

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended March 31, 1996

Commission File No. 0-2504

MINE SAFETY APPLIANCES COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania

25-0668780

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

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

15238

(Address of principal executive offices)

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

As of April 30, 1996, there were outstanding 4,969,594 shares of common stock without par value.

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

| | March 31 1996 | December 31 1995 |
|---|------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 3,977 | \$ 4,807 |
| Temporary investments, at cost plus accrued interest | 28,358 | 27,143 |
| Accounts receivable, less allowance (1996 - \$2,799; 1995 - \$2,640) | 88,553 | 90,955 |
| Inventories: | | |
| Finished products | 34,334 | 34,970 |
| Work in process | 16,525 | 16,135 |
| Raw materials and supplies | 28,760 | 32,516 |
| | ----- | ----- |
| Total inventories | 79,619 | 83,621 |
| | ----- | ----- |
| Other current assets | 21,439 | 22,099 |
| | ----- | ----- |
| Total current assets | 221,946 | 228,625 |
| | ----- | ----- |
| Property, plant and equipment | 341,302 | 339,263 |
| Accumulated depreciation | (191,169) | (188,157) |
| | ----- | ----- |
| Net property | 150,133 | 151,106 |
| | ----- | ----- |
| Other assets | 25,883 | 26,869 |
| | ----- | ----- |
| TOTALS | \$ 397,962 | \$ 406,600 |
| | ===== | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|------------|------------|
| Current liabilities | | |
| Notes and accounts payable | \$ 31,893 | \$ 30,126 |
| Federal, foreign, state and local income taxes | 2,321 | 466 |
| Other current liabilities | 39,220 | 41,392 |
| | ----- | ----- |
| Total current liabilities | 73,434 | 71,984 |
| | ----- | ----- |
| Long-term debt | 14,197 | 14,746 |
| Noncurrent liabilities (principally employee/retiree benefits) and deferred credits | 65,345 | 66,330 |
| Shareholders' equity | | |
| Preferred stock, 4-1/2% cumulative - authorized 100,000 shares of \$50 par value; issued 71,373 shares, callable at \$52.50 per share | 3,569 | 3,569 |
| Second cumulative preferred voting stock - authorized 1,000,000 shares of \$10 par value; none issued | | |
| Common stock - authorized 20,000,000 shares of no par value; issued 6,738,883 and 6,719,403 (outstanding 4,973,658 and 5,182,757) | 9,178 | 8,300 |
| Cumulative translation adjustments | 1,694 | 2,177 |
| Retained earnings | 311,452 | 309,712 |
| Less treasury shares, at cost: | | |
| Preferred - 47,935 and 47,935 shares | (1,553) | (1,553) |
| Common - 1,765,225 and 1,536,646 shares | (79,354) | (68,665) |
| | ----- | ----- |
| Total shareholders' equity | 244,986 | 253,540 |
| | ----- | ----- |
| TOTALS | \$ 397,962 | \$ 406,600 |
| | ===== | ===== |

MINE SAFETY APPLIANCES COMPANY
CONSOLIDATED CONDENSED STATEMENT OF INCOME

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

| | Three Months Ended March 31 | |
|---|--------------------------------|------------|
| | 1996 | 1995 |
| Net sales | \$ 115,371 | \$ 118,162 |
| Other income | 1,341 | 1,572 |
| | ----- | ----- |
| | 116,712 | 119,734 |
| | ----- | ----- |
| Costs and expenses | | |
| Cost of products sold | 74,046 | 71,816 |
| Selling, general and administrative | 31,465 | 31,774 |
| Depreciation | 5,579 | 4,986 |
| Interest | 346 | 425 |
| Currency exchange (gains)/losses | 146 | 822 |
| | ----- | ----- |
| | 111,582 | 109,823 |
| | ----- | ----- |
| Income from operations before income taxes | 5,130 | 9,911 |
| Income taxes | 1,991 | 4,193 |
| | ----- | ----- |
| Net income | \$ 3,139 | \$ 5,718 |
| | ===== | ===== |
| Earnings per common share (1) | \$ 0.61 | \$ 0.98 |
| | ===== | ===== |
| Weighted average number of common shares outstanding | 5,093,704 | 5,814,801 |
| | ===== | ===== |
| Dividends paid on preferred stock | \$ 13 | \$ 13 |
| | ===== | ===== |

(1) Computed after dividends paid on preferred stock. Common shares reserved for outstanding options under the stock option and incentive plans would have a negligible dilutive effect on earnings per common share.

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

| | Three Months Ended March 31 | |
|--|--------------------------------|-----------|
| | 1996 | 1995 |
| OPERATING ACTIVITIES | | |
| Income from operations | \$ 3,139 | \$ 5,718 |
| Depreciation | 5,579 | 4,986 |
| Deferred taxes, pensions, and other non-cash charges/(credits) | (876) | (784) |
| Changes in operating assets and liabilities | 6,171 | (6,033) |
| Other - principally currency exchange adjustments | (107) | 2,046 |
| | ----- | ----- |
| Cash flow from operating activities | 13,906 | 5,933 |
| | ----- | ----- |
| INVESTING ACTIVITIES | | |
| Property additions | (2,967) | (4,318) |
| Property disposals | 933 | 384 |
| Acquisitions and other investing | (147) | (3,025) |
| | ----- | ----- |
| Cash flow from investing activities | (2,181) | (6,959) |
| | ----- | ----- |
| FINANCING ACTIVITIES | | |
| Reductions of long-term debt | (491) | (462) |
| Cash dividends | (1,399) | (1,467) |
| Stock options and purchases of company's stock | (9,811) | (84) |
| Changes in notes payable and short term debt | 620 | (2,753) |
| | ----- | ----- |
| Cash flow from financing activities | (11,081) | (4,766) |
| | ----- | ----- |
| Effect of exchange rate changes on cash | (259) | 1,238 |
| | ----- | ----- |
| Increase/(decrease) in cash and cash equivalents | 385 | (4,554) |
| Beginning cash and cash equivalents | 31,950 | 54,420 |
| | ----- | ----- |
| Ending cash and cash equivalents | \$ 32,335 | \$ 49,866 |
| | ===== | ===== |

Note 1 - Basis of Presentation

The accompanying unaudited consolidated condensed financial statements include all adjustments, consisting of only normal recurring adjustments, which are, in the opinion of management of the registrant, necessary for a fair statement of the operating results for the three-month periods ended March 31, 1996 and 1995. These financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and changes in cash flows in conformity with generally accepted accounting principles.

MINE SAFETY APPLIANCES COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The decline in consolidated sales is primarily due to the effect of lower U.S. government spending on defense and environmental matters. Shipments of gas masks to the U.S. military were down 45 percent from first quarter 1995 levels, illustrating the severity of spending cutbacks in this area. The company however, remains the largest supplier of these products. Some of this decline was due to the government's lack of placing new contracts in 1995, which could be related in part to the federal budget deadlock. U.S. military sales were only 7 percent of consolidated sales for the year 1995, the lowest level in 15 years, and are expected to be about the same in 1996.

Rentals of products for environmental remediation are also below year-ago levels, resulting mainly from lack of federal "superfund" authorization. Commercial sales of safety and instrument products in the U.S., Europe and other international markets were generally even with prior year levels. Worldwide sales of specialty chemicals continued robust growth.

The decline in net income is due to several factors. In addition to lower sales to the U.S. military, the gross margins on government-related contracts, as expected, were also significantly lower due to increasing competitive bidding pressures in a shrinking market. In addition, U.S. safety and instrument production levels were below those of a year ago, resulting in adverse costs.

This time last year the company and its distributors were building inventories with an optimistic market outlook. During the first quarter of this year, however, inventories have been reduced with a more cautious outlook, reflecting economic uncertainties. The company has also become more conservative in reflecting in the first and second quarters costs which are anticipated related to factory vacation shutdowns later in the year. Somewhat offsetting these items are higher profits from higher chemical sales and lower U.S. selling and administrative costs.

Profits for international operations were also down somewhat, primarily in Latin America and Europe. During most of 1995, financial results of the Brazilian operation were at all-time record high levels in an extraordinary economic boom. However, as the local economy has slowed to more sustainable levels, financial results have fallen off accordingly. In addition, the company is incurring start-up costs in a newly formed affiliate in Argentina. Overall profits of the European businesses have eroded in a generally stagnant economic environment marked by sporadic labor unrest. Strikes were widespread in France early in the first quarter and a transport strike in Sweden restricted quarter-end invoicing there.

Also in the first quarter, the registrant's UK affiliate, MSA (Britain) Limited, reached an agreement to sell its thermal battery operations to ASB Aerospaciale Batteries (ASB). Thermal batteries are primarily used in military missile applications. ASB has been a major producer of thermal batteries. The sale of this business reflects the registrant's strategic focus on its core safety and instrument products. (A similar battery operation in the United States was sold in 1989.) This agreement is subject to normal reviews and approvals, and the transaction, expected to be completed soon, will not have a material impact on the registrant's financial results.

While concerned about the first quarter financial results, the deterioration from 1995 was somewhat expected, given the factors previously described. U.S. military sales were at their highest levels of the year during the first quarter of 1995. During the remainder of 1996 shipments are expected to meet or exceed prior year levels. The timing and form of resolution of the federal government spending impasse on environmental matters is, of course, uncertain.

The company does anticipate seasonal increases in environmental remediation activity during the middle part of the year. International business also is seasonally weak in the first quarter and stronger in subsequent quarters. Future results should be further enhanced by significant new innovative product introductions, and improved factory operating levels. While the second quarter of 1996 may also lag the strong levels of 1995, the company is optimistic that earnings will improve in the second half. There are

enough positive prospects that producing increased profits for the full year is still possible in spite of a disappointing first quarter.

The lower effective tax rate in 1996 is due primarily to foreign tax credits and the effects of currency translation losses, which are not deductible for tax purposes.

Comparative foreign currency exchange (gains)/losses charged to income are as follows:

| | Three Months Ended | |
|----------------------------|------------------------|-------|
| | March 31 | |
| | 1996 | 1995 |
| | (Thousands of dollars) | |
| Transaction (gains)/losses | (24) | 337 |
| Translation (gains)/losses | 170 | 485 |
| | ----- | ----- |
| | 146 | 822 |
| | ===== | ===== |

Currency exchange adjustments charged directly to the equity cumulative translation adjustments account are shown below. Significant first quarter 1996 translation losses relate primarily to Germany, Japan and Sweden.

| | Three Months Ended | |
|----------------------------|------------------------|---------|
| | March 31 | |
| | 1996 | 1995 |
| | (Thousands of dollars) | |
| Translation (gains)/losses | 483 | (2,543) |

Available credit facilities along with internal cash resources are adequate to provide for ensuing capital requirements. The company's financial position and liquidity continue to be adequate. The current ratio and term debt in relation to capital as of March 31, 1996 were 3.0 and 6.4%, respectively, as compared to 3.2 and 6.4% at December 31, 1995.

On April 23, 1996, the Board of Directors authorized the company to purchase up to 500,000 shares of its common stock from time to time in private transactions and on the NASDAQ market. The timing and amount of the company's purchases will depend upon price and availability of shares. The share purchase program reflects the Board's desire to enhance shareholder value. The company purchased 228,579 shares during first quarter 1996 and 637,092 shares during the year 1995 under previous authorizations. Some of these shares will be used for employee stock options and awards. In connection with this the Board has authorized the formation of a Stock Compensation Trust, which will purchase 600,000 shares from the company.

PART II OTHER INFORMATION
MINE SAFETY APPLIANCES COMPANY

Item 1. Legal Proceedings
Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended
March 31, 1996.

SIGNATURES

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

MINE SAFETY APPLIANCES COMPANY

Date: May 10, 1996

By

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

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MARCH 1996 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

| | | |
|---------|-------------|-----------|
| 3-MOS | | |
| | DEC-31-1996 | |
| | MAR-31-1996 | |
| | | 3,977 |
| | | 28,358 |
| | | 91,352 |
| | | (2,799) |
| | | 79,619 |
| | | 21,439 |
| | | 341,302 |
| | | (191,169) |
| | | 397,962 |
| | 73,434 | |
| | | 14,197 |
| | 0 | |
| | | 3,569 |
| | | 9,178 |
| | | 232,239 |
| 397,962 | | |
| | | 115,371 |
| | 116,712 | |
| | | 74,046 |
| | | 79,625 |
| | | 146 |
| | | 0 |
| | | 346 |
| | | 5,130 |
| | | 1,991 |
| | 3,139 | |
| | | 0 |
| | | 0 |
| | | 0 |
| | | 3,139 |
| | | .61 |
| | | .61 |