# MSA Announces Third Quarter Results

PITTSBURGH, Oct. 23, 2013 /PRNewswire/ -- MSA (NYSE: MSA), the global leader in safety products and systems that help protect facility infrastructures and people in the workplace, today announced that net sales for the third quarter of 2013 were $278 million compared with $287 million for the third quarter of 2012, a decrease of $9 million, or 3 percent. Excluding the effect of weakening currencies, sales decreased $3 million, or 1 percent. Net income for the third quarter 2013 was $20 million, or $0.52 per basic share. Excluding after-tax restructuring expense, foreign currency charges and a gain on an asset sale totaling $2 million, net income for the current quarter was $22 million or $0.57 per basic share.

"MSA's consolidated third quarter results reflect the combined impact of product certification delays resulting from the federal government's budget sequestration, a reduction in large order shipments and weaker than normal business conditions in mining markets around the world," said William M. Lambert, MSA President and CEO. "Although we continue to see good growth opportunities for MSA's global core product groups, we had a number of short-term items impact our quarterly results, including a temporary stoppage of SCBA shipments to the U.S. fire service caused by government sequestration delays in the certification process associated with new SCBA performance standards adopted by the National Fire Protection Association."

On a geographic basis, third quarter sales in the company's North American segment increased $1 million, or 1 percent, versus the same period of 2012. Sales of gas detection products increased $4 million on an increase in shipments to industrial markets. This increase was partially offset by a $3 million decline in shipments to military markets on a lower level of gas mask sales. Sequential quarter SCBA orders were down $9 million, due principally to sequestration related approval delays of new product.

Sales in the company's European segment decreased $1 million, or 1 percent, when compared to the third quarter of 2012. Excluding a favorable currency translation impact of $2 million, local currency sales decreased $3 million. The decline was related to weakness in industrial markets in Russia and a lower level of invoicing to military markets in the Middle East and India regions. These declines were partially offset by strength in the fire service markets throughout Western Europe.

Sales in MSA's International segment decreased $9 million, or 10 percent, versus the same period of 2012. Excluding an unfavorable currency translation impact of $8 million, International segment local currency sales decreased $1 million, or 1 percent, from the third quarter of 2012. Local currency industrial market sales were flat on weakness in mining markets, while fire service improvements were offset by a decline in sales to military markets.

Net income in MSA's North American segment increased $3 million in the third quarter of 2013, primarily due to lower selling, general and administrative expenses.

Net income in MSA's European segment increased $1 million in the third quarter of 2013, primarily due to improved product margins.

International segment net income decreased $1 million in the third quarter, primarily related to the decrease in sales partially offset by a reduction of selling, general and administrative expenses in Australia and South Africa.

The net loss reported in reconciling items increased $2 million in the third quarter of 2013. The increase in reconciling items net loss in the third quarter of 2013 reflects higher currency exchange losses and the absence of a one-time tax benefit associated with the non-cash charitable contribution of land at MSA's corporate headquarters near Pittsburgh in the third quarter of 2012.

"While the quarterly financial results demonstrate how challenging conditions are, we continue to experience growth in MSA's core product lines," Mr. Lambert said. "As we head into the final quarter of the year, we remain focused on controlling SG&A and reducing manufacturing costs while continuing our investment in R&D that drives profitable growth," he said. "I remain confident in our strategy and the soundness of our long-term goals. We will continue to drive our key initiatives across core products, throughout emerging markets and in operational excellence – initiatives that I'm confident will continue to deliver value for our shareholders, just as they have over the past three years," Mr. Lambert concluded.

***About MSA:***

*Established in 1914, MSA is the global leader in the development, manufacture and supply of safety products that protect people and facility infrastructures. Many MSA products integrate a combination of electronics, mechanical systems and advanced materials to protect users against hazardous or life-threatening situations. The company's comprehensive line of products is used by workers around the world in a broad range of industries, including the fire service, the oil, gas and petrochemical industry, construction, mining and utilities, as well as the military. Principal products include self-contained breathing apparatus, fixed gas and flame detection systems, handheld gas detection instruments, head protection products, fall protection devices and thermal imaging cameras. The company also provides a broad range of consumer and contractor safety products through a joint venture with MCR Safety. These products are marketed and sold under the Safety Works® brand. MSA, based north of Pittsburgh in Cranberry Township, Pa., has annual sales of approximately $1.2 billion, manufacturing*

*operations in the United States, Europe, Asia and Latin America, and 42 international locations. Additional information is available on the company's Web site at www.MSAsafety.com. Information on Safety Works products can be found at www.SafetyWorks.com.*

***Cautionary Statement Regarding Forward-Looking Statements:***

*Except for historical information, certain matters discussed in this press release may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, including without limitation all projections and anticipated levels of future performance, involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Actual results can be affected by any number of factors, many of which are outside of management's control. Among the factors that could cause such differences are global economic conditions, spending patterns of government agencies, competitive pressures, product liability claims, the success of new product introductions, currency exchange rate fluctuations, the identification and successful integration of acquisitions and the risks of doing business in foreign countries. These risks, uncertainties and other factors are detailed from time-to-time in our filings with the United States Securities and Exchange Commission ("SEC"). You are strongly urged to review all such filings for a more detailed discussion of such risks and uncertainties. MSA's SEC filings are readily obtainable at no charge at www.sec.gov, as well as on a number of other commercial websites.*

Mine Safety Appliances Company
Consolidated Condensed Statement of Income (Unaudited)
(In thousands, except earnings per share)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | $278,245 | $ 286,567 | $861,179 | $ 874,790 |
| Other income, net | 609 | 169 | 1,037 | 8,433 |
| | 278,854 | 286,736 | 862,216 | 883,223 |
| Costs and expenses | | | | |
| Cost of products sold | 160,029 | 164,313 | 485,301 | 502,419 |
| Selling, general and administrative | 73,311 | 81,606 | 237,919 | 236,591 |
| Research and development | 12,298 | 10,073 | 34,280 | 29,707 |
| Restructuring and other charges | 1,515 | — | 3,942 | — |
| Interest expense | 2,741 | 2,797 | 8,151 | 8,860 |
| Currency exchange losses, net | 1,733 | 617 | 3,845 | 1,845 |
| | 251,627 | 259,406 | 773,438 | 779,422 |
| Income before income taxes | 27,227 | 27,330 | 88,778 | 103,801 |
| Provision for income taxes | 8,050 | 7,680 | 25,815 | 31,550 |
| Net income | 19,177 | 19,650 | 62,963 | 72,251 |
| Net loss (income) attributable to noncontrolling interests | 324 | (417) | (127) | (1,101) |
| Net income attributable to Mine Safety Appliances Company | 19,501 | 19,233 | 62,836 | 71,150 |
| Earnings per share attributable to Mine Safety Appliances Company common shareholders | | | | |
| Basic | $ 0.52 | $ 0.52 | $ 1.69 | $ 1.93 |
| Diluted | $ 0.52 | $ 0.51 | $ 1.66 | $ 1.90 |
| Dividends per common share | $ 0.30 | $ 0.28 | $ 0.88 | $ 0.82 |
| Basic shares outstanding | 36,915 | 36,633 | 36,845 | 36,535 |
| Diluted shares outstanding | 37,507 | 37,055 | 37,438 | 37,009 |

Mine Safety Appliances Company
Consolidated Condensed Balance Sheet (Unaudited)
(In thousands)

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 96,010 | $ 82,718 |
| Trade receivables, net | 194,886 | 191,289 |
| Inventories | 144,277 | 136,300 |
| Other current assets | 60,102 | 53,241 |
| Total current assets | 495,275 | 463,548 |
| | | |
| Property, net | 150,146 | 147,465 |
| Prepaid pension cost | 47,640 | 42,818 |
| Goodwill | 259,388 | 258,400 |
| Other noncurrent assets | 217,094 | 199,515 |
| Total | 1,169,543 | 1,111,746 |
| | | |
| Current liabilities | | |
| Notes payable and current portion of long-term debt | *$ 7,114* | $ 6,823 |
| Accounts payable | 66,628 | 59,519 |
| Other current liabilities | 120,469 | 122,458 |
| Total current liabilities | 194,211 | 188,800 |
| | | |
| Long-term debt | 282,333 | 272,333 |
| Pensions and other employee benefits | 154,457 | 151,536 |
| Deferred tax liabilities | 19,184 | 17,249 |
| Other noncurrent liabilities | 11,101 | 11,124 |
| Equity | 508,257 | 470,704 |
| Total | 1,169,543 | 1,111,746 |

Mine Safety Appliances Company
Consolidated Condensed Statement of Cash Flows
(In thousands)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Net income | 62,963 | 72,251 |
| Depreciation and amortization | 23,392 | 24,057 |
| Change in working capital | (18,291) | 2,763 |
| Other operating | (3,358) | (10,037) |
| Cash from operations | 64,706 | 89,034 |
| | | |
| Capital expenditures | (26,214) | (24,949) |
| Property disposals and other investing | 1,333 | 16,801 |
| Cash from investing | (24,881) | (8,148) |
| | | |
| Change in debt | 10,284 | (37,551) |
| Cash dividends paid | (32,694) | (30,261) |
| Other financing | (1,181) | 1,373 |
| Cash from financing | (23,591) | (66,439) |
| | | |
| Exchange rate changes | (2,942) | 71 |
| | | |
| Increase (decrease) in cash and cash equivalents | 13,292 | 14,518 |

Mine Safety Appliances Company
Segment Information (Unaudited)
(In thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | | | | |
| | $ | $ | $ | $ |
| North America | 134,889 | 133,944 | 423,319 | 416,728 |
| Europe | 67,093 | 67,660 | 204,735 | 207,450 |
| International | 76,263 | 84,963 | 233,125 | 250,612 |
| Total | 278,245 | 286,567 | 861,179 | 874,790 |
| Net income (loss) | | | | |
| | $ | $ | $ | $ |
| North America | 18,053 | 15,100 | 55,217 | 51,636 |
| Europe | 2,667 | 2,039 | 8,003 | 9,794 |
| International | 4,636 | 6,016 | 16,493 | 17,900 |
| Reconciling | (5,855) | (3,922) | (16,877) | (8,180) |
| Total | 19,501 | 19,233 | 62,836 | 71,150 |

SOURCE MSA

For further information: Mark Deasy, (724) 741- 8570

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https://news.msasafety.com/2013-10-23-MSA-Announces-Third-Quarter-Results,1