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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

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### QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2007

Commission File No. 1-15579

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# MINE SAFETY APPLIANCES COMPANY

(Exact name of registrant as specified in its charter)

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**Pennsylvania**  
(State or other jurisdiction of  
incorporation or organization)

**25-0668780**  
(IRS Employer  
Identification No.)

**121 Gamma Drive**  
**RIDC Industrial Park**  
**O'Hara Township**  
**Pittsburgh, Pennsylvania**  
(Address of principal executive offices)

**15238**  
(Zip Code)

**Registrant's telephone number, including area code: (412) 967-3000**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

There were 35,780,109 shares of common stock, not including 2,612,644 shares held by the Mine Safety Appliances Company Stock Compensation Trust, outstanding as of July 31, 2007.

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**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****MINE SAFETY APPLIANCES COMPANY****CONDENSED CONSOLIDATED STATEMENT OF INCOME**

(In thousands, except per share amounts)

Unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Net sales	\$249,099	\$218,623	\$475,038	\$446,973
Other income	1,063	1,455	1,464	1,740
	<u>250,162</u>	<u>220,078</u>	<u>476,502</u>	<u>448,713</u>
Costs and expenses				
Cost of products sold	155,303	131,334	292,073	267,110
Selling, general and administrative	58,777	53,860	115,349	107,413
Research and development	6,787	6,974	12,714	12,522
Restructuring and other charges	2,261	459	2,495	6,456
Interest	2,232	1,211	4,225	2,399
Currency exchange (gains) losses	(1,469)	925	(1,236)	1,993
	<u>223,891</u>	<u>194,763</u>	<u>425,620</u>	<u>397,893</u>
Income before income taxes	26,271	25,315	50,882	50,820
Provision for income taxes	8,943	9,234	17,486	19,001
Net income	<u>17,328</u>	<u>16,081</u>	<u>33,396</u>	<u>31,819</u>
Basic earnings per common share	<u>\$ .49</u>	<u>\$ .44</u>	<u>\$ .93</u>	<u>\$ .87</u>
Diluted earnings per common share	<u>\$ .48</u>	<u>\$ .43</u>	<u>\$ .92</u>	<u>\$ .86</u>
Dividends per common share	<u>\$ .22</u>	<u>\$ .18</u>	<u>\$ .40</u>	<u>\$ .32</u>

See notes to condensed consolidated financial statements.

**MINE SAFETY APPLIANCES COMPANY**

**CONDENSED CONSOLIDATED BALANCE SHEET**

(In thousands, except share amounts)

Unaudited

	June 30 2007	December 31 2006
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 61,704	\$ 61,296
Trade receivables, less allowance for doubtful accounts of \$5,652 and \$5,574	191,646	174,569
Inventories	146,687	137,230
Deferred tax assets	18,575	18,577
Prepaid expenses and other current assets	30,311	25,187
Total current assets	<u>448,923</u>	<u>416,859</u>
Property, less accumulated depreciation of \$264,198 and \$258,310	123,463	120,651
Prepaid pension cost	216,786	211,018
Deferred tax assets	30,566	29,676
Goodwill	80,373	79,360
Other noncurrent assets	57,426	41,056
Total	<u>957,537</u>	<u>898,620</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Notes payable and current portion of long-term debt	\$ 32,373	\$ 2,340
Accounts payable	49,691	39,441
Employees' compensation	23,355	20,931
Insurance and product liability	13,501	15,588
Taxes on income	8,321	8,654
Other current liabilities	41,143	40,481
Total current liabilities	<u>168,384</u>	<u>127,435</u>
Long-term debt	112,777	112,541
Pensions and other employee benefits	114,273	110,966
Deferred tax liabilities	101,163	100,969
Other noncurrent liabilities	16,291	8,856
Total liabilities	<u>512,888</u>	<u>460,767</u>
Shareholders' equity		
Preferred stock, 4 <sup>1</sup> / <sub>2</sub> % cumulative—authorized 100,000 shares of \$50 par value, issued 71,373 and 71,373 shares, callable at \$52.50 per share	3,569	3,569
Second cumulative preferred voting stock—authorized 1,000,000 shares of \$10 par value; none issued	—	—
Common stock—authorized 180,000,000 shares of no par value; issued 62,081,391 and 62,081,391 shares (outstanding 35,781,795 and 36,015,416 shares)	64,093	57,826
Stock compensation trust—2,612,644 and 2,749,012 shares	(13,638)	(14,350)
Treasury shares, at cost:		
Preferred—52,841 and 52,841 shares	(1,750)	(1,750)
Common—23,686,952 and 23,316,963 shares	(245,140)	(229,549)
Deferred stock compensation	(4,066)	(1,836)
Accumulated other comprehensive income	31,549	28,090
Retained earnings	610,032	595,853
Total shareholders' equity	<u>444,649</u>	<u>437,853</u>
Total	<u>957,537</u>	<u>898,620</u>

See notes to condensed consolidated financial statements.

MINE SAFETY APPLIANCES COMPANY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

Unaudited

	Six Months Ended June 30	
	2007	2006
<b>Operating Activities</b>		
Net income	\$ 33,396	\$ 31,819
Depreciation and amortization	12,085	10,451
Pensions	(2,232)	2,373
Net gain on sale of investments and assets	(366)	(784)
Stock-based compensation	3,311	2,801
Deferred income taxes	(153)	42
Other noncurrent assets and liabilities	(10,616)	(10,550)
Other, net	552	2,169
<b>Operating cash flow before changes in working capital</b>	<u>35,977</u>	<u>38,321</u>
Receivables	(14,380)	12,016
Inventories	(6,681)	(14,069)
Accounts payable and accrued liabilities	6,960	(6,284)
Prepays and other current assets	(4,337)	(6,888)
<b>Increase in working capital</b>	<u>(18,438)</u>	<u>(15,225)</u>
<b>Cash flow from operating activities</b>	<u>17,539</u>	<u>23,096</u>
<b>Investing Activities</b>		
Property additions	(13,488)	(9,410)
Property disposals	675	1,749
Acquisitions, net of cash acquired and other investing	(6,771)	(10,580)
<b>Cash flow from investing activities</b>	<u>(19,584)</u>	<u>(18,241)</u>
<b>Financing Activities</b>		
Proceeds from short-term debt	30,002	12,795
Proceeds from long-term debt	213	138
Payments on long-term debt	(169)	(183)
Cash dividends	(14,395)	(11,706)
Company stock purchases	(15,591)	(16,458)
Exercise of stock options	858	1,728
Excess tax benefit related to stock plans	574	2,663
<b>Cash flow from financing activities</b>	<u>1,492</u>	<u>(11,023)</u>
<b>Effect of exchange rate changes on cash</b>	<u>961</u>	<u>1,337</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>408</u>	<u>(4,831)</u>
<b>Beginning cash and cash equivalents</b>	<u>61,296</u>	<u>44,797</u>
<b>Ending cash and cash equivalents</b>	<u>61,704</u>	<u>39,966</u>

See notes to condensed consolidated financial statements.

**MINE SAFETY APPLIANCES COMPANY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited

**(1) Basis of Presentation**

We have prepared the condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not include certain information and disclosures required for comprehensive financial statements.

The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The other information in these financial statements is unaudited; however, we believe that all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of these interim periods have been included. The results for interim periods are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated financial statements include the accounts of the company and all subsidiaries. Intercompany accounts and transactions have been eliminated.

Certain prior year amounts have been reclassified to conform with the current year presentation.

Management's Discussion and Analysis of Financial Condition and Results of Operations that is included elsewhere in this report contains additional information about our results of operations and financial position and should be read in conjunction with these notes.

**(2) Restructuring and Other Charges**

During the three and six month periods ended June 30, 2007, we recorded charges of \$2.3 million (\$1.5 million after tax) and \$2.5 million (\$1.6 million after tax), respectively. The charges for the six months ended June 30, 2007 were primarily related to reorganization activities. In Europe, charges of \$1.0 million relate to severance costs associated with the reorganization of our management team. North American charges of \$1.0 million were primarily stay bonuses and severance costs associated with our Project Magellan initiative to move fire helmet manufacturing from Clifton, New Jersey to Jacksonville, North Carolina and to move our Mexican manufacturing operations to a new factory in Queretaro, Mexico. We expect to close the Clifton plant, which currently employs about 60 associates, during the fourth quarter of 2007 and begin to move the Mexican manufacturing operations during the third quarter of 2007. International charges of \$0.5 million relate to severance costs associated with workforce reductions in Brazil and Australia.

During the three and six month periods ended June 30, 2006, we recorded charges of \$0.5 million (\$0.3 million after tax) and \$6.5 million (\$4.0 million after tax), respectively, related to the Project Outlook reorganization plan that was completed in 2006. A significant portion of the 2006 charges related to a focused voluntary retirement incentive program (VRIP). Approximately 60 employees retired under the terms of the VRIP. Restructuring charges for the six months ended June 30, 2006 include \$5.3 million for VRIP retirees, primarily special termination benefits, \$0.7 million in severance costs related to additional staffing reductions that were made at the end of January 2006, and \$0.5 million related to the relocation of various employee workgroups within the new organizational structure.

**(3) Comprehensive Income**

Components of comprehensive income are as follows:

<u>(In thousands)</u>	<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net income	\$17,328	\$16,081	\$33,396	\$31,819
Cumulative translation adjustments	2,364	2,097	3,271	4,291
Pension and other benefit plan adjustments, net of tax	(96)	—	188	—
Comprehensive income	<u>19,596</u>	<u>18,178</u>	<u>36,855</u>	<u>36,110</u>

Components of accumulated other comprehensive income are as follows:

(In thousands)	June 30 2007	December 31 2006
Cumulative translation adjustments	\$ 6,294	\$ 3,023
Pension and other benefit plan adjustments	25,255	25,067
Accumulated other comprehensive income	31,549	28,090

#### (4) Earnings per Share

Basic earnings per share is computed on the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the effect of the weighted average stock options outstanding during the period and the vesting of stock awards, using the treasury stock method. Antidilutive options are not considered in computing diluted earnings per share.

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Net income	\$17,328	\$16,081	\$33,396	\$31,819
Preferred stock dividends	10	11	20	21
Income available to common shareholders	17,318	16,070	33,376	31,798
Basic earnings per common share	\$ .49	\$ .44	\$ .93	\$ .87
Diluted earnings per common share	\$ .48	\$ .43	\$ .92	\$ .86
Basic shares outstanding	35,689	36,499	35,777	36,521
Stock options	574	591	572	620
Diluted shares outstanding	36,263	37,090	36,349	37,141
Antidilutive stock options	185	208	185	208

#### (5) Segment Information

We have three geographic operating segments: North America, Europe and International. Reportable segment information is presented in the following table:

(In thousands)	North America	Europe	International	Reconciling Items	Consolidated Totals
<b>Three Months Ended June 30, 2007</b>					
Sales to external customers	\$ 131,818	\$ 56,026	\$ 61,255	\$ —	\$ 249,099
Intercompany sales	11,496	23,075	1,676	(36,247)	—
Net income	10,532	1,830	4,405	561	17,328
<b>Six Months Ended June 30, 2007</b>					
Sales to external customers	\$ 254,719	\$ 109,113	\$ 111,206	\$ —	\$ 475,038
Intercompany sales	21,644	45,714	3,236	(70,594)	—
Net income	21,133	4,444	7,634	185	33,396
<b>Three Months Ended June 30, 2006</b>					
Sales to external customers	\$ 121,406	\$ 50,343	\$ 46,874	\$ —	\$ 218,623
Intercompany sales	9,924	22,505	1,638	(34,067)	—
Net income	11,556	2,017	2,995	(487)	16,081
<b>Six Months Ended June 30 2006</b>					
Sales to external customers	\$ 257,922	\$ 98,067	\$ 90,984	\$ —	\$ 446,973
Intercompany sales	19,505	41,988	2,776	(64,269)	—
Net income	23,112	3,769	6,092	(1,154)	31,819

Reconciling items consist primarily of intercompany eliminations and items reported at the corporate level.

## (6) Pensions and Other Postretirement Benefits

Components of net periodic benefit (credit) cost consisted of the following:

(In thousands)	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
<b>Three months ended June 30</b>				
Service cost	\$ 2,686	\$ 2,354	\$ 175	\$ 163
Interest cost	4,286	3,972	381	394
Expected return on plan assets	(8,333)	(7,879)	—	—
Amortization of transition amounts	11	11	—	—
Amortization of prior service cost	43	51	(90)	(57)
Recognized net actuarial losses	237	312	211	200
Net periodic benefit (credit) cost	<u>(1,070)</u>	<u>(1,179)</u>	<u>677</u>	<u>700</u>
<b>Six months ended June 30</b>				
Service cost	\$ 5,264	\$ 4,647	\$ 318	\$ 327
Interest cost	8,758	7,836	742	788
Expected return on plan assets	(16,886)	(15,641)	—	—
Amortization of transition amounts	22	22	—	—
Amortization of prior service cost	85	100	(180)	(114)
Recognized net actuarial losses	525	566	390	400
Termination benefits	—	4,843	—	99
Net periodic benefit (credit) cost	<u>(2,232)</u>	<u>2,373</u>	<u>1,270</u>	<u>1,500</u>

We made contributions of \$1.0 million to our pension plans during the six months ended June 30, 2007. We expect to make contributions of approximately \$2.0 million to our pension plans in 2007.

## (7) Goodwill and Intangible Assets

Changes in goodwill and intangible assets during the six months ended June 30, 2007 were as follows:

(In thousands)	Goodwill	Intangibles
Net balances at January 1, 2007	\$79,360	\$ 17,096
Goodwill and intangible assets acquired	813	5,700
Amortization expense	—	(1,762)
Currency translation and other	200	61
Net balances at June 30, 2007	<u>80,373</u>	<u>21,095</u>

At June 30, 2007, goodwill of approximately \$59.5 million, \$17.2 million, and \$3.7 million related to the North American, European, and International operating segments, respectively.

## (8) Inventories

(In thousands)	June 30 2007	December 31 2006
Finished products	\$ 63,523	\$ 55,764
Work in process	27,044	24,203
Raw materials and supplies	56,120	57,263
Total inventories	<u>146,687</u>	<u>137,230</u>

## (9) Stock-Based Compensation

The 1998 Management Share Incentive Plan, as amended March 10, 1999, provides for grants of restricted stock awards and stock options to eligible key employees through March 2008. The 1990 Non-Employee Directors' Stock Option Plan, as amended May 15, 2007, provides for annual grants of stock options and restricted stock awards to eligible directors. Restricted stock awards are granted without payment to the company and generally vest three years after the grant date. Certain restricted stock awards for retention vest in three equal tranches four, five, and six years after the grant date. Stock options are granted at market value exercise prices and expire after ten years (limited instances of exercise prices in excess of market value and expiration after five years). Stock options granted in 2006 and 2007 are exercisable beginning three years after the grant date. Stock options granted in 2005 and earlier years were fully vested as of December 31, 2005. As of June 30, 2007, there were 642,553 shares and 89,599 shares reserved for future grants under the management and directors' plans, respectively.

Stock-based compensation expense was as follows:

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Restricted stock awards	\$ 701	\$ 414	\$ 1,730	\$ 1,397
Stock option grants	233	181	1,581	1,404
Total compensation expense before income taxes	934	595	3,311	2,801
Income tax benefit	325	217	1,159	1,023
Total compensation expense, net of income tax benefit	<u>609</u>	<u>378</u>	<u>2,152</u>	<u>1,778</u>

A summary of stock option activity for the six months ended June 30, 2007 follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2007	1,531,359	\$ 20.95
Granted	199,292	40.32
Exercised	(41,436)	20.71
Forfeited	(44,372)	42.00
Outstanding at June 30, 2007	<u>1,644,843</u>	<u>22.73</u>
Exercisable at June 30, 2007	<u>1,293,184</u>	<u>17.96</u>

A summary of restricted stock award activity for the six months ended June 30, 2007 follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2007	138,470	\$ 37.26
Granted	96,300	41.62
Vested	(50,583)	28.29
Unvested at June 30, 2007	<u>184,187</u>	<u>41.97</u>



## **(10) Derivative Financial Instruments**

In 2004, we entered into an eight year interest rate swap agreement. Under the terms of the agreement, we receive a fixed interest rate of 8.39% and pay a floating interest rate based on LIBOR. The notional amount of the swap was initially \$20.0 million and declines \$4.0 million per year beginning in 2008. The interest rate swap has been designated as a fair value hedge of a portion of our fixed rate 8.39% Senior Notes.

In order to account for these derivatives as hedges, the interest rate swap must be highly effective at offsetting changes in the fair value of the hedged debt. We have assumed that there is no ineffectiveness in the hedge, since all of the critical terms of the hedge match the underlying terms of the hedged debt.

The fair value of the interest rate swap at June 30, 2007 and December 31, 2006 has been recorded as a liability of \$1.0 million and \$0.9 million, respectively, that is included in other noncurrent liabilities, with an offsetting reduction in the carrying value of long-term debt.

As a result of entering into the interest rate swap, we have increased our exposure to interest rate fluctuations. Differences between the fixed rate amounts received and the variable rate amounts paid are recognized in interest expense on an ongoing basis. This rate difference resulted in an increase in interest expense of \$0.2 million and \$0.1 million during the six month periods ended June 30, 2007 and 2006, respectively.

## **(11) Acquisitions**

In March 2007, we acquired the assets and intellectual properties of Acceleron Technologies, LLC (Acceleron), a San Francisco-based developer of advanced technology suitable for personal locator devices. We believe that the acquisition of this technology significantly expedites the development of reliable systems for first responder and soldier location applications. We are currently estimating the fair value of Acceleron's assets. Preliminarily, we have allocated the \$5.7 million purchase price to intangible assets. The acquisition agreement provides for additional consideration of up to \$4.9 million to be paid to the former owners of Acceleron based on the achievement of specific technology development milestones by September 28, 2008.

In March 2007, we acquired the outstanding shares of MSA (India) Limited that were previously held by our joint venture partner. As a wholly-owned subsidiary under MSA management, we believe that we are better positioned to take advantage of opportunities in the large and growing Indian market. Preliminarily, we have allocated \$0.6 million of the \$1.1 million purchase price to goodwill.

In September 2006, we acquired Paraclete Armor and Equipment, Inc. (Paraclete) of St. Pauls, North Carolina. Paraclete is a rapidly growing innovator and developer of advanced ballistic body armor used by military personnel. We believe that the acquisition of Paraclete positions us to provide a broad range of ballistic protective equipment to both the military and law enforcement markets. We are currently estimating the fair value of Paraclete's assets. Our preliminary allocation of the \$30.9 million purchase price includes intangible assets of \$6.7 million and goodwill of \$18.6 million. Under the terms of the asset purchase agreement, we issued a \$10.0 million note to satisfy a portion of the purchase price. The note is non-interest bearing and is payable in five annual installments of \$2.0 million beginning September 1, 2007. We recorded the note at a fair value of \$8.5 million at the time of issuance. The note discount is being recognized as interest expense over its term.

In January 2006, we took steps to ensure our compliance with South African Black Economic Empowerment (BEE) requirements by forming a new South African holding company in which Mineworkers Investment Company (MIC) of Johannesburg, South Africa holds a 25.1% ownership interest. Compliance with BEE, a South African government program similar to Affirmative Action in the United States, is key to achieving meaningful growth in South Africa, particularly in the mining industry. At the same time, we acquired Select Personal Protective Equipment (Select PPE) of South Africa, an established supplier of multi-brand safety equipment and solutions to the South African mining industry. We believe that our new South African operating structure significantly improves our market presence and expertise in serving the mining industry and provides significant growth opportunities in the region. The purchase price of \$7.9 million included intangible assets of \$1.6 million and goodwill of \$3.0 million.

The operating results of all acquisitions have been included in our consolidated financial statements from their respective acquisition dates. Pro forma consolidated results, as if the acquisitions had occurred at the beginning of 2006, would not be materially different from the results reported.

## **(12) Uncertain Income Tax Positions**

On January 1, 2007, we adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). The application of income tax law is inherently complex. Tax statutes and regulations are often ambiguous and subject to various interpretations. As a result, we are required to evaluate all relevant facts and make subjective judgments regarding our income tax positions.

As a result of the adoption of FIN 48, we recognized a gross increase in the liability for unrecognized tax benefits of \$5.7 million. This gross increase in the tax liability created additional tax benefits of \$1.8 million, resulting in a net increase in the liability for unrecognized tax benefits of \$3.9 million, which was accounted for as a reduction in retained earnings at January 1, 2007. These adjustments, if recognized, would have increased our effective income tax rate. Prior to the adoption of FIN 48, we had recognized approximately \$1.5 million in unrecognized tax benefits. We did not make any significant adjustments to these amounts during the six months ended June 30, 2007.

We recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. As a result of the implementation of FIN 48, we recognized a \$0.9 million increase in the liability for accrued interest and penalties related to uncertain tax positions, which was also accounted for as a reduction to the January 1, 2007 retained earnings. We did not make any significant adjustments to these amounts during the six months ended June 30, 2007.

We will begin to voluntarily file income tax returns in certain taxing jurisdictions where we previously believed none were due. As a result of these voluntary filings, we expect that our gross liability for unrecognized tax benefits and accrued penalties associated with this liability will be reduced by approximately \$2.0 million and \$0.6 million, respectively, by the end of 2007. We do not expect that the resolution of these matters will have a significant effect on our results of operations.

We file a U.S. federal income tax return along with various state and foreign income tax returns. Examinations of our federal return have been completed through 2002. We also file in various state and foreign jurisdictions that may be subject to tax audits after 2001.

## **(13) Contingencies**

Various lawsuits and claims arising in the normal course of business are pending against us. These lawsuits are primarily product liability claims. We are presently named as a defendant in approximately 2,500 lawsuits primarily involving respiratory protection products allegedly manufactured and sold by us. Collectively, these lawsuits represent a total of approximately 16,500 plaintiffs. Approximately 90% of these lawsuits involve plaintiffs alleging they suffer from silicosis, with the remainder alleging they suffer from other or combined injuries, including asbestosis. These lawsuits typically allege that these conditions resulted in part from respirators that were negligently designed or manufactured by us. Consistent with the experience of other companies involved in silica and asbestos-related litigation, in recent years there has been an increase in the number of asserted claims that could potentially involve us. We cannot determine our potential maximum liability for such claims, in part because the defendants in these lawsuits are often numerous, and the claims generally do not specify the amount of damages sought.

With some limited exceptions, we maintain insurance against product liability claims. We also maintain a reserve for uninsured product liability based on expected settlement charges for pending claims and an estimate of unreported claims derived from experience, sales volumes, and other relevant information. We evaluate our exposures on an ongoing basis and make adjustments to the reserve as appropriate. Based on information currently available, we believe that the disposition of matters that are pending will not have a materially adverse effect on our financial condition.

In the normal course of business, we make payments to settle product liability claims and related legal fees that are covered by insurance. We record receivables for the portion of these payments that we believe to be probable of recovery from insurance carriers. The net balance of receivables from insurance carriers was \$29.4 million and \$18.4 million at June 30, 2007 and December 31, 2006, respectively. We evaluate the collectibility of these receivables on an ongoing basis and make adjustments as appropriate.

## **(14) Recently Issued Accounting Standards**

In September 2006, the FASB issued FAS No. 157, Fair Value Measurements. FAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. FAS No. 157 becomes effective on January 1, 2008. Upon adoption, the provisions of FAS No. 157 are to be applied prospectively with limited exceptions. We do not expect that the adoption of this statement will have a material effect on our consolidated results of operations or financial condition.

In February 2007, the FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. This statement permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses on these instruments in earnings. FAS No. 159 is effective as of January 1, 2008. We do not expect that the adoption of this statement will have a material effect on our consolidated results of operations or financial condition.

#### **(15) Subsequent Event**

On August 1, 2007, we sold 83 acres of land in our Cranberry Woods office park to Wells Real Estate Investment Trust II—Cranberry Woods Development, Inc. for \$14.6 million. This sale is expected to result in a pre-tax gain of approximately \$10.0 million.

After this transaction, approximately 80 acres remain available for sale in the Cranberry Woods development.

#### **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with the historical financial statements and other financial information included elsewhere in this report on Form 10-Q. This discussion may contain forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors. These factors include, but are not limited to, 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. For discussion of risk factors affecting our business, see Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006.*

#### **BUSINESS OVERVIEW**

We are a global leader in the development, manufacture and supply of sophisticated 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. Our comprehensive line of safety products is used by workers around the world in the fire service, homeland security, construction and other industries, as well as the military.

In recent years, we have concentrated on specific initiatives intended to help improve our competitive position and profitability, including:

- identifying and developing promising new markets;
- focusing on innovation and new product introductions;
- further strengthening relationships with major distributors;
- optimizing factory performance and driving operational excellence;
- positioning international business to capture significant growth opportunities; and
- pursuing strategic acquisitions.

We tailor our product offerings and distribution strategy to satisfy distinct customer preferences that vary across geographic regions. We believe that we best serve these customer preferences by organizing our business into three geographic segments: North America, Europe, and International. Each segment includes a number of operating companies. In 2006, approximately 55%, 24%, and 21% of our net sales were made by our North American, European, and International segments, respectively.

*North America.* Our largest manufacturing and research and development facilities are located in the United States. We serve our North American markets with sales and distribution functions in the U.S., Canada, and Mexico.

*Europe.* Our European segment includes well-established companies in most Western European countries, and more recently established operations in a number of Eastern European locations. Our largest European companies, based in Germany and France, develop, manufacture, and sell a wide variety of products. Operations in other European countries focus primarily on sales and distribution in their respective home country markets. While some of these companies may perform limited production, most of their sales are of products that are manufactured in our plants in Germany, France, and the U.S., or are purchased from third party vendors.

*International.* Our International segment includes companies in Abu Dhabi, Argentina, Australia, Brazil, Chile, China, Hong Kong, India, Indonesia, Japan, Malaysia, Peru, Singapore, South Africa, and Zimbabwe, some of which are in developing regions of the world. Principal manufacturing operations are located in Australia, Brazil, South Africa, and China. These companies develop and manufacture products that are sold primarily in each company's home country and regional markets. The other companies in the International segment focus primarily on sales and distribution in their respective home country markets. While some of these companies may perform limited production, most of their sales are of products that are manufactured in our plants in the U.S., Germany, and France, or are purchased from third party vendors.

We believe that our financial performance in recent years is the result of initiatives that have allowed us to anticipate and respond quickly to market requirements, particularly in the fire service, homeland security, construction and general industries, as well as the military, and reflects our ability to quickly bring to market products that comply with changing industry standards and to create new market demand with innovative products.

## **PROJECT MAGELLAN**

In January 2007, we announced Project Magellan, a multi-year strategic plan to improve the efficiency of our North American manufacturing operations by more effectively using available factory space. Project Magellan is expected to result in the relocation of certain manufacturing activities and the closure of certain facilities. We expect that Project Magellan will reduce operating expenses by as much as \$10 million a year once completed.

In the first stage of Project Magellan, we will move fire helmet manufacturing from our Clifton, New Jersey plant to our Jacksonville, North Carolina plant. Many Clifton associates are being offered an opportunity to relocate to Jacksonville or another MSA location. The Clifton plant, which currently employs about 60 associates, is expected to be closed during the fourth quarter of 2007.

In addition, we will move our manufacturing operations in Mexico from Mexico City and Torreon to a new factory in Queretaro, a city approximately 130 miles northwest of Mexico City. The plant consolidation in Mexico is expected to begin in the third quarter of 2007 and be completed in 2008. We currently employ about 100 associates at our Mexico City and Torreon facilities. Many MSA Mexico manufacturing personnel are being provided with an opportunity to relocate to the new Queretaro plant.

Finally, we expect to vacate our plant in Evans City, Pennsylvania by August 2009, when our lease on the property expires. Beginning in late 2007 and continuing into 2008, we expect to transfer certain production activities from our Evans City plant to other MSA plants in the United States. We intend to maintain employment for as many affected associates as possible by offering opportunities at other MSA locations. The Evans City facility currently employs approximately 115 associates.

## **ACQUISITIONS**

In March 2007, we acquired the assets and intellectual properties of Acceleron Technologies, LLC (Acceleron), a San Francisco-based developer of advanced technology suitable for personal locator devices. Acceleron has key patents and know-how in the area of compensated inertial navigation sensing as applied to personnel tracking. We believe that this technology is particularly well-suited for personal locator applications inside buildings where GPS is denied. The patented technology and know-how significantly increases data accuracy and minimizes the drift that can occur in conventional systems. We believe that the acquisition of this technology expedites the development of much needed and more reliable systems for use in first responder and soldier location applications.

In March 2007, we acquired the outstanding shares of MSA (India) Limited that were previously held by our joint venture partner. As a wholly-owned subsidiary under MSA management, we believe that we are better positioned to take advantage of opportunities in the large and growing Indian market.

In September 2006, we acquired Paraclete Armor and Equipment, Inc. (Paraclete) of St. Pauls, North Carolina. Paraclete is a rapidly growing innovator and developer of advanced ballistic body armor used by military personnel, including Special Forces units of the U.S. military. We believe that the acquisition of Paraclete enhances our existing line of ballistic body armor and strategically positions us to provide a broad range of ballistic protective equipment to both the military and law enforcement markets.

In January 2006, we took steps to ensure our compliance with South African Black Economic Empowerment (BEE) requirements by forming a new South African holding company in which Mineworkers Investment Company (MIC) of Johannesburg, South Africa holds a 25.1% ownership interest. Compliance with BEE, a South African government program similar to Affirmative Action in the United States, is key to achieving meaningful growth in South Africa, particularly in the mining industry. At the same time, we acquired Select Personal Protective Equipment (Select PPE) of South Africa, an established supplier of multi-brand safety equipment and solutions to the South African mining industry. We believe that our new South African operating structure significantly improves our market presence and expertise in serving the mining industry and provides significant growth opportunities in the region.

## RESULTS OF OPERATIONS

### Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

**Net sales.** Net sales for the three months ended June 30, 2007 were \$249.1 million, an increase of \$30.5 million, or 14%, compared with \$218.6 million for the three months ended June 30, 2006.

(In millions)	Three Months Ended June 30		Dollar Increase	Percent Increase
	2007	2006		
North America	\$ 131.8	\$ 121.4	\$ 10.4	9%
Europe	56.0	50.3	5.7	11
International	61.3	46.9	14.4	31

Net sales by the North American segment were \$131.8 million for the second quarter of 2007, an increase of \$10.4 million, or 9%, compared to \$121.4 million for the second quarter of 2006. The sales improvement reflects higher shipments in most product groups. During the second quarter of 2007, our sales of self-contained breathing apparatus and thermal imaging cameras improved \$0.9 million and \$1.7 million, respectively. Our shipments of Advanced Combat Helmets to the military were \$3.6 million higher in the current quarter. Sales of ballistic protection products, including those made by Paraclete Armor and Equipment, were up \$2.5 million. Continued strength in North American construction and industrial markets was reflected in our sales of fall protection and head protection products, which improved \$3.6 million in the current quarter. These sales improvements were partially offset by a \$1.7 million decrease in sales of instrument products, due primarily to reduced demand for both portable and permanent instrumentation from specific segments of the Homeland Security market.

In Europe, net sales for the second quarter of 2007 were \$56.0 million, an increase of \$5.7 million, or 11%, compared to \$50.3 million for the second quarter of 2006. The increase in European segment sales, when stated in U.S. dollars, was primarily due to favorable currency translation effects of \$5.3 million.

Net sales for the International segment were \$61.3 million in the second quarter of 2007, an increase of \$14.4 million, or 31%, compared to \$46.9 million for the second quarter of 2006. The sales increase includes a \$4.8 million shipment of ballistic vests to the Iraq Joint Contracting Command. The remainder of the sales increase was primarily in South Africa and China, where local currency sales were up \$2.1 million and \$1.8 million, respectively. The improvement in South Africa reflects strong growth in sales to the mining industry. Sales growth in China was largely due to continued strength in breathing apparatus and instrument shipments. Currency translation effects increased International segment sales, when stated in U.S. dollars, by \$0.9 million.

**Cost of products sold.** Cost of products sold was \$155.3 million in the second quarter of 2007, compared to \$131.3 million in the second quarter of 2006. Cost of products sold, selling, general and administrative expenses, and research and development expenses include net periodic pension credits during the second quarters of 2007 and 2006 of \$1.1 million and \$1.2 million, respectively.

**Gross profit.** Gross profit for the second quarter of 2007 was \$93.8 million, which was \$6.5 million, or 7%, higher than gross profit of \$87.3 million in the second quarter of 2006. The ratio of gross profit to net sales was 37.7% in the second quarter of 2007 compared to 39.9% in the same quarter last year. The decrease in the gross profit ratio in the first half of 2007, reflects proportionately higher sales of Advanced Combat Helmets and ballistic protection products to the military at gross margins that are generally lower than our margins on commercial sales, as well as higher inventory management related costs.

**Selling, general and administrative expenses.** Selling, general and administrative expenses were \$58.8 million during the second quarter of 2007, an increase of \$4.9 million, or 9%, compared to \$53.9 million in the second quarter of 2006. Selling, general and administrative expenses were 23.6% of net sales in the second quarter of 2007 compared to 24.6% of net sales in the second quarter of 2006. Local currency selling, general and administrative expenses in the European and International segments were up \$3.7 million, primarily reflecting our continued expansion in Eastern Europe, China, Southeast Asia, and South Africa. North American segment selling, general and administrative expenses were flat quarter-to-quarter. Currency exchange effects increased second quarter 2007 selling, general and administrative expenses, when stated in U.S. dollars, by \$1.4 million, primarily related to a stronger euro.

**Depreciation and amortization expense.** Depreciation and amortization expense, which is reported in cost of sales, selling, general and administrative expenses, and research and development expenses, was \$6.1 million for the second quarter of 2007, an increase of \$0.9 million, or 17%, compared to \$5.2 million for the second quarter of 2006. The increase relates primarily to higher amortization on intangible assets.

**Restructuring and other charges.** During the second quarter of 2007, we recorded charges of \$2.3 million, primarily related to reorganization activities. In Europe, charges of \$1.0 million related to severance costs associated with the reorganization of our management team. North American charges of \$0.8 million were primarily stay bonuses and severance costs associated with our Project Magellan plan to move fire helmet manufacturing from Clifton, New Jersey to Jacksonville, North Carolina and to move our Mexican manufacturing operations to a new factory in Queretaro, Mexico. We expect to close the Clifton plant, which currently employs about 60 associates, during the fourth quarter of 2007 and to begin the Mexican manufacturing operations move during the third quarter of 2007. International charges of \$0.5 million relate to severance costs associated with workforce reductions in Brazil and Australia.

During the second quarter of 2006, we recorded charges of \$0.5 million, primarily related to the relocation of various employee workgroups as part of our Project Outlook reorganization effort in North America.

**Interest expense.** Interest expense was \$2.2 million during the second quarter of 2007, an increase of \$1.0 million, or 84%, compared to \$1.2 million in the same quarter last year. The increase in interest expense was primarily due to higher long-term debt.

**Currency exchange (gains) losses.** Currency exchange gains were \$1.5 million in the second quarter of 2007, compared to losses of \$0.9 million in the second quarter of 2006. Currency exchange gains during the current quarter related primarily to the strengthening of the Canadian dollar and the Australian dollar. Currency exchange losses during the second quarter of 2006 were primarily related to a weakening of the South African rand.

**Income taxes.** The effective tax rate for the second quarter of 2007 was 34.0% compared to 36.5% for the same quarter last year. The lower rate in the current quarter is primarily related to the reinstatement of the research and development credit and more favorable state and non-U.S. tax profiles.

We file a U.S. federal income tax return along with various state and foreign income tax returns. Examinations of our federal return have been completed through 2002. We also file in various state and foreign jurisdictions that may be subject to tax audits after 2001.

**Net income.** Net income for the second quarter of 2007 was \$17.3 million, or \$0.49 per basic share, compared to \$16.1 million, or \$0.44 per basic share, for the same quarter last year.

North American segment net income for the second quarter of 2007 was \$10.5 million, a decrease of \$1.1 million, or 9%, compared to \$11.6 million in the second quarter of 2006. Lower net income in North America was primarily related to the previously-discussed decrease in gross margins.

European segment net income during the second quarter of 2007 was \$1.8 million, a decrease of \$0.2 million, or 9%, from \$2.0 million during the second quarter of 2006.

International segment net income for the second quarter of 2007 was \$4.4 million, an increase of \$1.4 million, or 47%, compared to \$3.0 million in the same quarter last year. The increase reflects higher sales, partially offset by an increase in selling expenses.

#### Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

**Net sales.** Net sales for the six months ended June 30, 2007 were \$475.0 million, an increase of \$28.0 million, or 6%, compared with \$447.0 million in the same period in 2006.

(In millions)	Six Months Ended June 30		Dollar Increase (Decrease)	Percent Increase (Decrease)
	2007	2006		
North America	\$ 254.7	\$ 257.9	\$ (3.2)	(1)%
Europe	109.1	98.1	11.0	11
International	111.2	91.0	20.2	22

Net sales of the North America segment were \$254.7 million for the six months ended June 30, 2007, a decrease of \$3.2 million, or 1%, compared to \$257.9 million for the same period in 2006. The sales decrease during the six months ended June 30, 2007 reflects a \$15.2 million decrease in SCBA shipments to the fire service industry, which was substantially offset by improved sales of most other products. North American sales of ballistic vests, including those made by Paraclete, improved \$5.5 million in the first half of 2007. Shipments of Advanced Combat Helmets to the military were up \$2.3 million. Our sales of fall protection and head protection improved approximately \$3.1 million and \$1.9 million, respectively, on increased demand in construction and industrial markets.

In Europe, net sales for the six months ended June 30, 2007 were \$109.1 million, an increase of \$11.0 million, or 11%, compared to \$98.1 million in the same period in 2006. The increase in European sales, when stated in U.S. dollars, includes favorable currency translation effects of \$12.2 million, primarily due to a stronger euro in the current period. Local currency sales in Europe for the six months ended June 30, 2007 were \$1.2 million lower than in the same period last year. Lower local currency sales in Europe were largely due to a \$5.3 million decrease in disposable respirator shipments in Germany and France, both of which benefited from unusually strong shipments of these products during the prior year. These decreases were partially offset by higher sales in Eastern Europe and most other Western European markets.

Net sales for the International segment were \$111.2 million for the six months ended June 30, 2007, an increase of \$20.2 million, or 22%, compared to \$91.0 million in the same period in 2006. The sales increase includes a \$4.8 million shipment of ballistic vests to the Iraq Joint Contracting Command. In South Africa, local currency sales were up \$6.0 million, primarily due to growth in Select PPE's business with the mining industry. Local currency sales in China were up \$3.9 million, including a large shipment of breathing apparatus to the Beijing Fire Bureau. Local currency sales in Latin America improved \$3.4 million, with strong growth in all markets. Currency translation differences did not have a significant impact on International segment sales when stated in U.S. dollars.

**Cost of products sold.** Cost of products sold was \$292.1 million for the six months ended June 30, 2007 compared to \$267.1 million in the same period in 2006.

Cost of products sold, selling, general and administrative expenses, and research and development expenses include net periodic pension benefit costs and credits. Pension credits, combined with pension costs, resulted in net pension credits during the six month periods ended June 30, 2007 and 2006 of \$2.2 million and \$2.5 million, respectively.

**Gross profit.** Gross profit for the six months ended June 30, 2007 was \$183.0 million, which was \$3.1 million, or 2%, higher than gross profit of \$179.9 million in the same period in 2006. The ratio of gross profit to net sales was 38.5% in the six months ended June 30, 2007 compared to 40.2% in the same period last year. The decrease in the gross profit ratio in the first half of 2007, reflects proportionately higher sales of Advanced Combat Helmets and ballistic protection products to the military at gross margins that are generally lower than our margins on commercial sales, as well as higher inventory management related costs.

**Selling, general and administrative expenses.** Selling, general and administrative expenses were \$115.3 million during the six months ended June 30, 2007, an increase of \$7.9 million, or 7%, compared to \$107.4 million in the same period in 2006. Selling, general and administrative expenses were 24.3% of net sales in the six months ended June 30, 2007 compared to 24.0% of net sales in the first half of 2006. Local currency selling, general and administrative expenses in the European and International segments were up \$5.5 million, primarily reflecting our continued expansion in Eastern Europe, China, Southeast Asia, and South Africa. North American segment selling, general and administrative expenses were flat year-to-year. Currency exchange effects increased selling, general and administrative expenses, when stated in U.S. dollars, by \$2.6 million, primarily due to a stronger euro.

**Depreciation and amortization expense.** Depreciation and amortization expense, which is reported in cost of sales, selling, general and administrative expenses, and research and development expenses, was \$12.1 million for the six months ended June 30, 2007, an increase of \$1.6 million, or 16%, compared to \$10.5 million for the same period in 2006. The increase was primarily related to higher amortization of intangible assets.

**Restructuring and other charges.** During the six months ended June 30, 2007, we recorded charges of \$2.5 million, primarily related to reorganization activities. In Europe, charges of \$1.0 million related to severance costs associated with the reorganization of our management team. North American charges of \$1.0 million were primarily stay bonuses and severance costs associated with our Project Magellan initiative to move fire helmet manufacturing from Clifton, New Jersey to Jacksonville, North Carolina and to move our Mexican manufacturing operations to a new factory in Queretaro, Mexico. We expect to close the Clifton plant, which currently employs about 60 associates, during the fourth quarter of 2007 and begin to move the Mexican manufacturing operations during the third quarter of 2007. International charges of \$0.5 million relate to severance costs associated with workforce reductions in Brazil and Australia.

During the first six months ended June 30, 2006, we recorded charges of \$6.5 million related to our Project Outlook reorganization effort in North America. The 2006 charges included \$5.3 million for a focused voluntary retirement incentive program (VRIP) that was accepted by approximately 60 employees, \$0.7 million in severance costs related to additional staffing reductions, and \$0.5 million to relocate various employee workgroups.

**Interest expense.** Interest expense was \$4.2 million during the six months ended June 30, 2007, an increase of \$1.8 million, or 76%, compared to \$2.4 million in the same period last year. The increase in interest expense was primarily due to higher long-term debt.

**Currency exchange (gains) losses.** Currency exchange gains were \$1.2 million during the six months ended June 30, 2007, compared to currency exchange losses of \$2.0 million during the same period last year. The currency exchange gains during the current period were primarily related to the strengthening of the Canadian dollar and Australian dollar. The currency exchange losses during the first half of 2006 were primarily due to a weakening of the South African rand.

**Income taxes.** The effective tax rate for the six months ended June 30, 2007 was 34.4% compared to 37.4% for the same period last year. The lower rate in the current quarter is primarily related to the reinstatement of the research and development credit and more favorable state and non-U.S. tax profiles.

On January 1, 2007, we adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). As a result of the adoption of FIN 48, we recognized a gross increase in the liability for unrecognized tax benefits of \$5.7 million. This gross increase in the tax liability created additional tax benefits of \$1.8 million, resulting in a net increase in the liability for unrecognized tax benefits of \$3.9 million, which was accounted for as a reduction in retained earnings at January 1, 2007. These adjustments, if recognized, would have increased our effective income tax rate.

We recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. As a result of the implementation of FIN 48, we recognized a \$0.9 million increase in the liability for accrued interest and penalties related to uncertain tax positions which was also accounted for as a reduction to the January 1, 2007 retained earnings.

We file a U.S. federal income tax return along with various state and foreign income tax returns. Examinations of our federal return have been completed through 2002. We also file in various state and foreign jurisdictions that may be subject to tax audits after 2001.



**Net income.** Net income for the six months ended June 30, 2007 was \$33.4 million, or \$0.93 per basic share, compared to \$31.8 million, or \$0.87 per basic share, for the same period last year.

North American segment net income for the six months ended June 30, 2007 was \$21.1 million, a decrease of \$2.0 million, or 9%, compared to \$23.1 million in the same period last year. The reduction in North American net income was primarily due to the previously-discussed reduction in gross margins during the current year.

European segment net income for the six months ended June 30, 2007 was \$4.4 million, an increase of \$0.6 million, or 18%, compared to \$3.8 million for the first half of 2006. The increase was primarily due to the previously-discussed increase in sales.

International segment net income for the six months ended June 30, 2007 was \$7.6 million, an increase of \$1.5 million, or 25%, compared to \$6.1 million in the same period last year. The increase was primarily due to the previously-discussed increase in sales.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our main sources of liquidity are cash generated from operations and borrowing capacity. Our principal liquidity requirements are for working capital, capital expenditures, acquisitions, and principal and interest payments on outstanding indebtedness.

Cash and cash equivalents increased \$0.4 million during the six months ended June 30, 2007, compared to a decrease of \$4.8 million during the six months ended June 30, 2006.

Operating activities provided cash of \$17.5 million during the six months ended June 30, 2007, compared to providing cash of \$23.1 million in the six months ended June 30, 2006. Cash flow from operations during the six months ended June 30, 2006 included \$4.8 million in non-cash restructuring and other charges related to special termination benefit costs that were paid by our pension plan. Excluding this item, cash flow from operations was flat year-to-year. Trade receivables were \$191.6 million at June 30, 2007 and \$174.6 million at December 31, 2006. LIFO inventories were \$146.7 million at June 30, 2007 and \$137.2 million at December 31, 2006.

Investing activities used cash of \$19.6 million during the six months ended June 30, 2007, compared to using \$18.2 million in the same quarter last year. During the six months ended June 30, 2007 and 2006, we used cash of \$13.5 million and \$9.4 million, respectively, for property additions. The increase in property additions related primarily to higher purchases of production equipment and software in the U.S. During the six months ended June 30, 2007, we used cash of \$5.7 million to acquire Acceleron. During the same period in 2006, we used cash of \$7.9 million to acquire Select PPE.

Financing activities provided cash of \$1.5 million during the six months ended June 30, 2007, compared to using \$11.0 million in the same period last year. During the first six months of 2007, we used \$14.4 million of cash to pay dividends compared to paying dividends of \$11.7 million in the same period last year. During the six months ended June 30, 2007 and 2006, we used cash of \$15.6 million and \$16.5 million, respectively, to purchase treasury shares. During the six months ended June 30, 2007 and 2006, our short-term borrowings, increased \$30.0 million and \$12.8 million, respectively. Proceeds from short-term borrowings were used primarily to finance acquisitions and treasury share purchases.

## **CUMULATIVE TRANSLATION ADJUSTMENTS**

The position of the U.S. dollar relative to international currencies at June 30, 2007 resulted in a translation gain of \$3.3 million being credited to the cumulative translation adjustments shareholders' equity account in the six months ended June 30, 2007, compared to a gain of \$4.3 million in the six months ended June 30, 2006. Translation gains during the six months ended June 30, 2007 were primarily related to the strengthening of euro and the Brazilian real. Translation gains during the same period in 2006 were primarily due to the strengthening of the euro and the Brazilian real, partially offset by a weakening of the South African rand.

## COMMITMENTS AND CONTINGENCIES

We have purchase commitments for materials, supplies, services, and property, plant and equipment as part of our ordinary conduct of business.

In September 2006, we acquired Paraclete. Under the terms of the asset purchase agreement, we issued a \$10.0 million note payable to the former owners of Paraclete. The note is non-interest bearing and is payable in five annual installments of \$2.0 million beginning September 1, 2007. We recorded the note at a fair value of \$8.5 million at the time of issuance. The discount of \$1.5 million is being recognized as interest expense over the term of the note.

During 2003, we sold our real property in Berlin, Germany for \$25.7 million, resulting in a gain of \$13.6 million. At the same time, we entered into an eight year agreement to lease back the portion of the property that we occupy. Under sale-leaseback accounting, \$12.1 million of the gain was deferred and is being amortized over the term of the lease.

In 2003, we entered into a lease agreement with BASF pertaining to that portion of the Callery Chemical site that is occupied by our Evans City, Pennsylvania manufacturing operations. The initial term of the lease was one year, with a renewal option for five successive one year periods. In September 2006, we exercised our third one year renewal option.

Various lawsuits and claims arising in the normal course of business are pending against us. These lawsuits are primarily product liability claims. We are presently named as a defendant in approximately 2,500 lawsuits primarily involving respiratory protection products allegedly manufactured and sold by us. Collectively, these lawsuits represent a total of approximately 16,500 plaintiffs. Approximately 90% of these lawsuits involve plaintiffs alleging they suffer from silicosis, with the remainder alleging they suffer from other or combined injuries, including asbestosis. These lawsuits typically allege that these conditions resulted in part from respirators that were negligently designed or manufactured by us. Consistent with the experience of other companies involved in silica and asbestos-related litigation, in recent years there has been an increase in the number of asserted claims that could potentially involve us. We cannot determine our potential maximum liability for such claims, in part because the defendants in these lawsuits are often numerous, and the claims generally do not specify the amount of damages sought.

With some limited exceptions, we maintain insurance against product liability claims. We also maintain a reserve for uninsured product liability based on expected settlement charges for pending claims and an estimate of unreported claims derived from experience, sales volumes and other relevant information. We evaluate our exposures on an ongoing basis and make adjustments to the reserve as appropriate. Based on information currently available, we believe that the disposition of matters that are pending will not have a materially adverse effect on our financial condition.

In the normal course of business, we make payments to settle product liability claims and related legal fees that are covered by insurance. We record receivables for the portion of these payments that we believe to be probable of recovery from insurance carriers. The net balance of receivables from insurance carriers was \$29.4 million and \$18.4 million at June 30, 2007 and December 31, 2006, respectively. We evaluate the collectibility of these receivables on an ongoing basis and make adjustments as appropriate.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. We evaluate these estimates and judgments on an on-going basis based on historical experience and various assumptions that we believe to be reasonable under the circumstances. However, different amounts could be reported if we had used different assumptions and in light of different facts and circumstances. Actual amounts could differ from the estimates and judgments reflected in our financial statements.

We believe that the following are the more critical judgments and estimates used in the preparation of our financial statements.

**Accounting for contingencies.** We accrue for contingencies in accordance with FAS No. 5, Accounting for Contingencies, when we believe that it is probable that a liability or loss has been incurred and the amount can be reasonably estimated. Contingencies relate to uncertainties that require our judgment both in assessing whether or not a liability or loss has been incurred and in estimating the amount of the probable loss. Significant contingencies affecting our financial statements include pending or threatened litigation, including product liability claims, and product warranties.

**Product liability.** We face an inherent business risk of exposure to product liability claims arising from the alleged failure of our products to prevent the types of personal injury or death against which they are designed to protect. We accrue for our estimates of the probable costs to be incurred in the resolution of product liability claims. These estimates are based on actuarial valuations, past experience, and our judgments regarding the probable outcome of pending and threatened claims. Due to uncertainty as to the ultimate outcome of pending and threatened claims, as well as the incidence of future claims, it is possible that future results could be materially affected by changes in our assumptions and estimates related to product liability matters. Our product liability expense averaged less than 1% of net sales during the three years ended December 31, 2006.

**Product warranties.** We accrue for the estimated probable cost of product warranties at the time that sales are recognized. Our estimates are principally based on historical experience. We also accrue for our estimates of the probable costs of corrective action when significant product quality issues are identified. These estimates are principally based on our assumptions regarding the cost of corrective action and the probable number of units to be repaired or replaced. Our product warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Due to the uncertainty and potential volatility of these factors, it is possible that future results could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these matters. Our product warranty expense averaged less than 2% of net sales during the three years ended December 31, 2006.

**Income taxes.** We account for income taxes in accordance with FAS No. 109, Accounting for Income Taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. FAS No. 109 also requires that deferred tax assets be reduced by valuation allowances if it is more likely than not that some portion of the deferred tax asset will not be realized.

Effective January 1, 2007, we began accounting for uncertain tax positions in accordance with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). As a result of the adoption of FIN 48, we recognized a gross increase in the liability for unrecognized tax benefits which was accounted for as a reduction in retained earnings at January 1, 2007. We record an estimated income tax liability based on our best judgment of the amounts likely to be paid in the various tax jurisdictions in which we operate. The tax liabilities ultimately paid are dependent on a number of factors, including the resolution of tax audits, and may differ from the amounts recorded. Tax liabilities are adjusted through income when it becomes probable that the actual liability differs from the amount recorded. Because income tax laws are inherently complex and subject to various interpretations, it is possible that future results could be materially affected by changes in our assumptions and estimates related to uncertain tax positions.

**Stock based compensation.** On January 1, 2006, we adopted FAS No. 123R, Share-Based Payment, which requires that we recognize compensation expense for stock-based compensation based on the grant date fair value. Except for retirement-eligible employees, for whom there is no requisite service period, this expense is recognized ratably over the requisite service periods following the date of grant. For retirement-eligible employees, this expense is recognized at the date of grant. We elected the modified prospective application method for adoption of FAS 123R, and prior period financial statements have not been restated. Prior to January 1, 2006, we accounted for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations using the intrinsic value method, which resulted in no compensation expense for stock options granted; and we used the nominal vesting approach related to retirement-eligible employees, in which the compensation expense was recognized over the original vesting period.

Stock-based compensation grants to management and key employees are generally made during the first quarter of each year. Under the terms of our stock-based compensation plans, there is no requisite service period for individuals who are retirement-eligible. Therefore, beginning in 2006, a larger portion of stock-based compensation expense is recognized in the first quarter.

We use the Black-Scholes option pricing model to estimate fair value of stock options at the grant date. Determining the fair value of stock options requires a number of judgments, including estimates of the risk-free interest rate, expected dividend yield, expected volatility, and expected life.

**Pensions and other postretirement benefits.** We account for our pension and postretirement benefit plans as required under FAS No. 87, Employers' Accounting for Pensions, and FAS No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions. Accounting for the net periodic benefit costs and credits for these plans requires us to estimate the cost of benefits to be provided well into the future and to attribute these costs over the expected work life of the employees participating in these plans. These estimates require our judgment about discount rates used to determine these obligations, expected returns on plan assets, rates of future compensation increases, rates of increase in future health care costs, participant withdrawal and mortality rates, and participant retirement ages. Differences between our estimates and actual results may significantly affect the cost of our obligations under these plans and could cause net periodic benefit costs and credits to change materially from year-to-year. The discount rate assumptions used in determining projected benefit obligations are based on published long-term bond indices. We increased the assumed discount rates in 2006, reflecting an increase in long-term bond rates.

**Goodwill.** As required by FAS No. 142, Goodwill and Other Intangible Assets, each year we evaluate for goodwill impairment by comparing the fair value of each of our reporting units with its carrying value. If carrying value exceeds fair value, then a possible impairment of goodwill exists and requires further evaluation. We estimate the fair value of our reporting units using a combination of discounted cash flow analysis and market capitalization based on historical and projected financial information. We apply our best judgment in assessing the reasonableness of the financial projections and other estimates used to determine the fair value of each reporting unit.

## RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the FASB issued FAS No. 157, Fair Value Measurements. FAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. FAS No. 157 becomes effective on January 1, 2008. Upon adoption, the provisions of FAS No. 157 are to be applied prospectively with limited exceptions. We do not expect that the adoption of this statement will have a material effect on our consolidated results of operations or financial condition.

In February 2007, the FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. This statement permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses on these instruments in earnings. FAS No. 159 is effective as of January 1, 2008. We do not expect that the adoption of this statement will have a material effect on our consolidated results of operations or financial condition.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of adverse changes in the value of a financial instrument caused by changes in currency exchange rates, interest rates, and equity prices. We are exposed to market risks related to currency exchange rates and interest rates.

**Currency exchange rate sensitivity.** We are subject to the effects of fluctuations in currency exchange rates on various transactions and on the translation of the reported financial position and operating results of our non-U.S. companies from local currencies to U.S. dollars. A hypothetical 10% strengthening or weakening of the U.S. dollar would increase or decrease our reported sales and net income for the six months ended June 30, 2007 by approximately \$22.0 million and \$1.2 million, respectively. When appropriate, we may attempt to limit our transactional exposure to changes in currency exchange rates through contracts or other actions intended to reduce existing exposures by creating offsetting currency exposures. At June 30, 2007, contracts for the purpose of hedging cash flows were not significant.

**Interest rate sensitivity.** We are exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and fund business operations. Because of the relatively short maturities of temporary investments and the variable rate nature of industrial development debt, these financial instruments are reported at carrying values which approximate fair values.

We hold one interest rate swap agreement, which is used to hedge the fair market value on a portion of our 8.39% fixed rate long-term debt. At June 30, 2007, the swap agreement had a notional amount of \$20.0 million and a fair market value in favor of the bank of \$1.0 million. The swap will expire in 2012. The notional amount of the swap declines \$4.0 million per year beginning in 2008. A hypothetical increase of 10% in market interest rates would result in a decrease of approximately \$0.3 million in the fair value of the interest rate swap.

We have \$100.0 million of fixed rate debt which matures at various dates through 2021. The incremental increase in the fair value of fixed rate long term debt resulting from a hypothetical 10% decrease in interest rates would be approximately \$2.0 million, excluding the impact of outstanding hedge instruments. However, our sensitivity to interest rate declines and the corresponding increase in the fair value of our debt portfolio would unfavorably affect earnings and cash flows only to the extent that we elected to repurchase or retire all or a portion of our fixed rate debt portfolio at prices above carrying values.

**Item 4. CONTROLS AND PROCEDURES**

- (a) *Evaluation of disclosure controls and procedures.* Based on their evaluation as of the end of the period covered by this Form 10-Q, the Company’s principal executive officer and principal financial officer have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.
- (b) *Changes in internal control.* There were no changes in the Company’s internal control over financial reporting that occurred during the 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**

- (c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	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
April 1 – April 30, 2007	—	—	—	1,566,309
May 1 – May 30, 2007	200,000	\$ 42.76	200,000	1,336,464
June 1 – June 30, 2007	—	—	—	1,313,253

On November 2, 2005, the Board of Directors authorized the purchase of up to \$100 million of common stock from time to time in private transactions and on the open market. The share purchase program has no expiration date. The maximum shares that may yet be purchased is calculated based on the dollars remaining under the program and the respective month-end closing share price.

We do not have any other share repurchase programs.

**Item 6. EXHIBITS**

- (10)(a)\* Executive Insurance Program, as Amended and Restated Effective January 1, 2006
- (10)(b)\* 1990 Non-Employee Directors Stock Option Plan, as amended May 15, 2007
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. (S)1350

\* The exhibits marked by an asterisk are management contracts or compensatory plans or arrangements.

**SIGNATURE**

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.

August 7, 2007

MINE SAFETY APPLIANCES COMPANY

/s/ Dennis L. Zeitler

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Dennis L. Zeitler

Senior Vice President; Duly Authorized Officer and  
Principal Financial Officer

**MINE SAFETY APPLIANCES COMPANY  
EXECUTIVE INSURANCE PROGRAM**

**As Amended and Restated Effective January 1, 2006**

**Section 1—Purpose**

The purpose of the Executive Insurance Program (“EIP” or “Plan”) is to enable Mine Safety Appliances Company (the “Company”) to assist certain of the Company’s senior management employees in providing life insurance benefits for their families and dependents during their working career with the Company and to provide them with additional flexibility and post-employment benefits upon their retirement from active employment with the Company. This result is to be accomplished by substituting, for each eligible employee, all but \$50,000 of group term life insurance with individual life insurance. All of the premium cost will be paid by the Company.

**Section 2—Definitions**

The following definitions shall apply for purposes of the Plan unless another meaning is clearly required by the context.

“Beneficial Owner” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

“Beneficiary” shall mean any person, persons or entity who or which may be designated by a Participant as the recipient of any benefits to which the same may be entitled under the terms of the Plan upon the death of the Participant.

“Board” shall mean the Board of Directors of the Company as it may be constituted from time to time.

“Company” shall mean Mine Safety Appliances Company, including any subsidiaries or affiliates, or any successor thereto, except that in the definitions provided in this Section 2 of Change in Control and of Person, “Company” shall mean only the Mine Safety Appliances Company.

“Change in Control” shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates (which term shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act)) representing thirty percent (30%) or more of the combined voting power of the Company’s then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 2001, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election

of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 1, 2001 or whose appointment, election or nomination for election was previously so approved or recommended; or

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least fifty-one percent (51%) of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities; or

(IV) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least fifty-one percent (51%) of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

"Death Benefit" shall mean the gross amount payable by an Insurer under the terms of a policy issued hereunder upon the death of a Participant. A portion of the Death Benefit, referred to as the "Insurance Amount" (as listed in the "Table of Insurance Amounts" attached hereto), will be paid to the Participant's Beneficiaries and the balance paid to the Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Insurer" shall mean the Connecticut Mutual Life Insurance Company and/or any other insurance carrier selected by the Company to issue Policies hereunder and which is authorized to do business in the Commonwealth of Pennsylvania.

"Participant" shall mean any member of senior management of the Company authorized by the Board to participate in the Plan.



“**Person**” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (v) any individual or entity [including the trustees (in such capacity) of any such entity which is a trust] which is, directly or indirectly, the Beneficial Owner of securities of the Company representing five percent (5%) or more of the combined voting power of the Company’s then outstanding securities immediately before the date hereof or any Affiliate of any such individual or entity, including, for purposes of this Plan, any of the following: (A) any trust (including the trustees thereof in such capacity) established by or for the benefit of any such individual; (B) any charitable foundation (whether a trust or a corporation, including the trustees or directors thereof in such capacity) established by any such individual; (C) any spouse of any such individual; (D) the ancestors (and spouses) and lineal descendants (and spouses) of such individual and such spouse; (E) the brothers and sisters (whether by the whole or half blood or by adoption) of either such individual or such spouse; or (F) the lineal descendants (and their spouses) of such brothers and sisters.

“**Plan**” shall mean the Executive Insurance Program described herein.

“**Policy**” shall mean an insurance contract issued by an Insurer on the life of a Participant.

“**Retired Participant**” shall mean a Vested Participant who has terminated his employment with the Company on or after attainment of age 55.

“**Vested Participant**” shall mean a Participant whose combined age and service with the Company (in whole years and months) equals or exceeds 70, and as a result, shall be vested in the post-employment benefits described in Section 7.

### **Section 3—Eligibility**

Those members of management who are eligible to participate in the Executive Insurance Program shall be the Chief Executive Officer of the Company and such other key members of senior management as shall be designated from time to time by the Chief Executive Officer of the Company and approved for participation by the Board of Directors.

### **Section 4—Amount and Effective Date of Coverage**

The initial amount of life insurance coverage provided under the Plan to those selected for participation as of the effective date of the Plan shall be as described in the “Table of Insurance Amounts” attached hereto. The amount of life insurance provided to executives who are selected for participation after the effective date of the Plan shall be in an amount determined by the Chief Executive Officer and approved by the Board at the time of their selection.

The effective date of insurance coverage hereunder shall be the later of the date of the employee’s selection for participation herein or acceptance by the Insurer as a standard risk. The cancellation of a Participant’s group term life insurance in excess of \$50,000, and his actual participation in this Plan shall be conditioned upon his insurability in a standard risk category for the benefit to be provided herein or, if not insurable in a standard risk category, the acceptance by the Company of the non-standard risk category proposed by the Insurer.

The Board reserves the right to change the amount of insurance on the life of any Participant from time to time, and any such change in the level of insurance shall be effective as

of the later of the first day of the month coincident with or next following the effective date of the change or the date of acceptance by the Insurer of the new insurance amount at standard rates, or acceptance by the Company of an offer of insurance made by the Insurer at non-standard rates; provided, however, that, from and after the first date on which the combined age and service of any Participant (whether a Retired Participant or an active Participant) satisfy the Rule of 70 (as the satisfaction of such Rule is described in the definition of Retired Participant which appears in Section 2 hereof) or will have satisfied the Rule of 70 upon an assumed immediate termination of employment (as the requirements for satisfaction of such Rule may have been modified by any written Severance Agreement between the Company and such Participant), the amount of insurance on the life of such Participant (sometimes referred to in this Plan as the "Insurance Amount") cannot be decreased.

#### **Section 5—Payment for Coverage**

The cost of the applicable amount of life insurance on the life of the Participant shall be paid when due by the Company. The Company shall annually furnish each Participant with a statement of imputed income reportable by the Participant for income tax purposes as a result of the payment.

#### **Section 6—Payment of Proceeds Upon Death While Employed**

In the event of the death of the Participant while employed by the Company, the gross death benefit payable under the Policy shall be split between the Company and the Participant's Beneficiary. The Beneficiary shall receive an amount equal to the Insurance Amount and the Company shall receive the difference between the gross Death Benefit and the Insurance Amount. The amounts payable to the Company and the Beneficiary shall be paid directly to each payee by the Insurer.

#### **Section 7—Options Upon Retirement of a Participant**

Subject to Section 8 hereof, at any time prior to the year in which a Participant becomes a Retired Participant, he shall have the right to make an irrevocable election in writing of one of the following three options with respect to his Insurance Amount. If a Participant shall fail to make such an election, he shall be deemed to have elected the supplemental retirement benefit payments described in this Section 7 as Option 3.

(1) Maintain the Existing Arrangement. Under this option the Executive Insurance Program would remain as it existed prior to the Participant's retirement. For federal income tax purposes, a Retired Participant will be deemed to have received imputed income, but the Death Benefit received by the Participant's Beneficiary will not be subject to federal income tax.

(2) Company-Paid Post-Retirement Death Benefit. Alternatively, the Participant can elect not to continue the Executive Insurance Program, but in lieu thereof, can elect a non-insured post-retirement death benefit equal to the Insurance Amount in effect at the date of the Participant's retirement. Under this Option there is no imputed income for tax purposes to the Retired Participant but the Death Benefit paid to the Participant's Beneficiary by the Company will be subject to federal income tax when received.

(3) Supplemental Retirement Benefits. Rather than a continuation of the Death Benefit described in either Option 1 or Option 2 above, a Participant can elect to receive a series of supplemental retirement payments which, in the aggregate, equal three-quarters (75%) of the pre-retirement Insurance Amount except that for a Participant who will receive supplemental retirement benefits under this Section 7(3) for the first time on or after January 1, 2001, such Participant can elect to receive a series of supplemental retirement payments which, in the

aggregate, equal one hundred (100%) percent of the pre-retirement Insurance Amount. Payment of the supplemental retirement benefits shall be made in a series of approximately equal semi-monthly payments over a period of 15 years. Payment of such semi-monthly payments to the Retired Participant shall commence no later than sixty days after the Retired Participant's termination of employment with the Company.

If the Supplemental Retirement Benefits Option is elected by a Participant, and if the Retired Participant dies prior to the completion of the 15-year payment period, the then unpaid installments shall continue to be paid to the Retired Participant's Beneficiary or, at the discretion of the Board, may be commuted and paid to such Beneficiary in a single sum. In the event the Participant has not designated a Beneficiary, or if the Beneficiary does not survive the Participant, the unpaid balance of installments shall be paid in a single sum to the Participant's estate or personal representative.

#### **Section 8—Effect of a Change in Control**

Notwithstanding any other provision of this Plan, if a Vested Participant's termination of employment occurs on, or within the three-year period immediately following, a Change in Control and the Vested Participant thereupon becomes a Retired Participant within the meaning of Section 2 hereof (the determination of such Retired Participant status taking into account any relevant provision in any written Severance Agreement the Participant may have with the Company), then, not later than the fifth (5<sup>th</sup>) business day following such termination, the Company shall pay the Retired Participant a lump sum amount equal to the present value of the series of supplemental retirement payments described as Option 3 in Section 7 hereof to which the Retired Participant would otherwise be entitled if the Retired Participant had elected Option 3. The Company's payment of such lump sum shall be in lieu of making payment to the Retired Participant in accordance with any option described in Section 7 hereof. For purposes of this Section 8, such present value shall be determined using a discount rate equal to 120% of the applicable rate provided in section 1274(b)(2)(B) of the Internal Revenue Code of 1986, as amended from time to time.

#### **Section 9—Administration, Amendment, Termination**

The Board, or its delegate, shall be the "Administrator" of this Plan, and shall have full power and authority to interpret, construe and administer the same. Any such interpretation and construction shall be final and binding upon any and all parties in interest. In addition, the Board shall have the right to amend this Plan from time to time, and to terminate it at any time.

#### **Section 10—Miscellaneous Matters**

(a) No Right to Assets. No Participant, Beneficiary or other person or entity claiming entitlement to any benefit from or through such person shall have any right to or title in any policy or any other asset obtained by the Company for the purpose of funding the benefits provided hereunder except as otherwise expressly provided herein.

(b) Alienation. Except with respect to the designation of a Beneficiary to be the recipient of any death benefits hereunder, or the assignment of the incidents of ownership of any death benefits hereunder, the interest of Participants and their Beneficiaries under the Plan are not in any way subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, assigned, alienated or encumbered, and any attempt to do so shall be void.

(c) Construction. The Plan shall be construed and administered according to the laws of the Commonwealth of Pennsylvania and any federal laws which may from time to time be

applicable. Whenever any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine gender in all cases where they would apply, and whenever any words are used in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would so apply. Headings of Sections of this instrument are inserted for convenience of reference only and as such they constitute no part of this Plan and are not to be considered in the construction hereof.

(d) Limitation of Benefit. All benefits hereunder except those described in Section 8 and Options 2 and 3 of Section 7 shall be payable solely by the Insurer(s) under the Policies issued hereunder, and the Company does not assume any liability or responsibility therefor or guarantee such benefits. The liability and responsibility of the Company are strictly limited to the provisions of this Plan.

TABLE OF INSURANCE AMOUNTS

<u>Title</u>	<u>Amount</u>
Chairman	\$1,000,000
President	\$ 750,000
Vice President	\$ 600,000
Executive	\$ 300,000

**MINE SAFETY APPLIANCES COMPANY****1990 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN****(As amended May 15, 2007)**

The purposes of the 1990 Non-Employee Directors' Stock Option Plan (the "Plan") are to promote the long-term success of Mine Safety Appliances Company (the "Company") by creating a long-term mutuality of interests between the non-employee Directors and shareholders of the Company, to provide an additional inducement for such Directors to remain with the Company and to provide a means through which the Company may attract able persons to serve as Directors of the Company.

**SECTION 1  
Administration**

The Plan shall be administered by a Committee (the "Committee") appointed by the Board of Directors of the Company (the "Board") and consisting of not less than two members of the Board. The Committee shall keep records of action taken at its meetings. A majority of the Committee shall constitute a quorum at any meeting, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee, shall be the acts of the Committee.

The Committee shall interpret the Plan and prescribe such rules, regulations and procedures in connection with the operations of the Plan as it shall deem to be necessary and advisable for the administration of the Plan consistent with the purposes of the Plan. All questions of interpretation and application of the Plan, or as to stock options or restricted stock awards granted under the Plan, shall be subject to the determination of the Committee, which shall be final and binding.

Notwithstanding the above, the selection of the Directors to whom stock options and restricted stock awards are to be granted, the timing of such grants, the number of shares subject to any stock option or restricted stock award, the exercise price of any stock option, the periods during which any stock option may be exercised or a restricted stock award shall be subject to restriction and the term of any stock option shall be as hereinafter provided, and the Committee shall have no discretion as to such matters.

**SECTION 2  
Shares Available under the Plan**

The aggregate number of shares which may be issued and as to which grants of stock options and restricted stock awards may be made under the Plan is 450,000 shares of the Common Stock, without par value, of the Company (the "Common Stock"), subject to adjustment and substitution as set forth in Section 6. If any stock option granted under the Plan is cancelled by mutual consent or terminates or expires for any reason without having been exercised in full, the number of shares subject thereto shall again be available for purposes of the Plan. If shares of Common Stock are forfeited to the Corporation pursuant to the restrictions

applicable to restricted stock, the shares so forfeited shall again be available for purposes of the Plan. The shares which may be issued under the Plan may be either authorized but unissued shares or treasury shares or partly each, as shall be determined from time to time by the Board.

### **SECTION 3**

#### **Grant of Stock Options and Restricted Stock**

On the third business day following the day of each annual meeting of the shareholders of the Company (the "Grant Date"), each person who is then a member of the Board and who is not then an employee of the Company or any of its subsidiaries (a "non-employee Director") shall automatically and without further action by the Board or the Committee be granted:

(1) a "nonstatutory stock option" (i.e., a stock option which does not qualify under Section 422 of the Internal Revenue Code of 1986 (the "Code")) to purchase a number of shares of Common Stock determined by dividing 75% of the amount of the annual Director's retainer then in effect by the Grant Date per share value of the option as determined by the Company under the Black-Scholes option pricing model; and

(2) a number of restricted shares of Common Stock ("restricted stock") determined by dividing 125% of the amount of the annual Director's retainer then in effect by the Fair Market Value of a share of Common Stock on the Grant Date.

The Board may from time to time adjust the formulas for determining the amounts of the annual grants of stock options and/or restricted shares, with or without adjusting the amount of the annual Director's retainer.

The numbers of shares determined under the above formulas shall be rounded to the nearest whole share. If on any Grant Date the number of shares remaining available under the Plan is not sufficient for each non-employee Director to be granted the full number of options and shares of restricted stock provided in this Section, then the available shares shall be allocated among the options and shares of restricted stock to be granted to each non-employee Director in proportion to the amounts determined under the above formulas, disregarding any fractions of a share.

### **SECTION 4**

#### **Terms and Conditions of Stock Options**

Stock options granted under the Plan shall be subject to the following terms and conditions:

(A) The purchase price at which each stock option may be exercised (the "option price") shall be one hundred percent (100%) of the Fair Market Value per share of the Common Stock covered by the stock option on the Grant Date.

(B) The option price for each stock option shall be paid in full upon exercise and shall be payable in cash in United States dollars (including check, bank draft or money order); provided, however, that in lieu of such cash the person exercising the stock option may pay the option price in whole or in part by delivering to the Company shares of the

Common Stock having a Fair Market Value on the date of exercise of the stock option equal to the option price for the shares being purchased; except that (i) any portion of the option price representing a fraction of a share shall in any event be paid in cash and (ii) no shares of the Common Stock which have been held for less than one year may be delivered in payment of the option price of a stock option. The date of exercise of a stock option shall be determined under procedures established by the Committee, and as of the date of exercise the person exercising the stock option shall be considered for all purposes to be the owner of the shares with respect to which the stock option has been exercised. Payment of the option price with shares shall not increase the number of shares of the Common Stock which may be issued under the Plan as provided in Section 2.

(C) No stock option shall be exercisable by a grantee during the first year of its term except in case of death or Disability. Subject to the terms of Section 4(E) providing for earlier termination of a stock option, no stock option shall be exercisable after the expiration of ten years from the Grant Date. A stock option to the extent exercisable at any time may be exercised in whole or in part.

(D) No stock option shall be transferable by the grantee otherwise than by Will, or if the grantee dies intestate, by the laws of descent and distribution of the state of domicile of the grantee at the time of death. All stock options shall be exercisable during the lifetime of the grantee only by the grantee or the grantee's guardian or legal representative.

(E) Subject to Section 4(C), if a grantee ceases to be a Director of the Company for any reason, any outstanding stock options held by the grantee shall be exercisable and shall terminate according to the following provisions:

(i) If a grantee ceases to be a Director of the Company for any reason other than resignation, removal for cause or death, any then outstanding stock option held by such grantee shall be exercisable by the grantee (whether or not exercisable by the grantee immediately prior to ceasing to be a Director) at any time prior to the expiration date of such stock option or within five years after the date the grantee ceases to be a Director, whichever is the shorter period;

(ii) If during his term of office as a Director a grantee resigns from the Board or is removed from office for cause, any outstanding stock option held by the grantee which is not exercisable by the grantee immediately prior to resignation or removal shall terminate as of the date of resignation or removal, and any outstanding stock option held by the grantee which is exercisable by the grantee immediately prior to resignation or removal shall be exercisable by the grantee at any time prior to the expiration date of such stock option or within 90 days after the date of resignation or removal, whichever is the shorter period;

(iii) Following the death of a grantee during service as a Director of the Company, any outstanding stock option held by the grantee at the time of death (whether or not exercisable by the grantee immediately prior to death) shall be exercisable by the person entitled to do so under the Will of the grantee, or, if the



grantee shall fail to make testamentary disposition of the stock option or shall die intestate, by the legal representative of the grantee at any time prior to the expiration date of such stock option or within five years after the date of death, whichever is the shorter period;

(iv) Following the death of a grantee after ceasing to be a Director and during a period when a stock option is exercisable, any outstanding stock option held by the grantee at the time of death shall be exercisable by such person entitled to do so under the Will of the grantee or by such legal representative (but only to the extent the stock option was exercisable by the grantee immediately prior to the death of the grantee) within one year after the date of death or, if applicable, within the period provided in Section 4(E)(i), whichever is the longer period, but not later than the expiration date of such stock option.

A stock option held by a grantee who has ceased to be a Director of the Company shall terminate upon the expiration of the applicable exercise period, if any, specified in this Section 4(E).

(F) All stock options shall be confirmed by an agreement, or an amendment thereto, which shall be executed on behalf of the Company by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee.

(G) The obligation of the Company to issue shares of the Common Stock under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Company, (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock shares may then be listed and (iii) all other applicable laws, regulations, rules and orders which may then be in effect.

Subject to the foregoing provisions of this Section 4 and the other provisions of the Plan, any stock option granted under the Plan may be subject to such restrictions and other terms and conditions, if any, as shall be determined, in its discretion, by the Committee and set forth in the agreement referred to in Section 4(F), or an amendment thereto.

## **SECTION 5**

### **Terms and Conditions of Restricted Stock**

Restricted stock awards granted under the Plan shall be subject to the following terms and conditions:

(A) As of the Grant Date of the restricted stock award, certificates representing the shares of restricted stock shall be issued in the name of the Director and held by the Company in escrow until the earlier of the forfeiture of the shares of restricted stock to the Company or the lapse of the service restriction with respect to such shares. The Director shall execute and deliver to the Company a blank stock power in form

acceptable to the Company with respect to each of the certificates representing the shares of restricted stock. Such stock power shall be returned to the Director if the service restriction lapses with respect to the shares to which the stock power relates.

(B) The Director shall not sell, exchange, assign, alienate, pledge, hypothecate, encumber, charge, give, transfer or otherwise dispose of, either voluntarily or by operation of law, any shares of restricted stock, or any rights or interests appertaining thereto, prior to the lapse of the service restriction imposed thereon and the issuance or transfer to the Director of certificates with respect to such shares, except that, subject to the provisions of Section 5(F), shares of restricted stock may be transferred by the Director by Will or, if the Director dies intestate, by the laws of descent and distribution of the state of domicile of the Director at the time of death.

(C) As of the Grant Date, the Director shall be a shareholder of the Company with respect to the restricted stock and shall have all the rights of a shareholder with respect to the restricted stock, including the right to vote the restricted stock and to receive all dividends and other distributions paid with respect to such restricted stock, subject to the restrictions of the Plan and the restricted stock agreement, including without limitation the restriction that, with the exception of dividends and distributions payable in cash, all dividends and distributions on the restricted stock, whether paid in Common Stock or other securities or property will be held in escrow subject to the same restrictions as the restricted stock.

(D) If the Director's service as a Director of the Company terminates for any reason, other than as a result of the Director's death, Disability or Retirement, prior to the date of the third Annual Meeting of Shareholders of the Company following the Grant Date, then 100% of the shares of restricted stock awarded on the Grant Date shall, upon such termination of service and without any further action, be forfeited to the Company by the Director and cease to be issued and outstanding shares of Common Stock.

If the Director remains a Director of the Company until the date of the third Annual Meeting following the Grant Date and the shares of restricted stock have not been previously forfeited to the Company pursuant to Section 5(E), the service restriction on 100% of the shares of restricted stock originally awarded on that Grant Date shall lapse, and a certificate representing such shares shall be issued or transferred by the Company to the Director. If the Director's service with the Company or a Subsidiary terminates as a result of the Director's death, Disability or Retirement, the service restriction imposed on any shares of restricted stock set forth above which have not been previously forfeited to the Company pursuant to Section 5(E) and on which the service restriction has not previously lapsed shall lapse, and a certificate representing such shares shall be issued or transferred by the Company to the Director (or the Director's personal representative).

(E) Following the lapse of the service restriction on shares of restricted stock and the issuance or transfer of certificates representing such shares (and subject to Section 5(G) hereof), the Director shall not sell, exchange, assign, alienate, pledge, hypothecate, encumber, charge, give, transfer or otherwise dispose of ("transfer"), either voluntarily or by operation of law, any such shares or any rights or interests appertaining

thereto and, in the case of death of the Director, the Director's personal representative shall not transfer such shares or any such rights or interests in accordance with the Director's Will, or if the Director dies intestate, with the laws of descent and distribution, without first offering to sell such shares to the Company at a price equal to the Fair Market Value of the shares on the date of the mailing of the offer by the Director (or the Director's personal representative) to the Company. The Director (or within 90 days of the Director's death, the Director's personal representative) shall offer such shares to the Company for a period of 30 days by giving written notice by certified mail to the Company at its principal executive offices to the attention of its Vice President—Finance. Such offer may be accepted by the Company by delivering written notice of acceptance to the Director (or the Director's personal representative) by certified mail during the 30-day period during which the offer remains open. The date such notice is postmarked shall be deemed the date of acceptance. The purchase of the restricted stock shall be consummated, and payment in full for the shares purchased shall be made, at the principal executive offices of the Company in the United States on such date and at such time as may be reasonably designated by the Company in such written notice delivered to the Director (or the Director's personal representative), but not later than 30 days following the date of such written notice. Upon receipt of the purchase price, the Director (or the Director's personal representative) shall assign, transfer and deliver to the Company the certificates for the purchased restricted stock, duly endorsed, with all necessary stock transfer tax stamps duly affixed, together with any and all of the documents required effectively to transfer such restricted stock. If the Company does not accept the offer of the Director (or the Director's personal representative) within the required period, the Director (or the Director's personal representative) may transfer the restricted stock so offered, and such restricted stock shall no longer be subject to the Company's right of first refusal. If, at the date of death of the Director, the Director has previously offered shares to the Company pursuant to this Section 5(F) and the Company did not accept such offer, the Director's personal representative may transfer such shares without again offering such shares to the Company pursuant to this Section 5(F).

(F) Each certificate representing shares of restricted stock shall have noted on the face of such certificate the following legend:

“Notice is hereby given that the shares of stock represented by this certificate are held subject to, and may not be transferred except in accordance with, the Mine Safety Appliances Company 1990 Non-Employee Directors' Stock Option Plan and a restricted stock agreement executed thereunder, copies of which are on file at the office of Mine Safety Appliances Company.”

(G) All restricted stock awards shall be confirmed by an agreement, or an amendment thereto, which shall be executed on behalf of the Company by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee.

Subject to the foregoing provisions of this Section 5 and the other provisions of the Plan, any restricted stock award granted under the Plan may be subject to such additional restrictions and

other terms and conditions, if any, as shall be determined, in its discretion, by the Committee and set forth in the agreement referred to in Section 5(G), or an amendment thereto.

## **SECTION 6**

### **Adjustment and Substitution of Shares**

If a dividend or other distribution shall be declared upon the Common Stock payable in shares of the Common Stock, the number of shares of the Common Stock set forth in Section 3, the number of shares of the Common Stock then subject to any outstanding stock options and the number of shares of the Common Stock which may be issued under the Plan but are not then subject to outstanding stock options or restricted stock awards shall be adjusted by adding thereto the number of shares of the Common Stock which would have been distributable thereon if such shares had been outstanding on the date fixed for determining the shareholders entitled to receive such stock dividend or distribution. Shares of Common Stock so distributed with respect to any restricted stock held in escrow shall also be held by the Company in escrow and shall be subject to the same restrictions as are applicable to the shares of restricted stock on which they were distributed.

If the outstanding shares of the Common Stock shall be changed into or exchangeable for a different number or kind of shares of stock or other securities of the Company or another corporation, or cash or other property, whether through reorganization, reclassification, recapitalization, stock split-up, combination of shares, merger or consolidation, then there shall be substituted for each share of the Common Stock set forth in Section 3, for each share of the Common Stock subject to any then outstanding stock option, and for each share of the Common Stock which may be issued under the Plan but which is not then subject to any outstanding stock option or restricted stock award, the number and kind of shares of stock or other securities (and in the case of outstanding options, the cash or other property) into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchangeable. Unless otherwise determined by the Committee in its discretion, any such stock or securities, as well as any cash or other property, into or for which any restricted stock held in escrow shall be changed or exchangeable in any such transaction shall also be held by the Company in escrow and shall be subject to the same restrictions as are applicable to the restricted stock in respect of which such stock, securities, cash or other property was issued or distributed.

Subject to any required action by the Company's shareholders, upon the occurrence of any other event which affects the outstanding shares of Common Stock in such a way that an adjustment of outstanding awards is appropriate in order to prevent the dilution or enlargement of rights under the awards (including, without limitation, any extraordinary dividend or other distribution, whether in cash or in kind), the Committee shall make appropriate equitable adjustments, which may include, without limitation, adjustments to any or all of the number and kind of shares (or other securities) which may thereafter be issued in connection with such outstanding awards and adjustments to the exercise price of outstanding stock options and shall also make appropriate equitable adjustments to the number and kind of shares (or other securities) authorized by or to be granted under the Plan.

In case of any adjustment or substitution as provided for in this Section 6, the aggregate option price for all shares subject to each then outstanding stock option prior to such adjustment

or substitution shall be the aggregate option price for all shares of stock or other securities (including any fraction) to which such shares shall have been adjusted or which shall have been substituted for such shares. Any new option price per share shall be carried to at least three decimal places with the last decimal place rounded upwards to the nearest whole number.

No adjustment or substitution provided for in this Section 6 shall require the Company to issue or sell a fraction of a share or other security. Accordingly, all fractional shares or other securities which result from any such adjustment or substitution shall be eliminated and not carried forward to any subsequent adjustment or substitution.

#### **SECTION 7**

##### **Effect of the Plan on the Rights of Company and Shareholders**

Nothing in the Plan, in any stock option or restricted stock award granted under the Plan, or in any stock option or restricted stock agreement shall confer any right to any person to continue as a Director of the Company or interfere in any way with the rights of the shareholders of the Company or the Board of Directors to elect and remove Directors.

#### **SECTION 8**

##### **Amendment and Termination**

The right to amend the Plan at any time and from time to time and the right to terminate the Plan at any time are hereby specifically reserved to the Board; provided always that no such termination shall terminate any outstanding stock options granted under the Plan; and provided further that no amendment of the Plan shall (a) be made without shareholder approval if shareholder approval of the amendment is at the time required for stock options under the Plan to qualify for the exemption from Section 16(b) of the Exchange Act provided by Rule 16b-3 or by the rules of the NASDAQ National Market System or any stock exchange on which the Common Stock may then be listed or (b) otherwise amend the Plan in any manner that would cause stock options or restricted stock awards under the Plan not to qualify for the exemption provided by Rule 16b-3. No amendment or termination of the Plan shall, without the written consent of the holder of a stock option or restricted stock award theretofore awarded under the Plan, adversely affect the rights of such holder with respect thereto.

Notwithstanding anything contained in the preceding paragraph or any other provision of the Plan or any stock option or restricted stock agreement, the Board shall have the power to amend the Plan in any manner deemed necessary or advisable for stock options and restricted stock awards granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the Exchange Act), and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding stock options and restricted stock awards theretofore granted under the Plan notwithstanding any contrary provisions contained in any stock option or restricted stock agreement. In the event of any such amendment to the Plan, the holder of any stock option or restricted stock award outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability of such option or the retention of such restricted stock award, execute a conforming amendment in the form prescribed by the Committee to the stock option

agreement or the restricted stock agreement, as the case may be, within such reasonable time as the Committee shall specify in such request.

**SECTION 9**  
**Effective Date and Duration of Plan**

The effective date and date of adoption of the Plan shall be December 17, 1990, the date of adoption of the Plan by the Board, provided that on or prior to December 31, 1991 such adoption of the Plan by the Board is approved by the affirmative vote of the holders of at least a majority of the outstanding shares of voting stock of the Company represented in person or by proxy at a duly called and convened meeting of such holders. Notwithstanding any other provision contained in the Plan, no stock option granted under the Plan may be exercised until after such shareholder approval.

**SECTION 10**  
**Change in Control**

Notwithstanding any other provision of the Plan to the contrary, immediately prior to any Change in Control of the Company (as defined in Section 11), all stock options which are then outstanding hereunder shall become fully vested and exercisable, and all restrictions with respect to shares of restricted stock awarded hereunder shall lapse, and such shares shall be fully vested and nonforfeitable. As used in the immediately preceding sentence, "immediately prior" to the Change in Control shall mean sufficiently in advance of the Change in Control to permit the grantee to take all steps reasonably necessary to exercise the option fully and to deal with the shares purchased under the option and the restricted stock released from restriction so that those shares may be treated in the same manner in connection with the Change in Control as the shares of Common Stock of other shareholders.

**SECTION 11**  
**Definitions**

In addition to terms defined elsewhere herein, as used in the Plan:

Beneficial Owner shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

A Change in Control shall be deemed to have occurred if the event set forth in any one of the following four paragraphs shall have occurred:

(I) any Person (as defined in this Section 11) is or becomes the Beneficial Owner (as defined in this Section 11), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates (which term shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act, as defined in this Section 11)) representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a

Beneficial Owner in connection with a transaction described in clause (I) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of Directors then serving: individuals who, on May 5, 1998, constitute the Board and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of Directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors on May 5, 1998 or whose appointment, election or nomination for election was previously so approved or recommended; or

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (I) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least fifty-one percent (51%) of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities; or

(IV) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least fifty-one percent (51%) of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

Disability shall mean that the Director is disabled within the meaning of Section 22(e)(3) of the Code. Whether a grantee is so disabled shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

Exchange Act shall mean the Securities and Exchange Act of 1934, as amended from time to time.

Fair Market Value of the Common Stock shall be the mean between the following prices, as applicable, for the date as of which Fair Market Value is to be determined as quoted in The Wall Street Journal (or in such other reliable publication as the Committee, in its discretion, may determine to rely upon): (a) if the Common Stock is listed on the New York Stock Exchange, the highest and lowest sales prices per share of the Common Stock as quoted in the NYSE-Composite Transactions listing for such date, (b) if the Common Stock is not listed on such exchange, the highest and lowest sales prices per share of Common Stock for such date on (or on any composite index including) the principal United States securities exchange registered under the Exchange Act on which the Common Stock is listed, or (c) if the Common Stock is not listed on any such exchange, the highest and lowest sales prices per share of the Common Stock for such date on the National Association of Securities Dealers Automated Quotations System or any successor system then in use ("NASDAQ"). If there are no such sale price quotations for the date as of which Fair Market Value is to be determined but there are such sale price quotations within a reasonable period both before and after such date, then Fair Market Value shall be determined by taking a weighted average of the means between the highest and lowest sales prices per share of the Common Stock as so quoted on the nearest date before and the nearest date after the date as of which Fair Market Value is to be determined. The average should be weighted inversely by the respective numbers of trading days between the selling dates and the date as of which Fair Market Value is to be determined. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which Fair Market Value is to be determined, then Fair Market Value of the Common Stock shall be the mean between the bona fide bid and asked prices per share of Common Stock as so quoted for such date on NASDAQ, or if none, the weighted average of the means between such bona fide bid and asked prices on the nearest trading date before and the nearest trading date after the date as of which Fair Market Value is to be determined, if both such dates are within a reasonable period. The average is to be determined in the manner described above in this paragraph. If the Fair Market Value of the Common Stock cannot be determined on the basis previously set forth in this paragraph for the date as of which Fair Market Value is to be determined, the Committee shall in good faith determine the Fair Market Value of the Common Stock on such date. Fair Market Value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

Person shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (v) any individual or entity [including the trustees (in such capacity) of any such entity which is a trust] which is, directly or indirectly, the Beneficial Owner of securities of the Company representing five percent (5%) or more of the combined voting power of the Company's then outstanding securities immediately before the date hereof or any Affiliate of any such individual or entity, including, for purposes of this Plan, any of the following: (A) any trust (including the trustees thereof in such capacity) established by or for the



benefit of any such individual; (B) any charitable foundation (whether a trust or a corporation, including the trustees or directors thereof in such capacity) established by any such individual; (C) any spouse of any such individual; (D) the ancestors (and spouses) and lineal descendants (and spouses) of such individual and such spouse; (E) the brothers and sisters (whether by the whole or half blood or by adoption) of either such individual or such spouse; or (F) the lineal descendants (and their spouses) of such brothers and sisters.

Retirement shall mean a termination of a Director's service on the Board on or after the date that (1) the Director has completed least 5 years of service as a Director and (2) the Director's combined age and service as a Director satisfy the "Rule of 75." The "Rule of 75" shall be satisfied when the sum of the Director's age (measured in full and partial years, in increments of one-twelfth (1/12) year) and the Director's years of service as a Director (measured in full and partial years, in increments of one-twelfth (1/12) year) equals or exceeds 75.

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)

I, John T. Ryan III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mine Safety Appliances Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 7, 2007

/s/ John T. Ryan III

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John T. Ryan III  
Chief Executive Officer

## CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)

I, Dennis L. Zeitler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mine Safety Appliances Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 7, 2007

/s/ Dennis L. Zeitler

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Dennis L. Zeitler  
Chief Financial Officer

## CERTIFICATION

Pursuant to 18 U.S.C. (S) 1350, the undersigned officers of Mine Safety Appliances Company (the "Company"), hereby certify, to the best of their knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (the "Report") fully complies with the requirements of Section 13 (a) or 15 (d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 7, 2007

/s/ John T. Ryan III

John T. Ryan III  
Chief Executive Officer

/s/ Dennis L. Zeitler

Dennis L. Zeitler  
Chief Financial Officer