

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

MINE SAFETY APPLIANCES CO
Form 10-K405
March 27, 2002

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, 2001

Commission file number 0-2504

MINE SAFETY APPLIANCES COMPANY
A Pennsylvania Corporation
IRS Employer Identification No. 25-0668780
121 Gamma Drive
RIDC Industrial Park
O'Hara Township
Pittsburgh, Pennsylvania 15238
Telephone 412/967-3000

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

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

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

Preferred Stock Purchase Rights

(COVER PAGE)

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, 2001

Commission File No. 0-2504

MINE SAFETY APPLIANCES COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania

25-0668780

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

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

15238

(Address of principal executive offices)

(Zip Code)

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

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

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

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

Preferred Stock Purchase Rights

(Title of Class)

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

Yes 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.

As of February 22, 2002, there were outstanding 12,102,227 shares of common stock, no par value, not including 1,415,373 shares held by the Mine Safety Appliances Company Stock Compensation Trust. Total market value of outstanding shares as of February 22, 2002 was \$462,305,000. The aggregate market value of voting stock held by non-affiliates as of February 22, 2002 was \$311,785,000.

1

(COVER PAGE)

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been incorporated by reference:

DOCUMENT	FORM 10-K PART NUMBER
-----	-----
(1) Annual Report to Shareholders for the year ended December 31, 2001	I, II, IV
(2) Proxy Statement filed pursuant to Regulation 14A	

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

in connection with the registrant's
Annual Meeting of Shareholders to
be held on May 7, 2002

III

2

PART I

Item 1. Business

Operating Segments:

The company is organized into three geographic operating segments - North America, Europe and Other International. Further information with respect to the registrant's operating segments is reported at Note 7 of Notes to Consolidated Financial Statements contained in the registrant's Annual Report to Shareholders for the year ended December 31, 2001, incorporated herein by reference.

Products and Markets:

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

Principal products include respiratory protective equipment that is air-purifying, air-supplied and self-contained in design; instruments that monitor and analyze workplace environments and control industrial processes; thermal imaging cameras that enable firefighters and rescue workers to see through smoke and darkness; and personal protective products including head, eye and face, hearing protectors, and fall protection equipment.

Many of these products have wide application for workers in industries that include manufacturing, municipal and volunteer fire departments, public utilities, mining, chemicals, petroleum, construction, transportation, the military, and hazardous materials clean-up. Consumer products target the do-it-yourself market and are available through select home center retail outlets under the MSA Safety Works(TM) brand.

Other products manufactured and sold, which do not fall within the category of safety and health equipment, include boron-based and other specialty chemicals. Additional information concerning the registrant's products is reported at Note 7 of Notes to Consolidated Financial Statements contained in the registrant's Annual Report to Shareholders for the year ended December 31, 2001, incorporated herein by reference.

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

3

equipment.

Orders, except under contracts with U.S. government agencies, are generally filled promptly after receipt and the production period for special items is

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

usually less than one year. The year-end backlog of orders under contracts with U.S. government agencies was \$27,400,000 in 2001, \$14,582,000 in 2000 and \$10,225,000 in 1999.

Sales of products to U.S. government agencies increased in 2001; in addition, incoming orders were higher than shipments in both 2001 and 2000. The company's business is not dependent on a single customer or group of related customers, the loss of which would have a material adverse effect on the registrant's results.

Research:

The registrant and its affiliated companies engage in applied research with a view to developing new products and new applications for existing products. Most of the products are designed and manufactured to meet currently applicable performance and test standards published by groups such as ANSI (American National Standards Institute), MSHA (Mine Safety & Health Administration), NIOSH (National Institute for Occupational Safety and Health), UL (Underwriters' Laboratories), SEI (Safety Equipment Institute), FM (Factory Mutual), CEN (European Committee for Standardization) and CSA (Canadian Standards Association). The registrant also from time to time engages in research projects for others such as the Bureau of Mines and the Department of Defense or its prime contractors. Registrant-sponsored research and development costs were \$18,195,000 in 2001, \$17,241,000 in 2000, and \$17,097,000 in 1999.

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

General:

The company was founded in 1914 and is headquartered in Pittsburgh, Pennsylvania. As of December 31, 2001, the registrant and its affiliated companies had approximately 4,100 employees, of which 2,000 were employed by international affiliates. None of the U.S. employees are subject to the provisions of a collective bargaining agreement.

4

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

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

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

Equipment and machinery for processing chemicals and rubber, plastic injection molding equipment, molds, metal cutting, stamping and working equipment, assembly fixtures and similar items are regularly acquired, repaired

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

or replaced in the ordinary course of business at prevailing market prices as necessary.

Further information about the registrant's business is included in Management's Discussion and Analysis at pages 14 to 19 of the 2001 Annual Report to Shareholders, incorporated herein by reference.

5

Executive Officers:

Name	Age	All Positions and Offices Presently Held
J. T. Ryan III	58	Chairman and Chief Executive Officer
T. B. Hotopp	60	President
J. H. Baillie	55	Vice President
J. A. Bigler	52	Vice President
K. M. Bove	43	Vice President
D. H. Cuzzo	68	Vice President and Secretary
B. V. DeMaria	54	Vice President
W. M. Lambert	43	Vice President
G. W. Steggles	67	Senior Vice President
D. L. Zeitler	53	Vice President and Treasurer (Chief Financial Officer)

All the executive officers have been employed by the registrant since prior to January 1, 1997 and have held their present positions since prior to that date except as follows:

- (a) Mr. Baillie was employed by the registrant on January 21, 1999 and was elected Vice President. Prior to that time, he was Executive Vice President of Sylvania Lighting International.
- (b) Mr. Bigler was elected Vice President on January 9, 1998. Prior to that time, he was Director of Sales.
- (c) Mr. Bove was elected Vice President on August 22, 2000. From prior to January 1, 1997 until April 1997, he was Product Group Manager of Body Protection and Mining. From April 1997 until November 1998, he was Product Group Manager of Air Purifying Respirators for the Company. From November 1998 until November 1999, he was Division Marketing Manager. From November 1999, he was General Manager of the Instrument Division.
- (d) Mr. DeMaria was elected Vice President on January 9, 1998. Prior to that time, he was Director, Human Resources.

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

(e) Mr. Lambert was elected Vice President on January 9, 1998. Prior to that time, he was General Manager of the Safety Products Division.

6

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

(g) Mr. Zeitler was elected Chief Financial Officer on November 1, 2000. From prior to January 1, 1997, he was Treasurer. From January 1998, he was Vice President.

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

The primary responsibilities of these officers follow:

Individual -----	Responsibilities -----
Mr. Hotopp	North America operations
Mr. Baillie	European operations
Mr. Bigler	North America sales and distribution
Mr. Bove	Research, product development, manufacturing and marketing of instrument products in North America
Mr. Cuozzo	General Counsel and corporate taxes
Mr. DeMaria	Human resources and corporate communications
Mr. Lambert	Research, product development, manufacturing and marketing of safety products in North America
Mr. Steggles	International operations outside North America and Europe

7

Item 2. Properties

World Headquarters:

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

Production and Research Facilities:

The registrant's principal North American manufacturing and research facilities are located in the Greater Pittsburgh area in buildings containing approximately 957,000 square feet. Other North American manufacturing and research facilities of the registrant are located in Jacksonville, North Carolina (107,000 sq. ft.), Sparks, Maryland (54,000 sq. ft.), Englewood, Colorado (41,000 sq. ft.), Clifton, New Jersey (41,000 sq. ft.), Etobicoke, Canada (6,500 sq. ft.), and Naucalpan, Mexico (5,800 sq. ft.).

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

Manufacturing facilities of the European operating segment of the registrant are located in France, Germany, Italy and Scotland. The most significant is located in Germany (approximately 454,000 sq. ft., excluding 104,000 sq. ft. leased to others). Research activities are also conducted in Germany. Manufacturing facilities for the Other International operating segment are located in Australia, Brazil, Chile, China, Japan, Peru and South Africa.

Virtually all of these buildings are owned by the registrant and its affiliates and are constructed of granite, brick, concrete block, steel or other fire-resistant materials. The German facility is owned subject to encumbrances collateralizing indebtedness in the aggregate amount of \$830,000 as of December 31, 2001.

Sales Offices and Warehouses:

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

Item 3. Legal Proceedings

Not Applicable.

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

No matters were submitted to a vote of security holders during fourth quarter 2001.

8

PART II

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

Item 6. Selected Financial Data

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

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

Item 8. Financial Statements and Supplementary Data

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

Item 5 - "Common Stock" appearing at page 19

Item 6 - "Summary of Selected Financial Data" appearing at page 33

Item 7 and 7a - "Management's Discussion and Analysis" appearing at pages 14 to 19

Item 8 - "Financial Statements and Notes to Consolidated Financial Statements" appearing at pages 20 to 32

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

of the Annual Report to Shareholders for the year ended December 31, 2001. Said pages of the Annual Report are submitted with this report and pursuant to Item 601(b)(13) of Regulation S-K shall be deemed filed with the Commission only to the extent that material contained therein is expressly incorporated by reference in Items 1, 5, 6, 7, 7a, 8 and 14 (a) hereof.

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

Financial Disclosure

Not applicable.

9

PART III

Item 10. Directors and Executive Officers of the Registrant

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

Incorporated by reference herein pursuant to Rule 12b - 23 are (1) "Election of Directors" appearing at pages 1 to 3, (2) "Other Information Concerning Directors and Officers" appearing at pages 4 to 10 (except as excluded below), and (3) "Stock Ownership" appearing at pages 13 to 16 of the Proxy Statement filed pursuant to Regulation 14A in connection with the registrant's Annual Meeting of Shareholders to be held on May 7, 2002. 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.

10

PART IV

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

(a) 1 and 2. Financial Statements

The following information appearing on pages 20 to 32 inclusive in the Annual Report to Shareholders of the registrant for the year ended December 31, 2001, is incorporated herein by reference pursuant to Rule 12b-23.

Report of Independent Accountants

Consolidated Statement of Income - three years ended December 31, 2001

Consolidated Balance Sheet - December 31, 2001 and 2000

Consolidated Statement of Changes in Retained Earnings and Accumulated
Other Comprehensive Income - three years ended December 31, 2001

Consolidated Statement of Cash Flows - three years ended December 31, 2001

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

Notes to Consolidated Financial Statements

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

The following additional financial information for the three years ended December 31, 2001 is filed with the report and should be read in conjunction with the above financial statements:

Report of Independent Accountants on Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

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

11

(a) 3. Exhibits

- (3) (i) Restated Articles of Incorporation as amended to April 27, 1989, filed as Exhibit 3(i) to Form 10-Q on August 12, 1999, are incorporated herein by reference.
- (3) (ii) By-laws of the registrant, as amended on March 13, 2001, filed as Exhibit 3(ii) to Form 10-K on March 27, 2001, 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, is filed herewith.
- (10) (a) * 1987 Management Share Incentive Plan, filed as Exhibit 10(a) to Form 10-K on March 26, 1999, is incorporated herein by reference.
- (10) (b) * 1998 Management Share Incentive Plan, incorporated herein by reference to Annex A to the registrant's Definitive Proxy Statement filed March 24, 1998 for its 1998 Annual Meeting.
- (10) (c) * Retirement Plan for Directors, as amended effective April 1, 2001, filed as Exhibit 10(c) to Form 10-K on March 27, 2001, is incorporated herein by reference.
- (10) (d) * Supplemental Pension Plan as of May 5, 1998, filed as Exhibit 10(g) to Form 10-Q on August 14, 1998, is incorporated herein by reference.
- (10) (e) * 1990 Non-Employee Directors' Stock Option Plan as amended effective April 1, 2001, filed as Exhibit 10(e) to Form 10-K on March 27, 2001, is incorporated herein by reference.
- (10) (f) * 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.

12

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

- (10) (h) * Annual Incentive Bonus Plan as of May 5, 1998, filed as Exhibit 10(k) to Form 10-Q on August 14, 1998, is incorporated herein by reference.
- (10) (i) * Form of Severance Agreement as of May 20, 1998 between the registrant and John T. Ryan III, filed as Exhibit 10(m) to Form 10-Q on August 14, 1998, is incorporated herein by reference.
- (10) (j) * Form of Severance Agreement as of May 20, 1998 between the registrant and the other executive officers filed as Exhibit 10(n) to Form 10-Q on August 14, 1998, is incorporated herein by reference.
- (10) (k) * First Amendment to the 1998 Management Share Incentive Plan as of March 10, 1999, filed as Exhibit 10(l) to Form 10-K on March 26, 1999, is incorporated herein by reference.
- (10) (l) Trust Agreement as of June 1, 1996 between the registrant and PNC Bank, N.A. re the Mine Safety Appliances Company Stock Compensation Trust, filed as Exhibit 10(f) to Form 10-K on March 26, 1997, is incorporated herein by reference.
- (10) (m) * MSA Supplemental Savings Plan, filed as Exhibit 10(n) to Form 10-Q on November 12, 1999, is incorporated herein by reference.
- (10) (n) * Employment Agreement dated as of January 18, 1999 between the registrant and James H. Baillie re the registrant's operations outside Germany, filed as Exhibit (10) (n) to Form 10-K on March 24, 2000, is incorporated herein by reference.
- (10) (o) * Employment Agreement dated as of January 18, 1999 between the registrant and James H. Baillie re the registrant's operations in Germany, filed as Exhibit (10) (o) to Form 10-K on March 24, 2000, is incorporated herein by reference.

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

13

(13) Annual Report to Shareholders for year ended December 31, 2001

(21) Affiliates of the registrant

(23) Consent of PricewaterhouseCoopers LLP, independent accountants

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

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the year ended December 31, 2001.

14

REPORT OF INDEPENDENT ACCOUNTANTS ON
Financial Statement Schedule

To the Board of Directors
of Mine Safety Appliances Company:

Our audits of the consolidated financial statements referred to in our report dated February 20, 2002 appearing in the 2001 Annual Report to Shareholders of Mine Safety Appliances Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 20, 2002

F-1

SCHEDULE II

MINE SAFETY APPLIANCES COMPANY AND AFFILIATES
VALUATION AND QUALIFYING ACCOUNTS
THREE YEARS ENDED DECEMBER 31, 2001
(IN THOUSANDS)

	2001 -----	2000 -----	1999 -----
Allowance for doubtful accounts:			
Balance at beginning of year	\$2,363	\$2,322	\$3,004
Additions -			
Charged to costs and expenses	2,016	750	878
Deductions -			
Deductions from reserves (1)	1,423	709	928
Reversal of allowance (2)			632
Balance at end of year	----- \$2,956 =====	----- \$2,363 =====	----- \$2,322 =====

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

(2) Reversal of allowance due to sale of accounts receivable.

F-2

SIGNATURES

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MINE SAFETY APPLIANCES COMPANY

March 27, 2002	By	/S/ John T. Ryan III
-----		-----
(Date)		John T. Ryan III Chairman of the Board and Chief Executive Officer

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

Signature -----	Title -----	Date -----
/S/ John T. Ryan III ----- John T. Ryan III	Director; Chairman of the Board and Chief Executive Officer	March 27, 2002
/S/ Dennis L. Zeitler ----- Dennis L. Zeitler	Vice President - Finance; Principal Financial and Accounting Officer	March 27, 2002
/S/ Joseph L. Calihan ----- Joseph L. Calihan	Director	March 27, 2002
/S/ Calvin A. Campbell, Jr. ----- Calvin A. Campbell, Jr.	Director	March 27, 2002
/S/ James A. Cederna ----- James A. Cederna	Director	March 27, 2002
/S/ Thomas B. Hotopp ----- Thomas B. Hotopp	Director	March 27, 2002
/S/ L. Edward Shaw, Jr. ----- L. Edward Shaw, Jr.	Director	March 27, 2002
/S/ John C. Unkovic ----- John C. Unkovic	Director	March 27, 2002

Edgar Filing: MINE SAFETY APPLIANCES CO - Form 10-K405

/S/ Thomas H. Witmer Director

March 27, 2002

Thomas H. Witmer