

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended March 31, 1998

Commission File No. 0-2504

MINE SAFETY APPLIANCES COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania

25-0668780

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

121 Gamma Drive  
RIDC Industrial Park  
O'Hara Township  
Pittsburgh, Pennsylvania

15238

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 412/967-3000

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

As of April 30, 1998, there were outstanding 5,037,375 shares of common stock without par value, including 598,480 shares held by the Mine Safety Appliances Company Stock Compensation Trust.

PART I FINANCIAL INFORMATION  
MINE SAFETY APPLIANCES COMPANY  
CONSOLIDATED CONDENSED BALANCE SHEET  
(Thousands of dollars, except shares data)

	March 31 1998	December 31 1997
<b>ASSETS</b>		
Current assets		
Cash	\$ 5,514	\$ 5,264
Temporary investments, at cost plus accrued interest	17,870	14,657
Accounts receivable, less allowance (1998 - \$3,778; 1997 - \$3,704)	91,212	91,388
Inventories:		
Finished products	36,264	36,626
Work in process	13,319	13,772
Raw materials and supplies	28,591	30,668
	-----	-----
Total inventories	78,174	81,066
	-----	-----
Other current assets	27,998	27,238
	-----	-----
Total current assets	220,768	219,613
	-----	-----
Property, plant and equipment	358,571	354,649
Accumulated depreciation	(201,755)	(199,465)
	-----	-----
Net property	156,816	155,184
	-----	-----
Other assets	30,762	31,607
	-----	-----
TOTALS	\$ 408,346	\$ 406,404
	=====	=====
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Notes and accounts payable	\$ 61,791	\$ 55,990
Federal, foreign, state and local income taxes	5,067	4,089
Other current liabilities	42,792	43,161
	-----	-----
Total current liabilities	109,650	103,240
	-----	-----
Long-term debt	11,981	12,270
Noncurrent liabilities (principally employee/retiree benefits) and deferred credits	44,569	49,445
Shareholders' equity		
Preferred stock, 4-1/2% cumulative - authorized 100,000 shares of \$50 par value; issued 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 20,000,000 shares of no par value; issued 6,779,231 and 6,779,231 (outstanding 4,447,812 and 4,455,915)	12,296	12,297
Cumulative translation adjustments	(8,618)	(5,744)
Minimum Pension Liability Adjustment	(538)	(538)
Retained earnings	347,629	343,534
Common Stock Compensation Trust (599,170 and 600,000 shares)	(28,161)	(28,200)
Less treasury shares, at cost:		
Preferred - 49,313 and 49,313 shares	(1,595)	(1,595)
Common - 1,732,249 and 1,723,316 shares	(82,436)	(81,874)
	-----	-----
Total shareholders' equity	242,146	241,449
	-----	-----
TOTALS	\$ 408,346	\$ 406,404
	=====	=====

MINE SAFETY APPLIANCES COMPANY  
CONSOLIDATED CONDENSED STATEMENT OF INCOME

(Thousands of dollars, except earnings per share and shares outstanding)

	Three Months Ended March 31	
	1998	1997
Net sales	\$ 122,145	\$ 113,473
Other income	381	1,026
	-----	-----
	122,526	114,499
	-----	-----
Costs and expenses		
Cost of products sold	77,227	70,399
Selling, general and administrative	30,379	32,108
Depreciation	4,981	5,389
Interest	646	411
Currency exchange losses	147	71
	-----	-----
	113,380	108,378
	-----	-----
Income from operations before income taxes	9,146	6,121
Income taxes	3,658	2,517
	-----	-----
Net income	\$ 5,488	\$ 3,604
	=====	=====
Basic earnings per common share	\$ 1.23	\$ 0.78
	=====	=====
Diluted earnings per common share	\$ 1.23	\$ 0.78
	=====	=====

MINE SAFETY APPLIANCES COMPANY  
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS  
(Thousands of dollars)

	Three Months Ended March 31	
	1998	1997
<b>OPERATING ACTIVITIES</b>		
Income from operations	\$ 5,488	\$ 3,604
Depreciation	4,981	5,389
Deferred taxes, pensions, and other non-cash charges/(credits)	(5,967)	(1,509)
Changes in operating assets and liabilities	579	8,140
Other - principally currency exchange adjustments	(358)	(4,123)
	-----	-----
Cash flow from operating activities	4,723	11,501
	-----	-----
<b>INVESTING ACTIVITIES</b>		
Property additions	(7,256)	(7,857)
Property disposals	31	135
Other investing	(589)	(232)
	-----	-----
Cash flow from investing activities	(7,814)	(7,954)
	-----	-----
<b>FINANCING ACTIVITIES</b>		
Additions to long-term debt	7	23
Reductions of long-term debt	(344)	(453)
Changes in notes payable and short term debt	11,117	12,896
Cash dividends	(1,393)	(1,623)
Company stock purchases and sales	(524)	(1,347)
	-----	-----
Cash flow from financing activities	8,863	9,496
	-----	-----
Effect of exchange rate changes on cash	(2,309)	(1,996)
	-----	-----
Increase in cash and cash equivalents	3,463	11,047
Beginning cash and cash equivalents	19,921	25,096
	-----	-----
Ending cash and cash equivalents	\$ 23,384	\$ 36,143
	=====	=====

**Note 1 - Basis of Presentation**

The accompanying unaudited consolidated condensed financial statements include all adjustments, consisting of only normal recurring adjustments, which are, in the opinion of management of the registrant, necessary for a fair statement of the operating results for the three-month periods ended March 31, 1998 and 1997. These financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and changes in cash flows in conformity with generally accepted accounting principles.

**Note 2 - Earnings per Share**

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

	1998	1997
Net income	\$ 5,488	\$ 3,604
Preferred stock dividends declared	12	0
	-----	-----
Income available to common shareholders	5,476	3,604
	-----	-----
Basic shares outstanding	4,452	4,598
Stock options	10	8
	-----	-----
Diluted shares outstanding	4,462	4,606
	-----	-----

Antidilutive stock options

2

2

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Note 3 - Comprehensive Income

Comprehensive income/(loss) was \$2,614,000 and \$(1,660,000) for the three months ended March 31, 1998 and 1997, respectively. Comprehensive income includes net income and changes in accumulated other comprehensive income, primarily cumulative translation adjustments, for the period.

MINE SAFETY APPLIANCES COMPANY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated sales for the first quarter of 1998 were \$122,145,000 compared with \$113,473,000 for the first quarter of 1997. Net income in the first quarter of 1998 was \$5,488,000, or \$1.23 per share, compared with \$3,604,000, or 78 cents per share, for the same period last year.

Sales improvements occurred in U.S. operations, reflecting stronger sales in domestic and export safety equipment markets and continued growth in the specialty chemicals business. First quarter invoicing from U.S. operations improved at double-digit percentage rates compared to the previous year. Incoming orders in 1998 were also strong at dollar levels comparable to invoicing. The 1998 improvement in invoicing was particularly meaningful because the 1997 first quarter invoicing level lagged that of incoming orders. As 1997 progressed, the two measures converged.

Invoicing by European operations declined in local currency and sales as reported in U.S. dollars were reduced further by adverse exchange rate effects. European incoming order levels, however, did show some encouraging improvements on a local currency basis. Overall sales in other international operations were similar to prior year levels.

Higher earnings for the quarter were largely due to sales improvements in U.S. operations combined with cost discipline. Gross margins were somewhat lower, particularly in specialty chemicals, due in part to changes in the product mix.

Earnings from European operations, particularly in Germany, remained weak and disappointing. Several significant internal task forces are currently working on initiatives to improve MSA's European performance. The balance of MSA's international operations were adversely impacted on a direct and indirect basis by the economic difficulties of East Asia.

The 1998 results include a \$4 million pre-tax pension settlement gain. This gain resulted from settling remaining pension liabilities to participants from the Esmond, Rhode Island Plant, which was closed in 1997. Restructuring charges in anticipation of this closing were taken by the company in the fourth quarter of 1996. Costs of relocating production to other plants were recorded in 1997 and were largely offset by related pension gains. Additionally, a before-tax charge of \$1.6 million was recorded in the current quarter to complete the recall of self-contained self-rescuers by Auergesellschaft, MSA's German operation. Pre-tax earnings before recognition of the pension settlement gain and recall provision were higher than the prior year by over 10%.

The improvement of 1998 results over the first quarter of 1997 gives some satisfaction, particularly the gains in operating income prior to the special items. In many ways MSA is seeing the results of initiatives that the company has taken over the last several years. Incoming order levels in the U.S. and Europe were encouraging, although this has not gone on long enough to constitute a true trend. Improved sales and earnings by U.S. operations have more than offset weakness in international operations. The impact, direct and indirect, of the Asian economic difficulties will continue to challenge MSA as the year goes on, and last year's first quarter results were an easier target for comparison than subsequent quarters. MSA is actively engaged in measures to continue to improve overall performance. These efforts, particularly the initiatives in Europe and at Auergesellschaft, are of prime importance in reaching the company's goals. Fulfillment of these projects may entail expenses which will be recognized when their extent can be established.

While effort and uncertainty lie ahead, MSA continues to pursue its goals and its plan for the year, which includes improved sales and earnings from ongoing operations in 1998.

Currency exchange adjustments charged directly to the equity cumulative translation adjustments account are shown below. Significant first quarter 1998 translation losses relate primarily to Germany. Significant first quarter 1997 translation losses relate primarily to Germany and Italy.

	Three Months Ended	
	March 31	
	1998	1997
	(Thousands of dollars)	
Translation gains/(losses)	(2,874)	(5,264)

Available credit facilities along with internal cash resources are adequate to provide for ensuing capital requirements. The company's financial position and liquidity continue to be adequate. The current ratio and term debt in relation

to capital as of March 31, 1998 were 2.0 and 5.2%, respectively, as compared to 2.1 and 5.4% at December 31, 1997.

PART II OTHER INFORMATION  
MINE SAFETY APPLIANCES COMPANY

Item 1. Legal Proceedings

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(10)(a)1998 Management Share Incentive Plan, incorporated herein by reference to Annex A to registrant's Definitive Proxy Statement filed March 25, 1998 for its 1998 Annual Meeting.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MINE SAFETY APPLIANCES COMPANY

Date: May 11, 1998

By

S/James E. Herald

James E. Herald  
Vice President - Finance;  
Principal Financial and  
Accounting Officer





THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MARCH 1998 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

3-MOS		
	DEC-31-1998	
	MAR-31-1998	
		5,514
		17,870
		94,990
		(3,778)
		78,174
		27,998
		358,571
		(201,755)
		408,346
109,650		
		11,981
		0
		3,569
		12,296
		226,281
408,346		
		122,145
		122,526
		77,227
		82,208
		147
		0
		646
		9,146
		3,658
5,488		
		0
		0
		0
		5,488
		1.23
		1.23