MINE SAFETY APPLIANCES CO
Form S-3
April 16, 2004
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As filed with the Securities and Exchange Commission on April 16, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

MINE SAFETY APPLIANCES COMPANY

(Exact name of Registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or organization)

25-0668780

(I.R.S. Employer Identification No.)

121 Gamma Drive

RIDC Industrial Park

O Hara Township

Pittsburgh, PA 15238

(412) 967-3000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of each Registrant s Principal Executive Offices)

John T. Ryan III

Chairman and Chief Executive Officer

121 Gamma Drive

RIDC Industrial Park

O Hara Township

Pittsburgh, PA 15238

(412) 967-3000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, no par value(3)	3,027,000 shares	$ 28.59	$ 86,541,930	$ 10,964.86

(1) Includes shares of common stock that the underwriters will have the right to purchase to cover over-allotments, if any.
(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, as amended, based on the average of the high and low prices per share of the registrant s common stock as reported on the American Stock Exchange on April 14, 2004.
(3) Includes preferred stock purchase rights, which prior to the occurrence of certain events, will not be exercisable or evidenced separately from the common stock.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. The selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and the selling shareholders are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION April 16, 2004

2,632,174 Shares

MINE SAFETY APPLIANCES COMPANY

Common Stock

The selling shareholders are offering 2,632,174 shares of our common stock. We will not receive any proceeds from the sale of the shares of our common stock sold by the selling shareholders.

Our common stock is listed on the American Stock Exchange, and we have applied to list our common stock on the New York Stock Exchange, under the symbol MSA. On April 15, 2004, the reported last sale price of our common stock on the American Stock Exchange was $29.07 per share.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully consider the risk factors described in Risk factors beginning on page 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$

Underwriting discounts and commissions	$	$
Proceeds, before expenses, to the selling shareholders	$	$

The underwriters may also purchase up to an additional 394,826 shares of common stock from one of the selling shareholders, the MSA Non-Contributory Pension Plan for Employees, at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus. The underwriters may exercise this option only to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be $, and the total proceeds, before expenses, to the selling shareholders will be $.

The underwriters are offering the common stock as set forth under Underwriting. Delivery of the shares of common stock will be made in New York, New York on or about , 2004.

UBS Investment Bank

The date of this prospectus is , 2004.

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You should only rely on the information contained or incorporated by reference in this prospectus. We have not and the underwriters have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. The selling shareholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

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Forward-looking statements

This prospectus, including the sections entitled Prospectus summary, Risk factors, Management s discussion and analysis of financial condition and results of operations and Business, and the documents incorporated by reference in this prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include, among other things, those listed under Risk factors, and elsewhere in this prospectus and in the documents incorporated by reference in this prospectus. In some cases, you can identify forward-looking statements by words such as may, will, should, expects, intends, plans, anticipates, believes, estimates, predicts, potential, continue or the negative of these terms or other comparable words. These sta are only predictions and are not guarantees of future performance. Therefore, actual events or results may differ materially from those expressed or forecast in these forward-looking statements. In evaluating these statements, you should specifically consider various factors, including the risks outlined under Risk factors in this prospectus.

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 prospectus whether as a result of new information, future events or otherwise.

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Prospectus summary

The following summary highlights selected information in this prospectus, but it may not contain all of the information that you should consider before deciding to invest in our common stock. You should read this prospectus carefully, including the Risk factors section and the consolidated financial statements, including the notes thereto, included elsewhere in this prospectus, as well as the documents incorporated by reference herein. In this prospectus, all references to we, us, our and MSA refer to Mine Safety Appliances Company and its subsidiaries, unless the context otherwise requires or it is otherwise indicated.

OVERVIEW

We are a global leader in the development, manufacture and supply of sophisticated products that protect people s health and safety. Sophisticated safety products typically integrate any combination of electronics, mechanical systems and advanced materials to protect users against hazardous or life threatening situations. Our comprehensive line of safety products are used by workers around the world in the fire service, homeland security, construction and other industries, as well as the military. This broad product offering includes self-contained breathing apparatus, or SCBAs, gas masks, gas detection instruments, head protection, respirators and thermal imaging devices. Additionally, we also provide a broad offering of consumer and contractor safety products through retail channels. Our net sales from continuing operations have increased from approximately $509.7 million in 2001 to approximately $696.5 million in 2003, a compound annual growth rate of 16.9%. We achieved these results through growth in the markets we serve and increased penetration of those markets at a rate which we believe is greater than that of our peers. We believe we hold the number one global market position with respect to 2003 net sales of SCBAs, gas masks, gas detection instruments, hard hats and fire helmets.

We dedicate significant resources to research and development, which allows us to produce innovative, sophisticated safety products that are often first to market and exceed industry standards. Our global product development teams include cross-geographic and cross-functional members from various areas throughout the company, including research and development, marketing, sales, operations and quality management. Our engineers and technical associates work closely with the safety industry s leading standards-setting groups and trade associations, such as the National Institute for Occupational Safety and Health, or NIOSH, and the National Fire Protection Association, or NFPA, to develop industry product requirements and standards and anticipate their impact on our product lines. Evidencing our commitment to innovation, in 2003, we generated nearly one-third of our net sales from new products introduced over the prior three years.

We tailor our product offerings and distribution strategy to satisfy distinct customer preferences that vary across geographic regions. We believe that we best serve these customer preferences by organizing our business into the following three geographic segments: North America; Europe; and International. Our net sales from continuing operations for the year ended December 31, 2003 were approximately $452.6 million, $146.2 million and $97.7 million for the North America, Europe and International segments, respectively.

INDUSTRY BACKGROUND

We believe the worldwide personal protection equipment market, including the sophisticated safety products market in which we compete, generated net sales in excess of $5.0 billion in 2003. The industry supplying this market is broad and highly fragmented with few participants able to offer a comprehensive line of safety products. Generally, global demand for safety products has been stable

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because purchases of these products are non-discretionary since they protect workers in hazardous and life-threatening work environments and because their use is often mandated by government and industry regulations.

Several trends are reshaping the worldwide personal protection equipment market, including the following:

Ø *Heightened global awareness of and commitment to worker safety.*

Ø *Integration of electronics into safety products*.

Ø *Focus on domestic preparedness and homeland security.*

We believe that those developers, manufacturers and suppliers of safety products that can best meet the challenges and opportunities created by these industry trends will be best positioned to capture greater market share.

COMPETITIVE STRENGTHS

We believe the following strengths are critical to our success and continue to provide us with competitive advantages:

Strong, trusted and well-recognized brand representing a long-standing dedication to safety. Since 1914, we have been dedicated to protecting the health and safety of workers throughout the world. While our original customers were workers in the mining industry, we have evolved to supply the fire service, homeland security, construction and other industries and the military, as well as retail consumers and contractors, with high-quality, sophisticated safety products. The MSA brand, associated with durability and reliability, has helped us cultivate a loyal customer base. For example, we believe that approximately 70% of firefighters in North America and Western Europe use our fire helmets and continue to prefer the design, comfort and fit of our fire helmets. End-users have a strong preference for safety equipment from recognized manufacturers with a proven track record of producing quality products because they depend upon this equipment to protect them in hazardous or life-threatening situations.

Innovative product offering with expertise in safety and electronics integration. Over the course of our 90-year history of protecting people s health and safety, we have developed a unique expertise within our industry in creating both electronic instruments and safety products. We believe that the skills we have developed and our ability to create integrated products across these two areas of expertise provide us with a competitive advantage. We believe we are currently one of the only safety products companies in the world with the in-house engineering, technological and operational capabilities to integrate gas detection, communication and thermal imaging technologies with advanced respiratory and head protection products.

Diverse portfolio of safety products, sold to a wide range of end-users, across diverse geographic markets. We believe we have one of the most comprehensive offerings of personal safety products in the industry. MSA s broad range of products protect the health and safety of end-users in more than 120 countries in industries as diverse as manufacturing, chemical, steel, construction, hazardous materials, oil and gas, power plant, utility, shipbuilding, agricultural and paper, as well as sectors including first responders and the military. We believe that this end-market diversity helps mitigate the effects of an economic downturn in any particular industry or geographic region. We also have a diverse customer base, with no single non-military customer accounting for more than 1.5% of our 2003 net sales, and no single military customer accounting for more than 4.3% of our 2003 net sales. Our U.S. military customers, which are comprised of multiple U.S. government entities, including the U.S. Department of Defense, represented the largest group of military customers based on our 2003 net sales and accounted for approximately 12% of such sales.

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Strong relationships with leading safety equipment distributors in North America. We conduct a significant portion of our global sales through distributors, with virtually all non-military sales in North America being made through various industry distribution channels. We have developed strong strategic relationships with key safety products distributors in North America as a result of our dedicated sales force, which we believe is the largest in the industry, our strong brand name and our broad product offering. To generate demand, our sales force works jointly with select distributors to call on end-users of our products to educate them about hazards, exposure limits, safety requirements and product applications, as well as specific performance requirements of our products. We believe this 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.

Ability to anticipate and adapt quickly to market requirements. The safety products market is constantly evolving as a result of regulatory bodies and standard-setting entities updating their requirements at five-year intervals, new hazard assessments and the integration of new technologies into personal protective equipment. This gives us an opportunity to develop, manufacture and often be the first to introduce new products to meet changes in standards and performance requirements. Because of our technological sophistication, our participation on global standard-setting bodies, our commitment to research and development and our knowledgeable sales organization, we believe we are uniquely positioned to anticipate and adapt to the needs of changing product standards and gain the approvals and certifications necessary to meet new government and multi-national product regulations.

Experienced management team. We have an experienced senior management team. Our chairman and chief executive officer, John T. Ryan III, vice president and president of MSA North America, William M. Lambert, and vice president, chief financial officer and treasurer, Dennis L. Zeitler, have worked at MSA for approximately 35, 23 and 27 years, respectively. Under the leadership of these key members of management, we have successfully improved operations, integrated acquisitions and increased market share. Additionally, the top 80 members of our global management team have worked at MSA for an average of 18 years.

GROWTH STRATEGY

We are executing a targeted growth strategy designed to capitalize on our strong customer relationships, leverage our expertise in developing innovative products and improve our operational efficiency. Our growth strategy includes the following:

Identify and develop promising new markets. Our safety products have wide-ranging applications across many markets. We continue to identify, develop and produce safety products that meet the needs of attractive new markets where there are growing demands for MSA s safety solutions. We identify these new markets using criteria such as market size, growth potential, opportunities created by regulation and our ability to transfer existing technologies to new applications. We believe that we will be successful in developing new market opportunities as a result of the competitive advantage we gain from our brand reputation, electronics expertise, adaptability, strong distributor relationships and the reliability and innovation of our designs.

Focus on innovation and new product introductions. Our focus on innovation and new product introductions allows us to provide unique safety solutions to customers with fast-to-market product development. We plan to continue to dedicate significant financial and human resources to research and development and to work closely with customers and potential customers to develop these solutions. Internally, we monitor our success in this area by measuring the percentage of annual net sales from new products introduced over the prior three years. In 2003, we generated nearly one-third of our net sales from new products, an achievement which represents an increasing trend for us over the past five years. Consistent with our prior performance, we expect to continue to focus our resources on a high-quality new product development pipeline with staged introductions over the coming three-to-five year period.

Further strengthen relationships with major distributors. We continue to invest in our sales organization and information technology systems in order to support and strengthen our distributor relationships. To better serve our customers, we are hiring market specialists and training them to have more specialized knowledge of our growing product lines. We are also organizing our sales force into teams in order to provide broader coverage of our distributors. In terms of information technology, we are further investing in our online ePartner Network and our SAP System, which we installed six years ago, so that we may continue to be recognized by our distributors as their most integrated vendor. We intend to further enhance our growth prospects by continuing to work closely with our distributors, understand their business needs and integrate our systems to improve the efficiency and effectiveness of the distribution supply chain management process.

Optimize factory performance and drive operational excellence. We have a successful track record of significantly improving operating margins. Our *DRIVE for Excellence* initiative focuses on process excellence, resulting in reduced costs, increased inventory turns, improved operations and more efficient and effective supply chain management processes. In addition, initiatives in Lean Sigma, a combination of Lean Manufacturing and Six Sigma programs, have continued to benefit our business. An immediate benefit from Lean Sigma is improved asset utilization and factory efficiency. We plan to further drive operational excellence through our efforts to capture and implement best practices at our facilities around the world. We intend to effect further process improvements and cost reductions through these shared best practices and by optimizing the use of our global manufacturing capacity.

Position international business to capture growth. Our international operations represent a key opportunity for our overall growth. The core international growth markets in which we currently have a presence are China, Australia, South Africa and Brazil. To accelerate our penetration of the Asia-Pacific region, our largest international market, we are focusing our international expansion efforts on new opportunities in countries such as Malaysia, Korea and Taiwan. The growth in our International segment is driven by a number of factors, including heightened awareness of worker safety needs, increased promulgation and enforcement of safety regulations and increased overseas manufacturing. We believe we will continue to benefit from these trends by expanding our already significant manufacturing, sales and customer service presence overseas.

Pursue strategic acquisitions. The safety products industry offers a broad range of products, is highly fragmented and is characterized by many product manufacturers that offer only single product lines. We have successfully acquired and integrated several complementary personal protection equipment companies. We maintain a strong balance sheet with sufficient liquidity to provide capital resources both to invest in the growth of our existing businesses and to allow us to move rapidly and with certainty when acquisition opportunities of interest arise in our industry. We intend to continue to selectively pursue acquisitions that will add complementary product offerings, provide access to new geographic markets and distribution channels and expand our technological capabilities.

PRINCIPAL EXECUTIVE OFFICES

MSA is a Pennsylvania corporation formed in 1914. Our principal executive offices are located at 121 Gamma Drive, RIDC Industrial Park, O Hara Township, Pittsburgh, Pennsylvania 15238, and our telephone number is (412) 967-3000. We maintain a website at www.msanet.com where general information about our business is available. The information contained in our website is not a part of this prospectus.

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The offering

Common stock being offered by the selling shareholders	2,632,174 shares
Common stock to be outstanding after this offering	40,610,059 shares
Use of proceeds	We will not receive any proceeds from the sale of shares offered by the selling shareholders. The selling shareholders will receive all net proceeds from the sale of shares of our common stock in this offering. See Use of proceeds.
American Stock Exchange symbol; proposed New York Stock Exchange symbol	MSA
Dividend policy	We currently pay a regular quarterly cash dividend. In 2003, we paid cash dividends totaling $0.26 per share of common stock. See Dividend policy for a discussion of the factors that will affect the determination by our board of directors to declare dividends, as well as other matters concerning our dividend distribution.

Unless otherwise indicated, common stock to be outstanding after this offering is based on 37,052,542 shares outstanding as of April 15, 2004 and excludes 3,557,517 shares of common stock held by our Stock Compensation Trust. The shares held by our Stock Compensation Trust are available to satisfy our obligations under our stock incentive plans, which include 2,185,498 options granted to our officers and directors, 1,899,136 of which are currently exercisable or will become exercisable within 60 days. Except as otherwise indicated, the information in this prospectus assumes the underwriters over-allotment option is not exercised.

The selling shareholders in this offering include the MSA Non-Contributory Pension Plan for Employees, the Pittsburgh Oratory, John T. Ryan III, our chairman and chief executive officer, and certain members of the Ryan family, as set forth in the table below. The 2,068,674 shares being offered by the MSA Pension Plan reflect approximately 79% of the common stock being offered hereby.

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Summary of selected financial data

The summary of our selected financial data set forth below for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 and as of December 31, 2002 and 2003 should be read in conjunction with Selected historical financial data, Management s discussion and analysis of financial condition and results of operations, and our historical consolidated financial statements, including the respective notes thereto, appearing elsewhere or incorporated by reference in this prospectus. All share and per share information in this prospectus has been adjusted to reflect the 3-for-1 stock splits of our common stock effected on May 24, 2000 and January 28, 2004.

	Years ended December 31,				
Statement of operations data:	**1999**	**2000**	**2001**	**2002**	**2003**
	(dollars in thousands, except per share data)				
Net sales	$ 462,166	$ 468,307	$ 509,736	$ 564,426	$ 696,473
Other income	3,619	2,444	2,776	2,271	1,724
Cost of products sold(a)	282,687	277,972	292,940	331,215	408,219
Selling, general and administrative(a)	131,281	124,840	130,092	140,924	170,081
Research and development	15,235	15,988	16,740	20,372	21,722
Depreciation and amortization	20,550	20,936	22,590	21,525	23,208
Interest expense	3,916	4,040	5,349	4,769	4,564
Currency exchange (gains) losses	(694)	(444)	1,197	(191)	(3,356)
Provision for income taxes	3,098	8,531	17,753	16,870	24,835
Net income from continuing operations	9,712	18,888	25,851	31,213	48,924
Net income from discontinued operations(b)	6,614	4,351	5,780	3,864	2,685
Gain on sale of discontinued operations after tax(b)					13,658
Change in reporting period, net of tax(c)	(1,192)				
Net income	$ 15,134	$ 23,239	$ 31,631	$ 35,077	$ 65,267
Earnings per share data:					
Basic per common share continuing operations	$ .22	$ .51	$ .72	$ .85	$ 1.33
Diluted per common share continuing operations	.22	.51	.71	.85	1.31
Dividends paid per common share	.15	.16	.18	.22	.26
Weighted average number of common shares outstanding basic	38,917	36,904	35,729	36,512	36,730

	As of December 31,	
Balance sheet data:	**2002**	**2003**
	(dollars in thousands, except per share data)	
Working capital(d)	$ 138,182	$ 206,216
Working capital ratio(d)	2.4	2.8
Net property	130,407	120,560
Total assets(e)	579,765	643,885
Long-term debt	64,350	59,915
Common shareholders equity	288,009	306,867
Equity per common share	7.86	8.31

(footnotes on following page)

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(a) Noncash pension income, pre-tax, was approximately $10.2 million, $14.9 million, $15.0 million, $13.1 million and $8.8 million for the years ended December 31, 1999, 2000, 2001, 2002 and 2003, respectively. These represent the aggregate amounts included in costs of products sold and selling, general and administrative expenses.
(b) On September 12, 2003, we sold certain assets of the Callery Chemical Division to BASF Corporation for approximately $64.6 million. The operating results of the Callery Chemical Division and the gain on the sale of such division have been classified as discontinued operations for all periods presented. Net income from discontinued operations for 2002 includes approximately $42,000 of expenses directly related to the sale of the division.
(c) In 1999, the fiscal year end for certain international affiliates was changed from November 30th to December 31st. The after-tax effect of the change in reporting period is included in the 1999 income statement as a change in accounting principle.
(d) Working capital at December 31, 2002 and 2003 excludes assets held for sale.
(e) Total assets include approximately $45.1 million and $2.3 million of assets held for sale at December 31, 2002 and 2003, respectively.

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Risk factors

You should carefully consider the risks described below together with all of the other information contained or incorporated by reference in this prospectus before you decide to invest in our common stock. If any of the following risks actually occur, our business, financial condition or results of operations could suffer. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

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

The demand for our products sold to the fire services industry, the homeland security market and to U.S. government agencies, including the Department of Defense, is, in large part, driven by available government funding. The level of government funding in these areas has increased significantly since the tragedies of September 11, 2001 and has fueled the demand for many of our products such as SCBAs and gas masks. Approximately 12%, or $83.7 million, of our net sales for the year ended December 31, 2003 were made directly to U.S. government entities, including the Department of Defense. As of April 15, 2004, we had three firm fixed-price contracts with an aggregate value exceeding $78.0 million with the U.S. Army to produce Advanced Combat Helmets. Government budgets are set annually and we cannot assure you that government funding will be sustained at the same level in the future. A significant reduction in available government funding in the future could materially and adversely affect our net sales, earnings and cash flow.

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

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

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

In the safety products market, there are frequent introductions of new products and product line extensions. If we are unable to identify emerging consumer and technological trends, maintain and improve the competitiveness of our products and introduce new products, we may lose our market position, which could have a material adverse effect on our business, financial condition and results of

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Risk factors

operations. In 2003, approximately 30% of our net sales came from products that we introduced in the prior three years. Although we continue to invest significant resources in research and development and market research, continued product development and marketing efforts are subject to the risks inherent in the development of new products and product line extensions, including development delays, the failure of new products and product line extensions to achieve anticipated levels of market acceptance and the cost of failed product introductions.

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

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

We are presently named as a defendant in approximately 1,850 lawsuits primarily involving respiratory protection products allegedly manufactured and sold by us. Collectively, these lawsuits represent a total of approximately 30,000 plaintiffs. Approximately 85% of these lawsuits involve plaintiffs alleging they suffer from silicosis, with the remainder alleging they suffer from other or combined injuries, including asbestosis. These lawsuits typically allege that these conditions resulted in part from respirators that were negligently designed or manufactured by us. Consistent with the experience of other companies involved in silica and asbestos-related litigation, there has been an increase in the number of asserted claims that could potentially involve us. We cannot determine our potential liability, if any, for such claims, in part because the defendants in these lawsuits are often numerous, the claims generally do not specify the amount of damages sought and our product s involvement is speculative. With some limited exceptions, we maintain insurance against product liability claims and reserves for uninsured product liability claims, but it is possible that our insurance coverage will not continue to be available on terms acceptable to us or that such coverage or our reserves, as the case may be, will not be adequate for liabilities actually incurred.

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

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

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

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

We have significant business operations in approximately 27 foreign countries. In 2003, approximately 35% of our net sales were made by operations located outside the United States. Our international

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operations are subject to various political, economic and other risks and uncertainties, which could adversely affect our business. These risks include the following:

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

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

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

We depend on various components and materials to manufacture our products. Although we have not experienced any difficulty in obtaining components and materials, it is possible that any of our supplier relationships could be terminated. Any sustained interruption in our receipt of adequate supplies could have a material adverse effect on our business, results of operations and financial condition. In addition, while we have a process to minimize volatility in component and material pricing, we cannot assure you that we will be able to successfully manage price fluctuations due to market demand, currency risks or material shortages, or that future price fluctuations will not have a material adverse effect on our business, results of operations and financial condition.

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

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

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

We are subject to federal, state and local laws, regulations and ordinances relating to the protection of the environment, including those governing discharges to air and water, handling and disposal practices

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Risk factors

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

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

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

Ø failure of the acquired businesses to achieve the results we expect;

Ø diversion of our management s attention from operational matters;

Ø our inability to retain key personnel of the acquired businesses;

Ø risks associated with unanticipated events or liabilities;

Ø potential disruption of our existing business; and

Ø customer dissatisfaction or performance problems at the acquired businesses.

If we are unable to integrate or successfully manage businesses that we may acquire in the future, we may not realize anticipated cost savings, improved manufacturing efficiencies and increased revenue, which may result in material adverse short- and long-term effects on our operating results, financial condition and liquidity. Even if we are able to integrate the operations of our acquired businesses into our operations, we may not realize the full benefits of the cost savings, revenue enhancements or other benefits that we may have expected at the time of acquisition. In addition, even if we achieve the expected benefits, we may not be able to achieve them within the anticipated time frame, and such benefits may be offset by costs incurred in integrating the companies and increases in other expenses.

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

For the year ended December 31, 2003, our operations in our Europe and International segments accounted for 21% and 14% of our net sales, respectively. The results of our foreign operations are reported in the local currency and then translated into U.S. dollars at the applicable exchange rates for inclusion in our consolidated financial statements. The exchange rates between some of these currencies and the U.S. dollar have fluctuated significantly in recent years and may continue to do so in the future. In addition, because our financial statements are stated in U.S. dollars, such fluctuations may affect our results of operations and financial position and may affect the comparability of our results between financial periods. For example, net sales generated by our Europe segment were $146.2 million in 2003, an increase of $23.8 million, or 19%, from $122.4 million in 2002. When stated in U.S. dollars, approximately half of the sales increase in Europe was due to the favorable currency translation effects of the stronger Euro. We cannot assure you that we will be able to effectively manage our exchange rate risks or that any volatility in currency exchange rates will not have a material adverse effect on our results of operations and financial condition.

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Risk factors

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

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

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

RISKS RELATED TO OUR COMMON STOCK

The market price of our common stock may fluctuate substantially, which could cause the value of your investment to decline.

Securities markets experience significant price and volume fluctuations. This market volatility, as well as general economic or political conditions, could reduce the market price of our common stock. In addition, if our financial results are below the expectations of securities analysts and investors, the market price of our common stock could decrease significantly. Broad market and industry factors may also negatively affect the price of our common stock, regardless of our operating performance. As a result, you may be unable to resell your shares of our common stock at or above the public offering price.

Future sales of our common stock may depress the market price of our common stock.

We cannot predict what effect, if any, future sales of our common stock, or the availability of our common stock for future sale, will have on its market price. Sales of substantial amounts of our common stock in the public market following this offering, or the perception that such sales could occur, could adversely affect its market price and may make it more difficult for you to sell your common stock at a time and price which you deem appropriate. As of April 15, 2004, 37,052,542 shares of common stock were outstanding, excluding 3,557,517 shares of common stock held by our Stock Compensation Trust. The shares held by our Stock Compensation Trust are available to satisfy our obligations under our stock incentive plans, which include 2,185,498 options granted to our officers and directors, 1,899,136 of which are currently exercisable or will become exercisable within 60 days. In addition, the number of shares of common stock outstanding includes 173,320 shares of common stock which are not currently freely tradable but which may be eligible for resale from time to time subject to the volume, manner of sale and other conditions of Rule 144 under the Securities Act of 1933.

We, our directors and executive officers and each selling shareholder have agreed with the underwriters, subject to limited exceptions, not to sell, offer to sell, contract or agree to sell, hedge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exercisable or exchangeable for shares of common stock, or warrants or other rights to purchase shares of common stock from the date of the initial filing of the registration statement of which this prospectus forms a part and until after the date that is 90 days after the date of this prospectus without the prior written consent of UBS Securities LLC.

Certain provisions in our articles of incorporation and bylaws, as well as Pennsylvania corporate law and our shareholders rights plan may discourage a takeover attempt.

Certain provisions in our restated articles of incorporation and amended by-laws, as well as Pennsylvania corporate law and our shareholders rights plan may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. These provisions include:

Ø dividing our board of directors into three classes serving staggered three-year terms;

Ø prohibiting our shareholders from calling a special meeting of shareholders;

Ø requiring advance notice for raising matters of business or making nominations at shareholders meetings;

Ø prohibiting the removal of directors without cause; and

Ø prohibiting shareholders action by written consent.

We have also implemented a shareholder rights plan which could make an unsolicited takeover more difficult. As a result, all of these provisions may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing market prices. This potential inability to obtain a control premium could reduce the market price of our common stock.

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Use of proceeds

We will not receive any proceeds from the sale of shares of our common stock offered by the selling shareholders. The selling shareholders will receive all net proceeds from the sale of shares of our common stock in this offering.

Price range of common stock and dividend payments

Our common stock is listed on the American Stock Exchange under the symbol MSA. The following table sets forth, for the periods indicated, the high and low sales prices per share as reported on the American Stock Exchange and the dividends paid or declared by us on our common stock.

	Price Range of Our Common Stock		Dividend
	High	Low	/Share
Fiscal year ended December 31, 2001			
First Quarter	$ 8.55	$ 7.33	$ .04
Second Quarter	11.42	8.48	.04
Third Quarter	15.97	10.12	.05
Fourth Quarter	17.30	10.70	.05
Fiscal year ended December 31, 2002			
First Quarter	14.40	11.78	.04
Second Quarter	16.83	11.67	.06
Third Quarter	13.58	10.63	.06
Fourth Quarter	13.08	9.13	.06
Fiscal year ended December 31, 2003			
First Quarter	12.44	10.17	.06
Second Quarter	14.99	11.76	.06
Third Quarter	19.58	14.21	.07
Fourth Quarter	28.83	17.71	.07
Fiscal year ended December 31, 2004			
First Quarter	31.92	21.37	.07

The last reported sale price of our common stock on the American Stock Exchange on April 15, 2004 was $ per share. As of such date, there were 360 registered holders of our shares of common stock.

Dividend policy

We currently pay a regular quarterly cash dividend on our common stock. For the first quarter of 2004, we paid a cash dividend at a rate of $0.07 per share of common stock. While we have declared a dividend in each of the prior 86 years, the declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our results of operations, cash requirements, financial condition, legal requirements and other factors that our board of directors may deem relevant.

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Selected historical consolidated financial data

The following selected financial data should be read in conjunction with our consolidated financial statements, including the respective notes thereto, as well as the section entitled Management s discussion and analysis of financial condition and results of operations, included elsewhere in this prospectus. The statement of operations data for the fiscal years ended December 31, 2001, 2002 and 2003 and the balance sheet data as of December 31, 2002 and 2003 are derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers LLP, independent accountants, and which are included elsewhere or incorporated by reference in this prospectus. The statement of operations data for the fiscal years ended December 31, 1999 and 2000 and the balance sheet data as of December 31, 1999, 2000 and 2001 are derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers LLP, independent accountants, which are not included in this prospectus.

	Years ended December 31,				
	1999	2000	2001	2002	2003
	(dollars in thousands, except per share data)				
Statement of operations data:					
Net sales	$ 462,166	$ 468,307	$ 509,736	$ 564,426	$ 696,473
Other income	3,619	2,444	2,776	2,271	1,724
Cost of products sold(a)	282,687	277,972	292,940	331,215	408,219
Selling, general and administrative(a)	131,281	124,840	130,092	140,924	170,081
Research and development	15,235	15,988	16,740	20,372	21,722
Depreciation and amortization	20,550	20,936	22,590	21,525	23,208
Interest expense	3,916	4,040	5,349	4,769	4,564
Currency exchange (gains) losses	(694)	(444)	1,197	(191)	(3,356)
Provision for income taxes	3,098	8,531	17,753	16,870	24,835
Net income from continuing operations	9,712	18,888	25,851	31,213	48,924
Net income from discontinued operations(b)	6,614	4,351	5,780	3,864	2,685
Gain on sale of discontinued operations after tax(b)					13,658
Change in reporting period, net of tax(c)	(1,192)				
Net income	$ 15,134	$ 23,239	$ 31,631	$ 35,077	$ 65,267
Earnings per share data:					
Basic per common share continuing operations	$ .22	$ .51	$ .72	$ .85	$ 1.33
Diluted per common share continuing operations	.22	.51	.71	.85	1.31
Dividends paid per common share	.15	.16	.18	.22	.26
Weighted average number of common shares outstanding basic	38,917	36,904	35,729	36,512	36,730

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Selected historical consolidated financial data

Balance sheet data:	As of December 31, 1999	2000	2001	2002	2003
	(dollars in thousands, except per share data)				
Working capital(d)	$ 123,085	$ 114,175	$ 135,186	$ 138,182	$ 206,216
Working capital ratio(d)	2.5	2.3	2.6	2.4	2.8
Net property	163,509	159,586	156,413	130,407	120,560
Total assets(e)	451,741	489,683	520,698	579,765	643,885
Long-term debt	36,550	71,806	67,381	64,350	59,915
Common shareholders equity	241,374	225,382	252,451	288,009	306,867
Equity per common share	6.25	6.35	6.95	7.86	8.31

(a) Noncash pension income, pre-tax, was approximately $10.2 million, $14.9 million, $15.0 million, $13.1 million and $8.8 million for the years ended December 31, 1999, 2000, 2001, 2002 and 2003, respectively. These represent the aggregate amounts included in costs of products sold and sales, general and administrative expenses.

(b) On September 12, 2003, we sold certain assets of the Callery Chemical Division to BASF Corporation for approximately $64.6 million. The operating results of the Callery Chemical Division and the gain on the sale of such division have been classified as discontinued operations for all periods presented. Net income from discontinued operations for 2002 includes approximately $42,000 of expenses directly related to the sale of the division.

(c) In 1999, the fiscal year end for certain international affiliates was changed from November 30th to December 31st. The after-tax effect of the change in reporting period is included in the 1999 income statement as a change in accounting principle.

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

(e) Total assets include approximately $45.1 million and $2.3 million of assets held for sale at December 31, 2002 and 2003, respectively.

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 or incorporated by reference in this prospectus, including Selected historical consolidated financial data. This discussion contains 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 prospectus entitled Risk factors, Forward-looking statements and other sections in this prospectus.

BUSINESS OVERVIEW

We are a global leader in the development, manufacture and supply of sophisticated products that protect people s health and safety. In recent years, we have concentrated on specific initiatives intended to help improve our competitive position and profitability, including:

Ø identify and develop promising new markets;

Ø focus on innovation and new product introductions;

Ø further strengthen relationships with major distributors;

Ø optimize factory performance and drive operational excellence;

Ø position international business to capture growth; and

Ø pursue strategic acquisitions.

To sharpen our focus on our core safety products business, in November 2002, we announced our decision to explore the potential sale of Callery Chemical, our only non-safety products business unit. As discussed further below under Discontinued Operations, this division was sold in September 2003.

In 2003, we achieved record sales and net income from continuing operations for the third consecutive year. We believe that this performance and our improving financial performance in recent years are the result of initiatives that have allowed us to anticipate and respond quickly to market requirements, particularly in the fire service, homeland security, construction and general industries, as well as the military. We believe that sales growth in the fire service market reflects our ability to quickly bring to market products that comply with changing industry standards and to create new market demand with innovative products. For example, we have successfully responded to increased homeland security and military market demand for products such as the Millennium Chemical-Biological Mask and the MCU-2/P gas masks and the Advanced Combat Helmet that has occurred since the September 11th attacks and during the ongoing war on terrorism. Additionally, in 2003, we developed our Solaris handheld multi-gas detector and brought it from concept-to-customer in only 10 months in response to the gas detection needs of our industrial and petrochemical customers. Demand in the homeland security and military markets has more than offset continuing sluggishness in North American industrial markets. The level of demand for our products in the fire service, homeland security and military markets is strongly influenced by the levels of government funding available to address the needs of first responders and to meet the requirements of military operations. A reduction in available government funding in the future could adversely affect the demand for our products in these markets.

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Management s discussion and analysis of financial condition and results of operations

Our results in Europe improved modestly in 2003, but continue to suffer from the effects of the poor economic climate in Western Europe. Our acquisition of CGF Gallet in 2002, now MSA Gallet, added the leading line of European firefighter head protection to our product line and has helped improve our overall performance in Europe. In other international markets, 2003 results were generally higher in most markets, particularly in Australia and Latin America. These improvements reflect focused efforts to effectively reach customers and, particularly in Latin America, improvements in general economic conditions.

DISCONTINUED OPERATIONS

On September 12, 2003, we sold our Callery Chemical Division to BASF Corporation. In accordance with accounting principles generally accepted in the United States of America, the operating results of the Callery Chemical Division and the gain on the sale to BASF Corporation have been reported as discontinued operations in the consolidated statements of income. The net assets of the division have been classified as assets held for sale in the consolidated balance sheets.

Discontinued operations reported sales of $21.3 million, $29.5 million and $33.1 million and net income of $2.7 million, $3.9 million and $5.8 million for the years ended December 31, 2003, 2002, and 2001, respectively. Discontinued operations for the year ended December 31, 2003, represent operating results of Callery Chemical Division through the date of sale. The sale of the Callery Chemical Division to BASF Corporation resulted in an after-tax gain of $13.7 million.

At December 31, 2003, approximately $2.3 million of trade receivables related to the Callery Chemical Division operation were reported as assets held for sale. A substantial portion of this balance was collected in January and February 2004.

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

RESULTS OF CONTINUING OPERATIONS

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Sales. Sales for 2003 were $696.5 million, an increase of $132.1 million, or 23%, from $564.4 million in 2002.

Sales by North American operations were $452.6 million in 2003, an increase of $82.9 million, or 22%, from $369.7 million in 2002. The sales improvement occurred in the United States and is largely related to higher shipments of self-contained breathing apparatus and thermal imaging cameras to the fire service market and of gas masks and ballistic helmets to military and homeland security markets. Sales of instruments and fall protection equipment were flat, reflecting continued sluggishness in industrial markets.

During 2003, we changed our standard shipping terms to U.S. distributors. The effect of this change was to delay revenue recognition on the affected shipments, which reduced current year sales and gross margins by approximately $4.7 million and $2.7 million, respectively.

Sales by European operations were $146.2 million in 2003, an increase of $23.8 million, or 19%, from $122.4 million in 2002. The sales increase in 2003 includes a full year of sales by MSA Gallet, which was acquired during the second quarter of 2002. When stated in U.S. dollars, approximately half of the sales increase in Europe was due to the favorable currency translation effects of the stronger Euro.

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Management s discussion and analysis of financial condition and results of operations

Sales by International operations were $97.7 million in 2003 compared to $72.2 million in 2002, an increase of $25.5 million, or 35%. The sales improvement occurred primarily in Australia, on higher shipments of breathing apparatus to the Australian Navy, and in Latin America. Approximately one-third of the increase in international sales, when stated in U.S. dollars, was due to the favorable currency translation effects of a stronger Australian dollar and South African Rand.

Gross profit. Gross profit for 2003 was $288.3 million, an increase of $55.1 million, or 24%, from $233.2 million in 2002. The ratio of gross profit to sales was steady at 41.4% in 2003 compared to 41.3% in 2002.

Selling, general and administrative expenses. Selling, general and administrative expenses in 2003 were $170.1 million, an increase of $29.2 million, or 21%, from $140.9 million in 2002. Approximately half of the increase was related to higher marketing and selling expenses required to support the significant sales growth in North America. The remainder of the increase occurred in Europe, and reflects the inclusion of a full year s expenses for MSA Gallet, which was acquired in the second quarter of 2002, and the currency exchange effect of a stronger Euro. Selling, general and administrative expenses were 24.4% of sales in 2003 compared to 25.0% of sales in 2002.

Research and development expenses. Research and development expenses were $21.7 million in 2003, an increase of $1.3 million, or 6%, from $20.4 million in 2002. Research and development activities are performed primarily in the United States and Europe.

Depreciation and amortization expense. Depreciation and amortization expense was $23.2 million in 2003, an increase of $1.7 million, or 8%, from $21.5 million in 2002. The increase was due to the inclusion of a full year of depreciation for MSA Gallet, which we acquired during the second quarter of 2002, and regular asset additions.

Cost of products sold. Cost of products sold was $408.2 million in 2003, an increase of $77.0 million, or 23%, from $331.2 million in 2002. The increase relates to higher sales.

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

Cost of products sold and operating expenses include net periodic pension benefit costs and credits. Pension credits, combined with pension costs, resulted in net pension credits of $8.8 million in 2003 and $13.1 million in 2002. Net pension credits of $10.8 million in 2003 include a $2.0 million curtailment gain that was related to the sale of the Callery Chemical Division and is reflected in net income from discontinued operations. The current recognition of pension income is primarily the result of the exceptional investment performance of the MSA Non-Contributory Pension Plan for the Employees, or MSA Pension Plan, over the past ten years. During that period, the investment performance of the MSA Pension Plan has ranked among the top 1% of all U.S. pension funds. Future net pension credits can be volatile depending on the future performance of plan assets, changes in actuarial assumptions regarding such factors as the selection of discount rates and rates of return on plan assets, changes in the amortization levels of actuarial gains and losses, plan amendments affecting benefit pay-out levels, and profile changes in the participant populations being valued. Changes in any of these factors could cause net pension credits to change.

To the extent net pension credits decline in the future, income would be adversely affected.

Management s discussion and analysis of financial condition and results of operations

Interest expense. Interest expense in 2003 was $4.6 million compared to $4.8 million in 2002. The decrease relates to reductions in long term debt and lower average short term borrowings.

Currency exchange. Currency exchange gains of $3.4 million were recorded in 2003 compared to gains of $191,000 in 2002. Currency exchange gains in 2003 were primarily related to Euro and Canadian dollar denominated assets held by us, and reflect a significant strengthening of those currencies during the year.

Other income. Other income was $1.7 million in 2003 compared to $2.3 million in 2002.

Income tax provision. The effective income tax rate was 33.7% in 2003 and 35.1% in 2002. The effective tax rate in 2003 was lower than the U.S. statutory income tax rate due in part to the favorable effect of research and development credits and the one-time effect of releasing $1.2 million of previously-established valuation allowances on foreign tax credit carry forwards. These valuation allowances were released in 2003 as a result of tax planning strategies that were implemented during the year and an improved outlook for foreign source income. We have maintained tax reserves established in prior years on research and development credits that were claimed in tax years that are currently being examined by the Internal Revenue Service. We are cautiously optimistic that a favorable settlement of these examinations could be reached in late 2004.

Net income. Net income from continuing operations was $48.9 million in 2003, an increase of $17.7 million, or 57%, over 2002 net income from continuing operations of $31.2 million. Continuing operations basic earnings per share of common stock improved to $1.33 in 2003 compared to $0.85 in 2002.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Sales. Sales for 2002 were $564.4 million, an increase of $54.7 million, or 11%, from $509.7 million in 2001.

Sales by North American operations were $369.7 million in 2002, an increase of $26.1 million, or 8%, from $343.6 million in 2001. The sales improvement occurred in the United States and was largely related to higher shipments of gas masks to the military and homeland security markets. Sales to the fire service market were relatively flat year-to-year with increased shipments of self-contained breathing apparatus being offset by lower shipments of thermal imaging cameras. Thermal imaging camera sales are dependent on the level of federal government funding provided to local fire departments. During 2002 much of this funding was diverted to meeting homeland security requirements. Sales of instruments and fall protection equipment were slightly lower in 2002, reflecting sluggishness in industrial markets.

Sales by European operations were $122.4 million in 2002, an increase of $28.2 million, or 30%, from $94.2 million in 2001. A significant portion of the improvement was due to the acquisition of MSA Gallet during the second quarter. European sales also benefited from strong shipments of escape breathing devices for use in the merchant marine fleet. When stated in U.S. dollars, European sales also benefited from the currency translation effects of a strong Euro.

Sales by International operations were $72.2 million in 2002 compared to $71.7 million in 2001, an increase of $471,000, or 1%. Local currency sales growth of approximately 7% was offset by unfavorable currency translation effects when stated in U.S. dollars. Local currency sales growth was achieved in Africa, Brazil, and Australia.

Gross profit. Gross profit for 2002 was $233.2 million, an increase of $16.4 million, or 8%, from $216.8 million in 2001. The ratio of gross profit to sales was 41.3% in 2002 compared to 42.5% in

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Management s discussion and analysis of financial condition and results of operations

2001. The lower gross profit percentage is largely related to sales mix changes and somewhat lower gross margins in North American industrial markets.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $10.8 million, or 8% to $140.9 million in 2002, but decreased as a percent of sales to 25.0% in 2002 compared to 25.5% in 2001. The increase in selling, general and administrative expenses occurred in North America and Europe and reflects costs associated with higher sales volumes, higher insurance costs, and the acquisition of MSA Gallet.

Research and development expenses. Research and development expenses, which are included in cost of products sold, were $20.4 million in 2002, an increase of $3.7 million, or 22%, from $16.7 million in 2001. These expenses relate to safety products equipment research and development activities primarily in the United States and Europe. The increase reflects higher research and development costs in the United States and in Europe due to the acquisition of MSA Gallet.

Depreciation and amortization expense. Depreciation and amortization expense was $21.5 million in 2002, a decrease of $1.1 million, or 5%, from $22.6 million in 2001. As required by Financial Accounting Standard, or FAS, No. 142, goodwill amortization was discontinued at the beginning of 2002. Goodwill amortization expense was $2.2 million in 2001. The decrease associated with absence of goodwill amortization in 2002 was partially offset by the inclusion of MSA Gallet depreciation and regular asset additions.

Cost of products sold. Cost of products sold was $331.2 million in 2002, an increase of $38.3 million, or 13%, from $292.9 million in 2001. The increase reflects higher improved sales.

Cost of products sold and selling, general and administrative expenses include net periodic pension benefit costs and credits. Pension credits, combined with pension costs, resulted in net pension credits of $13.1 million in 2002 and $15.0 million in 2001.

Interest expense. Interest expense in 2002 was $4.8 million compared to $5.3 million in 2001. The decrease relates to reductions in long term debt and average short term borrowings.

Currency exchange. Currency exchange gains of $191,000 were recorded in 2002 compared to a loss of $1.2 million in 2001. The favorable swing was primarily due to the strengthening of the Euro during 2002. The most significant losses from currency valuation changes in 2001 related to the strengthening of the U.S. dollar against the Canadian dollar.

Other income. Other income was $2.3 million in 2002 compared to $2.8 million in 2001.

Income tax provision. The effective income tax rate for continuing operations was 35.1% in 2002 and 40.7% in 2001. The effective tax rate in 2002 was lower than in 2001 due to favorable tax effects associated with the charitable donation of property and adjustments to prior year tax provisions, net of valuation allowances taken on deferred tax assets. The 2001 effective tax rate included the recognition of a valuation allowance on deferred tax assets related to foreign tax credit carry-forwards in the United States and improved earnings in high tax rate countries.

Net income. Net income from continuing operations was $31.2 million in 2002, an increase of $5.4 million, or 21%, over 2001 net income from continuing operations of $25.9 million. Continuing operations basic earnings per share of common stock improved to $0.85 in 2002 compared to $0.72 in 2001.

Management s discussion and analysis of financial condition and results of operations

LIQUIDITY AND CAPITAL RESOURCES

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

Cash and cash equivalents increased $36.8 million during 2003, compared to an increase of $9.8 million in 2002.

Continuing operations provided cash of $32.5 million in 2003 compared to providing $43.0 million in 2002. Higher net income from continuing operations in 2003 was more than offset by increases in net operating assets. In 2003, increases in receivables used cash of $27.0 million compared to using $3.0 million in 2002. Increases in inventories during 2003 used $3.2 million compared to inventory reductions in 2002, which provided $5.5 million in cash. Trade receivables related to continuing operations were $89.9 million at December 31, 2003. Trade receivables for continuing operations expressed in number of days sales outstanding were 47 days at December 31, 2003, compared to 38 days at December 31, 2002. The increase in trade receivables and days sales outstanding reflect increased government and international receivables. Other receivables were $39.0 million at December 31, 2003 and $35.5 million at December 31, 2002, representing a retained interest in securitized receivables. Inventories of continuing operations were $90.1 million at December 31, 2003 and $76.7 million at December 31, 2002. Inventory measured against sales turned 7.7 times in 2003 and 7.4 times in 2002. Cash flow from continuing operations in 2002 was $22.9 million higher than in 2001. Improved cash flow from continuing operations in 2002 reflects higher operating income and relatively small changes in receivables and inventories.

Cash provided by discontinued operations in 2003 was $1.6 million higher than in 2002. The increase is primarily related to the liquidation of trade receivables. Cash provided by discontinued operations in 2002 was $1.2 million lower than in 2001, mainly due to lower income.

Investing activities provided cash of $66.7 million in 2003 compared to using $34.1 million in 2002. In 2003, the sale of the Callery Chemical Division and property in Germany provided cash of approximately $63.0 million and $22.9 million, respectively. In 2002, net cash of approximately $14.5 million was used for the acquisition of MSA Gallet. In 2001, cash was used for the acquisition of Surety Manufacturing and Testing, Ltd. Capital expenditures of $19.6 million, $20.1 million, and $20.0 million in 2003, 2002 and 2001, respectively, were primarily related to purchases of new or replacement tooling and production equipment.

Financing activities used cash of $76.3 million in 2003 compared to using $7.1 million in 2002. The higher use of cash in 2003 includes a special distribution to common shareholders of $53.8 million, representing the after-tax proceeds from the sale of the Callery Chemical Division and the subsequent liquidation of net assets retained by us. Dividends paid on our common stock during 2003 (the 86th consecutive year of dividend payment) were $0.26 per share. Dividends paid on our common stock in 2002 and 2001 were $0.22 and $0.18, per share, respectively.

The average amount of short-term debt outstanding during 2003 and 2002 was $560,000 and $3.1 million, respectively. Credit available at year-end with financial institutions was the U.S. dollar equivalent of $20.4 million, of which $19.6 million was unused.

Long-term debt, including the current portion at December 31, 2003 was $64.8 million, or 17.4% of total capital. For purposes of this calculation, total capital is defined as long-term debt plus the current portion of long-term debt and shareholders equity.

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Management s discussion and analysis of financial condition and results of operations

Outstanding short and long-term indebtedness at December 31, 2003 and 2002 was as follows:

	2002	2003
	(In thousands)	
Bank lines of credit	$ 9,096	$ 828
Industrial development debt	10,750	10,750
Senior notes	56,000	52,000
Other	2,564	2,003
	78,410	65,581
Current portion	(14,060)	(5,666)
	64,350	59,915

ACCOUNTS RECEIVABLE SECURITIZATION

We sell eligible trade accounts receivables to Mine Safety Funding Corporation, or MSF, our unconsolidated wholly-owned subsidiary. MSF was established in November 1999 to provide us with an inexpensive and reliable source of financing to replace borrowings under short term lines of credit. Under accounting principles generally accepted in the United States of America, MSF is not consolidated with us because legally it is a bankruptcy remote entity. In the event that we declared bankruptcy, all cash collections on trade receivables owned by MSF would first be used to satisfy MSF s borrowings before any remaining proceeds could be returned to us. This arrangement permits MSF to borrow at advantageous interest rates using its portfolio of trade receivables as security. As a result of the securitization agreement, $15.0 million and $29.0 million of accounts receivable and short-term debt have been removed from our balance sheet at December 31, 2003 and 2002.

CUMULATIVE TRANSLATION ADJUSTMENTS

The year-end position of the U.S. dollar relative to international currencies resulted in translation gains of $14.7 million being credited to the cumulative translation adjustments shareholders equity account in 2003, compared to gains of $5.8 million in 2002 and losses of $4.9 million in 2001. Translation gains in 2003 reflect the strengthening of most currencies against the U.S. dollar. The most significant gains related to MSA s operations in Europe and Australia. Translation gains in 2002 occurred primarily in Europe, partially offset by losses in South America. Translation losses in 2001 occurred primarily in South Africa, Brazil, Chile and most European countries.

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, 2003 were as follows:

	Total	2004	2005	2006	2007	2008	Thereafter
				(In thousands)			
Long-term debt	$ 64,753	$ 4,838	$ 4,561	$ 8,231	$ 105	$ 8,105	$ 38,913
Operating leases	27,613	5,262	4,259	3,621	2,739	2,657	9,075
Technology transfer agreement	2,250	1,500	750				
Take or pay supply contract	7,000	1,500	1,500	1,500	1,500	1,000	
Totals	101,616	13,100	11,070	13,352	4,344	11,762	47,988

We expect to make net contributions of $1.3 million to our pension plans in 2004.

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Management s discussion and analysis of financial condition and results of operations

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

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

On September 12, 2003, we entered into a lease agreement with BASF Corporation pertaining to that portion of the Callery Chemical site that is occupied by our Evans City, Pennsylvania manufacturing operations. The initial term of the lease is one year and we have the option to renew for five successive one year periods.

Various lawsuits and claims arising in the normal course of business are pending against us. These lawsuits are primarily product liability claims. We are presently named as a defendant in approximately 1,850 lawsuits involving primarily respiratory protection products allegedly manufactured and sold by us. Collectively, these lawsuits represent a total of approximately 30,000 plaintiffs. Approximately 85% of these lawsuits involve plaintiffs alleging they suffer from silicosis, with the remainder alleging they suffer from other or combined injuries, including asbestosis. These lawsuits typically allege that these conditions resulted in part from respirators that were negligently designed or manufactured by us. Consistent with the experience of other companies involved in silica and asbestos-related litigation, there has been an increase in the number of asserted claims that could potentially involve us. We cannot determine our potential liability, if any, for such claims, in part because the defendants in these lawsuits are often numerous and the claims generally do not specify the amount of damages sought.

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

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

FINANCIAL INSTRUMENT MARKET RISK

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

Currency exchange rate sensitivity. By the very nature of our global operations, our cash flow and earnings are subject to fluctuations due to exchange rate changes. Because we operate in a number of locations around the world, currency exchange risk is well diversified. When appropriate, we may attempt to limit our exposure to changes in currency exchange rates through both operational and financial market actions. These actions may include contracts and other actions designed to reduce existing exposures by essentially creating offsetting currency exposures. At December 31, 2003, contracts for the purpose of hedging cash flows were not significant.

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

We have $52.0 million of fixed rate debt which matures at various dates through 2012. The incremental increase in the fair value of fixed rate long term debt resulting from a hypothetical 10% decrease in interest rates would be approximately $1.1 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. We base our estimates and judgments on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate these estimates and judgments on an on-going basis. Actual results may differ from these estimates and judgments.

We believe the following critical accounting policies affect our more significant estimates and judgments used in the preparation of the financial statements. We recognize revenue from the sale of products when title, ownership, and risk of loss pass to our customers. Amounts billed to customers for shipping and handling are included in net sales. We record estimated reductions to sales for customer programs including volume-based incentives. If market conditions were to change, the amounts due to customers under these programs could differ from the recorded estimates. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required. We provide for the estimated cost of product warranties at the time that sales are recognized. While we have extensive product quality programs and processes, our warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from our estimates, revisions to the estimated warranty liability would be required. We maintain reserves covering the uninsured portion of product liability claims. These reserves are based on management s evaluation of known claims and actuarial valuations. Should actual claims be greater than our estimates, additional product liability charges could be required. We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based on assumptions about future demand and market conditions. If actual market conditions were less favorable than those projected by management, additional inventory write-downs could be required. We record an estimated income tax liability based on management s best judgment of the amounts likely to be paid in the various tax jurisdictions in which it operates. 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. Actuarial assumptions have a significant impact on the determination of net periodic pension costs and credits. If actual experience differs from these assumptions, future net periodic pension costs and credits could be adversely affected.

For information regarding significant accounting policies, please see note 1 to the consolidated financial statements included in this prospectus.

RELATED PARTY TRANSACTIONS

We do not have any related party transactions that materially affect our results of operations, cash flow or financial condition.

RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation No., or FIN, 46, Consolidation of Variable Interest Entities. FIN 46 establishes criteria to be used in determining whether an investment in a variable interest entity should be consolidated and is based on the premise that companies that control another entity through interests other than voting interests should consolidate the controlled entity. We believe that the provisions of FIN 46, which became effective with respect to us as of January 31, 2004, will not have a material impact on our financial position, results of operations or cash flow.

In January 2004, the FASB issued Staff Position No. 106-1, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. This act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Specific authoritative guidance on accounting for the federal subsidy is pending, and that guidance, when issued, could require plan sponsors to change previously reported information. We are currently evaluating the effect of the act on us and do not expect that the reductions in postretirement benefit costs will be significant. In accordance with FASB Staff Position No. 106-1, we have elected to defer accounting for the effect of the act. Accordingly, the net periodic postretirement benefit costs and liability included in the financial statements do not reflect any potential effects of the act.

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OVERVIEW

We are a global leader in the development, manufacture and supply of sophisticated products that protect people s health and safety. Sophisticated safety products typically integrate any combination of electronics, mechanical systems and advanced materials to protect users against hazardous or life threatening situations. Our comprehensive line of safety products are used by workers around the world in the fire service, homeland security, construction and other industries, as well as the military. This broad product offering includes self-contained breathing apparatus, or SCBAs, gas masks, gas detection instruments, head protection, respirators and thermal imaging devices. Additionally, we also provide a broad offering of consumer and contractor safety products through retail channels. Our net sales from continuing operations have increased from approximately $509.7 million in 2001 to approximately $696.5 million in 2003, a compound annual growth rate of 16.9%. We achieved these results through growth in the markets we serve and increased penetration of those markets at a rate which we believe is greater than that of our peers. We believe we hold the number one global market position with respect to 2003 net sales of SCBAs, gas masks, gas detection instruments, hard hats and fire helmets.

We dedicate significant resources to research and development, which allows us to produce innovative, sophisticated safety products that are often first to market and exceed industry standards. Our global product development teams include cross-geographic and cross-functional members from various areas throughout the company, including research and development, marketing, sales, operations and quality management. Our engineers and technical associates work closely with the safety industry s leading standards-setting groups and trade associations, such as NIOSH and the NFPA, to develop industry product requirements and standards and anticipate their impact on our product lines. As a result of these efforts, in 2003, our product development team produced the first SCBA to be approved under the 2002 NFPA performance standard and the NIOSH Chemical, Biological, Radiological and Nuclear, or CBRN, standard to protect first responders against possible terrorist attacks. Additionally, in 2004, we were the first to receive U.S. federal government approval for a law enforcement gas mask to meet the first ever NIOSH CBRN standard. Evidencing our commitment to innovation, in 2003, we generated nearly one-third of our net sales from new products introduced over the prior three years.

We tailor our product offerings and distribution strategy to satisfy distinct customer preferences that vary across geographic regions. We believe that we best serve these customer preferences by organizing our business into the following three geographic segments: North America; Europe; and International. Our net sales from continuing operations for the year ended December 31, 2003 were approximately $452.6 million, $146.2 million and $97.7 million for the North America, Europe and International segments, respectively.

INDUSTRY BACKGROUND

We believe the worldwide personal protection equipment market, including the sophisticated safety products market in which we compete, generated net sales in excess of $5.0 billion in 2003. The industry supplying this market is broad and highly fragmented with few participants able to offer a comprehensive line of safety products. Generally, global demand for safety products has been stable because purchases of these products are non-discretionary since they protect workers in hazardous and life-threatening work environments and because their use is often mandated by government and industry regulations.

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Additionally, as a result of increased focus on homeland security, demand has been especially strong in North America for products related to fire service, the military and law enforcement. Moreover, the safety products industry generates stable revenues because of the need to consistently replace many safety products that have limited life spans due to normal course wear-and-tear or because they are one-time use products by design.

Several trends are reshaping the worldwide personal protection equipment market, including the following:

Heightened global awareness of and commitment to worker safety. Demand for safety products is driven largely by regulatory standards and recognition by companies of the economic and productivity benefits of a safer workplace. While the current required standards for worker protection are generally lower outside of North America and Western Europe, many countries have been increasing safety regulations in recent years, creating opportunities for manufacturers of safety products to increase sales internationally. In addition, increased manufacturing in Asia, and in particular in China, is driving growth in demand for safety products. In North America, standard-setting regulatory bodies, such as the Occupational Safety and Health Administration, or OSHA, and the Mine Safety and Health Administration, or MSHA, require and enforce businesses compliance with worker safety regulations. Additionally, standard-setting organizations, such as NIOSH, the NFPA, the American National Standards Institute, or ANSI, and the Canadian Standards Association, or CSA, establish strict performance and product design requirements for personal protection equipment and update these requirements at five-year intervals. The litigious workplace environment combined with requirements of insurance underwriters drives many businesses, municipalities and agencies to provide their employees personal protection equipment that meets the latest editions of these standards.

Integration of electronics into safety products. Recent trends in the safety industry show an increasing preference to integrate electronics and sophisticated sensing technologies into personal protection equipment. We believe that the demand for such electronically integrated safety equipment is being driven by end-users desire for a higher level of protection that combines simplicity and ease of use with the technological capability to provide them with fast and accurate access to data about their environment. Examples of integrated products that address these preferences include:

- Ø infrared thermal imaging capabilities which enable a firefighter to see a downed victim or the source of a fire through dense smoke or total darkness;
- Ø motion sensing technologies that detect if a firefighter is down or trapped and send an alarm signal both to surrounding firefighters as well as to incident command; and
- Ø gas sensing technologies and wireless communication capabilities that allow law enforcement officials to rapidly deploy and set up perimeter gas sensing sentinels that continuously monitor the air for toxic gases at large public events, in subways or at federal facilities, and continuously report their status to incident command.

Focus on domestic preparedness and homeland security. In the aftermath of the terrorist attacks of September 11, and other incidents of terrorism worldwide, citizens and governments have significantly increased their awareness, focus and spending on preparedness for conventional as well as nuclear, biological, radiological and chemical attacks. The U.S. government, for example, created a separate cabinet-level Department of Homeland Security, or DHS. Since its creation, DHS awarded or allotted over $8.0 billion to support state and local preparedness and our nation s first responders, which includes firefighters, police officers and emergency medical professionals. The DHS fiscal year 2005 budget requests total resources of $40.2 billion, an increase of approximately $4.0 billion over 2004 levels, which demonstrates the current presidential administration s continuing commitment to secure the United States.

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A key element of the 2005 DHS budget is the continuing support for first responders, to which $3.6 billion has been allocated. The 2005 DHS budget request provides the Office of Domestic Preparedness with the resources needed to continue to properly support first responders and achieve national preparedness goals. Although homeland security spending may not continue to increase or be sustained at current levels, we believe that government spending will remain significant for the foreseeable future. We believe that many other nations have likewise increased, or will begin to increase, their spending on law enforcement terrorism prevention and preparedness, and to improve their first responders response to terrorism and other major incidents.

We believe that those developers, manufacturers and suppliers of safety products that can best meet the challenges and opportunities created by these industry trends will be best positioned to capture greater market share.

COMPETITIVE STRENGTHS

We believe the following strengths are critical to our success and continue to provide us with competitive advantages:

Strong, trusted and well-recognized brand representing a long-standing dedication to safety. Since 1914, we have been dedicated to protecting the health and safety of workers throughout the world. While our original customers were workers in the mining industry, we have evolved to supply the fire service, homeland security, construction and other industries and the military, as well as retail consumers and contractors, with high-quality, sophisticated safety products. The MSA brand, associated with durability and reliability, has helped us cultivate a loyal customer base. For example, we believe that approximately 70% of firefighters in North America and Western Europe use our fire helmets and continue to prefer the design, comfort and fit of our fire helmets. End-users have a strong preference for safety equipment from recognized manufacturers with a proven track record of producing quality products because they depend upon safety equipment to protect them in hazardous or life-threatening situations.

Innovative product offering with expertise in safety and electronics integration. Over the course of our 90-year history of protecting people s health and safety, we have developed a unique expertise within our industry in creating both electronic instruments and safety products. We believe that the skills we have developed and our ability to create integrated products across these two areas of expertise provide us with a competitive advantage. We believe we are currently one of the only safety products companies in the world with the in-house engineering, technological and operational capabilities to integrate gas detection, communication and thermal imaging technologies with advanced respiratory and head protection products. As an example of this capability, in 2003, we used our skill in electronics integration to develop the ClearCommand® HCS Helmet Communications System, which uses a noise-reducing, bone-conduction microphone that responds to vibrations in the speaker s skull in order to transmit the wearer s voice clearly over a two-way radio or amplifier, even in noisy environments. Similarly, we have integrated this same communication system into our hard hats and the MSA CairnsHELMETS fire helmet. We believe this integration expertise, which combines our intimate knowledge of the fire service industry, its product standards and user preferences, enables us to provide our customers with an integrated solution our competitors currently do not offer and gives us a competitive advantage they cannot easily replicate.

Diverse portfolio of safety products, sold to a wide range of end-users, across diverse geographic markets. We believe we have one of the most comprehensive offerings of personal safety products in the industry. MSA s broad range of products protect the health and safety of end-users in more than 120 countries in industries as diverse as manufacturing, chemical, steel, construction, hazardous materials,

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offshore oil and gas, power plant, utility, shipbuilding, agricultural and paper, as well as sectors including first responders and the military. We further diversify our end markets by targeting multiple niches within each industry. For example, in the construction industry, we focus on the safety needs of global multi-billion dollar construction contractors as well as small local homebuilders. We believe that this end-market diversity helps mitigate the effects of an economic downturn in any particular industry or geographic region. We also have a diverse customer base, with no single non-military customer accounting for more than 1.5% of our 2003 net sales, and no single military customer accounting for more than 4.3% of our 2003 net sales. Our U.S. military customers, which are comprised of multiple U.S. government entities, including the U.S. Department of Defense, represented the largest group of military customers based on our 2003 net sales and accounted for approximately 12% of such sales.

Strong relationships with leading safety equipment distributors in North America. We conduct a significant portion of our global sales through distributors, with virtually all non-military sales in North America being made through various industry distribution channels. We have developed strong strategic relationships with key safety products distributors in North America as a result of our dedicated sales force, which we believe is the largest in the industry, our strong brand name and our broad product offering. To generate demand, our sales force works jointly with select distributors to call on end-users of our products to educate them about hazards, exposure limits, safety requirements and product applications, as well as specific performance requirements of our products. We believe this 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. As a result of our customer focus and emphasis on excellence in our distribution channels, we recently received Best Field Support and Customer Service awards from two of our major distribution channel partners, Airgas and Orr Safety. We have also earned key vendor status with a number of the largest safety products distributors in North America. We believe we will continue to benefit as distributors seek to concentrate their purchases among those who have earned key vendor status. Additionally, as a result of our global presence, we believe we are well-positioned to grow our business as these multi-national distributors seek international opportunities and look to distribute safety products globally.

Ability to anticipate and adapt quickly to market requirements. The safety products market is constantly evolving as a result of regulatory bodies and standard-setting entities updating their requirements at five-year intervals, new hazard assessments and the integration of new technologies into personal protective equipment. This gives us an opportunity to develop, manufacture and often be the first to introduce new products to meet changes in standards and performance requirements. For example, in 2003, our product development team produced the first SCBA to be approved under the 2002 NFPA performance standard and the NIOSH CBRN standard to protect first responders against possible terrorist attacks. Additionally, in 2004, we were the first to receive U.S. federal government approval for a law enforcement gas mask to meet the new NIOSH CBRN standard. Because of our technological sophistication, our participation on global standard-setting bodies, our commitment to research and development and our knowledgeable sales organization, we believe we are uniquely positioned to anticipate and adapt to the needs of changing product standards and gain the approvals and certifications necessary to meet new government and multi-national product regulations.

Experienced management team. We have an experienced senior management team. Our chairman and chief executive officer, John T. Ryan III, vice president and president of MSA North America, William M. Lambert, and vice president, chief financial officer and treasurer, Dennis L. Zeitler, have worked at MSA for approximately 35, 23 and 27 years, respectively. Under the leadership of these key members of management, we have successfully improved operations, integrated acquisitions and increased market share. Additionally, the top 80 members of our global management team have worked at MSA for an average of 18 years.

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GROWTH STRATEGY

We are executing a targeted growth strategy designed to capitalize on our strong customer relationships, leverage our expertise in developing innovative products and improve our operational efficiency. Our growth strategy includes the following:

Identify and develop promising new markets. Our safety products have wide-ranging applications across many markets. We continue to identify, develop and produce safety products that meet the needs of attractive new markets where there are growing demands for MSA s safety solutions. We identify these new markets using criteria such as market size, growth potential, opportunities created by regulation and our ability to transfer existing technologies to new applications. For example, we recently identified the consumer safety market as an attractive growth opportunity for our products. By leveraging our reputation and channel strengths, we successfully launched our MSA Safety Works® brand, which features many of our commercial safety products redesigned for home and contractor use. We now sell these products in over half of The Home Depot stores and in many hardware and contractor equipment rental outlets throughout the United States. We believe that we will be successful in developing new market opportunities as a result of the competitive advantage we gain from our brand reputation, electronics expertise, adaptability, strong distributor relationships and the reliability and innovation of our designs.

Focus on innovation and new product introductions. Our focus on innovation and new product introductions allows us to provide unique safety solutions to customers with fast-to-market product development. We plan to continue to dedicate significant financial and human resources to research and development and to work closely with customers and potential customers to develop these solutions. As an example, our innovative MCU-2/P military gas mask generated strong net sales in 2003 because, among other things, it integrates a flexible lens with a lightweight comfortable design. We were also able to leverage the MCU-2/P technology by successfully introducing the Millennium gas mask into non-military markets. The Millennium gas mask became the first product approved under the new NIOSH CBRN standard in 2004 and is enjoying strong net sales to law enforcement agencies in response to homeland security needs. Additionally, in 2003, we developed our Solaris handheld multi-gas detector and brought it from concept-to-customer in only 10 months in response to the gas detection needs of our industrial and petrochemical customers. Internally, we monitor our success in this area by measuring the percentage of annual net sales from new products introduced over the prior three years. In 2003, we generated nearly one-third of our net sales from new products, an achievement which represents an increasing trend for us over the past five years. Consistent with our prior performance, we expect to continue to focus our resources on a high-quality new product development pipeline with staged introductions over the coming three-to-five year period.

Further strengthen relationships with major distributors. We continue to invest in our sales organization and information technology systems in order to support and strengthen our distributor relationships. To better serve our customers, we are hiring market specialists and training them to have more specialized knowledge of our growing product lines. We are also organizing our sales force into teams in order to provide broader coverage of our distributors. In terms of information technology, we are further investing in our online ePartner Network and our SAP System, which we installed six years ago, so that we may continue to be recognized by our distributors as their most integrated vendor. Our ePartner Network provides MSA s distributors, manufacturer representatives and international affiliates direct access to our SAP system in a secure environment. Customers can enter orders anytime, check the status of their credit limit and account balances, and view and print invoices and credit memos directly from our web site. Additionally, customers can view their distributor compensation and rebate status and our ePartner policy documents. Our ePartner Network also provides a link to our industry-exclusive

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CairnsHELMETS Fronts on-line graphic configurator, where fire department customers can customize their helmets. Distributors can place orders through our online product catalog using their individualized shopping cart, which remembers previous purchases, special delivery information and discount structures. We intend to further enhance our growth prospects by continuing to work closely with our distributors, understand their business needs and integrate our systems to improve the efficiency and effectiveness of the distribution supply chain management process.

Optimize factory performance and drive operational excellence. We have a successful track record of significantly improving operating margins. Our *DRIVE for Excellence* initiative focuses on process excellence, resulting in reduced costs, increased inventory turns, improved operations and more efficient and effective supply chain management processes. In addition, initiatives in Lean Sigma, a combination of Lean Manufacturing and Six Sigma programs, have continued to benefit our business. An immediate benefit from Lean Sigma is improved asset utilization and factory efficiency. For example, in our Murrysville, Pennsylvania factory, we improved productivity through Lean Sigma, allowing us to open up space for an entirely new product line thereby improving overall output and reducing per unit costs. In 2000, our Murrysville plant was named one of the ten Best Plants in America by *Industry Week Magazine*. This prestigious award is given annually based on quality, customer service, productivity, employee relations and innovation. We plan to further drive operational excellence through our efforts to capture and implement best practices at our facilities around the world. In addition, we intend to effect further process improvements and cost reductions through these shared best practices and by optimizing the use of our global manufacturing capacity.

Position international business to capture growth. Our international operations represent a key opportunity for our overall growth. The core international growth markets in which we currently have a presence are China, Australia, South Africa and Brazil. To accelerate our penetration of the Asia-Pacific region, our largest international market, we are focusing our international expansion efforts on new opportunities in countries such as Malaysia, Korea and Taiwan. The growth in our International segment is driven by a number of factors, including heightened awareness of worker safety needs, increased promulgation and enforcement of safety regulations and increased overseas manufacturing. We believe we will continue to benefit from these trends by expanding our already significant manufacturing, sales and customer service presence overseas.

Pursue strategic acquisitions. The safety products industry offers a broad range of products, is highly fragmented and is characterized by many product manufacturers that offer only single product lines. We have successfully acquired and integrated several complementary personal protection equipment companies. For instance, as a result of our May 2002 acquisition of CGF Gallet of France, we were able to combine Gallet s excellent product design innovations with our material science capabilities and manufacturing expertise to produce the Advanced Combat Helmet, or ACH, which was recognized as one of the Greatest Inventions of 2002 by the U.S. Army. In late 2003 and early 2004, we received orders for the ACH which total $78 million. We maintain a strong balance sheet with sufficient liquidity to provide capital resources both to invest in the growth of our existing businesses and to allow us to move rapidly and with certainty when acquisition opportunities of interest arise in our industry. We intend to continue to selectively pursue acquisitions that will add complementary product offerings, provide access to new geographic markets and distribution channels and expand our technological capabilities.

HISTORY

We were founded in 1914 by John T. Ryan and George H. Deike, prompted by their experiences as engineers with the U.S. Bureau of Mines, Mine Rescue Division. During and after various mine explosions, they witnessed human destruction in the mines and the lack of safety equipment for protecting workers. As a result, they started a company with the mission of producing equipment to

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ensure workers health and safety. The two founders partnered with Thomas Edison to produce our first manufactured product, the Edison Electric Safety Cap Lamp, which the federal government approved in 1915 as a replacement for the dangerous flame lamps that miners had worn previously. While our initial focus centered on products for the mining industry, World War I marked the beginning of our long association with the American armed services. From the primitive breathing equipment used by those digging under the trenches to the sophisticated respirators used in Operation Iraqi Freedom, we have a long track record of successfully safeguarding U.S. service personnel. Currently, our products are used in more than 120 countries to meet safety needs in the firefighting, industrial manufacturing, chemical, steel, construction, hazardous materials, oil and gas, power plant, utility, shipbuilding, agricultural and paper industries as well as the military.

PRINCIPAL PRODUCTS

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

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

- ***Self Contained Breathing Apparatus, or SCBAs.*** SCBAs are used by first responders, petrochemical plant workers and anyone entering an environment deemed immediately dangerous to life and health. SCBAs are also used by first responders to protect against exposure to CBRN agents. Our SCBA product offering includes MMR Xtreme® Air Masks, Ultralite® and Custom 4500® MMR Air Masks, the PremAire® Respirator System, the BlackHawk Tactical Air Mask and a wide offering of CBRN-Compliant SCBA, as well as various air mask components, options and accessories. Our SCBAs can be chosen from stock, or custom assembled to our customer s unique requirements.

- ***Filtering respirators.*** Filtering respirators cover a broad class of respirators for many hazardous applications, including:

  - full face gas masks for the military and first responders exposed to known and unknown concentrations of dangerous gases, chemicals, vapors and particulates;

  - half mask respirators for industrial workers, painters and construction workers exposed to known concentrations of gases, vapors and particulates;

  - powered-air purifying respirators for industrial, haz-mat and remediation workers who have longer term exposures to hazards in their work environment; and

  - dust and pollen masks, for maintenance workers, contractors and at-home consumers exposed to nuisance dusts, allergens and other particulates.

Ø ***Gas masks.*** We have supplied gas masks to the U.S. military for several decades. The latest versions of these masks are currently in use by the U.S. military in Iraq, Afghanistan and other parts of the world. Our commercial version of this gas mask, the Millennium, was developed based on the MCU-2/P, the gas mask currently used by the U.S. Air Force.

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- ***Escape hoods.*** Our Response Escape Hood is used by law enforcement personnel, government workers, chemical and pharmaceutical workers, and anyone needing to escape from unknown concentrations of a chemical, biological or radiological release of toxic gases and vapors. The hood gives users head and neck coverage and respiratory protection to help them escape from threatening situations quickly and easily.

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

- ***Single- and multi-gas hand-held detectors.*** Our line of single- and multi-gas detectors provide a portable solution for detecting the presence of oxygen, hydrogen sulfide, carbon monoxide and combustible gases, either singularly or all four gases at once. Our line of hand held portable instruments are used by chemical workers, oil and gas workers, utility workers entering confined spaces, or anywhere a user needs protection to continuously monitor the quality of the atmosphere they are working in and around.

- ***Thermal imaging cameras***. Our infrared thermal imaging cameras, or TICs, are used in the global fire service market. TICs detect sources of heat in order to locate firefighters and other people trapped inside burning or smoke-filled structures. TICs can also be used to identify hot spots. Recently, we introduced the Evolution® 5000 Thermal Imaging Camera, which combines the functionality and durability required by the fire service with features and performance capability not found in other small format TICs.

- ***Multi-point permanently installed gas detection systems***. Our comprehensive line of gas monitoring systems are used to continuously monitor for combustible and toxic gases and oxygen deficiency in virtually any gas detection application where continuous monitoring is required. Our systems are used for gas detection in the pulp and paper, refrigerant monitoring, petrochemical and general industrial applications. Our newest line, the SafeSite Hazardous Gas Detection System, designed and developed for homeland security applications, combines the technologies and features from our line of permanent and portable gas detection offerings. The Safe Site System detects and communicates the presence of toxic industrial chemicals and chemical warfare agents. With up to 16 monitoring stations, wirelessly connected to a base station, the SafeSite System allows law enforcement officials to rapidly deploy and set up perimeter gas sensing sentinels that continuously monitor the air for toxic gases at large public events, in subways or at federal facilities, and continuously report their status to incident command.

- ***Flame detectors and open-path infrared gas detectors***. Our line of flame and combustible gas detectors are used for plant-wide monitoring of toxic gas concentrations and for detecting the presence of flames. These systems utilize infrared optics to detect potentially hazardous conditions across distances as far as 120 meters, making them suitable for use in such places as offshore oil rigs, storage vessels, refineries, pipelines, and ventilation ducts. First used in the oil and gas industry, our systems currently have broad applications in petrochemical facilities, the transportation industry and in pharmaceutical production.

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

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- Ø ***Industrial hard hats.*** Our broad line of hard hats include full-brim hats and traditional hard hats, available in custom colors and with custom logos. These hard hats are used by plant, steel and construction workers, miners and welders.

- Ø ***Fire helmets.*** Our fire service products include leather, traditional, modern and specialty helmets designed to satisfy the preferences of firefighters across geographic regions. Our CairnsHELMET is the number one helmet in the North American fire service market based on 2003 sales. Similarly, our Gallet firefighting helmet has a number one market position in Europe based on 2003 sales.

- Ø ***Military helmets.*** Our Advanced Combat Helmet is used by the military for ballistic head protection. It was designed for the Special Forces of the U.S. military and recently has been designated as the basis of issue by the U.S. Army and earned distinction as being named one of the greatest inventions of 2002 by the Department of Army s Material Command.

- Ø ***Eye, face and hearing protection.*** We manufacture and sell a broad line of hearing protection products, non-prescription protective eyewear and face shields, used in a variety of industries.

Body protection.

- Ø ***Fall protection.*** Our broad line of fall protection equipment: confined space equipment; harnesses/fall arrest equipment; lanyards; and lifelines.

RESEARCH AND DEVELOPMENT

To maintain our position at the forefront of protective equipment technology, we operate three sophisticated research and development facilities, which employ 225 people worldwide. In 2003, 2002 and 2001, on a global basis, we spent approximately $21.7 million, $20.4 million and $16.7 million, respectively, on research and development. Today, MSA engineering groups operate primarily in the United States and Germany, and to a lesser extent in Australia, France, Brazil, China, Japan, Great Britain and Italy.

We believe our dedication and commitment to innovation and research and development allow us to produce innovative sophisticated safety products that are often first to market and exceed industry standards. Our research and development teams include global new product development steering teams, based along our six major product lines. These steering teams include members from not only research and development, but also from marketing, sales, operations and quality management around the world. These teams are responsible for setting product line strategy based on their understanding of the markets and the technologies, opportunities and challenges they foresee in each product area. These teams present their strategies, new product development portfolios and resource allocation recommendations to our global research and development alignment council, made up of senior executives from our global operations. The council refines the recommendations and presents them to our senior executive strategy team, which consists of the chief executive officer, chief financial officer, and presidents of our North America, Europe and International segments. The senior executive strategy team then establishes resource allocation, corporate alignment, and strategic direction. We believe our team-based, cross-geographic and cross-functional approach to new product development is unique in our industry and a source of our competitive advantage.

Our approach to the new product development process allows us to tailor our product offerings and product line strategies to satisfy distinct customer preferences and industry regulations that vary across our three geographic regions. For example, our cooperation between cross-geographic, cross-functional

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new product development teams has resulted in the design of global products such as the Ultra Elite® Facepiece, the Advantage 3000 Facepiece, the Firehawk MMR SCBA Regulator and the Orion®, Solaris, and Pulsar® multigas detectors. In fact, since 1997, we have developed almost all of our new global platform products using cross-functional, cross-geographic teams. Our research and development resources include equipment such as computer-aided design terminals and computer-aided manufacturing systems, which improve creativity in product development and facilitate faster response to changing market needs.

We believe another important aspect to our approach to new product development is that our engineers and technical associates work closely with the safety industry s leading standard-setting groups and trade associations, such as NIOSH and the NFPA, to develop industry product requirements and standards and anticipate their impact on our product lines. For example, nearly every consensus standard-setting body around the world that impacts our product lines has one of our key managers as a voting member. Key members of our management team understand the impact that these standard-setting organizations have on our new product development pipeline and devote time and attention to anticipating a new standard s impact on our net sales and operating results. Because of our technological sophistication, commitment to and membership on global standard-setting bodies, resource dedication to research and development and unique approach to the new product development process, we believe we are well-positioned to anticipate and adapt to the needs of changing product standards and gain the approvals and certifications necessary to meet new government and multinational product regulations. For example, in the late 1980s, we recognized that a large proportion of firefighter deaths were caused by firefighters running out of air while fighting fires in a smoke-filled environment. To address this life-threatening problem, we introduced our innovative and patented Quick-Fill® System, an accessory for MSA Air Masks that can work as an emergency breathing system. Through its industry acceptance and our efforts on standard-setting organizations, this technology is now an NFPA requirement for all fire service SCBAs. More recently, in 2003, our product development team produced the first SCBA to be approved under the 2002 NFPA performance standard and the NIOSH CBRN standard to protect first responders against possible terrorist attacks.

SALES AND DISTRIBUTION

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

The in-depth customer training and education provided by our sales associates to our customers are critical to ensure proper use of many of our products, such as SCBAs and gas detection instruments. As a result of our sales associates working closely with end-users, they gain valuable insight into customers preferences and needs. To better serve our customers and to ensure that our sales associates are among the most knowledgeable and professional in the industry, we place significant emphasis on training our sales associates with respect to product application, industry standards and regulations, sales skills and sales force automation. Our focus on excellence in training has earned our field sales and customer service organizations numerous awards over the past three years. For example, in 2002, *Sales & Marketing Management Magazine* named our northeast region a finalist for the U.S. Sales Team of the

Year. In 2001, *Teleprofessional Magazine* named our North American customer service center as the top Customer Service Center Team of the Year. In addition, our U.S. National Sales Force has received honors for best field support from three of our key distributors: Airgas and Orr Safety in 2003 and Hagemeyer in 2001.

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.

CUSTOMERS

Our customers generally fall into three categories: industrial and military end-users, distributors and retail consumers. In North America, we make nearly all of our non-military sales through our distributors. In our Europe and International segments, we make our sales through both indirect and direct sales channels. None of our non-military customers accounted for more than 1.5% of our 2003 net sales and no single military customer accounted for more than 4.3% of our 2003 net sales. Our U.S. military customers, which are comprised of multiple U.S. government entities, including the Department of Defense, represented the largest group of military customers based on our 2003 net sales and accounted for approximately 12% of such sales.

IndusT SIZE=2>355,000 105%

Patrick J. Curth

$389,308 85% $330,912 $347,000 105%

Kenneth E. Dornblaser

$362,692 85% $308,288 $324,000 105%

Long-term Plan-based Incentive Awards

In connection with our initial public offering in late 2011, we adopted the Laredo Petroleum, Inc. Omnibus Equity Incentive Plan, which was amended in 2016 (as so amended, the "Equity Incentive Plan").

Target Award Levels: Target incentive levels for long-term incentive awards for 2017 for each named executive officer are listed below. These remained at 2016 target levels and are calculated as a percentage of the most recent salary rate prior to the grant date. The long-term incentive target percentage varies by named executive officer and is based on differing job classifications and

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responsibilities. Each position is compared to similar positions in the market as well as our peer companies.

Name	2017 long-term incentive percentage target
Randy A. Foutch	525%
Richard C. Buterbaugh	400%
Daniel C. Schooley	300%
Patrick J. Curth	300%
Kenneth E. Dornblaser	300%

Long-Term Incentive Vehicles: For named executive officers in 2017, the Company targeted a long-term incentive vehicle mix of approximately 25% restricted stock, 25% stock options and 50% performance units. This mix of incentive vehicles, as well as the applicable vesting periods described below, were adopted by the board of directors following the recommendation of FW Cook and a review of comparable awards granted by our peer group and the industry in general. As more fully discussed above under "Alignment of Pay and Performance," we believe that by tying significant portions of our officers' total compensation to awards that are directly impacted by the performance of our common stock, we align the interests of our officers with those of our stockholders. Long-term equity incentives are generally awarded within two days following the filing of our Annual Report on Form 10-K.

Restricted Stock: The restricted shares of our common stock are subject to forfeiture until vested. So long as the recipient of such shares is an employee of the Company, generally the shares granted to each recipient will vest, and the transfer restrictions thereon will lapse ratably, over three years. Each recipient will forfeit his or her unvested shares if the recipient's employment is terminated by us for any reason or if the recipient resigns (in either case, other than for death or disability). We believe that this vesting schedule is comparable to those utilized by the peer group and will assist us in attracting new talent and retaining existing personnel. Restricted shares of common stock may be granted to new employees upon hire to attract talent to the Company. All new hire employee grants must be approved by the Chairman and Chief Executive Officer, and all executive officer grants must be approved by the Compensation Committee.

Stock Options: Stock options provide the opportunity to purchase our stock at a price that is fixed on the grant date regardless of the future market price. We consider stock options a form of performance-based compensation. If our stock price does not increase, then these stock options will have no economic value. Pursuant to the terms of the Equity Incentive Plan, the exercise price for each stock option is the closing price of a share of common stock on the NYSE on the grant date. We have issued stock options to our named executive officers only on an annual basis, following the filing of our Annual Report on Form 10-K. Therefore, generally such stock options were issued at an exercise price equal to the market close on the second trading day following the filing of our Annual Report on Form 10-K.

The stock option awards vest ratably over four years. As with the restricted shares of our common stock, we believe that this vesting schedule is comparable to those utilized by our peer group and will enable us to retain existing personnel. The unvested portion of a stock option award will expire upon termination of employment of the optionee, and the vested portion of a stock option award will remain exercisable for (i) one year following termination of employment by reason of the optionee's death or disability or (ii) 90 days for any other reason, other than for cause. Both the unvested and vested (but unexercised) portion of a stock option award will expire upon the termination of the optionee's employment by us for cause. Unless sooner

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terminated, the stock option award will expire if and to the extent it is not exercised within 10 years from the date of the grant.

Performance Units: The performance unit awards granted to each recipient in 2015, 2016 and 2017 are payable in common stock of the Company. These share-based performance units are based upon achievement over a three-year performance period against performance goals established by the Compensation Committee.

Each performance unit represents one share of common stock of the Company. With respect to performance unit awards granted in 2015, 2016 and 2017, the amount of stock payable at the end of the performance period was or will be determined by multiplying the number of performance units by the applicable total shareholder return modifier ("TSR Modifier"). The TSR Modifier is determined as follows:

Level of Performance	TSR Performance	TSR Modifier(1)(2)
Below Threshold	<40th Percentile	0%
Threshold	40th Percentile	50%
Target	60th Percentile	100%
Maximum	≥80th Percentile	200%

(1) Amounts between percentages are interpolated on a straight-line basis.

(2) With respect to performance units granted in 2016 and 2017, the recipient's maximum payout will be limited to 150% of TSR in the event our stock price has declined during the relevant performance period, even if our TSR among our performance peer group would otherwise call for a payout in excess of 150%.

The following table shows the peer group used to measure TSR performance (the "Performance Group") for awards granted in 2015, 2016 and 2017:

	Performance Group		
Company	2015	2016	2017
Cimarex Energy Co.	X	X	X
Concho Resources, Inc.	X	X	X
Diamondback Energy, Inc.	X	X	X
Energen Corp.	X	X	X
EP Energy Corp.	X	X	X
Parsley Energy, Inc.	X	X	X
QEP Resources, Inc.	X	X	X
RSP Permian, Inc.	X	X	X
SM Energy Company	X	X	X
Clayton Williams Energy, Inc.*	X	X	
Rosetta Resources, Inc.*	X		
Whiting Petroleum Corp.		X	X
Callon Petroleum Company			X
Pioneer Natural Resources Co.			X
WPX Energy, Inc.			X

* Removed due to acquisition

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As noted above, our performance units awarded in 2015, 2016 and 2017 are payable in shares of common stock (with a three-year cliff vest). Therefore, not only are such awards subject to achieving a minimum relative TSR, but these awards are further directly impacted by movements in our stock price.

Each recipient will forfeit his or her performance unit awards if the recipient's employment with us is terminated by the Company for any reason or if the recipient resigns (in either case, other than for death or disability). If the employment is terminated due to death or disability, the recipient is entitled to receive a pro-rated performance unit. Generally, grants of performance unit awards will be made in the first quarter of each year, when our results of operations for the previous year have generally been determined and when our Compensation Committee is normally meeting to discuss short-term incentive payouts based on the prior-year results.

Based in part upon the recommendation of FW Cook, beginning with grants made in 2016, the Compensation Committee included key employee non-officers in the group of employees who receive performance units as a part of their total overall compensation. Before this change, these employees received only restricted stock, and in some limited cases, stock options, as a long-term incentive. Following this change, such employees now receive a smaller percentage of restricted stock, with the balance of their long-term incentive awarded in the form of performance units. We believe this change more closely aligns the interests of these key employees with the interests of our stockholders and provides a retention benefit to the Company.

LTIP Awards in 2017

For our named executive officers, the Company's LTIP awards in 2017 targeted a long-term incentive vehicle mix of approximately 25% restricted stock, 25% stock options and 50% performance units.

The following table presents the grants in the form of long-term incentive compensation to the named executive officers in 2017. The grant date, numbers awarded, fair values (which were computed in accordance with FASB ASC Topic 718 as described in Note 7 to our audited consolidated financial statements in our 2017 Annual Report, not the value used in accordance with determining the grant numbers awarded) and share-settled performance units estimated future payout in shares were as follows:

		Restricted stock(1)		**Stock options(2)**		**Share-settled performance units(3)**		**Share-settled performance units estimated future payout in shares(4)**		
Name	**Grant date**	**Number of shares of stock**	**Grant date fair value ($)**	**Number of shares of stock**	**Grant date fair value ($)**	**Number of units**	**Grant date fair value ($)**	**Threshold**	**Target**	**Maximum**
Randy A. Foutch	2/17/2017	79,217	1,118,544	119,826	985,395	158,434	3,004,622	79,217	158,434	316,868
Richard C. Buterbaugh	2/17/2017	34,875	492,435	52,754	433,825	69,751	1,322,793	34,876	69,751	139,502
Daniel C. Schooley	2/17/2017	21,352	301,490	32,298	265,604	42,705	809,879	21,353	42,705	85,410
Patrick J. Curth	2/17/2017	20,872	294,713	31,571	259,626	41,744	791,654	20,872	41,744	83,488
Kenneth E. Dornblaser	2/17/2017	19,484	275,114	29,472	242,364	38,968	739,009	19,484	38,968	77,936

(1) The restricted stocks' grant date fair value is determined based on the closing price of our common stock on the NYSE on February 17, 2017, which was $14.12 per share. These shares vest 33%, 33% and 34% on a time basis per year beginning on the first anniversary date of the grant.

(2) We utilize the Black-Scholes option pricing model to measure the grant date fair value of stock option awards granted under our Equity Incentive Plan. Stock option awards vest and become exercisable in four equal installments on each of the four anniversaries of the grant date. These stock option awards have an exercise price of $14.12 per share, which was the February 17, 2017 closing price of our common stock on the NYSE, and an expiration date of February 17, 2027.

(3) We utilize a Monte Carlo simulation to measure the share-settled performance units' grant date fair value. These share-settled performance units have a three-year cliff vest and a performance period of January 1, 2017 to December 31, 2019.

(4) As noted on page 34, performance units are payable in stock for achievement of a "Threshold" level of performance, i.e., achievement over a three-year period of TSR performance equaling the 40th percentile (50% of performance units payable in stock), at the "Target" level of

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performance, i.e., achievement over a three-year period of TSR performance equaling the 60th percentile (100% of performance units payable in stock) and are also payable for achievement of the "Maximum" level of performance, i.e., achievement over a three-year period of TSR performance equaling or exceeding the 80th percentile (200% of performance units payable in shares). All intervening percentages are directly interpolated. In the event that the "Start Average Stock Price" is greater than the "End Average Stock Price" plus "Dividends" (as such terms are defined in the award agreement), then, unless otherwise determined by the board of directors or Compensation Committee, the TSR modifier shall be no greater than 150%.

Compensation Program for 2018

2018 Peer Group Changes

As part of its annual compensation review, beginning in the fall of 2017 and continuing as part of ongoing discussions with our Compensation Committee, FW Cook again reviewed our Compensation Group and Performance Group to consider whether the groups were still appropriate in terms of composition and if they should be consolidated.

FW Cook recommended that we consolidate our Compensation Group and Performance Group into a single group. FW Cook also suggested possible companies to add to the group. Consolidating the group more closely aligns our compensation and performance comparisons. Expanding the group provides a broader base of comparison and smooths out the dramatic effects on compensation and performance that can result from a small sample size.

Our Compensation Committee reviewed and discussed these recommendations and ultimately adopted the recommended changes. As a result, with respect to compensation matters in 2018, our peer group consists of the companies listed below:

2018 Combined Peer Group

Callon Petroleum Company	Parsley Energy, Inc.
Carrizo Oil & Gas, Inc.	PDC Energy, Inc.
Centennial Resource Development Inc.	QEP Resources, Inc.
Diamondback Energy, Inc.	Range Resources Corp.
Eclipse Resources Corp.	Resolute Energy Corporate
Energen Corporation	RSP Permian, Inc.
EP Energy Corp.	Sanchez Energy Corporation
Extraction Oil & Gas Inc.	SM Energy Company
Jagged Peak Energy Inc.	SRC Energy Inc.
Matador Resources Company	Whiting Petroleum Corp.
Newfield Exploration Co.	Wildhorse Resource Development Corp.
Oasis Petroleum	WPX Energy, Inc.

2018 Salary Rates

In February 2018, following an extended review of data provided by FW Cook with respect to target pay elements of our Compensation Group, and in accordance with our compensation philosophy of targeting our officer salary rate at the market median, our Compensation Committee and our board of directors approved the 2018 salary rates for our named executive officers indicated in the table below. We believe the new salary rates reflect the approximate median of our peer group.

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The following table presents the salary rates of our named executive officers in 2017 and 2018:

Name	2017 salary rate	2018 salary rate	Salary rates' percent change
Randy A. Foutch	$ 848,000	$ 848,000	%
Richard C. Buterbaugh	$ 490,000	$ 500,000	2%
Daniel C. Schooley	$ 400,000	$ 420,000	5%
Patrick J. Curth(1)	$ 391,000	$ 391,000	%
Kenneth E. Dornblaser	$ 365,000	$ 375,000	3%

(1) Mr. Curth's 2018 salary rate amount presented above was effective up until his March 1, 2018 resignation as Senior Vice President Exploration and Land, when he transitioned to a non-executive, non-officer role as Senior Advisor in anticipation of his retirement in March of 2019. As of March 1, 2018, Mr. Curth receives an annual salary rate of $293,250, which is based on Mr. Curth being available to fulfill a work schedule of 40 hours per week, subject to reduction for proration.

2018 STIP Target Award Levels

Following consultation with FW Cook, our Compensation Committee determined not to change the STIP percentage target award levels. Therefore, the STIP target award levels remain as indicated in the following table.

Name	2017 short-term incentive percentage target	2018 short-term incentive percentage target
Randy A. Foutch	125%	125%
Richard C. Buterbaugh	90%	90%
Daniel C. Schooley	85%	85%
Patrick J. Curth(1)	85%	%
Kenneth E. Dornblaser	85%	85%

(1) Effective March 1, 2018, Mr. Curth resigned from his position as Senior Vice President Exploration and Land and transitioned to a non-executive, non-officer role as Senior Advisor in anticipation of his retirement in March of 2019, and therefore no longer has an STIP target level.

2018 STIP Performance Metrics

Effective for 2018, following consultation with certain of our investors and FW Cook, our Compensation Committee recommended, which recommendation was approved by the board of directors, to update the objective bonus performance metrics and relative weightings for our STIP for 2018 as reflected below. We believe that these updated metrics and relative weightings are better aligned with our 2018 business strategy, place a focus on capital efficiency and provide the type of incentives sought by our board of directors and investors.

2018 Performance metrics	**Relative weighting**
Cash Flow Return on Average Capital Employed(1)	40.0%
Proved Developed Reserves (BOE)/Debt-Adjusted Share(2)	25.0%
Drilling Rate of Return(3)	20.0%
Production (MBOE)	15.0%

(1) Based on a three-year average which compares Adjusted EBITDA, excluding adjustments for accretion of asset retirement obligations and our proportionate share of our equity method investee's depreciation and amortization for the years ended 2016 and 2017, to total capital employed (consisting of total net debt, total stockholders' equity and tax adjustments for non-cash impairment and mark-to-market on commodity derivatives). Adjusted EBITDA is a non-GAAP financial measure that we define as net income or loss plus adjustments for income tax expense or benefit, depletion, depreciation and amortization, bad debt expense, impairment expense, non-cash stock-based compensation, accretion expense, mark-to-market on derivatives, cash premiums paid for derivatives, interest expense, write-off of debt issuance costs, gains or losses on disposal of assets, income or loss from equity method investee, proportionate Adjusted EBITDA of our equity method investee and other non-recurring income and expenses. See our 2017 Annual Report for further information and a reconciliation of Adjusted EBITDA to net income (loss).

(2) Proved developed reserves are estimated as of December 31, 2018. Debt-adjusted share is calculated as net debt at December 31, 2018 divided by the closing price of our common stock on the NYSE at December 31, 2018, plus common shares outstanding as of December 31, 2018.

(3) Calculated using the future cumulative net cash flows of our wells drilled in 2018, measured as a percentage of 2018 drilling and completion capital invested utilizing budget prices for oil, NGL and natural gas.

In addition, effective for 2018, our Compensation Committee approved changing the STIP payout determination weighting to 70% based on objective performance metrics and 30% based on subjective criteria. This change was also adopted by our board of directors.

2018 LTIP Target Award Levels

Following consultation with FW Cook and a review of data associated with our peer group and the industry in general, our Compensation Committee determined that an adjustment was required to the long-term incentive percentage targets of certain of our named executive officers in order to continue to meet our objective of targeting the market median. Prior to 2018, target long-term incentive values

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for our named executive officers remained flat for the prior four years. The 2018 long-term incentive targets for our named executive officers are set out below.

Name	2017 long-term incentive percentage target	2018 long-term incentive percentage target
Randy A. Foutch	525%	680%
Richard C. Buterbaugh	400%	520%
Daniel C. Schooley	300%	515%
Patrick J. Curth(1)	300%	%
Kenneth E. Dornblaser	300%	300%

(1) Effective March 1, 2018, Mr. Curth resigned from his position as Senior Vice President Exploration and Land and transitioned to a non-executive, non-officer role as Senior Advisor in anticipation of his retirement in March of 2019, and therefore no longer has an LTIP target level.

2018 LTIP Awards

Prior to the grant of performance unit awards in 2018 and following discussion with and input from FW Cook, the Compensation Committee also determined to change the structure of our LTIP program in two respects. First, for 2018, no stock options were granted to our named executive officers. Instead, their 2018 long-term incentive awards will consist of approximately 50% restricted shares and 50% performance unit awards.

Second, with respect to performance unit awards granted in 2018, the amount of stock potentially payable at the end of the performance period will be determined based on three criteria: (i) relative three-year total shareholder return comparing the Company's shareholder return to the shareholder return of the selected peer group ("RTSR Performance Percentage"), (ii) absolute three-year total shareholder return ("ATSR Appreciation") and (iii) three-year return on average capital employed ("ROACE Percentage"). The RTSR Performance Percentage, ATSR Appreciation and ROACE Percentage will be used to identify the RTSR factor, the ATSR factor and ROACE factor, respectively, which are used to compute the "Performance Multiple" and ultimately to determine the final number of shares associated with each performance share unit granted at the maturity date (with all partial shares rounded, as appropriate).

In computing the Performance Multiple, the RTSR Factor is given a 25% weight, the ATSR Factor a 25% weight and the ROACE Factor a 50% weight so that the Performance Multiple is equal to (.25) RTSR Factor + (.25) ATSR Factor + (.50) ROACE Factor.

We refer you to our Form 8-K filed with the SEC on February 23, 2018 for a complete copy of the 2018 performance unit agreement, including Exhibit A thereto, which contains a more complete explanation of the performance goals.

The number of shares of restricted stock awards, share-settled performance units, as well as a one-time restricted stock award granted in recognition of the successful sale of Medallion, granted on February 16, 2018 to our named executive officers, are outlined below. These grants were calculated based on the average closing price of our stock for the 10 trading days ended February 15, 2018 (the filing date of our 2017 Annual Report). This 10-day average closing price was $8.28.

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The grant quantities and the fair values, made in accordance with the applicable accounting principles footnoted below, were as follows:

		Restricted stock(1)		Share-settled performance units(2)		Medallion Award(3)	
Name	**Grant date**	**Number of shares of stock**	**Grant date fair value ($)**	**Number of units**	**Grant date fair value ($)**	**Number of shares of stock**	**Grant date fair value ($)**
Randy A. Foutch	2/16/2018	348,213	2,911,061	348,213	3,210,524	104,469	873,361
Richard C. Buterbaugh	2/16/2018	157,005	1,312,562	157,005	1,447,586	44,082	368,526
Daniel C. Schooley	2/16/2018	130,616	1,091,950	130,616	1,204,280	25,966	217,076
Patrick J. Curth	2/16/2018					27,174	227,175
Kenneth E. Dornblaser	2/16/2018	67,935	567,937	67,935	626,361	25,966	217,076

(1) The restricted stocks' grant date fair value is computed in accordance with FASB ASC Topic 718 and is determined based on the closing price of our common stock on the NYSE on February 16, 2018, which was $8.36 per share. These shares vest 33%, 33% and 34% on a time basis per year beginning on the first anniversary date of the grant.

(2) The $9.22 per unit grant date fair value was computed in accordance with FASB ASC Topic 718 and consists of a (i) $10.08 per unit grant date fair value, determined utilizing a Monte Carlo simulation, for the combined (.25) RTSR Factor and (.25) ATSR Factor and (ii) $8.36 per unit grant date fair value for the (.50) ROACE Factor determined based on the closing price of our common stock on the NYSE on February 16, 2018. These share-settled performance units have a three-year cliff vest and a performance period of January 1, 2018 to December 31, 2020.

(3) The restricted stock awards were granted to recognize the successful sale of Medallion while also aligning the equity award with the interests of shareholders. The restricted stocks' grant date fair value is computed in accordance with FASB ASC Topic 718 and is determined based on the closing price of our common stock on the NYSE on February 16, 2018, which was $8.36 per share. These shares have a one-year cliff vest.

Other Benefits

Health and welfare benefits.

Our named executive officers are eligible to participate in all of our employee health and welfare benefit plans on the same basis as other employees (subject to applicable law). These plans include medical, vision and dental insurance, dependent care flexible spending account, medical flexible spending account or health savings account, as well as short- and long-term disability benefits. These benefits are provided in order to ensure that we are able to competitively attract and retain officers and other employees. This is a fixed component of compensation, and these benefits are provided on a non-discriminatory basis to all employees.

Retirement benefits.

Our named executive officers also participate in our defined contribution plan under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code") on the same basis as our other employees. The plan allows eligible employees to make contributions up to 100% of their annual compensation, not to exceed annual limits established by the federal government. We make matching contributions in cash of up to 6% of an employee's eligible compensation and may make additional discretionary contributions in the form of cash.

Perquisites.

We believe that the total mix of compensation and benefits provided to our executive officers is currently competitive and, therefore, perquisites do not play a significant role in our executive officers' total compensation. Nevertheless, Laredo provides limited perquisites and benefits to its officers, including reimbursement for cell phone charges, information technology assistance and monthly dues at a downtown lunch/dinner club.

A charitable matching gift program is offered to all Laredo employees and members of our board of directors. This program is a way the Company can support employees and board members in their efforts to give back to the communities in which they work and live. The Company will match dollar-for-dollar contributions made by employees or members of our board of directors, up to $1,000 per calendar year. Gifts will only be matched if they are requested for organizations eligible under Section 501(c)(3) of the Code. The minimum contribution that will be matched is $100 per calendar year. In order for the Company to provide the matching gift, there can be no direct benefit, reward or consideration to the employee or board member when making the donation.

Other benefits.

Effective January 1, 2013, we entered into an aircraft lease with Lariat Ranch LLC ("Lariat Ranch"), the aircraft owner and an entity controlled by Mr. Foutch, and our board of directors adopted a revised aircraft use policy. Under this arrangement, as amended in 2014 and 2015, we pay an hourly rate for the use of the aircraft and also pay for all operating costs associated with our use of the aircraft, as well as expenses related to the flight crew and other expenses during such use. For further details, see the "Summary compensation table" in " Summary Compensation" and "TRANSACTIONS WITH RELATED PERSONS Other Related-Party Transactions."

Employment, Severance or Change in Control Agreements

We do not currently maintain any long-term employment agreements. On November 9, 2011, the Company adopted the Laredo Petroleum, Inc. Change in Control Executive Severance Plan (as amended, the "Change in Control and Executive Severance Plan"), which provides severance payments and benefits to our named executive officers and eligible persons with the title of vice president and above, as determined by our Compensation Committee. The policy provides an eligible participant with a lump-sum cash severance payment and continued health benefits in the event that the participant experiences a qualifying termination event within the 18-month period following the occurrence of a qualifying change in control event ("double trigger"). In the event that an eligible executive's employment is terminated without cause by the employer or for good reason by the executive within the 18-month period following the occurrence of a change in control, the executive would become entitled to receive 100% (in the case of our Chief Executive Officer, 300%, and in the case of our other named executive officers, 200%) of the executive's salary rate and 200% (in the case of our Chief Executive Officer, 300%, and in the case of our other named executive officers, 200%) of the executive's target bonus and prorated amount of such target bonus for the fiscal year in which the change of control payment is triggered. In addition, the executive would receive Company-paid COBRA continuation coverage for up to 18 months following the date of termination. The policy contains a modified cutback provision whereby payments payable to an executive may be reduced if doing so would put the executive in a more advantageous after-tax provision than if payments were not reduced and the executive became subject to excise taxes under Section 4999 of the Code and loss of deduction under Section 280G of the Code. We believe these severance levels are comparable to those utilized by our peer group. Effective March 1, 2018, Mr. Curth resigned from his position as Senior Vice President Exploration and Land and transitioned to a non-executive, non-officer role as Senior

Advisor in anticipation of his retirement in March of 2019. If a Change in Control (as defined in the Change in Control and Executive Severance Plan) occurs within 12 months of March 1, 2018, all of Mr. Curth's outstanding equity awards will become fully vested and he will be entitled to receive severance payments (as defined in the Change in Control and Executive Severance Plan) based on his last full annual salary and bonus immediately prior to his resignation as Senior Vice President Exploration and Land. Upon Mr. Curth's termination of employment as a Senior Advisor (and provided that no Change in Control occurs within 12 months of March 1, 2018), (i) all of Mr. Curth's outstanding equity awards will vest on an accelerated basis, subject to Mr. Curth's execution of a non-compete agreement and release of claims against the Company, (ii) medical, dental and vision plan coverage will end on the last day of the month in which the termination occurs and (iii) he will be entitled to COBRA coverage for 18 months after termination.

We believe that our Change in Control Executive Severance Plan, including its requirement of a "double trigger," provides suitable incentive for our officers to remain with the Company in the event of a potential change in control through the consummation of any such transaction. We further believe such an incentive is to the benefit of our stockholders as well as any potential purchaser in connection with a change in control transaction, as it helps to ensure the continued operation and seamless transition of the Company prior to and through the conclusion of any such transaction. The compensation "multipliers" among the different categories of our officers were established based upon information provided by FW Cook regarding both our peer group and the industry in general.

Other Matters

Risk assessment

The Compensation Committee and management have reviewed our compensation policies as generally applicable to our employees and believe that our policies do not encourage excessive and unnecessary risk-taking, and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on us.

Our compensation philosophy and culture support the use of salary rate, cash bonuses and long-term incentive equity compensation that are generally uniform in design and operation throughout our organization and with all levels of employees. In addition, the following specific factors, in particular, reduce the likelihood of excessive risk-taking:

- Our overall compensation levels are competitive with the market; and

- Our compensation mix is balanced among (i) fixed components such as salary rate and benefits, (ii) cash bonuses and (iii) long-term incentive equity awards that reward our employees based on long-term overall financial performance and operational measures.

Furthermore, prior to our initial public offering in 2011, we provided our officers the opportunity to invest in our equity, which all of our named executive officers who were with the Company at the time did, and now we provide our officers with the opportunity to be awarded long-term incentive equity that continues to align their interests with those of our stockholders.

In summary, because the Compensation Committee focuses on the Company's performance, with only some consideration given to the specific individual performance of the employee when making compensation decisions, we believe our historical compensation programs did not, and our current compensation programs do not, encourage excessive and unnecessary risk taking by executive officers (or other employees). These programs were and are designed to encourage employees to remain focused on both our short- and long-term operational and financial goals. We set performance goals that we believe are appropriate in light of our past performance and market conditions. The Compensation Committee will continue to monitor all levels of compensation to attempt to ensure that no element of compensation encourages excessive and unnecessary risk-taking.

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Equity ownership guidelines

The Compensation Committee recommended, and the board of directors approved, stock ownership guidelines for directors and the executive management team in order to further align the interest of our directors and officers with those of our stockholders. Individuals have three years from their hire, promotion or appointment date to reach the following stock ownership guidelines (as a multiple of salary rate): (i) Chief Executive Officer: 5x, (ii) President and Chief Operating Officer: 3x, (iii) Executive and Senior Vice Presidents: 2x, (iv) Vice Presidents: 1x and (v) directors: $400,000 worth of Company stock. Stock actually owned, as well as stock awarded under restricted stock awards, is included for purposes of satisfying these guidelines. No stock potentially exercisable under stock option awards is included. Based on the highest closing price of our common stock since March 9, 2018 ($8.96), all of our officers and directors have satisfied the stock ownership guidelines.

Compensation Consultant and Conflict of Interest Analysis

Since July 2012, the Compensation Committee has engaged FW Cook to serve as its independent compensation adviser. FW Cook did not provide any services to the Company outside of the scope of its engagement by the Compensation Committee. In accordance with the requirements of Item 407(e)(3)(iv) of Regulation S-K, the Compensation Committee considered the relationships that FW Cook has had with the Company, the members of the Compensation Committee and our executive officers, as well as the policies that FW Cook has in place to maintain its independence and objectivity, and determined that no conflicts of interest arose from the work performed by FW Cook. It is anticipated that the relationship will continue during 2018. The Compensation Committee's objective when engaging FW Cook was to assess our level of competitiveness for executive-level talent and provide recommendations for attracting, motivating and retaining key employees, including identifying industry best practices.

At the request of the Compensation Committee, FW Cook has undertaken comprehensive market reviews annually, which have been utilized by the Compensation Committee when making its recommendations to the Company's board of directors for the compensation programs, including adjustments to the current programs that were made in 2017 and later, as described above.

Tax and accounting implications

In prior years, the Compensation Committee generally structured the Company's compensation program with the intent to preserve any deductions under Code Section 162(m), which generally limits the deductibility of annual compensation paid to a "covered employee" in excess of $1 million, unless certain exceptions are met, such as the exception for qualified performance-based compensation. Pursuant to the Tax Cuts and Jobs Act of 2017 (the "Tax Act") as of January 1, 2018, the exception under Code Section 162(m) for qualified performance-based compensation was eliminated and the definition of "covered employee" was expanded to include the chief financial officer and certain former named executive officers of a Company. The Tax Act includes a transition rule under which the changes to Code Section 162(m) will not apply to compensation payable pursuant to a written binding contract that was in effect on November 2, 2017, and is not materially modified after that date. However, given the loss of the qualified performance-based compensation exception, non-grandfathered awards may result in non-deductible compensation amounts.

Policies against hedging and pledging stock

Under the terms of our Insider Trading Policy that is applicable to our directors and named executive officers, such persons are prohibited from engaging in hedging transactions that are designed to hedge or offset a decrease in market value of such person's common stock in the Company. We prohibit such conduct because to allow such activity, the director or officer could then no longer be exposed to the full risks of ownership and may no longer have the same objectives as the Company's other stockholders.

In addition, our directors and named executive officers may not hold their Company securities in a margin account and may not, without prior approval and in very limited circumstances, pledge Company securities as collateral for any other loan. The only exception to the prohibition on pledging securities may exist in the case of a non-margin loan where the director or officer was clearly able to demonstrate the financial ability to repay the loan without resort to the pledged securities, and only if such pledge was pre-approved by our General Counsel. No shares owned by our directors or named executive officers are currently pledged.

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COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee of the Board of Directors

Pamela S. Pierce, Chair
James R. Levy, Member
Dr. Myles W. Scoggins, Member
Donald D. Wolf, Member

The information contained in this Compensation Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except to the extent that the Company specifically incorporates such information by reference in such filing.

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Summary Compensation

The following table summarizes, with respect to our named executive officers, information relating to the compensation (as defined by the SEC) for services rendered in all capacities during the fiscal years ended December 31, 2017, 2016 and 2015.

Summary compensation table

Name and principal position	Year	Salary ($)(1)	STIP bonus ($)(1)	Restricted stock awards ($)(2)	Stock option awards ($)(2)	Share-settled performance units ($)(2)	All other compensation ($)(3)	Total ($)
Randy A. Foutch,	2017	840,615	1,107,000	1,118,544	985,395	3,004,622	47,426	7,103,602
Chairman and Chief	2016	758,462	1,650,000	2,402,883	3,023,806	6,942,950	46,200	14,824,301
Executive Officer	2015	800,000	863,000	955,342	1,033,365	2,598,756	41,996	6,292,459
Richard C. Buterbaugh,	2017	486,154	460,000	492,435	433,825	1,322,793	21,214	3,216,421
Executive Vice President and	2016	440,856	680,000	1,064,134	1,339,115	3,074,728	19,914	6,618,747
Chief Financial Officer	2015	465,000	397,300	423,086	457,636	1,150,869	20,451	2,914,342
Daniel C. Schooley,	2017	396,923	355,000	301,490	265,604	809,879	20,264	2,149,160
Senior Vice President	2016	344,865	550,000	719,938	712,758	1,636,557	19,464	3,983,582
Operations	2015	330,000	227,800	225,191	243,577	612,568	18,311	1,657,447
Patrick J. Curth,	2017	389,308	347,000	294,713	259,626	791,654	23,058	2,105,359
Senior Vice President	2016	360,269	525,000	652,212	820,747	1,884,514	22,758	4,265,500
Exploration and Land	2015	380,000	278,700	259,310	280,485	705,381	19,601	1,923,477
Kenneth E. Dornblaser,	2017	362,692	324,000	275,114	242,364	739,009	20,864	1,964,043
Senior Vice President and	2016	331,827	485,000	600,721	755,954	1,735,733	11,579	3,920,814
General Counsel	2015	350,000	256,700	471,439	258,341	649,693	4,301	1,990,474

(1) The amounts presented in these columns reflect the actual amounts earned in 2017, 2016 and 2015, even if paid in another year.

(2) For the 2017 and 2015 LTIP awards, the amounts presented in these columns reflect the grant date fair value of the restricted stock awards, stock option awards and share-settled performance unit awards computed in accordance with FASB ASC Topic 718. For the 2016 LTIP awards, on February 9, 2016, our board of directors approved the value for grants to the named executive officers. The closing price of our stock on this date was $6.10. In accordance with prior practice, the number of shares of restricted stock awards, stock option awards and share-settled performance units to be issued pursuant to such approval were calculated based on the average closing price of our stock for the 10 trading days ended February 19, 2016 (two days after the filing of our 2015 Annual Report on Form 10-K). This 10-day average closing price was $5.40. As previously noted, these grants were contingent on the subsequent approval of the amendment to our Equity Incentive Plan by our stockholders. If the grant of these shares had not been subject to subsequent stockholder approval, the shares would have been valued using the February 19, 2016 closing price of $4.10 in compliance with applicable accounting principles. On May 25, 2016, our stockholders approved the amendment to our Equity Incentive Plan. On May 25, 2016 the closing price of our stock was $12.36. In accordance with FASB ASC Topic 718, the restricted stock awards, stock option awards and share-settled performance unit awards were valued on the date of stockholder approval. Please refer to Note 7 to our audited consolidated financial statements in our 2017 Annual Report for disclosures regarding fair value estimates of restricted stock awards, stock option awards and share-settled performance unit awards.

(3) The amounts presented in this column include the aggregate value of matching contributions to our 401(k) plan, the dollar values of life insurance coverage, charitable gifts made on behalf of named executive officers pursuant to our charitable gift matching program, and wellness reimbursements. Each of our named executive officers received matching contributions to our 401(k) plan of $16,200 for 2017. The amounts presented in this column for Mr. Foutch include the aggregate incremental cost of expenses that were paid by us pursuant to the terms of the Aircraft Lease (as defined below) and our aircraft use policy, which would otherwise have been paid by Lariat Ranch, an entity controlled by Mr. Foutch, for the use of Lariat Ranch's aircraft not directly related to Laredo's business. These

payments during the years 2017, 2016 and 2015, were $23,868, $23,442 and $22,371 respectively, and they represent only a portion of the total costs incurred by Lariat Ranch of flying the aircraft. For further details, please see "TRANSACTIONS WITH RELATED PERSONS Other Related-Party Transactions."

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Realized Compensation

The calculation of total compensation, as shown in the Summary Compensation Table on page 46, includes items driven by accounting assumptions as defined by the SEC. As a result, total compensation as defined by the SEC differs substantially from the compensation actually realized by our named executive officers in a particular year. To supplement the SEC-required disclosure, the table below shows compensation actually realized by the named executive officers. These amounts are not a substitute for the amounts reported as total compensation as defined by the SEC. Realized compensation includes each named executive officer's earned salary, earned STIP bonus, value realized on vesting of stock awards, value realized on exercise of stock options, value realized on vesting of share-settled and cash-settled performance awards and all other compensation, which includes matching contributions to our 401(k) plan, the dollar values of life insurance coverage, charitable gifts made on behalf of named executive officers pursuant to our charitable gift matching program, and wellness reimbursements.

The following table summarizes, with respect to our named executive officers, information relating to the realized compensation earned for services rendered in all capacities during the fiscal years ended December 31, 2017, 2016 and 2015.

	Realized compensation		
Name	**2017**	**2016**	**2015(1)**
Randy A. Foutch(2)	$ 4,261,781	$ 2,739,655	$ 5,229,936
Richard C. Buterbaugh	$ 1,971,210	$ 1,257,081	$ 2,513,572
Daniel C. Schooley	$ 1,318,351	$ 1,005,663	$ 1,046,781
Patrick J. Curth	$ 1,648,098	$ 984,246	$ 1,592,260
Kenneth E. Dornblaser	$ 1,274,237	$ 895,537	$ 1,319,589

(1) A portion of the value realized on vesting of stock awards are the restricted unit awards in our predecessor Laredo Petroleum, LLC ("Laredo LLC") that vested during the year ended December 31, 2015, which were exchanged in connection with the corporate reorganization and initial public offering.

(2) The amounts presented for Mr. Foutch include the aggregate incremental cost of expenses that were paid by us pursuant to the terms of the Aircraft Lease (as defined below) and our aircraft use policy, which would otherwise have been paid by Lariat Ranch, an entity controlled by Mr. Foutch, for the use of Lariat Ranch's aircraft not directly related to Laredo's business. For further details, please see "TRANSACTIONS WITH RELATED PERSONS Other Related-Party Transactions."

The lower comparative realized compensation in 2016 is mainly due to (i) the lower price of our common stock at the time of the vesting of stock awards during 2016 and (ii) there being no performance awards vesting in 2016, whereas there were share-settled performance awards vesting in 2017 and cash-settled performance awards vesting in 2015.

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Grants of Plan-Based Awards for the Year Ended December 31, 2017

The following table provides information concerning each stock award (referred to in the table collectively as "stock awards") granted to our named executive officers under any plan that was transferred during the year ended December 31, 2017. The fair values were computed in accordance with FASB ASC Topic 718 as described in Note 7 to our audited consolidated financial statements in our 2017 Annual Report, not the value used in accordance with determining the grant numbers awarded.

Grants of plan-based awards table for the year ended December 31, 2017

		Restricted stock(1)		Stock options(2)		Share-settled performance units(3)		Share-settled performance units estimated future payout in shares(4)		
Name	**Grant date**	**Number of shares of stock**	**Grant date fair value ($)**	**Number of shares of stock**	**Grant date fair value ($)**	**Number of units**	**Grant date fair value ($)**	**Threshold**	**Target**	**Maximum**
Randy A. Foutch	2/17/2017	79,217	1,118,544	119,826	985,395	158,434	3,004,622	79,217	158,434	316,868
Richard C. Buterbaugh	2/17/2017	34,875	492,435	52,754	433,825	69,751	1,322,793	34,876	69,751	139,502
Daniel C. Schooley	2/17/2017	21,352	301,490	32,298	265,604	42,705	809,879	21,353	42,705	85,410
Patrick J. Curth	2/17/2017	20,872	294,713	31,571	259,626	41,744	791,654	20,872	41,744	83,488
Kenneth E. Dornblaser	2/17/2017	19,484	275,114	29,472	242,364	38,968	739,009	19,484	38,968	77,936

(1) The restricted stocks' grant date fair value is determined based on the closing price of our common stock on the NYSE on February 17, 2017, which was $14.12 per share. These shares vest 33%, 33% and 34% on a time basis per year beginning on the first anniversary date of the grant.

(2) We utilize the Black-Scholes option pricing model to measure the grant date fair value of stock option awards granted under our Equity Incentive Plan. Stock option awards vest and become exercisable in four equal installments on each of the four anniversaries of the grant date. These stock option awards have an exercise price of $14.12 per share, which was the February 17, 2017 closing price of our common stock on the NYSE, and an expiration date of February 17, 2027.

(3) We utilize a Monte Carlo simulation to measure the share-settled performance units' grant date fair value. These share-settled performance units have a three-year cliff vest and a performance period of January 1, 2017 to December 31, 2019.

(4) As noted on page 34, performance units are payable in stock for achievement of a "Threshold" level of performance, i.e., achievement over a three-year period of TSR performance equaling the 40th percentile (50% of performance units payable in stock), at the "Target" level of performance, i.e., achievement over a three-year period of TSR performance equaling the 60th percentile (100% of performance units payable in stock) and are also payable for achievement of the "Maximum" level of performance, i.e., achievement over a three-year period of TSR performance equaling or exceeding the 80th percentile (200% of performance units payable in shares). All intervening percentages are directly interpolated. In the event that the "Start Average Stock Price" is greater than the "End Average Stock Price" plus "Dividends" (as such terms are defined in the award agreement), then, unless otherwise determined by the board of directors or Compensation Committee, the TSR modifier shall be no greater than 150%.

Laredo Petroleum, Inc. Omnibus Equity Incentive Plan

Under the Equity Incentive Plan, awards of stock options, including both incentive stock options and non-statutory stock options, stock appreciation rights, restricted stock and restricted stock units, stock bonus awards, performance unit awards and performance compensation awards (payable in cash or otherwise) may be granted. Subject to adjustment for certain corporate events, 24,350,000 shares is currently the maximum number of shares of our common stock authorized and reserved for issuance under the Equity Incentive Plan.

Eligibility. Our employees, consultants and directors and those of our affiliated companies, as well as those whom we reasonably expect to become our employees, consultants and directors or those of our affiliated companies are eligible for awards, provided that incentive stock options may be granted only to employees. A written agreement between us and each participant will evidence the terms of each award granted under the Equity Incentive Plan.

Shares subject to the Equity Incentive Plan. The shares that may be issued pursuant to awards are our common stock, $0.01 par value per share, and currently the maximum aggregate amount of common stock that may be issued upon exercise of all awards under the Equity Incentive Plan, including incentive stock options, may not exceed 24,350,000 shares, subject to adjustment to reflect certain corporate transactions or changes in our capital structure. In addition, currently (i) the maximum number of shares with respect to which stock options and/or stock appreciation rights may be granted to any participant in any one-year period is limited to 14,350,000 shares, (ii) the maximum number of shares with respect to which incentive stock options may be granted under the Equity Incentive Plan may not exceed 14,350,000 shares, (iii) no more than 14,350,000 shares may be earned in respect of performance unit awards denominated in shares granted to any single participant for a single calendar year during a performance period, or in the event that the performance unit is paid in cash, other securities, other awards or other property, no more than the fair market value of 14,350,000 shares of common stock on the last day of the performance period to which the award related, and (iv) the maximum amount that can be paid to any single participant in one calendar year pursuant to a cash bonus award is $5 million and awards in respect of no more than 1,435,000 shares may be granted to any non-employee director in a single calendar year, in each case, subject to adjustment for certain corporate events.

If any award under the Equity Incentive Plan expires or otherwise terminates, in whole or in part, without having been exercised in full, the common stock withheld from issuance under that award will become available for future issuance under the Equity Incentive Plan. If shares issued under the Equity Incentive Plan are reacquired by us pursuant to the terms of any forfeiture provision, those shares will become available for future awards under the Equity Incentive Plan. Awards that can only be settled in cash will not be treated as shares of common stock granted for purposes of the Equity Incentive Plan.

Administration. Our board of directors, or a committee of members of our board of directors appointed by our board of directors, may administer the Equity Incentive Plan, and that administrator is referred to in this summary as the "administrator." Currently, the Compensation Committee serves as the administrator. Among other responsibilities, the administrator selects participants from among the eligible individuals, determines the number of shares of common stock that will be subject to each award and determines the terms and conditions of each award, including exercise price, methods of payment and vesting schedules. Our board of directors may amend or terminate the Equity Incentive Plan at any time. Amendments will not be effective without stockholder approval if stockholder approval is required by applicable law or stock exchange requirements.

Adjustments in capitalization. Subject to the terms of an award agreement, if there is a specified type of change in our common stock, such as extraordinary cash dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization, appropriate equitable adjustments or substitutions will be made to the various limits under, and the share terms of, the Equity Incentive Plan and the awards granted thereunder, including the maximum number of shares reserved under the Equity Incentive Plan, the maximum number of shares with respect to which any participant may be granted awards and the number, price or kind of shares of common stock or other consideration subject to awards to the extent necessary to preserve the economic intent of the award. In addition, subject to the terms of an award agreement, in the event of certain mergers, the sale of all or substantially all of our assets, our reorganization or liquidation, or our agreement to enter into any such transaction, the administrator may cancel outstanding awards and cause participants to receive, in cash, stock or a combination thereof, the value of the awards.

Change in control. In the event of a change in control, all options and stock appreciation rights subject to an award will become fully vested and immediately exercisable and any restricted period imposed upon restricted awards will expire immediately (including a waiver of applicable performance goals). Accelerated exercisability and lapse of restricted periods will, to the extent practicable, occur at a time that allows participants to participate in the change in control. In the event of a change of control, all incomplete performance periods will end, the administrator will determine the extent to which performance goals have been met, and such awards will be paid based upon such determination.

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Clawback policy. Awards granted under the Equity Incentive Plan are subject to any clawback policy adopted by the Company and to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, and the rules, regulations and binding, published guidance thereunder, which legislation provides for the clawback and recovery of incentive compensation in the event of certain financial statement restatements.

Nontransferability. In general, each award granted under the Equity Incentive Plan may be exercisable only by a participant during the participant's lifetime or, if permissible under applicable law, by the participant's legal guardian or representative. Except in very limited circumstances, no award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against us. However, the designation of a beneficiary will not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

Section 409A. The provisions of the Equity Incentive Plan and the awards granted under the Equity Incentive Plan are intended to comply with or be exempt from the provisions of Section 409A of the Code and the regulations thereunder so as to avoid the imposition on any participant of an additional tax under Section 409A of the Code.

Registration Rights

We are a party to a registration rights agreement pursuant to which we have granted certain registration rights to entities affiliated with Warburg Pincus that received shares of our common stock in the corporate reorganization consummated prior to our IPO.

Outstanding Equity Awards at 2017 Fiscal Year-End

The following table provides information concerning restricted stock awards, share-settled performance unit awards and stock option awards that had not vested for our named executive officers as of December 31, 2017.

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Outstanding equity awards table as of December 31, 2017

		Restricted stock awards		Share-settled performance unit awards		Stock option awards			
Name	**Grant date**	**Shares not vested(1)**	**Market value of shares not vested(2)**	**Units not vested(3)**	**Market value of units not vested(2)(3)**	**Stock options not exercisable(4)**	**Stock options exercisable**	**Exercise price**	**Expiration date**
Randy A. Foutch	2/17/2017	79,217	$ 840,492	79,217	$ 840,492	119,826		$ 14.12	2/17/2027
	5/25/2016	130,254	$ 1,381,995	194,409	$ 2,062,679	232,584	77,527	$ 4.10	2/19/2026
	2/27/2015	27,227	$ 288,878		$	83,952	83,952	$ 11.93	2/27/2025
	2/27/2014		$		$	24,010	72,030	$ 25.60	2/27/2024
	2/15/2013		$		$		128,709	$ 17.34	2/15/2023
	2/3/2012		$		$		62,868	$ 24.11	2/3/2022
Richard C. Buterbaugh	2/17/2017	34,875	$ 370,024	34,876	$ 370,034	52,754		$ 14.12	2/17/2027
	5/25/2016	57,684	$ 612,027	86,095	$ 913,468	103,002	34,333	$ 4.10	2/19/2026
	2/27/2015	12,058	$ 127,935		$	37,179	37,179	$ 11.93	2/27/2025
	2/27/2014		$		$	10,633	31,899	$ 25.60	2/27/2024
	2/15/2013		$		$		42,961	$ 17.34	2/15/2023
Daniel C. Schooley	2/17/2017	21,352	$ 226,545	21,353	$ 226,555	32,298		$ 14.12	2/17/2027
	5/25/2016	30,703	$ 325,759	45,825	$ 486,203	54,824	18,274	$ 4.10	2/19/2026
	5/18/2016	13,636	$ 144,678		$			$	
	2/27/2015	6,418	$ 68,095		$	19,789	19,788	$ 11.93	2/27/2025
	2/27/2014		$		$	5,658	16,980	$ 25.60	2/27/2024
	2/15/2013		$		$		12,050	$ 17.34	2/15/2023
	2/3/2012		$		$		6,975	$ 24.11	2/3/2022
Patrick J. Curth(5)	2/17/2017	20,872	$ 221,452	20,872	$ 221,452	31,571		$ 14.12	2/17/2027
	5/25/2016	35,355	$ 375,117	52,768	$ 559,868	63,130		$ 4.10	2/19/2026
	2/27/2015	7,391	$ 78,419		$	22,787		$ 11.93	2/27/2025
	2/27/2014		$		$	6,517	19,551	$ 25.60	2/27/2024
	2/15/2013		$		$		33,330	$ 17.34	2/15/2023
	2/3/2012		$		$		21,131	$ 24.11	2/3/2022
Kenneth E. Dornblaser	2/17/2017	19,484	$ 206,725	19,484	$ 206,725	29,472		$ 14.12	2/17/2027
	5/25/2016	32,564	$ 345,504	48,602	$ 515,667	58,146	19,382	$ 4.10	2/19/2026
	3/6/2015	20,000	$ 212,200		$			$	
	2/27/2015	6,807	$ 72,222		$	20,988	20,988	$ 11.93	2/27/2025
	2/27/2014		$		$	6,001	18,009	$ 25.60	2/27/2024
	2/15/2013		$		$		26,348	$ 17.34	2/15/2023
	2/3/2012		$		$		13,971	$ 24.11	2/3/2022

(1) Restricted shares granted in 2017, 2016 and 2015 vest 33%, 33% and 34% on a time basis per year beginning on the first anniversary date of the grant, with the following exceptions: (i) 13,636 shares of restricted stock awarded to Mr. Schooley on May 18, 2016 have a three-year cliff vest and (ii) 20,000 shares of restricted stock awarded to Mr. Dornblaser on March 6, 2015 have a three-year cliff vest.

(2) Market value is based on the $10.61 per share closing price of our common stock on the NYSE on December 29, 2017, the last trading day of the year.

(3) The share-settled performance unit awards granted on February 27, 2015 had a performance period of January 1, 2015 to December 31, 2017 and, as their performance criteria were not satisfied, resulting in a TSR Modifier of 0% based on the Company finishing in the 36th percentile of its peer group for relative TSR, the granted units were not converted into common stock during the first quarter of 2018. For the May 25, 2016 and February 17, 2017 share-settled performance unit awards, the potential TSR Modifier pursuant to the next highest performance level was at "threshold," resulting in a potential TSR Modifier of 50% based on their actual performance through December 31, 2017 each attaining "below threshold" performance level. See page 34 for discussion of these awards' TSR Modifier. The share-settled performance unit awards granted May 25, 2016 have a performance period of January 1, 2016 to December 31, 2018 and any shares earned under such awards are expected to be issued in the first quarter of 2019 if the performance and vesting criteria are met. The share-settled performance unit awards granted February 17, 2017 have a performance period of

January 1, 2017 to December 31, 2019 and any shares earned under such awards are expected to be issued in the first quarter of 2020 if the performance and vesting criteria are met.

(4) Stock option awards granted in 2017, 2016, 2015 and 2014 vest and become exercisable in four equal installments on each of the first four anniversaries of the date of the grant.

(5) Effective March 1, 2018, Mr. Curth resigned from his position as Senior Vice President Exploration and Land and transitioned to a non-executive, non-officer role as Senior Advisor in anticipation of his retirement in March of 2019. Mr. Curth's outstanding unvested equity awards will continue to be eligible to vest in accordance with their terms until termination of his employment with the Company. Upon Mr. Curth's termination of employment or if a Change in Control (as defined in the Change in Control Executive Severance Plan) has occurred, all of Mr. Curth's outstanding equity awards will vest on an accelerated basis. However, if no Change in Control occurs within 12 months of March 1, 2018, such acceleration is subject to Mr. Curth's execution of a non-compete agreement and release of claims against the Company. The vested portion of his stock options will remain exercisable for 90 days following his retirement.

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Stock Award Vestings, Stock Option Exercises and Performance Unit Vestings in Fiscal Year 2017

The following table provides information concerning the vesting of stock awards, the exercise of stock options and the vesting of share-settled performance units during fiscal year 2017 on an aggregated basis with respect to each of our named executive officers.

Stock award vestings, stock option exercises and performance unit vestings for the year ended December 31, 2017

	Stock awards		Stock options		Share-settled performance units	
Name	**Shares acquired on vesting**	**Value realized on vesting(1)**	**Shares acquired on exercise**	**Value realized on exercise(2)**	**Shares acquired on vesting(3)**	**Value realized on vesting(1)**
Randy A. Foutch	103,774	$ 1,456,969		$	58,215	$ 809,771
Richard C. Buterbaugh	45,957	$ 645,228		$	25,781	$ 358,614
Daniel C. Schooley	25,332	$ 355,291		$	13,722	$ 190,873
Patrick J. Curth(4)	28,166	$ 395,446	43,830	$ 273,494	15,801	$ 219,792
Kenneth E. Dornblaser	25,943	$ 364,235		$	14,554	$ 202,446

(1) The value realized upon vesting was calculated utilizing the closing stock price on the vesting date.

(2) The value realized on exercise was calculated by multiplying the number of exercised stock options by the difference between the exercise price and the closing stock price on the date of exercise.

(3) Represents 75% of the share-settled performance units granted February 27, 2014 that were issued in common stock in the Company on February 27, 2017 and, as their performance and vesting criteria were satisfied, resulted in a TSR Modifier of 75% based on the Company finishing in the 50th percentile of its peer group for relative total shareholder return for the performance period of January 1, 2014 to December 31, 2016.

(4) Effective March 1, 2018, Mr. Curth resigned from his position as Senior Vice President Exploration and Land and transitioned to a non-executive, non-officer role as Senior Advisor in anticipation of his retirement in March of 2019. Mr. Curth's outstanding unvested equity awards will continue to be eligible to vest in accordance with their terms until termination of his employment with the Company. Upon Mr. Curth's termination of employment or if a Change in Control (as defined in the Change in Control Executive Severance Plan) has occurred, all of Mr. Curth's outstanding equity awards will vest on an accelerated basis. However, if no Change in Control occurs within 12 months of March 1, 2018, such acceleration is subject to Mr. Curth's execution of a non-compete agreement and release of claims against the Company. The vested portion of his stock options will remain exercisable for 90 days following his retirement.

The share-settled performance unit awards granted on February 27, 2015 had a performance period of January 1, 2015 to December 31, 2017 and, as their performance criteria were not satisfied, resulting in a TSR Modifier of 0% based on the Company finishing in the 36th percentile of its peer group for relative TSR, the granted units lapsed and were not converted into common stock during the first quarter of 2018.

Pension Benefits

We maintain a 401(k) Plan for our employees, including our named executive officers, but at this time we do not sponsor or maintain a pension plan for any of our employees.

Nonqualified Deferred Compensation

We do not provide a deferred compensation plan for our employees at this time.

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Potential Payments upon Termination or Change in Control

Severance

As described above, we do not maintain individual employment agreements. The Company has adopted the Change in Control Executive Severance Plan, which provides severance payments and benefits to our named executive officers and eligible persons with the title of vice president and above, as determined by our Compensation Committee. The policy provides an eligible participant with a lump sum cash severance payment and continued health benefits in the event that the participant experiences a qualifying termination within the 18-month period following the occurrence of a qualifying change in control event. In the event that an eligible executive's employment is terminated without cause by the employer or for good reason by the executive within the 18-month period following the occurrence of a change in control, the executive would become entitled to receive 100% (in the case of our Chief Executive Officer, 300%, and in the case of our other named executive officers, 200%) of the executive's salary rate and 200% (in the case of our Chief Executive Officer, 300%) of the executive's target STIP bonus and prorated amount of such target STIP bonus for the fiscal year in which the change of control payment is triggered. In addition, the executive would receive company paid COBRA continuation coverage for up to 18 months following the date of termination. The policy contains a modified cutback provision whereby payments payable to an executive may be reduced if doing so would put the executive in a more advantageous after-tax provision than if payments were not reduced and the executive became subject to excise taxes. In order to be eligible for severance benefits under the policy, our named executive officers have executed a confidentiality, non-disparagement and non-solicitation agreement. Effective March 1, 2018, Mr. Curth resigned from his position as Senior Vice President Exploration and Land and transitioned to a non-executive, non-officer role as Senior Advisor in anticipation of his retirement in March of 2019. If a Change in Control (as defined in the Change in Control and Executive Severance Plan) occurs within 12 months of March 1, 2018, all of Mr. Curth's outstanding equity awards will become fully vested and he will be entitled to receive severance payments (as defined in the Change in Control and Executive Severance Plan) based on his last full annual salary and bonus immediately prior to his resignation as Senior Vice President Exploration and Land. Upon Mr. Curth's termination of employment as a Senior Advisor (and provided that no Change in Control occurs within 12 months of March 1, 2018), (i) all of Mr. Curth's outstanding equity awards will vest on an accelerated basis, subject to Mr. Curth's execution of a non-compete agreement and release of claims against the Company, (ii) medical, dental and vision plan coverage will end on the last day of the month in which the termination occurs and (iii) he will be entitled to COBRA coverage for 18 months after termination.

Restricted Stock

The restricted stock may be affected by a named executive officer's termination of employment or the occurrence of certain corporate events. In the event of the termination of a named executive officer's employment by the Company, with or without cause, or the named executive officer's resignation for any reason, the named executive officer will forfeit all restricted stock to us.

If the named executive officer's employment with the Company is terminated upon the death of the named executive officer or because the named executive officer is determined to be disabled by the board of directors, then all of his restricted stock will automatically vest. A named executive officer will be considered to have incurred a "disability" in the event of the officer's inability to perform, even with reasonable accommodation, on a full-time basis the employment duties and responsibilities due to accident, physical or mental illness, or other circumstance; provided, however, that such inability continues for a period exceeding 180 days during any 12-month period.

In the event of a change of control, all restricted stock awards will become fully vested as of the date of the change of control, provided that the named executive officer remains employed by the

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Company through the date of such change of control. For purposes of these restricted stock awards, a "change of control" generally means: (i) any person acquires beneficial ownership of our securities representing 40% or more of the combined voting power of our outstanding securities (provided, however, that if the surviving entity becomes a subsidiary of another entity, then the outstanding securities shall be deemed to refer to the outstanding securities of the parent entity), (ii) a majority of the members of the board of directors who were directors as of the date of the corporate reorganization no longer serve as directors; or (iii) the consummation of a merger or consolidation of our company with any other entity, other than a merger or consolidation which would result in our voting securities outstanding immediately prior thereto continuing to represent more than 40% of the combined voting power of our voting securities outstanding immediately after such merger or consolidation.

Stock Options

Stock option awards may be affected by a named executive officer's termination of employment or the occurrence of certain corporate events. The unvested portion of a stock option award shall expire upon termination of employment, and the vested portion of a stock option award shall remain exercisable for (i) one year following termination of employment by reason of the holder's death or disability, but not later than the expiration of the option period, or (ii) 90 days following termination of employment for any reason other than the holder's death or disability, and other than the holder's termination of employment for cause. Both the unvested and the vested but unexercised portion of a stock option award shall expire upon the termination of the option holder's employment or service by the Company for cause.

In the event of a change of control (which for these purposes is the same as described above), provided that the named executive officer remains employed by the Company through the date of such change of control, all stock option awards will become fully vested and exercisable with respect to all shares of common stock covered thereby as of the date of the change of control.

Performance Unit Awards

Performance unit awards may be affected by a named executive officer's termination of employment or the occurrence of certain corporate events. If the executive's employment with the Company is terminated by the Company for any reason, with or without cause, or the executive resigns (in either case, other than by reason of death or disability) prior to the maturity date of the performance unit award, then no amount shall be issued in respect of the award. If, prior to the maturity date, the executive's employment with the Company terminates either by reason of death or because the executive is determined by the board of directors or the Compensation Committee to be subject to a disability, then the executive shall be eligible to receive a pro-rated performance unit award, taking into account the time that the executive was employed during the performance period prior to the date of such termination. The performance units granted to each recipient in 2016, 2017 and 2018 are payable in common stock of the Company. The performance criteria for the performance units awarded to each recipient in 2015 were not satisfied, and the awarded units lapsed and were not converted into common stock during the first quarter of 2018.

In the event of a change of control (which for these purposes is the same as described above), provided that the named executive officer remains employed by the Company through the date of such change of control, the "performance periods" in effect on the date the change of control occurs shall end on such date, and either the board of directors or the Compensation Committee shall determine the extent to which the performance goals with respect to each such performance period have been met, based upon such audited or unaudited financial information or other information then available as it deems relevant. The board of directors or Compensation Committee shall then cause each holder of performance unit awards to receive partial or full issuance of such awards for each performance period

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(including a potential range from 0% to 200%), based on the board of directors' or Compensation Committee's determination of the degree of attainment of the performance goals or that the applicable "target" levels of performance have been attained or on such other basis determined by the board of directors or Compensation Committee.

Potential Payments upon Termination or Change in Control Table for Fiscal Year 2017

The information set forth in the table below is based on the assumption that the applicable triggering event under the Change in Control Executive Severance Plan or the applicable restricted stock award, stock option award or performance unit award agreement to which each named officer was a party occurred on December 29, 2017, the last business day of fiscal year 2017. Accordingly, the information reported in the table indicates the amount of cash severance and benefits that would be payable, and the value of restricted stock awards, stock option awards and performance unit awards that would vest or become exercisable, by reason of a termination under the circumstances described above, or upon a change in control, and is our best estimation of our obligations to each named executive officer and will only be determinable with any certainty upon the occurrence of the applicable event. For purposes of determining the value of the severance bonus, a full year prorated bonus for 2017 is included. For purposes of determining the value of the restricted stock awards, the fair market value per share of our common stock was $10.61 on December 29, 2017. For purposes of determining the value of the stock options, we utilized the Black-Scholes option pricing model at grant date. For purposes of determining the value of the 2017 and 2016 performance unit awards that are payable in stock, we assessed the total shareholder return through December 29, 2017 (without consideration of any potential impact such change of control event itself may have on such return) and determined that the performance was "below threshold" resulting in TSR Modifiers of 0.00%. For purposes of determining the value of the accelerated vesting of the 2015 performance unit awards that were payable in stock, we used the actual TSR Modifier of 0.00% based on the Company finishing in the 36th percentile of its Performance Group for TSR for the performance period of January 1, 2015 to December 31, 2017. As their performance criteria were not satisfied, these awarded units lapsed and were not converted into common stock during the first quarter of 2018.

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Name	Termination without cause/for good reason outside of a change in control	Change in control (must be coupled with Termination without cause/for good reason)(1)	Change in control only	Termination for cause	Termination due to death or disability
Randy A. Foutch					
Salary	$	$ 2,544,000	$	$	$
Bonus		4,240,000			
Accelerated Equity RS(2)		2,511,366	2,511,366		2,511,366
Accelerated Equity Options(2)		4,091,798	4,091,798		
Accelerated Equity PS(2)(3)					
Continued Medical		20,905			
Total	$	$ 13,408,069	$ 6,603,164	$	$ 2,511,366
Richard C. Buterbaugh					
Salary	$	$ 980,000	$	$	$
Bonus		1,323,000			
Accelerated Equity RS(2)		1,109,986	1,109,986		1,109,986
Accelerated Equity Options(2)		1,809,524	1,809,524		
Accelerated Equity PS(2)(3)					
Continued Medical		20,905			
Total	$	$ 5,243,415	$ 2,919,510	$	$ 1,109,986
Daniel C. Schooley					
Salary	$	$ 800,000	$	$	$
Bonus		1,020,000			
Accelerated Equity RS(2)		765,076	765,076		765,076
Accelerated Equity Options(2)		997,816	997,816		
Accelerated Equity PS(2)(3)					
Continued Medical		27,448			
Total	$	$ 3,610,340	$ 1,762,892	$	$ 765,076
Patrick J. Curth					
Salary	$	$ 782,000	$	$	$
Bonus		997,050			
Accelerated Equity RS(2)		674,987	674,987		674,987
Accelerated Equity Options(2)		1,102,793	1,102,793		
Accelerated Equity PS(2)(3)					
Continued Medical		20,905			
Total	$	$ 3,577,735	$ 1,777,780	$	$ 674,987

Kenneth E. Dornblaser					
Salary	$	$ 730,000	$	$	$
Bonus		930,750			
Accelerated Equity RS(2)		836,652	836,652		836,652
Accelerated Equity Options(2)		1,018,945	1,018,945		
Accelerated Equity PS(2)(3)					
Continued Medical		20,905			
Total	$	$ 3,537,252	$ 1,855,597	$	$ 836,652

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(1) Our Change in Control Executive Severance Plan, which was applicable to each of the named executive officers at December 31, 2017, provides that in the event that during the 18-month period following a change in control the employment of a named executive officer is terminated by the employer without cause or by the named executive officer for good reason, then the named executive officer is entitled to 200% (300% in the case of Mr. Foutch) of such named executive officer's salary rate and 200% (300% in the case of Mr. Foutch) of such named executive officer's STIP target bonus, plus a prorated bonus in the year of termination, plus company paid COBRA continuation coverage for up to 18 months. In addition, the Equity Incentive Plan provides that in the event of a change in control, (i) with respect to restricted stock awards, the restricted period shall expire and restrictions applicable to outstanding restricted stock awards shall lapse and such awards shall become fully vested; (ii) with respect to stock option awards, all options will become fully vested and exercisable with respect to all shares of common stock covered thereby as of the date of the change of control; and (iii) with respect to performance units, the "performance periods" in effect on the date the change of control occurs shall end on such date, and either the board of directors or the Compensation Committee shall determine the extent to which the performance goals with respect to each such performance period have been met and shall then cause each holder of performance unit awards to receive partial or full issuance of such awards for each performance period. The STIP bonus amounts for each named executive officer do not include STIP bonus earned in 2017 and paid in 2018.

(2) At December 31, 2017, the only forms of equity awards held by the named executive officers consisted of restricted stock awards, stock option awards and performance unit awards. Each such award may be impacted by the termination of the holder's employment by the Company, depending on the reason for such termination, as follows: (i) the named executive officers' restricted stock awards provide that if the named executive officer's employment is terminated for any reason other than death or a determination of disability, but not later than the expiration of the option period, then the named executive officer forfeits his unvested shares. In the event of termination by death or disability, all unvested shares automatically vest; (ii) the stock option awards provide that the unvested portion of a stock option award shall expire upon termination of employment, and the vested portion of a stock option award shall remain exercisable for (a) one year following termination of employment by reason of the holder's death or disability, but not later than the expiration of the option period, or (b) 90 days following termination of employment for any reason other than the holder's death or disability, and other than the holder's termination of employment for cause; provided both the unvested and the vested but unexercised portion of a stock option award shall expire upon the termination of the option holder's employment or service by the Company for cause; and (iii) the performance unit awards provide that if the executive's employment with the Company is terminated by the Company for any reason, with or without cause, or the executive resigns (in either case, other than by reason of death or disability) prior to the maturity date of the performance unit award, then no amount shall be paid in respect of the award. If, prior to the maturity date the executive's employment with the Company either by reason of death or because the executive is determined by the board of directors or the Compensation Committee to be subject to a disability, then the executive shall be eligible to receive a pro-rated performance unit award, taking into account the time that the executive was employed during the performance period prior to the date of such termination.

(3) For the purposes of this table, the performance period was assumed to have ended on December 31, 2017 for the 2017 and 2016 share-settled performance unit awards, and actually did end on December 31, 2017 for the 2015 share-settled performance unit awards. At December 31, 2017 (without consideration of any potential impact such change of control event may have), the relative rankings of the 2017, 2016 and 2015 share-settled performance unit awards' total shareholder returns were 30.77%, 36.36% and 36.36%, respectively, all resulting in TSR Modifiers of 0.00%. See page 34 for discussion of these awards' TSR Modifier.

CEO Pay Ratio

Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires most companies with publicly traded stock in the United States to identify the median total compensation of their worldwide employee population (other than the chief executive officer) and to compare that amount with the total compensation of their chief executive officer. Total compensation amounts are required to be calculated using the SEC's compensation disclosure rules applicable to reporting compensation in the summary compensation table of the proxy statement. Median employee compensation used to calculate the pay ratio is required to be the total compensation paid to an actual employee of the company. We identified our median employee using our total employee population, excluding our Chief Executive Officer, (362 people) as of December 31, 2017 by applying a consistently applied compensation measure across our employee population (all of whom are located in the United States), using the following factors:

- Salary rate and wages paid during 2017;
- Overtime paid during 2017;
- STIP paid in 2018 for 2017 performance; and
- Grant date fair value of all restricted stock awards, stock option awards and share-settled performance unit awards made during 2017.

We believe our consistently applied compensation measure represents the primary compensation components paid to all of our employees and therefore provides an accurate depiction of total earnings for the purpose of identifying our median employee. We then calculated the median employee's total annual compensation in accordance with the requirements of the summary compensation table. We did not use any material estimates, assumptions, adjustments or statistical sampling to determine the median employee.

Based on the criteria used to calculate our Summary Compensation Table, our median employee's 2017 compensation was $138,449. Excluding our Chief Executive Officer, we had an even number of employees on December 31, 2017, resulting in a median calculation representing the average compensation between two employees. Therefore, in order to be conservative in calculating our ratio, we selected as our median employee the employee with the lower compensation of the two. Our Chief Executive Officer's total 2017 compensation was $7,103,602 as reported in the summary compensation table on page 46. Accordingly, our 2017 CEO to median employee pay ratio was 51:1.

Please keep in mind that under the SEC's rules and guidance, there are numerous ways to determine the compensation of a company's median employee, including the employee population sampled, the elements of pay and benefits used, any assumptions made and the use of statistical sampling. In addition, no two companies have identical employee populations or compensation programs, and pay, benefits and retirement plans differ by country even within the same company. As such, our pay ratio may not be comparable to the pay ratio reported by other companies.

Compensation of Directors

Based on a competitive review by FW Cook of outside director compensation paid by our peers, which also included consideration of the significant time commitment our board of directors provides to the Company, in 2017 the non-employee members of our board of directors were paid based on the compensation arrangements described below.

Retainer $90,000/year paid in stock awards or cash based on the election of the director; this award is payable ratably following each quarterly meeting of the board of directors. Prior to June 1, 2017, the retainer was $60,000/year.

Committee Chairman Fees

Chairman of Audit Committee: $20,000/year paid in stock awards or cash based on the election of the director; this fee is payable ratably following each quarterly meeting of the board of directors. Prior to August 15, 2017, this fee was only paid in restricted stock awards and paid annually following the board meeting that accompanies our annual meeting of stockholders.

Chairman of Compensation Committee: $20,000/year paid in stock awards or cash based on the election of the director; this fee is payable ratably following each quarterly meeting of the board of directors. Prior to June 1, 2017, this fee was $15,000 and prior to August 15, 2017, this fee was only paid in restricted stock awards and paid annually following the board meeting that accompanies our annual meeting of stockholders.

Chairman of Other Committees: $15,000/year paid in stock awards or cash based on the election of the director; this fee is payable ratably following each quarterly meeting of the board of directors. Prior to June 1, 2017, this fee was $12,500 and prior to August 15, 2017, this fee was only paid in restricted stock awards and paid annually following the board meeting that accompanies our annual meeting of stockholders.

Annual Director Fees $160,000 paid in stock awards or in cash based on the election of the director; this fee is payable annually following the board meeting that accompanies our annual meeting of stockholders for all periods prior to May 17, 2018 and pro rata on a quarterly basis for all periods thereafter. Prior to August 15, 2017, this fee was only paid in restricted stock awards.

Lead Independent Director Fee $30,000/year paid in stock awards or cash based on the election of the director; this fee is payable ratably following each quarterly meeting of the board of directors. Prior to June 1, 2017, this fee was $20,000 and prior to August 15, 2017, this fee was only paid in restricted stock awards and paid annually following the board meeting that accompanies our annual meeting of stockholders.

Entitled to receive up to 50% of their annual compensation in the form of cash (in part to provide the cash needed to pay taxes on stock awards that vest), assuming their individual stock

ownership guidelines had been satisfied at the time of such election; this allows directors to potentially take a portion of their Annual Director Fees in the form of cash.

A limitation on the number of shares of common stock that may be issued in respect of awards granted in a single calendar year of 1,435,000 shares.

Participation in Charitable Matching Gift Program Directors are permitted to participate in our charitable matching gift program. For more information, see "EXECUTIVE COMPENSATION Compensation Discussion and Analysis Other Benefits."

Directors who are also employees of the Company will not receive any additional compensation for serving on our board of directors. Accordingly, see " Summary Compensation" for the total compensation received by Randy A. Foutch. Beginning on August 15, 2017, stock awards to directors are not subject to a one-year vesting requirement.

The following table summarizes, with respect to our non-employee directors, information relating to the compensation earned for services rendered as directors for the fiscal year ended December 31, 2017.

Director compensation table for the year ended December 31, 2017

Name	Stock awards(1)(2)	Fees earned paid in cash(2)(3)	Total
Peter R. Kagan	$ 242,478	$ 22	$ 242,500
James R. Levy	$ 242,478	$ 22	$ 242,500
B.Z. (Bill) Parker	$ 266,231	$ 19	$ 266,250
Pamela S. Pierce	$ 272,480	$ 20	$ 272,500
Dr. Myles W. Scoggins	$ 242,478	$ 22	$ 242,500
Edmund P. Segner, III	$ 212,489	$ 107,511	$ 320,000
Donald D. Wolf	$ 242,478	$ 22	$ 242,500

(1) The amounts reported represent the aggregate grant date fair value of stock awards granted to Laredo's directors for services rendered for 2017, based on the closing price of our common stock on the NYSE on the grant date, in accordance with FASB ASC Topic 718.

(2) Fees earned during the fourth quarter of each year are paid during the first quarter of the next year.

(3) The amounts shown represent either the value of fractional shares paid in cash to those directors electing to take stock awards in lieu of cash, or in the case of Mr. Segner, his elections to receive the following applicable cash payments with respect to each quarterly meeting: (i) Retainer, (ii) Chairman of Audit Committee Fee and (iii) Lead Independent Director Fee.

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The following table summarizes, with respect to our non-employee directors, information relating to the outstanding unvested restricted stock awards as of December 31, 2017 earned by each director for services rendered. Stock awards granted on or after August 15, 2017 vest immediately and restricted stock awards granted prior to this have a one-year cliff vest.

Name	Grant date	Restricted stock awards not vested
Peter R. Kagan	5/10/2017	14,147
	2/13/2017	1,063
James R. Levy	5/10/2017	14,147
	2/13/2017	1,063
B.Z. (Bill) Parker	5/10/2017	15,157
	2/13/2017	1,063
Pamela S. Pierce	5/10/2017	15,359
	2/13/2017	1,063
Dr. Myles W. Scoggins	5/10/2017	14,147
	2/13/2017	1,063
Edmund P. Segner, III	5/10/2017	16,168
Donald D. Wolf	5/10/2017	14,147
	2/13/2017	1,063

Our independent directors are reimbursed for their expenses to attend board meetings.

Securities Authorized for Issuance under the Equity Incentive Plan

At December 31, 2017, a total of 24,350,000 shares of common stock were authorized for issuance under the Equity Incentive Plan. In the table below, we describe certain information about these shares and the Equity Incentive Plan that provides for their authorization and issuance. You can find a description of the Equity Incentive Plan under " Laredo Petroleum, Inc. Omnibus Equity Incentive Plan."

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding options)(1)(2)
Equity compensation plan approved by security holders(1)	2,646,996	$ 12.70	12,863,773
Equity compensation plan not approved by security holders			
Total	2,646,996		12,863,773

(1) See " Laredo Petroleum, Inc. 2011 Omnibus Equity Incentive Plan" for more information.

(2) The share-settled performance unit awards granted on February 27, 2015 had a performance period of January 1, 2015 to December 31, 2017 and, as their performance criteria were not satisfied, resulting in a TSR Modifier of 0% based on the Company finishing in the 36th percentile of its peer group for relative TSR, the granted units lapsed and were not converted into common stock during the first quarter of 2018. The formula for calculating the number of securities remaining available for future issuance excludes these 2015 performance unit awards and also assumes the May 25, 2016 and February 17, 2017 share-settled performance units outstanding

result in a maximum performance period level, resulting in a TSR Modifier of 200%, even though the actual performance period through December 31, 2018 for the May 25, 2016 share-settled performance unit awards, and through December 31, 2019 for the February 17, 2017 share-settled performance unit awards, are not complete. If the May 25, 2016 and February 17, 2017 share-settled performance unit awards were included at a TSR Modifier of 100%, the number of securities remaining available for issuance under the Equity Incentive Plan (excluding outstanding options), as of December 31, 2017 would be 15,155,028. See page 34 for discussion of these awards' TSR Modifier.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee has been at any time an employee of Laredo. None of the Company's executive officers serve on the board of directors or compensation committee of a company that has an executive officer that serves on the Company's board of directors or Compensation Committee. No member of the Company's board of directors is an executive officer of a company in which one of the Company's executive officers serves as a member of the board of directors or compensation committee of that company.

AUDIT COMMITTEE REPORT

The Company has determined that: (i) Messrs. Segner, Parker and Wolf, Dr. Scoggins and Ms. Pierce are independent, as defined in Section 10A of the Exchange Act and under the standards set forth by the NYSE; and (ii) all current Audit Committee members are financially literate. In addition, Messrs. Segner and Wolf, Dr. Scoggins and Ms. Pierce qualify as an audit committee financial expert under the applicable rules promulgated pursuant to the Exchange Act.

During the last fiscal year, and earlier this year in preparation for the filing with the SEC of the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the Audit Committee:

- reviewed and discussed the Company's audited consolidated financial statements as of and for the year ended December 31, 2017 with management and with the independent registered public accountants;

- considered the adequacy of the Company's internal controls and the quality of its financial reporting, and discussed these matters with management and with the independent registered public accountants;

- reviewed and discussed with the independent registered public accountants (i) their judgments as to the quality of the Company's accounting policies, (ii) the written disclosures and letter from the independent registered public accountants required by Public Company Accounting Oversight Board Independence Rules, and the independent registered public accountants' independence, and (iii) the matters required to be discussed by the Public Company Accounting Oversight Board's Auditing Standard No. 1301, Communications with Audit Committees;

- discussed with management and with the independent registered public accountants the process by which the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer make the certifications required by the SEC in connection with the filing with the SEC of the Company's periodic reports, including reports on Forms 10-K and 10-Q;

- pre-approved all auditing services and non-audit services to be performed for the Company by the independent registered public accountants as required by the applicable rules promulgated pursuant to the Exchange Act, considered whether the rendering of non-audit services was compatible with maintaining Grant Thornton LLP's independence, and concluded that Grant Thornton LLP's independence was not compromised by the provision of such services (details regarding the fees paid to Grant Thornton LLP in fiscal year 2017 for audit services, tax services and all other services, are set forth in "Audit and Other Fees" below); and

- based on the reviews and discussions referred to above, recommended to the board of directors that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

As recommended by the NYSE's corporate governance rules, the Audit Committee also considered whether, to assure continuing auditor independence, it would be advisable to regularly rotate the audit firm itself. The Audit Committee has concluded that the current benefits to the Company from continued retention of Grant Thornton LLP warrant retaining the firm at this time. The Audit Committee will, however, continue to review this issue on an annual basis.

Notwithstanding the foregoing actions and the responsibilities set forth in the Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's consolidated financial statements are complete and accurate and in accordance with generally accepted accounting principles. Management is responsible for the Company's financial reporting process, including its system of internal controls, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States. The independent registered public accountants are responsible for expressing an opinion on those financial statements. Audit Committee members are not employees of the Company or accountants or auditors by profession. Therefore, the Audit Committee has relied, without independent verification, on management's representation that the consolidated financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and on the representations of the independent registered public accountants included in their report on the Company's consolidated financial statements.

The Audit Committee meets regularly with management and the independent auditors, including private discussions with the independent registered public accountants, and receives the communications described above. The Audit Committee has also established procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters. However, this oversight does not provide us with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, our considerations and discussions with management and the independent registered public accountants do not assure that the Company's consolidated financial statements are presented in accordance with generally accepted accounting principles or that the audit of the Company's consolidated financial statements has been carried out in accordance with generally accepted auditing standards.

Audit Committee of the Board of Directors

Edmund P. Segner, III, Chair
B.Z. (Bill) Parker, Member
Donald D. Wolf, Member
Dr. Myles W. Scoggins, Member
Pamela S. Pierce, Member

The information contained in this Audit Committee Report and references in this Proxy Statement to the independence of the Audit Committee members shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates such information by reference in such filing.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines

The board of directors believes that its fundamental responsibility is to promote the best interests of the Company and its stockholders by overseeing the management of the Company's business and affairs. Directors must exercise their business judgment and act in what they reasonably believe to be the best interests of the Company and its stockholders. The board of directors is elected by the stockholders to oversee management and to ensure that the long-term interests of the stockholders are being served. Directors must fulfill their responsibilities consistent with their fiduciary duties to the stockholders and in compliance with applicable laws and regulations.

The board of directors believes that sound governance practices and policies provide an important framework to assist it in fulfilling its duty to the Company's stockholders. The Company's Corporate Governance Guidelines cover the following principal subjects:

- Board of Directors Composition and Selection; Director Qualifications
  - Board of directors size
  - Selection of members of the board of directors
  - Determination of independence of directors
  - Selection of the Chairman and Chief Executive Officer
  - Term limits
  - Retirement
  - Other directorships
  - Change in status of directors
  - Committees of the board of directors
- Board of Directors Meetings; Director Responsibilities
  - Board of directors meetings and agenda
  - Access to management and advisers

Executive sessions

Director orientation and education

Annual performance evaluations

Succession planning

Director compensation

Stock ownership guidelines

Shareholder communications with the board of directors

Board of directors communications with third parties

In recent years, the subjects of board composition and selection criteria have been given greater scrutiny by investors in general. We believe that in attempting to fill any available board position the guiding principle must be to find a fully qualified candidate that will act as a positive influence in overseeing the interests of the Company and its stockholders. The concept of "fully qualified" must also consider a complete array of criteria, including, but not limited to, diversity. Diversity itself can take many forms, including in the form of gender, race, age, ethnicity, geographic exposure and otherwise. Our board is committed to the belief that a diverse board will help ensure that its decision-making capabilities as an entirety will lead to more thoughtful processing. Our current seven independent board members range in age from 42 to 74, with one female member. Our board also provides relative broad geographic diversity, with members residing in New York, Denver and Houston and points in between. Our current board lacks diversity in terms of race and ethnicity, and depending on "guidelines" established by various investor groups, should have more gender diversity.

Our board recognizes these current traits, as well as the fact that several directors are in their 70's. As the opportunity arises, our Nominating and Corporate Governance Committee will be tasked with seeking new board members, and is committed to search for those fully qualified individuals who may also bring with them additional elements of diversity to strengthen the overall acumen and decision-making capabilities of the board as a whole.

The "Corporate Governance Guidelines" are posted on our website at www.laredopetro.com. The Corporate Governance Guidelines are being reviewed annually by the Nominating and Corporate Governance Committee, and any proposed additions to or amendments of the Corporate Governance Guidelines will be presented to the board of directors for its approval.

The NYSE has adopted rules that require listed companies to adopt governance guidelines covering certain matters. The Company believes that the Corporate Governance Guidelines comply with the NYSE rules.

Code of Conduct and Business Ethics

The board of directors has adopted a Code of Conduct and Business Ethics applicable to our employees, directors and officers and a Code of Ethics for Senior Financial Officers, in accordance with applicable U.S. federal securities laws and the corporate governance rules of the NYSE. Any waiver of these codes may be made only by our board of directors and will be promptly disclosed as required by applicable U.S. federal securities laws and the corporate governance rules of the NYSE. A copy of the Code of Conduct and Business Ethics and Code of Ethics for Senior Financial Officers is available on our website at www.laredopetro.com.

Board of Directors Leadership

Mr. Foutch is Laredo's founder and has served as Laredo's Chairman and Chief Executive Officer since its inception. He also served as Laredo's President from October 2006 to July 2008.

The board of directors believes the combined role of Chairman and Chief Executive Officer promotes unified leadership and direction for the Company, which allows for a single, clear focus for management to execute the Company's strategy and business plans. As Chief Executive Officer, the Chairman is best suited to ensure that critical business issues are brought before the board of directors, which enhances the board of director's ability to develop and implement business strategies.

To ensure a strong and independent board of directors, as discussed herein, the board of directors has affirmatively determined that all directors of the Company, other than Mr. Foutch, are independent within the meaning of the NYSE listing standards currently in effect. Our Corporate Governance Guidelines provide that non-management directors shall meet in regular executive session without management present, and that the Chairman of the Audit Committee, Mr. Segner who serves as our lead independent director, shall act as the Chairman of such meetings. Additionally, Mr. Segner actively participates in establishing and setting board meeting agendas.

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Communications with the Board of Directors

Stockholders or other interested parties can contact any director, any committee of the board of directors, or the Company's non-management directors as a group, by writing to them at Laredo Petroleum, Inc., c/o Corporate Secretary, 15 W. Sixth Street, Suite 900, Tulsa, Oklahoma 74119. Comments or complaints relating to the Company's accounting, internal accounting controls or auditing matters will also be referred to members of the Audit Committee. All such communications will be forwarded to the appropriate member(s) of the board of directors.

Director Independence

The board of directors annually reviews and determines the independence of each director. In making its determination, the board of directors carefully considers all facts and circumstances it deems relevant to the determination. Members of the board of directors have an affirmative obligation to promptly inform the Company's General Counsel of changes in their circumstances or any transactions or relationships that may impact their designation by the board of directors as "independent."

The board of directors has assessed the independence of each non-employee director under the Company's guidelines and the independence standards of the NYSE. The board of directors affirmatively determined that all seven of the non-employee directors (Messrs. Kagan, Levy, Parker, Segner and Wolf, Dr. Scoggins and Ms. Pierce) are independent under the Company's guidelines and independence standards of the NYSE. This determination included specifically consideration of Warburg Pincus' stock ownership in the Company and Messrs. Kagan's and Levy's relationship with Warburg Pincus. Under the standards of the NYSE, the concern is "independence from management" and, therefore, the ownership of even a significant amount of stock is not, by itself, a bar to an independence finding.

In connection with its assessment of the independence of each non-employee director, the board of directors also determined that Messrs. Segner, Parker and Wolf, Dr. Scoggins and Ms. Pierce meet the additional independence standards of the NYSE and SEC applicable to members of the Audit Committee. Those standards require that the director not be an affiliate of the Company and that the director not receive from the Company, directly or indirectly, any consulting, advisory or other compensatory fees except for fees for services as a director.

Executive Sessions of the Board of Directors

Our independent directors meet regularly in executive session without management to review the performance of management and our Company and any related matters. The Chairman of our Audit Committee, Mr. Segner, serves as the Chair and lead independent director of such meetings. Generally, executive sessions are held in conjunction with regularly scheduled meetings of our board of directors. We expect our board of directors to have at least four executive sessions each year.

Financial Literacy of Audit Committee and Designation of Financial Experts

As a part of its annual self-assessment process, the board of directors evaluated each of the members of the Audit Committee for financial literacy and the attributes of a financial expert during its November 2017 meeting. The board of directors determined that each of the Audit Committee members is financially literate and each of Messrs. Segner and Wolf, Dr. Scoggins and Ms. Pierce qualifies as a financial expert as defined by the SEC.

Oversight of Risk Management

The board of directors oversees an enterprise-wide approach to risk management, designed to support the achievement of the Company's objectives and to maintain stockholder value. The Audit

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Committee is primarily responsible for overseeing the Company's exposure to financial risk and reviewing the steps the Company's management has taken to monitor and control such exposure. The Audit Committee meets at least four times per year, in addition to periodic meetings with management and internal and independent auditors to accomplish its purpose. Additionally, each of the committees of the board of directors considers the risks within its area of responsibilities. We believe that the leadership structure of our board of directors supports its effective oversight of the Company's risk management.

Attendance at Annual Meetings

The board of directors encourages all directors to attend the annual meetings of stockholders, if practicable. All of our incumbent directors attended our last annual meeting. We anticipate that all of our directors will attend the Annual Meeting.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of common stock as of March 20, 2018 by (i) beneficial owners of five percent or more of the Company's common stock, (ii) each director of the Company, (iii) each named executive officer of the Company and (iv) all of the Company's directors and executive officers as a group. Unless otherwise noted, the mailing address of each person or entity named below is c/o Laredo Petroleum, Inc., 15 W. Sixth Street, Suite 900, Tulsa, Oklahoma 74119. Beneficial ownership is determined in accordance with SEC rules. Shares not outstanding but deemed beneficially owned by virtue of the right of a person to acquire shares within 60 days of March 20, 2018, are included as outstanding and beneficially owned for that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Except as noted in the footnotes below, the holders have sole voting and dispositive powers over the shares.

Name of person or identity of group	Number of shares	Percentage of class(1)
Warburg Pincus Private Equity IX, L.P.(2)	36,215,078	15.0%
Warburg Pincus Private Equity X O&G, L.P.(2)	40,163,657	16.7%
Warburg Pincus X Partners, L.P.(2)	1,291,411	*
SailingStone Capital Partners LLC(3)	39,629,061	16.4%
SPO Advisory Corp.(4)	21,209,105	8.8%
Vanguard Group Inc.(5)	15,454,180	6.4%
Randy A. Foutch(6)(7)(8)	2,725,104	1.1%
Peter R. Kagan(2)(9)	77,758,934	32.2%
James R. Levy(2)(9)	77,784,190	32.3%
B.Z. (Bill) Parker	155,152	*
Pamela S. Pierce	163,941	*
Dr. Myles W. Scoggins(10)	89,826	*
Edmund P. Segner, III	75,340	*
Donald D. Wolf(11)	100,693	*
Richard C. Buterbaugh(6)	661,758	*
Daniel C. Schooley(6)	415,598	*
Patrick J. Curth(6)	300,591	*
Kenneth E. Dornblaser(6)	373,032	*
Directors and executive officers as a group (13 persons)(12)	5,423,059	2.2%

*
Denotes less than 1% beneficially owned.

(1)
Based upon an aggregate of 241,159,073 shares outstanding as of March 20, 2018.

(2)
This share ownership information was provided in a Schedule 13D Amendment No. 2 filed on February 27, 2017 by Warburg Pincus Private Equity IX, L.P. The stockholders are (i) Warburg Pincus Private Equity IX, L.P., a Delaware limited partnership ("WP IX"), including an affiliated partnership, (ii) Warburg Pincus Private Equity X O&G, L.P., a Delaware limited partnership ("WP X O&G"), and (iii) Warburg Pincus X Partners, L.P., a Delaware limited partnership ("WP X Partners"). Warburg Pincus IX GP L.P., a Delaware limited partnership ("WP IX GP"), is the general partner of WP IX. Warburg Pincus X, L.P., a Delaware limited partnership ("WP X GP"), is the general partner of each of WP X O&G and WP X Partners. Warburg Pincus X GP L.P., a Delaware limited partnership ("WP X LP"), is the general partner of WP X GP. WPP GP LLC, a Delaware limited liability company ("WPP GP"), is the general partner of WP IX GP and WP X LP. Warburg Pincus Partners, L.P., a Delaware limited partnership ("WP Partners"), is the managing member of WPP GP. Warburg Pincus Partners GP LLC, a Delaware limited liability company ("WP Partners GP"), is the general partner of WP Partners. Warburg Pincus & Co., a

New York general partnership ("WP"), is the managing member of WP Partners GP. Warburg Pincus LLC, a New York limited liability company ("WP LLC"), manages each of WP IX, WP X O&G and WP X Partners. Charles R. Kaye and Joseph P. Landy are each Managing General Partners of WP and Managing Members and Co-Chief Executive Officers of WP LLC and may be deemed to control the Warburg Pincus entities. Messrs. Kaye and Landy disclaim beneficial ownership of all shares held by the Warburg Pincus entities. The address of the Warburg Pincus entities is 450 Lexington Avenue, New York, New York 10017.

(3) This share ownership information was provided in a Schedule 13G Amendment No. 5 filed on February 6, 2018 by SailingStone Capital Partners LLC, which disclosed that such entity possesses sole voting and dispositive power of the reported shares. The address of SailingStone Capital Partners LLC is One California Street, 30th Floor, San Francisco, California 94111.

(4) This share ownership information was provided in a Schedule 13G Amendment No. 3 filed on February 14, 2018 by SPO Advisory Corp., which disclosed that such entity possesses sole voting and dispositive power of the reported shares. The address of SPO Advisory Corp. is 591 Redwood Highway, Suite 3215, Mill Valley, California 94941.

(5) This share ownership information was provided in a Schedule 13G Amendment No. 1 filed on February 9, 2018 by Vanguard Group Inc., which disclosed that of the reported shares, such entity possesses shared voting and dispositive power of 17,743 shares and 89,280 shares, respectively, and sole voting and dispositive power of 83,584 shares and 15,364,900 shares, respectively. The address of Vanguard Group Inc. is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(6) Includes aggregated vested and exercisable stock options of 598,556, 223,116, 115,968, 77,027 and 141,943 for Messrs. Foutch, Buterbaugh, Schooley, Curth and Dornblaser, respectively, within 60 days of March 20, 2018.

(7) Randy A. Foutch, the Company's Chief Executive Officer and Chairman of the board of directors, is a limited partner of certain affiliates of Warburg Pincus.

(8) Includes (i) 451,340 shares held by Lariat Ranch, an entity of which Mr. Foutch owns approximately 80% and has shared voting power, (ii) 360,148 shares held equally among four family trusts and (iii) 500 shares held by Mr. Foutch's daughter.

(9) Peter R. Kagan and James R. Levy, directors of the Company, are Partners of WP and Members and Managing Directors of WP LLC. 77,670,146 of the shares indicated as owned by Messrs. Kagan and Levy are included because of their affiliation with the Warburg Pincus entities. Messrs. Kagan and Levy disclaim beneficial ownership of all shares held by the Warburg Pincus entities.

(10) Includes 5,000 shares held in a joint account for which Dr. Scoggins shares voting and dispositive powers with his spouse.

(11) Includes 3,000 shares held by the Donald D. Wolf 2007 Irrevocable Trust.

(12) Does not include shares of common stock held by WP IX, WP X O&G and WP X Partners (as defined in footnote 2) in which Messrs. Kagan and Levy may be deemed to have an indirect pecuniary interest (within the meaning of Rule 16a-1 under the Exchange Act).

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The executive officers and directors of the Company and persons who own more than 10% of the Company's common stock are required to file reports with the SEC, disclosing the amount and nature of their beneficial ownership in common stock, as well as changes in that ownership. Based solely on our review of reports and written representations that the Company has received, the Company believes that all required reports were timely filed during 2017 with the following exception: restricted stock held by Michael Beyer vested on April 7, 2017 and in connection with such vesting, 538 shares were withheld to cover payment of income taxes attributable to the vested shares. A Form 4 reporting the "disposition" of such withheld shares was filed on April 12, 2017.

TRANSACTIONS WITH RELATED PERSONS

Procedures for Review, Approval and Ratification of Related-Person Transactions

A "Related-Party Transaction" is a transaction, arrangement or relationship in which the Company or any of its subsidiaries was, is or will be a participant, the amount of which involved exceeds $120,000, and in which any related person had, has or will have a direct or indirect material interest. A "Related Person" means:

- any person who is, or at any time during the applicable period was, one of the Company's executive officers or one of its directors;
- any person who is known by the Company to be the beneficial owner of more than 5.0% of the Company's common stock;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, executive officer or a beneficial owner of more than 5.0% of the Company's common stock; and
- any entity in which any of the foregoing persons (i) has direct or indirect control, (ii) is a partner or principal or in a similar position, (iii) has a 10.0% or greater beneficial ownership interest or (iv) is employed if (a) the person is directly involved in the negotiation of the Related-Party Transaction or will share or have primary responsibility for such transaction or (b) the person's compensation from the entity is directly tied to such transaction.

The board of directors has determined that the Audit Committee is best suited to review and approve Related-Party Transactions, although the board of directors may instead determine that a particular Related-Party Transaction should be reviewed and approved by a majority of disinterested directors. No member of the Audit Committee shall participate in the review or approval of any Related-Party Transaction with respect to which such member is a Related Person. In reviewing and approving any Related-Party Transaction, the Audit Committee shall:

- Satisfy itself that it has been fully informed as to the material facts of the Related Person's relationship and interest and as to the material facts of the proposed Related-Party Transaction;
- Take into account the extent of the Related Person's interest in the Related-Party Transaction; and
- Determine that the Related-Party Transaction is fair to the Company and that the Related-Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances.

At each Audit Committee meeting, management shall recommend any Related-Party Transactions, if applicable, to be entered into by the Company. After review, the Audit Committee shall approve or disapprove such transactions and at each subsequently scheduled meeting, management shall update the

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Audit Committee as to any material change to those proposed transactions. The Audit Committee shall establish such guidelines as it determines are necessary or appropriate for management to follow in its dealings with Related Persons in Related-Party Transactions.

Each director is required to affirmatively disclose any changes in his or her related party status in accordance with a standing agenda item at each committee meeting and each meeting of the board of directors. If management becomes aware of a proposed Related-Party Transaction or an existing Related-Party Transaction that has not been pre-approved by the Audit Committee, management shall promptly notify the Chairman of the Audit Committee and such transactions shall be submitted to the Audit Committee for their review, consideration and determination of whether to approve or ratify, as applicable, such transaction if the Audit Committee determines it is fair to the Company. If management, in consultation with the Company's Chief Executive Officer or Chief Financial Officer, determines that it is not practicable to wait until the next Audit Committee meeting, the Chairman of the Audit Committee has the delegated authority during the period between Audit Committee meetings, to review, consider and determine whether any such transaction is fair to the Company and whether the transaction should be approved, or ratified, as the case may be. The Chairman of the Audit Committee shall report to the Audit Committee any transactions reviewed by him pursuant to this delegated authority at the next Audit Committee meeting.

Additional information relating to the Company's policies regarding Related-Party Transactions is set forth in the "Policy Statement Regarding Related-Party Transactions" that is posted on the Company's website at www.laredopetro.com.

Registration Rights

On December 20, 2011, in connection with the closing of its initial public offering, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with affiliates of Warburg Pincus and the other former unitholders of Laredo LLC. Under the terms of the Registration Rights Agreement, Warburg Pincus is the only remaining holder of registration rights under the Registration Rights Agreement. The Registration Rights Agreement requires the Company to file, within 30 days of receipt of a demand notice issued by Warburg Pincus, a registration statement with the SEC permitting the public offering of registrable securities. In addition, the Registration Rights Agreement grants Warburg Pincus the right to join the Company, or "piggyback", in certain circumstances, if the Company is selling its common stock in an offering at any time after its initial public offering. The Registration Rights Agreement also includes customary provisions dealing with indemnification, contribution and allocation of expenses.

Other Related-Party Transactions

On January 1, 2013, pursuant to a revised aircraft use policy adopted by our board of directors, we entered into a Non-Exclusive Aircraft Lease Agreement (as amended, the "Aircraft Lease") with Lariat Ranch, the aircraft owner and an entity controlled by Mr. Foutch, for a term of one year, automatically renewable for subsequent one-year terms subject to the parties' termination rights. The Aircraft Lease was amended effective January 1, 2014 and again effective January 1, 2015. Under the Aircraft Lease in 2017, we leased an airplane owned by Lariat Ranch at a rate of $1,508.75 per flight hour, subject to quarterly redetermination by the parties, and are also responsible for all operating costs associated with our use of the aircraft, including flight crew costs and airport charges. Laredo incurred approximately $323,575 in expenses for the year ended December 31, 2017 for business trips pursuant to this policy. In connection with the Aircraft Lease, our board of directors adopted a revised aircraft use policy, which also covers our reimbursement of expenses related to flight training and certification of Mr. Foutch and other related expenses, that would otherwise have been paid by Lariat Ranch for use of Lariat Ranch's aircraft not directly related to Laredo's business, which are included under "All other

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compensation," in our "Summary compensation table" in the " Summary Compensation" section above.

Mr. Foutch and Company employees travel extensively for Company business, often on short notice and to areas that have limited access to direct commercial flights. Therefore, our board of directors has determined that the ability to have access when necessary to Lariat's dedicated aircraft is an efficient, safer and cost-effective option that is beneficial to us. Although Mr. Foutch is a fully qualified pilot with a single-pilot rating and has flown his aircraft solo for business while working for other companies in the past, we believe it is in our best interest to require the presence of a fully-licensed and qualified co-pilot with him, or two pilots, and certain specified safety and mechanical inspections to assure the airworthiness of the aircraft.

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ITEM TWO

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Audit Committee of the board of directors has selected Grant Thornton LLP as the independent registered public accounting firm of the Company for 2018. Grant Thornton LLP has audited Laredo's consolidated financial statements since its inception in 2007.

The board of directors is submitting the selection of Grant Thornton LLP for ratification at the Annual Meeting. The submission of this matter for approval by stockholders is not legally required, but the board of directors and the Audit Committee believe the submission provides an opportunity for stockholders through their vote to communicate with the board of directors and the Audit Committee about an important aspect of corporate governance. If the stockholders do not ratify the selection of Grant Thornton LLP, the Audit Committee will reconsider the selection of that firm as the Company's auditors.

The Audit Committee has the sole authority and responsibility to retain, evaluate and replace the Company's auditors. The stockholders' ratification of the appointment of Grant Thornton LLP does not limit the authority of the Audit Committee to change auditors at any time.

Audit and Other Fees

The table below sets forth the aggregate fees billed to Laredo by Grant Thornton LLP, the Company's independent registered public accounting firm, for the last two fiscal years:

	2017	**2016**
Audit fees(1)	$ 565,000	$ 585,000
Tax fees(2)	17,250	35,455
Total	$ 582,250	$ 620,455

(1) Audit fees represent fees for professional services provided in connection with: (a) the annual audit of Laredo's consolidated financial statements; (b) the review of Laredo's quarterly consolidated financial statements; and (c) review of Laredo's other filings with the SEC, including review and preparation of registration statements, comfort letters, consents and research necessary to comply with generally accepted auditing standards for the years ended December 31, 2017 and 2016.

(2) Tax fees represent review of tax return and consultation on tax matters for the years ended December 31, 2017 and 2016.

The Audit Committee Charter and its pre-approval policy require that the Audit Committee review and pre-approve the plan and scope of Grant Thornton LLP's audit and tax services. Laredo's Audit Committee pre-approved 100% of the services described above under the captions "Audit fees" and "Tax fees" for the years ended December 31, 2017 and 2016.

The Company expects that representatives of Grant Thornton LLP will be present at the Annual Meeting to respond to appropriate questions and to make a statement if they desire to do so.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* THE RATIFICATION OF THE SELECTION OF GRANT THORNTON LLP AS THE AUDITORS OF THE COMPANY FOR 2018.

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ITEM THREE

ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

As required by Section 14A of the Exchange Act, which was added under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are seeking stockholder approval on an advisory, non-binding basis of the compensation of our named executive officers as disclosed in the section of this Proxy Statement titled "Executive Compensation." In this proposal, stockholders are being asked to vote on the following advisory resolution:

"RESOLVED, that the stockholders approve, on an advisory basis, the compensation of our named executive officers, as disclosed pursuant to Item 402(m) through (q) of Regulation S-K, including the compensation tables and the other narrative executive compensation disclosure in the Proxy Statement for our 2017 Annual Meeting of Stockholders."

Stockholders are urged to read the "Executive Compensation" section of this Proxy Statement, which discusses in detail how our compensation policies and procedures implement our compensation philosophy, and to refer to the related executive compensation tables. The compensation of our named executive officers is based on a philosophy that ties a substantial portion of an executive's compensation to our attainment of financial and other performance measures that, our board of directors believes, promote the creation of long-term stockholder value and position our company for long-term success. As described more fully in the "Compensation Discussion and Analysis," the mix of fixed- and performance-based compensation, as well as the terms of restricted stock awards, stock option awards (awarded prior to 2018) and performance unit awards are designed to enable our Company to attract and retain top talent while, at the same time, creating a close relationship between our Company's performance and overall stockholder return and the named executive officers' compensation. Our Compensation Committee and board of directors believe that the philosophy of the program, and hence the compensation awarded to named executive officers under the current program, fulfills this objective.

Although the vote is advisory and non-binding, our board of directors and Compensation Committee value the opinions that our stockholders express in their votes and will consider the voting results in connection with their ongoing evaluation of our compensation program.

The affirmative "FOR" vote of a majority of the votes cast at the Annual Meeting is required to approve, on an advisory basis, the compensation of our named executive officers. Unless otherwise instructed on the proxy, properly executed proxies will be voted in favor of approving the advisory, non-binding basis of the compensation of our named executive officers.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* THE ADVISORY RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

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ITEM FOUR

ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON THE COMPENSATION OF NAMED EXECUTIVE OFFICERS

We are seeking a vote, on a non-binding advisory basis, regarding the frequency of the advisory vote on the compensation of our named executive officers as disclosed pursuant to the executive compensation disclosure rules of the SEC. Stockholders may vote to approve holding an advisory vote on the compensation of the Company's named executive officers every one, two or three years.

Our board of directors recommends that the advisory vote to approve named executive officer compensation occur every year (annually). Our board of directors previously determined to hold an advisory vote on the compensation of the named executive officers every year until the next required advisory vote on the frequency of future advisory votes. Our board of directors believes this frequency is appropriate because we value stockholder input on executive compensation and believe that an annual advisory vote will provide us with regular input on important issues relating to executive compensation.

When voting on this advisory vote on the frequency of the advisory vote on the compensation of our named executive officers, stockholders should understand that they are not voting "for" or "against" the recommendation of our board of directors to hold the advisory vote every year. Rather, stockholders will have the option to choose whether to approve holding future advisory votes on the compensation of our named executive officers every one, two or three years, or to abstain entirely from voting on the matter. The option that receives the most votes from stockholders will be considered by our board of directors as the stockholder's recommendation as to the frequency of future stockholder advisory votes on the compensation of the our named executive officers. However, the outcome of this vote on the frequency of future stockholder advisory votes on the compensation of our named executive officers is advisory and will not be binding. Accordingly, our board of directors may choose to hold the advisory vote on the compensation of our named executive officers on a more or less frequent basis than the option recommended by stockholders. Nevertheless, our board of directors will review and consider the outcome of this vote when making its determination as to the frequency of future advisory stockholder votes on the compensation of our named executive officers.

The frequency option ("ONE," "TWO," or "THREE" years) receiving a majority of the votes cast will be the option selected by the stockholders. Unless otherwise instructed on the proxy, properly executed proxies will be voted in favor of a frequency of ANNUAL future advisory votes regarding executive compensation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE *ONE YEAR* AS THE FREQUENCY WITH WHICH AN ADVISORY VOTE OCCURS ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

STOCKHOLDER PROPOSALS; IDENTIFICATION OF DIRECTOR CANDIDATES

Stockholders who, in accordance with Rule 14a-8 under the Exchange Act, wish to present proposals for inclusion in the proxy materials to be distributed in connection with the 2019 annual meeting of stockholders must submit their proposals so that they are received at our principal executive offices no later than the close of business on November 28, 2018, or, in the event the Company's 2019 annual meeting is advanced or delayed more than 30 days from the date of the Annual Meeting, within a reasonable time before the Company begins to print and mail the proxy materials for the 2019 annual meeting. As the SEC rules make clear, simply submitting a proposal does not guarantee that it will be included in the Company's proxy materials.

In addition, stockholders who wish to introduce a proposal from the floor of the 2019 annual meeting of stockholders (outside the processes of Rule 14a-8), must submit that proposal in writing to the Company's Corporate Secretary at our principal executive offices no earlier than January 14, 2019 and no later than February 11, 2019, or, in the event the Company's 2019 annual meeting of stockholders is advanced or delayed more than 30 days from the date of the Annual Meeting, not later than the later of (i) the 90th day before the 2019 annual meeting or (ii) the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Company.

To be in proper form, a stockholder's notice must include the information required by our bylaws with respect to each proposal submitted. The Company may refuse to consider any proposal that is not timely or otherwise does not meet the requirements of our bylaws or the SEC's rules with respect to the submission of proposals. You may obtain a copy of our bylaws by submitting a request to Laredo Petroleum, Inc., c/o Corporate Secretary, 15 W. Sixth Street, Suite 900, Tulsa, Oklahoma 74119.

Directors may be nominated by the board of directors or by stockholders in accordance with the bylaws of the Company. The Nominating and Corporate Governance Committee will review all nominees for the board of directors, including proposed nominees of stockholders, in accordance with its charter. In evaluating the suitability of candidates, the board of directors and the Nominating and Corporate Governance Committee take into account many factors, including the nominee's judgment, experience, independence, character, business acumen and such other factors as the Nominating and Corporate Governance Committee concludes are pertinent in light of the current needs of the board of directors. The board of directors believes that its membership should reflect a diversity of experience, gender, race, ethnicity and age. The Nominating and Corporate Governance Committee will select qualified nominees and review its recommendations with the board of directors, which will decide whether to invite the nominees to join the board of directors. When evaluating the suitability of an incumbent director for nomination or re-election, the board of directors and the Nominating and Corporate Governance Committee also consider the director's past performance, including attendance at meetings and participation in and contributions to the activities of the board of directors.

The board of directors and the Nominating and Corporate Governance Committee believe they have achieved the sought after balance described above through the representation on the board of directors of members having experience in the oil and gas industry, accounting and investment analysis, among other areas. The board of directors and the Nominating and Corporate Governance Committee do not discriminate based upon race, religion, sex, national origin, age, disability, citizenship or any other legally protected status.

In identifying potential director candidates, the board of directors and the Nominating and Corporate Governance Committee rely on any source available for the identification and recommendation of candidates, including current directors and officers. In addition, the board of directors and the Nominating and Corporate Governance Committee from time to time may engage a third-party search firm to identify or evaluate, or assist in identifying or evaluating potential candidates, for which the third party search firm will be paid a fee.

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The board of directors and Nominating and Corporate Governance Committee will also consider any nominee recommended by stockholders for election at the annual meeting of stockholders to be held in 2019 if that nomination is submitted in writing, between January 14, 2019 and February 11, 2019, or in the event the Company's 2019 annual meeting of stockholders is advanced or delayed more than 30 days from the date of the Annual Meeting, not later than the later of (i) the 90th day before the 2019 annual meeting or (ii) the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Company. In the event that the number of directors to be elected to the board of directors is increased and there has been no public announcement naming all of the nominees for director or indicating the increase made by the Company at least 10 days before the last day a stockholder may deliver a notice of nomination in accordance with the preceding sentence, a stockholder's notice will be considered timely, but only with respect to nominees for any new positions created by such increase, if it is received by the Corporate Secretary at the principal executive offices of the Company not later than the close of business on the 10th day following the day on which such public announcement is first made by the Company.

As set forth in the Company's bylaws, with respect to each such nominee, the following information must be provided to the Company with the written nomination:

a) the nominee's name, address and age;

b) the nominee's written consent to serve as a director if elected;

c) the name and address of the nominating stockholder;

d) the number of shares of each class and series of stock of the Company held by the nominating stockholder; and

e) all other information required to be disclosed pursuant to Regulation 14A of the Exchange Act.

Each submission must also include a statement of the qualifications of the nominee, a notarized consent signed by the nominee evidencing a willingness to serve as a director, if elected, and a written representation and agreement that such person (i) is not and will not become a party to any voting agreement or compensation agreement that has not been disclosed to the Company or that could limit or interfere with the nominee's ability to comply with their fiduciary duties under applicable law and (ii) will comply with all of the Company's applicable corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines.

Written requests for inclusion of any stockholder proposal should be addressed to Laredo Petroleum, Inc., c/o Corporate Secretary, 15 W. Sixth Street, Suite 900, Tulsa, Oklahoma 74119. The Company suggests that any such proposal be sent by certified mail, return receipt requested.

SOLICITATION OF PROXIES

Solicitation of proxies may be made over the Internet, by mail, personal interview or telephone by officers, directors and regular employees of the Company. The Company may also request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of the common stock that those companies or persons hold of record, and the Company will reimburse the forwarding expenses.

STOCKHOLDER LIST

In accordance with the Delaware General Corporation Law, the Company will maintain at its corporate offices in Tulsa, Oklahoma, a list of the stockholders entitled to vote at the Annual Meeting.

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The list will be open to the examination of any stockholder, for purposes germane to the Annual Meeting, during ordinary business hours for 10 days before the Annual Meeting.

PROXY MATERIALS, ANNUAL REPORT AND OTHER INFORMATION

The Company's 2017 Annual Report to Stockholders for the year ended December 31, 2017 is being made available to stockholders concurrently with this Proxy Statement and does not form part of the proxy solicitation material.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 17, 2018

A COPY OF THE PROXY STATEMENT, THE PROXY CARD AND
THE 2017 ANNUAL REPORT ARE AVAILABLE FREE OF CHARGE AT
http://materials.proxyvote.com/516806

A copy of the 2017 Annual Report, as filed with the SEC, will be sent to any stockholder without charge upon written request. One copy of the Notice of Annual Meeting, this Proxy Statement and our 2017 Annual Report (the "Proxy Materials") will be sent to stockholders who share an address, unless they have notified the Company that they want to continue receiving multiple packages. A copy of the Proxy Materials will also be sent upon written or oral request to any stockholder of a shared address to which a single copy of the Proxy Materials was delivered. If two or more stockholders with a shared address are currently receiving only one copy of the Proxy Materials, then the stockholders may request to receive multiple packages in the future, or if a stockholder is currently receiving multiple packages of the Proxy Materials, then the stockholder may request to receive a single copy in the future. Such requests may be made by writing to Laredo Petroleum, Inc., c/o Corporate Secretary, 15 W. Sixth Street, Suite 900, Tulsa, Oklahoma 74119 or by calling (918) 513-4570. The 2017 Annual Report is also available at the SEC's website in its EDGAR database at www.sec.gov.

INTERNET AND PHONE VOTING

Internet and phone voting procedures are designed to authenticate stockholder identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting by Internet should remember that the stockholder must bear costs associated with electronic access, such as usage charges from Internet access providers and telephone companies.

For shares of stock that are registered in a street name (the stockholder owns shares in the name of a bank, broker or other holder of record on the books of the Company's transfer agent), you will receive instructions with your proxy materials that you must follow in order to have your shares voted. Please review your proxy or voting instruction card to determine whether you can vote electronically or by phone.

SUBMIT A PROXY BY INTERNET www.proxyvote.com

For shares of stock that are registered in your name, you may vote by Internet or phone using the following procedures. To vote by Internet, please access www.proxyvote.com, and enter your 11 digit control number located in the upper right-hand portion of your proxy material. Votes submitted by Internet or phone must be received by 11:59 p.m., Eastern Time, on May 16, 2018. The giving of such a proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

SUBMIT A PROXY BY PHONE 1-800-690-6903

To vote by phone, please dial 1-800-690-6903 and enter your 11 digit control number located in the upper right-hand portion of your proxy material. Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Daylight Time on May 16, 2018.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided.

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ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by us in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, YOU ARE URGED TO VOTE BY INTERNET, BY PHONE OR, IF YOU HAVE RECEIVED PAPER COPIES OF THE PROXY MATERIAL, BY COMPLETING, SIGNING AND RETURNING THE PROXY IN THE ENCLOSED POSTAGE-PAID, ADDRESSED ENVELOPE.

Tulsa, Oklahoma

March 28, 2018

By Order of the Board of Directors,

Kenneth E. Dornblaser
Senior Vice President, General Counsel and
Corporate Secretary