 8, 2011	By:	/s/ Martha A. Bailey
		Martha A. Bailey
		Vice President Finance and Corporate Controller

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