

MSA



The Safety Company

Annual Report 2005



Our Mission

That men and women may work in safety and that they, their families and their communities may live in health throughout the world.

Our Vision

To be the leading innovator and provider of quality safety and instrument products and services that protect and improve people's health, safety and the environment.

To satisfy customer needs through the efforts of motivated, involved, highly trained employees dedicated to continuous improvement in quality, service, cost, value, technology and delivery.

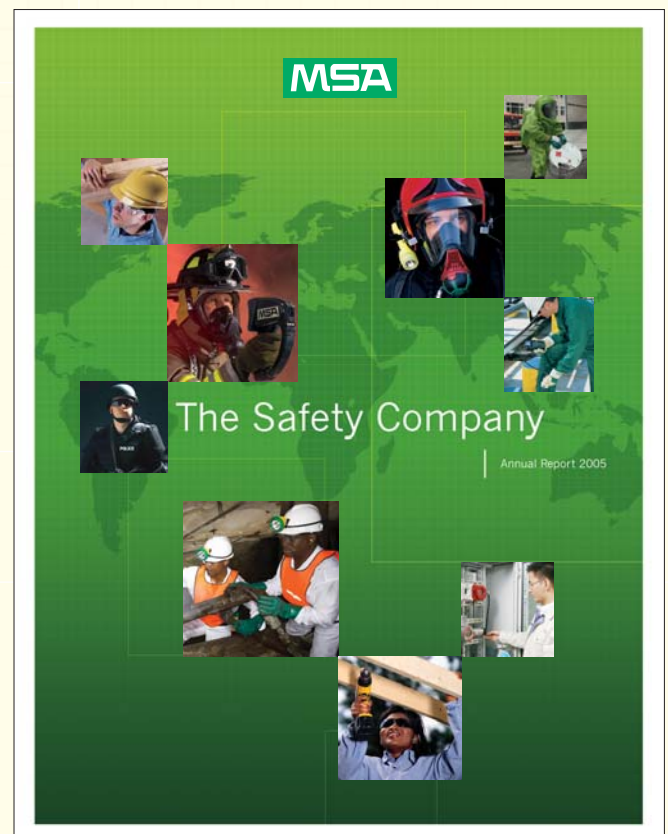
About The Cover

In 2005, MSA achieved record revenue and earnings for a fifth consecutive year. With strong performances by each of MSA's geographic segments – North America, Europe and International – 2005 was indeed a year in which the company reaffirmed its position as the world's leading producer of sophisticated safety products. For MSA shareholders, 2005 was also a year that demonstrated the value of product and market diversity.

As always, leadership in product development and innovation proved to be an important performance driver for MSA over the past year. Shown on the cover are just some of the safety innovations that helped shape the MSA story in 2005. Represented are products from each of MSA's three geographic business segments. Collectively, these and other product innovations helped MSA sustain organic growth, strengthen its brand reputation and enhance shareholder value. Equally important, they represent the high level of advanced safety technology customers have come to expect – *and rely upon* – from MSA. **The Safety Company.**

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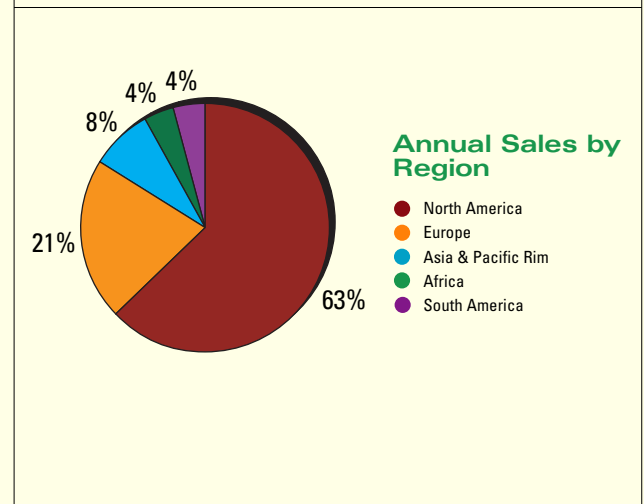
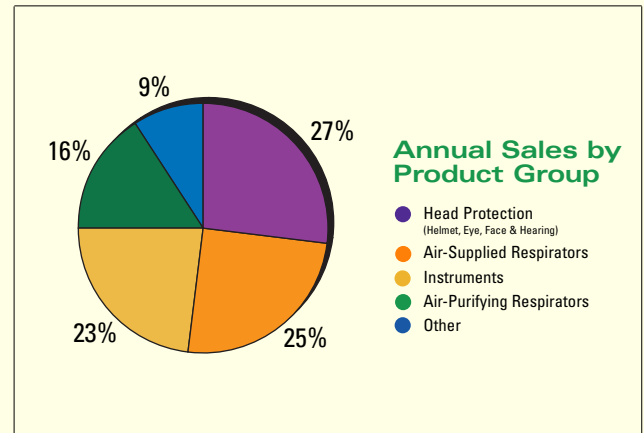


The Business of MSA

MSA is in the business of developing, manufacturing and selling innovative and sophisticated products that enhance the safety and health of workers throughout the world. Critical to MSA's mission is a clear understanding of customer processes and safety needs. MSA dedicates significant resources to research which allows the company to develop an understanding of the safety equipment and instrumentation requirements in a diverse range of industries such as the fire service, homeland security, construction, public utilities, mining, chemical, petroleum, transportation, hazardous materials remediation and the military. MSA's reach has expanded into the home in an effort to better understand and protect the "do-it-yourself" consumer. MSA's principal products, each designed to serve the needs of target markets, include respiratory protective equipment, thermal imaging cameras, portable and permanent gas detection instruments, as well as head, eye, face, hearing and fall protection products.

MSA was founded in 1914 by John T. Ryan and George H. Deike, two mining engineers who had firsthand knowledge of the terrible human loss that was occurring in underground coal mines. Their knowledge of the mining industry provided the foundation for the development of safety equipment to better protect underground miners. While the range of industries served by MSA has expanded greatly over the years, the founding philosophy of understanding customer safety needs and designing innovative safety equipment solutions remains unchanged.

MSA is headquartered in Pittsburgh, Pennsylvania, with operations employing 4,500 associates throughout the world. A publicly held company, MSA's stock is traded on the New York Stock Exchange under the symbol MSA.



Financial Highlights	2003	2004	2005	Sales (in millions)	Net Income (in millions)
For The Year (thousands, except per share)					
Net sales	\$696,473	\$852,509	\$907,912	\$696.5	\$71.0
Net income from continuing operations	48,924	71,047	81,783	\$852.5	\$81.8
Discontinued operations – after tax	16,343	—	—		
Net income	65,267	71,047	81,783		
Basic earnings per common share:					
Continuing operations	1.33	1.91	2.24		
Discontinued operations	.45	—	—		
Net income	1.78	1.91	2.24		
At Year End (thousands)					
Total assets	\$643,885	\$734,110	\$725,357		
Working capital	207,216	270,593	246,367		
Common shareholders' equity	306,867	376,679	381,470		
Common Stock (thousands)					
Shares outstanding	36,928	37,341	36,546		
Market capitalization	\$978,715	\$1,893,208	\$1,323,330		

To Our Shareholders

In retrospect, it was appropriate in this letter last year that I used the quote, "It is a lot tougher to stay on top than it was to get there." After two years of particularly strong growth, we had experience last year in dealing with adversity and in perseverance. Some years a team blows away its objectives; other years in the face of difficulty a team has to hustle, do their best to stay in contention, control the effects of adversity, and work diligently either to get satisfaction at the end of the year that they have done the best with the potential that was available or, ideally, to put themselves in a position where late in the action they can get on a winning streak, and then in the end, can make their goals after all. This is how the MSA team completed a successful year in 2005.

Seventy-five percent of our global business did consistently well all year. In North America, MSA Safety Works – our consumer products line – had its finest year in strongly building our business. The company won the Vendor of the Year Award in our category from True Value, a new customer in 2004. In our industrial market, protective helmets generated fine growth, led by the ubiquitous MSA V-Gard® helmet. Our Instrument operations moved up consistently throughout the year. The Ultima-X® series of sensors for permanently installed instruments gained, along with our consumer line, the distinction of MSA's Product of the Year. As homeland security funding in the U.S. moved from protection to detection, MSA's SAFESITE® Multi-Threat Detection System – a wireless, flexible, modular system for monitoring major events, buildings and congregations of people – made a strong entry into the market and gained a major order from the State of Florida.

The Solaris® portable instrument also has grown nicely as a market leader in small, hand-held instruments for four-gas detection.

We are pleased to welcome the people of Microsensor Systems, Inc. of Bowling Green, Kentucky, who joined our team after being a key supplier for us for some time. Their particular skills are in the detection of chemical warfare agents.

Overall, International exports were very helpful to our North American operations. Distributor relations in North America continued to improve ever more strongly. Our operations in Mexico had a fine year, and sales to the U.S. federal government maintained a high level as the company was able to fulfill opportunities in 2005 helped by consistently strong production levels of the Advanced Combat Helmet. Many of our other product lines continued well. Globally, MSA operations in Europe and International showed excellent growth on which I will comment in more detail below.

The challenges for the company in 2005 were in three key areas. U.S. Government funding in the fire service did not begin until two-and-a-half months later than the point at which it had begun in previous years. This not only held up orders from departments that were destined to get federal money, but the uncertainty also delayed orders in general, including those that would be ultimately financed by local revenues. U.S. Government funding of homeland security gas masks tailed off as the year went on. Through mid 2005, we had a supply issue with a key component that limited sales activities and shipping ability of our popular new Evolution® 5200 thermal imaging cameras.

While these challenges were limited to particular product lines, they were fairly intense when they occurred and in the middle of the year their negative effects on the company overall were strong. In these circumstances it is quite possible in a short time to get so far behind that the goal for the year would get out of reach. I commend our team for their timely and effective actions in containing and limiting the effects caused by these problem areas so that we could eventually overcome them. Our factories handled especially well very volatile changes in the incoming orders for our products, a challenge that if not

well managed could lead to high levels of unabsorbed factory burden. Our organization started early and worked often in controlling our overall operating costs to once more mitigate the impact of lower sales in our problem areas, while at the same time maintaining customer contacts and new product development to our desired levels. The sales force had to be flexible and go after the business that was available. Our entire team had to resolve certain process issues that were holding up invoicing of the orders that we had.

In the end, by Fall in North America, we had "stayed in the game," and were prepared when the U.S. federal funding for the fire service opened up, when the orders came at a good pace in the fourth quarter, and when the supply issue on thermal imaging cameras was fully resolved. From a cost-containment mode, our manufacturing team had to quickly transition to an all-out production level to fulfill the orders that were being received.

Meanwhile, through all of this, our associates in Europe and International were keeping their momentum going on what would be a fine year for us overseas. Then, at the very end, we had a great December, finished the year strongly and were able to achieve our corporate objectives for 2005. I commend our global team for their ability to handle adversity, maintain our focus on the mission and accomplish our objectives.

MSA Europe had good sales growth and a particularly strong improvement in income, having its best year since the economic transition in Europe began a decade-and-a-half ago. The first half of the year was involved in setting a strategic plan for MSA Europe, giving us an even more unified team across the continent. Our revamped European management team and I are pictured on page 9. Efforts that have been put forth over several years to improve our business in Europe particularly came to fruition in 2005 and were the main cause of our higher performance. There was particularly strong sales growth in Eastern Europe and by our new affiliate, MSA Sordin, in Sweden. MSA operations in Benelux, Nordic, Britain, Spain and Italy achieved their goals and I was happy to see our German domestic business pick up smartly in the second half of 2005. To expand our instrument business in Central and Eastern Europe, we acquired in March the majority shares of Trolex CZ s.r.o. As a leading engineering company in the region specializing in permanent gas detection, this operation is now part of MSA Europe and will function as MSA Auer Czech, s.r.o.

MSA International (our operations outside of North America and Europe) has for some time had an aspirational goal of generating a twenty percent annual sales increase. In this year that goal was realized with plenty to spare. More than half of MSA's global sales growth in 2005 was generated by MSA International. Particularly distinctive performance was achieved by our companies in South America, Australia, China and Singapore. The largest commercial order of the year was for breathing apparatus sold to the government of Iraq for their fire service in the reconstruction of their country. MSA has made considerable investments in building our business in the International markets because of their distinctively strong growth potential, and this effort will continue going forward.

In early 2006 we completed transactions in South Africa to welcome Select Personal Protective Equipment, a successful mine-based safety supply business, and to create a joint venture with local partners to make MSA Africa qualified under the Black Economic Empowerment initiative, giving us full opportunities in this market in the future.

We continue to diligently pursue process improvements on a global basis. Lean Sigma was our Process of the Year, and has been for some time a major generator of improved productivity and effectiveness. The MSA Global Manufacturing Council went into fully active status in 2005.



MSA's rapidly growing Consumer Products Group and MSA's International segment played significant roles in helping the company achieve record results in 2005. Shown above with MSA Chairman and CEO John T. Ryan III (seated at left) and President of MSA International Rob Cañizares (seated at right) are, from left to right, John Quinn, Ed Philibin and John Shields – the Consumer Products leadership team – and Chris Kairys, Peter Pickerill, Ted Novak, Ken Acer, José Cabezas, Ralph McIntyre and Joe Lee – directors of MSA International.

Major efforts were made in a global exchange of best practices, global purchasing and global tooling. We are adding staff to this effort, and it will be led by our Vice President, Kerry Bove.

I am pleased by the major awards won by MSA products and services, particularly the Evolution 5200 thermal imaging camera, the SAFE-SITE detection system, and the MSANET.com Web site, as well as our Safety Works® line mentioned above. We continue to do well in meeting a major objective of having a substantial portion of our business generated by our new product development process – those products introduced over the last three years.

We have noticed for several years that our Instrument and Safety Products operations in North America were migrating closer to each other and becoming less distinct from one another than they had been in the past. More electronics are going into safety equipment while our electronic products need to be designed for rugged uses. From this, we made the conclusion that we should merge our Instrument and Safety operations in North America. This is being done to make our organization more effective, partially to redeploy key people on new assignments, and there will be cost benefits for the company as a whole. Additionally, a targeted voluntary early retirement program offered in early 2006 enabled us to reduce staffing levels on an almost completely voluntary basis.

I recognize our new officers, Doug McClaine and Steve Plut; our newly promoted Director of Human Resources, Paul Uhler; and I thank Benedict DeMaria for his fine service as a Vice President of the company up until his recent retirement. Upon the occasion of her retirement, I would also like to express my appreciation to Bonnie McGraw for her thirty years of diligent service to the company as my administrative assistant.

I lost a mentor and the company lost a great person in MSA history in September when Eugene W. Merry, retired President and CEO of the Company, passed away. Gene was a key leader and important contributor to MSA for almost 70 years and gave me much wise advice and counsel. We also mourn the recent passing of Harry E. Redenbaugh, long-retired leader of our International Division through several decades of international growth.

From 2000 to 2005 the Company has done very well in our core businesses and in new ones such as thermal imaging cameras, fire helmets, and the Advanced Combat Helmet. In a peaceful, stable world, MSA would have done very nicely through these years. The world,

unfortunately, has not turned out to be that way and extraordinary needs for military and homeland security protection came forth for which MSA was well prepared to meet and fulfill. Also, enhanced federal government support of the fire service gave more departments the ability to obtain the newest and best of MSA products. These trends turbo-charged an already strong growth path and led to the excellent results of recent years.

As we have previously reported, our objective is to continue strong growth in our commercial business which is more than 85% of our total sales. Our objective in military business is to fulfill the defense needs of the U.S. and allied countries to the maximum extent possible in product lines in which we have skills and competitive advantage. We realize that this business does tend to be volatile and we manage our overall business appropriately. In this New Year we expect to see both good growth in our commercial business and volatility in our military business. We had some very

interesting new or early-stage military projects. The MICH communications system had generated an exceptional order in 2005; we recently received a major contract for breathing apparatus for the United States Air Force; and we are a major participant in the Mask 2000 project in Germany – the country's new standard military gas mask. There will be some invoicing from these projects in 2006 and hopefully more in future years. In 2005, our U.S. military business exceeded our expectations and remained steady at a very high level, but now we expect a fairly significant drop off in the order of \$60 million in North American military sales in 2006 due to the completion of certain contracts, the lesser levels of certain other contracts, and the government's decision to split evenly for one year the shares of the Advance Combat Helmet production. We deal with the volatility of the military business in the way we always have: grow our commercial business strongly – particularly in fruitful markets, be more productive in how we run our entire organization, and reduce costs whenever possible.

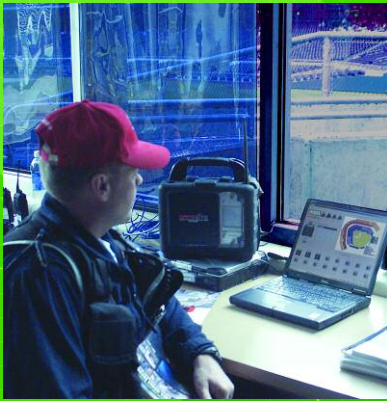
We have known for some time that eventually we would have a transition period where the military business was volatile on the downside and where homeland security gas mask funding tailed off. We anticipate that the transitions in military business will be focused in one year, 2006.

Our goal in 2006 is to work through this significant one-year adjustment and still show growth in overall sales and operating earnings by making major progress in our global commercial business to offset the changes in military sales. There will be some one-time costs in this transition, particularly those related to the retirement program, Project Outlook, and restructuring costs elsewhere. Additionally, there is a change in accounting rules that require expensing of stock compensation.

This is somewhat like a sports team continuing to have a winning record during a "rebuilding" year, and we are diligently pursuing this objective.

John T. Ryan III

Chairman of the Board and Chief Executive Officer



Innovation in new product development continued to fuel MSA North America's success in 2005. Contributing to this success from left to right, were the SAFESITE® Multi-Threat Detection System, the Evolution® 5200 Thermal Imaging Camera and the SkyLink™ Stanchion.

North America

MSA North America
Achieves Record
Sales in 2005

Higher sales of head protection, instruments and fall protection propelled MSA North America's record sales in 2005. Overall, North American sales were strong in most product lines, led by higher sales to the U.S. government and growth in Canada, Mexico and MSA Safety Works, the company's consumer products arm.

In 2005, MSA North America sales rose to a record \$575.9 million from \$564.6 million in 2004. Income increased 12% to \$62.1 million. MSA North America generated 63% of the company's total revenue of \$907.9 million in 2005.

The breadth and depth of MSA's product portfolio proved to be particularly important in 2005 as product diversity helped MSA North America overcome two major challenges during the year. Delays in federal funding for fire departments reduced sales of self-contained breathing apparatus (SCBA) for the fire service, while sales of military gas masks in the United States declined from peak levels due to the expiration of government contracts.

Although gas mask sales declined, federal government sales increased for the fifth consecutive year, propelled by U.S. Army orders for the Advanced Combat Helmet (ACH) and a related product – the MICH™ (Modular Integrated Communications Headset) System.

For 2005, MSA received contracts totaling more than \$53 million to manufacture nearly a quarter million Advanced Combat Helmets for the U.S. Army. The company shipped helmets to protect U.S. soldiers deployed in Iraq, Afghanistan and around the world. Since November 2003, MSA has secured multiple Army contracts totaling more than \$155 million for the production of more than 550,000 Advanced Combat Helmets.

Reflecting the success of the Advanced Combat Helmet program for the Army, demand for the MICH System led to more than \$22 million of shipments in 2005. The MICH System is an innovative hands-free, two-way radio system that integrates seamlessly with the Advanced Combat Helmet.

Maintaining its leadership in head protection, MSA North America also achieved higher sales of Cairns® Fire Helmets and industrial hardhats, including its best-selling V-Gard® Protective Helmet. Among the larger head protection orders MSA received in 2005 was a \$1.2 million order for Cairns Fire Helmets from the District of Columbia Council of Governments.

Particularly significant in 2005 was the sales growth of MSA instrument products, which include a broad line of sophisticated portable and fixed gas detection systems used in virtually every industry MSA serves.

In December, this portion of MSA's business got a significant boost and endorsement when emergency response agencies in Florida awarded the company a major contract to furnish hazard detection systems for Homeland Security purposes. The \$1.4 million contract included the largest order to date for the SAFESITE® Multi-Threat Detection System. The SAFESITE System provides wireless perimeter monitoring of potential chemical warfare agents, toxic



In 2005 MSA shipped approximately 235,000 Advanced Combat Helmets (ACH) for the U.S. Army. Designed to provide greater situational awareness, the ACH is light in design, provides superior ballistic protection and has been credited with saving many lives on the battlefields of Iraq and Afghanistan.

The Ultima® X Series Gas Monitor provides advanced sensing technologies that monitor against the threat of combustible and toxic gases and for oxygen deficiency. As a key element of MSA's increased instrument sales in 2005, the Ultima X Series Gas Monitor was appropriately selected as MSA's product of the year, a recognition it shared with MSA Consumer Safety Products.



chemicals and other hazards at public events and in mass transit systems, shipping ports and facilities that could become the target of terrorist attacks. Since late 2003, the SAFESITE System has been deployed and tested in numerous high-profile venues, including the Kentucky Derby, the annual New Year's Eve celebration in New York's Times Square, the Democratic National Convention, the 2004 Summer Olympics in Greece and, most recently, Super Bowl XL in Detroit.

The Florida SAFESITE contract marked the culmination of a strong year overall for sales of MSA instrumentation. A shifting focus from protection to detection in the Homeland Security market, combined with several important and innovative product advances, helped MSA North America significantly increase instrument sales in 2005, enhancing its reputation as the technology leader in this important product segment. Overall, almost half of all instrument sales were from products MSA introduced over the last three years.

In the consumer market, MSA Safety Works posted a 33% increase in sales as the business signed contracts with 20 new retail partners to add greater diversity to its distribution channel. Highlights included gaining Orgill Brothers – the nation's largest independent distributor of home improvement products – as an MSA retail partner, tripling sales to United Rentals, Inc., and being named Vendor of the Year by True Value Hardware.

Meeting the needs of fire service, law enforcement and Homeland Security customers remains a critical mission for MSA North America. In 2005, many customers in

these key markets continued to turn to MSA for sophisticated safety products with proven technology that meet high standards of safety, certification and performance.

Major contracts in 2005 included:

- An order from the Los Angeles Fire Department for more than 100 Evolution® 5200 Thermal Imaging Cameras;
- A \$4.5 million order from the New York City Police Department for Millennium® Gas Masks and Response® Escape Hoods;
- A \$1.3 million contract from the California Highway Patrol to supply Millennium Gas Masks;
- A \$1.1 million contract from the state of Pennsylvania for air-purifying respirators and thermal imaging cameras.

To enhance MSA's capabilities in the Homeland Security market, the company acquired Microsensor Systems, Inc. of Bowling Green, Kentucky in September. The transaction quickly established MSA as the leader in Surface Acoustic Wave-based chemical sensing technology used to detect chemical warfare agents.

Leading Through Innovation

As The Safety Company, one of MSA's greatest strengths is an unwavering focus on developing innovative products that provide new levels of protection, or enhancing existing products with next-generation technology. That commitment to improving safety continued in 2005 with a myriad of product introductions.

In February 2005, MSA unveiled the Evolution 5200 Thermal Imaging Camera (TIC), the first device to incorporate technology that provides high-quality imagery in temperatures exceeding 300° Fahrenheit. Thermal imaging cameras use infrared technology to enable firefighters to see through smoke and dark conditions.

MSA has been a leader in thermal imaging camera technology since introducing the first hand-held device for firefighters in the mid-1990s. As the clear market leader in this category, the Evolution 5200 TIC has become the thermal imaging camera of choice in the fire service. As evidence of this, *Fire Apparatus Magazine* named the Evolution 5200 TIC the "Best Life Safety or Personal Protective System" of 2005 in its annual Design and Product Achievement Awards program.

Another notable success was MSA's introduction of the Safe Escape™ Respirator, the first escape respirator approved for protection against chemical, biological, radiological and nuclear (CBRN) agents to reach the market. The Safe Escape Respirator meets stringent new standards established by the National Institute for Occupational Safety and Health (NIOSH). Developed for a wide range of potential users, such as government personnel, first responders, law enforcement officers and underground transit workers, the

During a visit to MSA's Murrysville, Pa. facility, Col. John L. Miles, center, expressed his gratitude to the ACH production team for their commitment in helping to save the lives of U.S. servicemen and women.





MSA activated its Crisis Response Center to assist in the recovery and clean-up efforts in the disaster-stricken areas created by Hurricane Katrina. Pictured above with MSA Safety Works' associates Terry Royer and Rob Senko are New Orleans residents Penny Pounds (middle) and Drew Christianbery (right).

Safe Escape Respirator is a hood-style device that features a large, one-piece bonded lens and a translucent chemical-resistant hood that provides a wide field of vision.

Indeed, MSA has a proven track record in developing respiratory protection products designed for CBRN protection. The company was the first manufacturer to secure CBRN approval in three different respirator categories. Earlier CBRN-approved respirators include the company's Millennium Gas Mask, the Ultra Elite® CBRN Gas Mask and the FireHawk™ CBRN NFPA 2002 Air Mask for the fire service.

MSA's Safe Escape™ Respirator was the first respirator of its kind to be approved for protection against CBRN agents.

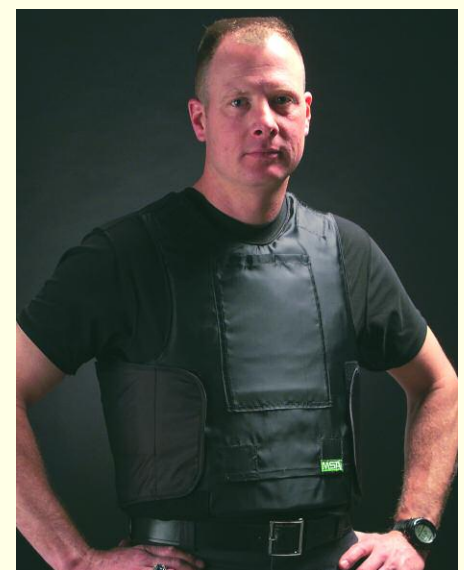


In 2005, few product introductions captured more attention than MSA's entrée into the market for concealable body armor for law enforcement officers. To provide reliable and trusted protection for police officers facing potentially deadly gunfire, MSA launched its first line of advanced ballistic body armor in September 2005. The company's new product offerings, branded as the ForceField™ line, include two types of concealable vests and an over-the-uniform tactical vest designed for SWAT applications. The ForceField vests are made with proven and highly reliable ballistic materials such as DuPont Kevlar and Honeywell Goldflex aramid products and feature designs that enhance comfort, ease-of-use and safety.

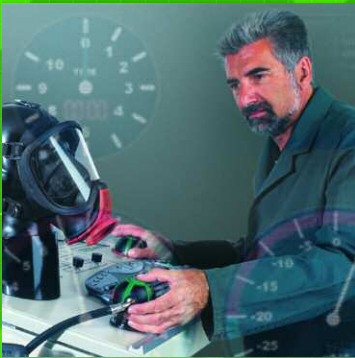
In addition to ballistic vests, the ForceField line also includes a commercial version of MSA's Advanced Combat Helmet developed for the U.S. Army. The police ACH is just the latest example of MSA's experience and expertise in transferring proven military technology to the commercial marketplace.

As 2005 came to a close, MSA announced a major restructuring of its North American operations. Called Project Outlook, the program creates a dynamic new organizational structure focused on two critical goals: aligning and redeploying resources to position MSA for future growth and achieving new levels of customer loyalty and satisfaction.

In addition to improving MSA's responsiveness to growth opportunities, Project Outlook will enable the company to achieve greater operational excellence through a heightened focus on lean manufacturing, supply-chain management and delivery performance. The initiative also promises to enhance MSA's leadership in engineering and product development, while accelerating efforts to reduce operating costs and enhance future earnings.



Introduced at the 2005 International Association of Chiefs of Police show in Miami, the ForceField™ line of body armor provides ease-of-use, reliability, maximum protection and a comfortable fit.



A stout pipeline of new product innovation fueled robust sales in MSA Europe in 2005. Among the more than 20 new products introduced in 2005 were the ProfiCHECK™ Test System (far left), the AirElite 4h closed-circuit breathing apparatus (at left) and the AirMaXX SL self-contained breathing apparatus equipped with the “alpha” personal network that provides personal monitoring and telemetric capabilities (above).

Europe

MSA Europe Surges in 2005,
Driven by Strong Sales &
Product Innovation

Higher sales in Eastern Europe, Northern Europe, Spain and at MSA SORDIN—the company’s center of expertise in hearing protection—coupled with a robust pipeline of new products, fueled MSA Europe’s growth in sales and income in 2005. Solid demand from the fire service was also a factor in Europe’s improved results.

Overall, sales at MSA Europe in 2005 rose 8% to \$187.2 million from \$173.0 million a year earlier, and its income increased 65% to \$11.1 million from \$6.7 million in 2004. MSA Europe’s sales accounted for 21% of the company’s consolidated sales of \$907.9 million in 2005.

The 2004 acquisition of SORDIN AB, the Swedish manufacturer of passive and electronic hearing protection technology, had a positive impact on European sales and profit as it benefited from its role in supporting North American contracts for the U.S. military.

Another growth engine was the performance of MSA in the central and eastern European regions. In these important regions, MSA received several notable contracts, including a large order from the Slovakian Ministry of Defense for chemical protective suits; and a significant order from TRAKT, a Russian company, for self-contained breathing apparatus (SCBA), cylinders, masks and spare parts. Ultimately, TRAKT will provide this equipment to Gazprom, the world’s largest gas producer.

Reflecting MSA’s global leadership in the fire service market, MSA Britain was

awarded a significant contract to supply respiratory protective equipment to Lothian and Borders, a leading fire and rescue service in the UK. In all, MSA delivered nearly 350 AirMaXX™ eXXtreme SCBA to Lothian and Borders in 2005, marking an important expansion for MSA in the UK fire service market. MSA’s leadership in SCBA technology was also evident in Germany, where the Berlin Fire Brigade placed an order for more than 350 AirMaXX SL SCBAs.

Throughout Europe, the introduction of new products highlighting MSA’s focus on innovation and advanced technology also helped propel sales. In all, MSA Europe introduced more than 20 new products in 2005.

One of the most notable achievements was the launch of the alpha series of SCBA, which received an enthusiastic reception from fire service customers. Featuring a single-line air management system and advanced electronics, the alpha series includes a portable wireless personal monitoring system that enhances firefighter safety by integrating a motion detector and alarm. Called the alphaSCOUT, the unit sends and receives powerful long-range signals that enable hazard and incident monitoring and command from a centrally located base station.

Another significant product launch was the AirElite 4h breathing apparatus – a KO₂ self-contained closed-circuit device that supplies wearers with oxygen for up to four hours. With advanced technology and other



Designed to meet new performance specifications, the M2000 Respiratory Protection System for the German military helps protect soldiers from a wide array of NBC (nuclear, biological and chemical) threats.

enhancements, this outstanding new product became the second supplied-air respirator to bear the AirElite brand name. The AirElite 4h unit is designed for use primarily by firefighters, miners and workers in the oil, gas and petrochemical industries who need a long-term air supply.



The MSA Europe management team, above, led efforts in 2005 that resulted in this segment achieving a remarkable 65% increase in earnings. Seated, from left to right, are Monika Menter, Thomas Muschter, Dieter Lubkoll, Rudi Bruecklmeier, John T. Ryan III (Chairman and CEO), Jim Baillie (President, MSA Europe), Olivier Cheron, Stefan Zloczynski, Tom Blackwood and Lynn Jakoboski. Shown standing, from left to right, are Joakim Birgersson, Mathieu Tijksens, John Wilson, Arne Schmid, Gary Trozzo, Dennis Jakoboski, Jeroen Heller, Frank Mak, Jan Evertse, and Giorgio Vanni.

In 2005, MSA Europe's innovation pipeline also included:

- The F2 X-TREM™ Fire Helmet, which features adaptable hearing protectors and a quick-adjust system that enhances multifunctional use of the helmet without compromising comfort. Representative of MSA's commitment to global manufacturing excellence, the helmet is the first product developed jointly by MSA GALLET and MSA SORDIN. And the product is already gaining acceptance. Among the major fire service contracts awarded to MSA Europe in 2005 was an order from the Fire Brigade of Brussels for 1,200 F2 X-TREM Helmets.
- The F1-SF™ Fire Helmet from MSA GALLET, the next generation of the market-leading F1 line. Designed for structural fire fighting, the helmet meets the highest European standards while providing performance, comfort and adaptability.
- An enhanced version of MSA Europe's S-Cap Escape Hood that protects users from smoke and gases generated by fires. Featuring a light cotton neck seal, this new product became one of the first devices certified to newly updated European respiratory protection standards.
- The ORIONplus™ monitor, a portable hand-held multi-gas detection instrument that extends the popular ORION product line developed initially in the U.S. The ORIONplus monitor detects and measures combustible gases, oxygen, hydrogen sulphide, carbon monoxide and carbon dioxide. Its extended sensor range



The Tankscope® II

offers 21 sensor options, increasing the device's functionality and making it an ideal personal monitor and pre-entry detection device.

- The Tankscope® II Combustible Gas Indicator, an upgraded successor to the original Tankscope that detects gases in oil and gas cargo tanks aboard marine vessels. Introduced in May 2005, the Tankscope II Indicator is a compact hand-held instrument that can simultaneously detect up to five gases.
- The ProfiCHECK Series of Testing Systems to assess the performance of self-contained breathing apparatus components, chemical protective suits and face masks.

To generate visibility and demand for these and other exciting products, MSA Europe was active on the trade show circuit in 2005. The company successfully promoted its wares at the 2005 INTERSCHUTZ trade fair in Hanover, Germany, reaching thousands of existing and potential customers in the fire service, rescue services, disaster relief, safety and security markets. The company also participated in INTERPOLICE, an international exhibition for police and international security, and the biennial A+A Show in Düsseldorf, Germany – the most important international trade fair for personal protective equipment and occupational health in Europe. Overall, the trade fairs attracted almost 200,000 visitors from around the world.

In March 2005, MSA acquired the majority shares of Trolex CZ s.r.o. – a Czech

company specializing in permanent gas detection in hazardous areas and mining. This organization, which has worked closely with MSA AUER in the past on several key product initiatives, enhances MSA's growth prospects, especially in Eastern Europe.

Looking ahead, and based on its 2005 successes, MSA Europe is well positioned to increase sales of products manufactured at its facilities in Western Europe. The 22 innovations displayed at two major exhibitions – INTERSCHUTZ and A+A – very clearly demonstrated MSA's commitment to developing new solutions for customers. With the continued financial performance gains made over the past several years, MSA Europe is indeed looking forward to a promising and exciting future.



Designed especially for emergency response teams, the Vautex Elite ET Suit features flexible high-resistance material that enhances comfort, ease-of-movement and protection against a broad range of chemical threats.

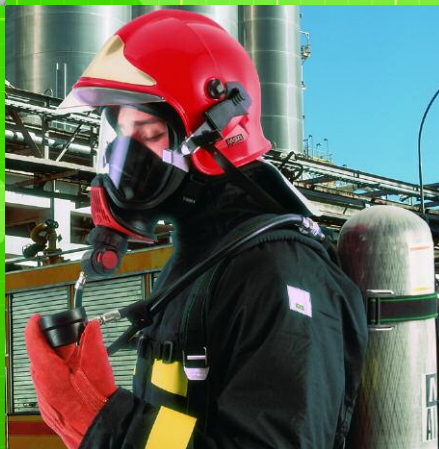


In Hungary, the Super V-Gard® Helmet from MSA was the cap of choice for dignitaries attending the dedication of a new Olefin production facility operated by TVK Ltd. Among those attending was Hungarian Prime Minister Ferenc Gyurcsány (left center). TVK relies on MSA to furnish a broad range of safety equipment, including respirators, head protection products, instrumentation and hearing protectors from MSA SORDIN.



MSA Europe had a significant presence at the biennial A+A Show in Düsseldorf, Germany, and below at the INTERSCHUTZ trade fair in Hanover, Germany. Overall, MSA Europe's trade show activity in 2005 played an important part in helping the company generate increased visibility and demand for new product offerings.





A heightened and more strategic focus on meeting the safety needs on the global oil, gas and petrochemical (OGP) market helped MSA International generate higher sales in 2005. Among the many MSA products suited for the OGP industry are the V-Gard Protective Cap (above left) and the BD 96™ SCBA and MSA Gallet fire helmet (immediate left).

International

Growth and Transformation
Fuel MSA International's
Success in 2005

Transformation and accelerating growth were the keys to success for MSA International in 2005 as it achieved higher sales and profits in key markets including Latin America, China, Asia-Pacific, the Middle East and Africa.

The foundation for MSA International's strong performance was its strategic initiative in 2004 to significantly transform sales, distribution, marketing and operations to better respond to current customer needs, to reach and serve new customers, to build market share and to establish MSA as a true global leader in the manufacture of sophisticated safety products.

The first phase of this initiative – *Leading the Transformation* – concentrated on reorganizing MSA International's leadership and global structure; opening new sales offices in key markets with dynamic growth potential, such as China, Hong Kong, Indonesia and Malaysia; introducing MSA products in targeted markets; and establishing a more integrated, focused approach to achieving growth.

In 2005, MSA International launched the second phase of its growth strategy – *Powering the Transformation* – to focus on improving customer coverage and distribution support by enhancing the development of its sales associates. The goal is to develop closer consulting relationships with new and existing customers and a clearer understanding of customer needs that enables MSA to tailor safety solutions that solve unique customer challenges.

Overall, the transformation strengthened MSA International's value chain by enhancing operations and processes, improving connectivity with customers and fostering greater teamwork in product development, marketing and sales, and distribution programs.

Reflecting the benefits of its transformation strategy, MSA International's sales in 2005 rose 26% to a record \$144.8 million from \$114.9 million a year earlier, while income increased to \$9.2 million from \$8.5 million in 2004. Overall, MSA International's sales accounted for approximately 16% of MSA's net sales of \$907.9 million in 2005.



To expand the company's brand visibility in China, MSA's marketing activities include participation in a number of key industry trade conferences. On display above are MSA products targeting China's growing fire service market.



Instrumentation assembly at MSA Wuxi was upgraded and expanded in 2005 as part of an overall reorganization program in China. By the end of the year, MSA increased total production space in China by 70%.

A leading example of transformation and growth in 2005 was MSA China, which topped all MSA International affiliates with record percentage sales growth, fueled by sharply higher sales of breathing apparatus and helmets for the fire service, and breathing apparatus for oil, gas and petrochemical customers.

Major contracts in China included large orders for self-contained breathing apparatus (SCBA) that MSA manufactures at its factory in Wuxi, and a significant order for fire helmets. MSA instrument sales in China rose 52% and sales to the oil, gas and petrochemical segment jumped 61%.

MSA China's impressive performance reflected the establishment of a new management team in 2003; the successful launch of a distributor program that expanded its distribution network from 120 to 180; improvements to upgrade and expand its factory, which manufactures self-contained breathing apparatus, helmets and instruments; and new offerings of more than 20 certified products last year. By year's end, MSA had increased its total manufacturing space in China by 70%.

With a clear expectation of continued long-term growth in China's industrial economy, MSA is now better positioned to tap into China's growing need for safety equipment that will protect workers in the years to come. The company expects China to become one of the most important markets for MSA.


Global Growth for MSA

China was just one of the many success stories for MSA International in 2005.

In the Middle East, MSA received a \$5.5 million order from the government of Iraq for self-contained breathing apparatus.

MSA's business and earnings in South America have developed substantially over this decade, reflecting dynamic growth in the major economies in which MSA has operations. Major orders in Brazil included a large contract to supply fire helmets to the Federal Secretary of State.

Sales also improved in South Africa, a key market for mine safety equipment, as MSA Africa received several major orders for self-contained/self-rescuer breathing devices to help protect miners in the event





**Bienvenidos
a la Receptcion
IDEC XXIII**

**Welcome
to the
IDEC XXIII
Reception**

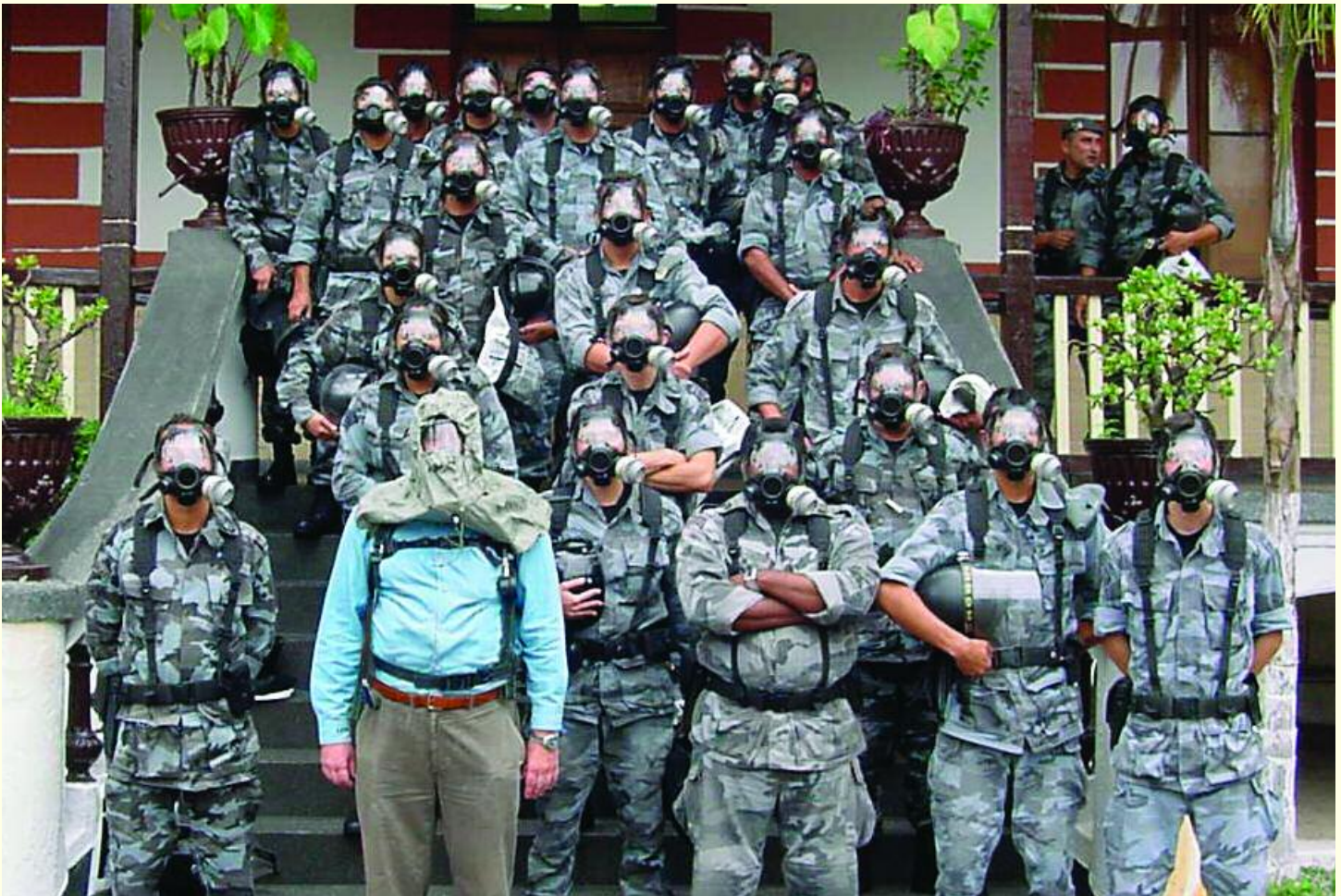
**April 5, 2005
Santiago, Chile**

Sponsored by AFFNA &
Mine Safety Appliances



Looking to expand its visibility with the global law enforcement market, MSA served as the primary sponsor at the 2005 International Drug Enforcement Conference in Santiago, Chile.





In preparation for the 2007 Pan American games in Rio de Janeiro, Brazil, security personnel from many Latin American countries attended respiratory protective training conducted by MSA.

of an emergency. These orders included two separate contracts totaling more than \$2.3 million.

To enhance future growth and competitiveness in South Africa, MSA formed a new holding company in January of 2006 with Mineworkers Investment Company to ensure compliance with government-established Black Economic Empowerment (BEE) requirements. The venture marks the culmination of a strategic opportunity identified by MSA in 2004.

BEE is a South African government program similar to Affirmative Action in the United States. In short, companies that are BEE-certified are better positioned to

Mining remains an important market for MSA International, particularly in South America and South Africa. Shown at left is the MSA MineSpot® MK3 cap lamp and V-Gard Cap worn by miners in South Africa.

compete for public sector contracts. Through this venture, MSA and Mineworkers Investment Company will pursue opportunities to create a safer work environment for South African mine workers while fully serving customer needs as an approved BEE supplier.

Although the mining segment generates less than 5% of MSA's worldwide sales, it remains a leading market for MSA International, accounting for more than 20% of total sales in 2005.

In the Asia-Pacific region, MSA Australia had a particularly strong year, highlighted by the receipt of a \$1 million order from the Royal Australian Navy for Lifeguard™ Escape Breathing Apparatuses.

The transformation of MSA International has increased the company's market share, growth potential and brand equity in nations around the world. Indeed, sales in each international market (Asia Pacific, China,

Latin America, and Middle East & Africa), exceeded MSA's expectations for 2005. Including 2005, MSA International has achieved a compound annual growth rate of approximately 25% over the past three years. To support this growth, MSA International has four major manufacturing facilities – Johannesburg, South Africa; Wuxi, China; São Paulo, Brazil; and Sydney, Australia – representing MSA's focus on achieving global manufacturing excellence.

With strong results in 2005 and a solid foundation for the future, MSA International is well positioned for continued growth and success in 2006 and beyond. Initiatives planned for 2006 include further expansion as opportunities arise and continued implementation of lean manufacturing practices to improve efficiency and drive costs even lower, while maintaining the high quality that customers expect from the MSA brand – wherever they may work.

Eugene W. Merry, 1912 – 2005

“Gene Merry had a tremendous gift of wisdom and made an indelible contribution to the success of MSA. In my many years of knowing and working with Gene, I learned from him more practical things about operating management than I did from any other educational experience, formal or informal. Gene will be deeply missed by the MSA family and by the many people whose lives he touched.”

John T. Ryan III, MSA Chairman and Chief Executive Officer

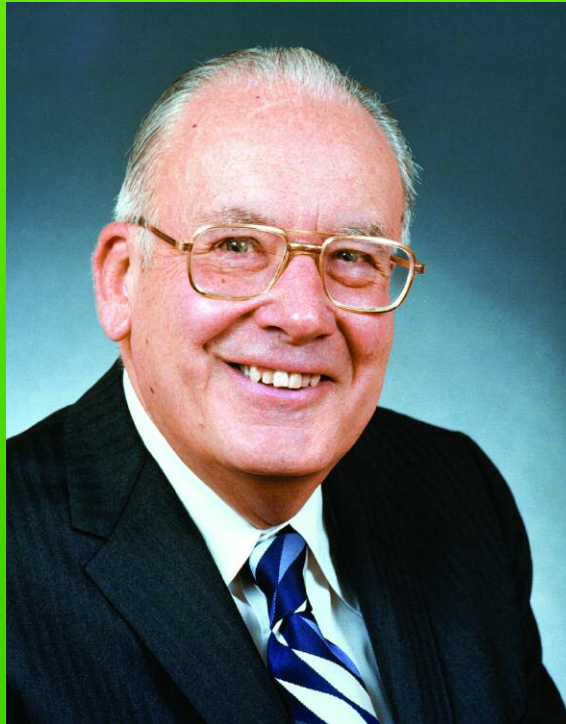
As documented in the pages of this annual report, MSA accomplished much over the past year. Sadly, however, for many people close to the company, 2005 will also be remembered as the year in which MSA lost one of its great, long-time leaders.

In September, Eugene W. Merry, former president and chief executive officer of the company, died peacefully at the age of 92.

Mr. Merry served MSA for nearly 70 years, earning a reputation for his wisdom, down-to-earth business approach, generosity and ability to build meaningful and long-standing relationships at all levels within the organization. Up until his death, Mr. Merry continued his involvement with the company, serving as Director Emeritus, regularly attending board meetings and providing thoughtful counsel.

During his long and dedicated service to MSA, Mr. Merry ascended from his first entry-level position in 1936 to become president and chief executive officer in 1977. He retired as president and CEO in 1978, but continued to serve MSA as a director of the company into the 1990s. After the untimely death of CEO M.G. Hulme, Jr., in 1985, Mr. Merry returned to fill the gap in company leadership until a new CEO was named five months later.

Mr. Merry spent several formative years at MSA working in the company's mining business as manager of exports. With the outbreak of World War II,



Mr. Merry became Manager of Government Production, overseeing the production of breathing apparatus, gas masks and other safety equipment used to protect U.S. Armed Services personnel.

Following the war, Mr. Merry was appointed Manager of Market Research and eventually was named Manager of Product Engineering and Sales Planning.

In the mid 1950s, when MSA was reorganized into four autonomous divisions, Mr. Merry was elected a vice president and given responsibility for MSA's Industrial and Instrument Divisions. He was later elected an executive vice president and named president of MSA in 1963. When John T. Ryan, Jr. retired in

1977, Mr. Merry was elected President and CEO.

At the time of his death, Mr. Merry was collaborating with National Geographic, educating television producers about the origins of an MSA underwater breathing apparatus found on board a submerged World War II Sherman Tank. The tank was recovered off the coast of Salerno, Italy. Admired for his ever sharp memory, Mr. Merry not only knew the name of the apparatus, he recalled with great accuracy the details of a Sunday meeting in 1944 in which he and the late John Ryan, Jr. convened with a U.S. Army colonel to discuss the need for such a device which was later used on D-Day.

To those who knew him professionally and personally, he will be remembered as a person of great integrity who always exercised sound, fundamental judgment. Much is written these days about the business philosophy of enlightened management, which emphasizes the importance of management and employees working as a team. John T. Ryan III, MSA Chairman and CEO, commented that “Gene Merry spoke about and acted upon those principles in the 1950s. He is a person who touched many lives and we will miss him immensely.”

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, 2005

Commission File No. 1-15579

MINE SAFETY APPLIANCES COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-0668780
(IRS Employer
Identification No.)

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

15238
(Zip Code)

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, no par value	New York 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 is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark 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.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of February 17, 2006, there were outstanding 36,545,045 shares of common stock, no par value, not including 3,000,525 shares held by the Mine Safety Appliances Company Stock Compensation Trust. The aggregate market value of voting stock held by non-affiliates as of June 30, 2005 was approximately \$1,443 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the May 11, 2006 Annual Meeting of Shareholders are incorporated by reference into Part III.

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include, but are not limited to, those listed in this report under “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this report. In some cases, you can identify forward-looking statements by words such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue” or the negative of these terms or other comparable words. These statements are only predictions and are not guarantees of future performance. Therefore, actual events or results may differ materially from those expressed or forecast in these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update publicly any of the forward-looking statements after the date of this report whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

Overview—Mine Safety Appliances Company was incorporated in Pennsylvania in 1914. We are a global leader in the development, manufacture and supply of sophisticated products that protect people’s health and safety. Sophisticated safety products typically integrate any combination of electronics, mechanical systems and advanced materials to protect users against hazardous or life threatening situations. Our comprehensive line of safety products is used by workers around the world in the fire service, homeland security, construction and other industries, as well as the military. This broad product offering includes self-contained breathing apparatus, or SCBAs, gas masks, gas detection instruments, head protection, respirators and thermal imaging devices. We also provide a broad offering of consumer and contractor safety products through retail channels.

We dedicate significant resources to research and development, which allows us to produce innovative, sophisticated safety products that are often first to market and exceed industry standards. Our global product development teams include cross-geographic and cross-functional members from various areas throughout the company, including research and development, marketing, sales, operations and quality management. Our engineers and technical associates work closely with the safety industry’s leading standards-setting groups and trade associations, such as the National Institute for Occupational Safety and Health, or NIOSH, and the National Fire Protection Association, or NFPA, to develop industry product requirements and standards and anticipate their impact on our product lines.

Segments—We tailor our product offerings and distribution strategy to satisfy distinct customer preferences that vary across geographic regions. We believe that we best serve these customer preferences by organizing our business into the following three geographic segments: North America, Europe, and International. Segment information is presented in the note entitled “Segment Information” in Item 8—Financial Statements and Supplementary Data.

Because our financial statements are stated in U.S. dollars, currency fluctuations may affect our results of operations and financial position and may affect the comparability of our results between financial periods.

Principal Products—We manufacture and sell a comprehensive line of sophisticated safety products to protect workers around the world in the fire service, homeland security, construction and other industries, as well as the military. We also provide a broad offering of consumer and contractor safety products through retail channels. Our products protect people against a wide variety of hazardous or life-threatening situations. The following is a brief description of each of our principal product categories:

Respiratory protection. Respiratory protection products are used to protect against the harmful effects of contamination caused by dust, gases, fumes, volatile chemicals, sprays, micro-organisms, fibers and other contaminants. We offer a broad and comprehensive line of respiratory protection products, including:

- *Self Contained Breathing Apparatus, or SCBAs.* SCBAs are used by first responders, petrochemical plant workers and anyone entering an environment deemed immediately dangerous to life and health. SCBAs are also used by first responders to protect against exposure to chemical, biological, radiological and nuclear, or CBRN, agents.
- *Filtering respirators.* Filtering respirators cover a broad class of respirators for many hazardous applications, including:
 - full face gas masks for the military and first responders exposed to known and unknown concentrations of dangerous gases, chemicals, vapors and particulates;
 - half mask respirators for industrial workers, painters and construction workers exposed to known concentrations of gases, vapors and particulates;

- powered-air purifying respirators for industrial, hazmat and remediation workers who have longer term exposures to hazards in their work environment; and
- dust and pollen masks for maintenance workers, contractors and at-home consumers exposed to nuisance dusts, allergens and other particulates.
- *Gas masks.* We have supplied gas masks to the U.S. military for several decades. The latest versions of these masks are currently in use by the U.S. military in Iraq, Afghanistan and other parts of the world. Our commercial version of this gas mask, the Millennium, was developed based on the MCU-2/P, the gas mask currently used by the U.S. Air Force and U.S. Navy.
- *Escape hoods.* Our Response Escape Hood is used by law enforcement personnel, government workers, chemical and pharmaceutical workers, and anyone needing to escape from unknown concentrations of a chemical, biological or radiological release of toxic gases and vapors. The hood gives users head and upper neck coverage and respiratory protection to help them escape from threatening situations quickly and easily.

Hand-held and permanent instruments. Our hand-held and permanent instruments include gas detection instruments and thermal imaging cameras. Our gas detection instruments are used to detect the presence or absence of various gases in the air. These instruments can be either hand-held or permanently installed. Typical applications of these instruments include the detection of the lack of oxygen in confined spaces or the presence of combustible or toxic gases. Our hand-held thermal imaging cameras are used by firefighters to see downed victims through dense smoke, or to detect the source of the fire.

- *Single- and multi-gas hand-held detectors.* Our single- and multi-gas detectors provide portable solutions for detecting the presence of oxygen, hydrogen sulfide, carbon monoxide and combustible gases, either singularly or all four gases at once. Our hand held portable instruments are used by chemical workers, oil and gas workers, utility workers entering confined spaces, or anywhere a user needs protection to continuously monitor the quality of the atmosphere they are working in and around.
- *Thermal imaging cameras.* Our infrared thermal imaging cameras, or TICs, are used in the global fire service market. TICs detect sources of heat in order to locate firefighters and other people trapped inside burning or smoke-filled structures. TICs can also be used to identify “hot spots.” Recently, we introduced the Evolution® 5200 Thermal Imaging Camera, which combines the functionality and durability required by the fire service with features and performance capabilities not found in other small format TICs.
- *Multi-point permanently installed gas detection systems.* Our comprehensive line of gas monitoring systems is used to continuously monitor for combustible and toxic gases and oxygen deficiency in virtually any gas detection application where continuous monitoring is required. Our systems are used for gas detection in the pulp and paper, refrigerant monitoring, petrochemical and general industrial applications. Our newest line, the SafeSite Hazardous Gas Detection System, designed and developed for homeland security applications, combines the technologies and features from our line of permanent and portable gas detection offerings. The SafeSite System detects and communicates the presence of toxic industrial chemicals and chemical warfare agents. With up to 16 monitoring stations, wirelessly connected to a base station, the SafeSite System allows law enforcement officials to rapidly deploy and set up perimeter gas sensing sentinels that continuously monitor the air for toxic gases at large public events, in subways or at federal facilities, and continuously report their status to incident command.
- *Flame detectors and open-path infrared gas detectors.* Our line of flame and combustible gas detectors is used for plant-wide monitoring of toxic gas concentrations and for detecting the presence of flames. These systems utilize infrared optics to detect potentially hazardous conditions across distances as far as 120 meters, making them suitable for use in such places as offshore oil rigs, storage vessels, refineries, pipelines, and ventilation ducts. First used in the oil and gas industry, our systems currently have broad applications in petrochemical facilities, the transportation industry and in pharmaceutical production.

Eye, face, hearing and head protection. Eye, face, hearing and head protection is used in work environments where hazards present a danger to the eye, face, hearing and head, such as dust, flying particles, metal fragments, chemicals, extreme glare, optical radiation and items dropped from above. Our basic categories of these products are:

- *Industrial hard hats.* Our broad line of hard hats include full-brim hats and traditional hard hats, available in custom colors and with custom logos. These hard hats are used by plant, steel and construction workers, miners and welders.
- *Fire helmets.* Our fire service products include leather, traditional, modern and specialty helmets designed to satisfy the preferences of firefighters across geographic regions. Our CairnsHELMET is the number one helmet in the North American fire service market based on 2005 sales. Similarly, our Gallet firefighting helmet has a number one market position in Europe based on 2005 sales.
- *Military helmets.* The Advanced Combat Helmet is used by the military for ballistic head protection. It was originally designed for the Special Forces of the U.S. military and has now been designated as the “basis of issue” by the U.S. Army. The Advanced Combat Helmet earned the distinction of being named one of the greatest inventions of 2002 by the Department of Army’s Materiel Command.
- *Eye, face and hearing protection.* We manufacture and sell a broad line of hearing protection products, non-prescription protective eyewear and face shields, used in a variety of industries.

Body protection.

- *Fall protection.* Our broad line of fall protection equipment includes the following: confined space equipment; harnesses/fall arrest equipment; lanyards; and lifelines.
- *Ballistic body armor.* Our ForceField™ Body Armor line, introduced in September 2005, features two concealable ballistic vests and one over-the-uniform tactical vest designed for SWAT applications.

Customers—Our customers generally fall into three categories: industrial and military end-users, distributors, and retail consumers. In North America, we make nearly all of our non-military sales through our distributors. In our Europe and International segments, we make our sales through both indirect and direct sales channels. Our U.S. military customers, which are comprised of multiple U.S. government entities, including the Department of Defense, represented the largest group of customers based on our 2005 net sales and accounted for approximately 15% of sales. The year-end backlog of orders under contracts with U.S. government agencies was \$57.9 million in 2005, \$80.8 million in 2004, and \$83.7 million in 2003.

Industrial and military end-users—Examples of the primary industrial and military end-users of our core products are listed below:

<u>Products</u>	<u>Primary End-Users</u>
Respiratory Protection	First Responders; General Industry Workers; Military Personnel
Gas Detection	Oil, Gas, Petrochemical and Chemical Workers; First Responders; Hazmat and Confined Space Workers
Head, Eye and Face, and Hearing Protection	Construction Workers and Contractors; First Responders; General Industry Workers; Military Personnel
Thermal Imaging Cameras	First Responders

Sales and Distribution—Our sales and distribution team consists of distinct marketing, field sales and customer service organizations for our three geographic segments: North America, Europe, and International. We believe our sales and distribution team, totaling over 400 dedicated associates, is the largest in our industry. In most geographic areas, our field sales organizations work jointly with select distributors to call on end-users, educating them about hazards, exposure limits, safety requirements and product applications, as well as specific performance requirements of our products. In our International segment and Eastern Europe where distributors are not well established, our sales associates work with and sell directly to end-users. Our development of relationships with end-users is critical to increasing the overall demand for our products.

The in-depth customer training and education provided by our sales associates to our customers are critical to ensure proper use of many of our products, such as SCBAs and gas detection instruments. As a result of our sales associates working closely with end-users, they gain valuable insight into customers' preferences and needs. To better serve our customers and to ensure that our sales associates are among the most knowledgeable and professional in the industry, we place significant emphasis on training our sales associates with respect to product application, industry standards and regulations, sales skills and sales force automation.

We believe our sales and distribution strategy allows us to deliver a customer value proposition that differentiates our products and services from those of our competitors, resulting in increased customer loyalty and demand.

In areas where we use indirect selling, we promote, distribute, and service our products to general industry through select authorized national, regional, and local distributors. Some of our key distributors include: Airgas; W.W. Grainger Inc.; Fisher Safety, a division of Fisher Scientific International Inc.; and Hagemeyer. In North America, we distribute fire service products primarily through specially trained local and regional distributors who provide advanced training and service capabilities to volunteer and paid municipal fire departments. In our Europe and International segments, we primarily sell to and service the fire service market directly. Because of our broad and diverse product line and our desire to reach as many markets and market segments as possible, we have over 4,000 authorized distributors worldwide.

We market consumer products under the MSA Safety Works brand through a dedicated sales and marketing force. We serve the retail consumer through various channels, including distributors, such as Orgill Bros., hardware and equipment rental outlets, such as United Rentals, and retail chains, such as The Home Depot and TrueValue.

Competition—We believe the worldwide personal protection equipment market, including the sophisticated safety products market in which we compete, generates annual sales in excess of \$12 billion. The industry supplying this market is broad and highly fragmented with few participants able to offer a comprehensive line of safety products. Generally, global demand for safety products has been stable or growing because purchases of these products are non-discretionary since they protect workers in hazardous and life-threatening work environments and because their use is often mandated by government and industry regulations. Moreover, safety products industry revenues reflect the need to consistently replace many safety products that have limited life spans due to normal course wear-and-tear or because they are one-time use products by design.

The safety products market is highly competitive, with participants ranging in size from small companies focusing on a single type of personal protection equipment to a few large multinational corporations which manufacture and supply many types of sophisticated safety products. Our main competitors vary by region and product. We believe that participants in this industry compete primarily on the basis of product characteristics (such as functional performance, agency approvals, design and style), price, brand name recognition and service.

We believe we compete favorably within each of our operating segments as a result of our high quality and cost-efficient product offering and strong brand trust and recognition.

Research and Development—To maintain our position at the forefront of protective equipment technology, we operate three sophisticated research and development facilities. We believe our dedication and commitment to innovation and research and development allow us to produce innovative sophisticated safety products that are often first to market and exceed industry standards. In 2005, 2004, and 2003, on a global basis, we spent approximately \$21.9 million, \$22.6 million, and \$20.9 million, respectively, on research and development. Our engineering groups operate primarily in the United States and Germany, and to a lesser extent in Australia, France, Brazil, China, Sweden, Japan, and Italy. Our global product development teams include cross-geographic and cross-functional members from various areas throughout the company, including research and development, marketing, sales, operations and quality management. These teams are responsible for setting product line strategy based on their understanding of the markets and the technologies, opportunities and challenges they foresee in each product area. These teams present their strategies, new product development portfolios and

resource allocation recommendations to our global research and development alignment council, made up of senior executives from our global operations. The council refines the recommendations and presents them to our senior executive team, which consists of the chief executive officer, chief financial officer, and presidents of our North America, Europe and International segments. The senior executive team then establishes resource allocation, corporate alignment and strategic direction.

We believe our team-based, cross-geographic and cross-functional approach to new product development is a source of competitive advantage. Our approach to the new product development process allows us to tailor our product offerings and product line strategies to satisfy distinct customer preferences and industry regulations that vary across our three geographic segments.

We believe another important aspect of our approach to new product development is that our engineers and technical associates work closely with the safety industry's leading standards-setting groups and trade associations, such as the National Institute for Occupational Safety and Health, or NIOSH, and the National Fire Protection Association, or NFPA, to develop industry product requirements and standards and anticipate their impact on our product lines. For example, nearly every consensus standard-setting body around the world that impacts our product lines has one of our key managers as a voting member. Key members of our management team understand the impact that these standard-setting organizations have on our new product development pipeline and devote time and attention to anticipating a new standard's impact on our net sales and operating results. Because of our technological sophistication, commitment to and membership on global standard-setting bodies, resource dedication to research and development and unique approach to the new product development process, we believe we are well-positioned to anticipate and adapt to the needs of changing product standards and gain the approvals and certifications necessary to meet new government and multinational product regulations.

Patents and Intellectual Property—We own and have obtained licenses to significant intellectual property, including a number of domestic and foreign patents, patent applications and trademarks related to our products, processes and business. Although our intellectual property plays an important role in maintaining our competitive position in a number of markets that we serve, no single patent, or patent application, trademark or license is, in our opinion, of such value to us that our business would be materially affected by the expiration or termination thereof, other than the “MSA” trademark. Our patents expire at various times in the future not exceeding 20 years. Our general policy is to apply for patents on an ongoing basis in the United States and other countries, as appropriate, to perfect our patent development. In addition to our patents, we have also developed or acquired a substantial body of manufacturing know-how that we believe provides a significant competitive advantage over our competitors.

Raw Materials and Suppliers—Nearly all components of our products are formulated, machined, tooled, or molded in-house from raw materials. For example, we rely on integrated manufacturing capabilities for breathing apparatus, gas masks, ballistic helmets, hardhats and circuit boards. The primary raw materials that we source from third parties include rubber, chemical filter media, eye and face protective lenses, air cylinders, certain metals, electronic components and ballistic resistant and non-ballistic fabrics. We purchase these materials both domestically and internationally, and we believe our supply sources are both well established and reliable. We have close vendor relationship programs with the majority of our key raw material suppliers. Although we generally do not have long-term supply contracts, we have not experienced any significant problems in obtaining adequate raw materials.

Employees—As of December 31, 2005, we had approximately 4,500 employees, approximately 2,300 of whom were employed by our Europe and International segments. None of our U.S. employees are subject to the provisions of a collective bargaining agreement. Some of our employees outside the United States are members of unions. We have not experienced a work stoppage in over 10 years and believe our relations with our employees are good.

Available Information—We post the following filings on the Investor Relations page on our Web site at www.msanet.com as soon as reasonably practicable after they have been electronically filed with or furnished to

the Securities and Exchange Commission: our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings on our Investor Relations Web page are available to be viewed on this page free of charge. Information contained on our Web site is not part of this annual report on Form 10-K or our other filings with the Securities and Exchange Commission.

Item 1A. Risk Factors

A reduction in the spending patterns of government agencies could materially and adversely affect our net sales, earnings and cash flow.

The demand for our products sold to the fire service market, the homeland security market and to U.S. government agencies, including the Department of Defense, is, in large part, driven by available government funding. For example, the level of government funding in these areas increased significantly after the attacks of September 11, 2001 and fueled the demand for many of our products such as SCBAs, gas masks and Advanced Combat Helmets. Approximately 15% of our net sales for the year ended December 31, 2005 were made directly to U.S. military customers. Government budgets are set annually and we cannot assure you that government funding will be sustained at the same level in the future. A significant reduction in available government funding in the future could materially and adversely affect our net sales, earnings and cash flow.

The markets in which we compete are highly competitive, and some of our competitors have greater financial and other resources than we do. The competitive pressures faced by us could materially and adversely affect our business, results of operations and financial condition.

The safety products market is highly competitive, with participants ranging in size from small companies focusing on single types of safety products, to large multinational corporations that manufacture and supply many types of safety products. Our main competitors vary by region and product. We believe that participants in this industry compete primarily on the basis of product characteristics (such as functional performance, agency approvals, design and style), price, brand name trust and recognition, and customer service. Some of our competitors have greater financial and other resources than we do and our cash flows from operations could be adversely affected by competitors' new product innovations, technological advances made to competing products and pricing changes made by us in response to competition from existing or new competitors. We may not be able to compete successfully against current and future competitors and the competitive pressures faced by us could materially and adversely affect our business, results of operations and financial condition.

If we fail to introduce successful new products or extend our existing product lines, we may lose our market position and our financial performance may be materially and adversely affected.

In the safety products market, there are frequent introductions of new products and product line extensions. If we are unable to identify emerging consumer and technological trends, maintain and improve the competitiveness of our products and introduce new products, we may lose our market position, which could have a material adverse effect on our business, financial condition and results of operations. Although we continue to invest significant resources in research and development and market research, continued product development and marketing efforts are subject to the risks inherent in the development of new products and product line extensions, including development delays, the failure of new products and product line extensions to achieve anticipated levels of market acceptance and the cost of failed product introductions.

Product liability claims could have a material adverse effect on our business, operating results and financial condition.

We face an inherent business risk of exposure to product liability claims arising from the alleged failure of our products to prevent the types of personal injury or death against which they are designed to protect. Although we have not experienced any material uninsured losses due to product liability claims, it is possible that we could

experience material losses in the future. In the event any of our products prove to be defective, we could be required to recall or redesign such products. In addition, we may voluntarily recall or redesign certain products that could potentially be harmful to end users. A successful claim brought against us in excess of available insurance coverage, or any claim or product recall that results in significant expense or adverse publicity against us, could have a material adverse effect on our business, operating results and financial condition.

Our ability to market and sell our products is subject to existing regulations and standards. Changes in such regulations and standards or our failure to comply with them could materially and adversely affect our results of operations.

Most of our products are required to meet performance and test standards designed to protect the health and safety of people around the world. Our inability to comply with these standards may materially and adversely affect our results of operations. Changes in regulations could reduce the demand for our products or require us to reengineer our products, thereby creating opportunities for our competitors. Regulatory approvals for our products may be delayed or denied for a variety of reasons that are outside of our control.

We have significant international operations, and we are subject to the risks of doing business in foreign countries.

We have business operations in over 30 foreign countries. In 2005, approximately 38% of our net sales were made by operations located outside the United States. Our international operations are subject to various political, economic and other risks and uncertainties, which could adversely affect our business. These risks include the following:

- unexpected changes in regulatory requirements;
- currency exchange rate fluctuations;
- changes in trade policy or tariff regulations;
- changes in tax laws and regulations;
- intellectual property protection difficulties;
- difficulty in collecting accounts receivable;
- complications in complying with a variety of foreign laws and regulations, some of which conflict with U.S. laws;
- trade protection measures and price controls;
- trade sanctions and embargos;
- nationalization and expropriation;
- increased international instability or potential instability of foreign governments;
- the need to take extra security precautions for our international operations; and
- costs and difficulties in managing culturally and geographically diverse international operations.

Any one or more of these risks could have a negative impact on the success of our international operations and thereby materially and adversely affect our business as a whole.

Our future results are subject to availability of, and fluctuations in the costs of, purchased components and materials due to market demand, currency exchange risks, material shortages and other factors.

We depend on various components and materials to manufacture our products. Although we have not experienced any difficulty in obtaining components and materials, it is possible that any of our supplier relationships could be terminated. Any sustained interruption in our receipt of adequate supplies could have a

material adverse effect on our business, results of operations and financial condition. While we attempt to minimize volatility in component and material pricing primarily by negotiating longer-term supply agreements with fixed prices or fixed price ranges and maintaining multiple sources of key materials, we cannot assure you that we will be able to successfully manage price fluctuations due to market demand, currency risks or material shortages, or that future price fluctuations will not have a material adverse effect on our business, results of operations and financial condition.

If we lose any of our key personnel or are unable to attract, train and retain qualified personnel, our ability to manage our business and continue our growth would be negatively impacted.

Our success depends in large part on the continued contributions of our key management, engineering and sales and marketing personnel, many of whom are highly skilled and would be difficult to replace. Our success also depends on the abilities of new personnel to function effectively, both individually and as a group. If we are unable to attract, effectively integrate and retain management, engineering or sales and marketing personnel, then the execution of our growth strategy and our ability to react to changing market requirements may be impeded, and our business could suffer as a result. Competition for personnel is intense, and we cannot assure you that we will be successful in attracting and retaining qualified personnel. In addition, we do not currently maintain key person life insurance.

We are subject to various environmental laws and any violation of these laws could adversely affect our results of operations.

We are subject to federal, state and local laws, regulations and ordinances relating to the protection of the environment, including those governing discharges to air and water, handling and disposal practices for solid and hazardous wastes, and the maintenance of a safe workplace. These laws impose penalties for noncompliance and liability for response costs and certain damages resulting from past and current spills, disposals or other releases of hazardous materials. We could incur substantial costs as a result of noncompliance with or liability for cleanup pursuant to these environmental laws. We have identified several known and potential environmental liabilities, which we do not believe are material. Environmental laws have changed rapidly in recent years, and we may be subject to more stringent environmental laws in the future. If more stringent environmental laws are enacted, these future laws could have a material adverse effect on our results of operations.

Our inability to successfully identify, consummate and integrate future acquisitions or to realize anticipated cost savings and other benefits could adversely affect our business.

One of our key operating strategies is to selectively pursue acquisitions. Any future acquisitions will depend on our ability to identify suitable acquisition candidates and successfully consummate such acquisitions. Acquisitions involve a number of risks including:

- failure of the acquired businesses to achieve the results we expect;
- diversion of our management's attention from operational matters;
- our inability to retain key personnel of the acquired businesses;
- risks associated with unanticipated events or liabilities;
- potential disruption of our existing business; and
- customer dissatisfaction or performance problems at the acquired businesses.

If we are unable to integrate or successfully manage businesses that we may acquire in the future, we may not realize anticipated cost savings, improved manufacturing efficiencies and increased revenue, which may result in material adverse short- and long-term effects on our operating results, financial condition and liquidity. Even if we are able to integrate the operations of our acquired businesses into our operations, we may not realize the full benefits of the cost savings, revenue enhancements or other benefits that we may have expected at the

time of acquisition. In addition, even if we achieve the expected benefits, we may not be able to achieve them within the anticipated time frame, and such benefits may be offset by costs incurred in integrating the companies and increases in other expenses.

Because we derive a significant portion of our sales from the operations of our foreign subsidiaries, future exchange rate fluctuations may adversely affect our results of operations and financial condition and may affect the comparability of our results between financial periods.

For the year ended December 31, 2005, our operations in our Europe and International segments accounted for 21% and 16% of our net sales, respectively. The results of our foreign operations are reported in the local currency and then translated into U.S. dollars at the applicable exchange rates for inclusion in our consolidated financial statements. The exchange rates between some of these currencies and the U.S. dollar have fluctuated significantly in recent years and may continue to do so in the future. In addition, because our financial statements are stated in U.S. dollars, such fluctuations may affect our results of operations and financial position and may affect the comparability of our results between financial periods. We cannot assure you that we will be able to effectively manage our exchange rate risks or that any volatility in currency exchange rates will not have a material adverse effect on our results of operations and financial condition.

Our continued success depends on our ability to protect our intellectual property. If we are unable to protect our intellectual property, our net sales could be materially and adversely affected.

Our success depends, in part, on our ability to obtain and enforce patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties. We have been issued patents and have registered trademarks with respect to many of our products, but our competitors could independently develop similar or superior products or technologies, duplicate any of our designs, trademarks, processes or other intellectual property or design around any processes or designs on which we have or may obtain patents or trademark protection. In addition, it is possible that third parties may have, or will acquire, licenses for patents or trademarks that we may use or desire to use, so that we may need to acquire licenses to, or to contest the validity of, such patents or trademarks of third parties. Such licenses may not be made available to us on acceptable terms, if at all, and we may not prevail in contesting the validity of third party rights.

In addition to patent and trademark protection, we also protect trade secrets, know-how and other confidential information against unauthorized use by others or disclosure by persons who have access to them, such as our employees, through contractual arrangements. These agreements may not provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, our results of operations and financial condition could be materially and adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located at 121 Gamma Drive, RIDC Industrial Park, O'Hara Township, Pittsburgh, Pennsylvania 15238 in a 93,000 square-foot building owned by us. We own or lease our primary facilities located in seven states in the United States and in a number of other countries. We believe that all of our facilities, including the manufacturing facilities, are in good repair and in suitable condition for the purposes for which they are used.

The following table sets forth a list of our primary facilities:

<u>Location</u>	<u>Function</u>	<u>Square Feet</u>	<u>Owned or Leased</u>
North America			
Murrysville, PA	Manufacturing	295,000	Owned
Cranberry Twp., PA	Office, Research and Development, and Manufacturing	212,000	Owned
Evans City, PA	Manufacturing	194,000	Leased
Jacksonville, NC	Manufacturing	107,000	Owned
Pittsburgh, PA	Office	93,000	Owned
Pittsburgh, PA	Distribution	81,000	Leased
Cranberry Twp., PA	Research and Development	68,000	Owned
Sparks, MD	Office, Research and Development, and Manufacturing	52,000	Leased
Englewood, CO	Manufacturing	41,000	Leased
Clifton, NJ	Manufacturing	41,000	Owned
Englewood, CO	Distribution	15,000	Leased
Newport, VT	Manufacturing	12,000	Leased
Bowling Green, KY	Office, Research and Development, and Manufacturing	7,000	Leased
Mexico City, Mexico	Distribution and Manufacturing	6,000	Leased
Toronto, Canada	Distribution	5,000	Leased
Europe			
Berlin, Germany	Office, Research and Development, Manufacturing and Distribution	340,000	Leased
Chatillon sur Chalaronne, France	Office, Research and Development, Manufacturing and Distribution	94,000	Leased
Glasgow, Scotland	Office and Manufacturing	25,000	Leased
Milan, Italy	Office, Research and Development and Distribution	25,000	Owned
Mohammedia, Morocco	Manufacturing	24,000	Owned
Varnamo, Sweden	Office, Research and Development, Manufacturing and Distribution	17,000	Leased
Glasgow, Scotland	Distribution	6,000	Leased
International			
Wuxi, China	Office, Research and Development, Manufacturing and Distribution	92,000	Owned
Johannesburg, South Africa	Office, Manufacturing and Distribution	89,000	Leased
São Paulo, Brazil	Office, Research and Development, Manufacturing and Distribution	60,000	Owned
Sydney, Australia	Office, Research and Development, Manufacturing and Distribution	57,000	Owned
Lima, Peru	Office and Distribution	34,000	Owned
Santiago, Chile	Office, Manufacturing and Distribution	8,000	Owned

Item 3. Legal Proceedings

We are subject to federal, state and local laws, regulations and ordinances relating to the protection of the environment, including those governing discharges to air and water, handling and disposal practices for solid and hazardous wastes, and the maintenance of a safe workplace. There are no current or expected legal proceedings or expenditures with respect to environmental matters that would materially affect our operations.

Various lawsuits and claims arising in the normal course of business are pending against us. These lawsuits are primarily product liability claims. We are presently named as a defendant in approximately 3,000 lawsuits primarily involving respiratory protection products allegedly manufactured and sold by us. Collectively, these lawsuits represent a total of approximately 26,000 plaintiffs. Approximately 90% of these lawsuits involve plaintiffs alleging they suffer from silicosis, with the remainder alleging they suffer from other or combined injuries, including asbestosis. These lawsuits typically allege that these conditions resulted in part from respirators that were negligently designed or manufactured by us. Consistent with the experience of other companies involved in silica and asbestos-related litigation, in recent years there has been an increase in the number of asserted claims that could potentially involve us. We cannot determine our potential maximum liability for such claims, in part because the defendants in these lawsuits are often numerous, and the claims generally do not specify the amount of damages sought.

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

In connection with our sale of the Callery Chemical facility in Evans City, Pennsylvania, we have retained responsibility for certain environmental costs at this site, where relatively low levels of contamination are known to exist. Under the terms of the asset purchase agreement with BASF, our maximum liability for these matters is capped at \$50.0 million. Based on environmental studies performed prior to the sale of the division, we do not believe that our potential exposure under the terms of this agreement will materially affect our financial condition.

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

During the fourth quarter of 2005, there were no matters submitted to a vote of security holders through the solicitation of proxies or otherwise.

Executive Officers of the Registrant

The following sets forth the names and ages of our executive officers indicating all positions held during the past five years:

<u>Name</u>	<u>Age</u>	<u>Principal Occupations or Employment During Past Five Years</u>
John T. Ryan III	62	Chairman of the Board of Directors; Chief Executive Officer since October 1991.
James H. Baillie	59	Vice President; President, MSA Europe since March 1999.
Joseph A. Bigler	56	Vice President since January 1998; primarily responsible for North American sales and distribution.
Kerry M. Bove	47	Vice President since August 2000; primarily responsible for North American manufacturing operations and materials management and the optimization of global manufacturing operations.
Rob Cañizares M.	56	Vice President; President, MSA International since January 2003. Prior to that time, Mr. Cañizares was senior vice president of global sales and service group of Trane Company.
Ronald N. Herring, Jr.	45	Vice President since January 2004; primarily responsible for North American marketing, research and engineering, and quality assurance. Prior to that time, Mr. Herring served as the general manager of the safety products division, and as the director of marketing for the safety products division.
William M. Lambert	47	Vice President; President, MSA North America since January 2003. Prior to that time, Mr. Lambert was vice president and general manager of the safety products division.
Douglas K. McClaine	48	Vice President, Secretary and General Counsel since May 2005; and served as secretary and general counsel since July 2002. Prior to that time, Mr. McClaine was associate general counsel.
Stephen C. Plut	46	Vice President, Chief Information Officer since May 2005. Prior to that time, Mr. Plut was chief information officer.
Dennis L. Zeitler	57	Vice President; Chief Financial Officer and Treasurer since November 2000.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the symbol "MSA." Stock price ranges and dividends declared and paid were as follows:

	<u>Price Range of Our Common Stock</u>		<u>Dividends</u>
	<u>High</u>	<u>Low</u>	
Year ended December 31, 2004			
First Quarter	\$31.92	\$21.37	\$.07
Second Quarter	36.75	25.10	.10
Third Quarter	44.00	31.50	.10
Fourth Quarter	52.50	35.00	.10
Year ended December 31, 2005			
First Quarter	\$53.00	\$36.25	\$.10
Second Quarter	47.29	33.89	.14
Third Quarter	50.18	38.13	.14
Fourth Quarter	42.60	35.18	.14

On February 17, 2006, there were 405 registered holders of our shares of common stock.

The information appearing in Part III below regarding common stock issuable under our equity compensation plans is incorporated herein by reference.

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1 - October 31, 2005	—	—	—	116,466
November 1 - November 30, 2005	731	\$36.99	731	2,692,391
December 1 - December 31, 2005	100,000	36.69	100,000	2,777,403

On October 26, 2004, the Board of Directors authorized the purchase of up to 200,000 shares of common stock from time to time in private transactions and on the open market. The share purchase program has no expiration date.

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

We do not have any other share repurchase programs.

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with our consolidated financial statements, including the respective notes thereto, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this annual report on Form 10-K.

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	<i>(In thousands, except as noted)</i>				
Statement of Operations Data:					
Net sales	\$907,912	\$852,509	\$696,473	\$564,426	\$509,736
Other income	4,058	5,004	1,724	2,271	2,776
Cost of products sold	552,472	512,089	422,273	344,847	306,759
Selling, general and administrative	207,816	204,799	180,060	149,730	139,861
Research and development	21,928	22,648	20,897	19,459	15,742
Interest expense	5,484	3,845	4,564	4,769	5,349
Currency exchange losses (gains)	474	264	(3,356)	(191)	1,197
Provision for income taxes	42,013	42,821	24,835	16,870	17,753
Net income from continuing operations	81,783	71,047	48,924	31,213	25,851
Net income from discontinued operations	—	—	2,685	3,864	5,780
Gain on sale of discontinued operations—after tax	—	—	13,658	—	—
Net income	81,783	71,047	65,267	35,077	31,631
Earnings per Share Data:					
Basic per common share continuing operations (in dollars)	\$ 2.24	\$ 1.91	\$ 1.33	\$.85	\$.72
Diluted per common share continuing operations (in dollars)	2.19	1.86	1.31	.85	.71
Dividends paid per common share (in dollars)	.52	.37	.26	.22	.18
Weighted average common shares outstanding—basic	36,560	37,111	36,730	36,512	35,729
Balance Sheet Data:					
Working capital	\$246,367	\$270,593	\$207,216	\$138,182	\$135,186
Working capital ratio	2.9	3.1	2.8	2.4	2.6
Net property	116,209	123,716	120,560	130,407	156,413
Total assets	725,357	734,110	643,885	579,765	520,698
Long-term debt	45,834	54,463	59,915	64,350	67,381
Common shareholders' equity	381,470	376,679	306,867	288,009	252,451
Equity per common share (in dollars)	10.44	10.09	8.31	7.86	6.95
Note:					
Cost of products sold, selling, general and administrative expenses, and research and development expenses include noncash pension income.					
Noncash pension income, pre-tax	\$ 6,104	\$ 7,188	\$ 8,845	\$ 13,125	\$ 14,962

Working capital at December 31, 2003 and 2002 excludes assets held for sale.

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

The following discussion and analysis should be read in conjunction with the historical financial statements and other financial information included elsewhere in this annual report on Form 10-K. This discussion may contain forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our

industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of this annual report entitled "Forward-Looking Statements" and "Risk Factors."

BUSINESS OVERVIEW

We are a global leader in the development, manufacture and supply of sophisticated products that protect people's health and safety. Sophisticated safety products typically integrate any combination of electronics, mechanical systems and advanced materials to protect users against hazardous or life threatening situations. Our comprehensive lines of safety products are used by workers around the world in the fire service, homeland security, construction and other industries, as well as the military.

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

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

We tailor our product offerings and distribution strategy to satisfy distinct customer preferences that vary across geographic regions. We believe that we best serve these customer preferences by organizing our business into three geographic segments: North America, Europe, and International. Each segment includes a number of operating companies. In 2005, approximately 63%, 21% and 16% of our net sales were made by our North America, Europe and International segments, respectively.

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

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

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

In 2005, we achieved record sales and net income from continuing operations for the fifth consecutive year. We believe that this performance and our improving financial performance in recent years are the result of initiatives that have allowed us to anticipate and respond quickly to market requirements, particularly in the fire

service, homeland security, construction and general industries, as well as the military. We believe that this sales growth reflects our ability to quickly bring to market products that comply with changing industry standards and to create new market demand with innovative products. For example, we have successfully responded to increased homeland security and military market demand for products such as the Advanced Combat Helmet and related communication system and the Millennium Chemical-Biological and the MCU-2/P gas masks that occurred after the September 11th attacks and during the ongoing war on terrorism.

Our results in Europe improved nicely in 2005 and have shown resiliency despite the generally poor economic climate in most of Western Europe. Our acquisition of CGF Gallet in 2002, now MSA Gallet, added the leading line of European firefighter head protection to our product line and has helped improve our overall performance in Europe. In 2004, we improved our market position and expertise in hearing protection by acquiring Sordin AB, which is headquartered in Varnamo, Sweden. In other international markets, 2005 sales were generally higher in most markets. These improvements reflect focused efforts to effectively reach customers and, particularly in Latin America, improvements in general economic conditions.

ACQUISITIONS

On September 1, 2005, we acquired Microsensor Systems, Inc. of Bowling Green, Kentucky. Microsensor Systems is a world leader in surface acoustic wave based chemical sensing technology used to detect chemical warfare agents. We believe the acquisition of Microsensor Systems significantly strengthens our position as a premier provider of leading edge detection technology, while expanding our product offerings in the homeland security, emergency responder, law enforcement, military and industrial markets. The initial purchase price was \$12.8 million. Additional consideration of up to \$2.3 million could be paid based on sales of certain Microsensor Systems products through August 31, 2010.

On June 30, 2004, we acquired Sordin AB of Varnamo, Sweden, a leading manufacturer of passive and electronic hearing protection designed for the industrial, law enforcement and military markets. We believe the acquisition of Sordin enhances our position as a provider of modern, leading-edge hearing protective devices. Many of Sordin's products are compatible with our other safety products, including our flagship V-Gard® Hard Hat. Sordin also developed the modular integrated communications system currently being used with the Advanced Combat Helmet that we manufacture for the U.S. Army. The initial purchase price was approximately \$4.3 million. The acquisition agreement provided for additional consideration of up to \$5.4 million to be paid to the former owners based on Sordin's earnings performance during the five year period from July 1, 2004 through June 30, 2009. In October 2005, the acquisition agreement was amended to satisfy our additional consideration obligation to 60% of the former shareholders with a lump sum payment of \$2.2 million, which was charged to goodwill. The additional consideration due to the remaining 40% of the former shareholders, who comprise the current Sordin management team, is being recognized as compensation expense over the five year earn out period, as specified in the acquisition agreement.

DISCONTINUED OPERATIONS

In September 2003, we sold our Callery Chemical Division to BASF Corporation. In accordance with accounting principles generally accepted in the United States of America, the operating results of the Callery Chemical Division for all periods presented through the date of sale and the gain on the sale to BASF Corporation during the year ended December 31, 2003 have been reported as discontinued operations in the consolidated statements of income. The sale of the Callery Chemical Division to BASF Corporation resulted in an after-tax gain of \$13.7 million.

The after-tax proceeds of \$53.8 million received from the sale of the Callery Chemical Division and the subsequent liquidation of net assets retained by us were distributed to shareholders on November 24, 2003 and charged to retained earnings as a capital distribution.

RESULTS OF CONTINUING OPERATIONS

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Net sales. Net sales for the year ended December 31, 2005 were \$907.9 million, an increase of \$55.4 million, or 6%, from \$852.5 million for the year ended December 31, 2004. Our net sales increased in all segments as follows:

	<u>2005</u>	<u>2004</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
	<i>(In millions)</i>			
North America	\$575.9	\$564.6	\$11.3	2%
Europe	187.2	173.0	14.2	8%
International	144.8	114.9	29.9	26%

Net sales of the North American segment were \$575.9 million for the year ended December 31, 2005, an increase of \$11.3 million, or 2%, compared to \$564.6 million for the year ended December 31, 2004. The sales increase in the year ended December 31, 2005 reflects higher shipments of Advanced Combat Helmets and related communication systems, head protection, and instruments, partially offset by lower shipments of SCBAs and gas masks. Our shipments of Advanced Combat Helmets and communications systems to the military improved during the current year by approximately \$8.3 million and \$11.5 million, respectively, reflecting continued government funding to support the war on terrorism. Our sales of head protection, instruments and fall protection were up approximately \$10.7 million, \$6.5 million, and \$3.4 million, respectively, on increased demand in construction and industrial markets. In the fire service market, our SCBA sales were down approximately \$13.3 million compared to the prior year. We believe that the decrease in SCBA sales was primarily due to delays in 2005 federal funding to local fire departments under the Assistance to Firefighters Grant Program. Our 2005 SCBA sales rebounded late in the year after this funding was released to local fire departments. Gas mask sales were approximately \$17.1 million lower than in 2004. The decrease in gas mask sales in 2005 reflects lower shipments of military masks, as well as commercial masks to the homeland security market, following very strong demand in 2004. During 2003 and 2004, we saw significant demand for gas masks in the homeland security market. Although we have seen significant interest and demand for the recently-introduced Evolution 5200 thermal imaging camera, sales of TICs have been flat year-to-year due to production delays earlier this year caused by a parts supply issue with a key vendor. The parts availability issue was largely resolved during the third quarter.

Net sales by European operations were \$187.2 million for the year ended December 31, 2005, an increase of \$14.2 million, or 8%, from \$173.0 million for the year ended December 31, 2004. Approximately \$6.1 million of the sales increase related to hearing protection sales by MSA Sordin, which we acquired on June 30, 2004. Local currency sales by other companies throughout Europe improved approximately \$5.1 million during 2005, including shipments of several large breathing apparatus orders for the fire service and police markets. Approximately \$3.0 million of the European segment sales increase was due to favorable exchange rate effects on the translation of local currency sales to U.S. dollars.

Net sales by International operations were \$144.8 million for the year ended December 31, 2005 compared to \$114.9 million for the year ended December 31, 2004, an increase of \$29.9 million, or 26%. Local currency sales were up approximately \$6.0 million in our South American companies, reflecting improved economic conditions and focused sales initiatives. Our sales in the Middle East were approximately \$5.8 million higher during the current year, primarily due to a large breathing apparatus order. Operations in China and Australia reported sales increases of approximately \$5.4 million and \$4.5 million, respectively, for the year. Approximately \$5.5 million of the increase in International segment sales, when stated in U.S. dollars, was related to the favorable effect of stronger international currencies, particularly the Brazilian real, Australian dollar and South African rand.

Cost of products sold. Cost of products sold was \$552.5 million for the year ended December 31, 2005, an increase of \$40.4 million, or 8%, from \$512.1 million for the year ended December 31, 2004. The increase relates primarily to higher sales.

Cost of products sold and operating expenses include net periodic pension benefit costs and credits. Pension credits, combined with pension costs, resulted in net pension credits for the year ended December 31, 2005 of \$6.1 million, of which approximately \$3.7 million was included in cost of products sold, \$2.2 million in selling general and administrative expenses, and \$0.2 million in research and development expenses. Net pension credits for the year ended December 31, 2004 were \$7.2 million, of which approximately \$4.4 million was included in cost of products sold, \$2.5 million in selling, general and administrative expenses, and \$0.3 million in research and development expenses. The recognition of pension income in the years ended December 31, 2005 and 2004 is primarily the result of the exceptional investment performance of the MSA Non-Contributory Pension Plan for the Employees, or the MSA Pension Plan, over the past ten years. During that period, the investment performance of the MSA Pension Plan has ranked among the top 1% of all U.S. pension funds according to a comparison of fund performance made by our investment consultant. Future net pension credits can be volatile depending on the future 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 pay-out 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, our net income would be adversely affected.

Gross profit. Gross profit for the year ended December 31, 2005 was \$355.4 million, an increase of \$15.0 million, or 4%, from \$340.4 million for the year ended December 31, 2004. The ratio of gross profit to sales decreased to 39.1% in 2005 compared to 39.9% in 2004. The lower gross profit ratio in 2005 was primarily due to sales mix changes in North America, on proportionately lower sales of higher margin SCBAs and gas masks and proportionately higher sales of Advanced Combat Helmets and communication systems to the U.S. military at gross margins that are generally lower than our margins on commercial sales.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2005 were \$207.8 million, an increase of \$3.0 million, or 1%, from \$204.8 million for the year ended December 31, 2004. Selling, general and administrative expenses were 22.9% of sales in 2005 compared to 24.0% of sales in 2004. Current year selling, general and administrative expenses in the North American segment were approximately \$3.4 million lower than in 2004, reflecting the favorable effect of cost control efforts. Exchange effects related to the strengthening of international currencies, particularly the euro, Brazilian real, and Australian dollar, increased selling, general and administrative expenses for the year ended December 31, 2005 by approximately \$2.8 million. The remainder of the increase reflects higher local currency expenses in the European and International segments, on higher sales volumes, and includes an increase of approximately \$1.3 million at MSA Sordin, which was acquired on June 30, 2004.

Research and development expenses. Research and development expenses were \$21.9 million for the year ended December 31, 2005, a decrease of \$0.7 million, or 3%, from \$22.6 million for the year ended December 31, 2004. The decrease occurred primarily in North America and reflects the favorable effects of the previously-mentioned cost control efforts.

Depreciation and amortization expense. Depreciation and amortization expense, which is reported in cost of sales, selling, general and administrative expenses, and research and development expenses, was \$24.3 million for the year ended December 31, 2005, a decrease of \$1.2 million, or 5%, from \$25.5 million for the year ended December 31, 2004. The decrease was primarily due to lower depreciation on Advanced Combat Helmet production equipment and our enterprise-wide system software.

Interest expense. Interest expense for the year ended December 31, 2005 was \$5.5 million, an increase of \$1.7 million, or 43%, from \$3.8 million for the year ended December 31, 2004. Interest expense in 2004 was favorably affected by a realized gain of \$0.7 million on an interest rate swap transaction that we terminated. The remainder of the increase was primarily related to higher short term borrowings during the year ended December 31, 2005.

Currency exchange adjustments. During the year ended December 31, 2005, we recorded currency exchange losses of \$0.5 million compared to losses of \$0.3 million for the year ended December 31, 2004. Currency exchange losses in 2005 were primarily related to euro-denominated assets held by us, and reflect a weakening of that currency since December 31, 2004. The currency exchange loss during 2004 was primarily due to losses on forward exchange contracts that we entered into to hedge our exposure to movements in euro exchange rates, partially offset by some strengthening of the euro.

Other income. Other income for the year ended December 31, 2005 was \$4.1 million, a decrease of \$0.9 million from \$5.0 million in 2004. During the current year, we recognized a gain of approximately \$0.7 million on the sale of idle production equipment in Germany and estimated interest income of approximately \$0.5 million related to settled issues in the IRS audits of tax years 1995 through 2001. In 2004, we recognized approximately \$1.1 million of estimated interest income with respect to settled issues in the audits of tax years 1995 through 2001.

Income tax provision. Our effective income tax rate for the year ended December 31, 2005 was 33.9% compared to 37.6% for the year ended December 31, 2004. In June 2005, we received communication from the Internal Revenue Service indicating that their audits of our federal income tax returns for the years 1995 through 2001 were substantially complete, with no adverse adjustments to research and development credits that we claimed during the period covered by the examinations. On the basis of this communication, our provision for income taxes for the year ended December 31, 2005 includes a one-time benefit of approximately \$2.0 million, primarily related to the release of previously-established reserves taken on research and development credits claimed in those years. In 2004, we made unfavorable adjustments to prior years' taxes at approximately \$1.1 million.

No deferred U.S. income taxes have been provided on undistributed earnings of non-U.S. subsidiaries, which amounted to \$114.2 million as of December 31, 2005. These earnings are considered to be reinvested for an indefinite period of time. It is not practicable to determine the deferred tax liability on these undistributed earnings.

The American Jobs Creation Act of 2004 provided a limited opportunity through 2005 to repatriate the undistributed earnings of non-U.S. subsidiaries at a U.S. tax cost that could be lower than the normal tax cost on such distributions. During 2005, we repatriated \$29.7 million of dividends, \$22.0 million of which qualified under these provisions. The resulting impact of these dividends on our income tax expense was not material.

The determination of annual income tax expense takes into consideration amounts which may be needed to cover exposures for open tax years. We have resolved all matters with the IRS related to our federal income tax returns through 2002 and are awaiting the final clearance on the 1995 through 2001 examination from the Joint Committee on Taxation. We believe that we have made adequate provision for income taxes and interest which may become payable or receivable for years not yet settled. We do not expect any material adverse impact on earnings to result from the resolution of matters related to open tax years.

Net income. Net income from continuing operations for the year ended December 31, 2005 was \$81.8 million, an increase of \$10.8 million, or 15%, over net income from continuing operations for the year ended December 31, 2004 of \$71.0 million. Continuing operations earnings per basic share of common stock improved to \$2.24 in 2005 compared to \$1.91 in 2004.

North America segment net income from continuing operations for the year ended December 31, 2005 was \$62.1 million, an increase of \$6.5 million, or 12%, from \$55.6 million for the year ended December 31, 2004. The improvement in North American net income was primarily due to the previously-discussed sales growth, cost controls and lower effective income tax rate.

Europe segment net income from continuing operations for the year ended December 31, 2005 was \$11.1 million, an increase of \$4.4 million, or 65%, from \$6.7 million for the year ended December 31, 2004. The increase includes approximately \$1.1 million of income related to Sordin which was acquired on June 30, 2004. The remainder of the improvement was primarily related to the previously-discussed sales improvement.

International segment net income from continuing operations for the year ended December 31, 2005 was \$9.2 million, an increase of \$0.7 million, or 9%, from \$8.5 million for the year ended December 31, 2004. The improvement in International segment net income was primarily related to the previously-discussed sales growth.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Net sales. Net sales for the year ended December 31, 2004 were \$852.5 million, an increase of \$156.0 million, or 22%, from \$696.5 million for the year ended December 31, 2003. Our net sales increased in all segments as follows:

	<u>2004</u>	<u>2003</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
			<i>(In millions)</i>	
North America	\$564.6	\$452.6	\$112.0	25%
Europe	173.0	146.2	26.8	18%
International	114.9	97.7	17.2	18%

Net sales of the North American segment were \$564.6 million for the year ended December 31, 2004, an increase of \$112.0 million, or 25%, compared to \$452.6 million for the year ended December 31, 2003. We believe that our 2004 sales growth in North America was the direct result of our focus on key markets, including fire service, homeland security, and the military. Our sales of Advanced Combat Helmets, and related communications systems, to the military increased approximately \$58.6 million during 2004, reflecting increased government funding to support the war on terrorism. In 2004, our sales of self-contained breathing apparatus, or SCBAs, and thermal imaging cameras, or TICs, to the fire service market increased approximately \$33.0 million and \$7.7 million, respectively. Throughout 2004, we saw strong demand for our latest generation SCBAs, which, in 2003, were the first to be approved under the 2002 NFPA performance standards and the NIOSH Chemical, Biological, Radiological and Nuclear, or CBRN, standard to protect first responders against possible terrorist attacks. Higher thermal imaging camera sales in 2004 reflect strong demand for our Evolution® 5000 TIC, which combines the functionality and durability required by the fire service with features and performance not found on other small format cameras. Sales of instrument products were approximately \$10.6 million higher in 2004, on strong demand for our latest generation portable instruments.

During 2003, we changed our standard shipping terms to U.S. distributors from FOB Shipping Point to FOB Destination. We made this change to improve customer service by obtaining greater control and flexibility over carrier selection and delivery schedules and by reducing customer exposure to in-transit loss and damage. The effect of this change, which delayed revenue recognition on affected shipments until the goods reach their destination, reduced sales and gross margins in 2003 by approximately \$4.7 million and \$2.7 million, respectively.

Net sales by European operations were \$173.0 million for the year ended December 31, 2004, an increase of \$26.8 million, or 18%, from \$146.2 million for the year ended December 31, 2003. Approximately half of the increase was due to the favorable effect of the stronger euro on net sales when stated in U.S. dollars. Sales by Sordin, which we acquired on June 30, 2004, accounted for approximately \$4.5 million of the increase. The remainder of the improvement was primarily related to strong late year shipments of breathing apparatus by our German company to customers in Eastern Europe. Local currency sales at our other European affiliates were generally flat year-to-year, reflecting continued sluggishness in the Western European industrial sector.

Net sales by International operations were \$114.9 million for the year ended December 31, 2004 compared to \$97.7 million for the year ended December 31, 2003, an increase of \$17.2 million, or 18%. Approximately half of the increase in International segment sales, when stated in U.S. dollars, was related to the favorable effect of stronger international currencies, particularly the Australian dollar and the South African rand. The remainder of the sales improvement was in Latin America, reflecting generally improved economic conditions.

Cost of products sold. Cost of products sold was \$512.1 million for the year ended December 31, 2004, an increase of \$89.8 million, or 21%, from \$422.3 million for the year ended December 31, 2003. The increase related primarily to higher sales.

Cost of products sold and selling, general and administrative expenses in 2003 were favorably affected by a change in the vacation vesting policy for U.S. employees. Under the vacation vesting policy adopted in 2003, employees earn their vacation entitlement during the current year. Previously, vacation was vested on the last day of the prior year. The policy change resulted in favorable adjustments to cost of products sold and selling, general and administrative expenses during 2003 of approximately \$3.6 million and \$1.8 million, respectively. The vacation policy was changed to align the year the benefit is earned with the year it is received.

Cost of products sold and operating expenses include net periodic pension benefit costs and credits. Pension credits, combined with pension costs, resulted in net pension credits for the year ended December 31, 2004 of \$7.2 million, of which approximately \$4.4 million was included in cost of products sold, \$2.5 million in selling general and administrative expenses, and \$0.3 million in research and development expenses. Net pension credits for the year ended December 31, 2003 were \$8.8 million, of which approximately \$5.4 million was included in cost of products sold, \$3.1 million in selling, general and administrative expenses, and \$0.3 million in research and development expenses. In 2003, an additional pension credit of \$2.0 million relating to a curtailment gain from the sale of the Callery Chemical Division was included in net income from discontinued operations.

Gross profit. Gross profit for the year ended December 31, 2004 was \$340.4 million, an increase of \$66.2 million, or 24%, from \$274.2 million for the year ended December 31, 2003. The ratio of gross profit to sales increased to 39.9% in 2004 compared to 39.4% in 2003. The improved gross profit ratio in 2004 was primarily due to production efficiencies associated with higher North American sales, partially offset by proportionately higher sales of Advanced Combat Helmets to the government at gross margins that are generally lower than our margins on commercial sales. Our European operations also reported improved gross profits primarily related to a product mix shift away from lower margin military helmets in 2003 to higher margin fire helmets in 2004.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2004 were \$204.8 million, an increase of \$24.7 million, or 14%, from \$180.1 million for the year ended December 31, 2003. Selling, general and administrative expenses were 24.0% of sales in 2004 compared to 25.9% of sales in 2003. Our selling, general and administrative expenses in North America increased approximately \$15.5 million, primarily related to additional marketing and selling expenses associated with generating and supporting the higher sales volumes. Selling, general and administrative expenses for the year ended December 31, 2003 included a favorable adjustment of approximately \$1.8 million related to the previously-discussed change in the vacation vesting policy for our U.S. employees. The strengthening of international currencies (particularly the euro, the Australian dollar, and the South African rand) increased selling, general and administrative expenses when stated in U.S. dollars by approximately \$6.9 million for the year ended December 31, 2004. The remainder of the increase was primarily due to the acquisition of Sordin and higher rent expense in Germany associated with the leaseback of property that was sold in September 2003. Approximately \$1.7 million of deferred gain related to the sale of the German property was recognized in other income during the year ended December 31, 2004.

Research and development expenses. Research and development expenses were \$22.6 million for the year ended December 31, 2004, an increase of \$1.7 million, or 8%, from \$20.9 million for the year ended December 31, 2003. The increase reflects an increased focus on new product development, particularly in instruments and other electronic products.

Depreciation and amortization expense. Depreciation and amortization expense, which is reported in cost of sales, selling, general and administrative expenses, and research and development expenses, was \$25.5 million for the year ended December 31, 2004, an increase of \$2.3 million, or 10%, from \$23.2 million for the year ended December 31, 2003. The increase was primarily due to new asset additions in the United States to support higher Advanced Combat Helmet production volumes.

Interest expense. Interest expense for the year ended December 31, 2004 was \$3.8 million, a decrease of \$0.8 million, or 16%, from \$4.6 million for the year ended December 31, 2003. The decrease was related to reductions in long term debt and short term borrowings and the discontinuance of our accounts receivable securitization arrangement in August 2004.

Currency exchange adjustments. During the year ended December 31, 2004, we recorded currency exchange losses of \$0.3 million compared to gains of \$3.4 million for the year ended December 31, 2003. Currency exchange gains in 2003 were primarily related to euro and Canadian dollar denominated assets held by us, and reflect a significant strengthening of those currencies during the year. Less favorable currency exchange adjustments during 2004 reflect a less significant strengthening of the euro and the Canadian dollar, as well as the offsetting effect of forward exchange contracts that we entered into to hedge our exposure to movements in euro exchange rates.

Other income. Other income for the year ended December 31, 2004 was \$5.0 million, an increase of \$3.3 million from \$1.7 million in 2003. During 2004, we recognized approximately \$1.1 million of estimated interest income with respect to settled issues in the federal income audits of tax years 1995 through 2001. As previously mentioned, approximately \$1.7 million of deferred gain related to the sale of our German property was recognized as a gain on disposition of assets during 2004.

Income tax provision. Our effective income tax rate for the year ended December 31, 2004 was 37.6% compared to 33.7% for the year ended December 31, 2003. The higher effective tax rate in 2004 was primarily related to less favorable adjustments to previously-established valuation allowances on foreign tax credit carry forwards and adjustments to prior years' taxes. In 2004, we released approximately \$0.6 million of valuation allowances and made unfavorable adjustments to prior year's taxes of approximately \$1.1 million. In 2003, we released approximately \$1.2 million of valuation allowances and made favorable adjustments to prior year's taxes of approximately \$0.8 million. The valuation allowances were released based on tax planning strategies that we implemented and an improved outlook for foreign source income.

Net income. Net income from continuing operations for the year ended December 31, 2004 was \$71.0 million, an increase of \$22.1 million, or 45%, over net income from continuing operations for the year ended December 31, 2003 of \$48.9 million. Continuing operations earnings per basic share of common stock improved to \$1.91 in 2004 compared to \$1.33 in 2003.

North America segment net income from continuing operations for the year ended December 31, 2004 was \$55.6 million, an increase of \$16.5 million, or 42%, from \$39.1 million for the year ended December 31, 2003. The improvement in North American net income was primarily due to the previously-discussed sales growth.

Europe segment net income from continuing operations for the year ended December 31, 2004 was \$6.7 million, an increase of \$3.9 million, or 141%, from \$2.8 million for the year ended December 31, 2003. Approximately \$0.4 million of the increase was due to the favorable currency translation effects of a stronger euro. Local currency net income improvement occurred primarily in Germany, where income was up approximately \$2.4 million on improved sales and lower operating costs. Europe segment net income for 2004 also included approximately \$0.6 million of income from the mid-year acquisition of Sordin AB.

International segment net income from continuing operations for the year ended December 31, 2004 was \$8.5 million, an increase of \$2.2 million, or 34%, from \$6.3 million for the year ended December 31, 2003. Approximately \$1.1 million of the income improvement occurred in Latin America, reflecting improved economic conditions. Favorable currency translation effects, primarily related to the strengthening of the Australian dollar and the South African rand, increased International segment income when stated in U.S. dollars by approximately \$0.7 million.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash and cash equivalents decreased \$31.7 million during 2005 compared to increasing \$3.3 million during 2004. The decrease in cash during the current period was primarily due to net company stock purchases for treasury of \$53.3 million, partially offset by a \$34.2 million improvement in cash flow from continuing operations.

Continuing operations provided cash of \$86.0 million in 2005 compared to providing \$51.8 million in 2004. Better cash flow from operations during 2005 reflects improved net income from continuing operations and non-cash items and lower use of cash for working capital, particularly inventory. Trade receivables were \$169.4 million at December 31, 2005 and \$157.8 million at December 31, 2004. The increase in trade receivables during 2005 was primarily related to higher sales levels. Trade receivables expressed in number of days sales outstanding were 68 days at both December 31, 2005 and December 31, 2004. LIFO inventories were \$119.7 million at December 31, 2005 and \$124.8 million at December 31, 2004. On a FIFO basis, inventories measured against cost of products sold turned 3.4 times in 2005 and 3.1 times in 2004. Cash flow from continuing operations in 2004 was \$19.3 million higher than in 2003, reflecting improved net income and non-cash items.

Discontinued operations provided \$2.1 million of cash in 2004, primarily through collection of trade receivables that were reported as assets held for sale at December 31, 2003. In 2003, discontinued operations provided cash of \$8.0 million, reflecting operating results through the date of the sale of the division and the liquidation of trade receivables.

Our investing activities used cash of \$37.3 million in 2005, compared with using \$32.8 million in 2004. During 2005 and 2004, we used cash of approximately \$21.7 million and \$27.3 million, respectively, for property additions, primarily production equipment in the U.S. Acquisitions and other investing activities during 2005 and 2004 used cash of \$17.0 million and \$6.4 million, respectively. In 2005, we used net cash of approximately \$12.8 million for the acquisition of Microsensor Systems Inc. and \$2.2 million for additional consideration on the Sordin acquisition. In 2004, we used net cash of approximately \$4.3 million for the acquisition of Sordin. In 2003, the sale of the Callery Chemical Division and property in Germany provided cash of \$63.0 million and \$22.9 million, respectively.

Financing activities used cash of \$78.0 million in 2005 compared to using \$19.4 million in 2004. During 2005 and 2004, we used cash of \$58.0 million and \$6.1 million, respectively, to purchase treasury shares. In the current year, we made dividend payments of \$19.1 million, compared to \$13.8 million in 2004. During 2003, in addition to regular dividend payments of \$9.5 million, we made a special distribution to common shareholders of \$53.8 million, representing the after-tax proceeds from the sale of the Callery Chemical Division and the subsequent liquidation of net assets retained by us. Dividends paid on our common stock during 2005 (our 88th consecutive year of dividend payment) were \$0.52 per share. Dividends paid on our common stock in 2004 and 2003 were \$0.37 and \$0.26, per share, respectively.

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

The fair value of the interest rate swap at December 31, 2005, has been recorded as a liability of \$0.9 million that is included in other noncurrent liabilities, with an offsetting reduction in the carrying value of the long-term debt.

As a result of entering into the interest rate swap, we have increased our exposure to interest rate fluctuations. Differences between the fixed rate amounts received and the variable rate amount paid are recognized in interest expense on an ongoing basis. This rate difference resulted in a reduction in interest expense of approximately \$0.1 million and \$0.3 million during the years ended December 31, 2005 and 2004, respectively.

Long-term debt, including the current portion at December 31, 2005 was \$54.0 million, or 12.4% of total capital. For purposes of this calculation, total capital is defined as long-term debt plus the current portion of long-term debt and shareholders' equity.

The following table sets forth our long-term debt obligations:

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
U.S.		
Industrial development debt issues payable through 2022, 2.39%	\$10,750	\$10,750
Series B Senior Notes payable through 2006, 7.69%	4,000	8,000
Senior Notes payable through 2012, 8.39%	39,070	39,585
Other	50	100
International		
Various notes payable through 2006, 9.63% to 19.0%	98	524
Total	<u>53,968</u>	<u>58,959</u>
Amounts due within one year	8,134	4,496
Long-term debt	<u>45,834</u>	<u>54,463</u>

Approximate maturities of these obligations are \$8.1 million in 2006, \$8.0 million in 2008, \$8.8 million in 2009, \$10.0 million in 2010, and \$19.1 million thereafter. Some debt agreements require us to maintain certain financial ratios and minimum net worth and contain restrictions on the total amount of debt. We were in compliance with our debt covenants as of December 31, 2005.

Short-term bank lines of credit amounted to \$59.0 million of which \$58.3 million was unused at December 31, 2005. 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 \$0.7 million and \$1.9 million at December 31, 2005 and 2004, respectively. The average month-end balance of total short-term borrowings during 2005 was \$23.9 million. The maximum month-end balance of \$32.9 million occurred at June 30, 2005. The weighted average interest rates of short-term borrowings at December 31, 2005 and 2004 were 6% and 7%, respectively.

We believe our sources of liquidity currently available from our cash reserves on hand, cash flow from operations and borrowing capacity are sufficient to meet our principal liquidity requirements for at least the next 12 months.

ACCOUNTS RECEIVABLE SECURITIZATION

In August 2004, we terminated our securitization arrangement with a financial institution under which Mine Safety Funding Corporation, a consolidated wholly-owned bankruptcy remote subsidiary of the company, could sell up to \$30.0 million of eligible accounts receivable to a multi-seller asset-backed commercial paper issuer. We terminated this arrangement because we no longer required the source of funding that the securitization provided.

CUMULATIVE TRANSLATION ADJUSTMENTS

The year-end position of the U.S. dollar relative to international currencies resulted in a translation loss of \$11.1 million being charged to the cumulative translation adjustments shareholders' equity account in 2005, compared to gains of \$8.9 million in 2004 and \$14.7 million in 2003. Translation losses in 2005 occurred primarily in Europe and reflect a weakening of the euro. Translation gains in 2004 were primarily due to the strengthening of the euro, Australian dollar, and South African rand. Translation gains in 2003 reflect the strengthening of most currencies against the U.S. dollar, primarily the euro and Australian dollar.

COMMITMENTS AND CONTINGENCIES

We are obligated to make future payments under various contracts, including debt and lease agreements. Our significant cash obligations as of December 31, 2005 were as follows:

	<u>Total</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>
	<i>(In millions)</i>						
Long-term debt*	\$54.0	\$ 8.1	\$—	\$ 8.0	\$ 8.8	\$10.0	\$19.1
Operating leases	27.6	7.0	5.1	4.0	3.7	3.8	4.0
Take or pay supply contract	4.0	1.5	1.5	1.0	—	—	—
Totals	85.6	16.6	6.6	13.0	12.5	13.8	23.1

* Future interest payments are not included in the table above.

We expect to make net contributions of \$1.7 million to our pension plans in 2006.

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

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

In 2003, we entered into a lease agreement with BASF pertaining to that portion of the Callery Chemical site that is occupied by our Evans City, Pennsylvania manufacturing operations. The initial term of the lease was one year, with a renewal option for five successive one year periods. In September 2005, we exercised our second one year renewal option.

Various lawsuits and claims arising in the normal course of business are pending against us. These lawsuits are primarily product liability claims. We are presently named as a defendant in approximately 3,000 lawsuits primarily involving respiratory protection products allegedly manufactured and sold by us. Collectively, these lawsuits represent a total of approximately 26,000 plaintiffs. Approximately 90% of these lawsuits involve plaintiffs alleging they suffer from silicosis, with the remainder alleging they suffer from other or combined injuries, including asbestosis. These lawsuits typically allege that these conditions resulted in part from respirators that were negligently designed or manufactured by us. Consistent with the experience of other companies involved in silica and asbestos-related litigation, in recent years there has been an increase in the number of asserted claims that could potentially involve us. We cannot determine our potential maximum liability for such claims, in part because the defendants in these lawsuits are often numerous, and the claims generally do not specify the amount of damages sought.

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

In the normal course of business, we make payments to settle product liability claims and related legal fees that are covered by insurance. We record receivables for the portion of these payments that we expect to recover from insurance carriers. At December 31, 2005, the net balance of receivables from insurance carriers was \$5.0 million. We evaluate the collectibility of these receivables on an ongoing basis and make adjustments as appropriate.

In connection with our sale of Callery Chemical facility in Evans City, Pennsylvania, we have retained responsibility for certain environmental costs at this site, where relatively low levels of contamination are known to exist. Under the terms of the asset purchase agreement with BASF, our maximum liability for these matters is capped at \$50.0 million. Based on environmental studies performed prior to the sale of the division, we do not believe that our potential exposure under the terms of this agreement will materially affect our financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

Product liability. We face an inherent business risk of exposure to product liability claims arising from the alleged failure of our products to prevent the types of personal injury or death against which they are designed to protect. We accrue for our estimates of the probable costs to be incurred in the resolution of product liability claims. These estimates are based on actuarial valuations, past experience, and our judgments regarding the probable outcome of pending and threatened claims. Due to uncertainty as to the ultimate outcome of pending and threatened claims, as well as the incidence of future claims, it is possible that future results could be materially affected by changes in our assumptions and estimates related to product liability matters. Our product liability expense averaged less than 1% of net sales from continuing operations during the three years ended December 31, 2005.

Product warranties. We accrue for the estimated probable cost of product warranties at the time that sales are recognized. Our estimates are principally based on historical experience. We also accrue for our estimates of the probable costs of corrective action when significant product quality issues are identified. These estimates are principally based on our assumptions regarding the cost of corrective action and the probable number of units to be repaired or replaced. Our product warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Due to the uncertainty and potential volatility of these factors, it is possible that future results could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these matters. Our product warranty expense averaged less than 2% of net sales during the three years ended December 31, 2005.

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

We record valuation allowances to reduce deferred tax assets to the amounts that we estimate are probable to be realized. When assessing the need for valuation allowances, we consider projected future taxable income and prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in our judgments about the realizability of deferred tax assets in future years, we would adjust the related valuation allowances in the period that the change in circumstances occurs, along with a corresponding charge or credit to income. There were no valuation allowances as of December 31, 2005.

We record an estimated income tax liability based on our best judgment of the amounts likely to be paid in the various tax jurisdictions in which we operate. The tax liabilities ultimately paid are dependent on a number of factors, including the resolution of tax audits, and may differ from the amounts recorded. Tax liabilities are adjusted through income when it becomes probable that the actual liability differs from the amount recorded.

Pensions and other postretirement benefits. We account for our pension and postretirement benefit plans as required under FAS No. 87, Employers' Accounting for Pensions, and FAS No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions. Accounting for the net periodic benefit costs and credits for these plans requires us to estimate the cost of benefits to be provided well into the future and to attribute these costs over the expected work life of the employees participating in these plans. These estimates require our judgment about discount rates used to determine these obligations, expected returns on plan assets, rates of future compensation increases, rates of increase in future health care costs, participant withdrawal and mortality rates, and participant retirement ages. Differences between our estimates and actual results may significantly affect the cost of our obligations under these plans and could cause net periodic benefit costs and credits to change materially from year-to-year. The discount rate assumptions used in determining projected benefit obligations are based on published long-term bond indices. We reduced the assumed discount rates in 2005, reflecting a decline in long-term bond rates.

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

RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2004, the Financial Accounting Standards Board (FASB) issued FAS No. 151, Inventory Costs, an Amendment of ARB No. 43, Chapter 4. FAS No. 151 requires the exclusion of certain costs from inventories and the allocation of fixed production overheads to inventories to be based on the normal capacity of the production facilities. The provisions of this Statement are effective for costs incurred after December 31, 2005. We expect that our adoption of this statement effective January 1, 2006 will not have a material effect on our consolidated results of operations or financial condition.

In December 2004, the FASB issued FAS No. 123R, Share-Based Payment, which is a revision of FAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. FAS No. 123R establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FAS No. 123R requires an entity to recognize the cost of employee services received in share-based payment transactions, thereby reflecting the economic consequences of those transactions in the financial statements. This Statement applies to all awards granted on or after January 1, 2006, and to awards modified, repurchased, or cancelled after that date. We expect that adopting this Statement will reduce our net income in 2006 by approximately \$1.6 million.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Currency exchange rate sensitivity. We are subject to the effects of fluctuations in currency exchange rates on various transactions and on the translation of the reported financial position and operating results of our non-U.S. companies from local currencies to U.S. dollars. A hypothetical 10% strengthening or weakening of the U.S. dollar would increase or decrease our reported sales and net income for the year ended December 31, 2005 by approximately \$33.2 million and \$2.0 million, respectively. When appropriate, we may attempt to limit our transactional exposure to changes in currency exchange rates through contracts or other actions intended to reduce existing exposures by creating offsetting currency exposures. At December 31, 2005, contracts for the purpose of hedging cash flows were not significant.

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

We hold one interest rate swap agreement, which is used to hedge the fair market value on a portion of our 8.39% fixed rate long-term debt. At December 31, 2005, the swap agreement had a notional amount of \$20.0 million and a fair market value in favor of the bank of \$0.9 million. The swap will expire in 2012. The notional amount of the swap declines \$4.0 million per year beginning in 2008. A hypothetical increase of 10% in market interest rates would result in a decrease of approximately \$0.4 million in the fair value of the interest rate swap.

We have \$44.0 million of fixed rate debt which matures at various dates through 2012. 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 \$0.8 million, excluding the impact of outstanding hedge instruments. However, our sensitivity to interest rate declines and the corresponding increase in the fair value of our debt portfolio would unfavorably affect earnings and cash flows only to the extent that we elected to repurchase or retire all or a portion of our fixed rate debt portfolio at prices above carrying values.

Item 8. Financial Statements and Supplementary Data

Management's Reports

Management's Report on Responsibility for Financial Reporting

Management of Mine Safety Appliances Company (the Company) is responsible for the preparation of the financial statements included in this annual report. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on the best estimates and judgments of management. The other financial information contained in this annual report is consistent with the financial statements.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2005.

Our management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ JOHN T. RYAN III

John T. Ryan III
Chairman of the Board
Chief Executive Officer

/s/ DENNIS L. ZEITLER

Dennis L. Zeitler
Vice President and Treasurer
Chief Financial Officer

March 6, 2006

Report of Independent Registered Public Accounting Firm

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

We have completed integrated audits of Mine Safety Appliances Company's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows, and changes in retained earnings and accumulated other comprehensive income present fairly, in all material respects, the financial position of Mine Safety Appliances Company and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania

March 6, 2006

MINE SAFETY APPLIANCES COMPANY
CONSOLIDATED STATEMENT OF INCOME
(In thousands, except per share amounts)

<u>Year Ended December 31</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net sales	\$907,912	\$852,509	\$696,473
Other income	4,058	5,004	1,724
	<u>911,970</u>	<u>857,513</u>	<u>698,197</u>
Costs and expenses			
Cost of products sold	552,472	512,089	422,273
Selling, general and administrative	207,816	204,799	180,060
Research and development	21,928	22,648	20,897
Interest	5,484	3,845	4,564
Currency exchange losses (gains)	474	264	(3,356)
	<u>788,174</u>	<u>743,645</u>	<u>624,438</u>
Income from continuing operations before income taxes	123,796	113,868	73,759
Provision for income taxes	<u>42,013</u>	<u>42,821</u>	<u>24,835</u>
Net income from continuing operations	81,783	71,047	48,924
Net income from discontinued operations	—	—	2,685
Gain on sale of discontinued operations—after tax	—	—	13,658
Net income	<u>\$ 81,783</u>	<u>\$ 71,047</u>	<u>\$ 65,267</u>
Basic earnings per common share:			
Continuing operations	\$ 2.24	\$ 1.91	\$ 1.33
Discontinued operations	—	—	0.45
Net income	<u>\$ 2.24</u>	<u>\$ 1.91</u>	<u>\$ 1.78</u>
Diluted earnings per common share:			
Continuing operations	\$ 2.19	\$ 1.86	\$ 1.31
Discontinued operations	—	—	0.44
Net income	<u>\$ 2.19</u>	<u>\$ 1.86</u>	<u>\$ 1.75</u>

See notes to consolidated financial statements.

MINE SAFETY APPLIANCES COMPANY
CONSOLIDATED BALANCE SHEET
(In thousands, except share amounts)

<u>December 31</u>	<u>2005</u>	<u>2004</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 44,797	\$ 76,545
Trade receivables, less allowance for doubtful accounts of \$6,041 and \$7,548	169,436	157,824
Inventories	119,731	124,846
Deferred tax assets	17,868	19,377
Prepaid expenses and other current assets	25,394	19,068
Total current assets	<u>377,226</u>	<u>397,660</u>
Property		
Land	4,815	5,122
Buildings	83,929	83,530
Machinery and equipment	268,167	279,607
Construction in progress	4,686	6,182
Total	361,597	374,441
Less accumulated depreciation	<u>(245,388)</u>	<u>(250,725)</u>
Net property	116,209	123,716
Other Assets		
Prepaid pension cost	140,575	131,496
Deferred tax assets	19,364	21,513
Goodwill	55,654	49,495
Other noncurrent assets	16,329	10,230
Total	<u>\$ 725,357</u>	<u>\$ 734,110</u>
Liabilities		
Current Liabilities		
Notes payable and current portion of long-term debt	\$ 8,808	\$ 6,378
Accounts payable	40,935	40,705
Employees' compensation	18,483	19,284
Insurance and product liability	13,807	14,926
Taxes on income	7,063	3,790
Other current liabilities	41,763	41,984
Total current liabilities	<u>130,859</u>	<u>127,067</u>
Long-Term Debt	45,834	54,463
Other Liabilities		
Pensions and other employee benefits	80,656	83,628
Deferred tax liabilities	75,511	76,704
Other noncurrent liabilities	10,100	14,637
Total other liabilities	<u>166,267</u>	<u>174,969</u>
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: 2005—36,545,984 2004—37,341,386)	50,887	39,248
Stock compensation trust	(15,667)	(16,436)
Treasury shares, at cost	(201,312)	(143,295)
Deferred stock compensation	(2,218)	(1,247)
Accumulated other comprehensive income	(9,571)	1,793
Earnings retained in the business	556,709	493,979
Total shareholders' equity	<u>382,397</u>	<u>377,611</u>
Total	<u>\$ 725,357</u>	<u>\$ 734,110</u>

See notes to consolidated financial statements.

MINE SAFETY APPLIANCES COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

<u>Year Ended December 31</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Activities			
Net income	\$ 81,783	\$ 71,047	\$ 65,267
Net income from discontinued operations	—	—	(2,685)
Gain on the sale of discontinued operations	—	—	(13,658)
Net income from continuing operations	81,783	71,047	48,924
Depreciation and amortization	24,345	25,496	23,208
Pensions	(6,104)	(7,188)	(8,845)
Net gain on sale of investments and assets	(408)	63	(2,332)
Deferred income taxes	2,294	7,106	4,922
Receivables	(17,080)	(23,519)	(27,039)
Inventories	(1,348)	(27,422)	(3,162)
Accounts payable and accrued liabilities	5,057	5,070	1,253
Other assets and liabilities	(7,864)	(5,549)	(1,864)
Tax benefit related to stock plans	5,361	4,946	893
Other—including currency exchange adjustments	(32)	1,731	(3,447)
Cash flow from continuing operations	86,004	51,781	32,511
Cash flow from discontinued operations	—	2,061	8,029
Cash Flow From Operating Activities	86,004	53,842	40,540
Investing Activities			
Property additions	(21,664)	(27,330)	(19,628)
Property disposals	1,320	883	23,521
Proceeds from sale of discontinued operations	—	—	63,042
Acquisitions, net of cash acquired and other investing	(16,955)	(6,391)	(279)
Cash Flow From Investing Activities	(37,299)	(32,838)	66,656
Financing Activities			
Additions to long-term debt	15	19	245
Reductions of long-term debt	(4,135)	(5,042)	(4,902)
Changes in notes payable and short-term debt	(1,473)	566	(9,146)
Cash dividends and special distributions	(19,053)	(13,758)	(63,270)
Company stock purchases	(58,012)	(6,122)	(2,309)
Company stock sales	4,707	4,910	3,036
Cash Flow From Financing Activities	(77,951)	(19,427)	(76,346)
Effect of exchange rate changes on cash	(2,502)	1,724	5,917
(Decrease) increase in cash and cash equivalents	(31,748)	3,301	36,767
Beginning cash and cash equivalents	76,545	73,244	36,477
Ending cash and cash equivalents	\$ 44,797	\$ 76,545	\$ 73,244
Supplemental cash flow information:			
Interest payments	\$ 5,315	\$ 4,632	\$ 5,025
Income tax payments	34,060	37,329	35,743

See notes to consolidated financial statements.

MINE SAFETY APPLIANCES COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN RETAINED EARNINGS AND ACCUMULATED
OTHER COMPREHENSIVE INCOME

(In thousands)

	<u>Retained</u> <u>Earnings</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Comprehensive</u> <u>Income</u>
Balances January 1, 2003	\$434,693	\$(20,501)	
Net income	65,267	—	\$ 65,267
Cumulative translation adjustments	—	14,699	14,699
Minimum pension liability adjustments (a)	—	(235)	<u>(235)</u>
Comprehensive income	—	—	<u>\$ 79,731</u>
Special distribution to common shareholders	(53,799)	—	
Common dividends	(9,425)	—	
Preferred dividends	<u>(46)</u>	<u>—</u>	
Balances December 31, 2003	436,690	(6,037)	
Net income	71,047	—	\$ 71,047
Cumulative translation adjustments	—	8,904	8,904
Minimum pension liability adjustments (a)	—	(1,074)	<u>(1,074)</u>
Comprehensive income	—	—	<u>\$ 78,877</u>
Common dividends	(13,714)	—	
Preferred dividends	<u>(44)</u>	<u>—</u>	
Balances December 31, 2004	493,979	1,793	
Net income	81,783	—	\$ 81,783
Cumulative translation adjustments	—	(11,070)	(11,070)
Minimum pension liability adjustments (a)	—	(294)	<u>(294)</u>
Comprehensive income	—	—	<u>\$ 70,419</u>
Common dividends	(19,011)	—	
Preferred dividends	<u>(42)</u>	<u>—</u>	
Balances December 31, 2005	<u>\$556,709</u>	<u>\$ (9,571)</u>	

(a) —Charges to minimum pension liability adjustments in 2005, 2004, and 2003 are net of tax benefits of \$189, \$383, and \$157, respectively.

Components of accumulated other comprehensive income are as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cumulative translation adjustments	\$(7,060)	\$ 4,010	\$(4,894)
Minimum pension liability adjustments	<u>(2,511)</u>	<u>(2,217)</u>	<u>(1,143)</u>
Accumulated other comprehensive income	<u>(9,571)</u>	<u>1,793</u>	<u>(6,037)</u>

See notes to consolidated financial statements.

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Significant Accounting Policies

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Principles of Consolidation—The consolidated financial statements include the accounts of the company and all subsidiaries. Intercompany accounts and transactions are eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation.

Currency Translation—The functional currency of all significant non-U.S. subsidiaries is the local currency. Assets and liabilities of those operations are translated at year-end exchange rates. Income statement accounts are translated using the average exchange rates for the reporting period. Translation adjustments for these companies are reported as a component of shareholders' equity and are not included in income. Foreign currency transaction gains and losses are included in net income for the reporting period.

Cash Equivalents—Cash equivalents include temporary deposits with financial institutions and highly liquid investments with original maturities of 90 days or less.

Inventories—Inventories are stated at the lower of cost or market. Most U.S. inventories are valued on the last-in, first-out (LIFO) cost method. Other inventories are valued on the average cost method or at standard costs which approximate actual costs.

Property and Depreciation—Property is recorded at cost. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets. Expenditures for significant renewals and improvements are capitalized. Ordinary repairs and maintenance are expensed as incurred. Gains or losses on property dispositions are included in income and the cost and related depreciation are removed from the accounts.

Goodwill and Other Intangible Assets—Goodwill and intangible assets with indefinite lives are not amortized, but are subject to impairment write-down tests. We test the goodwill of each of our reporting units for impairment at least annually. For this purpose, we consider our reportable business segments to be our reporting units. Fair value is estimated using discounted cash flow methodologies and market comparable information. Other intangible assets are amortized on a straight-line basis over their useful lives.

Revenue Recognition—Revenue from the sale of products is recognized when title, ownership, and the risk of loss have transferred to the customer, which generally occurs either when product is shipped to the customer or, in the case of most U.S. distributor customers, when product is delivered to the customer's delivery site. We establish our shipping terms according to local practice and market characteristics. We do not ship product unless we have an order or other documentation authorizing shipment to our customers. We make appropriate provisions for uncollectible accounts receivable and product returns, both of which have historically been insignificant in relation to our net sales. Certain distributor customers receive price rebates based on their level of purchases and other performance criteria that are documented in established distributor programs. These rebates are accrued as a reduction of net sales as they are earned by the customer.

Shipping and Handling—Shipping and handling expenses for products sold to customers are charged to cost of products sold as incurred. Amounts billed to customers for shipping and handling are included in net sales.

MINE SAFETY APPLIANCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Product Warranties—Estimated expenses related to product warranties and additional service actions are charged to cost of products sold in the period in which the related revenue is recognized or when significant product quality issues are identified.

Research and Development—Research and development costs are expensed as incurred.

Income Taxes—Deferred income taxes are provided for temporary differences between financial and tax reporting. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. No provision is made for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely.

Stock-Based Compensation Plans—We apply the intrinsic value-based method in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Accordingly, no compensation cost is recognized for stock option grants. Compensation cost for restricted stock awards is measured at the market value of the shares when awarded. Unearned stock compensation is reported in shareholders' equity and is charged to income over the restriction period.

If we had elected to recognize compensation cost based on the fair value of the options at the grant date as prescribed by FAS 123, Accounting for Stock-Based Compensation, net income and earnings per share would have been reduced to the pro forma amounts shown below:

	2005	2004	2003
	(In thousands)		
Net income as reported	\$81,783	\$71,047	\$65,267
Fair value of stock options granted, net of tax	(2,565)	(1,781)	(1,374)
Pro forma net income	<u>79,218</u>	<u>69,266</u>	<u>63,893</u>
Basic earnings per share:			
As reported	\$ 2.24	\$ 1.91	\$ 1.78
Pro forma	2.17	1.87	1.74
Diluted earnings per share:			
As reported	\$ 2.19	\$ 1.86	\$ 1.75
Pro forma	2.12	1.82	1.71

The fair value of the options granted was estimated at the grant dates using the Black-Scholes option pricing model and the following weighted average assumptions for options granted in 2005, 2004, and 2003, respectively; risk-free interest rate of 4.3%, 4.1%, and 4.0%; dividend yield of 2.0%, 2.0%, and 2.1%; expected option life of 9.9 years, 9.9 years, and 9.9 years; and expected volatility factor of 34%, 29%, and 23%.

On December 14, 2005, we accelerated the vesting of 194,786 unvested stock options that were granted in 2005. The accelerated options have a weighted average exercise price of \$45.68, and represent approximately 13% of the options outstanding. The decision to accelerate the vesting of the 2005 options was made primarily to avoid recognizing the related stock compensation expense in future financial statements as required by FAS 123R, Share-Based Payment, which we will adopt January 1, 2006. The accelerated vesting of the 2005 stock options will reduce our after tax stock compensation expense in 2006, 2007, and 2008 by approximately \$0.7 million, \$0.7 million, and \$0.1 million, respectively.

Derivative Instruments—We use derivative instruments to dampen the effects of changes in currency exchange rates and to achieve a targeted mix of fixed and floating interest rates on outstanding debt. We do not

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

enter into derivative transactions for speculative purposes and do not hold derivative instruments for trading purposes. Changes in the fair value of derivative instruments designated as fair value hedges are recorded in the balance sheet as adjustments to the underlying hedged asset or liability. Changes in the fair value of derivative instruments that do not qualify for hedge accounting treatment are recognized in the income statement in the current period.

Note 2—Subsequent Events

In December 2005, we announced Project Outlook, a strategic restructuring plan designed to ensure that our North American management teams, employees, product design processes, and operational functions are fully aligned with our strategic goals and the needs of our customers. The plan includes a reorganization of business and support functions in our North American operations that will result in cost reductions and a higher degree of collaboration, focus and efficiency. A significant portion of the Project Outlook cost reduction effort is being realized through a focused voluntary retirement incentive program (VRIP). In January 2006, approximately 60 employees elected to retire under the terms of the VRIP. The cost of special termination benefits payable to employees who elected to retire and other Project Outlook expenses which were recorded in January 2006 totaled approximately \$3.2 million after tax. We expect to incur additional Project Outlook expenses of approximately \$1.8 million after-tax primarily through the second quarter of 2006. Project Outlook is expected to deliver annual after-tax cost savings of at least \$4.0 million.

Note 3—Inventories

	2005	2004
	<i>(In thousands)</i>	
Finished products	\$ 49,073	\$ 50,728
Work in process	24,096	28,049
Raw materials and supplies	46,562	46,069
Total LIFO inventories	119,731	124,846
Excess of FIFO costs over LIFO costs	41,604	38,653
Total FIFO inventories	161,335	163,499

Inventories stated on the LIFO basis represent 36% and 44% of the total inventories at December 31, 2005 and 2004, respectively.

Reductions in certain inventory quantities during 2005 and 2004 resulted in liquidations of LIFO inventories carried at lower costs prevailing in prior years. The effect of these liquidations on cost of sales and net income was not significant in either year.

Note 4—Capital Stock

- Common stock, no par value—180,000,000 shares authorized.
- Second cumulative preferred voting stock, \$10 par value—1,000,000 shares authorized; none issued.
- 4½% cumulative preferred nonvoting stock, \$50 par value—100,000 shares authorized; 71,373 shares issued and 52,841 shares (\$1.8 million) held in treasury; treasury share purchases in 2005, 2004 and 2003 of 105 shares, \$5; 1,182 shares, \$56, and 1,241 shares, \$61, respectively (share purchase dollars in thousands).

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Common stock activity is summarized as follows:

	Shares			Dollars (<i>In thousands</i>)		
	Shares Issued	Stock Compensation Trust	Shares in Treasury	Shares Issued	Stock Compensation Trust	Treasury Cost
Balances January 1, 2003	20,580,109	(1,384,629)	(6,988,451)	\$28,626	\$(21,697)	\$(133,198)
Restricted stock awards	—	27,235	—	517	427	—
Restricted stock awards forfeited	—	—	(1,000)	—	—	(37)
Stock options exercised	—	120,317	—	1,151	1,885	—
Tax benefit related to stock plans	—	—	—	893	—	—
Treasury shares purchased	—	—	(44,253)	—	—	(2,248)
Balances December 31, 2003	20,580,109	(1,237,077)	(7,033,704)	31,187	(19,385)	(135,483)
3-for-1 stock split (January 2004)	41,160,218	(2,474,154)	(14,067,408)	—	—	—
Adjusted balances December 31, 2003	61,740,327	(3,711,231)	(21,101,112)	31,187	(19,385)	(135,483)
Restricted stock awards	—	45,098	—	918	236	—
Stock options exercised	—	519,911	—	2,197	2,713	—
Tax benefit related to stock plans	—	—	—	4,946	—	—
Treasury shares purchased	—	—	(151,607)	—	—	(6,066)
Balances December 31, 2004	61,740,327	(3,146,222)	(21,252,719)	39,248	(16,436)	(141,549)
Restricted stock awards	42,440	10,438	—	2,286	54	—
Restricted stock awards forfeited	—	—	(161)	—	—	(6)
Stock options exercised	298,624	134,659	—	3,992	715	—
Tax benefit related to stock plans	—	—	—	5,361	—	—
Treasury shares purchased	—	—	(1,281,402)	—	—	(58,007)
Balances December 31, 2005	62,081,391	(3,001,125)	(22,534,282)	50,887	(15,667)	(199,562)

The Mine Safety Appliances Company Stock Compensation Trust was established to fund certain benefit plans, including employee and non-employee directors stock options and awards. Shares held by the Stock Compensation Trust, and the corresponding cost of those shares, are reported as a reduction of common shares issued. Differences between the cost of the shares held by the Stock Compensation Trust and the market value of shares released for stock-related benefits are reflected in shares issued.

We have a Shareholder Rights Plan under which each outstanding share of common stock is granted one-ninth of a 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 our 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.

On January 28, 2004, a three-for-one stock split of both the issued and authorized common stock was distributed to shareholders of record on January 16, 2004. Share and per share information in this report has been adjusted to reflect the split.

MINE SAFETY APPLIANCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 5—Segment Information

We are organized into three geographic operating segments: North America, Europe, and International. We are engaged in the manufacture and sale of safety equipment, including respiratory protective equipment, head protection, eye and face protection, hearing protection, safety clothing, industrial emergency care products, mining safety equipment, thermal imaging cameras, and monitoring instruments. Reportable segment information is presented in the following table:

	<u>North America</u>	<u>Europe</u>	<u>International</u>	<u>Reconciling Items</u>	<u>Consolidated Totals</u>
	<i>(In thousands)</i>				
2005					
Sales to external customers	\$575,854	\$187,237	\$144,821	\$ —	\$907,912
Intercompany sales	39,083	70,099	4,831	(114,013)	—
Net income from continuing operations	62,050	11,132	9,211	(610)	81,783
Total assets	492,964	200,611	87,513	(55,731)	725,357
Interest income	1,067	301	526	566	2,460
Interest expense	5,295	74	115	—	5,484
Noncash items:					
Depreciation and amortization	17,138	5,286	1,921	—	24,345
Pension income (expense)	10,542	(3,762)	(676)	—	6,104
Equity in earnings of affiliates	(210)	—	78	—	(132)
Income tax provision	30,578	7,138	4,663	(366)	42,013
Investments in affiliates	344	—	301	—	645
Property additions	12,764	5,924	2,976	—	21,664
Net property	85,236	20,464	10,509	—	116,209
2004					
Sales to external customers	564,568	173,012	114,929	—	852,509
Intercompany sales	29,654	57,453	3,883	(90,990)	—
Net income from continuing operations	55,616	6,747	8,485	199	71,047
Total assets	469,555	221,447	80,574	(37,466)	734,110
Interest income	1,613	187	387	527	2,714
Interest expense	3,622	61	162	—	3,845
Noncash items:					
Depreciation and amortization	18,682	5,212	1,602	—	25,496
Pension income (expense)	11,687	(4,002)	(529)	32	7,188
Equity in earnings of affiliates	—	—	56	—	56
Income tax provision	33,910	4,937	3,689	285	42,821
Investments in affiliates	366	—	209	—	575
Property additions	16,238	6,440	4,652	—	27,330
Net property	90,121	23,505	10,090	—	123,716
2003					
Sales to external customers	452,567	146,162	97,744	—	696,473
Intercompany sales	24,215	49,499	3,061	(76,775)	—
Net income from continuing operations	39,131	2,795	6,349	649	48,924
Net income from discontinued operations	2,685	—	—	—	2,685
Gain on sale of discontinued operations	13,658	—	—	—	13,658
Total assets continuing operations	419,472	190,179	68,611	(36,688)	641,574
Assets held for sale	2,311	—	—	—	2,311
Interest income	576	115	278	102	1,071
Interest expense	4,357	123	84	—	4,564
Noncash items:					
Depreciation and amortization	17,071	4,972	1,144	21	23,208
Pension income (expense)	14,999	(3,847)	(307)	—	10,845
Equity in earnings of affiliates	—	—	(5)	—	(5)
Income tax provision	18,930	2,069	2,985	851	24,835
Investments in affiliates	366	—	153	—	519
Property additions	13,221	3,976	2,423	8	19,628
Net property	93,296	19,918	7,319	27	120,560

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Geographic information for sales to external customers, based on country of origin:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
		<i>(In thousands)</i>	
United States	\$560,107	\$544,707	\$438,939
Germany	73,903	70,281	57,973
Other	273,902	237,521	199,561
Total	<u>907,912</u>	<u>852,509</u>	<u>696,473</u>

Note 6—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.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
		<i>(In thousands)</i>	
Net income from continuing operations	\$81,783	\$71,047	\$48,924
Preferred stock dividends	(42)	(44)	(46)
Income available to common shareholders	<u>81,741</u>	<u>71,003</u>	<u>48,878</u>
Basic shares outstanding	36,560	37,111	36,730
Stock options	741	1,019	534
Diluted shares outstanding	<u>37,301</u>	<u>38,130</u>	<u>37,264</u>
Antidilutive stock options	<u>195</u>	<u>—</u>	<u>—</u>

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 7—Income Taxes

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>		
Income From Continuing Operations Before Income Taxes			
U.S. income	\$112,731	\$ 84,896	\$64,289
Non-U.S. income	40,764	28,229	15,180
Currency translation gains	106	647	28
Eliminations	<u>(29,805)</u>	<u>96</u>	<u>(5,738)</u>
Income Before Income Taxes	<u>123,796</u>	<u>113,868</u>	<u>73,759</u>
Provision For Income Taxes			
Current			
Federal	23,259	24,016	9,608
State	6,352	4,566	2,526
Non-U.S.	<u>10,108</u>	<u>7,133</u>	<u>7,779</u>
Total current provision	<u>39,719</u>	<u>35,715</u>	<u>19,913</u>
Deferred			
Federal	461	3,403	5,251
State	219	1,025	937
Non-U.S.	<u>1,614</u>	<u>2,678</u>	<u>(1,266)</u>
Total deferred provision	<u>2,294</u>	<u>7,106</u>	<u>4,922</u>
Provision For Income Taxes	<u>42,013</u>	<u>42,821</u>	<u>24,835</u>

The following is a reconciliation of the U.S. Federal income tax rates to the effective tax rate for continuing operations:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
U.S. federal income tax rate	35.0%	35.0%	35.0%
State income taxes—U.S.	3.4	3.3	3.0
Taxes on non-U.S. income	(1.0)	(1)	—
Research and development credits	(0.9)	(0.9)	(1.1)
Adjustment of prior years income taxes	(1.6)	1.0	(1.1)
Valuation allowances	—	(0.5)	(1.6)
Other	<u>(1.0)</u>	<u>(0.2)</u>	<u>(0.5)</u>
Effective income tax rate	<u>33.9%</u>	<u>37.6%</u>	<u>33.7%</u>

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
Deferred tax assets		
Postretirement benefits	\$ 6,684	\$ 5,871
Inventory reserves	6,424	5,814
Vacation allowances	1,272	986
Net operating losses	3,803	5,568
Post employment benefits	1,950	2,246
Foreign tax credit carryforwards (expiring between 2010 and 2015)	1,736	1,321
Liability insurance	3,522	3,579
Basis of capital assets	4,383	5,745
Intangibles	1,138	1,248
Warranties	2,593	2,637
Other	4,178	5,925
Total deferred tax assets	<u>37,683</u>	<u>40,940</u>
Deferred tax liabilities		
Property, plant and equipment	(18,647)	(21,074)
Pension	(52,647)	(49,481)
Other	(5,134)	(6,199)
Total deferred tax liabilities	<u>(76,428)</u>	<u>(76,754)</u>
Net deferred taxes	<u>(38,745)</u>	<u>(35,814)</u>

During 2004 and 2003, we released \$0.6 million and \$1.2 million, respectively, of foreign tax credit carry forward valuation allowances based on the implementation of various tax planning strategies and an improved outlook for utilization of these credits in future years.

Net operating loss carryforwards of approximately \$10.1 million, all in non-U.S. tax jurisdictions, have no expiration date.

The American Jobs Creation Act of 2004, provides a deduction for income from qualified domestic production activities, which is being phased in from 2005 through 2010. The act also provides for a two-year phase-out of the existing extra-territorial income exclusion for foreign sales that was viewed to be inconsistent with international trade protocols by the European Union. The net effect of the phase-out of the extra-territorial income exclusion and the phase-in of the new deduction resulted in a decrease in our effective tax rate for 2005 of approximately 0.8 percentage points.

No deferred U.S. income taxes have been provided on undistributed earnings of non-U.S. subsidiaries, which amounted to \$114.2 million as of December 31, 2005. These earnings are considered to be reinvested for an indefinite period of time. It is not practicable to determine the deferred tax liability on these undistributed earnings.

The American Jobs Creation Act of 2004 provided a limited opportunity through 2005 to repatriate the undistributed earnings of non-U.S. subsidiaries at a U.S. tax cost that could be lower than the normal tax cost on such distributions. During 2005, we repatriated \$29.5 million of dividends, \$22.0 million of which qualified under these provisions. The resulting impact of these dividends on our income tax expense was not material.

The determination of annual income tax expense takes into consideration amounts which may be needed to cover exposures for open years and releases those amounts when the exposures no longer exist. The audits of the

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

federal income tax returns for the years 1995 through 2001 were concluded at the examination level in 2005 with the resolution of an issue related to the calculation of the research and development tax credits. The examination results are currently under review by the Joint Committee on Taxation. We expect the review to be completed in 2006 or early 2007. We do not expect that this review will change the results of the examination. As a result, in 2005, we recognized a tax benefit for the release of \$1.7 million in previously-established research and development credit tax reserves. We do not expect any material adverse impact on earnings to result from the resolution of matters related to open tax years.

Note 8—Stock Plans

The 1998 Management Share Incentive Plan provides for grants of restricted stock awards and stock options to eligible key employees through March 2008. The 1990 Non-Employee Directors' Stock Option Plan, as amended April 1, 2001, provides for annual grants of stock options and restricted stock awards to eligible directors. As of December 31, 2005, there were 1,126,180 shares and 130,829 shares, respectively, reserved for future grants under these plans.

Restricted stock awards are granted without payment to the company in consideration of services to be performed in the ensuing three years. Restricted stock awards of 52,878 shares (fair value of \$2.3 million), 45,098 shares (fair value of \$1.2 million), and 81,705 shares (fair value of \$0.9 million) were granted in 2005, 2004, and 2003, respectively. Restricted stock awards expense charged to operations was approximately \$1.4 million in 2005, \$0.9 million in 2004, and \$0.7 million in 2003.

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). Stock options granted in 2005 were exercisable beginning three years after the grant date. In December 2005, we accelerated the vesting of stock options granted in 2005. Under the amended terms, these options were exercisable on or after December 14, 2005. Stock options granted in 2004 and 2003 were exercisable beginning one year after the grant date. Options granted prior to 2003 were exercisable six months after the grant date.

The weighted average fair value of options granted was \$16.31 per share in 2005, \$8.63 per share in 2004, and \$3.33 per share in 2003.

During November 2003, we made a special distribution of \$1.46 per common share to shareholders of record on November 14, 2003. For options outstanding as of November 12, 2003, the ex-distribution date, option shares and exercise prices were adjusted to reflect the change in intrinsic value that resulted from the special distribution. The adjustments were based on the ratio of the change in the market price of common stock that occurred as a result of the special distribution.

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For various exercise price ranges, characteristics of outstanding and exercisable stock options at December 31, 2005 were as follows:

<u>Range of Exercise Prices</u>	<u>Shares</u>	<u>Weighted-Average</u>	
		<u>Exercise Price</u>	<u>Remaining Life</u>
\$ 5.88 - \$ 9.03	372,802	\$ 7.49	4.8 years
\$10.65 - \$13.57	709,431	11.30	6.7
\$25.07 - \$28.06	277,188	25.17	8.2
\$44.36 - \$50.25	194,786	45.68	9.0
\$ 5.88 - \$50.25	1,554,207	17.17	6.8

A summary of option activity under the two plans follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Exercisable at Year-end</u>
Outstanding January 1, 2003	1,478,814	\$ 9.69	
Granted	744,630	11.58	
Exercised before adjustment	(259,752)	8.16	
Adjustment for special distribution	153,057	(0.77)	
Exercised after adjustment	(101,199)	9.06	
Outstanding December 31, 2003	2,015,550	9.88	1,270,920
Granted	297,065	25.21	
Exercised	(519,911)	9.45	
Outstanding December 31, 2004	1,792,704	12.55	1,495,639
Granted	194,786	45.68	
Exercised	(433,283)	10.86	
Outstanding December 31, 2005	1,554,207	17.17	1,554,207

Note 9—Accounts Receivable Securitization

In August 2004, we terminated our securitization arrangement with a financial institution under which Mine Safety Funding Corporation, a consolidated wholly-owned bankruptcy remote subsidiary of the company, could sell up to \$30.0 million of eligible accounts receivable to a multi-seller asset-backed commercial paper issuer. We terminated this arrangement because we no longer required the source of funding that the securitization provided.

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 10—Long-Term Debt

	2005	2004
	<i>(In thousands)</i>	
U.S.		
Industrial development debt issues payable through 2022, 2.39%	\$10,750	\$10,750
Series B Senior Notes payable through 2006, 7.69%	4,000	8,000
Senior Notes payable through 2012, 8.39%	39,070	39,585
Other	50	100
International		
Various notes payable through 2006, 9.63% to 19.0%	98	524
Total	53,968	58,959
Amounts due within one year	8,134	4,496
Long-term debt	45,834	54,463

Approximate maturities of these obligations are \$8.1 million in 2006, \$8.0 million in 2008, \$8.8 million in 2009, \$10.0 million in 2010, and \$19.1 million thereafter. Some debt agreements require us to maintain certain financial ratios and minimum net worth and contain restrictions on the total amount of debt. We were in compliance with our debt covenants as of December 31, 2005.

Note 11—Pensions and Other Postretirement Benefits

We maintain various defined benefit and defined contribution plans covering the majority of our employees. 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.

We provide health care benefits and limited life insurance for certain retired employees who are covered by our principal U.S. defined benefit pension plan until they become Medicare-eligible.

MINE SAFETY APPLIANCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We use a January 1 measurement date for our plans. Information pertaining to defined benefit pension plans and other postretirement benefits plans is provided in the following table.

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>			
Change in Benefit Obligations				
Benefit obligations at January 1	\$270,045	\$244,340	\$ 26,387	\$ 22,873
Service cost	7,843	7,383	543	513
Interest cost	14,985	14,661	1,609	1,505
Employee contributions	554	698	—	—
Plan amendments	44	68	—	—
Actuarial losses	14,515	11,675	1,949	3,589
Benefits paid	(13,716)	(13,701)	(1,970)	(2,093)
Curtailments	—	(568)	—	—
Currency translation effects	(8,176)	5,489	—	—
Benefit obligations at December 31	<u>286,094</u>	<u>270,045</u>	<u>28,518</u>	<u>26,387</u>
Change in Plan Assets				
Fair value of plan assets at January 1	383,195	356,477	—	—
Actual return on plan assets	25,162	38,570	—	—
Employer contributions	4,029	3,865	470	143
Employee contributions	554	698	—	—
Benefits paid	(13,716)	(13,701)	(1,970)	(2,093)
Section 420 transfer to retiree medical plan	(1,500)	(1,950)	1,500	1,950
Reimbursement of German benefits	(1,868)	(1,881)	—	—
Currency translation effects	(565)	1,117	—	—
Fair value of plan assets at December 31	<u>395,291</u>	<u>383,195</u>	<u>—</u>	<u>—</u>
Funded Status				
Funded status at December 31	109,197	113,150	(28,518)	(26,387)
Unrecognized transition gains	300	325	—	—
Unrecognized prior service cost	888	1,103	(1,444)	(1,682)
Unrecognized net actuarial (gains) losses	(26,527)	(44,093)	12,401	11,447
Prepaid (accrued) benefit cost	<u>83,858</u>	<u>70,485</u>	<u>(17,561)</u>	<u>(16,622)</u>
Amounts Recognized in the Balance Sheet				
Prepaid benefit cost	140,575	131,496	—	—
Accrued benefit liability	(60,447)	(64,659)	(17,561)	(16,622)
Intangible asset	334	412	—	—
Minimum pension liability adjustments	3,396	3,236	—	—
Prepaid (accrued) benefit cost	<u>83,858</u>	<u>70,485</u>	<u>(17,561)</u>	<u>(16,622)</u>
Accumulated Benefit Obligations for all Defined Benefit Plans				
Benefit Plans	233,337	222,297	—	—

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
	<i>(In thousands)</i>					
Components of Net Periodic Benefit Cost						
(Credit)						
Service cost	\$ 7,843	\$ 7,383	\$ 6,802	\$ 543	\$ 513	\$ 423
Interest cost	14,985	14,661	14,036	1,609	1,505	1,395
Expected return on plan assets	(30,001)	(29,123)	(27,785)	—	—	—
Amortization of transition amounts	43	28	(509)	—	—	—
Amortization of prior service cost	270	299	310	(227)	(228)	(228)
Recognized net actuarial losses (gains)	496	(661)	(1,677)	984	828	590
Settlement loss	260	225	—	—	—	—
Curtailment gain	—	—	(2,022)	—	—	—
Net periodic benefit (credit) cost	<u>(6,104)</u>	<u>(7,188)</u>	<u>(10,845)</u>	<u>2,909</u>	<u>2,618</u>	<u>2,180</u>

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Assumptions used to determine benefit obligations				
Discount rate	5.5%	5.8%	5.8%	6.0%
Rate of compensation increase	3.4%	3.4%	—	—
Assumptions used to determine net periodic benefit cost				
Discount rate	5.7%	6.1%	6.0%	6.3%
Expected return on plan assets	8.4%	8.5%	—	—
Rate of compensation increases	3.4%	3.5%	—	—

The expected return on assets for the 2005 net periodic pension cost was determined by multiplying the expected returns of each asset class (based on historical returns) by the expected percentage of the total portfolio invested in that asset class. A total return was determined by summing the expected returns over all asset classes.

Asset Category	Plan Assets at December 31	
	2005	2004
Equity securities	76.8%	75.5%
Debt securities	19.5%	22.0%
Real estate	0.2%	0.2%
Cash/other	3.5%	2.3%
Total	<u>100.0%</u>	<u>100.0%</u>

Investment policies are determined by the Plan's Investment Committee and set forth in the Plan's Investment Policy. Asset managers are granted discretion for determining sector mix, selecting securities and timing transactions, subject to the guidelines of the Investment Policy. An aggressive, flexible management of the portfolio is permitted. No target asset allocations are set forth in the Investment Policy.

We expect to make net contributions of \$1.7 million to our pension plans in 2006.

For measurement purposes, a 7.0% increase in the costs of covered health care benefits was assumed for the year 2005, decreasing by 0.5% for each successive year to 4.0% in 2011 and thereafter. A one-percentage-point

MINE SAFETY APPLIANCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 \$2.0 million and \$0.2 million, respectively.

Expense for defined contribution pension plans was \$3.9 million in 2005, \$3.8 million in 2004, and \$3.4 million in 2003.

On December 31, 2003, the U.S. defined benefit pension plan owned 2,533,500 shares (market value \$67.1 million) of our common stock. During 2004, the pension plan sold all shares of our common stock. During 2004 and 2003, the pension plan received dividends of approximately \$0.2 million and \$4.5 million, respectively, on those shares.

The estimated pension benefits to be paid under our defined benefit pension plans during the next five years are \$13.0 million in 2006, \$13.4 million in 2007, \$14.0 million in 2008, \$14.7 million in 2009, \$15.3 million in 2010, and are expected to aggregate \$89.5 million for the five years thereafter. The estimated other postretirement benefits to be paid during the next five years are \$2.0 million in 2006, \$2.0 million in 2007, \$2.0 million in 2008, \$2.1 million in 2009, \$2.2 million in 2010, and are expected to aggregate \$11.9 million for the five years thereafter.

Note 12—Other Income

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>		
Interest	\$2,460	\$2,714	\$1,071
Rent	—	—	532
Dividends	—	610	1,048
Dispositions of assets	1,604	1,008	(826)
Other, net	(6)	672	(101)
Total	<u>4,058</u>	<u>5,004</u>	<u>1,724</u>

Note 13—Leases

We lease office space, manufacturing and warehouse facilities, automobiles and other equipment under operating lease arrangements. Rent expense was \$10.9 million in 2005, \$9.9 million in 2004, and \$9.1 million in 2003. Minimum rental commitments under noncancelable leases are \$7.0 million in 2006, \$5.1 million in 2007, \$4.0 million in 2008, \$3.7 million in 2009, \$3.8 million in 2010, and \$4.0 million thereafter.

Note 14—Goodwill and Intangible Assets

Changes in goodwill and intangible assets, net of accumulated amortization, during the year ended December 31, 2005 were as follows:

	<u>Goodwill</u>	<u>Intangibles</u>
	<i>(In thousands)</i>	
Net balances at January 1, 2005	\$49,495	\$2,605
Goodwill acquired	8,012	—
Intangibles acquired	—	7,493
Amortization expense	—	(745)
Currency translation and other	(1,853)	—
Net balances at December 31, 2005	<u>55,654</u>	<u>9,353</u>

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At December 31, 2005, goodwill of approximately \$40.8 million and \$14.9 million related to the North American and European operating segments, respectively. Approximately \$5.6 million of the goodwill acquired during 2005 related to the Microsensor Systems, Inc. acquisition; the remainder related primarily to additional consideration paid on previous acquisitions.

Intangible assets include patents, license agreements, copyrights, and trademarks. These items are included in other noncurrent assets. At December 31, 2005, intangible assets totaled \$9.4 million, net of accumulated amortization of \$4.4 million. Intangible asset amortization expense over the next five years is expected to be approximately \$0.9 million in 2006, \$1.3 million in 2007, \$1.3 million in 2008, \$0.6 million in 2009, and \$0.6 million in 2010.

Note 15—Short-Term Debt

Short-term bank lines of credit amounted to \$59.0 million of which \$58.3 million was unused at December 31, 2005. 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 \$0.7 million and \$1.9 million at December 31, 2005 and 2004, respectively. The average month-end balance of total short-term borrowings during 2005 was \$23.9 million. The maximum month-end balance of \$32.9 million occurred at June 30, 2005. The weighted average interest rates on short-term borrowings at December 31, 2005 and 2004 were 6% and 7%, respectively.

Note 16—Derivative Financial Instruments

On April 6, 2004, we entered into an eight year interest rate swap agreement. Under the terms of the agreement, we receive a fixed interest rate of 8.39% and pay a floating interest rate based on LIBOR. The notional amount of the swap is initially \$20.0 million and declines \$4.0 million per year beginning in 2008. The interest rate swap has been designated as a fair value hedge of a portion of our fixed rate 8.39% Senior Notes.

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

The fair value of the interest rate swap at December 31, 2005, has been recorded as a liability of \$0.9 million that is included in other noncurrent liabilities, with an offsetting reduction in the carrying value of the long-term debt.

As a result of entering into the interest rate swap, we have increased our exposure to interest rate fluctuations. Differences between the fixed rate amounts received and the variable rate amount paid are recognized in interest expense on an ongoing basis. This rate difference resulted in reductions in interest expense of approximately \$0.1 million during 2005 and \$0.3 million during 2004.

On March 5, 2004, we terminated an interest rate swap agreement which we had entered into on December 2, 2003. The termination of this agreement resulted in a realized gain of approximately \$0.7 million, which was reported as a reduction of interest expense during 2004.

Note 17—Acquisitions

On September 1, 2005, we acquired Microsensor Systems, Inc. of Bowling Green, Kentucky. Microsensor Systems is a world leader in surface acoustic wave based chemical sensing technology used to detect chemical warfare agents. We believe the acquisition of Microsensor Systems significantly strengthens our position as a

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

premier provider of leading edge detection technology, while expanding our product offerings in the homeland security, emergency responder, law enforcement, military and industrial markets.

The initial purchase price of \$12.8 million in cash includes amounts paid to the previous owners and other direct external costs associated with the acquisition. The acquisition was recorded using the purchase method of accounting and, accordingly, the purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

The following table summarizes the estimated fair value of the Microsensor Systems assets acquired and liabilities assumed at the date of acquisition:

	<u>September 1, 2005</u>
	<i>(In thousands)</i>
Current assets	\$ 2,238
Property	222
Intangibles	5,179
Goodwill	<u>5,643</u>
Total assets acquired	13,282
Current liabilities	<u>455</u>
Net assets acquired	<u>12,827</u>

Goodwill related to the Microsensor Systems acquisition, which is included in the North American segment, is expected to be deductible for tax purposes.

The acquisition agreement provides for additional consideration of up to \$2.3 million to be paid to the former owners based on sales of certain Microsensor Systems products during the five year period from September 1, 2005 through August 31, 2010. Additional consideration will be charged to goodwill.

On June 30, 2004, we acquired Sordin AB of Varnamo, Sweden, a leading manufacturer of passive and electronic hearing protection designed for the industrial, law enforcement and military markets. The acquisition was recorded using the purchase method of accounting. The \$4.3 million initial purchase price was allocated to assets acquired and liabilities assumed based on estimated fair values and included \$2.9 million of goodwill, which is included in the European segment. The acquisition agreement provided for additional consideration of up to \$5.4 million to be paid to the former owners based on Sordin's earnings performance during the five year period from July 1, 2004 through June 30, 2009. In October 2005, the acquisition agreement was amended to satisfy our additional consideration obligation to 60% of the former shareholders with a lump sum payment of \$2.2 million, which was charged to goodwill. The additional consideration due to the remaining 40% of the former shareholders, who comprise the current Sordin management team, is being recognized as compensation expense over the five year earn out period, as specified in the acquisition agreement.

Microsensor Systems and Sordin operating results have been included in our consolidated financial statements from their respective acquisition dates. Pro forma consolidated results, as if the acquisitions had occurred at the beginning of 2003, would not be materially different from the results reported.

MINE SAFETY APPLIANCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 18—Discontinued Operations

On September 12, 2003, we sold certain assets of the Callery Chemical Division to BASF Corporation for \$64.6 million. The operating results of the Callery Chemical Division and the gain on the sale of the division, as summarized below, have been classified as discontinued operations.

	<u>Year ended December 31, 2003</u>
	<i>(In thousands)</i>
Net sales	\$21,345
Income before income taxes	4,210
Provision for income taxes	<u>1,525</u>
Net income from discontinued operations	<u>2,685</u>
Gain on sale of discontinued operations	22,390
Provision for income taxes	<u>8,732</u>
Gain on sale of discontinued operations—after tax	<u>13,658</u>

Note 19—Contingencies

Various lawsuits and claims arising in the normal course of business are pending against us. These lawsuits are primarily product liability claims. We are presently named as a defendant in approximately 3,000 lawsuits primarily involving respiratory protection products allegedly manufactured and sold by us. Collectively, these lawsuits represent a total of approximately 26,000 plaintiffs. Approximately 90% of these lawsuits involve plaintiffs alleging they suffer from silicosis, with the remainder alleging they suffer from other or combined injuries, including asbestosis. These lawsuits typically allege that these conditions resulted in part from respirators that were negligently designed or manufactured by us. Consistent with the experience of other companies involved in silica and asbestos-related litigation, in recent years there has been an increase in the number of asserted claims that could potentially involve us. We cannot determine our potential maximum liability for such claims, in part because the defendants in these lawsuits are often numerous, and the claims generally do not specify the amount of damages sought.

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

In the normal course of business, we make payments to settle product liability claims and related legal fees that are covered by insurance. We record receivables for the portion of these payments that we expect to recover from insurance carriers. At December 31, 2005, the net balance of receivables from insurance carriers was \$5.0 million. We evaluate the collectibility of these receivables on an ongoing basis and make adjustments as appropriate.

In connection with our sale of the Callery Chemical facility in Evans City, Pennsylvania, we have retained responsibility for certain environmental costs at this site, where relatively low levels of contamination are known to exist. Under the terms of the asset purchase agreement with BASF, our maximum liability for these matters is

MINE SAFETY APPLIANCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

capped at \$50.0 million. Based on environmental studies performed prior to the sale of the division, we do not believe that our potential exposure under the terms of this agreement will materially affect our financial condition.

Note 20—Recently Issued Accounting Standards

In November 2004, the Financial Accounting Standards Board (FASB) issued FAS No. 151, Inventory Costs, an Amendment of ARB No. 43, Chapter 4. FAS No. 151 requires the exclusion of certain costs from inventories and the allocation of fixed production overheads to inventories to be based on the normal capacity of the production facilities. The provisions of this Statement are effective for costs incurred after December 31, 2005. We expect that our adoption of this statement effective January 1, 2006 will not have a material effect on our consolidated results of operations or financial condition.

In December 2004, the FASB issued FAS No. 123R, Share-Based Payment, which is a revision of FAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. FAS No. 123R establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FAS No. 123R requires an entity to recognize the cost of employee services received in share-based payment transactions, thereby reflecting the economic consequences of those transactions in the financial statements. This Statement applies to all awards granted on or after January 1, 2006, and to awards modified, repurchased, or cancelled after that date. We expect that adopting this Statement will reduce our net income in 2006 by approximately \$1.6 million.

Note 21—Quarterly Financial Information (Unaudited)

	2005					2004				
	Quarters				Year	Quarters				Year
	1st	2nd	3rd	4th		1st	2nd	3rd	4th	
	<i>(In thousands, except earnings per share)</i>									
Net sales	\$228,048	\$220,124	\$217,879	\$241,861	\$907,912	\$194,490	\$213,114	\$219,962	\$224,943	\$852,509
Gross profit	93,368	87,440	81,182	93,450	355,440	81,803	84,931	88,374	85,312	340,420
Net income	21,353	19,201	17,052	24,177	81,783	16,138	18,118	19,111	17,680	71,047
Basic earnings per share58	.53	.47	.66	2.24	.44	.49	.51	.47	1.91
Diluted earnings per share57	.52	.46	.65	2.19	.43	.48	.50	.46	1.86

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

None.

Item 9A. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Based on their evaluation as of the end of the period covered by this Form 10-K, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) *Changes in internal control.* There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

See Item 8. Financial Statements and Supplementary Data—"Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm."

Item 9B. Other Information

None.

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 and Related Stockholder Matters

Item 13. Certain Relationships and Related Transactions

Item 14. Principal Accountant Fees and Services

Incorporated by reference herein pursuant to Rule 12b—23 are (1) “Election of Directors,” (2) “Other Information Concerning Directors and Officers” (except as excluded below), (3) “Stock Ownership,” and (4) “Selection of Independent Registered Public Accounting Firm,” appearing in the Proxy Statement filed pursuant to Regulation 14A in connection with the registrant’s Annual Meeting of Shareholders to be held on May 11, 2006. The information appearing in such Proxy Statement under the captions “Compensation Committee Report on Executive Compensation,” “Audit Committee Report” and the other information appearing in such Proxy Statement and not specifically incorporated by reference herein is not incorporated herein. The Company has adopted a Code of Ethics applicable to its principal executive officer, principal financial officer and principal accounting officer and other Company officials. The text of the Code of Ethics is available on the Company’s Internet site at *www.MSAnet.com*. Any amendment to, or waiver of, a required provision of the Code of Ethics that applies to the Company’s principal executive, financial or accounting officer will also be posted on the Company’s Internet site at that address.

The following table sets forth information as of December 31, 2005 concerning common stock issuable under the Company’s equity compensation plans.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</u>
Equity compensation plans approved by security holders	1,554,207	\$17.17	1,257,009
Equity compensation plans not approved by security holders	None	—	None
Total	1,554,207	\$17.17	1,257,009

* Includes 1,126,180 shares available for issuance under the Company’s 1998 Management Share Incentive Plan (MSIP) and 130,829 shares available for issuance under the Company’s 1990 Non-Employee Directors’ Stock Option Plan (DSOP). In addition to stock options, the DSOP authorizes the issuance of restricted stock awards, and the MSIP authorizes the issuance of stock appreciation rights, restricted stock, performance awards and other stock and stock-based awards.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements and Report of Independent Registered Public Accounting Firm (see Part II, Item 8 of this Form 10-K).

The following information is filed as part of this Form 10-K.

	<u>Page</u>
Management's Report on Responsibility for Financial Reporting and Management's Report on Internal Control Over Financial Reporting	31
Report of Independent Registered Public Accounting Firm	32
Consolidated Statement of Income—three years ended December 31, 2005	34
Consolidated Balance Sheet—December 31, 2005 and 2004	35
Consolidated Statement of Cash Flows—three years ended December 31, 2005	36
Consolidated Statement of Changes in Retained Earnings and Accumulated Other Comprehensive Income—three years ended December 31, 2005	37
Notes to Consolidated Financial Statements	38

(a) 2. The following additional financial information for the three years ended December 31, 2005 is filed with the report and should be read in conjunction with the above financial statements:

Report of Independent Registered Public Accounting Firm 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 consolidated financial statements and consolidated notes to the financial statements listed above.

(a) 3. Exhibits

- (3)(i) Restated Articles of Incorporation as amended to January 16, 2004, filed as Exhibit 3(i) to Form 10-K on March 15, 2004, is incorporated herein by reference.
- (3)(ii) By-laws of the registrant, as amended on October 26, 2004, filed as Exhibit 3.1 to Form 8-K on October 27, 2004, is 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 (4) to Form 10-K on March 27, 2002, is incorporated herein by reference.
- (10)(a)* 1998 Management Share Incentive Plan, filed as Exhibit 10(b) to Form 10-K on March 28, 2003, is incorporated herein by reference.
- (10)(b)* Retirement Plan for Directors, as amended effective April 1, 2001, filed as Exhibit 10(c) to Form 10-K on March 27, 2001, is incorporated herein by reference.
- (10)(c)* Supplemental Pension Plan as of May 5, 1998, filed as Exhibit 10(d) to Form 10-Q on August 12, 2003, is incorporated herein by reference.
- (10)(d)* 1990 Non-Employee Directors' Stock Option Plan as amended effective April 29, 2004, filed as Exhibit 10(d) to Form 10-K on March 14, 2005, is incorporated herein by reference.

- (10)(e)* Executive Insurance Program as Amended and Restated as of January 1, 2001, filed as Exhibit 10(g) to Form 10-K on March 27, 2001, is incorporated herein by reference.
- (10)(f)* Annual Incentive Bonus Plan as of May 5, 1998, filed as Exhibit 10(g) to Form 10-Q on August 12, 2003, is incorporated herein by reference.
- (10)(g)* Form of Severance Agreement as of May 20, 1998 between the registrant and John T. Ryan III, filed as Exhibit 10(h) to Form 10-Q on August 12, 2003, is incorporated herein by reference.
- (10)(h)* Form of Severance Agreement between the registrant and the other executive officers filed as Exhibit 10(i) to Form 10-Q on August 12, 2003, is incorporated herein by reference.
- (10)(i)* First Amendment to the 1998 Management Share Incentive Plan as of March 10, 1999, filed as Exhibit 10(i) to Form 10-Q on August 6, 2004, is incorporated herein by reference.
- (10)(j) 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(k) to Form 10-K on March 28, 2003, is incorporated herein by reference.
- (10)(k)* MSA Supplemental Savings Plan, as amended and restated effective January 1, 2003, filed as Exhibit 10(l) to Form 10-K on March 28, 2003, is incorporated herein by reference.
- (10)(l)* CEO Annual Incentive Award Plan filed as Appendix A to the registrant's definitive proxy statement dated March 29, 2005, is incorporated herein by reference.
- (21) Affiliates of the registrant is filed herewith.
- (23) Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm is filed herewith.
- (31)(1) Certification of J. T. Ryan III pursuant to Rule 13a-14(a) is filed herewith.
- (31)(2) Certification of D. L. Zeitler pursuant to Rule 13a-14(a) is filed herewith.
- (32) Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C.(S)1350 is filed herewith.

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

The registrant agrees to furnish to the Commission upon request copies of all instruments with respect to long-term debt referred to in Note 10 of the Notes to Consolidated Financial Statements filed as part of Item 8 of this annual report which have not been previously filed or are not filed herewith.

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

<u>March 6, 2006</u> (Date)	By	<u>/s/ JOHN T. RYAN III</u> John T. Ryan III Chairman of the Board and Chief Executive Officer
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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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ JOHN T. RYAN III John T. Ryan III	Director; Chairman of the Board and Chief Executive Officer	March 6, 2006
/s/ DENNIS L. ZEITLER Dennis L. Zeitler	Vice President—Finance; Principal Financial and Accounting Officer	March 6, 2006
/s/ CALVIN A. CAMPBELL, JR. Calvin A. Campbell, Jr.	Director	March 6, 2006
/s/ JAMES A. CEDERNA James A. Cederna	Director	March 6, 2006
/s/ THOMAS B. HOTOPP Thomas B. Hotopp	Director	March 6, 2006
/s/ DIANE M. PEARSE Diane M. Pearse	Director	March 6, 2006
/s/ L. EDWARD SHAW, JR. L. Edward Shaw, Jr.	Director	March 6, 2006
/s/ JOHN C. UNKOVIC John C. Unkovic	Director	March 6, 2006
/s/ THOMAS H. WITMER Thomas H. Witmer	Director	March 6, 2006

**Report of Independent Registered Public Accounting Firm on
Financial Statement Schedule**

To the Board of Directors
of Mine Safety Appliances Company:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated March 6, 2006 appearing in the 2005 Annual Report to Shareholders of Mine Safety Appliances Company (which report, consolidated financial statements and assessment are included in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(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.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 6, 2006

SCHEDULE II

**MINE SAFETY APPLIANCES COMPANY AND AFFILIATES
VALUATION AND QUALIFYING ACCOUNTS
THREE YEARS ENDED DECEMBER 31, 2005
(IN THOUSANDS)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Allowance for doubtful accounts:			
Balance at beginning of year	\$7,548	\$6,418	\$4,134
Additions—			
Charged to costs and expenses	474	1,703	2,718
Deductions—			
Deductions from reserves (1)	1,981	573	434
Balance at end of year	<u>6,041</u>	<u>7,548</u>	<u>6,418</u>

(1) Bad debts written off, net of recoveries.

MINE SAFETY APPLIANCES COMPANY

The registrant's present affiliates include the following:

<u>Name</u>	<u>State or Other Jurisdiction of Incorporation</u>
Compañía MSA de Argentina S.A.	Argentina
MSA (Aust.) Pty. Limited	Australia
MSA-Auer Sicherheitstechnik Vertriebs GmbH	Austria
MSA Belgium NV	Belgium
MSA do Brasil Ltda.	Brazil
MSA Canada	Canada
MSA de Chile Ltda.	Chile
Wuxi-MSA Safety Equipment Co. Ltd.	China
MSA International, Inc.	Delaware
Microsensor Systems, Inc.	Kentucky
MSA Gallet	France
MSA Auer	Germany
MSA Europe	Germany
MSA-Auer Hungaria Safety Technology	Hungary
MSA Italiana S.p.A.	Italy
MSA Japan Ltd.	Japan
MSA Safety Malaysia Snd Bhd	Malaysia
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 Española S.A.	Spain
MSA Nordic	Sweden
Sordin AB	Sweden
Aritron Instrument A.G.	Switzerland
MSA Zimbabwe (Pvt.) Limited	Zimbabwe

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.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-22284, No. 33-43696, No. 333-51983, and No. 333-121196) of Mine Safety Appliances Company of our reports dated March 6, 2006 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 6, 2006

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

I, John T. Ryan III, certify that:

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

March 6, 2006

/s/ John T. Ryan III
John T. Ryan III
Chief Executive Officer

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

I, Dennis L. Zeitler, certify that:

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

March 6, 2006

/s/ Dennis L. Zeitler
Dennis L. Zeitler
Chief Financial Officer

CERTIFICATION

Pursuant to 18 U.S.C. (S) 1350, the undersigned officers of Mine Safety Appliances Company (the "Company"), hereby certify, to the best of their knowledge, that the Company's Annual Report on Form 10-K for the year ended December 31, 2005 (the "Report") fully complies with the requirements of Section 13 (a) or 15 (d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 6, 2006

/s/ John T. Ryan III

Name: John T. Ryan III
Title: Chief Executive Officer

/s/ Dennis L. Zeitler

Name: Dennis L. Zeitler
Title: Chief Financial Officer

PRINCIPAL OPERATIONS

North America

Mine Safety Appliances Company

Corporate Headquarters – Pittsburgh, Pa.
Manufacturing – Bowling Green, Ky; Clifton, N.J.;
Cranberry Twp., Pa.; Englewood, Co.; Evans City, Pa.;
Jacksonville, N.C.; Murrysville, Pa.; Newport, Vt.; Sparks, Md.
Research – John T. Ryan Memorial Laboratory,
Cranberry Twp., Pa.

MSA Canada, Toronto; **MSA Gallet**, Quebec

MSA de Mexico, S.A. de C.V., Mexico City

Europe

MSA Europe (Headquarters), Berlin, Germany

Aritron Instrument A.G., Forch, Switzerland

MSA-Auer Almay, Almaty, Kazakhstan (Service Center/Office)

MSA-Auer, Berlin, Germany

MSA-Auer, Czech, s.r.o., Ostrava, Czech

MSA-Auer GmbH, Czech o.z., Praha, Czech (Service Center)

MSA-Auer Polska Sp. z o.o., Warsaw, Poland

MSA-Auer Poznan, Poznan, Poland (Service Center)

MSA-Auer Hungaria Safety Technology, Budapest, Hungary

MSA-Auer Kiev, Kyiv, Ukraine (Representative Office)

MSA-Auer Miskolc, Tiszaujvaros, Hungary (Service Center)

MSA-Auer GmbH Romania, o.z., Bucuresti, Romania (Branch)

MSA-Auer Petrosani, Petrosani, Romania (Service Center)

MSA-Auer Moscow, Moscow, Russia (Representative Office)

MSA-Auer Sicherheitstechnik Vertriebs GmbH,

Absdorf, Austria

MSA-Auer GmbH, Slovakia o.z., Pezinok, Slovakia

(Service Center)

MSA-Auer Szczecin, Szczecin, Poland (Service Center)

MSA Belgium, N.V., Lier

MSA (Britain) Limited, Glasgow

MSA Española, S.A., Barcelona

MSA de France, Paris

MSA Gallet, Chatillon sur Chalaronne, France;

Mohammedia, Morocco

MSA Italiana S.p.A., Milan

MSA Nederland, B.V., Hoorn

MSA Nordic, Malmo, Sweden

MSA SORDIN AB, Varnamo, Sweden

International

MSA Africa (Pty.) Ltd., Johannesburg

MSA de Argentina S.A., Buenos Aires

MSA (Aust.) Pty. Limited, Sydney

MSA (Australia), Auckland, New Zealand (Branch Office)

MSA do Brasil Ltda., São Paulo

MSA de Chile Ltda., Santiago

MSA Hong Kong Limited, Hong Kong

MSA (India) Limited, Calcutta

MSA Indonesia, Jakarta

MSA Japan Ltd., Tokyo

MSA Safety Malaysia Snd Bhd, Kuala Lumpur

MSA Middle East, Abu Dhabi, U.A.E.

MSA del Peru S.A.C., Lima

MSA S.E. Asia Pte. Ltd., Singapore

MSA Zimbabwe (Pvt.) Limited, Harare

Wuxi-MSA Safety Equipment Co., Ltd., Wuxi, China

DIRECTORS & CORPORATE OFFICERS

Board of Directors

John T. Ryan III (1)

Chairman and Chief Executive Officer
of the Company

Calvin A. Campbell, Jr. (2) (3) (4)

Retired (2003); formerly Chairman, President and Chief
Executive Officer, Goodman Equipment Corporation
(manufactured underground mining and tunneling
locomotives and parts and services for plastics injection
molding machinery)

James A. Cederna (2) (3) (4)

Owner and President, Cederna International, Inc.
(executive coaching)

Thomas B. Hotopp (1)

Retired (2003); formerly President of the Company

Diane M. Pearse (2)

Chief Financial Officer, Crate and Barrel
(home furnishings retailer)

L. Edward Shaw, Jr.

Senior Managing Director, Richard C. Breeden & Co.
(multi-disciplinary professional services firm)
Director, HealthSouth Corporation

John C. Unkovic (3) (4)

Partner and General Counsel, Reed Smith LLP
(full service law firm)

Thomas H. Witmer (1) (2) (3)

Retired (1998); formerly President and Chief Executive
Officer, Medrad, Inc. (manufacturer of medical devices)

(1) Member of Executive Committee

(2) Member of Audit Committee

(3) Member of Compensation Committee

(4) Member of Nominating and Corporate
Governance Committee

Officers

John T. Ryan III

Chairman of the Board and Chief Executive Officer

James H. Baillie

Vice President; President, MSA Europe

Joseph A. Bigler

Vice President

Kerry M. Bove

Vice President

Rob Cañizares M.

Vice President; President, MSA International

Ronald N. Herring, Jr.

Vice President

William M. Lambert

Vice President; President, MSA North America

Douglas K. McClaine

Vice President; Secretary and General Counsel

Stephen C. Plut

Vice President

Dennis L. Zeitler

Vice President; Chief Financial Officer and Treasurer



Douglas K. McClaine

ORGANIZATION

In 2005, MSA continued to add breadth and depth to its executive management team and gave appropriate recognition to several senior executives.

Douglas K. McClaine, a 21-year veteran of MSA, was elected a Vice President of the company. Possessing a broad knowledge of the law and strong leadership skills, Doug has established himself as an important contributor to MSA's management team. In addition to solidifying MSA's ethics policy, Doug most recently played an integral role in managing the legal issues associated with MSA's transition from the American Stock Exchange to the New York Stock Exchange. Doug will maintain his current responsibilities as Secretary and General Counsel, a position to which he was promoted in 2002.



Stephen C. Plut

Also elected Vice President in 2005 was **Stephen C. Plut**. With more than 25 years of IT experience, Steve joined the company in 1998 as Director of Information Technology and has helped develop MSA's IT department into a world class practice. The successful completion of the significant SAP upgrade and the creation of an innovative "early warning" system that helps ensure efficient and timely processing of customer orders are two recent examples of Steve's IT leadership at MSA. Based on these and other accomplishments, Steve was recognized in 2005 by IDG's *Computerworld Magazine* as one of the business world's Premier 100 IT Leaders.

To more closely align MSA's Human Resources function with the company's strategic and long-term business goals, MSA completed a major transformation of its HR team in 2005. Leading this important initiative was **Paul R. Uhler** who, in 2005, was promoted to Director, Human Resources and Corporate Communications. A veteran of MSA, Paul brings 21 years of operations expertise and HR experience to this new position. He succeeds Benedict DeMaria, who retired from the company in 2005 after 24 years of service.



Paul R. Uhler

MSA wishes to thank and recognize Ben for the many contributions he made to the company over his many years of service. Developing the early framework for MSA's HR transformation was one of Ben's most important contributions to MSA. His commitment to maintaining MSA's longstanding employee-oriented culture remains evident today as many HR programs created under Ben's leadership continue to be benchmarks in our region.

Section 302 Certifications and NYSE CEO Certification

In June 2005, the Company's Chief Executive Officer submitted to the New York Stock Exchange the annual certification as to compliance with the Exchange's Corporate Governance Listing Standards required by Section 303A.12(a) of the Exchange's Listed Company Manual. The certification was unqualified.

The Company's reports filed with the Securities and Exchange Commission during the past year, including the Annual Report on Form 10-K for the year ended December 31, 2005, have contained the certifications of the Company's Chief Executive Officer and Chief Financial Officer regarding the quality of the Company's public disclosure required by Section 302 of the Sarbanes-Oxley Act.

Shareholders' Inquiries

Additional copies of the company's 2005 Annual Report, including Form 10-K, as filed with the Securities and Exchange Commission, may be obtained by shareholders after April 1, 2006. Printed and electronic versions are available. Requests should be directed to the Vice President-Finance, who can be reached at one of the following:

Phone: 412-967-3046
Fax: 412-967-3367
Internet: MSA.net.com
U.S. Mail: MSA
Vice President-Finance
P. O. Box 426
Pittsburgh, PA 15230



The Safety Company

Mine Safety Appliances Company

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