MSA Safety Inc
Form 10-K
February 25, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

For the fiscal year ended December 31, 2014	FORM 10-K ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934	Commission File No. 1-15579

MSA SAFETY INCORPORATED
(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)		46-4914539 (IRS Employer Identification No.)
1000 Cranberry Woods Drive Cranberry Township, Pennsylvania (Address of principal executive offices)	Registrant's telephone number, including area code: (724) 776-8600	16066-5207 (Zip code)
(Title of each class) Common Stock, no par value	Securities registered pursuant to Section 12(b) of the Act:	(Name of each exchange on which registered) New York Stock Exchange

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x 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 x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in the definitive proxy statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of February 19, 2015, there were outstanding 37,451,901 shares of common stock, no par value. The aggregate market value of voting stock held by non-affiliates as of June 30, 2014 was approximately $1.8 billion.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the May 12, 2015 Annual Meeting of Shareholders are incorporated by reference into Part III.

Table of Contents

Table of Contents

Item No.		Page
Part I		
1.	Business	4
1A.	Risk Factors	7
1B.	Unresolved Staff Comments	13
2.	Properties	13
3.	Legal Proceedings	14
4.	Mine Safety Disclosures	16
	Executive Officers of the Registrant	17
Part II		
5.	Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	18
6.	Selected Financial Data	20
7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	20
7A.	Quantitative and Qualitative Disclosures About Market Risk	30
8.	Financial Statements and Supplementary Data	31
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	64
9A.	Controls and Procedures	64
9B.	Other Information	64
Part III		
10.	Directors, Executive Officers and Corporate Governance	65
11.	Executive Compensation	65
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	65
13.	Certain Relationships and Related Transactions, and Director Independence	65
14.	Principal Accountant Fees and Services	65
Part IV		
15.	Exhibits and Financial Statement Schedules	66
	Signatures	68

Table of Contents

Forward-Looking Statements

This report may contain (and verbal statements made by MSA Safety Incorporated (MSA) may contain) forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 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” or other comparable wor results, performance or outcomes may differ materially from those expressed or implied by 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.

Table of Contents

PART I

Item 1. Business

Overview—MSA was founded in Pennsylvania in 1914. We are a global leader in the development, manufacture and supply of products that protect people's health and safety. Our safety products typically integrate a 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 a broad range of markets including the oil and gas, fire service, mining and construction industries, as well as the military. Our core products include fixed gas and flame detection systems, breathing apparatus where self-contained breathing apparatus or SCBA is the principal product, portable gas detection instruments, head protection products and fall protection devices.

We dedicate significant resources to research and development, which allows us to produce innovative 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 to develop industry specific product requirements and standards and to 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. To best serve these customer preferences, we have organized our business into nine geographic operating segments that are aggregated into three reportable 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 and much of our business is conducted outside the U.S., currency fluctuations may affect our results of operations and financial position and may affect the comparability of our results between financial periods.

Products—We manufacture and sell a comprehensive line of safety products to protect the health and safety of workers around the world in the oil and gas, fire service, construction, mining and other industrial applications, as well as the military. Our products protect people against a wide variety of hazardous or life-threatening situations.

The following is a brief description of each of our product categories:

Core products. MSA's corporate strategy includes a focus on driving sales of core products, which typically realize a higher gross profit margin than non-core products. Core products include fixed gas and flame detection systems, breathing apparatus where SCBA is the principal product, portable gas detection instruments, head protection products and fall protection devices. These products receive the highest levels of investment and resources and provide higher levels of return on investment in alignment with our commitment to grow core product sales in both emerging and developed markets. These products comprised approximately 74% of sales in 2014.

The following is a brief description of our core product offerings:

Fixed gas and flame detection instruments ("FGFD"). Our permanently installed fixed gas and flame detection instruments are used in oil, gas and petrochemical facilities and general industrial production facilities to detect the presence or absence of various gases in the air. Typical applications of these instruments include the detection of an oxygen deficiency in confined spaces or the presence of combustible or toxic gases. FGFD product lines have a meaningful portion of overall revenue tied to day to day operations including replacement components and related service. A portion of business from this product line is generally tied to project business associated with upstream exploration and production activity. Products include:

- Multi-point permanently installed gas detection systems. This product line is used to monitor for combustible and toxic gases and oxygen deficiency in virtually any application where continuous monitoring is required. Our systems are used for gas detection in petrochemical, pulp and paper, wastewater, refrigerant monitoring, and general industrial applications. These systems utilize a wide array of sensing technologies including electrochemical, catalytic, infrared and ultrasonic.
- Flame detectors and open-path infrared gas detectors. These instruments are used for plant-wide monitoring of toxic gases and for detecting the presence of flames. These systems use infrared optics to detect potentially hazardous conditions across long distances, making them suitable for use in such applications as offshore oil rigs, storage

vessels, refineries, pipelines and ventilation ducts. First used in the oil and gas industry, our systems now have broad applications in petrochemical facilities, the transportation industry and in pharmaceutical production.

Table of Contents

Breathing apparatus products. Breathing apparatus products include SCBA, face masks and respirators, where SCBA is the primary product offering. SCBA are used by first responders, petrochemical plant workers and anyone entering an environment deemed immediately dangerous to life and health. SCBA are also used by first responders to protect against exposure to chemical, biological, radiological and nuclear agents, which are collectively referred to as CBRN. Our recently approved next generation G1 SCBA is an entirely redesigned platform that offers many customizable and differentiated features. We currently have 1 patent issued and an additional 13 patents pending for this product.
Portable gas detection instruments. Our hand-held portable gas detection instruments are used by oil, gas and petrochemical workers; general industry workers; miners; and first responders to detect the presence or absence of various gases in the air. Typical applications of these instruments include the detection of an oxygen deficiency in confined spaces or the presence of combustible or toxic gases. Our single- and multi-gas detectors provide portable solutions for detecting the presence of oxygen, combustible gases and various toxic gases, including hydrogen sulfide, carbon monoxide, ammonia and chlorine, either singularly or up to six gases at once. Our ALTAIR® 2X Single or Two Gas Detectors; ALTAIR® 4X and ALTAIR® 5X Multigas Detectors with XCell® sensor technology, which include internally developed sensors, provide faster response times and unsurpassed durability in a tough, easy-to-operate package. The ALTAIR® 2XP provides users with unique and significant cost of ownership advantages over competitive offerings by giving users the ability to perform their own daily bump test to make sure the instrument is functioning properly. Occupational Health and Safety Magazine named our ALTAIR® 2XP product the 2014 new product of the year in the gas detection category.
Head protection. We offer a complete line of industrial head protection that includes the iconic V-Gard® helmet brand, a bellwether product in MSA's portfolio for over 50 years. We offer customers a wide range of color choices and we are a world leader in the application of customized logos. Our industrial head protection has a wide user base including oil, gas and petrochemical workers, steel and construction workers, miners and industrial workers. Our Fas-Trac® III Suspension system was designed to provide comfort for the users of our helmets without sacrificing safety. Occupational Health and Safety Magazine named this product the 2014 new product of the year in the head protection category.
Fall protection. Our broad line of fall protection equipment includes confined space equipment, harnesses, fall arrest equipment, lanyards and lifelines. Fall protection equipment is used by workers in the construction industry, oil, gas and petrochemical market, utilities industry and general industrial applications, and anyone working at height.
Non-core products. MSA maintains a portfolio of non-core products which includes both adjacent and peripheral offerings. Adjacent products reinforce and extend the core, drawing upon our customer relationships, distribution channels, geographical presence and technical experience. These products are complimentary to the core offerings and have their roots within the core product value chain. Key adjacent products include respirators, eye and face protection, fire helmets, thermal imaging cameras, ballistic helmets, and gas masks. Gas masks and ballistic helmet sales represent the primary purchases of our military customers and were approximately $61 million globally in 2014. Peripheral products are primarily sold to the mining industry and reflect a small portion of consolidated sales.
Customers—Our customers generally fall into three categories: distributors, industrial or military end-users, and retail consumers. In North America, the majority of our sales are made through our distributors. In our European and International segments, sales are made through both indirect and direct sales channels. For the year ended December 31, 2014, no individual customer represented more than 10% of our sales.
Sales and Distribution—Our sales and distribution team consists of marketing, field sales and customer service organizations, totaling over 800 dedicated associates. In most geographic areas, our field sales organizations work jointly with select distributors to call on end-users and educate them about hazards, exposure limits, safety requirements and product applications, as well as the specific performance attributes of our products. In our International segment and Eastern Europe region, where distributors are not as well established, our sales associates often work with and sell directly to end-users. We believe that understanding end-user requirements is critical to increasing MSA's market share.
The in-depth customer training and education provided by our sales associates to our customers is critical to ensuring proper use of many of our products, such as SCBA and gas detection instruments. As a result of our sales associates working closely with end-users, they gain valuable insight into customer 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 in product application, industry standards and regulations.

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.

Table of Contents

In areas where we use indirect selling, we promote, distribute and service our products to general industry through authorized national, regional and local distributors. Some of our key distributors include Airgas, W.W. Grainger Inc., Fastenal 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 European 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 distributor locations worldwide. No individual distributor accounts for more than 10% of our sales.

Our Safety Works, LLC joint venture provides a broad range of safety products and gloves to the North American do-it-yourself and independent contractor market through various channels. These include distributors such as Orgill, hardware and equipment rental outlets such as United Rentals, and retail chains such as TrueValue and Do it Best.

Competition— The worldwide personal protection equipment market is broad and highly fragmented with few participants offering a comprehensive line of safety products. The sophisticated safety products market in which we compete is comprised of both core and non-core offerings, specifically adjacent products, and generates annual sales of approximately $12 billion. We maintain a leading position in nearly all of our core products except in fall protection. Over the long-term, we believe global demand for safety products will continue to grow. Purchases of these products are non-discretionary, protecting workers' health in hazardous and life-threatening work environments. Their use is often mandated by government and industry regulations, which are increasing on a global basis. Moreover, safety products industry revenues reflect the need to consistently replace many safety products that have limited life spans due to normal 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 that 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), brand name recognition, support and price.

We believe we compete favorably within each of our operating segments as a result of our high quality, our innovative offerings and strong brand trust and recognition.

Research and Development—To maintain our position at the forefront of safety equipment technology, we operate several sophisticated research and development facilities. We believe our dedication and commitment to innovation and research and development allows us to produce state-of-the-art safety products that are often first to market and exceed industry standards. In 2014, 2013 and 2012, on a global basis, we spent $48.2 million, $45.9 million and $40.9 million, respectively, on research and development, reflecting 4.3%, 4.1% and 3.7% of sales respectively. Our primary engineering groups are located in the United States, Germany, China and France. 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 customers' needs and available technology, as well as the opportunities and challenges they foresee in each product area. 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 operating 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. These organizations include the National Institute for Occupational Safety and Health ("NIOSH"), the National Fire Protection Association ("NFPA"), American National Standards Institute ("ANSI"), International Safety Equipment Association ("ISEA"), and their overseas counterparts. We work with these organizations to develop industry specific product requirements and standards and anticipate their impact on our product lines. Key members of our management team understand the impact that these standard-setting organizations have on our new product development pipeline. As such, management devotes significant time and attention to anticipating a new standard’s impact on our sales and operating results. Because of our understanding of customer needs, membership on global standard-setting bodies,

investment in research and development and our unique new product development process, we believe we are well-positioned to anticipate and adapt to changing product standards. While we acknowledge that the length of the approval process can be unpredictable, we also believe that we are well positioned to gain the approvals and certifications necessary to meet new government and multinational product regulations.

Table of Contents

Patents and Intellectual Property—We own 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—Many of the components of our products are formulated, machined, tooled or molded in-house from raw materials, which comprise approximately two thirds of our cost of sales. For example, we rely on integrated manufacturing capabilities for breathing apparatus, gas masks, ballistic helmets, hard hats and circuit boards. The primary raw materials that we source from third parties include rubber, high density polyethylene, 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, thus far we have not experienced any significant problems in obtaining adequate raw materials. Please refer to MSA's Form SD filed on June 2, 2014 for further information on our conflict minerals analysis. Form SD may be obtained free of charge at www.sec.gov.

Associates—At December 31, 2014, we employed approximately 5,000 associates, of which 2,900 were employed by our European and International segments. None of our U.S. associates are subject to the provisions of a collective bargaining agreement. Some of our associates outside the United States are members of unions. We have not experienced a significant work stoppage in over 10 years and believe our relations with our associates are strong.

Environmental Matters— Our facilities and operations are subject to laws and regulations relating to environmental protection and human health and safety. In the opinion of management, compliance with current environmental protection laws will not have a material adverse effect on our financial condition. See Item 1A, Risk Factors, for further information regarding our environmental risks which could impact the Company.

Seasonality— Our operating results are not significantly affected by seasonal factors. Sales are generally higher during the second and fourth quarters. During periods of economic expansion or contraction and following significant catastrophes, our sales by quarter have varied appreciably from this seasonal pattern. Government related sales tend to spike in the fourth quarter. North America sales tend to be strong during the petrochemical refinery turnaround seasons late in the first quarter, early in the second quarter and then again at the end of the third quarter and beginning of the fourth quarter. European sales are typically weaker in the summer holiday months. International has recently had strong fourth quarters, but seasonality can be strongly affected by the timing of delivery of larger orders. Invoicing and the delivery of larger orders can affect sales patterns variably across all reporting segments.

Available Information—Our Internet address is www.MSAsafety.com. We make the following filings available free of charge on the Investor Relations page on our website as soon as reasonably practicable after they have been electronically filed with or furnished to the Securities and Exchange Commission ("SEC"): 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, as well as our proxy statement. Information contained on our website is not part of this annual report on Form 10-K or our other filings with the Securities and Exchange Commission. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers like us who file electronically with the SEC. You also may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549-0213. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

Unfavorable economic and market conditions could materially and adversely affect our business, results of operations and financial condition.

We are subject to risks arising from adverse changes in global economic conditions. Although economic conditions generally improved in 2014, the global economy remains unstable. For example, we are currently seeing a slowdown in China and recessionary conditions in Brazil. We expect economic conditions will continue to be challenging and uneven for the foreseeable future. Adverse changes in economic conditions could result in declines in revenue, profitability and cash flow due to reduced orders, payment delays, supply chain disruptions or other factors caused by the economic challenges faced by our customers and suppliers.

Table of Contents

Over the past several years our sales have been positively impacted by the General Monitors acquisition and the organic growth within MSA's line of core products. The increase in sales, primarily to the oil, gas and petrochemical market, exposes MSA to the risks of doing business in that global market. Additionally, we estimate that roughly 35% percent of our global business is sold into energy market vertical. Approximately 10% - 15% of consolidated revenue primarily in industrial head protection and portable gas detection is more exposed to a pull back in employment trends across the energy market. Another 5% - 10% of consolidated revenue, primarily in the FGFD product line is more exposed to a pull back in capital equipment spending within the energy market. It is possible that the volatility in upstream, midstream and downstream markets, driven partly by geopolitical factors, could negatively impact our business and our results of operations and financial condition.

A reduction in the spending patterns of government agencies or delays in obtaining government approval for our products 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 other government agencies is, in large part, driven by available government funding. 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 could materially and adversely affect our net sales, earnings and cash flow.

Our ability to market and sell our products is subject to existing government 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 re-engineer 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. Additionally, market anticipation of significant new standards can cause customers to accelerate or delay buying decisions.

We are subject to various federal, state and local laws and any violation of these laws could adversely affect our results of operations.

We are subject to extensive regulation from U.S. federal, state, and local governments, as well as the governments of the countries in which we conduct business. Failure to comply with these regulations could result in severe civil or criminal penalties, sanctions or significant changes to our operations. These actions could have a materially adverse effect on our business, results of operations and financial condition.

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

Included in the extensive laws, regulations and ordinances, to which we are subject, are those relating to the protection of the environment. Examples include 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. Such laws continue to change, 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 materially adverse effect on our results of operations.

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 business 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.

Table of Contents

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 materially adverse effect on our business, financial condition and results of operations. We continue to invest significant resources in research and development and market research. However, continued product development and marketing efforts are subject to the risks inherent in the development process. These risks include delays, the failure of new products and product line extensions to achieve anticipated levels of market acceptance and the risk of failed product introductions.

Product liability claims and our inability to collect related insurance receivables could have a materially adverse effect on our business, operating results and financial condition.

MSA and its subsidiaries 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 frequently 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. Any claim or product recall that results in significant expense or adverse publicity against us, could have a materially adverse effect on our business, operating results and financial condition, including any successful claim brought against us in excess or outside of available insurance coverage.

In the normal course of business, we make payments to settle product liability claims and for related legal fees and we record receivables for the amounts covered by insurance. Our insurance receivables totaled $220.5 million at December 31, 2014. Various factors could affect the timing and amount of recovery of insurance receivables, including: the outcome of negotiations with insurers, legal proceedings with respect to product liability insurance coverage and the extent to which insurers may become insolvent in the future. Amounts due from insurance carriers are subject to insolvency risk. Failure to recover amounts due from our insurance carriers could have a materially adverse effect on our business, operating results and financial condition. Mine Safety Appliances Company, LLC, ("MSA LLC") is currently involved in insurance coverage litigation with a number of insurance carriers. When those matters are fully resolved, MSA LLC will be responsible for expenses related to cumulative trauma product liability claims. Please refer to Note 18 in Part II Item 8 of this Form 10-K for further details.

Damage to the reputation of MSA or to one or more of our product brands could adversely affect our business.

Developing and maintaining our reputation, as well as the reputation of our brands, is a critical factor in our relationship with customers, distributors and others. Our inability to address adverse publicity or other issues, including concerns about product safety or quality, real or perceived, could negatively impact our business which could have a materially adverse effect on our business, operating results and financial condition.

A failure of our information systems could materially and adversely affect our business, results of operations and financial condition.

The proper functioning and security of our information systems is critical to the operation of our business. Our information systems may be vulnerable to damage or disruption from natural or man-made disasters, computer viruses, power losses or other system or network failures. In addition, hackers and cybercriminals could attempt to gain unauthorized access to our information systems with the intent of harming our company or obtaining sensitive information such as intellectual property, trade secrets, financial and business development information, and customer and vendor related information. If our information systems or security fail, our business, results of operations and financial condition could be materially and adversely affected.

Like many companies, from time to time, we have experienced attacks on our computer systems by unauthorized outside parties; however, we do not believe that such attacks have resulted in any material damage to us or our customers. Because the techniques used by computer hackers and others to access or sabotage networks constantly evolve and generally are not recognized until launched against a target, we may be unable to anticipate, prevent or detect these attacks. As a result, our technologies and processes may be misappropriated and the impact of any future incident cannot be predicted. Any loss of such information could harm our competitive position, or cause us to incur

significant costs to remedy the damages caused by the incident. We routinely implement improvements to our network security safeguards and we expect to devote increasing resources to the security of our information technology systems. We cannot assure that such system improvements will be sufficient to prevent or limit the damage from any future cyber-attack or network disruptions.

Table of Contents

Our plans to continue to improve productivity and reduce complexity and costs associated with its European segment may not be successful, which could adversely affect its ability to compete.

MSA is transitioning to a principal operating company for parts of its European business segment. This model will continue to integrate our historically individually managed entities, into one that is a centrally managed organization. We plan to leverage the benefits of scale created from this approach and are in the process of implementing a more efficient and cost-effective enterprise resource planning system. MSA runs the risk that these and similar initiatives may not be completed substantially as planned, may be more costly to implement than expected, or may not have the positive effects anticipated. In addition, these various initiatives require MSA to implement a significant amount of organizational change which could divert management’s attention from other concerns, and if not properly managed, could cause disruptions in our day-to-day operations and have a negative impact on MSA's financial results. It is also possible that other major productivity and streamlining programs may be required in the future.

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

We have business operations in over 40 foreign countries. In 2014, approximately half 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;
- changes in trade policy or tariff regulations;
- changes in tax laws and regulations;
- changes to the company's legal structure could have unintended tax consequences;
- intellectual property protection difficulties;
- difficulty in collecting accounts receivable;
- complications in complying with a variety of foreign laws and regulations, some of which may conflict with U.S. laws;
- trade protection measures and price controls;
- trade sanctions and embargoes;
- nationalization and expropriation;
- increased international instability or potential instability of foreign governments;
- effectiveness of worldwide compliance with MSA's anti-bribery policy, local laws and the Foreign Corrupt Practices Act
- the ability to effectively negotiate with labor unions in foreign countries;
- 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 the risk that purchased components and materials are unavailable or available at excessive cost due to material shortages, excessive demand, currency fluctuation 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 or otherwise disrupted. Any sustained interruption in our receipt of adequate supplies could have a materially adverse effect on our business, results of operations and financial condition. 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 materially adverse effect on our business, results of operations and financial condition.

Table of Contents

Because we derive a significant portion of our sales from the operations of our foreign subsidiaries, future currency 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, 2014, the operations in our European and International segments accounted for approximately half of our net sales. The results of our foreign operations are generally 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 materially adverse effect on our 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.

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 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 have recently acquired or may acquire in the future, we may not realize anticipated cost savings, improved manufacturing efficiencies and increased revenue, which may result in materially 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 acquired companies and increases in other expenses.

Our continued success depends on our ability to protect our intellectual property. If we are unable to protect our intellectual property, our business 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.

11

Table of Contents

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.

The success of our recently approved next generation G1 SCBA is dependent on our ability to manufacture the product in line with customer demand while controlling product cost.

The G1 SCBA has significant market potential; however, our success will depend upon our ability to increase production and execute key value based engineering efforts aimed at improving the cost profile of the product.

Our Safety Works joint venture may not be successful and/or may require us to provide product at margins that may have an adverse effect on our operations and profitability.

Our Safety Works joint venture provides a broad range of safety products and gloves to the North American do-it-yourself and independent contractor market through various channels. Pursuant to our existing product supply agreement to the joint venture, we are required to sell certain products to the joint venture at deeply discounted prices, resulting in reduced margins.

No assurances can be given that the existing product supply agreement will be renewed under similar terms when it expires. If the existing product supply agreement is not renewed under similar terms when it expires in 2016, no assurances can be given that the joint venture will be able to source similar products from third parties at prices needed to maintain current levels of profitability.

We may be required to recognize impairment charges for our long-lived assets or available for sale investments.

At December 31, 2014, the net carrying value of long-lived assets (property, plant and equipment, goodwill and other intangible assets) totaled approximately $435.2 million. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets and divestitures may result in impairments to goodwill and other long-lived assets. Future impairment charges could significantly affect our results of operations in the periods recognized. Impairment charges would also reduce our consolidated shareholders' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our credit rating and access to debt and equity markets.

Risks related to our defined benefit pension and other post-retirement plans may adversely impact our results of operations and cash flow.

Significant changes in actual investment return on pension assets, discount rates, and other factors could adversely affect our results of operations and pension contributions in future periods. U.S. generally accepted accounting principles require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for our pension plans may become more significant. However, the ultimate amounts to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to pension funding obligations. For further information regarding our pension plans, refer to "Pensions and Other Post-retirement Benefits" in Note 13 of Item 8 Financial Statements and Supplementary Data.

If we fail to meet our debt service requirements or the restrictive covenants in our debt agreements or if interest rates increase, our results of operations and financial condition could be materially and adversely affected.

We have a substantial amount of debt upon which we are required to make scheduled interest and principal payments and we may incur additional debt in the future. A significant portion of our debt bears interest at variable rates that may increase in the future. Our debt agreements require us to comply with certain restrictive covenants. If we are unable to generate sufficient cash to service our debt or if interest rates increase, our results of operations and financial condition could be materially and adversely affected. Additionally, a failure to comply with the restrictive covenants contained in our debt agreements could result in a default, which if not waived by our lenders, could substantially increase borrowing costs and require accelerated repayment of our debt. Please refer to Note 11 of the Consolidated Financial Statements in Part II Item 8 of this Form 10-K for commentary on our compliance with the restrictive

covenants in our debt agreements as of December 31, 2014.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located at 1000 Cranberry Woods Drive, Cranberry Township, PA 16066 in a 212,000 square-foot building owned by us. We own or lease our primary facilities 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:

Location	Function	Square Feet	Owned or Leased
North America			
Murrysville, PA	Manufacturing	295,000	Owned
Cranberry Twp., PA	Office, Research and Development and Manufacturing	212,000	Owned
New Galilee, PA	Distribution	120,000	Leased
Jacksonville, NC	Manufacturing	107,000	Owned
Queretaro, Mexico	Office, Manufacturing and Distribution	77,000	Leased
Cranberry Twp., PA	Research and Development	68,000	Owned
Lake Forest, CA	Office, Research and Development and Manufacturing	62,000	Leased
Corona, CA	Manufacturing	19,000	Leased
Torreon, Mexico	Office	15,000	Leased
Lake Forest, CA	Office	6,000	Owned
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	Owned
Milan, Italy	Office	43,000	Owned
Rapperswil, Switzerland	Office	8,000	Leased
Glasgow, Scotland	Office	25,000	Leased
Mohammedia, Morocco	Manufacturing	24,000	Owned
Barcelona, Spain	Office	23,000	Owned
Galway, Ireland	Office and Manufacturing	20,000	Owned
Varnamo, Sweden	Office, Manufacturing and Distribution	18,000	Leased
Hoorn, Netherlands	Office and Distribution	12,000	Owned
Rajarhat, India	Office and Distribution	10,000	Leased
International			
Suzhou, China	Office and Manufacturing	193,000	Owned
Sydney, Australia	Office, Manufacturing	84,000	Owned
Sao Paulo, Brazil	Office, Manufacturing and Distribution	74,000	Owned
Johannesburg, South Africa	Office, Manufacturing and Distribution	42,000	Leased
Lima, Peru	Office and Distribution	34,000	Owned
Santiago, Chile	Office and Distribution	32,000	Leased
Sydney, Australia	Manufacturing and Distribution	16,000	Leased
Buenos Aires, Argentina	Office and Distribution	9,000	Owned

Table of Contents

Item 3. Legal Proceedings

Product Liability

MSA LLC, a subsidiary of MSA Safety Incorporated (formerly Mine Safety Appliances Company), categorizes the product liability losses that its various subsidiaries experience into two main categories: single incident and cumulative trauma. Single incident product liability claims are discrete incidents that are typically known to us when they occur and involve observable injuries which provide an objective basis for quantifying damages. MSA LLC estimates its liability for single incident product liability claims based on expected settlement costs for pending claims and an estimate of costs for unreported claims. The estimate for unreported claims is based on experience, sales volumes and other relevant information. The reserve for single incident product liability claims at December 31, 2014 and 2013 was $3.5 million and $4.0 million, respectively. Single incident product liability expense during the years ended December 31, 2014 and 2013 was not significant. Single incident product liability exposures are evaluated on an ongoing basis and adjustments are made to the reserve as appropriate.

Cumulative trauma product liability claims involve exposures to harmful substances (e.g., silica, asbestos and coal dust) that occurred many years ago and may have developed over long periods of time into diseases such as silicosis, asbestosis, or coal worker’s pneumoconiosis. MSA LLC is presently named as a defendant in 2,326 lawsuits, some of which involve multiple plaintiffs. In these lawsuits, plaintiffs allege to have contracted certain cumulative trauma diseases related to exposure to silica, asbestos, and/or coal dust. These lawsuits mainly involve respiratory protection products allegedly manufactured and sold by MSA LLC or its predecessors.

A summary of cumulative trauma product liability lawsuit activity follows:

	2014	2013	2012
Open lawsuits, January 1	2,840	2,609	2,321
New lawsuits	542	489	750
Settled and dismissed lawsuits	(1,056)	(258)	(462)
Open lawsuits, December 31	2,326	2,840	2,609

More than half of the open lawsuits at December 31, 2014 have had a de minimis level of activity over the last 5 years. It is possible that these cases could become active again at any point due to changes in circumstances.

Cumulative trauma product liability litigation has been difficult to predict. In our experience, until late in a lawsuit, we cannot reasonably determine whether it is probable that any of MSA LLC's cumulative trauma lawsuits will ultimately result in a liability. This uncertainty is caused by many factors, including the following: cumulative trauma complaints generally do not provide information sufficient to determine if a loss is probable; cumulative trauma litigation is inherently unpredictable; and information is often insufficient to determine if a lawsuit will develop into an actively litigated case. Even when a case is actively litigated, it is often difficult to determine if the lawsuit will be dismissed or otherwise resolved until late in the lawsuit. Moreover, even once it is probable that such a lawsuit will result in a loss, it is often difficult to reasonably estimate the amount of actual loss that will be incurred. These amounts are highly variable and turn on a case-by-case analysis of the relevant facts, which are often not learned until late in the lawsuit. Consequently, MSA LLC has historically been unable to estimate its cumulative trauma product liability exposure.

As part of the company's ongoing assessment of the ability to estimate MSA LLC's cumulative trauma product liability exposure for both pending and unasserted claims, in the 2014 third quarter, MSA LLC engaged an outside valuation consultant to assist with this effort. This assessment was based on MSA LLC’s cumulative claims experience, including recent claims trends, and the development of enhanced claims data analytics. The analysis focused on claims made or resolved over the last several years as these claims are likely to best represent future claim characteristics.

After extensive review by the valuation consultant, MSA LLC and its outside counsel, it was determined that MSA LLC cannot estimate its liability for cumulative trauma product liability claims. This is a result of numerous factors including annual claims levels and indemnity payments that are highly variable and a lack of consistency in the source of the claims. MSA LLC will continue to regularly evaluate its ability to estimate its cumulative trauma product liability exposure.

Table of Contents

During the 2014 fourth quarter and into January 2015, MSA LLC settled a number of cumulative trauma cases for $71.8 million, the vast majority of which were insured. The impact of these settlements has been reflected in MSA Safety Incorporated’s 2014 financial statements and in the above roll-forward of lawsuits. As a result of these settlements, at December 31, 2014, the cumulative trauma product liability reserve totaled $74.9 million, most of which will be paid equally over four quarters, beginning in the 2015 third quarter and ending in the 2016 second quarter. Of this amount, $35.1 million was recorded in other non-current liabilities and the remainder was recorded in the insurance and product liability line in the current liabilities section of the consolidated balance sheet. The cumulative trauma product liability reserve totaled $5.6 million at December 31, 2013. All of this amount was recorded in the insurance and product liability line in the other current liabilities section of the consolidated balance sheet. Because litigation is subject to inherent uncertainties, and unfavorable rulings or developments could occur, there can be no certainty that MSA LLC may not ultimately incur charges in excess of presently recorded liabilities. Our aggregate cumulative trauma product liability losses and administrative and defense costs for the three years ended December 31, 2014, totaled approximately $169.6 million, substantially all of which was insured.

Insurance Receivable

With some common contract exclusions, we maintain insurance for cumulative trauma product liability claims. We have purchased insurance policies for the policy years from 1952-1986 from over 20 different insurance carriers that provide coverage for cumulative trauma product liability losses, and in many instances, related defense costs (the "Occurrence-Based Policies"). The available limits of these policies well exceed the recorded insurance receivable balance.

In the normal course of business, we make payments to settle product liability claims and for related defense costs. We record receivables for the amounts that are covered by insurance. Since December 31, 2013, the insurance receivable has increased by $95.7 million as a result of the above noted settlements and related defense costs. Various factors could affect the timing and amount of recovery of the insurance receivable, including the outcome of negotiations with insurers, legal proceedings with respect to product liability insurance coverage and the extent to which insurers may become insolvent in the future.

Insurance receivables at December 31, 2014 totaled $220.5 million, of which $2.0 million is reported in other current assets and $218.5 million in other non-current assets. Insurance receivables at December 31, 2013 totaled $124.8 million, all of which is reported in other non-current assets.

A summary of insurance receivable balances and activity related to cumulative trauma product liability losses follows:

(In millions)	2014	2013	2012
Balance January 1	$124.8	$130.0	$112.1
Additions	98.2	34.0	29.7
Collections and settlements	(2.5)	(39.2)	(11.8)
Balance December 31	220.5	124.8	130.0

Additions to insurance receivables in the above table represent insured cumulative trauma product liability losses and related defense costs. Uninsured cumulative trauma product liability losses during the year ended December 31, 2014, 2013 and 2012 were $3.9 million, $1.7 million and $2.1 million, respectively. Collections primarily represent agreements with insurance companies to pay amounts due that are applicable to cumulative trauma claims. In cases where the payment stream covers multiple years, the present value of the payments is recorded as a note receivable (current and long term) in the balance sheet within prepaid expenses and other current assets and other noncurrent assets.

MSA LLC believes that the increase in its insurance receivable balance that it has experienced since 2005 is primarily due to disagreements among its insurance carriers, and consequently with MSA LLC, as to when the individual obligations of insurance carriers to pay are triggered and the amount of each insurer’s obligation, as compared to other insurers. MSA LLC believes that its insurers do not contest that they have issued policies to our subsidiaries or that these policies cover cumulative trauma product liability claims. We believe that successful resolution of insurance litigation with various insurance carriers in recent years demonstrates that we have strong legal positions concerning MSA LLC's rights to coverage.

The collectability of MSA LLC's insurance receivables is regularly evaluated and the amounts recorded are probable of collection. These conclusions are based on analysis of the terms of the underlying insurance policies, experience in successfully recovering cumulative trauma product liability claims from our insurers under other policies, the financial ability of the insurance carriers to pay the claims, understanding and interpretation of the relevant facts and applicable law and the advice of MSA LLC's legal counsel, who believe that the insurers are required to provide coverage based on the terms of the policies.

Although it is impossible to predict the ultimate outcome of current open claims, based on current information, our experience in handling these matters, and our substantial insurance program, we do not believe that the resolution of these claims will have a material adverse effect on our future financial condition or liquidity.

Table of Contents

Insurance Litigation

MSA LLC is currently involved in insurance coverage litigation with a number of our insurance carriers regarding its Occurrence-Based Policies.

In 2009, MSA LLC (as Mine Safety Appliances Company) sued The North River Insurance Company (North River) in the United States District Court for the Western District of Pennsylvania, alleging that North River breached one of its insurance policies by failing to pay amounts owed to MSA LLC and that it engaged in bad-faith claims handling. MSA LLC believes that North River's refusal to indemnify it under the policy for product liability losses and legal fees paid by MSA LLC is wholly contrary to Pennsylvania law and MSA LLC is vigorously pursuing the legal actions necessary to collect all due amounts. Motions for summary judgment on certain issues will be submitted to the court at the earliest possible date. A trial date has not yet been scheduled.

In 2010, North River sued MSA LLC (as Mine Safety Appliances Company) in the Court of Common Pleas of Allegheny County, Pennsylvania seeking a declaratory judgment concerning their responsibilities under three additional policies. MSA LLC asserted claims against North River for breaches of contract for failures to pay amounts owed to MSA LLC. MSA LLC also alleges that North River engaged in bad-faith claims handling. MSA LLC believes that North River's refusal to indemnify us under these policies for product liability losses and legal fees paid by MSA LLC is wholly contrary to Pennsylvania law and MSA LLC is vigorously pursuing the legal actions necessary to collect all due amounts. Summary judgment on certain issues is pending with the court. A trial date has not yet been scheduled.

In July 2010, MSA LLC (as Mine Safety Appliances Company) filed a lawsuit in the Superior Court of the State of Delaware seeking declaratory and other relief from the majority of its excess insurance carriers concerning the future rights and obligations of MSA LLC and its excess insurance carriers under various insurance policies. The reason for this insurance coverage action is to secure a comprehensive resolution of its rights under the insurance policies issued by the insurers. Motions for summary judgment on certain issues will be submitted to the court at various times in 2015. A trial date is currently scheduled for the second quarter of 2016.

MSA LLC has resolved claims against certain of its insurance carriers on some of their policies, including the Occurrence-Based Policies through negotiated settlements. When a settlement is reached, MSA LLC dismisses the settling carrier from relevant above noted lawsuit(s). Assuming satisfactory resolution, once disputes are resolved with each of the remaining carriers responsible for the Occurrence-Based Policies, MSA LLC anticipates having commitments to provide future payment streams which should be sufficient to satisfy its recorded receivables due from insurance carriers. In addition, MSA LLC likely will retain some coverage through coverage-in-place agreements, although that coverage may not be immediately accessible. When these insurance coverage matters are fully resolved, MSA LLC (and its coverage-in-place carriers, where applicable) will be responsible for expenses related to cumulative trauma product liability claims.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

Executive Officers of the Registrant

The following sets forth the names and ages of our executive officers as of February 25, 2015, indicating all positions held during the past five years:

Name	Age	Title
William M. Lambert	56	President and Chief Executive Officer since May 2008.
Steven C. Blanco[(a)]	48	Vice President, Global Operational Excellence since April 2012.
Kerry M. Bove[(b)]	56	Vice President and President, MSA International Segment since November 2011.
Ronald N. Herring, Jr.[(c)]	54	Vice President and President, MSA Europe Segment since November 2011.
Douglas K. McClaine	57	Vice President, Secretary and General Counsel since May 2005.
Stacy McMahan[(d)]	51	Senior Vice President, Chief Financial Officer and Treasurer since August 2013.
Thomas Muschter[(e)]	54	Vice President, Global Product Leadership since November 2011.
Paul R. Uhler	56	Vice President, Global Human Resources since May 2006.
Nishan Vartanian[(f)]	55	Vice President and President, MSA North America Segment since August 2013.
Markus H. Weber[(g)]	50	Vice President and Chief Information Officer since April 2010.

(a) Prior to joining MSA, Mr. Blanco served as Vice President of Manufacturing for the Electrical Sector of Eaton Corporation, a diversified power management company.

(b) Prior to his present position, Mr. Bove was Vice President, Global Operational Excellence.

(c) Prior to his present position, Mr. Herring was Vice President, Global Product Leadership.

(d) Prior to her current position, Ms. McMahan served as Senior Vice President of Finance, MSA. Prior to joining MSA, Ms. McMahan served as Customer Channels Group Vice President, Finance, for Thermo Fisher Scientific, Inc., a global provider of laboratory equipment and supplies.

(e) Prior to his present position, Dr. Muschter held the positions of Director, Research & Development, International; and Director, Research & Development, Europe.

(f) Prior to his present position, Mr. Vartanian was Vice President, Fixed Gas and Flame Detection.

(g) Prior to joining MSA, Mr. Weber served as Chief Information Officer of Berlin-Chemie AG, an international research-based pharmaceutical company.

Table of Contents

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 were as follows:

	Price Range of Our Common Stock		Dividends
	High	Low	
Year ended December 31, 2013			
First Quarter	$51.07	$43.04	$0.28
Second Quarter	51.12	43.97	0.30
Third Quarter	55.38	46.60	0.30
Fourth Quarter	54.84	46.54	0.30
Year ended December 31, 2014			
First Quarter	$57.94	$46.50	$0.30
Second Quarter	58.90	49.85	0.31
Third Quarter	61.08	49.37	0.31
Fourth Quarter	58.99	46.25	0.31

On February 12, 2015, there were 252 registered holders of our shares of common stock.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 — October 31, 2014	1,858	$54.60	—	847,402
November 1 — November 30, 2014	2,715	57.64	—	886,587
December 1 — December 31, 2014	—	—	—	917,314

The Board of Directors has authorized the purchase of up to $100 million of MSA common stock either through private transactions or open market transactions. The share purchase program has no expiration date. The maximum shares that may yet be purchased is calculated based on the dollars remaining under the program and the respective month-end closing share price. We do not have any other share purchase programs. The above share purchases are related to stock compensation transactions.

Table of Contents

Comparison of Five-Year Cumulative Total Return

The following paragraph compares the most recent five year performance of MSA stock with (1) the Standard & Poor's 500 Composite Index and (2) the Russell 2000 Index. Because our competitors are principally privately held concerns or subsidiaries or divisions of corporations engaged in multiple lines of business, we do not believe it feasible to construct a peer group comparison on an industry or line-of-business basis. The Russell 2000 Index, while including corporations both larger and smaller than MSA in terms of market capitalization, is composed of corporations with an average market capitalization similar to us.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among MSA Safety Incorporated, the S&P 500 Index,
and the Russell 2000 Index

Assumes $100 invested on 12/31/09 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	Value at December 31,					
	2009	2010	2011	2012	2013	2014
MSA Safety Incorporated	$100.00	$121.94	$133.81	$179.00	$219.84	$233.12
S&P 500 Index	100.00	115.06	117.49	136.30	180.44	205.14
Russell 2000 Index	100.00	126.81	121.52	141.42	196.32	205.93

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Table of Contents

Item 6. Selected Financial Data

(In thousands, except as noted)	2014	2013	2012	2011	2010
Statement of Income Data:					
Net sales	$1,133,885	$1,112,058	$1,110,443	$1,112,814	$922,552
Income from continuing operations	87,447	85,858	87,557	67,518	35,886
Income from discontinued operations	1,059	2,389	3,080	2,334	2,218
Net income	88,506	88,247	90,637	69,852	38,104
Earnings per share attributable to MSA common shareholders:					
Basic per common share (in dollars):					
Income from continuing operations	$2.34	$2.31	$2.37	$1.85	$1.00
Income from discontinued operations	0.03	0.06	0.08	0.06	0.06
Net income	2.37	2.37	2.45	1.91	1.06
Diluted per common share (in dollars):					
Income from continuing operations	$2.30	$2.28	$2.34	$1.81	$0.99
Income from discontinued operations	0.03	0.06	0.08	0.06	0.06
Net income	2.33	2.34	2.42	1.87	1.05
Dividends paid per common share (in dollars)	1.23	1.18	1.38	1.03	0.99
Weighted average common shares outstanding—basic	37,138	36,868	36,564	36,221	35,880
Weighted average common shares outstanding—diluted	37,728	37,450	37,042	36,831	36,422
Balance Sheet Data:					
Total assets	$1,264,792	$1,234,270	$1,111,746	$1,115,052	$1,197,188
Long-term debt	245,000	260,667	272,333	334,046	367,094
Shareholders' equity	533,809	566,452	462,955	433,666	451,368

The data presented in the Selected Financial Data table should be read in conjunction with comments provided in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II Item 7 and the Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

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."

On March 7, 2014, Mine Safety Appliances Company, a Pennsylvania corporation ("Old MSA"), completed a previously disclosed reorganization into a holding company structure (the "Reorganization") in accordance with Section 1924(b)(4) of the Pennsylvania Business Corporation Law of 1988 (the "PBCL"). As a result of the Reorganization, Old MSA became a wholly-owned subsidiary of MSA Safety Incorporated ("New MSA"), a Pennsylvania corporation and previously a direct wholly-owned subsidiary of Old MSA. New MSA became the publicly traded holding company of Old MSA and its subsidiaries. New MSA and its subsidiaries continue to conduct the business and operations that Old MSA and its subsidiaries conducted immediately prior to the Reorganization.

MSA's South African personal protective equipment distribution business and MSA's Zambian operations had historically been part of the International reportable segment. In accordance with generally accepted accounting principles, these results are excluded from continuing operations and are presented as discontinued operations in all periods presented. Please refer to Note 19 Assets Held for Sale and Discontinued Operations, which is included in Part II Item 8 of this Form 10-K, for further commentary on these discontinued operations.

Sales from MSA's General Monitors companies were historically reported in the country from which product was shipped. Effective January 1, 2014, the General Monitors business has been fully integrated into MSA. As such, sales made by General Monitors companies are now allocated to each country based on the destination of the end-customer and other criteria based on the value added to the order. The 2013 and 2012 results presented below have been restated to reflect this change in allocation methodology. Please refer to Note 7 Segment Information, for further information.

BUSINESS OVERVIEW

We are a global leader in the development, manufacture and supply of products that protect people's health and safety. Our 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 a broad range of markets including the oil and gas, fire service, mining and construction industries, as well as the military. We are committed to providing our customers with service unmatched in the safety industry and, in the process, enhancing our ability to provide a growing line of safety solutions for customers in key global markets.

We tailor our product offerings and distribution strategy to satisfy distinct customer preferences that vary across geographic regions. To best serve these customer preferences, we have organized our business into nine geographical operating segments that are aggregated into three reportable geographic segments: North America, Europe and International. Each segment includes a number of operating segments. In 2014, 48%, 28% and 24% of our net sales were made by our North American, European 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 European segment includes companies in most Western European countries, and a number of Eastern European countries along with locations in the Middle East and Russia. Our largest European companies, based in Germany and France, develop, manufacture and sell a wide variety of products. Operations in other European segment 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, the U.S., Ireland, Sweden and China, or are purchased from third party vendors.

International. Our International segment includes companies in South America, Africa and the Asia Pacific region, some of which are in developing regions of the world. Principal International segment manufacturing operations are located in Brazil and China. These companies manufacture products that are sold primarily in each company's home country as well as 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 China, Germany, France and the U.S., or are purchased from third party vendors.

RESULTS OF OPERATIONS

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net Sales from continuing operations. Net sales for the year ended December 31, 2014 were $1,133.9 million, an increase of $21.8 million, or 2%, from $1,112.1 million for the year ended December 31, 2013.

For the year ended December 31, 2014, local currency core product sales increased by 4%, comprising 74% of our total business. By product group, fixed gas & flame detection instruments increased 10%, portable gas detection instruments increased 9%, fall protection increased 5%, head protection increased 5%, and breathing apparatus decreased 7%, on a local currency basis. Local currency non-core sales increased 5%, primarily on higher helmet sales to fire and military markets in Europe.

The unfavorable translation effects of weaker foreign currencies decreased net sales, when stated in U.S. dollars, by $20.3 million. Excluding the impact of weakening foreign currencies, net sales increased $42.1 million or 4%.

Net Sales (Dollars in millions)	2014	2013	Dollar Increase (Decrease)	Percent Increase (Decrease)
North America	$547.7	$533.2	$14.5	3 %
Europe	321.6	293.1	28.5	10 %
International	264.5	285.8	(21.3)	(7)%
Total	1,133.9	1,112.1	21.8	2 %

Net sales in the North American segment were $547.7 million for the year ended December 31, 2014, an increase of $14.5 million, or 3%, compared to $533.2 million for the year ended December 31, 2013. Leading growth were shipments of FGFD, head protection, and portable gas instruments, up $13.1 million, $8.1 million, and $6.4 million,

respectively. These increases were partially offset by an $11.3 million decrease in shipments of breathing apparatus to the fire segment, reflecting delays in securing product approvals of the Company's G1 SCBA platform and other small decreases across a broad range of product lines. The Company began shipping its G1 SCBA after receiving certification in late November, though these shipments were not overly material to results in 2014.

Table of Contents

Net sales for the European segment were $321.6 million for the year ended December 31, 2014, an increase of $28.5 million, or 10%, compared to $293.1 million for the year ended December 31, 2013. Local currency sales in Europe increased $30.0 million, or 10%, on increased shipments of ballistic helmets, up $13.6 million on higher sales to military markets in Southern Europe, increased shipments of FGFD, up $12.5 million, primarily on strength in the Middle East, and higher sales of breathing apparatus, up $3.6 million on increased demand across the segment. Currency translation effects decreased European segment sales in the current year, when stated in U.S. dollars, by $1.5 million.

Net sales for the International segment were $264.5 million for the year ended December 31, 2014, a decrease of $21.3 million, or 7%, compared to $285.8 million for the year ended December 31, 2013. Local currency sales in the International segment decreased $3.8 million, or 1% on a lower level of breathing apparatus, FGFD, and head protection shipments, down $8.5 million, $2.8 million, and $2.1 million, respectively in the segment. These decreases, primarily in our Latin America, and Australia region, were partially offset by higher sales in portable gas detection instruments throughout Asia, Australia, and Latin America, up $6.2 million in the segment, as well as higher large shipments of fire helmets in Asia, driving a $2.1 million increase. Currency translation effects decreased International segment sales, when stated in U.S. dollars, by $17.5 million, reflecting weakening currencies across several International geographies, notably in Brazil, Argentina, Chile, and Australia.

Other income (loss). Other income for the year ended December 31, 2014 was $2.8 million, primarily related to a $2.2 million gain from the sale of detector tube assets in the European segment. The 2014 income compares with a loss of $0.2 million for the year ended December 31, 2013. In 2013, a $1.6 million land impairment loss in the North American segment was partially offset by interest income of $1.1 million and small gains from asset dispositions.

Gross profit. Gross profit for the year ended December 31, 2014 was $515.3 million, an increase of $18.5 million, or 4%, from $496.8 million for the year ended December 31, 2013. The ratio of gross profit to net sales was 45.4% for 2014 compared to 44.7% in 2013, reflecting higher gross profit in our North American and European segment. The higher gross profit ratio in 2014 was primarily related to the Company's ongoing focus of developing and introducing new products, pricing the MSA brand more effectively, lowering manufacturing costs and a more favorable sales mix weighted toward gas detection products.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2014 were $322.8 million, an increase of $13.6 million, or 4%, from $309.2 million for the year ended December 31, 2013. Selling, general and administrative expenses were 28.5% of net sales in 2014 compared to 27.8% of net sales in 2013. Local currency selling, general and administrative expenses increased $18.8 million in the current period, primarily reflecting the impact of corporate strategic initiatives and executing our Europe 2.0 program, and higher charges related to the self-insured portion of the Company's recent product liability settlements. Currency translation effects decreased selling, general and administrative expenses for the year ended December 31, 2014, when stated in U.S. dollars, by $5.2 million. The decrease reflects weakening currencies across several geographies in the International segment, notably a weaker Brazilian real, Argentine peso, and Australian dollar.

Research and development expenses. Research and development expenses were $48.2 million for the year ended December 31, 2014, an increase of $2.3 million, or 5%, from $45.9 million for the year ended December 31, 2013. The increase reflects our ongoing focus on developing innovative new core products, including the G1 SCBA, a revolutionary new product designed side by side with firefighters.

Restructuring and other charges. For the year ended December 31, 2014, we recorded charges of $8.5 million compared to charges of $5.3 million for the year ended December 31, 2013. European segment charges of $4.8 million related primarily to severance from staff reductions in Central and Southern Europe as well as reorganization costs in Central Europe. International segment charges of $3.7 million, primarily related to staff reductions in South Africa, Australia, and Brazil and asset disposals in Australia and South Africa, as the Company reduces its footprint and optimizes its cost structure in response to challenging economic conditions in certain markets.

For the year ended December 31, 2013, we recorded charges of $5.3 million. European segment charges of $3.0 million related primarily to staff reductions in Germany and the Netherlands. International segment charges of $2.3 million were primarily related to staff reductions in Australia and South Africa.

Interest expense. Interest expense for the year ended December 31, 2014 was $9.9 million, a decrease of $0.8 million, or 7%, from $10.7 million for the year ended December 31, 2013. The decrease in interest expense reflects lower borrowing levels in the current year as well as a reduction in borrowing costs associated with our debt refinancing activities in the first half of 2014.

Currency exchange. Currency exchange losses were $1.5 million during the year ended December 31, 2014, compared to losses of $5.5 million during the same period in 2013. In 2014, currency exchange losses primarily relate to weakening of the Russian ruble. Currency exchange losses in both periods were mostly unrealized and relate primarily to the effect of the strengthening U.S. dollar on intercompany balances.

Table of Contents

Income tax provision. Our effective tax rate from continuing operations for the year ended December 31, 2014 was 32.3% compared to 29.3% for the year ended December 31, 2013. In 2014, the Company recognized a tax benefit for the research and development tax credit. In 2013, the Company recognized a tax benefit for the research and development tax credits for both 2012 and 2013. Additionally, an unfavorable income mix also contributed to the higher effective tax rate in 2014. As a result of the implementation of our principal operating model for parts of our European business, we expect to incur between $8 million and $10 million of nonrecurring exit tax charges during the first quarter of 2015.

Net income from continuing operations. Net income from continuing operations for the year ended December 31, 2014 was $87.4 million, an increase of $1.5 million, or 2%, from net income from continuing operations for the year ended December 31, 2013 of $85.9 million. Local currency net income increased by $3.6 million, or 4%. Currency translation effects decreased current period net income when stated in U.S. dollars, by $2.1 million. Basic earnings per share from continuing operations was $2.34 in 2014 compared to $2.31 in 2013, an increase of 3 cents per share, or 1%.

North American segment net income for the year ended December 31, 2014 was $73.9 million, an improvement of $11.1 million, or 18%, from $62.8 million for the year ended December 31, 2013. The increase in North American segment net income reflects higher sales, improved gross profit, and controlled selling, general, and administrative spending.

European segment net income for the year ended December 31, 2014 was $22.2 million, an increase of $2.0 million, or 10%, from $20.2 million for the year ended December 31, 2013. Local currency net income increased by $1.6 million, or 8%, reflecting increased sales and strong gross profit, partially offset by higher selling, general and administrative expense and restructuring expense. Currency translation effects increased European segment net income in the current year, when stated in U.S. dollars, by $0.4 million.

International segment net income for the year ended December 31, 2014 was $15.2 million, a decrease of $12.0 million, or 44%, from $27.2 million for the year ended December 31, 2013. Local currency net income declined $10.1 million, or 40%, and was primarily related to a lower level of sales, higher operating expense, and higher restructuring costs. Currency translation effects decreased current period International segment net income when stated in U.S. dollars, by $1.9 million, primarily due to a weaker Argentine peso, Brazilian real, and Chilean peso.

The net loss reported in reconciling items for the year ended December 31, 2014 was $23.8 million, compared to a net loss of $24.4 million for the year ended December 31, 2013. The lower loss during the year ended December 31, 2014 reflects favorable currency exchange impact and lower interest expense, partially offset by higher selling, general, and administrative expense related to corporate strategic initiatives.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net sales from continuing operations. Net sales for the year ended December 31, 2013 were $1,112.1 million, an increase of $1.7 million, from $1,110.4 million for the year ended December 31, 2012.

For the year ended December 31, 2013, local currency core product sales increased by 6%, comprising 73% of our total business, up from 70% for the year ended December 31, 2012. By product group, portable instruments increased 11%, fixed gas & flame detection instruments and fall protection each increased 6%, breathing apparatus increased 4%, and head protection increased 3% on a local currency basis. Local currency non-core sales decreased 10% on a lower level of mining related business in the International segment, lower gas mask sales in the United States, and the absence of ballistic helmet sales in North America due to the divestiture of this business in the first half of 2012.

The unfavorable translation effects of weaker foreign currencies decreased net sales from continuing operations, when stated in U.S. dollars, by $9.5 million. Excluding the impact of weakening foreign currencies and the divestiture of our North American ballistic helmet business of $9.6 million, net sales from continuing operations increased $20.8 million or 2%.

Net Sales (Dollars in millions)	2013	2012	Dollar Increase (Decrease)	Percent Increase (Decrease)	
North America	$533.2	$532.2	$1.0	—	%
Europe	293.1	290.4	2.7	1	%

International	285.8	287.8	(2.0)	(1)%
Total	1,112.1	1,110.4	1.7	—%

Net sales by the North American segment were $533.2 million for the year ended December 31, 2013, an increase of $1.0 million, compared to $532.2 million for the year ended December 31, 2012. Excluding the effects of the divestiture of the North American ballistic helmet business, North American segment sales increased $10.6 million, or 2%, when compared to 2012. North American ballistic helmet sales were $9.6 million lower in 2013, reflecting the divestiture. During the year ended December 31, 2013, we continued to see growth in the fire service and industrial markets. Shipments of instruments, breathing apparatus, and head, eye and face protection were up $14.6 million, $3.2 million and $2.9 million, respectively. These increases were partially offset by a $7.6 million decrease in shipments of gas masks to military markets and other small decreases across a broad range of product lines.

Net sales for the European segment were $293.1 million for the year ended December 31, 2013, an increase of $2.7 million, or 1%, from $290.4 million for the year ended December 31, 2012. Local currency sales in Europe decreased $2.7 million on lower shipments of non-core product business to military and fire markets. The favorable translation effects of a stronger euro in 2013 increased European segment sales, when stated in U.S. dollars, by $5.4 million.

Net sales of our International segment were $285.8 million for the year ended December 31, 2013, a decrease of $2.0 million, or 1%, compared to $287.8 million for the year ended December 31, 2012. Local currency sales in the International segment increased $14.3 million, or 5%, as strength in the industrial markets was partially offset by weakness in the fire service and military markets. Shipments of instruments, breathing apparatus, and fall protection, up $12.9 million, $5.7 million and $2.0 million, respectively, were partially offset by lower shipments of head, eye, and face protection and circuit breathing apparatus, down $3.1 million and $2.7 million, respectively, as well as smaller decreases across a series of non-core product lines. Currency translation effects decreased International segment sales, when stated in U.S. dollars, by $16.3 million, primarily related to a weaker Australian dollar and Brazilian real.

Other (loss) income. Other loss for the year ended December 31, 2013 was $0.2 million. A $1.6 million land impairment loss in the North American segment was partially offset by interest income of $1.1 million and small gains from asset dispositions. The 2013 loss compares with income of $10.9 million for the year ended December 31, 2012. In 2012, we recognized gains totaling $8.4 million on property sales in our Cranberry Woods office park. In December 2012, we sold the last available parcel in Cranberry Woods. Other income for 2012 also included a $4.8 million gain on an escrow settlement related to our October 2010 acquisition of the General Monitors group of companies. These improvements were partially offset by impairment losses on intangible assets and tooling related to our firefighter location project of $4.3 million and $0.5 million, respectively.

Gross profit. Gross profit for the year ended December 31, 2013 was $496.8 million, an increase of $7.3 million, or 1%, from $489.5 million for the year ended December 31, 2012. The ratio of gross profit to sales was 44.7% for 2013 compared to 44.1% in 2012. The higher gross profit ratio in 2013 was primarily related to a more favorable proportion of core product sales, lower manufacturing costs including the effect of LIFO liquidations, and improved pricing.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2013 were $309.2 million, a decrease of $3.7 million, or 1%, from $312.9 million for the year ended December 31, 2012. Selling, general and administrative expenses were 27.8% of sales in 2013 compared to 28.2% of sales in 2012. Local currency selling, general and administrative expenses decreased $0.9 million for the year ended December 31, 2013. The decrease reflects reduced administrative expense in our International and European segments and lower legal expense associated with the product liability matters, partially offset by higher pension expense. Currency translation effects decreased selling, general and administrative expenses for the year ended December 31, 2013, when stated in U.S. dollars, by $2.8 million. The decrease was primarily related to a weaker Australian dollar, Brazilian real and South African rand, partially offset by a stronger euro.

Research and development expenses. Research and development expenses were $45.9 million for the year ended December 31, 2013, an increase of $5.0 million, or 12%, from $40.9 million for the year ended December 31, 2012. The increase reflects our ongoing focus on developing innovative new core products, including the G1 SCBA and FAS-Trac III Industrial Helmet Suspension.

Restructuring and other charges. For the year ended December 31, 2013, we recorded charges of $5.3 million. European segment charges of $3.0 million related primarily to staff reductions in Germany and the Netherlands. International segment charges of $2.3 million were primarily related to staff reductions in Australia and South Africa.

Charges of $2.8 million for the year ended December 31, 2012 were related to severance costs associated with staff reductions in our North American, European and International segments of $1.5 million, $1.1 million and $0.2 million, respectively.

Table of Contents

Interest expense. Interest expense for the year ended December 31, 2013 was $10.7 million, a decrease of $0.6 million, or 5%, from $11.3 million for the year ended December 31, 2012. The decrease in interest expense reflects lower borrowing levels in 2013.

Currency exchange. Currency exchange losses were $5.5 million during the twelve months ended December 31, 2013, compared to losses of $3.2 million during the same period in 2012. Currency exchange losses in both periods were mostly unrealized and relate primarily to the effect of the strengthening U.S. dollar on intercompany balances.

Income tax provision. Our effective tax rate for the year ended December 31, 2013 was 29.3% compared to 32.0% for the year ended December 31, 2012. The lower effective tax rate for the year was primarily related to a tax benefit recognized for the research and development tax credit, including the benefit related to the recognition of the 2012 credit in January 2013. A favorable mix of income sourced from lower tax jurisdictions also contributed to the lower effective tax rate in 2013.

Net income from continuing operations. Net income from continuing operations for the year ended December 31, 2013 was $85.9 million, a decrease of $1.7 million, or 2%, from net income for the year ended December 31, 2012 of $87.6 million. Local currency net income decreased by $0.9 million. Currency translation effects decreased net income in 2013 when stated in U.S. dollars, by $0.8 million. Basic earnings per share from continuing operations was $2.31 in 2013 compared to $2.37 in 2012, a decrease of 6 cents per share, or 3%.

North American segment net income for the year ended December 31, 2013 was $62.8 million, an improvement of $4.4 million, or 8%, from $58.4 million for the year ended December 31, 2012. The increase in North American segment net income reflects higher sales and gross profits and decreased restructuring expense, partially offset by increased selling, general and administrative expenses from higher payroll, legal fees, and other professional services fees.

European segment net income for the year ended December 31, 2013 was $20.2 million, a decrease of $1.4 million, or 6%, from $21.6 million for the year ended December 31, 2012. Local currency net income decreased by $1.6 million, or 7%, reflecting lower gross profits on lower sales and increased restructuring expense, partially offset by lower selling, general and administrative expense. Currency translation impacts for the year ended December 31, 2013 increased European segment net income, when stated in U.S. dollars, by $0.2 million.

International segment net income for the year ended December 31, 2013 was $27.2 million, an increase of $2.4 million, or 10%, from $24.8 million for the year ended December 31, 2012. Local currency net income increased $3.1 million, or 13%, and was primarily related to increased gross profits from increased sales and lower selling, general and administrative expenses, partially offset by increased restructuring expense. Currency translation effects decreased 2013 International segment net income when stated in U.S. dollars, by $0.7 million, primarily due to a weaker Australian dollar and Brazilian real.

The net loss reported in reconciling items for the year ended December 31, 2013 was $24.4 million, compared to a net loss of $17.2 million for the year ended December 31, 2012. The higher loss during the year ended December 31, 2013 reflects higher currency exchange losses. Additionally, the year ended December 31, 2012 benefited from the previously-discussed one-time gain on the sale of land in our Cranberry Woods office park.

LIQUIDITY AND CAPITAL RESOURCES

Our main source of liquidity is operating cash flows, supplemented by borrowings. Our principal liquidity requirements are for working capital, capital expenditures, principal and interest payments on debt, dividend payments, and acquisitions. Approximately 60% of our long-term debt is at fixed interest rates with repayment schedules through 2021. The remainder of our long-term debt is at variable rates on an unsecured revolving credit facility that is due in 2019. Substantially all of our borrowings originate in the U.S., which has limited our exposure to non-U.S. credit markets and to currency exchange rate fluctuations.

At December 31, 2014, we had cash and cash equivalents totaling $106.0 million, of which $96.2 million was held by our foreign subsidiaries. The $96.2 million of cash and cash equivalents are held by our foreign subsidiaries whose earnings are considered indefinitely reinvested at December 31, 2014. These funds could be subject to additional income taxes if repatriated. It is not practical to determine the potential income tax liability that we would incur if these funds were repatriated to the U.S. because the time and manner of repatriation is uncertain. We believe that domestic cash and cash equivalents, domestic cash flows from operations, annual repatriation of a portion of the

current period's foreign earnings, and the availability of our domestic line of credit are sufficient to fund our domestic liquidity requirements.

The Company's existing debt agreements, including its senior revolving credit facility and note purchase agreements were amended to reflect the changes in the Company's legal structure in March 2014. During this process, we were able to successfully renegotiate a number of our existing credit facilities to provide the Company with access to additional capital at low interest rates.

Table of Contents

Our unsecured senior revolving credit facility provides for borrowings up to $300.0 million through 2019 and is subject to certain commitment fees. This credit facility has sub-limits for the issuance of letters of credit, swingline borrowings and foreign currency denominated borrowings; and may be used for general corporate purposes, including working capital, permitted acquisitions, capital expenditures and repayment of existing indebtedness. The credit agreement also allows the Company to request increases in the aggregate commitments of the lenders of up to an additional $150.0 million. Loans under the revolving facility will bear interest, at a variable rate based on LIBOR or the federal funds rate, at the Company's option. Interest rates remained at 1.16% in 2014. At December 31, 2014, $193.0 million of the $300.0 million senior revolving credit facility was unused including letters of credit. We reduced borrowings on the senior revolving credit facility by $5.0 million in both 2014 and 2013.

The Company amended its existing $175.0 million senior unsecured shelf facility with a note holder in 2014. Under this agreement, the Company may request the note holder to purchase additional senior notes from time to time prior to March 7, 2017. The Company would be required to pay the note holder an issuance fee in addition to fees defined in the note purchase agreement upon issuance of additional senior notes.

Effective June 2, 2014, The Company entered into an additional $100.0 million note facility with a note holder. Under this agreement, the Company may issue senior notes to the note holder from time to time prior to June 2, 2017. The Company would be required to pay fees defined in the master note agreement upon issuance of senior notes.

Considering the above noted changes and our outstanding debt, the Company currently has access to approximately $618.0 million of capital at December 31, 2014. Refer to Note 11 to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

The Company redeemed the $4.0 million of industrial development debt on February 28, 2014.

Cash and cash equivalents increased $9.7 million during the year ended December 31, 2014, compared to an increase of $13.5 million during 2013 and an increase of $22.8 million during 2012.

Operating activities. Operating activities provided cash of $107.0 million in 2014, compared to providing cash of $110.8 million in 2013. Lower operating cash flow in 2014 is primarily related to higher insurance receivables, lower pension, and lower currency exchange losses, offset by changes in working capital. Insurance receivables related to cumulative trauma product liability losses were $220.5 million at December 31, 2014 compared to $124.8 million at December 31, 2013. Trade receivables were $211.4 million at December 31, 2014 compared to $200.4 million at December 31, 2013, reflecting a local currency increase of $23.5 million on strong sales results in the 2014 fourth quarter, partially offset by a $12.5 million decrease due to currency translation effects. Inventories were $123.0 million at December 31, 2014, compared to $136.8 million at December 31, 2013. Local currency inventory decreased $1.1 million on decreases in our European and International segments. Currency translation effects of $12.7 million decreased inventories. Accounts payable were $70.2 million at December 31, 2014 compared to $66.9 million at December 31, 2013. Local currency accounts payable increased $6.8 million, primarily in the European segment, offset by currency translation effects of $3.5 million.

Operating activities provided cash of $110.8 million in 2013, compared to providing cash of $150.5 million in 2012. Lower operating cash flow in 2013 is primarily related to changes in working capital, higher notes receivables from insurance companies, and lower net income. Insurance receivables related to cumulative trauma product liability losses were $124.8 million at December 31, 2013 compared to $130.0 million at December 31, 2012. Trade receivables were $200.4 million at December 31, 2013 compared to $191.3 million at December 31, 2012, reflecting a local currency increase of $13.2 million on strong sales results in December, partially offset by unfavorable currency translation effects of $4.1 million. Inventories were $136.8 million at December 31, 2013, compared to $136.3 million at December 31, 2012. Local currency inventory increased $6.3 million, partially due to anticipated demand for new products. Local currency increases were offset by unfavorable currency translation effects of $5.8 million. Accounts payable were $66.9 million at December 31, 2013 compared to $59.5 million at December 31, 2012. Local currency accounts payable increased $8.8 million, primarily in International and North America reflecting our ongoing initiative to improve operating cash flow, partially offset by favorable currency translation effects of $1.4 million.

Investing activities. Investing activities used cash of $30.7 million for the year ended December 31, 2014, compared to using $35.2 million in 2013. The decrease in cash used by investing activities in 2014 was due to lower capital expenditures and higher cash generated by property disposals. Cash generated from property disposals was $3.4

million in 2014 compared to $1.4 million in 2013. The cash received from property disposals in 2014 include proceeds from the sale of our detector tube assets. Capital expenditures were $33.6 million compared to $36.5 million in 2013. The $2.9 million decrease in expenditures was driven primarily from lower investment in manufacturing in the International segment.

Table of Contents

Investing activities used cash of $35.2 million for the year ended December 31, 2013, compared to using $17.3 million in 2012. The increase in cash used by investing activities in 2013 was due to lower cash generated by property disposals. Cash generated from property disposals was $1.4 million in 2013 compared to $20.2 million in 2012. The cash received from property disposals in 2012 include proceeds from the sale of land in our Cranberry Woods office park. Capital expenditures were $36.5 million compared to $32.2 million in 2012. The $4.3 million increase in expenditures was driven primarily from higher investment in manufacturing in the International segment.

Financing activities. Financing activities used cash of $58.1 million for the year ended December 31, 2014, compared to using cash of $58.2 million in 2013. During 2014, we paid down $15.7 million of long-term debt compared to paying down $11.7 million in 2013. We made dividend payments of $45.6 million during 2014, compared to $44.0 million during 2013. Dividends paid on our common stock during 2014 (our 98th consecutive year of dividend payments) were $1.23 per share. Dividends paid on our common stock in 2013 and 2012 were $1.18 and $1.38 per share, respectively. The 2012 dividend included a special one-time dividend of $0.28 per share that was paid on December 28, 2012. Restricted cash balances were $2.7 million at December 31, 2014 compared to $2.8 million at December 31, 2013 and were primarily used to support letter of credit balances.

Financing activities used cash of $58.2 million in 2013 compared to using cash of $110.5 million in 2012. During 2013, we paid down $11.7 million of long-term debt compared to paying down $63.0 million in 2012. We made dividend payments of $44.0 million during 2013, compared to $51.0 million during 2012.

CUMULATIVE TRANSLATION ADJUSTMENTS

The year-end position of the U.S. dollar relative to international currencies resulted in a translation loss of $40.0 million being credited to cumulative translation adjustments for the year ended December 31, 2014. This compares to a translation loss of $6.1 million in 2013 and a translation gain of $4.1 million in 2012. The translation loss in 2014 was primarily related to the weakening of the euro, Mexican peso, Argentine peso, and the South African rand. The translation loss in 2013 was primarily related to the weakening of the Australian dollar, Brazilian real and the Argentine peso. The translation gain in 2012 was primarily related to the strengthening of the euro.

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, 2014 were as follows:

(In millions)	Total	2015	2016	2017	2018	2019	Thereafter
Long-term debt	$251.7	$6.7	$6.7	$26.7	$26.7	$131.7	$53.2
Operating leases	54.4	10.1	8.9	7.8	6.9	6.1	14.6
Totals	306.1	16.8	15.6	34.5	33.6	137.8	67.8

The significant obligations table does not include obligations to taxing authorities due to uncertainty surrounding the ultimate settlement of amounts and timing of these obligations.

We expect to meet our 2015, 2016, 2017, and 2018 debt service obligations through cash provided by operations. Approximately $105.0 million of debt payable in 2019 relates to our unsecured senior revolving credit facility. We expect to generate sufficient operating cash flow to make payments against this amount each year. To the extent that a balance remains when the facility matures in 2019, we expect to refinance the remaining balance through new borrowing facilities.

The Company had outstanding bank guarantees and standby letters of credit with banks as of December 31, 2014 totaling $6.5 million, of which $2.8 million relate to the senior revolving credit facility. These letters of credit serve to cover customer requirements in connection with certain sales orders and insurance companies. No amounts were drawn on these arrangements at December 31, 2014. The Company is also required to provide cash collateral in connection with certain arrangements. At December 31, 2014, the Company has $2.7 million of restricted cash in support of these arrangements.

We expect to make net contributions of $4.1 million to our pension plans in 2015.

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

Please refer to Note 18 to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K for further discussion on the Company's product liabilities.

Table of Contents

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). 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. A summary of the Company's significant accounting policies is included in Note 1 to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

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

Accounting for contingencies. We accrue 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. MSA LLC, a subsidiary of MSA Safety Incorporated (formerly Mine Safety Appliances Company), categorizes the product liability losses that its various subsidiaries experience into two main categories: single incident and cumulative trauma. Single incident product liability claims are discrete incidents that are typically known to us when they occur and involve observable injuries which provide an objective basis for quantifying damages. MSA LLC estimates its liability for single incident product liability claims based on expected settlement costs for pending claims and an estimate of costs for unreported claims. The estimate for unreported claims is based on experience, sales volumes and other relevant information.

Cumulative trauma product liability claims involve exposures to harmful substances (e.g., silica, asbestos and coal dust) that occurred many years ago and may have developed over long periods of time into diseases such as silicosis, asbestosis or coal worker’s pneumoconiosis. MSA LLC is presently named as a defendant in 2,326 lawsuits, some of which involve multiple plaintiffs. In these lawsuits, plaintiffs allege to have contracted certain cumulative trauma diseases related to exposure to silica, asbestos, and/or coal dust. These lawsuits mainly involve respiratory protection products allegedly manufactured and sold by MSA LLC or its predecessors.

Cumulative trauma product liability litigation has been difficult to predict. In our experience, until late in a lawsuit, we cannot reasonably determine whether it is probable that any of MSA LLC's cumulative trauma lawsuits will ultimately result in a liability. This uncertainty was caused by many factors, including the following: cumulative trauma complaints generally do not provide information sufficient to determine if a loss is probable; cumulative trauma litigation is inherently unpredictable and information is often insufficient to determine if a lawsuit will develop into an actively litigated case. Even when a case is actively litigated, it is often difficult to determine if the lawsuit will be dismissed or otherwise resolved until late in the lawsuit. Moreover, even once it is probable that such a lawsuit will result in a loss; it is often difficult to reasonably estimate the amount of actual loss that will be incurred. These amounts are highly variable and turn on a case-by-case analysis of the relevant facts, which are often not learned until late in the lawsuit. Consequently, MSA LLC has historically been unable to estimate its cumulative trauma product liability exposure. As new information about cumulative trauma product liability claims and future developments becomes available, we reassess our potential exposures.

We record expenses for defense costs associated with open product liability lawsuits as incurred. With some common contract exclusions, we maintain insurance for cumulative trauma product liability claims. We have purchased insurance policies for the policy years from 1952-1986 from over 20 different insurance carriers that provide coverage for cumulative trauma product liability losses, and in many instances, related defense costs. The available limits of these policies well exceed the recorded insurance receivable balance. In the normal course of business, we make payments to settle product liability claims and for related defense costs. We record receivables for the amounts that

are covered by insurance.

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, including our estimates of amounts receivable from insurance carriers. Our product liability expense averaged less than 1% of net sales during the three years ended December 31, 2014.

Table of Contents

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 approximately 1% of net sales during the three years ended December 31, 2014.

Income taxes. We recognize deferred tax assets and liabilities using enacted tax rates to record the tax effect of temporary differences between the book and tax basis of recorded assets and liabilities. 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 adjust the related valuation allowances in the period that the change in circumstances occurs. We had valuation allowances of $3.8 million and $4.9 million at December 31, 2014 and 2013, respectively.

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. We record tax benefits related to uncertain tax positions taken or expected to be taken on a tax return when such benefits meet a more likely than not threshold. We recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. 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.

No deferred U.S. income taxes have been provided on undistributed earnings of non-U.S. subsidiaries, which amounted to $334.7 million as of December 31, 2014. These earnings are considered to be reinvested for an indefinite period of time. Because we currently do not have any plans to repatriate these funds, we cannot determine the impact of local taxes, withholding taxes and foreign tax credits associated with the future repatriation of such earnings and, therefore, cannot reasonably estimate the associated tax liability. In cases where we intend to repatriate a portion of the undistributed earnings of our foreign subsidiaries, we provide U.S. income taxes on such earnings.

Pensions and other post-retirement benefits. We sponsor certain pension and other post-retirement benefit plans. 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 or a company-specific yield curve model.

Goodwill. In the third quarter of each year, or more frequently if indicators of impairment exist or if a decision is made to sell a business, we evaluate goodwill for impairment. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in the business climate, unanticipated competition, slower growth rates, or negative developments in equity and credit markets, among others.

All goodwill is assigned to reporting units. For goodwill impairment testing purposes, we consider our operating segments to be our reporting units. We test goodwill for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. Factors considered as part of the qualitative assessment include entity-specific industry, market and general economic conditions. In 2014 we elected to bypass the qualitative evaluation for all of our reporting units and performed a two-step quantitative test.

Quantitative testing involves comparing the estimated fair value of each reporting unit to its carrying value. We estimate reporting unit fair value using a weighted average of fair values determined by discounted cash flow (DCF) and market approach methodologies, as we believe both are equally important indicators of fair value. A number of significant assumptions and estimates are involved in the application of the DCF model, including sales volumes and prices, costs to produce, tax rates, capital spending, discount rates, and working capital changes. Cash flow forecasts are generally based on approved business unit operating plans for the early years and historical relationships in later years. The betas used in calculating the individual reporting units' weighted average cost of capital (WACC) rate are estimated for each reporting unit based on peer data. The market approach methodology measures value through an analysis of peer companies. The analysis entails measuring the multiples of EBITDA at which peer companies are trading.

Table of Contents

In the event the estimated fair value of a reporting unit per the weighted average of the DCF and market approach models is less than the carrying value, additional analysis would be required. The additional analysis would compare the carrying amount of the reporting unit's goodwill with the implied fair value of that goodwill, which may involve the use of valuation experts. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value amounts assigned to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit represented the purchase price. If the carrying value of goodwill exceeds its implied fair value, an impairment loss equal to such excess would be recognized, which could significantly and adversely impact reported results of operations and shareholders' equity. For 2014, based on our quantitative valuation, all of the fair values of our reporting units exceeded their carrying value by at least 35%.

RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS

Please refer to Note 1 to the Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

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 rates. 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, 2014 by approximately $57.6 million and $2.8 million, or 5.1% and 3.2%, respectively.

When appropriate, we may attempt to limit our transactional exposure to changes in currency exchange rates through forward contracts or other actions intended to reduce existing exposures by creating offsetting currency exposures. At December 31, 2014, we had open foreign currency forward contracts with a U.S. dollar notional value of $60.9 million. A hypothetical 10% increase in December 31, 2014 forward exchange rates would result in a $6.1 million increase in the fair value of these contracts.

Interest rates. 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 our revolving credit facility, these financial instruments are reported at carrying values which approximate fair values.

We have $146.7 million of fixed rate debt which matures at various dates through 2021. 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 $2.3 million. 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.

Actuarial assumptions. The most significant actuarial assumptions affecting our net periodic pension credit and pension obligations are discount rates, expected returns on plan assets and plan asset valuations. Discount rates and plan asset valuations are point-in-time measures. Expected returns on plan assets are based on our historical returns by asset class.

The following table summarizes the impact of changes in significant actuarial assumptions on our December 31, 2014 actuarial valuations.

	Impact of Changes in Actuarial Assumptions					
	Change in Discount Rate		Change in Expected Return		Change in Market Value of Assets	
(In thousands)	1%	(1)%	1%	(1)%	5%	(5)%
(Decrease) increase in net benefit cost	$(5,692)	$6,758	$(4,116)	$4,116	$ (1,001)	$ 964
(Decrease) increase in projected benefit obligation	(70,914)	88,396	—	—	—	—
Increase (decrease) in funded status	70,914	(88,396)	—	—	22,265	(22,265)

30

Table of Contents

Item 8. Financial Statements and Supplementary Data
Management's Reports to Shareholders
Management's Report on Responsibility for Financial Reporting
Management of MSA Safety Incorporated (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, 2014. 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 (2013). Based on our assessment and those criteria, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2014.
The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

/s/ WILLIAM M. LAMBERT
William M. Lambert
Chief Executive Officer

/s/ STACY P. McMAHAN
Stacy P. McMahan
Senior Vice President of Finance and Chief Financial Officer
February 25, 2015

Table of Contents

Report of Independent Registered Public Accounting Firm
To the Shareholders and Board of Directors of MSA Safety Incorporated:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of MSA Safety Incorporated and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Report to Shareholders appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide 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
February 25, 2015

Table of Contents

MSA SAFETY INCORPORATED
CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31,		
(In thousands, except per share amounts)	2014	2013	2012
Net sales	$1,133,885	$1,112,058	$1,110,443
Other income (loss), net (Note 14)	2,765	(175)	10,876
	1,136,650	1,111,883	1,121,319
Costs and expenses			
Cost of products sold	618,536	615,213	620,895
Selling, general and administrative	322,797	309,206	312,858
Research and development	48,247	45,858	40,900
Restructuring and other charges (Note 2)	8,515	5,344	2,787
Interest expense	9,851	10,677	11,344
Currency exchange losses, net	1,509	5,452	3,192
	1,009,455	991,750	991,976
Income from continuing operations before income taxes	127,195	120,133	129,343
Provision for income taxes (Note 9)	41,044	35,145	41,401
Income from continuing operations	86,151	84,988	87,942
Income from discontinued operations (Note 19)	1,776	3,061	3,819
Net income	87,927	88,049	91,761
Net loss (income) attributable to noncontrolling interests	579	198	(1,124)
Net income attributable to MSA Safety Incorporated	88,506	88,247	90,637
Amounts attributable to MSA Safety Incorporated common shareholders:			
Income from continuing operations	87,447	85,858	87,557
Income from discontinued operations (Note 19)	1,059	2,389	3,080
Net income	88,506	88,247	90,637
Earnings per share attributable to MSA Safety Incorporated common shareholders (Note 8)			
Basic			
Income from continuing operations	$2.34	$2.31	$2.37
Income from discontinued operations (Note 19)	$0.03	$0.06	$0.08
Net income	$2.37	$2.37	$2.45
Diluted			
Income from continuing operations	$2.30	$2.28	$2.34
Income from discontinued operations (Note 19)	$0.03	$0.06	$0.08
Net income	$2.33	$2.34	$2.42

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

MSA SAFETY INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,		
(In thousands)	2014	2013	2012
Net income	$87,927	$88,049	$91,761
Foreign currency translation adjustments	(40,568)	(7,281)	3,846
Pension and post-retirement plan actuarial (losses) and gains (Note 13)	(48,490)	54,951	(28,018)
Comprehensive (loss) income	(1,131)	135,719	67,589
Comprehensive loss (income) attributable to noncontrolling interests	1,176	1,331	(840)
Comprehensive income attributable to MSA Safety Incorporated	45	137,050	66,749

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

MSA SAFETY INCORPORATED
CONSOLIDATED BALANCE SHEET

(In thousands, except share amounts)	December 31, 2014	2013
Assets		
Cash and cash equivalents	$105,998	$96,265
Trade receivables, less allowance for doubtful accounts of $7,821 and $7,306	211,440	200,364
Inventories (Note 3)	122,954	136,837
Deferred tax assets (Note 9)	23,830	22,458
Income taxes receivable	2,876	9,181
Prepaid expenses and other current assets (Note 16)	30,771	35,861
Total current assets	497,869	500,966
Property, plant, and equipment (Note 4)	151,352	152,755
Prepaid pension cost (Note 13)	75,017	121,054
Deferred tax assets (Note 9)	20,227	14,996
Goodwill (Note 12)	252,520	260,134
Intangible assets (Note 12)	31,323	35,029
Other noncurrent assets	236,484	149,336
Total assets	1,264,792	1,234,270
Liabilities		
Notes payable and current portion of long-term debt (Note 11)	$6,700	$7,500
Accounts payable	70,210	66,902
Employees' compensation	40,249	38,164
Insurance and product liability (Note 18)	47,456	14,251
Taxes on income (Note 9)	5,545	3,662
Other current liabilities	63,897	61,085
Total current liabilities	234,057	191,564
Long-term debt (Note 11)	245,000	260,667
Pensions and other employee benefits (Note 13)	174,598	152,084
Deferred tax liabilities (Note 9)	26,306	49,621
Other noncurrent liabilities (Note 18)	46,198	7,987
Total liabilities	726,159	661,923
Commitments and contingencies (Note 18)		
Shareholders' Equity		
Preferred stock, 4 1/2% cumulative, $50 par value (Note 6)	3,569	3,569
Common stock, no par value (Note 6)	148,401	132,055
Stock compensation trust (Note 6)	—	(1,585)
Treasury shares, at cost (Note 6)	(286,557)	(281,524)
Accumulated other comprehensive loss	(166,730)	(78,269)
Retained earnings	835,126	792,206
Total shareholders' equity	533,809	566,452
Noncontrolling interests	4,824	5,895
Total shareholders' equity	538,633	572,347
Total liabilities and shareholders' equity	1,264,792	1,234,270

The accompanying notes are an integral part of the consolidated financial statements.

35

Table of Contents

MSA SAFETY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,		
(In thousands)	2014	2013	2012
Operating Activities			
Net income	$87,927	$88,049	$91,761
Depreciation and amortization	29,921	30,764	31,702
Pension expense (Note 13)	4,836	12,268	3,673
Net gain from investing activities—asset disposals (Note 14)	(2,094)	(436)	(8,396)
Stock-based compensation (Note 10)	9,053	10,337	10,010
Deferred income tax provision (Note 9)	(5,388)	(3,234)	213
Other noncurrent assets and liabilities	(53,482)	(18,162)	(14,104)
Currency exchange losses, net	1,393	5,127	3,151
Excess tax benefit related to stock plans (Note 6)	(2,573)	(2,246)	(2,799)
Other, net	(5,168)	4,386	1,103
Operating cash flow before changes in certain working capital items	64,425	126,853	116,314
(Increase) decrease in trade receivables	(23,480)	(13,171)	2,346
(Increase) decrease in inventories (Note 3)	(600)	(6,296)	2,677
Increase in accounts payable and accrued liabilities	56,988	10,732	17,776
Decrease (increase) in income taxes receivable, prepaid expenses and other current assets	9,698	(7,337)	11,363
Decrease (increase) in certain working capital items	42,606	(16,072)	34,162
Cash Flow From Operating Activities	107,031	110,781	150,476
Investing Activities			
Capital expenditures	(33,583)	(36,517)	(32,209)
Property disposals	3,385	1,360	20,193
Other investing	(500)	—	(5,269)
Cash Flow From Investing Activities	(30,698)	(35,157)	(17,285)
Financing Activities			
(Payments on) proceeds from short-term debt, net (Note 11)	(796)	662	(128)
Payments on long-term debt (Note 11)	(421,667)	(306,766)	(246,500)
Proceeds from long-term debt (Note 11)	406,000	295,100	183,500
Restricted cash	86	(2,790)	—
Cash dividends paid	(45,586)	(43,994)	(50,990)
Distributions to noncontrolling interests	—	(556)	—
Company stock purchases (Note 6)	(5,654)	(11,785)	(3,508)
Exercise of stock options (Note 6)	6,926	9,643	4,306
Excess tax benefit related to stock plans (Note 6)	2,573	2,246	2,799
Cash Flow From Financing Activities	(58,118)	(58,240)	(110,521)
Effect of exchange rate changes on cash and cash equivalents	(8,482)	(3,837)	110
Increase in cash and cash equivalents	9,733	13,547	22,780
Beginning cash and cash equivalents	96,265	82,718	59,938
Ending cash and cash equivalents	105,998	96,265	82,718
Supplemental cash flow information:			
Interest payments	$9,663	$10,884	$10,772
Income tax payments	31,679	36,242	29,807

The accompanying notes are an integral part of the consolidated financial statements.

36

Table of Contents

MSA SAFETY INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN RETAINED EARNINGS AND ACCUMULATED OTHER COMPREHENSIVE LOSS

(In thousands)	Retained Earnings	Accumulated Other Comprehensive (Loss)
Balances January 1, 2012	$708,306	$(103,184)
Net income	91,761	—
Foreign currency translation adjustments	—	3,846