

AMERON INTERNATIONAL CORP  
Form 10-Q  
October 15, 2001

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 31, 2001

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1 - 9102

**AMERON INTERNATIONAL CORPORATION**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of

incorporation or organization)

**245 South Los Robles Avenue  
Pasadena, California 91101-2820**  
(Address of principal executive offices)

**(626) 683-4000**

(Registrant's telephone number, including area code)

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

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The number of shares outstanding of Common Stock, \$2.50 par value, was 3,873,007 on September 30, 2001. No other class of Common Stock exists.

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**AMERON INTERNATIONAL CORPORATION**

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**Ameron International Corporation and Subsidiaries**  
**Consolidated Statements of Income**  
(In thousands, except share and per share data)  
(Unaudited)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2001	2000	2001	2000
Sales	\$ 144,864	\$ 133,094	\$ 410,139	\$ 394,630
Cost of Sales	(108,354)	(100,280)	(308,964)	(296,567)
Gross Profit	36,510	32,814	101,175	98,063
Selling, General and Administrative Expenses	(23,906)	(25,774)	(77,347)	(84,668)
Other Income, net	1,504	6,515	8,188	15,768
Income before Interest and Income Taxes	14,108	13,555	32,016	29,163
Interest Income	51	422	156	464
Interest Expense	(2,535)	(3,336)	(8,528)	(9,466)
Income before Income Taxes	11,624	10,641	23,644	20,161
Provision for Income Taxes	(3,254)	(2,660)	(6,620)	(5,040)
Net Income	\$ 8,370	\$ 7,981	\$ 17,024	\$ 15,121
Net Income per Share (Basic)	\$ 2.16	\$ 2.02	\$ 4.40	\$ 3.81
Net Income per Share (Diluted)	\$ 2.09	\$ 2.02	\$ 4.30	\$ 3.81
Weighted Average Shares (Basic)	3,872,907	3,929,342	3,870,790	3,968,244
Weighted Average Shares (Diluted)	4,014,293	3,935,857	3,957,261	3,975,344
Cash Dividends per Share	\$ .32	\$ .32	\$ .96	\$ .96

See accompanying notes to consolidated financial statements.

**Ameron International Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
(In thousands, except share and per share data)

	August 31, 2001 ( Unaudited )	November 30, 2000
	-----	-----
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 11,196	\$ 11,514
Receivables, Less Allowances of \$6,356 in 2001 and \$6,616 in 2000	139,872	139,961
Inventories	93,055	82,470
Deferred Income Taxes	23,766	23,720
Prepaid Expenses and Other Current Assets	7,523	6,305
	-----	-----
Total Current Assets	275,412	263,970
Investments, Advances and Equity in Undistributed Earnings of Joint Ventures	22,407	21,773
Property, Plant and Equipment, Net	147,728	145,196
Other Assets	53,204	47,510
	-----	-----
Total Assets	\$ 498,751	\$ 478,449
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-Term Borrowings	\$ 4,428	\$ 5,001
Current Portion of Long-Term Debt	8,736	8,848
Trade Payables	41,554	41,127
Accrued Liabilities	51,121	58,265
Income Taxes Payable	9,629	15,103
	-----	-----
Total Current Liabilities	115,468	128,344
Long-Term Debt, Less Current Portion	150,278	140,718
Other Long-Term Liabilities	33,470	26,957
	-----	-----
Total Liabilities	299,216	296,019
	-----	-----
Stockholders' Equity		
Common Stock, Par Value \$2.50 a Share, Authorized 12,000,000 Shares, Outstanding 3,873,007 Shares in 2001 and 3,869,357 in 2000, Net of Treasury Shares	13,017	13,007
Additional Paid-In Capital	19,428	17,857
Retained Earnings	237,928	224,620
Accumulated Other Comprehensive Loss	(22,179)	(24,382)
Less Treasury Stock (1,333,655 Shares in 2001 and 2000)	(48,659)	(48,672)
	-----	-----
Total Stockholders' Equity	199,535	182,430
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 498,751	\$ 478,449
	=====	=====

See accompanying notes to consolidated financial statements.

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**Ameron International Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Nine Months Ended August 31,	
	2001	2000
	-----	-----
Cash Flows from Operating Activities		
Net Income	\$ 17,024	\$ 15,121
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	13,288	12,583
Amortization	631	648
Deferred Income Taxes	3,561	1,726
Equity in Earnings of Joint Ventures	(5,002)	(11,071)
Dividends from Joint Ventures	4,368	13,651
Gain on Sale of Assets	(25)	(12)
Other Noncash Expenses	1,451	--
Changes in Operating Assets and Liabilities:		
Receivables	1,062	(21,107)
Inventories	(10,163)	1,446
Prepaid Expenses and Other Current Assets	(1,179)	(492)
Trade Payables, Accrued Liabilities and Income Taxes Payable	(12,555)	(1,916)
Other Long-Term Assets and Liabilities	(3,274)	(5,954)
	-----	-----
Net Cash Provided by Operating Activities	9,187	4,623
	-----	-----
Cash Flows from Investing Activities		
Proceeds from Sale of Property, Plant and Equipment	830	309
Additions to Property, Plant and Equipment	(15,593)	(13,479)
	-----	-----
Net Cash Used in Investing Activities	(14,763)	(13,170)
	-----	-----
Cash Flows from Financing Activities		
Net Change in Short-Term Borrowings	(503)	1,147
Issuance of Debt	9,583	16,100
Repayment of Debt	(398)	(2,351)
Dividends on Common Stock	(3,716)	(3,811)
Issuance of Common Stock	130	--
Change in Treasury Stock	13	(2,885)
	-----	-----
Net Cash Provided By Financing Activities	5,109	8,200
	-----	-----

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Effect of Exchange Rate Changes on Cash and Cash Equivalents	149	(632)
	-----	-----
Net Change in Cash and Cash Equivalents	(318)	(979)
Cash and Cash Equivalents at Beginning of Period	11,514	10,521
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 11,196	\$ 9,542
	=====	=====

See accompanying notes to consolidated financial statements.

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### Ameron International Corporation and Subsidiaries Notes to Consolidated Financial Statements (In Thousands Except Share Data) (Unaudited)

#### Note 1. Basis Of Presentation

Consolidated financial statements for the interim periods included herein are unaudited; however, they contain all adjustments, including normal recurring accruals, which in the opinion of management, are necessary to present fairly the consolidated financial position of Ameron International Corporation (the "Company" or "Ameron") at August 31, 2001, and its consolidated results of operations for the three and nine months ended August 31, 2001 and 2000, and consolidated cash flows for the nine months ended August 31, 2001 and 2000. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. Results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements do not include certain footnote disclosures and financial information normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America and, therefore, should be read in conjunction with the consolidated financial statements and notes included in Ameron's Annual Report on Form 10-K for the year ended November 30, 2000.

#### Note 2. New Accounting Pronouncements

Effective December 1, 2000, Ameron adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company uses derivative products, such as forward and option contracts, primarily to hedge the foreign currency market exposures which affect certain assets and liabilities and forecasted transactions with customers and vendors. The Company designates such derivatives primarily as fair value hedges. As of both August 31, 2001 and December 1, 2000, the fair value of derivatives held by the Company were not significant. Additionally, the adoption of SFAS No. 133 at December 1, 2000 did not result in a cumulative adjustment to either income or other comprehensive income for a change in accounting principle.

In 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements," and further amended it to defer the effective date. SAB 101 summarized certain of the SEC's views on the application of accounting principles generally accepted in the United States of America to revenue recognition. The Company is required to adopt the provisions of SAB 101 no later than November 30, 2001. The Company does not believe SAB 101 will have a material impact on the financial statements.

In July 2001, the Financial Accounting Standards Board ("FASB") issued two new pronouncements: SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company does not believe that the adoption of SFAS No. 141 will have a material impact on its financial statements.

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SFAS No. 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. SFAS No. 142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company is currently evaluating the impact of adopting SFAS No. 142.

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### Note 3. Inventories

Inventories are stated at the lower of cost (principally first-in, first-out) or market. Inventories were comprised of the following:

	August 31, 2001	November 30, 2000
	-----	-----
Finished Products	\$ 60,358	\$ 51,570
Products in Process	12,012	18,788
Materials and Supplies	20,685	12,112
	-----	-----
	\$ 93,055	\$ 82,470
	=====	=====

### Note 4. Supplemental Disclosure of Cash Flow Information

	Nine Months Ended August 31,	
	-----	-----
	2001	2000
	-----	-----
Interest Paid	\$7,831	\$7,140
Income Taxes Paid	\$7,523	\$6,008

### Note 5. Joint Ventures

Operating results of joint ventures, which were accounted for by the equity method, were as follows:

	Three Months Ended August 31,		Nine Months Ended August 31,	
	-----	-----	-----	-----
	2001	2000	2001	2000
	-----	-----	-----	-----
Net Sales	\$57,402	\$68,621	\$168,290	\$181,127
Gross Profit	\$13,756	\$19,524	\$ 43,352	\$ 51,932
Net Income	\$ 6,977	\$ 9,967	\$ 20,845	\$ 24,386

Amounts shown above include the operating results of Ameron Saudi Arabia, Ltd. ("ASAL"), Bondstrand, Ltd. and Oasis-Ameron, Ltd. for the three and nine months ended June 30, 2001 and 2000 and TAMCO for the three and nine months ended August 31, 2001 and 2000. Ameron's equity in earnings of joint ventures is included in other income.

**Note 6. Net Income Per Share**

Net income per basic share is computed on the basis of the weighted average number of common shares outstanding each period. Net income per diluted share is computed on the basis of the weighted average total of common shares outstanding each period plus the effect of outstanding stock options, excluding those that would be anti-dilutive, using the treasury stock method.

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Following is a reconciliation of the weighted average number of shares used in the computation of basic and diluted net income per share:

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2001	2000	2001	2000
Basic Average Common Shares Outstanding	3,872,907	3,929,342	3,870,790	3,968,244
Dilutive Effect of Stock Options	141,386	6,515	86,471	7,100
Diluted Average Common Shares Outstanding	4,014,293	3,935,857	3,957,261	3,975,344

**Note 7. Other Comprehensive Income**

Comprehensive income was computed as follows:

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2001	2000	2001	2000
Net Income	\$ 8,370	\$ 7,981	\$17,024	\$15,121
Foreign Currency Translation Adjustment	4,407	(1,553)	2,203	(8,240)
Comprehensive Income	\$12,777	\$ 6,428	\$19,227	\$ 6,881

**Note 8. Debt**

The Company's long-term debt consisted of the following:

	August 31, 2001	November 30, 2000
Fixed-rate unsecured notes payable, bearing interest at 7.92%, in annual principal installments of \$8,333, commencing in 2001	\$ 50,000	\$ 50,000
Variable-rate industrial development bonds, Payable in 2016 (2.43% at August 31, 2001)	7,200	7,200



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Variable-rate industrial development bonds, Payable in 2021 (2.35% at August 31, 2001)	8,500	--
Variable-rate unsecured bank revolving credit facilities (approximately 4.49% at August 31, 2001)	92,911	91,594
Variable-rate unsecured bank loan, payable in Dutch guilders, with quarterly principal installments of approximately \$134 (5.22% at August 31, 2001)	403	772
	-----	-----
	159,014	149,566
Less Current portion	(8,736)	(8,848)
	-----	-----
	\$ 150,278	\$ 140,718
	=====	=====

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**Note 9. Segment Information**

The Company provides certain information about operating segments in accordance with SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." In accordance with SFAS No. 131, the Company has determined that it has four operating segments: Performance Coatings & Finishes, Fiberglass-Composite Pipe, Water Transmission, and Infrastructure Products. Each of these segments has a dedicated management team and is managed separately, primarily because of differences in products. Inter-segment sales were not significant. Following is information related to each operating segment included in, and in a manner consistent with, internal management reports:

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2001	2000	2001	2000
Sales				
Performance Coatings & Finishes	\$ 49,362	\$ 48,649	\$ 143,906	\$ 138,107
Fiberglass-Composite Pipe	29,038	24,176	83,180	73,256
Water Transmission	36,980	31,866	98,732	102,866
Infrastructure Products	29,489	28,505	84,969	80,637
Eliminations	(5)	(102)	(648)	(236)
	-----	-----	-----	-----
Total Sales	\$ 144,864	\$ 133,094	\$ 410,139	\$ 394,630
	=====	=====	=====	=====
Income (Loss) Before Interest and Income Taxes				
Performance Coatings & Finishes	\$ 3,383	\$ 933	\$ 7,764	\$ 2,498
Fiberglass-Composite Pipe	2,229	3,189	9,761	10,478
Water Transmission	7,173	6,047	14,944	13,757
Infrastructure Products	3,020	4,426	8,770	11,624
Corporate & Unallocated	(1,697)	(1,040)	(9,223)	(9,194)
	-----	-----	-----	-----
Total Income Before Interest and Income Taxes	\$ 14,108	\$ 13,555	\$ 32,016	\$ 29,163
	=====	=====	=====	=====

	August 31, 2001	November 30, 2000
Assets		
Performance Coatings & Finishes	\$ 141,846	\$ 131,300
Fiberglass-Composite Pipe	138,375	127,904
Water Transmission	111,618	112,254

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Infrastructure Products	67,894	61,503
Corporate & Unallocated	171,019	169,212
Eliminations	(132,001)	(123,724)
	-----	-----
Total Assets	\$ 498,751	\$ 478,449
	=====	=====

### Note 10. Commitments & Contingencies

An action was filed in 1992 in the U.S. District Court for the District of Arizona by the Central Arizona Water Conservation District ("CAWCD") seeking damages against several parties, including the Company and the Company's customer, Peter Kiewit Sons' Company ("Kiewit"), in connection with six prestressed concrete pipe siphons furnished and installed in the 1970's as part of the Central Arizona Project ("CAP"), a federal project to bring water from the

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Colorado River to Arizona. The CAWCD also filed separate actions against the U.S. Bureau of Reclamation ("USBR") in the U.S. Court of Claims and with the Arizona Projects Office of the USBR in connection with the CAP siphons. The CAWCD alleged that the six CAP siphons were defective and that the USBR and the defendants in the U.S. District Court action were liable for the repair or replacement of those siphons at a claimed estimated cost of \$146.7 million. On September 14, 1994, the U.S. District Court granted the Company's motion to dismiss the CAWCD action and entered judgement against the CAWCD and in favor of the Company and its co-defendants. CAWCD has filed a notice of appeal with the Ninth Circuit Court of Appeals.

Separately, on September 28, 1995, the Contracting Officer for the USBR issued a final decision claiming for the USBR approximately \$40 million in damages against Kiewit, based in part on the Contracting Officer's finding that the siphons supplied by the Company were defective. That claim amount is considered by the Company to be duplicative of the damages sought by the CAWCD for the repair or replacement of the siphons in its aforementioned action in the U.S. District Court for the District of Arizona. The Contracting Officer's final decision has been appealed by Kiewit to the U.S. Department of the Interior Board of Contract Appeals ("IBCA"). The Company is actively cooperating with and assisting Kiewit in the administrative appeal of that final decision before the IBCA. Trial on that appeal is underway.

The Company internally, as well as through independent third-party consultants, has conducted engineering analyses regarding the allegations that the CAP siphons were defective and believes that the siphons were manufactured in accordance with the project specifications and other contract requirements; and, therefore, it is not liable for any claims relating to the siphons, whether by the CAWCD or by the USBR. The Company believes that it has meritorious defenses to these actions and that resultant liability, if any, should not have a material effect on the financial position of the Company or its results of operations.

In addition, certain other claims, suits and complaints that arise in the ordinary course of business, have been filed or are pending against the Company. Management believes that these matters, and the matters discussed above, are either adequately reserved, covered by insurance, or would not have a material effect on the financial position of the Company or its results of operations if disposed of unfavorably.

The Company is also subject to federal, state and local laws and regulations concerning the environment and is currently participating in administrative proceedings at several sites under these laws. In the early 1970's, the Company disposed of certain quantities of waste at the Stringfellow Hazardous Waste Site in Riverside County, California, which is one of several priority sites on the Superfund list established by the U.S. Environmental Protection Agency. Ameron's waste accounted for less than one percent of the total waste deposited at the site. In 1993, the State of California was found to be 75% to 85% liable for the remediation costs of this Superfund site. However, the State of California has appealed this finding. While the Company finds it difficult to estimate with any certainty the total cost of remediation at the several sites, on the basis of currently available information and reserves provided, the Company believes that the outcome of such environmental regulatory proceedings will not have a material effect on the Company's financial position or its results of operations.

**PART I. FINANCIAL INFORMATION**

**Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations**

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### Ameron International Corporation and Subsidiaries August 31, 2001

#### INTRODUCTION

Management's Discussion and Analysis should be read in conjunction with the same discussion included in the Company's 2000 Annual Report on Form 10-K. Reference should also be made to the financial statements included in this Form 10-Q for comparative consolidated balance sheets and statements of income and cash flows.

#### LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended of August 31, 2001 the Company generated \$9.2 million of cash from operating activities compared to \$4.6 million for the same period in 2000. The higher operating cash flow came principally from improved operating results and working capital management.

Cash used in investing activities consisted of capital expenditures for normal replacement and upgrades of machinery and equipment and the construction of a new pole manufacturing plant in Anniston, Alabama. Management estimates that capital expenditures during fiscal 2001 will be between \$20.0 million and \$25.0 million. Capital expenditures will be funded by existing cash balances, cash generated from operations and additional borrowings.

Cash and additional net borrowings of \$8.7 million were used to finance operations, for capital expenditures and for payment of common stock dividends of \$3.7 million.

Cash and cash equivalents at August 31, 2001 totaled \$11.2 million, a decrease of \$.3 million from November 30, 2000.

At August 31, 2001 the Company had approximately \$109.0 million in unused committed and uncommitted credit lines available from foreign and domestic banks.

The Company believes that cash and cash equivalents on hand, anticipated cash flows from operations and funds from existing lines of credit will be sufficient to meet future operating requirements.

#### RESULTS OF OPERATIONS

The Company earned \$8.4 million, or \$2.09 per diluted share, on sales of \$144.9 million during the third quarter of 2001, compared to \$8.0 million, or \$2.02 per diluted share, on sales of \$133.1 million during same period in 2000. Net income remained relatively constant in spite of higher sales due to a reduction in equity income from joint-venture companies. The reduction in equity income was offset by improved profitability of both the Performance Coatings & Finishes Group and the Water Transmission Group.

Sales for the nine months ended August 31, 2001 were \$410.1 million, compared to \$394.6 million for the same period in 2000. All operating groups, except Water Transmission, had higher sales. Net income was \$17.0 million, or \$4.30 per diluted share for the nine months ended August 31, 2001, compared to \$15.1 million, or \$3.81 per diluted share in the same period in 2000. Profits increased because of higher earnings from the Performance Coatings & Finishes Group and the Water Transmission Group, offsetting lower results from the Infrastructure Products Group and Ameron's joint ventures TAMCO and ASAL.

Sales of the Water Transmission Group increased \$5.1 million in the third quarter but decreased \$4.1 million in the nine months ended August 31, 2001, compared to the same periods of 2000. The third quarter increase reflected the

increased demand for water piping in the Western U.S. The improvement came in spite of lower activity from Ameron's plants in Columbia, South America. Segment profits increased \$1.1 million in the third quarter and \$1.2 million

in the nine months ended August 31, 2001, compared to the same periods of 2000, as a result of a change in plant utilization and lower compensation costs. Water Transmission's backlog increased during 2001, and sales are expected to remain robust throughout the rest of 2001.

Sales of the Company's worldwide Fiberglass-Composite Pipe business increased \$4.9 million in the third quarter and \$9.9 million in the nine months ended August 31, 2001, compared to the same periods of 2000. Sales increased because of the continued worldwide demand for oil-field piping and deliveries made to a water project in California. Segment profits decreased by \$1.0 million in the third quarter and \$.7 million in the nine months ended August 31, 2001, compared to the same periods of 2000, primarily as a result of uneven plant utilization caused by a decline in worldwide industrial markets.

Sales of the Performance Coatings & Finishes Group increased \$.7 million in the third quarter and \$5.8 million in the nine months ended August 31, 2001, compared to the same periods of 2000. The year-to-date increase was due primarily to the continued improvement of the U.S. and European protective coating businesses. Operations which produce industrial finishes in Europe, Australia and New Zealand also improved in the third quarter. Segment profits increased \$2.5 million in the third quarter and \$5.3 million in the nine months ended August 31, 2001, compared to the same periods of 2000, because of higher sales, the impact of restructuring initiatives and favorable raw material pricing.

Sales of the Infrastructure Products Group increased \$1.0 million in the third quarter and \$4.3 million in the nine months ended August 31, 2001, compared to the same periods of 2000. Segment profits were lower for the third quarter and nine months ended August 31, 2001, compared to the same periods of 2000, because of the start-up costs associated with a new pole plant in Alabama and lower profits from Hawaiian operations. Ameron's Alabama pole plant will produce state-of-the-art, decorative, concrete lighting poles for sale to the major markets in the Southeastern U.S.

Selling, General and Administrative expenses were lower in the third quarter and nine months ended August 31, 2001, compared to the same periods of 2000, primarily due to lower insurance and benefit costs.

Other income decreased to \$1.5 million in the third quarter and \$8.2 million in the nine months ended August 31, 2001, compared to \$6.5 million and \$15.8 million, respectively, for the same periods of 2000. The decrease reflected lower equity income from TAMCO, which was impacted by the energy situation in California, and ASAL, Ameron's concrete pipe joint venture in Saudi Arabia.

The effective tax rate was 28% in the third quarter and nine months ended August 31, 2001, compared to 25% for the same periods in 2000. The effective tax rate reflects the anticipated income taxes on income from domestic operations, as well as foreign operations and joint ventures, which are taxed at rates lower than U.S. statutory tax rates.

### **Item 3. Quantitative and Qualitative Market Risk Disclosure**

No material changes have occurred in the quantitative and qualitative market risk disclosure of the Company as presented in Ameron's Annual Report on Form 10-K for the year ended November 30, 2000.

#### *CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995*

Any of the above statements that refer to the Company's estimated or anticipated future results are forward-looking and reflect the Company's current analysis of existing trends and information. Actual results may differ from current expectations based on a number of factors affecting Ameron's businesses, including competitive conditions and changing market conditions. Matters affecting the economy generally, including the state of economies worldwide, can affect the Company's results. These forward-looking statements represent the Company's judgment only as of the

date of this report. Since actual results could differ materially, the reader is cautioned not to rely on these forward-looking statements. Moreover, the Company disclaims any intent or obligation to update these forward looking statements.

## **Part II. OTHER INFORMATION**

### **Item 2. Changes in Securities**

Terms of lending agreements place restrictions on cash dividends, stock repurchases, borrowings, investments and guarantees. Under the most restrictive provisions of these agreements, approximately \$15.4 million of consolidated retained earnings were not restricted at August 31, 2001.

### **Item 6. Exhibits and Reports on Form 8-K**

A form 8-K was filed on June 26, 2001 to report the Company's financial results for the second quarter ended May 31, 2001, as reported in a press release dated June 21, 2001.

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**Signature Page**

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 thereunto duly authorized.

Ameron International Corporation

Date: October 15, 2001

By: /s/ Gary Wagner

-----

Gary Wagner

*Senior Vice President, Chief Financial Officer*

