

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported) **August 12, 2005**

AEARO COMPANY I

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

333-116676

(Commission File Number)

13-3840456

(IRS Employer Identification No.)

**5457 W. 79th Street
Indianapolis, Indiana**

(Address of Principal Executive Offices)

46268

(Zip Code)

(317) 692-6666

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operation and Financial Condition

On August 12, 2005, Aearo Company I announced its results of operations for the three and six month periods ended June 30, 2005. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1. Press release dated August 12, 2005 of Aearo Company I

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 12, 2005

AEARO COMPANY I

By: /s/Jeffrey S. Kulka

Name: Jeffrey S. Kulka

Title: Senior Vice President, Chief Financial Officer
and Secretary

EXHIBIT INDEX

<u>EXHIBITS</u>	<u>DESCRIPTION</u>
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99.1	Press release date August 12, 2005 of Aearo Company I.
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Aeero Announces Record Third Quarter Results

INDIANAPOLIS, August 12, 2005 – Aeero Company I (the “Company”), today announced that net sales for the three months ended June 30, 2005 increased \$16.1 million, or 16.6%, to \$113.2 million from \$97.1 million in the three months ended June 30, 2004. Adjusted EBITDA increased 18.5% to \$22.2 million for the third quarter from \$18.7 million in the third quarter of last year. Net income for the third quarter increased to \$10.4 million from a net loss of \$14.2 million for the third quarter of last year. This performance represents the best quarter for sales and earnings in the Company’s history.

The increase in net sales was primarily driven by organic growth in the Safety Products and Specialty Composites segments and foreign currency translation. The weakness of the U.S. dollar favorably impacted net sales by \$1.8 million or 1.9%.

Gross profit for the third quarter increased to \$55.1 million from \$29.0 million for the third quarter of last year. Gross profit in the third quarter of last year was negatively impacted by a purchase accounting adjustment of \$17.1 million due to the sale of the Company in that time period. Excluding the effects of the purchase accounting adjustment, gross profit as a percentage of net sales for the third quarter was 48.7% as compared to 47.4% for the third quarter of last year.

The provision for income taxes for the three months ended June 30, 2005 increased to \$1.6 million from \$1.0 million for the third quarter of last year. At September 30, 2004, the Company’s net operating losses were partially offset by a valuation allowance of \$7.5 million. During the six month period ended March 31, 2005, management determined that based on current domestic operating results, it is more likely than not that domestic net operating losses will be realized and consequently reversed the \$7.5 million valuation allowance.

Year to Date

Net sales for the nine months ended June 30, 2005 increased \$46.7 million, or 17.5%, to \$313.4 million from \$266.7 million in the nine months ended June 30, 2004. Adjusted EBITDA increased 27.4% to \$57.2 million for the nine months ended June 30, 2005 from \$44.9 million in the nine months ended June 30, 2004. Year to date net income increased to \$27.6 million compared to a net loss of \$5.7 million for the nine months ended June 30, 2004.

The increase in net sales was primarily driven by organic growth in the Safety Products and Specialty Composites segments and foreign currency translation. The weakness of the U.S. dollar favorably impacted net sales by \$7.0 million or 2.6%.

Gross profit for the nine months ended June 30, 2005 increased 40.3% to \$153.7 million from \$109.5 million for the nine months ended June 30, 2004. Gross profit in the nine months ended June 30, 2004 was negatively impacted by a purchase accounting adjustment of \$17.1 million due to the sale of the company in that time period. Excluding the effects of the purchase accounting adjustment, gross profit as a percentage of net sales for the nine months ended June 30, 2005 was 49.2% as compared to 47.5% for the nine months ended June 30, 2004.

The year to date provision for income taxes decreased to \$0.4 million from \$3.1 million for the nine months ended June 30, 2004. At September 30, 2004, the Company’s net operating losses were partially offset by a valuation allowance of \$7.5 million. During the six month period ended March 31, 2005, management determined that based on current domestic operating results, it is more likely than not that domestic net operating losses will be realized and consequently reversed the \$7.5 million valuation allowance.

The Company uses Adjusted EBITDA, as defined above, a non-GAAP financial measure, as a management tool to measure and monitor financial performance and as part of the calculation of Company performance as stated in senior bank facility covenants. While the Company believes Adjusted EBITDA is a useful indicator of its ability to service debt, Adjusted EBITDA should not be considered as a substitute for net income (loss) determined in accordance with GAAP as an indicator of operating performance, or as an alternative to cash flow as a measure of liquidity. Investors should be aware that

Adjusted EBITDA may not be comparable to similarly titled measures presented by other companies and comparisons could be misleading unless all companies and analysts calculate this measure in the same fashion.

The following table provides a reconciliation of Adjusted EBITDA to net income for the three and nine month periods ended June 30, 2005 and 2004, respectively:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Adjusted EBITDA	\$ 22,200	\$ 18,739	\$57,154	\$44,874
Depreciation	3,125	3,006	8,131	8,937
Amortization of intangibles	1,313	101	3,928	343
Other non-cash charges (income), net	(105)	(43)	391	(410)
Inventory purchase accounting	--	17,067	--	17,067
Restructuring	--	--	--	(1,091)
Bond call premium	--	1,532	--	1,532
Interest	5,856	10,292	16,785	21,128
Taxes	<u>1,569</u>	<u>1,031</u>	<u>358</u>	<u>3,051</u>
Net Income	<u>\$ 10,442</u>	<u>\$ (14,247)</u>	<u>\$27,561</u>	<u>\$ (5,683)</u>

Other non-cash charges are defined as extraordinary gains or losses, or gains or losses from sales of assets other than in the ordinary course of business.

Holding Company Financing

On August 3, 2005, the Company's parent, Aearo Corporation, issued \$54 million of 12% senior notes (the "Holdco Notes") for approximately \$54 million and used the proceeds, net of fees and expenses, to pay a cash dividend to AC Safety Holding Corp., the Company's ultimate parent. AC Safety Holding Corp. then used the proceeds to make a full redemption of its then remaining outstanding preferred stock. Prior to the fifth anniversary of closing, Aearo Corporation will have the option of capitalizing interest of the Holdco Notes and adding it to the principal amount. After the fifth anniversary of closing, interest will be payable in cash quarterly.

Earnings Call

The Company has scheduled a conference call to discuss its financial results on Monday, August 15, 2005 at 4:00 p.m. Eastern. The call in number is (866) 837-9789, conference ID 756151. A recording of the conference call will be available for 72 hours after the completion of the call. The recording can be accessed by dialing (888) 266-2081, conference ID 756151.

About Aearo

Headquartered in Indianapolis, Ind., Aearo Company (www.aearo.com) is one of the world's leading designers, manufacturers and marketers of a broad range of personal protective products and energy-absorbing products, including head and hearing protection devices, prescription and non-prescription eyewear, and eye/face protection devices for use in a wide variety of industrial and household applications.

Condensed Consolidated Statements of Operations

(In Thousands)

(Unaudited)

	Three Months Ended		Nine	Three	Six
	June 30,		Months	Months	Months
	2005	2004	Ended	Ended	Ended
	Successor		June 30,	June 30,	March 31,
	2005	2004	2005	2004	2004
	Successor		Successor		Predecessor
Net sales	\$ 113,198	\$ 97,126	\$ 313,437	\$ 97,126	\$ 169,579
Cost of sales	<u>58,124</u>	<u>68,144</u>	<u>159,757</u>	<u>68,144</u>	<u>89,056</u>
Gross profit	55,074	28,982	153,680	28,982	80,523
Selling and administrative	34,172	28,149	98,583	28,149	56,835
Research and technical services	2,234	1,966	6,665	1,966	3,623
Amortization	1,313	101	3,928	101	242
Other (income) charges, net	(512)	1,690	(200)	1,690	(506)
Restructuring	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,091)</u>
Operating income (loss)	17,867	(2,924)	44,704	(2,924)	21,420
Interest expense, net	<u>5,856</u>	<u>10,292</u>	<u>16,785</u>	<u>10,292</u>	<u>10,836</u>
Income (loss) before provision for income taxes	12,011	(13,216)	27,919	(13,216)	10,584
Provision for income taxes	<u>1,569</u>	<u>1,031</u>	<u>358</u>	<u>1,031</u>	<u>2,020</u>
Net income (loss)	<u>\$ 10,442</u>	<u>\$ (14,247)</u>	<u>\$ 27,561</u>	<u>\$ (14,247)</u>	<u>\$ 8,564</u>

Condensed Consolidated Balance Sheets - Assets

(In Thousands)

	June 30, 2005	September 30, 2004
	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,019	\$ 27,724
Accounts receivable (net of allowance for doubtful accounts of \$1,463 and \$1,358, respectively)	60,553	54,159
Inventories	44,424	40,849
Deferred and prepaid expenses	5,602	4,146
Total current assets	126,598	126,878
LONG TERM ASSETS:		
Property, plant and equipment, net	51,317	54,750
Other intangible assets, net	182,050	185,855
Other assets	13,403	15,144
Goodwill	116,596	133,745
Total assets	489,964	516,372
CURRENT LIABILITIES:		
Current portion of long-term debt	3,455	1,639
Accounts payable and accrued liabilities	55,684	46,730
Accrued interest	3,067	6,996
Accrued income taxes	1,947	1,648
Total current liabilities	64,153	57,013
LONG TERM LIABILITIES:		
Long-term debt	298,299	302,842
Deferred income taxes	40,587	59,699
Other liabilities	14,169	14,726
Total liabilities	417,208	434,280
STOCKHOLDER'S EQUITY:		
Common stock, \$.01 par value—		
Authorized—100 shares		
Issued and outstanding—100 shares	-	-
Paid in capital	101,640	101,610
Accumulated deficit	(26,848)	(19,415)
Accumulated other comprehensive loss	(2,036)	(103)
Total stockholder's equity	72,756	82,092
Total liabilities and stockholder's equity	\$ 489,964	\$ 516,372

Condensed Consolidated Statements of Cash Flows

(In Thousands)

(Unaudited)

	Nine Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended March 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 27,561	\$ (14,247)	\$ 8,564
Adjustments to reconcile net income (loss) to cash provided by operating activities—			
Depreciation	8,131	3,006	5,931
Amortization of intangible assets	3,928	101	242
Amortization of deferred financing costs	1,068	4,234	2,026
Inventory purchase accounting adjustment	--	17,067	--
Deferred income taxes	(3,310)	(7)	--
Stock based compensation	30	10	
Restructuring	--	--	(1,091)
Loss on disposal of assets	3		682
Changes in assets and liabilities—			
Accounts receivable	(6,755)	(2,242)	(1,113)
Inventories	(4,166)	2	(3,464)
Accrued income taxes	432	522	(1,453)
Accrued interest	(3,928)	767	3
Accounts payable and accrued liabilities	7,107	2,667	(3,224)
Prepaid expenses and other assets	427	986	633
Other liabilities	1,012	928	1,299
Net cash provided by operating activities	<u>31,540</u>	<u>13,794</u>	<u>9,035</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(5,404)	(2,810)	(5,006)
Proceeds provided by disposals of property, plant and equipment	64	--	12
Net cash used by investing activities	<u>(5,340)</u>	<u>(2,810)</u>	<u>(4,994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distribution to shareholder to effect the merger	--	(86,852)	--
Repayment of old credit facility	--	(78,333)	--
Repayment of 12.5% senior subordinated notes	--	(98,000)	--
Proceeds from 8.25 senior subordinated notes	--	175,000	--
Debt issue costs	--	(10,408)	
Dividend to parent	(34,994)	(14,305)	--
Proceeds from (repayment of) revolving credit facility, net	--	(15,600)	3,950
Proceeds from (repayment of) term loans	(961)	125,000	(8,949)
Repayment of capital lease obligations	(200)	(61)	(122)
Repayment of long term debt	(273)	(26)	(119)
Net cash used for financing activities	<u>(36,428)</u>	<u>(3,585)</u>	<u>(5,240)</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>(1,477)</u>	<u>(858)</u>	<u>(789)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,705)	6,541	(1,988)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>27,724</u>	<u>5,313</u>	<u>7,301</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 16,019</u>	<u>\$ 11,854</u>	<u>\$ 5,313</u>