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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999     Commission file number 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<br>RIDC Industrial Park<br>O'Hara Township<br>Pittsburgh, Pennsylvania | 15238 |
| (Address of principal executive offices) | (Zip Code) |

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, no par value | American Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

Preferred Stock Purchase Rights

(Title of Class)

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 X     No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in the definitive proxy statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of February 25, 2000, there were outstanding 4,857,673 shares of common stock, no par value, including 567,630 shares held by the Mine Safety Appliances Company Stock Compensation Trust. Total market value of outstanding voting stock as of February 25, 2000 was $305,450,478. The aggregate market value of voting stock held by non-affiliates as of February 25, 2000 was $159,731,109.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been incorporated by reference:

| DOCUMENT | FORM 10-K PART NUMBER |
|---|---|
| (1) Annual Report to Shareholders for the year ended December 31, 1999 | I, II, IV |
| (2) Proxy Statement filed pursuant to Regulation 14A in connection with the registrant's Annual Meeting of Shareholders to be held on May 10, 2000 | III |

PART I

## Item 1. Business

### Operating Segments:

The company is organized into three geographic operating segments - United States, Europe and Other non-U.S. Further information with respect to the registrant's operating segments is reported at Note 7 of Notes to Consolidated Financial Statements contained in the registrant's Annual Report to Shareholders for the year ended December 31, 1999, incorporated herein by reference.

### Products and Markets:

The primary business of the registrant and its affiliated companies is the manufacture and sale of products designed to protect the safety and health of workers throughout the world.

Principal products include respiratory protective equipment that is air-purifying, air-supplied and self-contained in design. The registrant also produces instruments that monitor and analyze workplace environments and control industrial processes. Personal protective products include head, eye and face, body and hearing protectors. Many of these products are sold under the registered trademark "MSA", and have wide application for workers in industries that include manufacturing, fire service, power generation, telecommunications, mining, chemicals, petroleum, construction, pulp and paper processing, transportation, government, automotive, aerospace, asbestos abatement, and hazardous materials clean-up.

Other products manufactured and sold, which do not fall within the category of safety and health equipment, include boron-based and other specialty chemicals. Additional information concerning the registrant's products is reported at Note 7 of Notes to Consolidated Financial Statements contained in the registrant's Annual Report to Shareholders for the year ended December 31, 1999, incorporated herein by reference.

The registrant and its affiliated companies are in competition with many large and small enterprises. For most of the registrant's products and in most markets, principal methods of competition include product features, quality and price. In the opinion of management, the registrant is a leader in the manufacture of safety and health equipment.

Orders, except under contracts with U.S. government agencies, are generally filled promptly after receipt and the production period for special items is usually less than one year. The year-end backlog of orders under contracts with U.S. government agencies was $10,225,000 in 1999, $18,265,000 in 1998 and $19,600,000 in 1997. Approximately $1,025,000 under contracts with U.S. government agencies is expected to be shipped after December 31, 2000.

Sales of products to U.S. government agencies increased in 1999; however, incoming orders were lower than shipments in 1999, and were slightly lower than 1998 incoming orders. The company's business is not dependent upon a single customer or group of related customers, the loss of which would have a material adverse effect on the registrant's results.

## Research:

The registrant and its affiliated companies engage in applied research with a view to developing new products and new applications for existing products. Most of the products are designed and manufactured to meet currently applicable performance and test standards published by groups such as ANSI (American National Standards Institute), MSHA (Mine Safety & Health Administration), NIOSH (National Institute for Occupational Safety and Health), UL (Underwriters' Laboratories), SEI (Safety Equipment Institute), FM (Factory Mutual), CEN (European Committee for Standardization) and CSA (Canadian Standards Association). The registrant also from time to time engages in research projects for others such as the Bureau of Mines and the Department of Defense or its prime contractors. Registrant-sponsored research and development costs were $17,097,000 in 1999, $17,415,000 in 1998, and $16,668,000 in 1997.

In the aggregate, patents have represented an important element in building the business of the registrant and its affiliates, but in the opinion of management no one patent or group of patents is of material significance to the business as presently conducted.

## General:

The company was founded in 1914 and is headquartered in Pittsburgh, Pennsylvania. As of December 31, 1999, the registrant and its affiliated companies had approximately 4,100 employees, of which 2,200 were employed by international affiliates. None of the U.S. employees are subject to the provisions of a collective bargaining agreement.

In the United States and in those countries in which the registrant has affiliates, its products are sold by its own salespersons, independent distributors and/or manufacturers' representatives. In international countries where the registrant has no affiliate, products are sold primarily through independent distributors located in those countries.

The registrant is cognizant of environmental responsibilities and has taken affirmative action regarding this responsibility. There are no current or expected legal proceedings or expenditures with respect to environmental matters which would materially affect the operations of the registrant and its affiliates.

Generally speaking, the operations of the registrant and its affiliates are such that it is possible to maintain sufficient inventories of raw materials and component parts on the manufacturing premises.

Equipment and machinery for processing chemicals and rubber, plastic injection molding equipment, molds, metal cutting, stamping and working equipment, assembly fixtures and similar items are regularly acquired, repaired or replaced in the ordinary course of business at prevailing market prices as necessary.

Further information about the registrant's business is included in Management's Discussion and Analysis at pages 12 to 15 of the Annual Report to Shareholders, incorporated herein by reference.

Executive Officers:

| Name | Age | All Positions and Offices Presently Held |
| --- | --- | --- |
| J. T. Ryan III | 56 | Chairman and Chief Executive Officer |
| T. B. Hotopp | 58 | President |
| J. H. Baillie | 53 | Vice President |
| J. M. Barendt | 40 | Vice President |
| J. A. Bigler | 50 | Vice President |
| D. H. Cuozzo | 66 | Vice President and Secretary |
| B. V. DeMaria | 52 | Vice President |
| J. E. Herald | 58 | Vice President - Finance (Chief Financial Officer) |
| W. M. Lambert | 41 | Vice President |
| G. W. Steggles | 65 | Senior Vice President |
| D. L. Zeitler | 51 | Vice President and Treasurer |

All the executive officers have been employed by the registrant since prior to January 1, 1995 and have held their present positions since prior to that date except as follows:

(a) Mr. Hotopp was elected President on December 18, 1996. Prior to that time, he was Senior Vice President and General Manager, Safety Products.

(b) Mr. Baillie was employed by the registrant on January 21, 1999 and was elected Vice President. From prior to January 1, 1995 until October 8, 1996, he was Vice President, Europe of Teledyne Industries International. Until November 1, 1997, he was Executive Vice President of Sylvania Lighting International.

(c) Mr. Barendt was elected Vice President on January 9, 1998. From prior to January 1, 1995 until April 1996, he was Manager, Research and Development at the Company's Callery Chemical Division. From April 1996 until December 1996, he was Acting General Manager of Callery Chemical Division. From December 1996, he was General Manager of the Callery Chemical Division.

(d) Mr. Bigler was elected Vice President on January 9, 1998. Prior to that time, he was Director of Sales.

(e) Mr. Cuozzo was elected Vice President on April 27, 1995.

(f) Mr. DeMaria was elected Vice President on January 9, 1998. Prior to that time, he was Director, Human Resources.

(g) Mr. Lambert was elected Vice President on January 9, 1998. From prior to January 1, 1995 until March 1995, he was a Senior Product Line Manager. From March 1995 until August 1996, he was Marketing Manager. From August 1996 until December 1996, he was Director of Marketing. From December 1996 he was General Manager of the Safety Products Division.

(h) Mr. Steggles was elected Senior Vice President on January 1,1999. Prior to that time he was Vice President.

(i) Mr. Zeitler was elected Vice President on January 9, 1998. Prior to that time, he was Treasurer.

The executive officers of the registrant serve at the pleasure of the Board of Directors and are not elected to any specified term of office.

The primary responsibilities of these officers follow:

| Individual | Responsibilities |
|---|---|
| Mr. Hotopp | U. S. operations |
| Mr. Baillie | European operations |
| Mr. Barendt | Research, product development, manufacturing and marketing of specialty chemical products |
| Mr. Bigler | U.S. sales and distribution |
| Mr. Cuozzo | General Counsel and corporate taxes |
| Mr. DeMaria | Human resources and corporate communications |
| Mr. Lambert | Research, product development, manufacturing and marketing of safety products in the U.S. |
| Mr. Steggles | International operations outside the U.S. and Europe |
| Mr. Zeitler | Treasury and risk insurance management |

## Item 2. Properties

### World Headquarters:

The registrant's executive offices are located at 121 Gamma Drive, RIDC Industrial Park, O'Hara Township, Pittsburgh, Pennsylvania 15238. This facility contains approximately 138,000 sq. ft.

### Production and Research Facilities:

The registrant's principal U.S. manufacturing and research facilities are located in the Greater Pittsburgh area in buildings containing approximately 951,000 square feet. Other U.S. manufacturing and research facilities of the registrant are located in Jacksonville, North Carolina (107,000 sq. ft.), Sparks, Maryland (54,000 sq. ft.), Lawrence, Massachusetts (62,000 sq. ft.), and Englewood, Colorado (41,000 sq. ft.).

Manufacturing facilities of the European operating segment of the registrant are located in France, Germany, Italy, Scotland and Sweden. The most significant is located in Germany (approximately 390,000 sq. ft., excluding 168,000 sq. ft. leased to others); research activities are also conducted at most of these facilities. Manufacturing facilities for the Other non-U.S. operating segment are located in Australia, Brazil, Canada, Chile, China, Japan, Mexico, Peru and South Africa.

Virtually all of these buildings are owned by the registrant and its affiliates and are constructed of granite, brick, concrete block, steel or other fire-resistant materials. The German facility is owned subject to encumbrances collateralizing indebtedness in the aggregate amount of $773,000 as of December 31, 1999.

Sales Offices and Warehouses:

Sales offices and distribution warehouses are owned or leased in the United States and 27 other countries in which the registrant's affiliates are located.

## Item 3. Legal Proceedings

Not Applicable.

## Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during fourth quarter 1999.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Item 6. Selected Financial Data

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 8. Financial Statements and Supplementary Data

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Incorporated by reference herein pursuant to Rule 12b - 23 are

Item 5 - "Common Stock" appearing at page 15

Item 6 - "Five-Year Summary of Selected Financial Data" appearing at page 28

Item 7 - "Management's Discussion and Analysis" appearing at pages 12 to 15

Item 8 - "Financial Statements and Notes to Consolidated Financial Statements" appearing at pages 16 to 27

of the Annual Report to Shareholders for the year ended December 31, 1999. Said pages of the Annual Report are submitted with this report and pursuant to Item 601(b)(13) of Regulation S-K shall be deemed filed with the Commission only to the extent that material contained therein is expressly incorporated by reference in Items 1, 5, 6, 7, 8 and 14 (a) hereof.

Item 7a. Quantitative and qualitative disclosures about market risk

Incorporated by reference to "Financial Instrument Market Risk" appearing on page 15 of the Annual Report to the Shareholders for the year ended December 31, 1999.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

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Incorporated by reference herein pursuant to Rule 12b - 23 are (1) "Election of Directors" appearing at pages 1 to 3, (2) "Other Information Concerning Directors and Officers" appearing at pages 6 to 12 (except as excluded below), and (3) "Stock Ownership" appearing at pages 14 to 16 of the Proxy Statement filed pursuant to Regulation 14A in connection with the registrant's Annual Meeting of Shareholders to be held on May 10, 2000. The information appearing in such Proxy Statement under the caption "Compensation Committee Report on Executive Compensation," and the other information appearing in such Proxy Statement and not specifically incorporated by reference herein is not incorporated herein.

PART IV

## Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1 and 2. Financial Statements

The following information appearing on pages 16 to 27 inclusive in the Annual Report to Shareholders of the registrant for the year ended December 31, 1999, is incorporated herein by reference pursuant to Rule 12b-23.

Report of Independent Accountants

Consolidated Balance Sheet - December 31, 1999 and 1998

Consolidated Statement of Income - three years ended December 31, 1999

Consolidated Statement of Changes in Retained Earnings and Accumulated

Other Comprehensive Income - three years ended December 31, 1999

Consolidated Statement of Cash Flows - three years ended December 31, 1999

Notes to Consolidated Financial Statements

Said pages of the Annual Report are submitted with this report and, pursuant to Item 601(b)(13) of Regulation S-K shall be deemed to be filed with the Commission only to the extent that material contained therein is expressly incorporated by reference in Items 1, 5, 6, 7, 8 and 14 (a)(1) and (2) hereof.

The following additional financial information for the three years ended December 31, 1999 is filed with the report and should be read in conjunction with the above financial statements:

Report of Independent Accountants on Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements and notes to the financial statements listed above.

(a) 3. Exhibits

(3)(i) Restated Articles of Incorporation as amended to April 27, 1989, filed as Exhibit 3(i) to Form 10-Q on August 12, 1999, are incorporated herein by reference.

(3)(ii) By-laws of the registrant, as amended to August 29, 1990, filed as Exhibit 3 to Form 10-Q on November 13, 1995, are incorporated herein by reference.

(4) Rights Agreement dated as of February 10, 1997 between the registrant and Norwest Bank Minnesota, N.A., as Rights Agent, filed as Exhibit 1 to the registrant's Form 8-A on February 25, 1997, is incorporated herein by reference.

(10)(a) * 1987 Management Share Incentive Plan, filed as Exhibit 10(a) to Form 10-K on March 26, 1999, is incorporated herein by reference.

(10)(b) * 1998 Management Share Incentive Plan, incorporated herein by reference to Annex A to the registrant's Definitive Proxy Statement filed March 24, 1998 for its 1998 Annual Meeting.

(10)(c) * Retirement Plan for Directors, as amended on December 15, 1999 is filed herewith.

(10)(d) * Supplemental Pension Plan as of May 5, 1998, filed as Exhibit 10(g) to Form 10-Q on August 14, 1998, is incorporated herein by reference.

(10)(e) * 1990 Non-Employee Directors' Stock Option Plan as amended to May 5, 1998, filed as Exhibit 10(h) to Form 10-Q on August 14, 1998, is incorporated herein by reference.

(10)(f) * Form of First Amendment dated June 2, 1998 to the Restricted Stock Agreements dated as of March 15, 1996, under the 1987 Management Share Incentive Plan, filed as Exhibit 10(i) to Form 10-Q on August 14, 1998, is incorporated herein by reference.

(10)(g) * Executive Insurance Program as Amended and Restated as of May 5, 1998, filed as Exhibit 10(j) to Form 10-Q on August 14, 1998, is incorporated herein by reference.

(10)(h) * Annual Incentive Bonus Plan as of May 5, 1998, filed as Exhibit 10(k) to Form 10-Q on August 14, 1998, is incorporated herein by reference.

(10)(i) * Form of Severance Agreement as of May 20, 1998 between the registrant and John T. Ryan III, filed as Exhibit 10(m) to Form 10-Q on August 14, 1998, is incorporated herein by reference.

(10)(j) * Form of Severance Agreement as of May 20, 1998 between the registrant and the other executive officers filed as Exhibit 10(n) to Form 10-Q on August 14, 1998, is incorporated herein by reference.

(10)(k) * First Amendment to the 1998 Management Share Incentive Plan as of March 10, 1999, filed as Exhibit 10(l) to Form 10-K on March 26, 1999, is incorporated herein by reference.

(10)(l) Trust Agreement as of June 1, 1996 between the registrant and PNC Bank, N.A. re the Mine Safety Appliances Company Stock Compensation Trust, filed as Exhibit 10(f) to Form 10-K on March 26, 1997, is incorporated herein by reference.

(10)(m) * MSA Supplemental Savings Plan, filed as Exhibit 10(n) to Form 10-Q on November 12, 1999, is incorporated herein by reference.

(10)(n) * Employment Agreement dated as of January 18, 1999 between the registrant and James H. Baillie re the registrant's operations outside Germany is filed herewith.

(10)(o) * Employment Agreement dated as of January 18, 1999 between the registrant and James H. Baillie re the registrant's operations in Germany is filed herewith.

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

(13) Annual Report to Shareholders for year ended December 31, 1999

(21) Affiliates of the registrant

(23) Consent of PricewaterhouseCoopers LLP, independent accountants

(27) Financial Data Schedule (filed in electronic format only)

The registrant agrees to furnish to the Commission upon request copies of all instruments with respect to long-term debt referred to in Note 6 of the Notes to Consolidated Financial Statements filed as part of Exhibit 13 to this annual report which have not been previously filed or are not filed herewith.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the year ended December 31, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

| | | |
|---|---|---|
| March 24, 2000 | By | /s/ John T. Ryan III |
| (Date) | | John T. Ryan III<br>Chairman of the Board and<br>Chief Executive Officer |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ John T. Ryan III<br>John T. Ryan III | Director; Chairman of the Board and Chief Executive Officer | March 24, 2000 |
| /s/ James E. Herald<br>James E. Herald | Vice President - Finance; Principal Financial and Accounting Officer | March 24, 2000 |
| /s/ Joseph L. Calihan<br>Joseph L. Calihan | Director | March 24, 2000 |
| /s/ Calvin A. Campbell, Jr.<br>Calvin A. Campbell, Jr. | Director | March 24, 2000 |
| /s/ G. Donald Gerlach<br>G. Donald Gerlach | Director | March 24, 2000 |
| /s/ Helen Lee Henderson<br>Helen Lee Henderson | Director | March 24, 2000 |
| /s/ Thomas B. Hotopp<br>Thomas B. Hotopp | Director | March 24, 2000 |
| /s/ L. Edward Shaw, Jr.<br>L. Edward Shaw, Jr. | Director | March 24, 2000 |
| /s/ Thomas H. Witmer<br>Thomas H. Witmer | Director | March 24, 2000 |

Report of Independent Accountants on
Financial Statement Schedule

To the Board of Directors
of Mine Safety Appliances Company:

Our audits of the consolidated financial statements referred to in our report dated February 17, 2000 appearing in the 1999 Annual Report to Shareholders of Mine Safety Appliances Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 17, 2000

SCHEDULE II

MINE SAFETY APPLIANCES COMPANY AND AFFILIATES
VALUATION AND QUALIFYING ACCOUNTS
THREE YEARS ENDED DECEMBER 31, 1999
(IN THOUSANDS)

| | | 1999 | 1998 | 1997 |
|---|---|---|---|---|
| Allowance for doubtful accounts: | | | | |
| Balance at beginning of year | | $3,004 | $3,704 | $2,993 |
| Additions - | | | | |
| Charged to costs and expenses | | 878 | 588 | 1,229 |
| Balance from acquisitions | | | 45 | 288 |
| Deductions - | | | | |
| Deductions from reserves | (1) | 928 | 1,135 | 806 |
| Reversal of allowance | (2) | 632 | | |
| Reduction from divestitures | | | 198 | |
| Balance at end of year | | $2,322 | $3,004 | $3,704 |

(1) Bad debts written off, net of recoveries.
(2) Reversal of allowance due to sale of accounts receivable.

EXHIBIT (10)(c)

# MINE SAFETY APPLIANCES COMPANY
# RETIREMENT PLAN FOR DIRECTORS,

As Amended Effective as of December 15, 1999

1. Purpose. The purpose of this plan, originally established December 17, 1987, is to provide to each individual serving as a member of the Board of Directors from time to time (individually referred to as a "Director" and collectively as the "Board") of Mine Safety Appliances Company (the "Company"), a lifetime retirement benefit following the attainment of certain age and service requirements described hereafter.

2. Eligibility. A Director who has terminated his or her service on the Board after completing at least 5 years of service as a Director shall be entitled to an annual "Retirement Allowance" during his or her lifetime, as described below, when his or her 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. A Director who has not terminated his or her service but has satisfied the "Rule of 75" as described herein shall have a vested right to an annual "Retirement Allowance" during his or her lifetime, as described below.

3. Retirement Allowance. Subject to Section 4 hereof, the amount of the annual Retirement Allowance paid to a retired Director shall be equal to the amount of the annual Director's retainer payable at the time of the Director's termination of service. The annual Retirement Allowance shall be paid in four equal installments as of the first day of each calendar quarter, beginning with the calendar quarter following the Director's termination of service and including the calendar quarter in which the Director's death occurs. No Retirement Allowance payments shall be made following the death of a retired Director.

4. Effect of Change in Control. Notwithstanding any other provision of this Plan, if a Director is vested in his or her Retirement Allowance on the date of the Director's termination of service and that termination date occurs on, or within the three-year period immediately following, a Change in Control (as defined in this Section 4), then, not later than the fifth (5/th/) business day following such termination date, the Company shall pay the Director a lump sum amount equal to the actuarial equivalent of the Director's Retirement Allowance (in lieu of making payment of such Retirement Allowance in accordance with Section 3 hereof). For purposes of this Section 4, "actuarial equivalent" shall be determined using the same assumptions utilized under the Non-Contributory Pension Plan for Employees of

Mine Safety Appliances Company (or successor plan thereto) immediately prior to the Director's termination date, or, if more favorable to the Director, immediately prior to the Change in Control.

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 (as defined in this Section 4) is or becomes the Beneficial Owner (as defined in this Section 4), 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 4)) 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.

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

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

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.

5. Source of Payments. This plan shall not be formally funded; a Director's right to the payment of a Retirement Allowance hereunder, if any, shall be entirely contractual. The sole source of payment of Retirement Allowances shall be the general assets of the Company.

6. Amendment and Termination. This plan may be amended or terminated at any time by the Board, except that no such amendment or termination shall limit or impair the right of any retired Director to the payment of the Retirement Allowance hereunder or the vested right of any Director to the payment of the Retirement Allowance.

IN WITNESS WHEREOF, Mine Safety Appliances Company has caused this plan, as amended effective as of December 15, 1999, to be executed by its duly authorized officers this 1st day of March, 1999.

| ATTEST: | MINE SAFETY APPLIANCES COMPANY |
|---|---|
| /s/ Donald H. Cuozzo | By /s/ John T. Ryan III |
| Secretary | Chairman and Chief Executive Officer |

EXHIBIT (10)(n)

# EMPLOYMENT AGREEMENT

THIS AGREEMENT, made as of this 18th day of January, 1999 by and between MINE SAFETY APPLIANCES COMPANY, a Pennsylvania corporation ("Company") and JAMES H. BAILLIE ("Employee").

## RECITAL:

Simultaneously with the execution of this Agreement, Employee will enter into an Employment Agreement with the Company, under which Employee, as President of MSA Europe, will devote 35% of his time, to the operations of Auergesellschaft GmbH ("AUER"), (the "AUER Agreement").

NOW, THEREFORE, in consideration of the premises and intending to be legally bound hereby, the parties agree as follows:

(1) Duties and Term. The Company hereby agrees to employ Employee, and Employee agrees to be so employed, in the capacity of President, MSA Europe for a term effective as of January 18, 1999 and terminating December 31, 2001 (the "Initial Term") unless terminated earlier pursuant to Section 11 of this Agreement. At the end of the Initial Term, Employer may continue Employee's employment with the Company on terms as are mutually agreeable by Employee and Company.

Employee shall diligently devote 65% of his best efforts, time and attention outside of Germany in all matters concerning the operations of the Company's non-German European affiliates. Employee will be a member of the Company's Strategic Planning Committee that meets periodically, usually in the United States. At the next meeting of the Board of Directors, the Chairman of the Company will nominate Employee for election as a Vice President of the Company subject to the approval of said Board.

(2) Supervision and Place of Employment. Employee shall at all times discharge his duties in consultation with, and under the supervision of the Chairman and Chief Executive Officer of the Company. Employee shall be based at the principal offices of MSA Europe (currently in Berlin) and shall have his principal residence within the metropolitan area of Berlin. Employee understands that he will be required to travel to the United States and to the offices and business locations of the Company's non-German European affiliates.

(3) Salary, Benefits, Variable Compensation and Stock Compensation.

(a) Base Salary. Employee shall receive an annual salary of $162,500, payable pursuant to the then current payroll practices of the Company. The Employee's base salary paid by the Company pursuant to this paragraph 3(a) shall be allocated to the Company and to the Company's non-German European affiliates. Employee will be entitled to annual salary reviews similar to the annual review policies of the Company for other executives. If, during the term of this Agreement, Employee shall become so disabled as to be unable to perform his regular duties on a full-time basis, he shall continue to receive, for a period of six (6) months from the date the disability commences the salary he was receiving immediately prior to such disability. If any such disability continues for more than six (6) months, Employee shall not be entitled to any further salary or benefits (except for long-term disability benefits of Company in effect at such time), and Company shall have the right to terminate this Agreement and Employee's employment hereunder upon written notice to Employee.

(b) Variable Compensation. Beginning with the 1999 variable compensation plan year (the "1999 Plan Year") for MSA Europe and for each year thereafter during the term of this Agreement, Employee will be eligible for variable compensation under the Company's annual bonus policy administered by the Compensation Committee of its Board of Directors (the "Committee"). The determination of the amount of Employee's annual bonus is subject to the sole discretion of the Committee and will be made by the Committee taking into consideration the income of the Company's European affiliates and evaluation of Employee's individual performance. The target level used for Employee's position is 30% of his median market level which is equal to his salary under this Agreement plus his salary under the AUER Agreement ("annual par bonus"). For the 1999 Plan Year, Employee shall be guaranteed a payment under the annual bonus plan of at least one-half of the amount of his annual par bonus. Thirty-five (35%) percent of the amount paid to Employee under this paragraph 3(b) shall be considered to be payment for services to AUER and shall be paid by AUER and treated as compensation to Employee in Germany. The remaining 65% shall be allocated to the Company and to the Company's non-German European affiliates. Under the variable compensation plan of the Company, payments are normally made to the Employee during March of the year following the variable compensation plan year for which the annual bonus is earned.

(c) Stock-based Compensation. Beginning with awards made in the year 2000, Employee shall be eligible for awards having an annual par value of $54,000 for stock options and $54,000 for restricted stock awarded under the Company's 1998 Management Share Incentive Plan ("MSIP"), subject to adjustments upward or downward based on Employee's personal performance factor. The number of shares awarded under the MSIP shall be determined under the valuation methods established by the Committee. No stock compensation has been earned by the Employee for 1998 awards to be made by the Committee at its meeting in March, 1999. Any stock awards to Employee under the MSIP are subject to the sole discretion of the Committee.

(4) Vacation. Employee shall be entitled to 13 days of paid vacation during each year of the term of this Agreement.

(5) Reimbursement for Expenses. The Company shall reimburse Employee for all reasonable and necessary expenses incurred in carrying out his duties and responsibilities under this Agreement. Employee shall present to the Company from time to time an itemized account of such expenses required by the Company. Employee shall keep a diary of the time spent with respect to the operations of the Company and each of its European affiliates and present a copy of such diary to the Company at least quarter-annually.

(6) Tax Return Services. Company shall reimburse Employee for his reasonable costs for the preparation of any tax return required to be filed in the United States.

(7) Inventions.

(a) Any and all inventions and discoveries, whether or not patentable, which Employee may have made or may make, either alone or in conjunction with others, during the term of his employment hereunder relating or in any way appertaining to or connected with any of the assets or operations of Company or any of its subsidiaries or matters which are, or may during the term of his employment become, the subject of its business or investigation, shall be promptly and fully disclosed to Company or and to the extent of Employee's interest therein shall be the sole and exclusive property of Company.

(b) Whenever requested to do so and at the Company's sole cost and expense, Employee shall testify in any proceeding or suit, and promptly execute and assign any and all applications, assignments or other instruments which the Company shall deem necessary in order to apply for, obtain or protect letters patent of foreign countries for said inventions or discoveries, and, in order to assign and convey to Company the sole and exclusive right, title and interest in and to said inventions, discoveries or any applications or patents thereon.

(c) This Section (7) shall survive the termination of this Agreement.

(8) Confidential Information/Non-competition.

(a) During the term of his employment and thereafter, Employee shall keep secret and confidential all secret and confidential information received by him prior to or during the course of his employment ("Confidential Information"), including, but not limited to, trade secrets, know-how, designs, plans, blueprints, trademarks, copyrights, patents, patent applications, manufacturing processes, lists of customers, suppliers of jobs, bidding and contract information and any other proprietary commercial information of Company, except to the extent that the information is now or hereafter becomes available (other than through him) as public knowledge or literature, patented or otherwise. Employee confirms that all Confidential Information is the exclusive property of Company.

(b) Employee shall deliver to Company promptly at the termination of his employment or at any other time Company may request, all memoranda, notes, records, sketches, plans or other documents wholly or partly made or compiled by or delivered to Employee and which are in his possession or under his control concerning costs, uses, applications or purchasers of products made or sold by Company or any of its subsidiaries, or any product, apparatus, process, formula or method used, developed, produced or investigated by it during his employment hereunder.

(c) (i) Employee shall not for a period of one (1) year after termination of employment with Company engage directly or indirectly, whether as principal, agent, officer, director, employee, consultant or otherwise, in a COMPETING ACTIVITY. COMPETING ACTIVITY means a work or activity directed to the development, manufacture, sale or rental of a product, process or service which is competitive with or similar to any product, process or service of Company on which Employee worked during the last one (1) year of employment by Company, or about which Employee acquired Confidential Information.

(ii) Employee shall not during his employment or for a period of one (1) year after termination of employment by Company, solicit, directly or indirectly, any employee of Company to engage in COMPETING ACTIVITY.

(d) This Section (8) shall survive the termination of this Agreement.

(9) Employee Benefits.
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(a) Pension. As additional compensation, the Company shall pay
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Employee $30,000 during each year during the

term of this Agreement in lieu of a pension benefit, reduced by the Company's annual cost for medical and dental coverage provided to Employee. The Company's annual cost for such medical and dental coverage is $3,895 and $528 respectively for the year 1999, but such cost may change from time to time after 1999. Commencing in 2000, in each year during Employee's employment in which the National Consumer Price Index, for the month of July, published by the United States Bureau of Labor Statistics, shows a rise in cost of living index for Pittsburgh, Pennsylvania over the level of such cost of living index in July, 1999, the Company shall increase such pension benefit as is proportional to the rise in such index from its level for July 1999, to its level for July of such later year. The amount payable to Employee under this Section 9(a) shall be paid by the Company not later than January 15 of the year following the year to which the payment relates.

(b) No Other Benefits. Except as contemplated in paragraph 9(a) hereof, and except for the benefits listed on Exhibit 1 attached hereto, this Agreement shall be in lieu of any rights, benefits and privileges to which Employee may be entitled as an employee of the Company under any retirement, pension, profit-sharing, savings plan, insurance, disability, hospital or other plans which may now be in effect or which may hereafter be adopted by the Company or any of its subsidiaries.

(10) Covenants of Employee. Employee agrees that during the term of this Agreement, he will comply with MSA's Policy No. 10-I on Business Ethics - International, Policy No. 20 on Environmental Law Compliance and Management, and Policy No. 40 on Antitrust Compliance, all of which are attached as Exhibit 2 hereto.

(11) Termination of Employment.

(a) Employee is an employee-at-will and the Company or Employee may terminate this Agreement by giving sixty (60) days' written notice to the other party.

(b) Employee may be terminated by the Company for cause (a "Termination For Cause") by reason of:

(i) Employee's willful breach of any material term of this Agreement continuing for a period of ten (10) business days after receipt of written notice thereof,

(ii) The perpetration by Employee of a serious dishonest act or fraud against the Company, or

(iii) the failure, continuing for ten (10) business days or more after receipt of notice, to comply with reasonable directives of the Chairman and Chief Executive Officer of the Company.

(c) In the event of termination of employment for whatever cause, the Company shall pay Employee the amount of his annual salary, bonus, stock-based compensation and substitute pension payment under Section 9(a) prorated to the end of the month in which employment is terminated.

(d) In the event Employee's employment with the Company is terminated, for whatever reason except by reason of (i) Employee's voluntary termination, (ii) Employee's disability which extends for more than six (6) months, (iii) Employee's death, or (iv) Employee's Termination For Cause, Employee shall be entitled also to severance compensation equal to one (1) year's salary in effect immediately prior to the date of such termination.

(12) Withholdings. All compensation to Employee hereunder shall be reduced by all taxes and other charges required to be withheld by the Company under applicable federal, state and local laws.

(13) Injunction. Employee agrees that a breach on his part of any of the terms, provisions and conditions of this Agreement will cause such damage to Company as will be irreparable and the exact amount of which will be impossible to ascertain and for that reason agrees that the Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction, restraining any threatened or further violation of this Agreement. Such right to an injunction, however, shall be cumulative, and in addition to whatever other remedies the Company may have to protect its rights.

(14) Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, or by prepaid courier, addressed, if to the Employee, to the address inserted below the Employee's signature on the final page hereof and, if to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:
Mine Safety Appliances Company

RIDC Industrial Park
121 Gamma Drive
Pittsburgh, Pennsylvania 15238
ATTENTION: Mr. John T. Ryan III
Chairman and Chief Executive Officer

with a copy to
Mine Safety Appliances Company
121 Gamma Drive
Pittsburgh, PA 15238
ATTENTION: General Counsel

(15) Governing Law. This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania.

(16) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(17) Separability. Each covenant or agreement or portion thereof contained in this Agreement shall be independent and separable from all of the other covenants and agreements or portions thereof contained in this Agreement, and the invalidity of such covenant or agreement or portion thereof shall in no way affect the enforceability of any of the other covenants and agreements or portions thereof.

(18) Amendments and Waivers. This Agreement and the provisions hereof may not be terminated, modified, amended or waived orally or by any act or failure to act, but only by a writing signed by the party to be affected thereby. Any waiver of any violation of a condition, term or other provision hereunder shall not constitute a waiver thereof in general or a waiver of any subsequent violation thereof.

(19) Cooperation. The parties agree to execute any further instruments and to perform any further acts incidental to the performance of this Agreement or as necessary to carry out its provisions.

(20) Effect Of Agreement. All rights and obligations hereunder shall inure to the benefit of and be binding upon the heirs, personal representatives, permitted assigns, and successors and affiliates of the parties hereto.

(21) Arbitration.

(a) Subject to the right of the Company to bring an injunction as provided in Section (13) hereof, if a controversy or claim arises between Employee and the Company relating to this Agreement, such controversy or claim shall be fully and finally settled before a panel of three arbitrators appointed in accordance with the Rules of the American Arbitration Association, pursuant to its Commercial Arbitration Rules then in effect. The Company and Employee shall bear the costs of their own counsel and witnesses and the other costs, which are normally borne solely by a party to arbitration; but otherwise the Company and Employee shall share equally the charges and fees of the American Arbitration Association and arbitrators.

(b) Any arbitration pursuant to this Section 21 shall be held in Pittsburgh, Pennsylvania or at such other place as agreed by the parties. Pennsylvania law shall be used by the arbitrators in resolving any dispute.

(c) Any judgment upon the award rendered by the arbitrators shall be final and binding and may be entered in any court having jurisdiction thereof.

(22) Service of Process. Employee and the Company irrevocably submit themselves to the personal jurisdiction of the courts of the Commonwealth of Pennsylvania with respect to any action arising out of, or in connection with, the execution, delivery or performance of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ATTEST: MINE SAFETY APPLIANCES COMPANY

/s/ Donald H. Cuozzo
Secretary

By /s/ John T. Ryan III
John T. Ryan III
Chairman and Chief
Executive Officer

WITNESS: EMPLOYEE

/s/ Gary D. Trozzo

/s/ James H. Baillie
James H. Baillie
MSA Europe
P. O. Box 333
D-12033 Berlin, Germany

James H. Baillie

EMPLOYMENT AGREEMENT

EXHIBIT 1

MSA POLICIES

Nos 10-I, 20 and 40 attached

Policy No. 10-I

Effective Date:
11-01-95
Supersedes:
4-19-93

Business Ethics - International

Approved by:

President, Chairman
& CEO

A. Compliance

1. Laws

An employee, officer and director (hereinafter collectively referred to as "associates") of the Company, its divisions and affiliates (hereinafter collectively referred to as "Company") shall adhere to the laws of the United States and to those of other countries in which the Company affiliates operates. Where conflicts or ambiguities exist in these laws, or more particularly the regulations issued thereunder, Corporate Law Department should be consulted for guidance.

2. Honesty

An associate shall adhere to honest standards and practices in all business dealings.

3. Accounting

Established accounting procedures are to be followed at all times including the recording of all forms of funds or assets of the Company. No false entries shall be made in the books and records of the Company for any reason. No payment on behalf of the Company shall be approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment.

4. Bribes

Under no circumstances shall any payments, gifts, rendering of services or any other form of value be directly or indirectly given by an associate of the Company to any public official, employees of customers, or employees of suppliers, particularly to influence the public official's exercise of judgment and discretion in disposing of matters on behalf of the Government or to assist the Company in obtaining or retaining business contracts. Such consideration provided to a member of the immediate family of a public official are to be considered and treated as though provided directly to the public official.

5. Audits

The Company's internal auditors, as well as its independent public accountants, shall examine the adherence to these policies as part of their periodic reviews.

6. Appearance of Impropriety

An associate must avoid actions that might appear improper in regard to the ethical matters discussed here and in other corporate policies.

7. Reporting

The Company shall provide appropriate means for associates to report violations of this policy.

8. Management Responsibility

The General Manager shall be responsible for the monitoring of compliance with these policies in the areas under their supervision.  Any infraction of these policies will subject an associate to disciplinary action which, depending upon the seriousness of the violation, may include warning, reprimand, suspension or dismissal.  Any violation of these policies must reported to the associate's supervisor.

B. Public Responsibility

1. Civic Obligations

An associate shall be cognizant of and perform the Company's obligations to the community.

2. Providing Services

An associate shall maintain cordial and cooperative relationships with the community in which operations are based by participating in community undertakings when appropriate.

C. Conflict of Interest

1. Freedom from Constraints

An associate shall be free from any personal influence, interest, or relationship, or appearance thereof, in situations that might conflict with the best interests of the Company.

2. Disclosure

An associate shall fully disclose to the Company any circumstance that may contravene this policy. Prompt recognition of conflicts of interest by the associate permits corrective steps to be taken by the Company.

3. Financial Interests

An associate or a member of the associates' immediate family may not have a substantial financial interest in an organization that has current or prospective dealings with the Company as a supplier, contractor or customer, or competes directly with the Company when the associate may be able to influence the dealings of the Company to benefit the associates' private interests.

4. Acceptance of Gifts or Entertainment

An associate shall not accept any gifts or entertainment from an organization having current or prospective dealings with the Company as a supplier, contractor or customer, if such gifts or entertainment are of such significance that they could tend to prevent the associate from acting solely in the best interests of the Company. Gifts or entertainment provided to a member of the immediate family of the associate shall be considered and treated as though provided directly to the associate.

5. Offering of Gifts or Entertainment

An associate shall not offer any gifts or entertainment to a current or prospective customer if such gifts or entertainment are of such significance that acceptance could tend to prevent the recipient from acting solely in the best interests of the recipient's organization. Such gifts or entertainment provided to a member of the immediate family of a customer or its employee shall be considered and treated as though provided directly to the customer or its employee.

6. Non-Competition

An associate shall not receive compensation for services rendered as an associate or a consultant to another organization or for services as a director or officer of another organization that competes directly with the Company or where the other organization has current or prospective dealings with the Company that may be influenced by the associate.

7. Employment

An associate may not accept concurrent employment with another company if the organization is a competitor or supplier or one that may become a competitor or supplier in the foreseeable future.

8. Loans

An associate or a member of the associate's immediate family may not borrow money from individuals or organizations that conduct or may conduct business with the Company, either as a customer or supplier. This does not apply to public lending institutions, e.g., banks, savings and loan associations, etc.

D. Code of Ethical Conduct

The provisions of MSA's Code of Ethical Conduct are included as part of this Business Ethics Policy. The terms of the Code encompass and enhance the provisions of the Business Ethics Policy and should be adhered to as if included in the Business Ethics Policy.

Policy No. 20

Effective Date:
11-01-95
Supersedes:
04-19-93

Approved by:

President, Chairman
& CEO

Environmental Law Compliance and Management

1. Mine Safety Appliances Company, its divisions and affiliates (hereinafter collectively referred to as the "Company") shall comply with the letter and spirit of all environmental laws and regulations and, by its actions, protect public health, public enjoyment and the world in which we live. Where questions arise concerning these laws, the Corporate Law Department should be consulted for guidance.

2. The Company shall pledge commitment and support for a strong environmental management program.

3. The Company shall minimize the production of waste, effluents and emissions and recycle wastes after minimization efforts.

4. The Company shall reduce environmental risks and future liabilities.

5. The Company shall design, operate and maintain each plant consistent with the Company's environmental objectives.

6. The Company shall charge plant management with responsibility for the environmental performance of its plants and operations.

7. The Company shall charge the corporate environmental protection staff with the responsibility for providing the leadership necessary to implement these policies.

8. The Company shall assure that its associates understand their responsibilities and the actions that are necessary to achieve compliance and to protect the environment.

9. The Company shall make the necessary expenditures to implement these policies.

10. The Company shall continually evaluate, enhance and communicate the Company's Environmental Law Compliance and Management Policy.

Policy No. 40

Effective Date:
11-01-95
Supersedes:
04-19-93

Approved by:

President, Chairman
& CEO

## Antitrust Compliance

1. Mine Safety Appliances Company, its divisions and affiliates (hereinafter collectively referred to as the "Company") shall comply with the letter and spirit of all antitrust laws of the nations, states, provinces and communities in which the Company operates in the course of conduct of its business. Where questions arise concerning these laws, the Corporate Law Department should be consulted for guidance.

2. The Company shall forbid collusion or conspiring with competitors or distributors of products sold by the Company whereby prices are fixed and controlled to any class or type of customer or organization.

3. The Company shall forbid unfair or deceptive trade practices.

4. The Company shall avoid any actions with competitors or distributors that may give an impression of improper conduct.

5. The Company shall forbid resale price maintenance.

6. The Company shall forbid price discrimination.

7. The Company shall forbid contract bid rigging.

8. The Company shall forbid the initiation of any predatory pricing or business practices.

9. The Company shall strive to meet each competitive situation as it develops in conducting its business.

10. The Company shall evaluate for appointment all potential distributors and other organizations that may resell the Company's products and will treat those distributors and organizations that are appointed by the Company in an equal and fair manner according to the marketing plans established by the Company.

11. The Company shall provide proper antitrust training for all associates who have responsibility for the sale of the Company's products and the organization of the Company's sales channels.

12. The Company shall continually enhance, evaluate and communicate its Antitrust Compliance Policy.

EXHIBIT (10)(o)

# EMPLOYMENT AGREEMENT

THIS AGREEMENT, made as of this 18th day of January, 1999 by and between MINE SAFETY APPLIANCES COMPANY, a Pennsylvania corporation ("Company") and JAMES H. BAILLIE ("Employee").

## RECITAL:

Simultaneously with the execution of this Agreement, Employee will enter into an Employment Agreement with the Company, under which Employee, as President of MSA Europe, will devote 65% of his time outside Germany, to the operations of the Company and the Company's non-German European affiliates

NOW, THEREFORE, in consideration of the premises and intending to be legally bound hereby, the parties agree as follows:

(1) Duties and Term. The Company hereby agrees to employ Employee, and Employee agrees to be so employed, in the capacity of President, MSA Europe for a term effective as of January 18, 1999 and terminating December 31, 2001 (the "Initial Term") unless terminated earlier pursuant to Section 12 of this Agreement. At the end of the Initial Term, Employer may continue Employee's employment with the Company on terms as are mutually agreeable by Employee and Company.

Employee shall diligently devote 35% of his best efforts, time and attention in all matters concerning the operations of Auergesellschaft GmbH ("Auer")

(2) Supervision and Place of Employment. Employee shall at all times discharge his duties in consultation with, and under the supervision of the Chairman and Chief Executive Officer of the Company. Employee shall be based at the principal offices of MSA Europe (currently in Berlin, Germany) and shall have his principal residence within the metropolitan area of Berlin, Germany. Employee understands that he will be required to travel from time to time on the business of Auer.

(3) Salary. Employee shall receive an annual salary of 75,250 euros, for his services payable by Auer in installments pursuant to the then current payroll practices of Auer. During the term of this Agreement, Employee will be entitled to annual salary reviews similar to the annual review policies of the Company for other executives. If, during the term of this Agreement, Employee shall become so disabled as to be unable to perform his regular duties on a full-time basis, he shall continue to receive, for a period of six (6) months from the date the disability commences the salary he was receiving immediately prior to such disability. If any such disability continues for more than six (6) months, Employee shall not be entitled to any further salary or benefits (except for long-term disability benefits of Company in effect at such time), and Company shall have the right to terminate this Agreement and Employee's employment hereunder upon written notice to Employee.

(4) Vacation. Employee shall be entitled to 7 days of paid vacation during each year of the term of this Agreement.

(5) Automobile. The Company shall provide the Employee with an automobile, including all related maintenance, repairs, insurance and other costs. Such automobile shall be

returned to the Company at the termination of his employment and in such case, the right to the use of such automobile will cease immediately without a right of retention. Employee shall bear the responsibility to pay any taxes due under German law or regulations on the monetary benefit of the private use of such automobile.

(6) Reimbursement for Expenses. The Company shall reimburse Employee for all reasonable and necessary expenses incurred in carrying out his duties and responsibilities under this Agreement. Employee shall present to the Company from time to time an itemized account of such expenses required by the Company.

(7) Tax Return Services. Company shall reimburse Employee for his reasonable costs for the preparation of any tax return required to be filed in Germany by virtue of his employment hereunder.

(8) Inventions.

(a) Any and all inventions and discoveries, whether or not patentable, which Employee may have made or may make, either alone or in conjunction with others, during the term of his employment hereunder relating or in any way appertaining to or connected with any of the assets or operations of Company or any of its subsidiaries or matters which are, or may during the term of his employment become, the subject of its business or investigation, shall be promptly and fully disclosed to Company or and to the extent of Employee's interest therein shall be the sole and exclusive property of Company or Auer.

(b) Whenever requested to do so and at the Company's sole cost and expense, Employee shall testify in any proceeding or suit, and promptly execute and assign any and all applications, assignments or other instruments which the Company shall deem necessary in order to apply for, obtain or protect letters patent of foreign countries for said inventions or discoveries, and, in order to assign and convey to Company or Auer the sole and exclusive right, title and interest in and to said inventions, discoveries or any applications or patents thereon.

(c) This Section (8) shall survive the termination of this Agreement.

(9) Confidential Information/Non-competition.

(a) During the term of his employment and thereafter, Employee shall keep secret and confidential all secret and confidential information received by him prior to or during the course of his employment ("Confidential Information"), including, but not limited to, trade secrets, know-how, designs, plans, blueprints, trademarks, copyrights, patents, patent applications, manufacturing processes, lists of customers, suppliers of jobs, bidding and contract information and any other proprietary commercial information of Company or any of its subsidiaries, except to the extent that the information is now or hereafter becomes available (other than through him) as public knowledge or literature, patented or otherwise. Employee confirms that all Confidential Information is the exclusive property of Company or its subsidiaries.

(b) Employee shall deliver to Company promptly at the termination of his employment or at any other time Company may request, all memoranda, notes, records, sketches, plans or other documents wholly or partly made or compiled by or delivered to Employee and which are in his possession or under his control concerning costs, uses, applications or purchasers of products made or sold by Company, or any of its subsidiaries, or any product, apparatus, process, formula or method used, developed, produced or investigated by it during his employment hereunder.

(c) (i) Employee shall not for a period of one (1) year after termination of employment with Company engage directly or indirectly, whether as principal, agent, officer, director, employee, consultant or otherwise, in a COMPETING ACTIVITY. COMPETING ACTIVITY means a work or activity directed to the development, manufacture, sale or rental of a product, process or service which is competitive with or similar to any product, process or service of Company or its subsidiaries on which Employee worked during the last one (1) year of employment by Company, or about which Employee acquired Confidential Information.

(ii) Employee shall not during his employment or for a period of one (1) year after termination of employment by Company, solicit, directly or indirectly, any employee of Company or any of its subsidiaries to engage in COMPETING ACTIVITY.

(d) This Section (9) shall survive the termination of this Agreement.

(10) Employee Benefits. This Agreement shall be in lieu of any rights, benefits and privileges to which Employee may be entitled as an employee of the Company under any retirement, pension, profit-sharing, insurance, hospital, disability or other plans which may now be in effect or which may hereafter be adopted by the Company or any of its subsidiaries.

(11) Covenants of Employee. Employee agrees that during the term of this Agreement, he will comply with MSA's Policy No. 10-I on Business Ethics - International, Policy No. 20 on Environmental Law Compliance and Management, and Policy No. 40 on Antitrust Compliance, all of which are attached as Exhibit 1 hereto.

(12) Termination of Employment.

(a) Employee is an employee-at-will and the Company or Employee may terminate this Agreement by giving sixty (60) days' written notice to the other party.

(b) Employee may be terminated by the Company for cause (a "Termination For Cause") by reason of:

(i) Employee's willful breach of any material term of this Agreement continuing for a period of ten (10) business days after receipt of written notice thereof,

(ii) The perpetration by Employee of a serious dishonest act or fraud against the Company, or

(iii) the failure, continuing for ten (10) business days or more after receipt of notice, to comply with reasonable directives of the Chairman and Chief Executive Officer of the Company.

(c) In the event of termination of employment for whatever cause, the Company shall pay Employee the amount of his annual salary prorated to the end of the month in which employment is terminated.

(d) In the event Employee's employment with the Company is terminated, for whatever reason, except by reason of (i) Employee's voluntary termination, (ii) Employee's disability which extends for more than six (6) months, (iii) Employee's death, or (iv) Employee's Termination For Cause, Employee shall be entitled also to severance compensation equal to one (1) year's salary in effect on the date of such termination.

(13) Outside Activities. The Employee shall be permitted to serve on not more than two (2) outside Boards as a non-executive director.

(14) Withholdings. All compensation to Employee hereunder shall be reduced by all taxes and other charges required to be withheld by the Auer under applicable laws.

(15) Injunction. Employee agrees that a breach on his part of any of the terms, provisions and conditions of this Agreement will cause such damage to Company as will be irreparable and the exact amount of which will be impossible to ascertain and for that reason agrees that the Company shall be entitled, as a matter of right, to an injunction from any court

of competent jurisdiction, restraining any threatened or further violation of this Agreement. Such right to an injunction, however, shall be cumulative, and in addition to whatever other remedies the Company may have to protect its rights.

(16) Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, or by prepaid courier, addressed, if to the Employee, to the address inserted below the Employee's signature on the final page hereof and, if to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Mine Safety Appliances Company
RIDC Industrial Park
121 Gamma Drive
Pittsburgh, Pennsylvania 15238

ATTENTION: Mr. John T. Ryan III
Chairman and Chief Executive Officer

with a copy to

Mine Safety Appliances Company
121 Gamma Drive
Pittsburgh, PA 15238
ATTENTION: General Counsel

(17) Governing Law. This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania.

(18) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(19) Separability. Each covenant or agreement or portion thereof contained in this Agreement shall be independent and separable from all of the other covenants and agreements or portions thereof contained in this Agreement, and the invalidity of such covenant or agreement or portion thereof shall in no way affect the enforceability of any of the other covenants and agreements or portions thereof.

(20) Amendments and Waivers. This Agreement and the provisions hereof may not be terminated, modified, amended or waived orally or by any act or failure to act, but only by a writing signed by the party to be affected thereby. Any waiver of any violation of a condition, term or other provision hereunder shall not constitute a waiver thereof in general or a waiver of any subsequent violation thereof.

(21) Cooperation. The parties agree to execute any further instruments and to perform any further acts incidental to the performance of this Agreement or as necessary to carry out its provisions.

(22) Effect Of Agreement. All rights and obligations hereunder shall inure to the benefit of and be binding upon the heirs, personal representatives, permitted assigns, and successors and affiliates of the parties hereto.

(23) Arbitration.

(a) Subject to the right of the Company to bring an injunction as provided in Section (15) hereof, if a controversy or claim arises between Employee and the Company relating to this Agreement, such controversy or claim shall be fully and finally settled before a panel of three arbitrators appointed in accordance with the Rules of the American Arbitration Association, pursuant to its Commercial Arbitration Rules then in effect. The Company and Employee shall bear the costs of their own counsel and witnesses and the other costs, which are normally borne solely by a party to arbitration; but otherwise the Company and Employee shall share equally the charges and fees of the American Arbitration Association and arbitrators.

(b) Any arbitration pursuant to this Section 23 shall be held in Pittsburgh, Pennsylvania or at such other place as agreed by the parties. Pennsylvania law shall be used by the arbitrators in resolving any dispute.

(c) Any judgment upon the award rendered by the arbitrators shall be final and binding and may be entered in any court having jurisdiction thereof.

(24) Service of Process. Employee and the Company irrevocably submit themselves to the personal jurisdiction of the courts of the Commonwealth of Pennsylvania with respect to

any action arising out of, or in connection with, the execution, delivery or performance of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

| | |
|---|---|
| ATTEST: | MINE SAFETY APPLIANCES COMPANY |
| /s/ Donald H. Cuozzo | By /s/ John T. Ryan III |
| Secretary | John T. Ryan III<br>Chairman and Chief<br>Executive Officer |
| WITNESS: | EMPLOYEE |
| /s/ Gary D. Trozzo | /s/ James H. Baillie |
| | James H. Baillie<br>MSA Europe<br>P. O. Box 333<br>D-12033 Berlin, Germany |

James H. Baillie
EMPLOYMENT AGREEMENT

EXHIBIT 1

Other Benefits.

1. Company's standard change of control Severance Agreement.

2. Expenses for storage fees not to exceed $1,500 incurred from January 18, 1999 to October 1, 1999 or until Employee has moved to Berlin, whichever first occurs.

3. Outplacement services in the event of Employee's termination of employment pursuant to Section 10(b) of this Agreement.

4. Relocation expenses in Employee's move to Berlin under the Company's standard United States relocation plan.

5. (a) Expenses to return Employee and his family to the United States, under the Company's standard United States relocation plan provided (i) Employee's employment with the Company is terminated prior to the date in which he attains 61 under circumstances which entitle Employee to the payment of severance benefits by the Company and (ii) he is employed by the Company or one of its affiliates immediately prior to such relocation, or

   (b) Expenses to return Employee and his family to the United States, at any time after the Employee attains age 61, under the Company's standard United States relocation plan provided he is employed by the Company or one of its affiliates immediately prior to such relocation.

6. Signing bonus of $20,834

7. Participation in the Company's disability plan covering his salary and previous year's bonus under this Agreement and the AUER Agreement, subject to plan maximums currently at $320,000.

8. Participation in the Company's medical plan.

9. Group term life insurance equal to two-times salary plus previous year's bonus under this Agreement and the AUER Agreement, subject to plan maximums currently at $500,000.

10. Travel and accident insurance. covering his salary and previous year's bonus under this Agreement and the AUER Agreement, subject to plan maximums currently at $1,000,000.

James H. Baillie

EMPLOYMENT AGREEMENT

# EXHIBIT 2

## MSA POLICIES

Nos. 10-I, 20 and 40 attached

Policy No. 10-I

Effective Date:
11-01-95
Supersedes:
4-19-93

Approved by:

President,Chairman
& CEO

# Business Ethics - International

## A. Compliance

### 1. Laws

An employee, officer and director (hereinafter collectively referred to as "associates") of the Company, its divisions and affiliates (hereinafter collectively referred to as "Company") shall adhere to the laws of the United States and to those of other countries in which the Company affiliates operates. Where conflicts or ambiguities exist in these laws, or more particularly the regulations issued thereunder, Corporate Law Department should be consulted for guidance.

### 2. Honesty

An associate shall adhere to honest standards and practices in all business dealings.

### 3. Accounting

Established accounting procedures are to be followed at all times including the recording of all forms of funds or assets of the Company. No false entries shall be made in the books and records of the Company for any reason. No payment on behalf of the Company shall be approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment.

### 4. Bribes

Under no circumstances shall any payments, gifts, rendering of services or any other form of value be directly or indirectly given by an associate of the Company to any public official, employees of customers, or employees of suppliers, particularly to influence the public official's exercise of judgment and discretion in disposing of matters on behalf of the Government or to assist the Company in obtaining or retaining business contracts. Such consideration provided to a member of the immediate family of a public official are to be considered and treated as though provided directly to the public official.

5. Audits

The Company's internal auditors, as well as its independent public accountants, shall examine the adherence to these policies as part of their periodic reviews.

6. Appearance of Impropriety

An associate must avoid actions that might appear improper in regard to the ethical matters discussed here and in other corporate policies.

7. Reporting

The Company shall provide appropriate means for associates to report violations of this policy.

8. Management Responsibility

The General Manager shall be responsible for the monitoring of compliance with these policies in the areas under their supervision. Any infraction of these policies will subject an associate to disciplinary action which, depending upon the seriousness of the violation, may include warning, reprimand, suspension or dismissal. Any violation of these policies must reported to the associate's supervisor.

B. Public Responsibility

1. Civic Obligations

An associate shall be cognizant of and perform the Company's obligations to the community.

2. Providing Services

An associate shall maintain cordial and cooperative relationships with the community in which operations are based by participating in community undertakings when appropriate.

C. Conflict of Interest

1. Freedom from Constraints

An associate shall be free from any personal influence, interest, or relationship, or appearance thereof, in situations that might conflict with the best interests of the Company.

2. Disclosure

An associate shall fully disclose to the Company any circumstance that may contravene this policy. Prompt recognition of conflicts of interest by the associate permits corrective steps to be taken by the Company.

3. Financial Interests

An associate or a member of the associates' immediate family may not have a substantial financial interest in an organization that has current or prospective dealings with the Company as a supplier, contractor or customer, or competes directly with the Company when the associate may be able to influence the dealings of the Company to benefit the associates' private interests.

4. Acceptance of Gifts or Entertainment

An associate shall not accept any gifts or entertainment from an organization having current or prospective dealings with the Company as a supplier, contractor or customer, if such gifts or entertainment are of such significance that they could tend to prevent the associate from acting solely in the best interests of the Company. Gifts or entertainment provided to a member of the immediate family of the associate shall be considered and treated as though provided directly to the associate.

5. Offering of Gifts or Entertainment

An associate shall not offer any gifts or entertainment to a current or prospective customer if such gifts or entertainment are of such significance that acceptance could tend to prevent the recipient from acting solely in the best interests of the recipient's organization. Such gifts or entertainment provided to a member of the immediate family of a customer or its employee shall be considered and treated as though provided directly to the customer or its employee.

6. Non-Competition

An associate shall not receive compensation for services rendered as an associate or a consultant to another organization or for services as a director or officer of another organization that competes directly with the Company or where the other organization has current or prospective dealings with the Company that may be influenced by the associate.

7. Employment

An associate may not accept concurrent employment with another company if the organization is a competitor or supplier or one that may become a competitor or supplier in the foreseeable future.

8. Loans

An associate or a member of the associate's immediate family may not borrow money from individuals or organizations that conduct or may conduct business with the Company, either as a customer or supplier. This does not apply to public lending institutions, e.g., banks, savings and loan associations, etc.

D. Code of Ethical Conduct

The provisions of MSA's Code of Ethical Conduct are included as part of this Business Ethics Policy. The terms of the Code encompass and enhance the provisions of the Business Ethics Policy and should be adhered to as if included in the Business Ethics Policy.

Policy No. 20

Environmental Law Compliance and Management

Effective Date: 11-01-95
Supersedes: 04-19-93

Approved by:

President, Chairman & CEO

1. Mine Safety Appliances Company, its divisions and affiliates (hereinafter collectively referred to as the "Company") shall comply with the letter and spirit of all environmental laws and regulations and, by its actions, protect public health, public enjoyment and the world in which we live. Where questions arise concerning these laws, the Corporate Law Department should be consulted for guidance.

2. The Company shall pledge commitment and support for a strong environmental management program.

3. The Company shall minimize the production of waste, effluents and emissions and recycle wastes after minimization efforts.

4. The Company shall reduce environmental risks and future liabilities.

5. The Company shall design, operate and maintain each plant consistent with the Company's environmental objectives.

6. The Company shall charge plant management with responsibility for the environmental performance of its plants and operations.

7. The Company shall charge the corporate environmental protection staff with the responsibility for providing the leadership necessary to implement these policies.

8. The Company shall assure that its associates understand their responsibilities and the actions that are necessary to achieve compliance and to protect the environment.

9. The Company shall make the necessary expenditures to implement these policies.

10. The Company shall continually evaluate, enhance and communicate the Company's Environmental Law Compliance and Management Policy.

Policy No. 40

Effective Date:
11-01-95
Supersedes:
04-19-93

Approved by:

President, Chairman
& CEO

# Antitrust Compliance

1. Mine Safety Appliances Company, its divisions and affiliates (hereinafter collectively referred to as the "Company") shall comply with the letter and spirit of all antitrust laws of the nations, states, provinces and communities in which the Company operates in the course of conduct of its business. Where questions arise concerning these laws, the Corporate Law Department should be consulted for guidance.

2. The Company shall forbid collusion or conspiring with competitors or distributors of products sold by the Company whereby prices are fixed and controlled to any class or type of customer or organization.

3. The Company shall forbid unfair or deceptive trade practices.

4. The Company shall avoid any actions with competitors or distributors that may give an impression of improper conduct.

5. The Company shall forbid resale price maintenance.

6. The Company shall forbid price discrimination.

7. The Company shall forbid contract bid rigging.

8. The Company shall forbid the initiation of any predatory pricing or business practices.

9. The Company shall strive to meet each competitive situation as it develops in conducting its business.

10. The Company shall evaluate for appointment all potential distributors and other organizations that may resell the Company's products and will treat those distributors and organizations that are appointed by the Company in an equal and fair manner according to the marketing plans established by the Company.

11. The Company shall provide proper antitrust training for all associates who have responsibility for the sale of the Company's products and the organization of the Company's sales channels.

12. The Company shall continually enhance, evaluate and communicate its Antitrust Compliance Policy.

# Management's Discussion and Analysis

## Forward-looking Statements

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, statements regarding expectations for future product introductions, cost reduction and restructuring plans, liquidity, sales and earnings, Year 2000 issues, and market risk. Actual results may differ from expectations contained in such forward-looking statements and can be affected by any number of factors, many of which are outside of management's direct control. Among the factors that could cause such differences are the effects of cost reduction efforts, new product introductions, market and operating conditions affecting specialty chemical customers, availability of critical materials and components, the economic environment, and interest and currency exchange rates. Also contained herein is information concerning Year 2000 readiness as defined in the Federal Year 2000 Information and Readiness Disclosure Act.

## Results of Operations

Corporate initiatives - The company continues to focus on cost control initiatives designed to improve its competitive position and profitability. In the U.S., staff reductions resulting from a voluntary retirement incentive program (VRIP) and other workforce reduction programs are expected to lower pre-tax operating costs by approximately $5.5 million annually.

In Europe, a new management team has been implementing organizational changes which are expected to reduce operating costs and establish a more integrated approach to business in that area. In 1999 the company incurred pre-tax restructuring charges totaling $4.0 million, primarily severance costs in Germany, related to the workforce reduction initiatives. These reductions are expected to lower pre-tax operating costs in Europe by approximately $3.0 million annually.

In the U.S., the company is also actively pursuing opportunities to consolidate office space in Pittsburgh as a means of reducing operating costs and improving communications and productivity.

The second quarter 1999 acquisition of Campbell Gardwel, a South African maker of personal protective equipment, made MSA the largest safety products supplier on the African continent. The acquisition combines MSA's strength in mining markets with Campbell Gardwel's focus in industrial markets.

To further enhance its position in the rapidly-growing thermal imaging camera market, the company acquired ISI Group, Inc. (ISIG) in February 2000. Based in Albuquerque, New Mexico, ISIG is an established manufacturer of infrared cameras for the fire service and predictive and preventive maintenance markets.

1999 versus 1998 - Sales for 1999 were $494.2 million, a decrease of $1.9 million, or less than 1%, from $496.1 million in 1998. Sales in the prior year included the HAZCO Services, Inc. and Baseline Industries, Inc. business units until they were divested on June 30, 1998. Sales of ongoing operations improved by $11.8 million in 1999, but were partially offset by the negative currency translation effects in international operations of the strong U.S. dollar.

Sales by U.S. operations were $278.3 million in 1999, a decrease of $1.5 million, or 1%, from $279.8 million in 1998. U.S. sales in 1998 included HAZCO Services, Inc. and Baseline Industries, Inc., through mid-year. The divestitures resulted in approximately $13.6 million less sales in 1999 compared to 1998. The improvements in sales from ongoing businesses in 1999 reflect growth in safety products sales, partially offset by lower specialty chemical sales. Shipments of self-contained breathing apparatus and thermal imaging cameras to the fire service market were particularly strong in 1999. Delays in new product introductions depressed instrument product sales for most of the year. The company began shipping the improved Passport FiveStar(R) Alarm multigas detector late in 1999 and is placing priority efforts on other new instrument product introductions. Specialty chemicals are sold to a limited number of large pharmaceutical and chemical companies and short-term sales levels are highly dependent on the performance of these customers' products in their respective markets. The company believes that lower specialty chemical sales in 1999 were largely due to a number of special situations with individual customer's production and marketing activities. Specialty chemical shipments improved somewhat in the fourth quarter of 1999 and further recovery is expected in 2000.

Sales by European operations, stated in U.S. dollars, were $114.1 million in 1999, a decrease of $7.9 million, or 6%, from $122.0 million in 1998. The decrease reflects a slight decline in local currency sales and negative currency translation effects when stated in U.S. dollars. Flat or somewhat improved local currency sales in most European countries were partially offset by lower sales in Britain.

Sales by MSA's operations outside the U.S. and Europe were $102.3 million in 1999 compared to $92.0 million in 1998, an increase of $10.3 million, or 11%. Significant improvements in local currency sales in most countries were partially offset by unfavorable currency translation effects when stated in U.S. dollars. Local currency sales increased in 1999 at almost all operations, but particularly in Africa and Canada. Sales at MSA Africa were significantly higher as a result of the previously-mentioned acquisition of Campbell Gardwel.

Gross profit for 1999 was $179.7 million, a decrease of $4.7 million, or 3%, from $184.4 million in 1998. Approximately $1.0 million of the decrease was volume related. The remainder of the decrease in gross profit dollars was related to a decline in the ratio of gross profit to sales to 36.4% in 1999 compared to 37.2% in 1998.

Research and development expenses were largely unchanged in 1999 at $17.1 million, compared to $17.4 million in 1998. These expenses relate primarily to safety and health equipment research and development activities in the U.S and Germany.

Depreciation, selling and administrative expenses decreased $4.9 million to $152.8 million in 1999, and decreased as a percent of sales to 30.9% from 31.8% in 1998. The decrease

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reflects cost savings resulting from restructuring initiatives in the U.S. and the mid-1998 divestitures of HAZCO Services, Inc. and Baseline Industries, Inc. Depreciation, selling and administrative expenses at international operations were slightly higher than in 1998.

Cost of products sold and selling, general and administrative expenses include net periodic pension benefit costs and credits. As described in note 13, pension credits, combined with pension costs, resulted in net pension credits of $10.2 million in 1999 and $10.3 million in 1998. Net pension credits in 1999 included a net credit of $2.8 million resulting from the termination benefit costs and settlement gains associated with the previously-mentioned voluntary retirement incentive program. In 1998 net pension credits included a $4.0 million settlement gain. Future net pension credits can be volatile depending on future marketplace performance of plan assets, changes in actuarial assumptions regarding such factors as the selection of discount rates and rates of return on plan assets, changes in the amortization levels of actuarial gains and losses, plan amendments affecting benefit payout levels, and profile changes in the participant populations being valued. Changes in any of these factors could cause net pension credits to change. To the extent net pension credits decline in the future, income would be adversely affected.

Currency exchange gains were $694,000 in 1999, compared to losses of $315,000 in 1998. The most significant gains from currency valuation changes in 1999 occurred in Latin America.

Restructuring charges in 1999 were $4.0 million compared to $1.0 million in 1998. The charges in both years relate primarily to severance and early retirement costs associated with workforce reductions in Germany.

Other income, for which further information is included in note 4, was $3.8 million in 1999 compared to $6.0 million in 1998. Other income for 1999 included pre-tax gains of $2.2 million on sales of real estate. Other income for 1998 included $2.8 million pre-tax gains related to the divestitures of the HAZCO Services, Inc. and Baseline Industries, Inc. affiliates. The operating results of these two affiliates were not material to the consolidated financial statements during the two years ended December 31, 1998.

The effective income tax rate, for which further information is included in note 8, was 29.6% in 1999 and 35.2% in 1998. The lower effective rate in 1999 reflects tax benefits on international operating losses, primarily in Germany, and adjustments to prior years' taxes in the U.S., mainly due to foreign sales corporation tax benefits.

As further described in note 15, during 1999 the company changed the reporting periods of a number of international affiliates, including Germany which is the company's largest affiliate. This change was made to improve the consistency of consolidated operating results and to more effectively utilize the global information technology infrastructure. The effect of this change is reported as a change in accounting principle.

Income before change in reporting period was $16.3 million in 1999 compared to $18.3 million in 1998. Basic earnings per share of common stock before change in reporting period declined in 1999 to $3.76, compared to $4.11 in 1998.

The change in reporting period reduced 1999 net income by $1.2 million and earnings per share of common stock by $0.27 and represents the after-tax results of the affected affiliates for the one month period ended December 31, 1999. This net loss included severance costs related to ongoing workforce reductions in Germany combined with the results of seasonally low December operating activity in the units affected, due to extended holiday shutdowns in Europe.

Net income for 1999 was $15.1 million compared to $18.3 million in 1998. Basic earnings per share of common stock declined in 1999 to $3.49, compared to $4.11 in 1998. Earnings per share benefited from share repurchases that reduced average shares outstanding by 2% in 1999.

1998 versus 1997 - Sales for 1998 were $496.1 million, a decrease of $3.0 million, or 1%, from $499.1 million in 1997. Relatively flat sales levels reflect divestitures and the negative currency translation effects of the strong U.S. dollar, largely offset by modest growth in U.S sales and local currency sales in international markets.

Sales by U.S. operations were $279.8 million in 1998 compared to $278.4 million in 1997. Flat sales levels reflect strong growth in specialty chemicals sales and modest improvements in personal protective equipment sales. These gains were largely offset by the mid-year divestitures of HAZCO Services, Inc. and Baseline Industries, Inc., which were sold on June 30, 1998, as part of ongoing initiatives to rationalize distribution channels and improve operating performance. The divestitures resulted in $16.8 million lower sales in 1998 compared to 1997.

Sales by European operations, stated in U.S. dollars were $122.0 million in both 1998 and 1997. Although local currency sales in Europe improved slightly in 1998, negative currency translation effects throughout Europe offset these gains when stated in U.S. dollars.

Sales by MSA's operations outside the U.S. and Europe were $92.0 million in 1998 compared to $97.6 million in 1997, a 6% decrease. Modest overall improvements in local currency sales were more than offset by significant unfavorable currency translation effects. Strong local currency sales growth was reported in Canada and Australia. The inclusion of Wuxi-MSA Safety Equipment Co., Ltd., which became majority-owned during 1998, was also a factor in improved local currency sales.

Gross profit for 1998 was $184.4 million, a decrease of $12.5 million, or

6%, from $196.9 million in 1997. The 1998 ratio of gross profit to sales declined to 37.2% from 39.5%. The lower gross profit percentage in 1998 reflects somewhat lower margins in the U.S., while the margins of international operations were relatively stable. Lower margins at U.S. operations reflect the full transition to an indirect sales strategy and competitive pricing and promotions in personal protective equipment markets, somewhat higher low-margin government sales, and lower specialty chemical margins, primarily related to product mix.

Research and development expenses in 1998 were $17.4 million, compared to $16.7 million in 1997, reflecting modest increases in safety and health equipment research activity in the U.S and Germany.

Depreciation, selling and administrative expenses decreased $4.8 million to $157.7 million in 1998, and decreased as a percent of sales to 31.8% from 32.6% in 1997. The decrease reflects the mid-year divestitures of HAZCO Services, Inc. and Baseline Industries, Inc., partially offset by higher expenses in other U.S. operations. Depreciation, selling and administrative expenses at international operations were slightly lower than in 1997, due in part to currency translation effects.

Cost of products sold and selling, general and administrative expenses include net periodic pension benefit costs and credits. As described in note 13, pension credits, combined with pension costs, resulted in net pension credits of $10.3 million in 1998 and $10.9 million in 1997. Net pension credits in 1998 included a $4.0 million settlement gain. In 1997 the net pension credits included credits of $5.7 million for settlement and curtailment gains associated with the 1996 closing of the Esmond, Rhode Island plant.

Currency exchange losses charged to income in 1998 were $315,000, compared to $40,000 in 1997. The most significant losses from currency valuation changes in 1998 occurred in Latin America.

Restructuring charges in 1998 were $1.0 million compared to $2.2 million in 1997. The charges in both years relate primarily to severance and phased retirement costs associated with workforce reductions in Germany.

Other income was $6.0 million in 1998 compared to $6.8 million in 1997. The decrease reflects lower interest income and equity earnings, due to the 1998 consolidation of Wuxi-MSA Safety Equipment Co., Ltd. Other income for 1998 includes $2.8 million related to the divestitures of the HAZCO Services, Inc. and Baseline Industries, Inc. affiliates.

The effective income tax rate, for which further information is included in note 8, was 35.2% in 1998 and 39.7% in 1997. The lower effective rate in 1998 reflects tax benefits associated with U.S. divestitures and operating losses in various international countries.

Net income in 1998 was $18.3 million compared to $21.9 million in 1997. Basic earnings per share of common stock declined in 1998 to $4.11, compared to $4.81 in 1997. Earnings per share benefited from share repurchases that reduced average shares outstanding by 2% in 1998.

## Liquidity and Financial Condition

Cash and cash equivalents decreased $6.9 million during 1999, compared to a $4.1 million increase in 1998. The company's principal source of financing capital expenditures and internal growth is cash flow from operations. Operations provided cash of $39.4 million in 1999 compared to $20.8 million in 1998. The most significant reasons for improved operating cash flow were reduced inventory levels and a reduction in trade receivables, primarily due to the sale of trade receivables in the U.S. As more fully described in note 14, the accounts receivable facility provided a net $18.7 million in cash during the year. These effects were somewhat offset by unfavorable currency exchange effects on working capital balances in 1999. Cash used by other operating activities in 1999 included $3.2 million of development costs for the Cranberry Woods office park. Cash provided by operations in 1998 was $8.4 million lower than in 1997, reflecting increased receivables in 1998 compared to a significant decrease in receivables in 1997.

Investing activities used cash of $29.6 million in 1999 compared to $10.5 million in 1998. Cash flow from investing in 1998 benefited from net proceeds of $22.9 million received on the sales of HAZCO Services, Inc. and Baseline Industries, Inc. business units. In 1999 acquisitions and other investing included $3.0 million related to the acquisition of Campbell Gardwel in South Africa. Capital expenditures totaled $26.2 million in 1999 and $34.3 million in 1998. Both 1998 and 1997 included increased expenditures for information systems and manufacturing facility improvements associated with U.S. restructuring activities. In the past five years, approximately $136 million has been spent on new facilities, equipment, and information systems.

Cash used by financing activities was $15.4 million in 1999 compared to $4.5 million in 1998. The additional use of cash in 1999 reflects reductions in short-term borrowings during the year. Dividends paid on the common stock during 1999 (the 82nd consecutive year of dividend payment) were $1.36 per share, up from the $1.33 per share in 1998 and $1.24 per share in 1997. Cash dividends are paid at a conservative percentage of income, which is consistent with the company's practice of financing growth internally. During 1999, the company repurchased 91,263 common shares for $5.7 million. As of December 31, 1999, an additional 132,663 shares may be repurchased under current authorizations.

Short term debt decreased $28.8 million during 1999 to $4.1 million. The decrease reflects the use of proceeds from the issuance of long term debt and the sale of receivables. The average amount of short term debt outstanding during 1999 and 1998 was $38.9 million and $31.3 million, respectively. Credit available at year-end with financial institutions was the U.S. dollar equivalent of $34.4 million, of which $30.3 million was unused.

Long-term debt, including the current portion, increased $24.5 million during 1999 to $36.9 million, or 13.2% of total capital. Total capital is defined as long-term debt plus the current portion of long-term debt and shareholders' equity. The increase is due to the issuance of $25 million in fixed rate senior notes payable in installments through 2006. Proceeds of the notes were used to reduce short term variable rate debt.

Receivables decreased $35.9 million to $58.9 million at December 31, 1999. As more fully described in note 14, the decrease reflects the sale of accounts receivable under a securitization facility. Trade receivables expressed in number of days' sales outstanding was 43 days at December 31, 1999, compared to 70 days in 1998. Other receivables were $22.7 million at December 31, 1999, representing a retained interest in the securitized receivables. Inventories decreased $3.4 million to

$82.1 million at December 31, 1999. Inventory measured against sales turned 6.0 times in 1999 and 5.8 times in 1998. The working capital ratio was 2.5 to 1 at the end of 1999 and 2.1 to 1 at the end of 1998. The improvement is largely due to the refinancing of short-term debt during 1999.

The company's financial position remains strong and is expected to provide adequate capital resources for operations, capital expansion and dividends to shareholders.

Cumulative Translation Adjustments

The year-end position of the U.S. dollar relative to international currencies resulted in translation losses of $5.1 million being charged to the cumulative translation adjustments shareholders' equity account in 1999, compared to losses of $3.6 million in 1998 and $7.2 million in 1997. Translation losses in 1999 occurred primarily in Brazil, Germany and Italy. Significant 1998 translation losses occurred in Germany, Canada and Australia. Charges for 1998 also include effects related to the consolidation of Wuxi-MSA Safety Equipment Co., Ltd.

Financial Instrument 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. The company is exposed to market risks related to currency exchange rates and interest rates. The company does not enter into derivatives or other financial instruments for hedging or trading purposes, nor does it engage in currency exchange rate hedges or interest rate swap agreements.

Currency exchange rate sensitivity - By the very nature of its global operations, the company's cash flow and earnings are subject to fluctuations due to exchange rate changes. However, because the company operates in a number of locations around the world, currency exchange risk is well diversified. Short-term debt of international affiliates is payable in local currencies, which is in keeping with the company's policy of reducing currency exchange exposures by offsetting local currency assets with local currency debt.

Interest rate sensitivity - The company is 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 were reported at carrying values which approximate fair value at December 31, 1999. 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 $500,000. However, the company's sensitivity to interest rate declines and the corresponding increase in the fair value of its debt portfolio would unfavorably affect earnings and cash flows only to the extent that the company elected to repurchase or retire all or a portion of its fixed rate debt portfolio at prices above carrying values.

Year 2000

The company did not experience significant disruptions to operations as a result of the Year 2000 rollover. To date, no significant Year 2000 related problems have been encountered with third parties. The company believes that substantially all critical processes and systems have operated successfully since the date rollover.

Costs of Year 2000 remediation, all of which were funded from operating cash flow and expensed as incurred each year, were less than $5 million.

In management's opinion, the ongoing risk of Year 2000-related operating disruptions is minimal.

Common Stock

At December 31, 1999, there were 4,291,671 shares of common stock outstanding. There were at least 875 identifiable common stockholders on November 19, 1999, a recent date for dividends. Common stock price and volume information is included on the American Stock Exchange under the symbol MSA. The quarterly high and low price quotations for common shares follow:

| | 1999 | | 1998 | |
|---|---|---|---|---|
| Quarter | High | Low | High | Low |
| First | $74 3/4 | $53 | $70 1/2 | $57 1/4 |
| Second | 81 | 50 1/2 | 76 1/2 | 69 |
| Third | 74 7/8 | 60 | 87 | 64 |
| Fourth | 67 | 56 3/4 | 81 7/8 | 64 1/2 |

Common stock quarterly cash dividend information is as follows:

| Quarter | Amount Per Share | Record Date | Payment Date |
|---|---|---|---|
| | | 1999 | |
| First | $ .34 | Feb. 26, 1999 | Mar. 10, 1999 |
| Second | .34 | May 28, 1999 | Jun. 10, 1999 |
| Third | .34 | Aug. 13, 1999 | Sep. 10, 1999 |
| Fourth | .34 | Nov. 19, 1999 | Dec. 10, 1999 |

| | | | |
|---|---|---|---|
| Total | 1.36 | | |

| | 1998 | | |
|---|---|---|---|
| First | $ .31 | Feb. 27, 1998 | Mar. 10, 1998 |
| Second | .34 | May 22, 1998 | Jun. 10, 1998 |
| Third | .34 | Aug. 14, 1998 | Sep. 10, 1998 |
| Fourth | .34 | Nov. 20, 1998 | Dec. 10, 1998 |
| Total | 1.33 | | |

The company's stock transfer agent is Norwest Bank Minnesota, N.A., 161 North Concord Exchange, P.O. Box 738, South St.Paul, MN 55075-0738.

## Report of Management

Mine Safety Appliances Company's consolidated financial statements and related notes that appear in this Annual Report to Shareholders were prepared by the company in accordance with generally accepted accounting principles. In fulfilling its responsibilities for the integrity and objectivity of the consolidated financial statements, management maintains accounting procedures designed to provide accurate books, records and accounts which reasonably and fairly reflect the transactions of the company in a consistent manner on the accrual basis of accounting.

Company personnel are trained and given responsibilities to ensure adequate internal accounting controls at a cost commensurate with the risks involved. Internal accounting controls, monitored by an internal audit staff, provide reasonable assurances that transactions are executed in accordance with proper authorization and that adequate accountability for the company's assets is maintained.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its responsibilities in the preparation of the financial statements. The Audit Committee meets at least twice a year with the company's independent accountants to discuss the scope of their examination and any significant findings resulting therefrom.

/s/ James E. Herald

James E. Herald
Vice President--Finance
Chief Financial Officer

## Report of Independent Accountants

To the Shareholders and Board of Directors of Mine Safety Appliances Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in retained earnings and accumulated other comprehensive income, and of cash flows present fairly, in all material respects, the financial position of Mine Safety Appliances Company and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 15 to the financial statements, the Company changed the reporting period for certain subsidiaries in 1999.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 17, 2000

Consolidated
Statement of Income

(In thousands, except per share amounts)

| Year Ended December 31 | 1999 | 1998 | 1997 |
|---|---|---|---|
| Net sales | $ 494,227 | $496,104 | $ 499,136 |
| Other income | 3,824 | 6,026 | 6,802 |
| | 498,051 | 502,130 | 505,938 |
| Costs and expenses | | | |
| Cost of products sold | 314,493 | 311,672 | 302,225 |
| Selling, general and administrative | 129,478 | 135,258 | 139,256 |
| Depreciation and amortization | 23,356 | 22,398 | 23,233 |
| Interest | 4,273 | 3,258 | 2,781 |
| Currency exchange (gains)/losses | (694) | 315 | 40 |
| Facilities consolidation and restructuring charges | 3,960 | 1,021 | 2,164 |
| | 474,866 | 473,922 | 469,699 |
| Income before income taxes | 23,185 | 28,208 | 36,239 |
| Provision for income taxes | 6,859 | 9,933 | 14,385 |
| Income before change in reporting period | 16,326 | 18,275 | 21,854 |
| Change in reporting period, net of tax | (1,192) | | |
| Net income | $ 15,134 | $ 18,275 | $ 21,854 |
| Basic earnings per common share: | | | |
| Income before change in reporting period | $ 3.76 | $ 4.11 | $ 4.81 |
| Change in reporting period | (.27) | | |
| Net income | $ 3.49 | $ 4.11 | $ 4.81 |
| Diluted earnings per common share: | | | |
| Income before change in reporting period | $ 3.75 | $ 4.10 | $ 4.80 |
| Change in reporting period | (.27) | | |
| Net income | $ 3.48 | $ 4.10 | $ 4.80 |

See notes to consolidated financial statements.

Consolidated
Balance Sheet

(In thousands, except per share amounts)

| December 31 | | 1999 | 1998 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | Cash | $ 8,898 | $ 10,084 |
| | Temporary investments, at cost which approximates market | 8,210 | 13,936 |
| | Trade receivables, less allowance for doubtful accounts $2,322 and $3,004 | 58,911 | 94,850 |
| | Other receivables | 22,716 | |
| | Inventories | 82,097 | 85,491 |
| | Deferred tax assets | 13,348 | 14,349 |
| | Prepaid expenses and other current assets | 8,910 | 10,499 |
| | Total current assets | 203,090 | 229,209 |
| Property | Land | 4,655 | 4,999 |
| | Buildings | 105,022 | 102,211 |
| | Machinery and equipment | 260,664 | 255,286 |
| | Construction in progress | 8,154 | 9,191 |
| | Total | 378,495 | 371,687 |
| | Less accumulated depreciation | (214,986) | (207,126) |
| | Net property | 163,509 | 164,561 |
| Other Assets | Prepaid pension cost | 61,357 | 46,162 |
| | Deferred tax assets | 4,152 | 1,005 |
| | Other noncurrent assets | 19,633 | 16,784 |
| | Total | $ 451,741 | $ 457,721 |
| **Liabilities** | | | |
| Current Liabilities | Notes payable and current portion of long-term debt | $ 4,477 | $ 33,450 |
| | Accounts payable | 29,056 | 34,966 |
| | Employees' compensation | 11,048 | 11,891 |
| | Insurance | 10,402 | 8,932 |
| | Taxes on income | 3,878 | 991 |
| | Other current liabilities | 21,144 | 19,776 |
| | Total current liabilities | 80,005 | 110,006 |
| Long-term Debt | | 36,550 | 11,919 |
| Other Liabilities | Pensions and other employee benefits | 54,111 | 60,550 |
| | Deferred tax liabilities | 35,961 | 29,554 |
| | Other noncurrent liabilities | 2,657 | 2,846 |
| | Total other liabilities | 92,729 | 92,950 |
| **Shareholders' Equity** | | | |
| | Preferred stock, 4 1/2% cumulative, $50 par value (callable at $52.50) | 3,569 | 3,569 |
| | Common stock, no par value (shares outstanding: 1999--4,291,671; 1998--4,378,874) | 12,596 | 12,564 |
| | Stock compensation trust | (26,679) | (26,869) |
| | Treasury shares, at cost | (96,762) | (91,089) |
| | Deferred stock compensation | (504) | (951) |
| | Accumulated other comprehensive income | (14,831) | (10,240) |
| | Earnings retained in the business | 365,068 | 355,862 |
| | Total shareholders' equity | 242,457 | 242,846 |
| | Total | $ 451,741 | $ 457,721 |

See notes to consolidated financial statements.

Consolidated

Statement of Cash Flows

(In thousands)

| Year Ended December 31 | 1999 | 1998 | 1997 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income | $ 15,134 | $ 18,275 | $ 21,854 |
| Depreciation and amortization | 23,625 | 22,398 | 23,233 |
| Pensions | (10,175) | (10,344) | (10,881) |
| Gain on divestitures | | (2,238) | |
| Deferred income taxes | 3,269 | 7,599 | 7,445 |
| Receivables and other receivables | 15,013 | (7,730) | 10,352 |
| Inventories | 5,272 | (7,764) | (4,026) |
| Accounts payable and accrued liabilities | (1,892) | 317 | (4,079) |
| Other assets and liabilities | (4,592) | (417) | (4,891) |
| Other--including currency exchange adjustments | (6,218) | 666 | (9,800) |
| Cash Flow From Operating Activities | 39,436 | 20,762 | 29,207 |
| **Investing Activities** | | | |
| Property additions | (26,247) | (34,285) | (35,304) |
| Property disposals | 1,567 | 2,834 | 4,388 |
| Net proceeds from divestitures | | 22,865 | |
| Acquisitions and other investing | (4,892) | (1,955) | (1,876) |
| Cash Flow From Investing Activities | (29,572) | (10,541) | (32,792) |
| **Financing Activities** | | | |
| Additions to long-term debt | 25,336 | 402 | 295 |
| Reductions of long-term debt | (589) | (710) | (1,037) |
| Changes in notes payable and short-term debt | (28,767) | 8,776 | 17,438 |
| Cash dividends | (5,928) | (5,947) | (5,655) |
| Company stock purchases and sales | (5,451) | (6,999) | (9,907) |
| Cash Flow From Financing Activities | (15,399) | (4,478) | 1,134 |
| Effect of exchange rate changes on cash | (1,377) | (1,644) | (2,724) |
| (Decrease) increase in cash and cash equivalents | (6,912) | 4,099 | (5,175) |
| Beginning cash and cash equivalents | 24,020 | 19,921 | 25,096 |
| Ending cash and cash equivalents | $ 17,108 | $ 24,020 | $ 19,921 |
| Supplemental cash flow information: | | | |
| Interest payments | $ 4,299 | $ 3,299 | $ 2,328 |
| Income tax payments | 3,648 | 7,513 | 15,762 |

See notes to consolidated financial statements

## Consolidated Statement of Changes in Retained Earnings And Accumulated Other Comprehensive Income

(In thousands)

| | Retained Earnings | Accumulated Other Comprehensive Income | Comprehensive Income |
|---|---|---|---|
| Balances January 1, 1997 | $325,898 | $ 1,430 | |
| Net income | 21,854 | | $ 21,854 |
| Cumulative translation adjustments (a) | | (7,174) | (7,174) |
| Minimum pension liability adjustments (b) | | (538) | (538) |
| Comprehensive income | | | $ 14,142 |
| Common dividends | (4,181) | | |
| Preferred dividends | (37) | | |
| Balances December 31, 1997 | 343,534 | (6,282) | |
| Net income | 18,275 | | $ 18,275 |
| Cumulative translation adjustments (a) | | (3,625) | (3,625) |
| Minimum pension liability adjustments (b) | | (333) | (333) |
| Comprehensive income | | | $ 14,317 |
| Common dividends | (5,898) | | |
| Preferred dividends | (49) | | |
| Balances December 31, 1998 | 355,862 | (10,240) | |
| Net income | 15,134 | | $ 15,134 |
| Cumulative translation adjustments | | (5,141) | (5,141) |
| Minimum pension liability adjustments (b) | | 550 | 550 |
| Comprehensive income | | | $ 10,543 |
| Common dividends | (5,878) | | |
| Preferred dividends | (50) | | |
| Balances December 31, 1999 | $ 365,068 | $(14,831) | |

(a) - Charges to cumulative translation adjustments in 1998 and 1997 include tax expense of $30,000 and $670,000, respectively.

(b) - The 1999 credit to minimum pension liability adjustments is net of tax expense of $367,000. Charges in 1998 and 1997 are net of tax benefit of $221,000 and $360,000, respectively.

Components of accumulated other comprehensive income are as follows:

| | (In thousands) | | |
|---|---|---|---|
| | 1999 | 1998 | 1997 |
| Cumulative translation adjustments | $(14,510) | $ (9,369) | $(5,744) |
| Minimum pension liability adjustments | (321) | (871) | (538) |
| Accumulated other comprehensive income | $(14,831) | $(10,240) | $(6,282) |

See notes to consolidated financial statements.

## Note 1--Basis of Presentation

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

Significant accounting policies are stated in ITALICS at the applicable notes to Consolidated Financial Statements.

THE PREPARATION OF FINANCIAL STATEMENTS IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REQUIRES MANAGEMENT TO MAKE ESTIMATES AND ASSUMPTIONS THAT AFFECT THE REPORTED AMOUNTS OF ASSETS AND LIABILITIES AND DISCLOSURE OF CONTINGENT ASSETS AND LIABILITIES AT THE DATE OF THE FINANCIAL STATEMENTS AND THE REPORTED AMOUNTS OF REVENUES AND EXPENSES DURING THE REPORTING PERIOD. ACTUAL RESULTS COULD DIFFER FROM THOSE ESTIMATES.

ALL SIGNIFICANT MAJORITY-OWNED COMPANIES, EXCEPT MINE SAFETY FUNDING CORPORATION, ARE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS. INVESTMENTS IN WHICH THE COMPANY HAS AN EQUITY INTEREST OF 20% TO 50% ARE CARRIED AT EQUITY IN NET ASSETS. INTERCOMPANY TRANSACTIONS ARE ELIMINATED IN CONSOLIDATION.

PROPERTY IS STATED AT COST. DEPRECIATION IS BASED ON ESTIMATED USEFUL LIVES USING ACCELERATED AND STRAIGHT-LINE METHODS. MAINTENANCE AND REPAIRS ARE CHARGED TO EXPENSE. RENEWALS AND BETTERMENTS WHICH SUBSTANTIALLY EXTEND THE USEFUL LIFE OF PROPERTY ARE CAPITALIZED. PROFITS OR LOSSES RESULTING FROM DISPOSITIONS ARE INCLUDED IN INCOME.

INTANGIBLE ASSETS, INCLUDING GOODWILL AND PATENTS, ARE AMORTIZED ON A STRAIGHT LINE OR UNITS OF PRODUCTION BASIS OVER PERIODS NOT EXCEEDING 20 YEARS.

THE FINANCIAL STATEMENTS OF COMPANIES FOR WHICH THE UNITED STATES DOLLAR IS DETERMINED TO BE THE FUNCTIONAL CURRENCY ARE TRANSLATED USING CURRENT AND HISTORIC EXCHANGE RATES; ADJUSTMENTS RELATED THERETO ARE INCLUDED IN INCOME FOR THE CURRENT PERIOD. THE FINANCIAL STATEMENTS OF ALL OTHER COMPANIES ARE TRANSLATED FROM THEIR FUNCTIONAL CURRENCY INTO UNITED STATES DOLLARS USING CURRENT EXCHANGE RATES; THE RESULTANT TRANSLATION ADJUSTMENTS ARE NOT INCLUDED IN INCOME BUT ARE ACCUMULATED IN A SEPARATE EQUITY ACCOUNT. TRANSACTION GAINS AND LOSSES ARE RECOGNIZED IN INCOME FOR THE CURRENT PERIOD.

CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS INCLUDES TEMPORARY INVESTMENTS THAT ARE READILY MARKETABLE AND HAVE MINIMAL RISK AS TO CHANGE IN VALUE. CERTAIN SECURITIES HAVE MATURITIES IN EXCESS OF NINETY DAYS; BUT, AS PART OF THE COMPANY'S CASH MANAGEMENT PROGRAM, MATURITIES ARE SCHEDULED BASED ON EXPECTED CASH NEEDS FOR THE ENSUING TWELVE MONTHS.

COMPREHENSIVE INCOME, DETERMINED IN ACCORDANCE WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 130, INCLUDES NET INCOME AND CHANGES IN OTHER COMPREHENSIVE INCOME ITEMS WHICH ARE REPORTED IN SHAREHOLDERS' EQUITY. OTHER COMPREHENSIVE INCOME IS REPORTED NET OF RELATED INCOME TAX EXPENSE OR BENEFIT.

## Note 2--Restructuring

Restructuring charges of $3,960,000 in 1999, $1,021,000 in 1998 and $2,164,000 in 1997 relate to workforce reductions, primarily in Germany.

## Note 3--Research and Development Expense

RESEARCH AND DEVELOPMENT COSTS, CHARGED AGAINST INCOME AS INCURRED, were $17,097,000 in 1999, $17,415,000 in 1998, and $16,668,000 in 1997.

## Note 4--Other Income

| | (In thousands) | | |
|---|---|---|---|
| | 1999 | 1998 | 1997 |
| Interest ...................... | $ 914 | $ 1,293 | $ 2,068 |
| Rent .......................... | 1,310 | 1,226 | 1,108 |
| Dispositions of assets ......... | 1,796 | 807 | 2,568 |
| Equity in earnings of affiliates | 45 | (6) | 516 |
| Divestiture of affiliates ...... | | 2,807 | |
| Other, net .................... | (241) | (101) | 542 |
| Total ......................... | 3,824 | 6,026 | 6,802 |

## Note 5--Inventories

MOST U.S. INVENTORIES ARE VALUED ON THE LAST-IN, FIRST-OUT (LIFO) COST METHOD. OTHER INVENTORIES ARE VALUED AT THE LOWER OF COST, USING AVERAGE OR CURRENT STANDARD COSTS WHICH APPROXIMATE ACTUAL COSTS ON A FIRST-IN, FIRST-OUT (FIFO) BASIS, OR MARKET, DETERMINED BY REPLACEMENT COST OR NET REALIZABLE VALUE.

Reductions in certain inventory quantities during 1999, 1998, and 1997 resulted in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years. The effect of these liquidations reduced cost of sales by $216,000 in 1999, $320,000 in 1998, and $572,000 in 1997, and increased net income by $132,000 ($.03 per share), $195,000 ($.04 per share), and $349,000 ($.08 per share), respectively.

| | (In thousands) | |
|---|---|---|
| | 1999 | 1998 |
| Finished products .............................. | $37,604 | $36,956 |
| Work in process ................................ | 7,500 | 12,445 |

| | | |
|---|---|---|
| Raw materials and supplies | 36,993 | 36,090 |
| Total inventories | 82,097 | 85,491 |
| Excess of FIFO costs over LIFO costs | 44,919 | 43,732 |

Inventories stated on the LIFO basis represent 48%, 51%, and 45% of the total inventories at December 31, 1999, 1998, and 1997, respectively.

Note 6--Long-Term Debt

| | (In thousands) | |
|---|---|---|
| | 1999 | 1998 |
| U.S. | | |
| Industrial development debt issues payable through 2022, 5.7% | $10,750 | $10,750 |
| Series A Senior Notes payable through 2001, 7.3% | 5,000 | |
| Series B Senior Notes payable through 2006, 7.69% | 20,000 | |
| Other, 18% | 89 | 6 |
| International | | |
| Various notes payable through 2002, 3.9% to 8% ($773 collateralized by pledge of assets located abroad) | 1,110 | 1,654 |
| Total | 36,949 | 12,410 |
| Amounts due within one year | 399 | 491 |
| Long-term debt | 36,550 | 11,919 |

Approximate maturities of these obligations over the next five years are $399,000 in 2000, $5,340,000 in 2001, $4,292,000 in 2002, $4,005,000 in 2003 and $4,000,000 in 2004. International notes payable include $163,000 with no fixed maturity date. Some debt agreements require the company to maintain certain financial ratios and minimum net worth and contain restrictions on the total amount of debt.

## Note 7--Segment Information

IN 1998, THE COMPANY ADOPTED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (SFAS) NO. 131, WHICH DESIGNATES THE INTERNAL FINANCIAL INFORMATION THAT IS USED BY MANAGEMENT FOR MAKING OPERATING DECISIONS AND ASSESSING PERFORMANCE AS THE SOURCE FOR IDENTIFYING THE COMPANY'S OPERATING SEGMENTS.

The company is organized into three geographic operating segments (U.S., Europe, and other non-U.S.), each of which includes a number of operating companies. The company is engaged in the manufacture and sale of safety and health equipment, including respiratory protective equipment, head protection, eye and face protection, hearing protectors, safety clothing, industrial emergency care products, mining safety equipment, and monitoring instruments. In addition, the company manufactures and sells specialty chemicals, including boron-based chemicals.

Reportable segment information is presented in the following table:

| | (In thousands) | | | | |
|---|---|---|---|---|---|
| | U.S. | Europe | Other non-U.S. | Reconciling items | Consolidated totals |
| **1999** | | | | | |
| Sales to external customers | $278,273 | $114,138 | $102,251 | $(435) | $ 494,227 |
| Intercompany sales | 33,638 | 17,637 | 2,181 | (53,456) | |
| Net income | 13,117 | (1,726) | 4,737 | (994) | 15,134 |
| Total assets | 298,842 | 88,393 | 70,986 | (6,480) | 451,741 |
| Interest income | 590 | 406 | 327 | (409) | 914 |
| Interest expense | 3,411 | 285 | 926 | (349) | 4,273 |
| Noncash items: | | | | | |
| Depreciation and amortization | 16,991 | 4,386 | 1,822 | 157 | 23,356 |
| Pension income (expense) | 12,928 | (3,149) | 396 | | 10,175 |
| Equity in earnings of affiliates | | | 45 | | 45 |
| Income tax provision (benefit) | 7,461 | (2,097) | 2,431 | (936) | 6,859 |
| Investments in affiliates | 1,358 | | | 70 | 1,428 |
| Property additions | 19,320 | 4,662 | 2,255 | 10 | 26,247 |
| Fixed assets | 132,531 | 21,679 | 9,275 | 24 | 163,509 |
| **1998** | | | | | |
| Sales to external customers | 279,788 | 121,964 | 92,042 | 2,310 | 496,104 |
| Intercompany sales | 33,430 | 16,922 | 1,635 | (51,987) | |
| Net income | 14,855 | 214 | 1,838 | 1,368 | 18,275 |
| Total assets | 294,637 | 109,288 | 62,768 | (8,972) | 457,721 |
| Interest income | 377 | 503 | 450 | (37) | 1,293 |
| Interest expense | 2,308 | 211 | 1,074 | (335) | 3,258 |
| Noncash items: | | | | | |
| Depreciation and amortization | 15,685 | 4,893 | 1,663 | 157 | 22,398 |
| Pension income (expense) | 13,694 | (3,126) | (224) | | 10,344 |
| Equity in earnings of affiliates | | | (6) | | (6) |
| Income tax provision (benefit) | 8,026 | (398) | 1,868 | 437 | 9,933 |
| Investments in affiliates | 358 | | | 31 | 389 |
| Property additions | 26,662 | 4,010 | 3,610 | 3 | 34,285 |
| Fixed assets | 130,484 | 24,793 | 9,257 | 27 | 164,561 |
| **1997** | | | | | |
| Sales to external customers | 278,354 | 121,949 | 97,620 | 1,213 | 499,136 |
| Intercompany sales | 37,160 | 17,803 | 1,325 | (56,288) | |
| Net income | 16,503 | 220 | 4,312 | 819 | 21,854 |
| Total assets | 287,397 | 118,133 | 59,475 | (27,852) | 437,153 |
| Interest income | 661 | 1,185 | 469 | (247) | 2,068 |
| Interest expense | 1,850 | 302 | 926 | (297) | 2,781 |
| Noncash items: | | | | | |
| Depreciation and amortization | 16,785 | 4,853 | 1,413 | 182 | 23,233 |
| Pension income (expense) | 14,705 | (3,318) | (506) | | 10,881 |
| Equity in earnings of affiliates | | | 516 | | 516 |
| Income tax provision | 10,589 | 841 | 1,999 | 956 | 14,385 |
| Investments in affiliates | 2,386 | | | 1,009 | 3,395 |
| Property additions | 28,145 | 3,998 | 3,143 | 18 | 35,304 |
| Fixed assets | 124,831 | 24,983 | 8,106 | 37 | 157,957 |

| Sales by product line: | (In thousands) | | |
|---|---|---|---|
| | 1999 | 1998 | 1997 |
| Safety and health equipment | $458,927 | $456,605 | $467,340 |
| Specialty chemicals | 35,300 | 39,499 | 31,796 |
| | 494,227 | 496,104 | 499,136 |

Reconciling items consist primarily of intercompany eliminations and items reported at the corporate level. Sales are attributed to countries based on the location of the selling company. Sales in Germany were $56,017,000 in 1999, $58,239,000 in 1998, and $62,343,000 in 1997.

Note 8--Income Taxes

INCOME TAXES ARE ACCOUNTED FOR IN ACCORDANCE WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 109. DEFERRED TAX BALANCES ARE STATED AT ENACTED TAX RATES EXPECTED TO BE IN EFFECT WHEN TAXES ARE ACTUALLY PAID OR DEDUCTIONS ARE TAKEN. NO PROVISION IS MADE FOR UNDISTRIBUTED EARNINGS OF INTERNATIONAL AFFILIATES SINCE LITTLE OR NO TAX WOULD RESULT UNDER APPLICABLE EXISTING STATUTES OR BECAUSE MANAGEMENT INTENDS THAT THESE EARNINGS BE PERMANENTLY REINVESTED FOR WORKING CAPITAL AND CAPITAL EXPENDITURE REQUIREMENTS.

The U.S. and non-U.S. components of income before income taxes, and provisions for income taxes are summarized as follows:

| | (In thousands) | | |
|---|---|---|---|
| | 1999 | 1998 | 1997 |
| Income Before Income Taxes | | | |
| U.S. income | $ 23,790 | $ 25,811 | $ 43,735 |
| Non-U.S. income | 3,225 | 5,083 | 7,510 |
| Currency translation (losses) | (95) | (487) | (437) |
| Eliminations | (3,735) | (2,199) | (14,569) |
| Income Before Income Taxes | 23,185 | 28,208 | 36,239 |
| Provisions For Income Taxes | | | |
| Current | | | |
| Federal | (834) | (146) | 2,686 |
| State | 367 | (328) | 479 |
| Non-U.S | 3,281 | 2,808 | 3,775 |
| Total current provision | 2,814 | 2,334 | 6,940 |
| Deferred | | | |
| Federal | 5,779 | 7,364 | 6,595 |
| State | 921 | 1,382 | 1,256 |
| Non-U.S | (2,655) | (1,147) | (406) |
| Total deferred provision | 4,045 | 7,599 | 7,445 |
| Provisions for Income Taxes | 6,859 | 9,933 | 14,385 |

The following is a reconciliation of income taxes calculated at the U.S. Federal income tax rate of 35% to the provision for income taxes:

| | | | |
|---|---|---|---|
| Provision for income taxes at statutory rate | 8,115 | 9,873 | 12,684 |
| State income taxes, net of federal benefit | 837 | 685 | 1,128 |
| Adjustment of prior years' income taxes | (954) | (469) | (44) |
| Non-U.S. taxes | (774) | (332) | 418 |
| Other--net | (365) | 176 | 199 |
| Provision for income taxes | 6,859 | 9,933 | 14,385 |

The components of deferred taxes are as follows:

| | (In thousands) | |
|---|---|---|
| | 1999 | 1998 |
| Deferred tax assets | | |
| Postretirement benefits | $ 5,399 | $ 5,979 |
| Inventory reserves and unrealized profits | 4,568 | 4,339 |
| Vacation allowances | 1,986 | 2,032 |
| Loss and credit carryforwards | 6,574 | |
| Liability insurance | 3,111 | 3,080 |
| Accrued liabilities | 1,948 | 1,861 |
| Allowance for doubtful accounts | 409 | 783 |
| Trademarks and license fees | 608 | 564 |
| Warranties | 856 | 765 |
| Other | 417 | 860 |
| Total deferred tax assets | 25,876 | 20,263 |
| Deferred tax liabilities | | |
| Depreciation | (25,585) | (22,119) |
| Pension | (18,752) | (12,344) |
| Total deferred tax liabilities | (44,337) | (34,463) |
| Net deferred taxes | (18,461) | (14,200) |

Undistributed earnings of international companies for which U.S. income taxes have not been provided were $68,871,000 at December 31, 1999.

The company has tax credit carryforwards of $2,455,000 that expire between 2003 and 2018. The company also has net operating loss carryforwards of

$3,053,000 with no expiration date and $1,066,000 that expire between 2004 and 2008.

## Note 9--Capital Stock

- Common stock, no par value--20,000,000 shares authorized
- Second cumulative preferred voting stock, $10 par value--1,000,000 shares authorized; none issued
- 4 1/2% cumulative preferred stock, $50 par value--100,000 shares authorized; 71,373 shares issued and 49,713 shares ($1,608,000) held in treasury (400 shares, $13,000, purchased for treasury in 1999: no activity in 1998 and 1997)

Common stock activity is summarized as follows:

| | Shares | | | Dollars (In thousands) | | |
|---|---|---|---|---|---|---|
| | Shares Issued | Stock Compensation Trust | Shares In Treasury | Shares Issued | Stock Compensation Trust | Treasury Cost |
| Balances January 1, 1997 | 6,749,101 | (600,000) | (1,537,976) | $ 10,839 | $(28,200) | $(70,509) |
| Management Share Incentive Plan forfeitures | (147) | | | (7) | | |
| Stock options exercised | 29,645 | | | 1,438 | | |
| Purchased for treasury | | | (184,708) | | | (11,338) |
| Balances December 31, 1997 | 6,778,599 | (600,000) | (1,722,684) | 12,270 | (28,200) | (81,847) |
| Management Share Incentive Plan issues | | 16,130 | | 219 | 758 | |
| Stock options exercised | | 12,180 | | 75 | 573 | |
| Purchased for treasury | | | (105,351) | | | (7,647) |
| Balances December 31, 1998 | 6,778,599 | (571,690) | (1,828,035) | 12,564 | (26,869) | (89,494) |
| Stock options exercised | | 4,060 | | 32 | 190 | |
| Purchased for treasury | | | (91,263) | | | (5,660) |
| Balances December 31, 1999 | 6,778,599 | (567,630) | (1,919,298) | 12,596 | (26,679) | (95,154) |

The Mine Safety Appliances Company Stock Compensation Trust was established to fund certain benefit plans, including employee stock options and awards. The company sold 600,000 treasury shares, at market value, to the Trust, in exchange for a $28,200,000 promissory note, 8% interest, payable to the company.

The company has a Shareholder Rights Plan under which each outstanding share of common stock is granted one preferred share purchase right. The rights are exercisable for a fraction of a share of preferred stock, only if a person or group acquires or commences a tender offer for 15% or more of the company's common stock. In the event a person or group acquires 15% or more of the outstanding common stock, each right not owned by that person or group will entitle the holder to purchase that number of shares of common stock having a value equal to twice the $225 exercise price. The Board of Directors may redeem the rights for $.01 per right at any time until ten days after the announcement that a 15% position has been acquired. The rights expire on February 21, 2007.

## Note 10--Leases

The company leases office space, manufacturing and warehouse facilities, automobiles and other equipment under operating leases expiring at various dates through 2004. Rent expense was $5,813,000 in 1999, $5,846,000 in 1998, and $6,751,000 in 1997. Future minimum rental payments under noncancelable leases are not significant.

## Note 11--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, USING THE TREASURY STOCK METHOD. ANTIDILUTIVE OPTIONS ARE NOT CONSIDERED IN COMPUTING DILUTED EARNINGS PER SHARE.

| | (In thousands) | | |
|---|---|---|---|
| | 1999 | 1998 | 1997 |
| Net income | $ 15,134 | $18,275 | $21,854 |
| Preferred stock dividends | (50) | (49) | (37) |
| Income available to common shareholders | 15,084 | 18,226 | 21,817 |
| Basic shares outstanding | 4,324 | 4,430 | 4,536 |
| Stock options | 11 | 17 | 13 |
| Diluted shares outstanding | 4,335 | 4,447 | 4,549 |
| Antidilutive stock options | 36 | 3 | |

Note 12--Short-Term Debt

Short-term bank lines of credit amounted to $34,355,000 of which $30,284,000 was unused at December 31, 1999. Generally, these short-term lines of credit are renewable annually, and there are no significant commitment fees or compensating balance requirements. Short-term borrowings with banks, which exclude the current portion of long-term debt, were $4,071,000 and $32,957,000 at December 31, 1999 and 1998, respectively. The average month-end balance of total short-term borrowings during 1999 was $38,884,000 while the maximum month-end balance of $49,611,000 occurred at June 30,1999. The average interest rate during 1999 was approximately 8% based upon total short-term interest expense divided by the average month-end balance outstanding, and 17% at year-end.

Note 13--Pensions and Other Postretirement Benefits

THE COMPANY'S NON-CONTRIBUTORY PENSION PLANS ARE ACCOUNTED FOR IN ACCORDANCE WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 87 WHICH REQUIRES USE OF THE PROJECTED UNIT CREDIT COST METHOD TO DETERMINE THE PROJECTED BENEFIT OBLIGATION AND PLAN COST. THE PRINCIPAL U.S. PLAN IS FUNDED IN COMPLIANCE WITH THE EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA). IT IS THE GENERAL POLICY TO FUND CURRENT COSTS FOR THE INTERNATIONAL PLANS EXCEPT IN GERMANY AND MEXICO, WHERE IT IS COMMON PRACTICE AND PERMISSIBLE UNDER TAX LAWS TO ACCRUE BOOK RESERVES. A minimum liability is recognized for unfunded defined benefit plans for which the accumulated benefit obligation exceeds accrued pension costs. The amount of the minimum liability in excess of unrecognized prior service cost, net of tax benefit, is recorded as a reduction in shareholders' equity. Non-contributory plan benefits are generally based on years of service and employees' compensation during the last years of employment. Benefits are paid from funds previously provided to trustees or are paid by the company and charged to the book reserves.

The company provides certain health care benefits and limited life insurance for retired employees and their eligible dependents, THE COSTS FOR WHICH ARE ACCOUNTED FOR IN ACCORDANCE WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (SFAS) NO. 106. SFAS NO. 106 REQUIRES RECOGNITION OF RETIREE HEALTH AND LIFE INSURANCE BENEFITS DURING THE EMPLOYEES' SERVICE WITH THE COMPANY.

Information pertaining to defined benefit pension plans and other postretirement benefits plans, PREPARED IN ACCORDANCE WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 132, is provided in the following table.

| | (In thousands) | | | |
|---|---|---|---|---|
| | Pension Benefits | | Other Benefits | |
| | 1999 | 1998 | 1999 | 1998 |
| Change in Benefit Obligations | | | | |
| Benefit obligations at January 1 ........... | $ 207,269 | $ 195,314 | $ 17,353 | $ 15,283 |
| Service cost ............................... | 5,426 | 5,057 | 437 | 319 |
| Interest cost .............................. | 13,049 | 13,327 | 1,212 | 1,089 |
| Employee contributions ..................... | 65 | 54 | | |
| Plan amendments ............................ | | | | (84) |
| Actuarial (gains) losses ................... | (11,759) | 10,967 | 1,048 | 2,161 |
| Benefits paid .............................. | (12,918) | (12,883) | (1,504) | (1,415) |
| Settlements ................................ | (15,923) | (4,931) | | |
| Termination benefits ....................... | 5,842 | | | |
| Currency translation effects ............... | (4,165) | 364 | | |
| Benefit obligations at December 31 .......... | 186,886 | 207,269 | 18,546 | 17,353 |
| Change in Plan Assets | | | | |
| Fair value of plan assets at January 1 ...... | 330,890 | 296,219 | | |
| Actual return on plan assets ............... | 35,502 | 50,725 | | |
| Employer contributions ..................... | 2,633 | 2,760 | 1,504 | 1,415 |
| Employee contributions ..................... | 169 | 162 | | |
| Benefits paid .............................. | (12,918) | (12,883) | (1,504) | (1,415) |
| Settlements ................................ | (15,276) | (4,931) | | |
| Currency translation effects ............... | 250 | (1,162) | | |
| Fair value of plan assets at December 31 .... | 341,250 | 330,890 | | |
| Funded Status | | | | |
| Funded status at December 31 ............... | 154,364 | 123,621 | (18,546) | (17,353) |
| Unrecognized transition gains .............. | (5,320) | (4,916) | | |
| Unrecognized prior service cost ............ | 1,664 | 2,033 | (69) | (76) |
| Unrecognized net actuarial (gains) losses ... | (125,933) | (113,151) | 2,985 | 2,215 |
| Prepaid (accrued) benefit cost ............. | 24,775 | 7,587 | (15,630) | (15,214) |
| Amounts Recognized in the Balance Sheet | | | | |
| Prepaid benefit cost ....................... | 61,357 | 46,162 | | |
| Accrued benefit liability .................. | (37,479) | (40,678) | (15,630) | (15,214) |
| Intangible asset ........................... | 362 | 651 | | |
| Minimum pension liability adjustments ....... | 535 | 1,452 | | |
| Prepaid (accrued) benefit cost ............. | 24,775 | 7,587 | (15,630) | (15,214) |

| | (In thousands, except percents) | | | |
|---|---|---|---|---|
| | Pension Benefits | | Other Benefits | |
| | 1999 | 1998 | 1999 | 1998 |
| Actuarial Assumptions at December 31 | | | | |
| Discount rate | 7% | 6.5% | 7.5% | 6.75% |
| Expected return on plan assets | 9% | 9% | | |
| Rate of compensation increases | 4% | 4% | | |
| Plans with Accumulated Benefit Obligations in Excess of Plan Assets | | | | |
| Projected benefit obligations | $ 40,298 | $ 40,825 | | |
| Accumulated benefit obligations | 36,818 | 37,214 | | |
| Plan assets | 0 | 0 | | |

| | Pension Benefits | | | Other Benefits | | |
|---|---|---|---|---|---|---|
| Components of Net Periodic Benefit Cost (Credit) | 1999 | 1998 | 1997 | 1999 | 1998 | 1997 |
| Service cost | $ 5,426 | $ 5,057 | $ 4,897 | $ 437 | $ 319 | $ 303 |
| Interest cost | 13,049 | 13,327 | 13,548 | 1,212 | 1,089 | 1,030 |
| Expected return on plan assets | (23,061) | (22,002) | (20,478) | | | |
| Amortization of transition obligation (asset) | (703) | (729) | (801) | | | |
| Amortization of prior service cost | 382 | 387 | 405 | (8) | (8) | |
| Recognized net actuarial (gains) losses | (2,487) | (2,391) | (2,726) | 278 | 8 | |
| Settlement gain | (8,623) | (3,993) | (4,541) | | | |
| Curtailment gain | | | (1,185) | | | |
| Termination benefits | 5,842 | | | | | |
| Net periodic benefit cost (credit) | (10,175) | (10,344) | (10,881) | 1,919 | 1,408 | 1,333 |

For measurement purposes, an 8% increase in the costs of covered health care benefits was assumed for the year 1999, decreasing by .5% for each successive year to 4% in 2007 and thereafter. A one-percentage-point change in assumed health care cost trend rates would have increased or decreased the other postretirement benefit obligations and current year plan expense by approximately $1 million and $100,000, respectively.

Expense for defined contribution pension plans was $2,750,000 in 1999, $3,113,000 in 1998, and $3,185,000 in 1997.

## Note 14--Accounts Receivable Securitization

STATEMENT OF FINANCIAL ACCOUNTING STANDARD NO. 125 APPLIES A CONTROL-ORIENTED, FINANCIAL COMPONENTS APPROACH TO FINANCIAL-ASSET-TRANSFER TRANSACTIONS. FINANCIAL ASSETS, NET OF RETAINED INTERESTS, ARE REMOVED FROM THE BALANCE SHEET WHEN THE ASSETS ARE SOLD AND CONTROL IS SURRENDERED.

In November 1999, the company and Mine Safety Funding Corporation (MSF) entered into securitization agreements under which the company sells MSF, on a continuous basis, an undivided interest in eligible trade accounts receivable generated by the company, while maintaining a subordinated interest in a portion of the receivables. MSF is an unconsolidated wholly-owned special purpose, bankruptcy-remote subsidiary of the company. The company services the sold receivables for MSF at market rates and, accordingly, no servicing asset or liability has been recorded. MSF and the company have also entered into securitization agreements with financial institutions under which MSF may sell up to $30 million of accounts receivable to a multi-seller asset-backed commercial paper issuer.

At December 31, 1999, accounts receivable of $43.3 million were owned by MSF. The company held a subordinated interest in these receivables of $23.7 million, of which $22.7 million is classified as other receivables. Net proceeds to the company from the securitization arrangement were $18.7 million at December 31, 1999. The company incurred costs associated with the securitization facility of $300,000 in 1999, representing the discount loss on the sale of the receivables, partially offset by related servicing income.

## Note 15--Change in Reporting Period

Beginning in 1999, certain international affiliates which had been consolidated based on fiscal years ending November 30 changed to fiscal years ending December 31. The after-tax effect of the change in reporting period is included in the 1999 income statement as a change in accounting principle.

| | (In thousands) |
|---|---|
| Net sales | $ 11,290 |
| Cost of products sold | 8,629 |
| Selling, general and administrative | 3,497 |
| Depreciation and amortization | 372 |
| Facilities consolidation and restructuring charges | 421 |
| Other expenses, net | 258 |
| Income tax benefit | (695) |
| Change in reporting period, net of tax | (1,192) |

Note 16--Stock Plans

The Management Share Incentive Plan permits the granting of restricted stock awards and stock options to eligible key employees through March 2008. The 1990 Non-Employee Directors' Stock Option Plan provides for annual grants of stock options to eligible directors. As of December 31, 1999, there were 526,338 shares and 30,300 shares, respectively, reserved for future grants pursuant to these plans.

Stock options are generally granted at market value option prices and expire after ten years (limited instances of option prices in excess of market value and expiration after five years). Restricted stock awards are granted to employees without payment to the company in consideration of services to be performed in ensuing five-year periods. THE COMPANY APPLIES ACCOUNTING PRINCIPLES BOARD OPINION 25 AND RELATED INTERPRETATIONS IN ACCOUNTING FOR THE PLANS. ACCORDINGLY, NO COMPENSATION COST IS RECOGNIZED FOR STOCK OPTION GRANTS. COMPENSATION COST FOR RESTRICTED STOCK AWARDS IS MEASURED BY THE MARKET VALUE OF THE SHARES WHEN AWARDED AND IS AMORTIZED BY CHARGES TO OPERATIONS OVER THE PERIOD THAT THE EMPLOYEE PROVIDES THE SERVICE. Restricted stock awards of 16,130 shares (fair value of $60.56 per share) were granted in 1998. Restricted stock awards expense charged to operations was $448,000 in 1999, $368,000 in 1998, and $436,000 in 1997. The company's net income and earnings per share would not be significantly affected if compensation cost for stock option grants was determined based on fair value at grant dates consistent with the method provided in Statement of Financial Accounting Standards No. 123.

A summary of the two stock option plans follows:

| | 1999 | | 1998 | | 1997 | |
|---|---|---|---|---|---|---|
| | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price |
| Outstanding at beginning of year.. | 71,905 | $ 54.74 | 55,001 | $ 50.63 | 58,365 | $ 46.77 |
| Granted........................... | 33,948 | 63.72 | 29,084 | 61.86 | 27,451 | 56.80 |
| Exercised......................... | (4,060) | 54.89 | (12,180) | 53.18 | (29,645) | 48.51 |
| Forfeited......................... | | | | | (1,170) | 56.64 |
| Outstanding at end of year........ | 101,793 | 57.73 | 71,905 | 54.74 | 55,001 | 50.63 |
| Options exercisable at year-end... | 101,793 | | 71,905 | | 55,001 | |

Options outstanding at December 31, 1999 have a weighted-average remaining contractual life of approximately 7.25 years and an exercise price range of $40.43 to $62.81 (7,090 shares at $69.09 to $71.63).

Note 17--Quarterly Financial Information (Unaudited)

(In thousands, except earnings per share)

| | 1999 | | | | | 1998 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Quarters | | | | | Quarters | | | | |
| | 1st | 2nd | 3rd | 4th | Year | 1st | 2nd | 3rd | 4th | Year |
| Net sales..................... | $115,967 | $123,675 | $118,004 | $136,581 | $494,227 | $123,408 | $125,450 | $116,060 | $131,186 | $496,104 |
| Gross profit.................. | 42,034 | 42,308 | 45,284 | 50,108 | 179,734 | 46,181 | 45,995 | 43,902 | 48,354 | 184,432 |
| Net income.................... | 2,570 | 737 | 4,341 | 7,486 | 15,134 | 5,488 | 4,802 | 3,073 | 4,912 | 18,275 |
| Basic earnings per share...... | .59 | .16 | 1.01 | 1.74 | 3.49 | 1.23 | 1.08 | .69 | 1.12 | 4.11 |
| Diluted earnings per share.... | .59 | .16 | 1.00 | 1.73 | 3.48 | 1.23 | 1.07 | .69 | 1.11 | 4.10 |

Fourth quarter 1999 net income and earnings per share include a net loss of $1,192,000 or $.28 per share resulting from the change in reporting period. The effect of this change on full year 1999 net income was $1,192,000 or $.27 per share.

Summary of Selected Financial Data

| SUMMARY OF OPERATIONS | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| (In thousands, except as noted) | | | | | |
| Net sales | $ 494,227 | $ 496,104 | $ 499,136 | $ 505,055 | $ 491,757 |
| Other income | 3,824 | 6,026 | 6,802 | 7,141 | 5,219 |
| Cost of products sold | 314,493 | 311,672 | 302,225 | 307,112 | 296,845 |
| Selling, general and administrative | 129,478 | 135,258 | 139,256 | 137,141 | 142,276 |
| Depreciation and amortization | 23,356 | 22,398 | 23,233 | 23,644 | 21,030 |
| Interest expense | 4,273 | 3,258 | 2,781 | 1,595 | 1,730 |
| Currency exchange (gains) losses | (694) | 315 | 40 | 735 | 1,233 |
| Facilities consolidation and restructuring charges | 3,960 | 1,021 | 2,164 | 5,302 | 730 |
| Provision for income taxes | 6,859 | 9,933 | 14,385 | 13,606 | 14,220 |
| Income before change in reporting period | 16,326 | 18,275 | 21,854 | 23,061 | 18,912 |
| Change in reporting period, net of tax | (1,192) | | | | |
| Net Income | 15,134 | 18,275 | 21,854 | 23,061 | 18,912 |
| Basic per common share (in dollars) | 3.49 | 4.11 | 4.81 | 4.74 | 3.32 |
| Diluted per common share (in dollars) | 3.48 | 4.10 | 4.80 | 4.74 | 3.32 |
| Dividends paid per common share (in dollars) | 1.36 | 1.33 | 1.24 | 1.10 | 1.06 |
| Weighted average number of common shares outstanding--basic | 4,324 | 4,430 | 4,536 | 4,852 | 5,681 |

| YEAR-END POSITION | | | | | |
|---|---|---|---|---|---|
| Working capital | $ 123,085 | $ 119,203 | $ 116,373 | $ 136,593 | $ 156,641 |
| Working capital ratio | 2.5 | 2.1 | 2.1 | 2.5 | 3.2 |
| Property, at cost | 378,495 | 371,687 | 357,422 | 349,577 | 342,412 |
| Total assets | 451,741 | 457,721 | 437,153 | 422,515 | 416,362 |
| Long-term debt | 36,550 | 11,919 | 12,270 | 13,278 | 14,746 |
| Common shareholders' equity | 241,374 | 241,743 | 240,004 | 239,738 | 252,174 |
| Equity per common share (in dollars) | 56.24 | 55.21 | 53.86 | 51.99 | 48.66 |

Exhibit 21

# MINE SAFETY APPLIANCES COMPANY

The registrant's present affiliates include the following:

| Name | State or Other Jurisdiction of Incorporation |
|---|---|
| Compania MSA de Argentina S.A. | Argentina |
| MSA (Aust.) Pty. Limited | Australia |
| MSA-Auer Sicherheitstechnik Vertriebs GmbH | Austria |
| MSA Export Limited | Barbados |
| MSA Belgium NV | Belgium |
| MSA do Brasil Ltda. | Brazil |
| MSA Canada | Canada |
| MSA de Chile Ltda. | Chile |
| Wuxi-MSA Safety Equipment Co. Ltd. | China |
| Rose Manufacturing Company | Colorado |
| MSA International, Inc. | Delaware |
| MSA de France | France |
| Auergesellschaft GmbH | Germany |
| MSA-Auer Hungaria Safety Technology | Hungary |
| MSA Italiana S.p.A. | Italy |
| MSA Japan Ltd. | Japan |
| Better Breathing, Inc. | Massachusetts |
| MSA de Mexico, S.A. de C.V. | Mexico |
| MSA Nederland, B.V. | Netherlands |
| MSA del Peru S.A.C. | Peru |
| MSA-Auer Polska Sp. z o.o. | Poland |
| MSA (Britain) Limited | Scotland |
| MSA S.E. Asia Pte. Ltd. | Singapore |
| MSA Africa (Pty.) Ltd. | South Africa |
| MSA Espanola S.A. | Spain |
| AB Tegma | Sweden |
| MSA (Switzerland) Ltd. | Switzerland |
| Aritron Instrument A.G. | Switzerland |
| MSA Zimbabwe (Pvt.) Limited | Zimbabwe |

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The above-mentioned affiliated companies are included in the consolidated financial statements of the registrant filed as part of this annual report. The names of certain other affiliates, which considered in the aggregate as a single affiliate would not constitute a significant affiliate, have been omitted.

EXHIBIT 23

# CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-22284), the Registration Statement on Form S-8 (No. 33-43696) and the Registration Statement on Form S-8 (No. 333-51983) of Mine Safety Appliances Company of our report dated February 17, 2000 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 17, 2000 relating to the Financial Statement Schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
March 22, 2000

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM DECEMBER 1999
FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS

12-MOS
DEC-31-1999
DEC-31-1999
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4,273
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6,859
16,326
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(1,192)
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3.48