



MSA Announces Record Sales for 2006

Feb 27, 2007

Strong Sales Growth in European and International Markets Offset Lower Military and Fire Service Sales in North America

PITTSBURGH, Feb. 27 /PRNewswire-FirstCall/ -- MSA (NYSE: MSA) today announced that net sales for the year ended December 31, 2006 were \$913.7 million, compared with \$907.9 million in 2005, an increase of \$5.8 million, or 1 percent. Net income for the year ended December 31, 2006 was \$63.9 million, or \$1.76 per basic share, down \$17.9 million, or 22 percent, compared with \$81.8 million, or \$2.24 per basic share, for 2005.

Net sales for the fourth quarter of 2006 were \$256.9 million compared with \$241.9 million for the fourth quarter of 2005, an increase of \$15.0 million, or 6 percent. Net income for the fourth quarter of 2006 was \$19.5 million, or 54 cents per basic share, down \$4.7 million, or 19 percent, compared with \$24.2 million, or 66 cents per basic share, for the same quarter last year.

Record fourth quarter sales reflect strong growth in the company's European and International segments, partially offset by lower military and fire service sales in North America. Local currency sales generated by MSA Europe improved \$18.9 million in the fourth quarter and also benefited from the favorable translation effects of a stronger euro. The sales improvement in Europe reflects particularly strong sales growth in Central and Eastern European markets. In the company's International segment, local currency sales were up \$13.4 million, largely due to the January 2006 acquisition of Select PPE in South Africa where local currency sales improved \$8.6 million in the quarter. The remainder of MSA International's sales growth occurred in South America and the Asia Pacific region.

Fourth quarter sales in North America were down \$23.2 million. Sales of SCBA, thermal imaging cameras and other products to the U.S. fire service market continued to be depressed by delays in the release of fire department funding made available through the U.S. Assistance to Firefighters Grant (AFG) program and were down \$20.9 million. As expected, shipments of Advanced Combat Helmets (ACH) and related communication systems to the military were \$8.5 million lower in the current quarter reflecting the government's decision to split ACH contracts evenly between three suppliers and upon the completion of certain communication contracts. Gas mask sales, primarily to Homeland Security markets, were \$4.5 million lower than in the same quarter last year. These sales declines were partially offset by improved shipments of instruments, up \$4.7 million, and body armor, up \$5.2 million, helped by the acquisition of Paraclete Armor and Equipment.

Fourth quarter net income in the European and International segments improved \$2.5 million and \$0.7 million, respectively, reflecting stronger sales, partially offset by higher selling expenses. Net income in the North American segment was down \$7.9 million, primarily due to lower sales to the military and the fire service, and higher research and development expense, partially offset by favorable income tax adjustments.

The \$17.9 million decrease in net income for the year ended December 31, 2006 includes restructuring and other charges of approximately \$4.5 million after-tax primarily associated with the Project Outlook restructuring plan in North America, and \$1.5 million after-tax in incremental stock-based compensation expense, partially offset by a more favorable income tax profile in the current year. Project Outlook costs were primarily related to workforce reductions that were largely achieved through a voluntary retirement incentive program that was completed during the first quarter. Incremental stock-based compensation expense was related to the newly-required accounting for stock options. Most of the balance of the reduction in annual earnings was due to the profit impact of lower U.S. Military sales.

"I am very pleased to report record sales for the fourth quarter and the full year," said John T. Ryan III, MSA Chairman and CEO. "We began 2006 knowing that our sales of military products to the U.S. government would be about \$60 million lower than in 2005. Our objective, as we have planned for some time, was to offset this reduction with growth in our sales to commercial markets and by cost reduction. We were particularly successful in meeting this challenge in our European and International businesses, both of which recorded sales increases in the range of 20 percent for the year, through focused efforts in Central and Eastern Europe, Asia and an acquisition in South Africa."

"An encouraging element in North America was the breadth of our progress in our industrial commercial business; those markets other than the military, fire service and Homeland Security gas masks," Mr. Ryan added. "We achieved strong double digit percentage growth in this area, led by stronger instrument and head protection sales in North America, as well as in Europe and International. Our objective in 2006 was to grow these areas while improving our productivity and cost discipline to the point where we would achieve operating earnings, before the expenses of restructuring and stock-compensation accounting, exceeding that of 2005, even if by a small amount. However, due to the significant delay in the U.S. Federal Government's release of the aforementioned AFG grants, we fell short of meeting this goal. Only about half of the expected annual grants were released in the second half of 2006, versus substantially all of them in the second halves of 2005 and past years. While the 2006 AFG grants are now continuing in early 2007 for expected completion by May, the fact is we 'ran out of time' in fire service sales in calendar year 2006." Mr. Ryan added that this situation was compounded further by the fact that many U.S. municipalities, awaiting word on AFG funding, delayed purchase decisions to use their own money for their fire service needs.

"Besides our strong growth in most commercial markets, I am pleased with the initiatives that we completed in 2006 to reduce operating costs, particularly through Project Outlook in North America. We will once more count on the strength and broad portfolio of our business and on our initiatives to reduce our costs of operations, including Project Magellan, that was recently announced, which will give us greater productivity in our use of manufacturing space, and other global manufacturing initiatives," continued Mr. Ryan.

"The major uncertainty in 2007 will again be the U.S. Fire Service. Should the AFG program return to its previous time parameters, we could see in 2007 about a year and a half worth of normal funding. Should the program be delayed again, some of the already-appropriated funding could slip into the first half of 2008. Additionally, new National Fire Protection Association (NFPA) standards for breathing apparatus, due to be effective August 31, 2007, could greatly impact, in either direction, the timing of breathing apparatus orders over the next 18 months. We do, however, feel confident that during the January 2007 to May 2008 period good U.S. fire service business opportunities will be available, but it is not clear into which month or

quarter the greater amount will be placed. It is our job to get MSA a very good share of this. Ultimately, our objective in 2007 is simple: to not only improve on our 2006 sales and earnings, but also to get back to achieving record results overall. With a few breaks in fire service timing, we hope to handle the disappointing end to our six year 'winning streak' by going out and starting a new one all over again," Mr. Ryan concluded.

About MSA:

Established in 1914, MSA is a global leader in the development, manufacture and supply of sophisticated safety products that protect people's health and safety. Sophisticated safety products typically integrate any combination of electronics, mechanical systems and advanced materials to protect users against hazardous or life-threatening situations. The company's comprehensive line of products is used by workers around the world in the fire service, homeland security, construction and other industries, as well as the military. Principal products include self-contained breathing apparatus, gas masks, gas detection instruments, head protection, respirators, thermal imaging cameras and ballistic body armor. The company also provides a broad range of consumer and contractor safety products through retail channels. These products are marketed and sold under the MSA Safety Works brand. MSA has more than 30 international locations. Additional information is available on the company's Web site at www.msanet.com.

Cautionary Statement Regarding Forward-Looking Statements:

Except for historical information, certain matters discussed in this press release may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements, including without limitation all projections and anticipated levels of future performance, involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Actual results can be affected by any number of factors, many of which are outside of management's control. Among the factors that could cause such differences are spending patterns of government agencies, competitive pressures, product liability claims, the success of new product introductions, currency exchange rate fluctuations, the identification and successful integration of acquisitions and the risks of doing business in foreign countries. These risks, uncertainties and other factors are detailed from time to time in our filings with the United States Securities and Exchange Commission ("SEC"). You are strongly urged to review all such filings for a more detailed discussion of such risks and uncertainties. MSA's SEC filings are readily obtainable at no charge at www.sec.gov, as well as on a number of other commercial web sites.

Mine Safety Appliances Company
Consolidated Condensed Statement of Income (Unaudited)
(In thousands, except earnings per share)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2006	2005	2006	2005
Net sales	\$256,939	\$241,861	\$913,714	\$907,912
Other income	1,975	967	5,384	4,058
	258,914	242,828	919,098	911,970
Cost of products sold	169,648	150,053	568,410	558,921
Selling, general and administrative	55,872	49,503	215,663	201,367
Research and development	6,912	5,072	26,037	21,928
Restructuring and other charges	219	---	6,981	---
Interest	2,348	1,542	6,228	5,484
Currency exchange losses (gains)	614	(222)	3,139	474
	235,613	205,948	826,458	788,174
Income before income taxes	23,301	36,880	92,640	123,796
Provision for income taxes	3,803	12,703	28,722	42,013
Net income	19,498	24,177	63,918	81,783
Basic earnings per share	\$.54	\$.66	\$ 1.76	\$ 2.24
Diluted earnings per share	\$.53	\$.65	\$ 1.73	\$ 2.19
Dividends per common share	\$.18	\$.14	\$.68	\$.52

Average number of common shares outstanding

(basic)	36,138	36,620	36,366	36,560
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Mine Safety Appliances Company
Consolidated Condensed Balance Sheet (Unaudited)
(In thousands)

	December 31, 2006		December 31, 2005	
Current assets				
Cash and cash equivalents	\$	61,296	\$	44,797
Trade receivables, net		174,569		169,436
Inventories		137,230		119,731
Other current assets		43,764		43,262
Total current assets		416,859		377,226
Property, net		120,651		116,209
Prepaid pension cost		211,018		140,575
Goodwill		79,360		55,654
Other non-current assets		70,732		35,693
Total		898,620		725,357
Current liabilities				
Notes payable and current portion of long-term debt	\$	2,340	\$	8,808
Accounts payable		39,441		40,935
Other current liabilities		85,654		81,116
Total current liabilities		127,435		130,859
Long-term debt		112,541		45,834
Pension and other employee benefits		110,966		80,656
Deferred tax liabilities		100,969		75,511
Other non-current liabilities		8,856		10,100
Shareholders' equity		437,853		382,397
Total		898,620		725,357

Mine Safety Appliances Company
Segment Information (Unaudited)
(In thousands)

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2006	2005	2006	2005
Net sales				
North America	\$132,255	\$155,411	\$503,357	\$566,501
Europe	73,089	48,208	219,241	180,493
International	51,595	38,242	191,116	160,918
Total	256,939	241,861	913,714	907,912
Net income				
North America	\$12,638	\$20,501	\$42,658	\$64,149
Europe	4,045	1,586	8,851	6,321
International	2,470	1,748	13,087	11,659
Reconciling	345	342	(678)	(346)
Total	19,498	24,177	63,918	81,783

SOURCE MSA

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