AMERON INTERNATIONAL CORP
Form 10-K
February 11, 2008

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended November 30, 2007

OR

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

Commission File Number 1-9102

AMERON INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	77-0100596
(State of Incorporation)	(I.R.S. Employer Identification No.)

245 South Los Robles Avenue
Pasadena, CA 91101-3638
(Address and Zip Code of principal executive offices)

Registrant's telephone number, including area code: (626) 683-4000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock $2.50 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Securities Exchange Act of 1934 during the preceding 12 months (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 x No ¨

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨

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

AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

The aggregate market value of voting and non-voting common equity held by non-affiliates was approximately $695 million on May 25, 2007, based upon the last reported sales price of such stock on the New York Stock Exchange on that date.

On February 1, 2008 there were 9,154,935 shares of Common Stock, $2.50 par value, outstanding. No other class of Common Stock exists.

DOCUMENTS INCORPORATED BY REFERENCE

1. PORTIONS OF AMERON'S PROXY STATEMENT FOR THE 2008 ANNUAL MEETING OF STOCKHOLDERS (PART III)

AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

2007 ANNUAL REPORT ON FORM 10-K

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

PART I

AMERON INTERNATIONAL CORPORATION, a Delaware corporation, and its consolidated subsidiaries are collectively referred to herein as "Ameron", the "Company", the "Registrant" or the "Corporation" unless the context clearly indicates otherwise. The business of the Company has been divided into business segments in Item 1(c)(1), herein. Substantially all activities relate to the manufacture of highly-engineered products for sale to the industrial, chemical, energy and construction markets. All references to "the year" or "the fiscal year" pertain to the 12 months ended November 30, 2007. All references to the "Proxy Statement" pertain to the Company's Proxy Statement to be filed on or about February 25, 2008 in connection with the 2008 Annual Meeting of Stockholders.

ITEM 1 - BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS.

Although the Company's antecedents date back to 1907, the Company evolved directly from the merger of two separate firms in 1929, resulting in the incorporation of American Concrete Pipe Company on April 22, 1929. Various name changes occurred between that time and 1942, at which time the Company's name became American Pipe and Construction Co. By the late 1960's the Company was almost exclusively engaged in manufacturing and had expanded its product lines to include not only concrete and steel pipe but also high-performance protective coatings, ready-mix concrete, aggregates and fiberglass pipe and fittings. At the beginning of 1970, the Company's name was changed to Ameron, Inc. In the meantime, other manufactured product lines were added, including concrete and steel poles for street and area lighting and steel poles for traffic signals. In 1996, the Company's name was changed to Ameron International Corporation. In 2006, the Company sold its Performance Coatings & Finishes business (“Coatings Business”). In 2006, the Company began manufacturing large, steel towers that are used with wind turbines for generating electricity.

(b) FINANCIAL INFORMATION AS TO INDUSTRY SEGMENTS.

Financial information on segments and joint ventures may be found in Notes (1), (6) and (18) of the Notes to Consolidated Financial Statements, under Part II, Item 8, herein.

(c) NARRATIVE DESCRIPTION OF BUSINESS.

(1) For geographical and operational convenience, the Company is organized into divisions. These divisions are combined into groups serving various industry segments, as follows:

a) The Fiberglass-Composite Pipe Group develops, manufactures and markets filament-wound and molded fiberglass pipe and fittings. These products are used by a wide range of process industries, including industrial, petroleum, chemical processing and petrochemical industries, for service station piping systems, aboard marine vessels and offshore oil platforms, and are marketed as an alternative to metallic piping systems which ultimately fail under corrosive operating conditions. These products are marketed directly, as well as through manufacturers' representatives, distributors and licensees. Competition is based upon quality, price and service. Manufacture of these products is carried out in the Company's plant in Burkburnett, Texas, by its wholly-owned domestic subsidiary, Centron International Inc. ("Centron"), at its plant in Mineral Wells, Texas, by wholly-owned subsidiaries in the Netherlands, Brazil, Singapore and Malaysia, and by a joint venture in Saudi Arabia.

b) The Water Transmission Group supplies products and services used in the construction of water pipelines. Five pipe manufacturing plants are located in Arizona and California. Also included within this group is American Pipe & Construction International, a wholly-owned subsidiary, with two plants in Colombia, and Tubos Y Activos, a wholly-owned subsidiary, with a plant in Mexico. These plants manufacture concrete cylinder pipe, pre-stressed concrete cylinder pipe, steel pipe and reinforced concrete pipe for water transmission, storm and industrial waste water and sewage collection. Products are marketed directly using the Company's own personnel and by competitive bidding. Customers include local, state and federal agencies, developers and general contractors. Normally no one customer or group of customers will account for sales equal to or greater than 10 percent of the Company's consolidated revenue. However, occasionally, when more than one unusually large project is in progress, combined sales to U.S., state or local government agencies and/or general contractors for those agencies can reach those proportions. Besides competing with several other welded-steel pipe and concrete pipe manufacturers located in the market area, alternative products such as ductile iron, plastic, and clay pipe compete with the Company's concrete and steel pipe products, but ordinarily these other materials do not offer the full diameter range produced by the Company. Principal methods of competition are price, delivery schedule and service. The Company's technology is used in the Middle East through affiliated companies. This segment also includes the manufacturing and marketing, on a worldwide basis directly and through manufacturers' representatives, of polyvinyl chloride and polyethylene sheet lining for the protection of concrete pipe and cast-in-place concrete structures from the corrosive effects of sewer gases, acids and industrial chemicals. Competition is based upon quality, price and service. Manufacture of this product is carried out in the Company's plant in California. Additionally, the Company manufactures large-diameter wind towers at one of its California plants for the U.S. wind-energy market. Wind towers are sold to wind turbine manufacturers based on price, quality and availability.

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c) The Infrastructure Products Group supplies ready-mix concrete, crushed and sized basaltic aggregates, dune sand, concrete pipe and box culverts, primarily to the construction industry in Hawaii, and manufactures and markets concrete and steel poles for highway, street and outdoor area lighting and for traffic signals nationwide. Ample raw materials are available locally in Hawaii. As to rock products, the Company has exclusive rights to quarries containing many years' reserves. There is only one major source of supply for cement in Hawaii. Within the market area there are competitors for each of the segment's products. No single competitor offers the full range of products sold by the Company in Hawaii. An appreciable portion of the segment's business in Hawaii is obtained through competitive bidding. Sales of poles are nationwide, but with a stronger concentration in the western and southeastern U.S. Marketing of poles is handled by the Company's own sales force and by outside sales agents. Competition for poles is mainly based on price and quality, but with some consideration for service and delivery. Poles are manufactured in two plants in California, as well as in plants in Washington, Oklahoma and Alabama.

d) The Company has three significant partially-owned affiliated companies ("joint ventures"): Ameron Saudi Arabia, Ltd. ("ASAL"), Bondstrand, Ltd. ("BL") and TAMCO. ASAL, owned 30% by the Company, manufactures and sells concrete pressure pipe to customers in Saudi Arabia. BL, owned 40% by Ameron, manufactures and sells glass reinforced epoxy pipe and fittings in Saudi Arabia. TAMCO, 50%-owned by the Company, operates a steel mini-mill in California that produces reinforcing bar sold into construction markets in the western U.S. ASAL is included in the Water Transmission Group, and BL is included in the Fiberglass-Composite Pipe Group. TAMCO is not included in the three operating groups.

e) Except as individually outlined in the above descriptions of industry segments, the following comments or situations currently apply to all segments and applied during the three years ended November 30, 2007:

(i) Raw material supplies are periodically constrained due to industry capacities. However, because of the number of manufacturing locations and the variety of raw materials essential to the business, no critical situations exist with respect to supply of materials. The Company has multiple sources for raw materials. The effects of increases in costs of energy are being mitigated to the extent practical through conservation and through addition or substitution of equipment to manage the use and reduce consumption of energy.

(ii) The Company owns certain patents and trademarks, both U.S. and foreign, related to its products. The Company licenses its patents, trademarks, know-how and technical assistance to several of its subsidiary and affiliated companies and to various third-party licensees. It licenses these proprietary items to some extent in the U.S., and to a greater degree abroad. These patents, trademarks, and licenses do not constitute a material portion of the Company's total business. No franchises or concessions exist.

(iii) Many of the Company's products are used in connection with capital goods, water and sewage transmission and construction of capital facilities. Favorable or adverse effects on general sales volume and earnings can result from weather conditions. Normally, sales volume and earnings will be lowest in the first fiscal quarter. Seasonal effects typically accelerate or slow the business volume and normally do not bring about severe changes in full-year activity.

(iv) With respect to working capital items, the Company does not encounter any requirements which are not common to other companies engaged in similar industries. No unusual amounts of inventory are required to meet seasonal delivery requirements. All of the Company's industry segments turn their inventory between four and seven times annually. Average days' sales in accounts receivable range between 33 and 171 for all segments. Excluding the $45.6 million of unbilled receivables from the Water Transmission Group, the average days’ sales would be 109 instead of 171. Due to the percentage-of-completion method of accounting used by the Water Transmission Group, which is outlined in Item 7, receivables of the Water Transmission Group may be outstanding longer than would be typical.

(v) The backlog of orders at November 30, 2007 and 2006 by industry segment is shown below. Approximately 96% of the November 30, 2007 backlog is expected to be converted to sales during 2008. The Water Transmission Group's backlog included $33.7 million of orders for large-diameter wind towers at November 30, 2007, compared to $97.1 million at the end of 2006. The decline reflects the start-up delays related to the construction of the Company's new wind tower facilities and the timing of incoming new orders scheduled for 2008 production. The backlog of concrete and steel pipe manufactured by the Water Transmission Group increased $13.4 million during 2007 due to an increase in activities in Northern California. The Fiberglass-Composite Pipe Group's backlog increased $20.1 million with growing demand for marine and oilfield piping. The backlog decreased at Infrastructure Products Group due to a decline in the residential construction markets.

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SEGMENT	2007	2006
	(in thousands)	
Water Transmission Group	$ 133,862	$ 183,802
Fiberglass-Composite Pipe Group	71,391	51,310
Infrastructure Products Group	28,512	34,866
Total	$ 233,765	$ 269,978

(vi) Except for the sale of the Coatings Business and the introduction of wind towers, the Company believes there was no significant change in competitive conditions or the competitive position of the Company in the industries and localities in which it operates. The Company is not aware of any change in the competitive situation which would be material to an understanding of the business.

(vii) Sales contracts in all of the Company's business segments normally consist of purchase orders, which in some cases are issued pursuant to master purchase agreements. Contracts seldom involve commitments of more than one year by the Company. In those instances when the Company commits to sell products under longer-term contracts, the Company will typically contractually arrange to fix a portion of the associated costs. Payment is normally due from 30 to 60 days after shipment, with progress payments prior to shipment in some circumstances. It is the Company's practice to require letters of credit prior to shipment of foreign orders, subject to limited exceptions. The Company does not typically extend long-term credit to purchasers of its products. For 2007, excluding the effect of unbilled receivables related to long-term construction contracts, trade receivable turnover was approximately five times.

(viii) A number of the Company's operations operate outside the U.S. and are affected by changes in foreign exchange rates. Sales, profits, assets and liabilities could be materially impacted by changes in foreign exchange rates. From time to time, the Company borrows in various currencies to reduce the level of net assets subject to changes in foreign exchange rates or purchases foreign exchange forward and option contracts to hedge firm commitments, such as receivables and payables, denominated in foreign currencies. The Company does not typically hedge forecasted sales or items subject to translation adjustments, such as intercompany transactions of a long-term investment nature.

(2) a) Costs during each of the last three years for research and development were $5,724,000 in 2007, $5,790,000 in 2006, and $4,567,000 in 2005, and did not include expenses incurred by the Coatings Business in 2006 and 2005. Such costs, which are included in selling, general and administrative expenses, relate primarily to the development, design and testing of products, and are expensed as incurred.

b) The Company's business is not dependent on any single customer or few customers, the loss of any one or more of whom would have a material adverse effect on its business, except as described above.

c) For many years the Company has been consistently installing or improving devices to control or eliminate the discharge of pollutants into the environment. Accordingly, compliance with federal, state, and locally-enacted provisions relating to protection of the environment did not have, and is not expected to have, a material effect upon the Company's capital expenditures, earnings, or competitive position.

d) At year-end the Company and its consolidated subsidiaries employed approximately 2,600 persons. Of those, approximately 1,000 were covered by labor union contracts. Two separate bargaining agreements are subject to renegotiation in 2008.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES.

Aggregate export sales from U.S. operations during each of the last three years were:

	In thousands
2007	$ 34,044
2006	27,811
2005	22,858

Financial information about foreign and domestic operations may be found in Notes (1), (6), and (18) of the Notes to Consolidated Financial Statements, under Part II, Item 8.

(e) AVAILABLE INFORMATION

(1) The Company's Internet address is www.ameron.com

(2) The Company makes available free of charge through its Internet website, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission (the "Commission").

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ITEM 1A - RISK FACTORS

The following discussion of risk factors may be important to understanding any statement in this Annual Report on Form 10-K. The following information should be read in conjunction with Management's Discussion and Analysis ("MD&A") and the Consolidated Financial Statements and related Notes.

The Company's businesses routinely encounter and address risks, some of which could cause the Company's future results to be materially different than presently anticipated. Discussion about the important operational risks that the Company's businesses encounter can also be found in the MD&A section and in the business descriptions in Item 1, herein.

a) The primary markets for the Company's products are cyclical and dependent on factors that may not necessarily correspond to general economic cycles. The Company's Water Transmission Group sells piping products for public works projects, which are typically dependent on taxes and fees for funding. The Fiberglass-Composite Pipe Group's performance is closely linked to the level of oil prices and the corresponding impact on oil production, processing and transport. The Infrastructure Products Group is dependent on the level of construction, especially the level of construction in Hawaii and construction of new homes for the sale of concrete poles. Therefore, the Company's activities can be materially impacted by changes in interest rates, construction cycles, changes in oil prices and constraints on governmental budgets and spending.

b) The availability and price of key raw materials can fluctuate dramatically. The Company consumes significant amounts of steel, cement, epoxy resin and fiberglass. The availability of these raw materials is subject to periodic shortages, and future allocations may not be sufficient to prevent disruption to sales of the Company and its subsidiaries. Additionally, significant increases in the cost of these raw materials could lead to significantly lower operating margins if the Company is unable to recover these cost increases through price increases to its customers.

c) Labor disruptions or labor shortages could materially impact the Company's operations. The Company's businesses are involved with heavy-duty manufacturing and materials handling. Labor is a key component of such operations, and disruptions, such as disputes and strikes, could have a material impact on the Company and its subsidiaries. Additionally, shortages of skilled labor, such as welders, could periodically impact the Company's costs and profitability.

d) Claims associated with the Company's performance can be relatively large. The Company sells products that may be essential to the use of large, multi-million-dollar, infrastructure projects, such as water and sewer systems, offshore platforms, marine vessels, petrochemical plants, roads, and large construction projects. Additionally, the Company sells products used in critical applications, such as to protect against corrosion or to convey hazardous materials. Use of the Company's products in such applications could expose the Company to large potential product liability risks which are inherent in the design, manufacture and sale of such products. A series of successful claims against the Company could materially and adversely affect its reputation, financial condition and results of operations.

e) TAMCO's profitability could be significantly reduced by a sharp increase in costs and/or a significant increase in foreign imports of rebar into TAMCO's markets in the western U.S. TAMCO, the Company's 50%-owned joint venture that manufactures steel rebar in California, has historically contributed to the Company's earnings and paid significant dividends to the Company. TAMCO uses large quantities of natural gas, electricity, and scrap metal. A major spike in energy or scrap costs without a corresponding increase in TAMCO's selling price of its rebar could result in a dramatic decline in profitability. TAMCO's ability to raise prices could be limited due to competitive pressures, including imports of foreign-sourced rebar.

f) A significant part of the Company's assets and profits are located or generated outside the U.S., with an associated foreign exchange and country risk. The Company and it subsidiaries operate in several countries outside the U.S. A significant change in the value of foreign currencies, political stability, trade restrictions, the impact of foreign government regulations, or economic cycles in foreign countries could materially impact the Company.

g) The returns from the Company's new investment in wind-tower capabilities are dependent on future demand which could be impacted by changes in government policy, energy prices or tax credits. The Company is completing a major expansion program to enhance its capabilities to produce wind towers used for wind-generated electricity. The current demand for wind-generated power is driven by high energy prices and tax credits. The demand for wind towers could subside if the tax credits are not renewed at the end of 2008 and/or if oil prices fall significantly so that wind energy is less competitive. Additionally, the Company’s entry into this new market may not meet forecasted expectations due to entry costs and competitive pressures.

h) The Company's quarterly results are subject to significant fluctuation. The Company's sales and net income can fluctuate significantly from quarter to quarter due to production and delivery schedules of major orders and the seasonal variation in demand for certain of the Company's products, particularly in the Water Transmission Group. Operating results in any quarterly period are not necessarily indicative of results for any future quarterly period, and comparisons between periods may not be meaningful. The Company sells products which are installed outdoors; and, therefore, demand for the Company's products can be affected by weather conditions.

i) Limits on the Company's ability to significantly influence or control partially-owned joint ventures could restrict the future operations of such ventures and the amount of cash available to the Company from such joint ventures. Without control, the Company cannot solely dictate the dividend or operating policies of joint ventures without the cooperation of the respective joint-venture partners.

j) The Company’s relatively low trading volume could limit a shareholder's ability to trade the Company's shares. The Company's shares are traded on the New York Stock Exchange; however, the average trading volume can be considered to be relatively low. As a result, shareholders could have difficulty in selling or buying a large number of the Company's shares in the manner or at a price that might otherwise be possible if the shares were more actively traded.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

(a) The location and general character of principal plants and other materially important physical properties used in the Company's operations are tabulated below. Property is owned in fee simple except where otherwise indicated by footnote. In addition to the property shown, the Company owns vacant land adjacent to or in the proximity of some of its operating locations and holds this property available for use when it may be needed to accommodate expanded or new operations. The Company also has properties formerly used in the Coatings Business that are being held for sale. Listed properties do not include any temporary project sites which are generally leased for the duration of the respective projects or leased or owned warehouses that could be easily replaced. With the exception of the Kailua, Oahu property, shown under the Infrastructure Products Group industry segment, there are no material leases with respect to which expiration or inability to renew would have a material adverse effect on the Company's operations. The lease term on the Kailua property extends to 2052. Kailua is the principal source of quarried rock and aggregates for the Company's operations on Oahu, Hawaii; and, in management's opinion, rock reserves are adequate for its requirements during the term of the lease.

(b) The Company believes that its existing facilities are adequate for current and presently foreseeable operations. Because of the cyclical nature of certain of the Company's operations and the substantial amounts involved in some individual orders, the level of utilization of particular facilities may vary significantly from time to time in the normal course of operations.

AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

INDUSTRY SEGMENT - GROUP

Division - Location	Description
FIBERGLASS-COMPOSITE PIPE GROUP	
Fiberglass Pipe Division - USA	
Houston, TX	*Office
Burkburnett, TX	Office, Plant
Centron International, Inc.	
Mineral Wells, TX	Office, Plant
Ameron B.V.	
Geldermalsen, the Netherlands	Office, Plant
Ameron (Pte) Ltd.	
Singapore	*Office, Plant
Ameron Malaysia Sdn. Bhd.	
Malaysia	*Office, Plant
Ameron Polyplaster	
Brazil	Office, Plant
WATER TRANSMISSION GROUP	
Rancho Cucamonga, CA	*Office
Rancho Cucamonga, CA	Office, Plant
Fontana, CA	Office, Plant
Lakeside, CA	Office, Plant
Phoenix, AZ	Office, Plant
Tracy, CA	Office, Plant
Protective Linings Division	
Brea, CA	Office, Plant
Tubos California	
Pasadena, CA	*Office
Tubos Y Activos	
Mexicali, Mexico	*Office, Plant
American Pipe & Construction International	
Bogota, Colombia	Office, Plant
Cali, Colombia	Office, Plant
INFRASTRUCTURE PRODUCTS GROUP	
Hawaii Division	
Honolulu, Oahu, HI	*Office, Plant
Kailua, Oahu, HI	*Plant, Quarry
Barbers Point, Oahu, HI	Office, Plant
Puunene, Maui, HI	*Office, Plant, Quarry
Pole Products Division	
Ventura, CA	*Office
Fillmore, CA	Office, Plant
Oakland, CA	*Plant
Everett, WA	*Office, Plant
Tulsa, OK	*Office, Plant

Anniston, AL	*Office, Plant
CORPORATE	
Corporate Headquarters	
Pasadena, CA	*Office
Houston, TX	Warehouse
Hull, UK	**Office, Plant
Corporate Research & Engineering	
Long Beach, CA	*Office
South Gate, CA	Office, Laboratory

*Leased
**Held for Sale

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ITEM 3 - LEGAL PROCEEDINGS

The Company is one of numerous defendants in various asbestos-related personal injury lawsuits. These cases generally seek unspecified damages for asbestos-related diseases based on alleged exposure to products previously manufactured by the Company and others, and at this time the Company is generally not aware of the extent of injuries allegedly suffered by the individuals or the facts supporting the claim that injuries were caused by the Company's products. Based upon the information available to it at this time, the Company is not in a position to evaluate its potential exposure, if any, as a result of such claims or future similar claims, if any, that may be filed. Hence, no amounts have been accrued for loss contingencies related to these lawsuits in accordance with Statements of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies." The Company continues to vigorously defend all such lawsuits. As of November 30, 2007, the Company was a defendant in asbestos-related cases involving 60 claimants, compared to 145 claimants as of November 30, 2006. The Company is not in a position to estimate the number of additional claims that may be filed against it in the future. For the year ended November 30, 2007, there were new claims involving 19 claimants, dismissals and/or settlements involving 104 claimants and no judgments. Net costs and expenses incurred by the Company for the year ended November 30, 2007 in connection with asbestos-related claims were approximately $.2 million.

As of November 30, 2006, the Company was one of numerous defendants in various silica-related personal injury lawsuits involving seven claimants. As of November 30, 2007, the Company was no longer a defendant in any silica-related cases. No net costs and expenses were incurred by the Company for the year ended November 30, 2007 in connection with silica-related claims.

In May 2003, Dominion Exploration and Production, Inc. and Pioneer Natural Resources USA, Inc. (collectively "Dominion") brought an action against the Company in Civil District Court for the Parish of Orleans, Louisiana as owners of an offshore production facility known as a SPAR. Dominion seeks damages allegedly sustained by it resulting from delays in delivery of the SPAR caused by the removal and replacement of certain coatings containing lead and/or lead chromate for which the manufacturer of the SPAR alleged the Company was responsible. Dominion contends that the Company made certain misrepresentations and warranties to Dominion concerning the lead-free nature of those coatings. Dominion's petition as filed alleged a claim for damages in an unspecified amount; however, Dominion's economic expert has since estimated Dominion's damages at approximately $128 million, a figure which the Company contests. This matter is in discovery and no trial date has yet been established. The Company believes that it has meritorious defenses to this action. Based upon the information available to it at this time, the Company is not in a position to evaluate the ultimate outcome of this matter.

In April 2004, Sable Offshore Energy Inc. ("Sable"), as agent for certain owners of the Sable Offshore Energy Project, brought an action against various coatings suppliers and application contractors, including the Company and two of its subsidiaries, Ameron (UK) Limited and Ameron B.V. (collectively "Ameron Subsidiaries") in the Supreme Court of Nova Scotia, Canada. Sable seeks damages allegedly sustained by it resulting from performance problems with several coating systems used on the Sable Offshore Energy Project, including coatings products furnished by the Company and the Ameron Subsidiaries. Sable's originating notice and statement of claim alleged a claim for damages in an unspecified amount; however, Sable has since alleged that its claim for damages against all defendants is approximately 428 million Canadian dollars, a figure which the Company and the Ameron Subsidiaries contest. This matter is in discovery, and no trial date has yet been established. The Company believes that it has meritorious defenses to this action. Based upon the information available to it at this time, the Company is not in a position to evaluate the ultimate outcome of this matter.

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 are either adequately reserved, covered by insurance, or would not have a material effect on the Company's financial position, cash flows, or its results of operations if disposed of unfavorably.

The Company is 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. 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, cash flows, or its results of operations.

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ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter submitted to a vote of security holders during the fourth quarter of 2007.

Executive Officers of the Registrant

The following sets forth information with respect to individuals who served as executive officers as of November 30, 2007 and who are not directors of the Company. All executive officers are appointed by the Board of Directors to serve at the discretion of the Board of Directors.

Name	Age	Title and Year Elected as Officer	
Daniel J. Emmett	47	Vice President, Controller	2006
Ralph S. Friedrich	60	Vice President-Research & Engineering	2003
James R. McLaughlin	60	Senior Vice President-Chief Financial Officer & Treasurer	1997
Terrence P. O'Shea	61	Vice President-Human Resources	2003
Javier Solis	61	Senior Vice President of Administration, Secretary & General Counsel	1984
Gary Wagner	56	Executive Vice President & Chief Operating Officer	1990

All of the executive officers named above, except Daniel J. Emmett, have held high-level managerial or executive positions with the Company for more than the past five years. Daniel J. Emmett was appointed Vice President, Controller on January 11, 2006, after having served as Group Controller for the Fiberglass-Composite Pipe Group since July 2004. Prior to joining the Company, he was Corporate Controller for Bearcom from 2002 to 2004 and Director of International Accounting for Blockbuster from 2000 to 2002.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock, $2.50 par value, of the Company, its only outstanding class of common equity, is traded on the New York Stock Exchange ("NYSE"), the only exchange on which it is presently listed. On January 24, 2008, there were 984 stockholders of record of such stock, based on the information provided by the Company's transfer agent, Computershare. Information regarding incentive stock compensation plans may be found in Note (13) of the Notes to Consolidated Financial Statements, under Part II, Item 8.

Dividends have been paid each quarter during the prior two years. Information as to the amount of dividends paid during the reporting period and the high and low prices of the Company's Common Stock during such period are set out in Supplementary Data - Quarterly Financial Data (Unaudited) following the Notes to Consolidated Financial Statements, under Part II, Item 8.

Terms of lending agreements which place restrictions on cash dividends are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7, herein, and Note (11) of the Notes to Consolidated Financial Statements, under Part II, Item 8.

STOCK PRICE PERFORMANCE GRAPH

The following line graph compares the yearly changes in the cumulative total return of the Company’s Common Stock against the cumulative total return of the NYSE Market Value Index and the Peer Group Composite Index described below for the period of the Company’s five fiscal years commencing December 1, 2002 and ended November 30, 2007. The comparison assumes $100 invested in stock on December 1, 2002. Total return assumes reinvestment of dividends. The Company’s stock price performance over the years indicated below does not necessarily track the operating performance of the Company nor is it necessarily indicative of future stock price performance.

In 2007 the Company changed the companies comprising its Peer Group Composite Index due to the sale of its Coatings Business in 2006, which represented 30% of the companies in the old Peer Group Composite Index. The new Peer Group Composite Index is comprised of the following companies: Ameron International, Dresser-Rand Group, Inc., Gibraltar Industries, Inc., Grant Prideco Inc., Lufkin Industries Inc., Martin Marietta Material, National Oilwell Varco, Inc., Northwest Pipe Co., Schnitzer Steel Industries, Inc. Texas Industries Inc., Trinity Industries Inc., Valmont Industries, Inc. and Vulcan Materials Co.

AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

	Dec-02	Nov-03	Nov-04	Nov-05	Nov-06	Nov-07
Ameron International Corporation	100	118.54	139.59	168.89	286.28	406.88
NYSE Market Value Index	100	117.77	135.05	150.32	174.84	192.41
New Peer Group Composite Index	100	121.36	169.73	237.43	301.84	376.30
Old Peer Group Composite Index (1)	100	120.86	156.77	195.79	242.95	258.02

(1) The old Peer Group Composite Index is based upon a 70% Buildings Materials Companies Component and a 30% Protective Coatings Companies Component. The Buildings Materials Companies Component is comprised of the following companies: Advanced Environ Recycle, American Woodmark Corp., Ameron, Armstrong Holdings Inc., Bairnco Corp., Ceradyne, Inc., Griffon Corp., Insituform Technols CLA, Martin Marietta Material, NCI Building Systems Inc., Shaw Group Inc., Southwall Technologies, T-3 Energy Services Inc., USG Corp. and Vulcan Materials Co. The Protective Coatings Companies Component is comprised of the following companies: Ameron, PPG Industries, Inc., RPM International, Inc., Sherwin-Williams Co. and Valspar Corp.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) Of Shares (or Units) that May Yet Be Purchased Under The Plans or Programs**
8/27/07 thru 9/23/07	-	N/A	-	32,520
9/24/07 thru 10/28/07	-	N/A	-	32,520
10/29/07 thru 11/30/07	158	$105.78	-	32,345

**Shares may be repurchased by the Company to pay taxes applicable to the vesting of restricted stock. The number of shares assumes an average statutory withholding rate of 40.6% and does not include shares which may be repurchased to pay social security taxes applicable to the vesting of such restricted stock.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

ITEM 6 - SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Year ended November 30,				
(Dollars in thousands, except per share data)	2007	2006	2005	2004	2003
PER COMMON SHARE DATA (1)					
Basic earnings per share:					
Income from continuing operations	$ 6.77	$ 5.73	$ 3.51	$ 1.35	$ 3.00
Income from discontinued operations, net of taxes	.68	.25	.37	.28	.77
Net income	7.45	5.98	3.88	1.63	3.77
Diluted earnings per share:					
Income from continuing operations	6.73	5.64	3.44	1.32	2.92
Income from discontinued operations, net of taxes	.67	.24	.36	.27	.75
Net income	7.40	5.88	3.80	1.59	3.67
Weighted-average shares (basic)	9,029,487	8,731,839	8,410,563	8,270,487	7,925,229
Weighted-average shares (diluted)	9,090,846	8,871,695	8,579,194	8,448,987	8,149,460
Dividends	.90	.80	.80	.80	.76
Stock price - high	109.60	80.01	46.61	40.05	35.53
Stock price - low	64.35	44.66	31.76	28.60	24.89
Price/earnings ratio (range)	15-9	14-8	12-8	25-18	10-7
OPERATING RESULTS					
Sales	$ 631,010	$ 549,180	$ 494,767	$ 406,230	$ 410,215
Gross profit	146,029	132,389	125,210	92,209	110,221
Interest income/(expense), net	1,927	(1,682)	(5,520)	(5,522)	(6,755)
Provision for income taxes	(10,359)	(10,905)	(11,040)	(4,789)	(9,474)
Equity in earnings of joint venture, net of taxes	15,383	13,550	9,005	10,791	614
Income from continuing operations	61,140	50,060	29,509	11,151	23,808
Income from discontinued operations, net of taxes	6,099	2,140	3,101	2,308	6,092
Net income	67,239	52,200	32,610	13,459	29,900
Net income/sales	10.7%	9.5%	6.6%	3.3%	7.3%
Return on equity	16.6%	15.8%	11.3%	5.0%	12.8%

FINANCIAL CONDITION AT YEAR-END (2)					
Working capital	$ 314,339	$ 280,467	$ 216,126	$ 180,813	$ 177,009
Property, plant and equipment, net	173,731	134,470	154,665	153,651	150,586
Investments in joint ventures					
Equity method	14,677	14,501	13,777	16,042	13,064
Cost method	3,784	3,784	5,922	5,922	5,479
Total assets	705,812	616,351	578,036	543,937	533,492
Long-term debt, less current portion	57,593	72,525	77,109	75,349	86,044
CASH FLOW (2)					
Expenditures for property, plant and equipment	$ 47,697	$ 35,519	$ 25,371	$ 18,312	$ 17,107
Depreciation and amortization	17,034	17,440	18,924	18,897	18,371

(1) Share and per share data reflect a two-for-one stock split declared in 2003.

(2) Amounts include both continuing and discontinued operations.

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ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Ameron International Corporation ("Ameron" or the "Company") is a multinational manufacturer of highly-engineered products and materials for the chemical, industrial, energy, transportation and infrastructure markets. Ameron is a leading producer of water transmission lines; fiberglass-composite pipe for transporting oil, chemicals and corrosive fluids and specialized materials and products used in infrastructure projects. The Company operates businesses in North America, South America, Europe and Asia. The Company has three reportable segments. The Fiberglass-Composite Pipe Group manufactures and markets filament-wound and molded composite fiberglass pipe, tubing, fittings and well screens. The Water Transmission Group manufactures and supplies concrete and steel pressure pipe, concrete non-pressure pipe, protective linings for pipe and fabricated steel products, such as large-diameter wind towers. The Infrastructure Products Group consists of two operating segments, which are aggregated: the Hawaii Division which manufactures and sells ready-mix concrete, sand and aggregates, concrete pipe and culverts and the Pole Products Division which manufactures and sells concrete and steel lighting and traffic poles. The markets served by the Fiberglass-Composite Pipe Group are worldwide in scope. The Water Transmission Group serves primarily the western U.S. for pipe and sells wind-towers primarily west of the Mississippi river. The Infrastructure Products Group's quarry and ready-mix business operates exclusively in Hawaii, and poles are sold throughout the U.S. Ameron also participates in several joint-venture companies, directly in the U.S. and Saudi Arabia, and indirectly in Egypt.

During the third quarter of 2006, the Company sold its Performance Coatings & Finishes business ("Coatings Business"). The results from this segment have been reported as discontinued operations for all the reporting periods. Accordingly, the following discussions generally reflect summary results from continuing operations unless otherwise noted. However, the net income and net income per share discussions include the impact of discontinued operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Liquidity and Capital Resources and Results of Operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires Management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities during the reporting periods. Management bases its estimates on historical experience and on 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. Actual results could differ from those estimates.

A summary of the Company's significant accounting policies is provided in Note (1) of the Notes to Consolidated Financial Statements, under Part II, Item 8. In addition, Management believes the following accounting policies affect the more significant estimates used in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of Ameron International Corporation and all wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated. The functional currencies for the Company's foreign operations are the applicable local currencies. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted-average exchange rate during the period. The resulting translation adjustments are recorded in accumulated other comprehensive income/(loss). The Company advances funds to certain foreign subsidiaries that are not expected to be repaid in the foreseeable future. Translation adjustments arising from these advances are also included in accumulated other comprehensive income/(loss). The timing of repayments of intercompany advances could materially impact the Company's consolidated financial statements. Additionally, earnings of foreign subsidiaries are often permanently reinvested outside the U.S. Unforeseen repatriation of such earnings could result in significant unrecognized U.S. tax liability. Gains or losses resulting from foreign currency transactions are included in other income, net.

Revenue for the Fiberglass-Composite Pipe and Infrastructure Products segments is recognized when risk of ownership and title pass, primarily at the time goods are shipped, provided that an agreement exists between the customer and the Company, the price is fixed or determinable and collection is reasonably assured. Revenue is recognized for the Water Transmission Group primarily under the percentage-of-completion method, typically based on completed units of production, since products are manufactured under enforceable and binding construction contracts, typically are designed for specific applications, are not interchangeable between projects, and are not manufactured for stock. Revenue for the period is determined by multiplying total estimated contract revenue by the percentage-of-completion of the contract and then subtracting the amount of previously recognized revenue. Cost of earned revenue is computed by multiplying estimated contract completion cost by the percentage-of-completion of the contract and then subtracting the amount of previously recognized cost. In some cases, if products are manufactured for stock or are not related to specific construction contracts, revenue is recognized under the same criteria used by the other two segments. Revenue under the percentage-of-completion method is subject to a greater level of estimation, which affects the timing of revenue recognition, costs and profits. Estimates are reviewed on a consistent basis and are adjusted periodically to reflect current expectations. Costs attributable to unpriced change orders are treated as costs of contract performance in the period, and contract revenue is recognized if recovery is probable. Disputed or unapproved change orders are treated as claims. Recognition of amounts of additional contract revenue relating to claims occurs when amounts have been received or awarded with recognition based on the percentage-of-completion methodology.

The Company expenses environmental clean-up costs related to existing conditions resulting from past or current operations on a site-by-site basis. Liabilities and costs associated with these matters, as well as other pending litigation and asserted claims arising in the ordinary course of business, require estimates of future costs and judgments based on the knowledge and experience of management and its legal counsel. When the Company's exposures can be reasonably estimated and are probable, liabilities and expenses are recorded. The ultimate resolution of any such exposure to the Company may differ due to subsequent developments.

Inventories are stated at the lower of cost or market with cost determined principally on the first-in, first-out ("FIFO") method. Certain steel inventories used by the Water Transmission Group are valued using the last-in, first-out ("LIFO") method. Significant changes in steel levels or costs could materially impact the Company's financial statements. Reserves are established for excess, obsolete and rework inventories based on estimates of salability and forecasted future demand. Management records an allowance for doubtful accounts receivable based on historical experience and expected trends. A significant reduction in demand or a significant worsening of customer credit quality could materially impact the Company’s consolidated financial statements.

Investments in unconsolidated joint ventures or affiliates ("joint ventures") over which the Company has significant influence are accounted for under the equity method of accounting, whereby the investment is carried at the cost of acquisition, plus the Company's equity in undistributed earnings or losses since acquisition. Investments in joint ventures over which the Company does not have the ability to exert significant influence over the investees' operating and financing activities are accounted for under the cost method of accounting. The Company's investment in TAMCO, a steel mini-mill in California, is accounted for under the equity method. Investments in Ameron Saudi Arabia, Ltd. and Bondstrand, Ltd. are accounted for under the cost method due to management's current assessment of the Company's influence over these joint ventures.

Property, plant and equipment is stated on the basis of cost and depreciated principally using a straight-line method based on the estimated useful lives of the related assets, generally three to 40 years. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the estimated future, undiscounted cash flows from the use of an asset are less than its carrying value, a write-down is recorded to reduce the related asset to estimated fair value. Actual cash flows may differ significantly from estimated cash flows. Additionally, current estimates of future cash flows may differ from subsequent estimates of future cash flows. Changes in estimated or actual cash flows could materially impact the Company's consolidated financial statements.

The Company is self-insured for a portion of the losses and liabilities primarily associated with workers' compensation claims and general, product and vehicle liability. Losses are accrued based upon the Company's estimates of the aggregate liability for claims incurred using historical experience and certain actuarial assumptions followed in the insurance industry. The estimate of self-insurance liability includes an estimate of incurred but not reported claims, based on data compiled from historical experience. Actual experience could differ significantly from these estimates and could materially impact the Company's consolidated financial statements. The Company purchases varying levels of insurance to cover losses in excess of the self-insured limits. Currently, the Company's primary self-insurance limits are $1.0 million per workers' compensation claim, $.1 million per general, property or product liability claim, and $.25 million per vehicle liability claim.

The Company follows the guidance of Statement of Financial Accounting Standards ("SFAS") No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, SFAS No. 87, Employers' Accounting for Pensions, and SFAS No. 106, Employers’ Accounting for Postretirement Benefits Other Than Pensions, when accounting for pension and other postretirement benefits. Under these accounting standards, assumptions are made regarding the valuation of benefit obligations and the performance of plan assets that are controlled and invested by third-party fiduciaries. Delayed recognition of differences between actual results and expected or estimated results is a guiding principle of these standards. Such delayed recognition provides a gradual recognition of benefit obligations and investment performance over the working lives of the employees who benefit under the plans, based on various assumptions. Assumed discount rates are used to calculate the present values of benefit payments which are projected to be made in the future, including projections of increases in employees' annual compensation and health care costs. Management also projects the future returns on invested assets based principally on prior performance. These projected returns reduce the net benefit costs the Company records in the current period. Actual results could vary significantly from projected results, and such deviations could materially impact the Company's consolidated financial statements. Management consults with the Company’s actuaries when determining these assumptions. Program changes, including termination, freezing of benefits or acceleration of benefits, could result in an immediate recognition of unrecognized benefit obligations and such recognition could materially impact the Company's consolidated financial statements.

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During 2007, the Company changed the assumed discount rate, and projected rates of increase in compensation levels and health care costs. The discount rate is based on market interest rates. At November 30, 2007, the Company increased the discount rate from 5.95% to 6.15% as a result of the then-current market interest rates on long-term, fixed-income debt securities of highly-rated corporations. In estimating the expected return on assets, the Company considers past performance and future expectations for various types of investments as well as the expected long-term allocation of assets. At November 30, 2007, the Company maintained the expected long-term rate of return on assets assumption at 8.75% to reflect the expectations for future returns in the equity markets. In projecting the rate of increase in compensation levels, the Company considers movements in inflation rates as reflected by market interest rates. At November 30, 2007, the Company increased the assumed annual rate of compensation increase from 3.45% to 3.65%. In selecting the rate of increase in health care costs, the Company considers past performance and forecasts of future health care cost trends. At November 30, 2007, the Company increased the rate of increase in health care costs from 9% to 10%, decreasing ratably until reaching 5% in 2012 and beyond.

Different assumptions would impact the Company's projected benefit obligations and annual net periodic benefit costs related to pensions, and the accrued other benefit obligations and benefit costs related to postretirement benefits. The following reflects the impact associated with a change in certain assumptions:

	1% Increase		1% Decrease	
(In thousands)	Increase/ (Decrease) in Benefit Obligations	Increase/ (Decrease) in Benefit Costs	Increase/ (Decrease) in Benefit Obligations	Increase/ (Decrease) in Benefit Costs
Discount rate:				
Pensions	$ (26,323)	$ (2,941)	$ 31,826	$ 3,905
Other postretirement benefits	(333)	(27)	393	25
Expected rate of return on assets	N/A	(1,898)	N/A	1,898
Rate of increase in compensation levels	2,597	637	(2,357)	(576)
Rate of increase in health care costs	182	25	(154)	(20)

Additional information regarding pensions and other postretirement benefits is disclosed in Note (16) of Notes to Consolidated Financial Statements, under Part II, Item 8.

Management incentive compensation is accrued based on current estimates of the Company's ability to achieve short-term and long-term performance targets.

Deferred income tax assets and liabilities are computed for differences between the financial statement and income tax bases of assets and liabilities. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized. Quarterly income taxes are estimated based on the mix of income by jurisdiction forecasted for the full fiscal year. The Company believes that it has adequately provided for tax-related matters. The Company is subject to examination by taxing authorities in various jurisdictions. Matters raised upon audit may involve substantial amounts, and an adverse finding could have a material impact on the Company's consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion combines the impact of both continuing and discontinued operations unless otherwise noted.

As of November 30, 2007, the Company's working capital, including cash and cash equivalents, totaled $314.3 million, an increase of $33.8 million, from working capital of $280.5 million as of November 30, 2006. The increase was caused by higher business activity. All of the Company's industry segments had inventory turns of between four and seven times per year. Average days' sales in accounts receivable ranged between 33 and 171 for all segments. Cash and cash equivalents totaled $155.4 million as of November 30, 2007, compared to $139.5 million as of November 30, 2006.

In accordance with SFAS No. 95, Statement of Cash Flows, the consolidated statements of cash flows include cash flows for both continuing and discontinued operations. During 2007, net cash of $63.2 million was generated from operating activities of continuing and discontinued operations, compared to $16.8 million generated in 2006. The higher operating cash flow in 2007 was primarily due to higher earnings, excluding non-cash items and asset sales, and lower growth in operating assets and liabilities. In 2006, the Company's cash from operating activities included net income of $52.2 million, less gain on sale of assets and loss from sale of discontinued operations of $8.7 million, plus non-cash adjustments (depreciation, amortization, deferred taxes, dividends from joint-ventures less than equity income and stock compensation expense) of $14.8 million, offset by changes in operating assets and liabilities of $41.5 million. In 2007, the Company's cash provided by operating activities included net income of $67.2 million, less gain on sale of assets and discontinued operations of $5.9 million, plus similar non-cash adjustments of $28.3 million, offset by corresponding changes in operating assets and liabilities of $26.4 million. The lower operating cash flow in 2006, compared to 2005, was primarily due to higher earnings, excluding the gains on property sales in both years, that were more than offset by an increase in net operating capital related to higher sales in 2006. In 2005, $37.2 million of cash was generated from operating activities. Cash from operating activities included net income of $32.6 million, less gain on sale of assets of $1.6 million, plus similar non-cash adjustments of $24.2 million, offset by changes in operating assets and liabilities of $18.0 million.

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Net cash used in investing activities totaled $37.1 million in 2007, compared to $89.7 million generated in 2006. In 2007, the Company generated net proceeds of $16.6 million from the sale of assets, including certain retained properties used by the former Coatings Business. In 2006, the Company generated net proceeds of $10.3 million from the sale of assets. In addition, the Company generated proceeds of $115.0 million from the sale of the Coatings Business in 2006. Net cash used in investing activities included capital expenditures of $47.7 million in 2007, compared to $34.5 million in 2006. In addition to capital expenditures for normal replacement and upgrades of machinery and equipment in both 2006 and 2007, the Company spent $10.8 million and $22.1 million, respectively, to enhance the capabilities of its steel fabrication plant in California to manufacture large-diameter wind towers. Additionally, the Company acquired a Brazilian fiberglass-pipe operation in 2007 for approximately $6.0 million, plus an earn out that could total $1.5 million based on the future performance of the acquired business. In 2006, the assets of a Mexican steel fabrication operation were acquired for approximately $1.0 million. Net cash used in investing activities totaled $21.5 million in 2005, which consisted of $3.9 million from the sale of assets, offset by capital expenditures of $25.4 million. During the year ending November 30, 2008, the Company anticipates spending between $30 and $80 million on capital expenditures. Capital expenditures are expected to be funded by existing cash balances, cash generated from operations or additional borrowings.

Net cash used in financing activities totaled $16.5 million during 2007, compared to $14.0 million in 2006. Net cash used in 2007 consisted of net payment of debt of $10.2 million, payment of Common Stock dividends of $8.2 million and treasury stock purchases of $1.6 million, related to the payment of taxes associated with the vesting of restricted shares. Also in 2007, the Company received $1.6 million from the issuance of Common Stock related to exercised stock options and recognized tax benefits related to stock-based compensation of $2.0 million. Net cash used in 2006 consisted of net payment of debt of $16.1 million, payment of Common Stock dividends of $7.1 million and similar treasury stock purchases of $1.2 million. In 2006, the Company received $8.0 million from the issuance of Common Stock related to exercised stock options and recognized tax benefits related to stock-based compensation of $2.5 million. No net cash was provided by financing activities in 2005. Cash used in 2005 consisted of payment of Common Stock dividends of $6.8 million, debt issuance costs of $.3 million, offset by net issuance of debt of $2.4 million, and a total of $4.8 million from issuance of Common Stock related to the exercise of stock options and treasury shares used to pay withholding taxes on vested restricted shares.

The Company utilizes a $100.0 million revolving credit facility with six banks (the "Revolver"). Under the Revolver, the Company may, at its option, borrow at floating interest rates (LIBOR plus a spread ranging from .75% to 1.625%, determined based on the Company’s financial condition and performance), at any time until September 2010, when all borrowings under the Revolver must be repaid.

The Company's lending agreements contain various restrictive covenants, including the requirement to maintain specified amounts of net worth and restrictions on cash dividends, borrowings, liens, investments, guarantees, and financial covenants. The Company is required to maintain consolidated net worth of $181.4 million plus 50% of net income and 75% of proceeds from any equity issued after January 24, 2003. The Company's consolidated net worth exceeded the covenant amount by $157.1 million as of November 30, 2007. The Company is required to maintain a consolidated leverage ratio of consolidated funded indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA") of no more than 2.5 times. At November 30, 2007, the Company maintained a consolidated leverage ratio of .83 times EBITDA. Lending agreements require that the Company maintain qualified consolidated tangible assets at least equal to the outstanding secured funded indebtedness. At November 30, 2007, qualifying tangible assets equaled 2.68 times funded indebtedness. Under the most restrictive fixed charge coverage ratio, the sum of EBITDA and rental expense less cash taxes must be at least 1.50 times the sum of interest expense, rental expense, dividends and scheduled funded debt payments. At November 30, 2007, the Company maintained such a fixed charge coverage ratio of 3.09 times. Under the most restrictive provisions of the Company's lending agreements, approximately $27.3 million of retained earnings was not restricted, at November 30, 2007, as to the declaration of cash dividends or the repurchase of Company stock. At November 30, 2007, the Company was in compliance with all covenants.

Cash and cash equivalents at November 30, 2007 totaled $155.4 million, an increase of $16.0 million from November 30, 2006. At November 30, 2007, the Company had total debt outstanding of $74.6 million, compared to $82.5 million at November 30, 2006, and approximately $109.2 million in unused committed and uncommitted credit lines available from foreign and domestic banks. The Company's highest borrowing and the average borrowing levels during 2007 were $84.3 million and $81.3 million, respectively.

The Company contributed $3.0 million to the U.S. pension and $.7 million to the non-U.S. pension plans in 2007. The Company expects to contribute approximately $3.0 million to its U.S. pension plan and $1.2 million to the non-U.S. pension plans in 2008.

Management believes that cash flow from operations and current cash balances, together with currently available lines of credit, will be sufficient to meet operating requirements in 2008. Cash available from operations could be affected by any general economic downturn or any decline or adverse changes in the Company's business, such as a loss of customers or significant raw material price increases. Management does not believe it likely that business or economic conditions will worsen or that costs will increase sufficiently to impact short-term liquidity.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

The Company's contractual obligations and commercial commitments at November 30, 2007 are summarized as follows (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt (a)	$ 74,648	$ 17,055	$ 27,784	$ 14,109	$ 15,700
Interest payments on debt (b)	13,077	2,981	4,365	2,095	3,636
Operating leases	38,455	4,289	7,665	4,574	21,927
Purchase obligations (c)	528	528	-	-	-
Total contractual obligations (d)	$ 126,708	$ 24,853	$ 39,814	$ 20,778	$ 41,263

	Commitments Expiring Per Period				
Contractual Commitments	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Standby letters of credit (e)	$ 3,123	$ 3,123	$ -	$ -	$ -
Total commercial commitments (d)	$ 3,123	$ 3,123	$ -	$ -	$ -

(a) Included in long-term debt is $3,674 outstanding under a revolving credit facility, due in 2010, supported by the Revolver.
(b) Future interest payments related to debt obligations, excluding the Revolver and the industrial development bonds.
(c) Obligation to purchase sand used in the Company's ready-mix operations in Hawaii.
(d) The Company has no capitalized lease obligations, unconditional purchase obligations or standby repurchases obligations.
(e) Not included are standby letters of credit totaling $16,067 supporting industrial development bonds with principal of $15,700. The principal amount of the industrial development bonds is included in long-term debt. The standby letters of credit are issued under the Revolver.

RESULTS OF OPERATIONS: 2007 COMPARED WITH 2006

General

Income from continuing operations totaled $61.1 million, or $6.73 per diluted share, on sales of $631.0 million for the year ended November 30, 2007, compared to $50.1 million, or $5.64 per diluted share, on sales of $549.2 million in 2006. All segments had higher sales, and all segments had higher profits due to generally-improved market conditions, except the Water Transmission Group. Income from continuing operations was higher due primarily to sales growth, interest income, higher equity income and a lower effective tax rate. Equity in earnings of TAMCO, Ameron's 50%-owned steel mini-mill in California, increased by $1.8 million in 2007, compared to 2006.

Income from discontinued operations, net of taxes, totaled $6.1 million, or $.67 per diluted share, in 2007, compared to $2.1 million, or $.24 per diluted share, in 2006.

The Fiberglass-Composite Pipe Group achieved record sales and profits in 2007 as a result of continued strong demand in the oilfield, industrial and marine piping markets worldwide. The Infrastructure Products Group had higher sales and profits due to the strong construction sector in Hawaii, which more than offset a decline in sales and profits from the Pole Products Division. The Water Transmission Group reported higher sales but a loss due to the timing of water pipe projects and the start-up costs and delays in the construction of a new wind tower manufacturing facility.

Sales

Sales increased $81.8 million in 2007, compared to 2006. Sales increased due to higher demand for marine piping, the impact of foreign exchange rates on the Company’s Asian and European operations and higher demand for construction materials in Hawaii due to the continued strength in governmental and commercial construction spending.

Fiberglass-Composite Pipe's sales increased $61.1 million, or 34.6%, in 2007, compared to 2006. Sales from operations in the U.S. increased $6.9 million in 2007 primarily due to increased demand for industrial piping, which offset a decline in demand for onshore oilfield piping. Sales from Asian subsidiary operations increased $31.6 million in 2007, driven by activity in the industrial, marine and offshore segments and the impact of foreign exchange. Sales from European operations increased $21.3 million in 2007 due to growth in industrial, oilfield and marine markets and the impact of foreign exchange. The Brazilian business acquired in October 2007 contributed sales of $1.3 million. The strong demand for oilfield, industrial and marine piping continues to be driven by high oil prices and the high cost of steel piping, the principal substitute for fiberglass pipe. The outlook for the Fiberglass Composite Pipe Group remains favorable.

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Water Transmission's sales increased $15.3 million, or 8.7%, in 2007, compared to 2006. The sales increase was driven by the Company's entry into the market for large-diameter wind towers and the Group's operation in South America which benefited from increased demand for water pipe in Colombia. The demand for large-diameter water pipe in the western U.S. remained soft due to completion of projects and a cyclical lull in the building of new projects. Market conditions for water pipe remain soft due to continuation of a cyclical slowdown in water infrastructure projects in the Company's markets. However, the market for wind towers is robust.

Infrastructure Products' sales increased $7.5 million, or 3.8%, in 2007, compared to 2006. The Company's Hawaiian division had higher sales due to improved pricing and the continued strength of the governmental, commercial and residential construction markets on Oahu and Maui. Pole Products was impacted by the decline in U.S. housing markets and reduced demand for concrete lighting poles. Sales of steel poles for highway and traffic applications increased. Although the housing market has softened, primarily impacting the demand for concrete poles, the outlook for the Infrastructure Products Group's other construction markets remains firm.

Gross Profit

Gross profit in 2007 was $146.0 million, or 23.1% of sales, compared to $132.4 million, or 24.1% of sales, in 2006. Gross profit increased $13.6 million due to higher sales while the gross profit margin declined due to the reduced profitability of the Water Transmission Group.

Fiberglass-Composite Pipe Group's gross profit increased $26.9 million in 2007, compared to 2006. Profit margins improved to 36.0% in 2007, compared to 33.3% in 2006. Higher margins resulted from improvements in product and market mix, price increases and plant utilization. Increased sales volume and prices generated additional gross profit of $20.3 million while favorable product mix and operating efficiencies generated additional gross profit of $6.6 million in 2007.

Water Transmission Group's gross profit decreased $12.4 million in 2007, compared to 2006. Profit margins declined to 7.3% in 2007, compared to 15.0% in 2006. Higher sales volume increased profit by $2.3 million in 2007. Lower margins negatively impacted gross profit by $14.7 million due to an unfavorable mix of projects, start-up costs associated with the introduction of wind towers and lower efficiencies due to lower pipe sales and the delay in construction of the wind tower plant.

Gross profit in the Infrastructure Products Group increased $4.6 million in 2007, compared to 2006. Profit margins improved to 25.1% in 2007, compared to 23.7% in 2006. Increased sales volume and prices generated additional gross profit of $1.8 million, while higher margins generated additional gross profit of $2.8 million for 2007. Higher margins resulted from price increases and operating efficiencies due to increased production levels in Hawaii.

Additionally, consolidated gross profit was $5.5 million lower in 2007 compared to the same period in 2006 due primarily to increased reserves in 2007 associated with LIFO accounting of certain steel inventories used by the Water Transmission Group. LIFO reserves are not allocated to the operating segments.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses totaled $97.9 million, or 15.5% of sales, in 2007, compared to $94.7 million, or 17.2% of sales, in 2006. The $3.2 million increase included higher legal fees and claims of $3.1 million, self-insurance reserves of $1.4 million, stock compensation expense of $.6 million, and commissions and administrative expense of $1.9 million associated with higher sales, offset by lower pension expense of $3.8 million primarily due to the sale of the Coatings Business and improved funding of the pension plans. The reduction in SG&A as a percent of sales was due to spending controls and the leverage achieved from higher sales.

Other Income, Net

Other income was $6.0 million in 2007, compared to $11.4 million in 2006. The decrease in other income in 2007 was due primarily to a $9.0 million gain from the sale of property in Brea, California in 2006. Other income also included royalties and fees from licensees, foreign currency transaction losses, and other miscellaneous income.

Interest

Net interest income totaled $1.9 million in 2007, compared to net interest expense of $1.7 million in 2006. Net interest income was due to higher interest income from short-term investments, lower average outstanding debt and less higher-rate, fixed-rate debt than in 2006.

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Provision for Income Taxes

Income taxes decreased to $10.4 million in 2007, from $10.9 million in 2006. The effective tax rate on income from continuing operations decreased to 18.5% in 2007, from 23.0% in 2006. The effective tax in 2007 was reduced by tax benefits of $5.3 million associated with the decision to dissolve the Company's wholly-owned United Kingdom subsidiary. The effective tax in 2006 was reduced by tax benefits of $7.2 million primarily as a result of settlements of the 1996 – 1998 and 1999 – 2002 IRS examinations and approval of the Company's research and development credit refund claims by the Congressional Joint Committee on Taxation. Income from certain foreign operations and joint ventures is taxed at rates that are lower than the U.S. statutory tax rates. For both 2006 and 2007, the Company provided a full valuation allowance for the net operating loss carry-overs of its foreign subsidiaries except its subsidiary in the Netherlands. In 2007, the Company released $3.2 million of valuation allowance related to this subsidiary due to profitability in 2007 and a change in projected profitability in the future. During the fourth quarter of 2007, the Company recognized a charge to income from continuing operations of approximately $1.2 million primarily related to an additional valuation allowance for deferred tax assets associated with the Company's subsidiary in the Netherlands. This charge represents a correction, rather than a change in estimate, of amounts recorded in prior period financial statements. Management believes this to be immaterial to prior interim and annual financial statements.

Equity in Earnings of Joint Venture, Net of Taxes

Equity income, which consists of Ameron's share of the net income of TAMCO, increased to $15.4 million in 2007, compared to $13.6 million in 2006. Ameron owns 50% of TAMCO, a mini-mill that produces steel rebar for the construction industry in the western U.S. Equity income is shown net of income taxes. Dividends from TAMCO were taxed at an effective rate of 9.6%, reflecting the dividend exclusion provided to the Company under current tax laws. The improvement in TAMCO's earnings was due to increased demand for steel rebar and higher selling prices, reflecting the continued strong construction market and the high price of steel worldwide.

Income from Discontinued Operations, Net of Taxes

Income from discontinued operations totaled $6.1 million in 2007, compared to $2.1 million, in 2006. In 2007, the Company completed disposition of several retained properties formerly used by the Coatings Business and recognized a net gain of $5.3 million. In 2007, the Company recognized a net gain of $.1 million from the final settlement of the sale of the Coatings Business. In addition, the Company recognized $.2 million of research and development tax credits related to the retroactive application of tax legislation enacted in December 2006 and $.6 million of net tax benefit due to an adjustment in tax expense related to the gain on sale of the business. This benefit represented a correction, rather than a change in estimate, of amounts recorded in prior period financial statements. Management believes this to be immaterial to prior interim and annual financial statements. In 2006, the Company completed the sale of the Coatings Business, subject to final settlement of certain disputed items which were resolved in 2007, and recognized a pretax gain of $.9 million. Provision for income taxes related to the gain was $1.0 million, which resulted in a net loss on the sale of $.2 million in 2006. Income from discontinued operations before the loss on the sale of the Coatings Business, net of taxes, totaled $2.3 million for the year ended November 30, 2006. The Coatings Business generated $152.2 million of net sales in 2006.

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RESULTS OF OPERATIONS: 2006 COMPARED WITH 2005

General

Income from continuing operations totaled $50.1 million, or $5.64 per diluted share, on sales of $549.2 million in the year ended November 30, 2006, compared to $29.5 million, or $3.44 per diluted share, on sales of $494.8 million for the same period in 2005. All segments had significantly higher sales and profits, except the Water Transmission Group, due to generally-improved market conditions. Income from continuing operations was higher due primarily to sales growth, the gain from the sale of the Brea property, lower interest, higher equity income and a lower effective tax rate. Equity in earnings of TAMCO, Ameron's 50%-owned steel venture in California, increased by $4.5 million, compared to the same period in 2005.

Income from discontinued operations, net of taxes, totaled $2.1 million, or $.24 per diluted share, in 2006, compared to $3.1 million, or $.36 per diluted share, in 2005. During the third quarter of 2006, the Company completed the sale of its Coatings Business and recognized a pretax gain of $.9 million. The Coatings Business generated sales of $152.2 million and $209.8 million in 2006 and 2005, respectively.

The Fiberglass-Composite Pipe Group achieved record sales and profits in 2006 as a result of the increased demand for oilfield piping in North America, continued strong demand in the marine market worldwide and increased shipments to the Middle East from the Company’s Asian subsidiary operations. The Infrastructure Products Group had significantly higher sales and profits due to the strong construction sector in Hawaii and throughout the U.S. The Water Transmission Group reported lower sales and profits due to a cyclical slowdown in the market and a major piping project in Northern California that was completed in early 2006.

Sales

Sales increased $54.4 million in 2006, compared to 2005. Sales increased due to higher demand for onshore oilfield and marine piping, the impact of foreign exchange rates on the Company’s Asian fiberglass pipe subsidiary operations, higher demand for construction materials in Hawaii, and higher demand for concrete and steel poles due to the continued strength of housing construction throughout the U.S.

Fiberglass-Composite Pipe's sales increased $42.7 million, or 31.8%, in 2006, compared to 2005. Sales from operations in the U.S. increased $17.7 million in 2006 primarily due to increased demand for onshore oilfield piping. Sales from Asian subsidiary operations increased $18.6 million in 2006, driven by activity in the industrial, marine and offshore segments and the impact of foreign exchange. Sales in Europe increased $6.4 million in 2006 due to volume growth in industrial and marine markets.

Water Transmission’s sales decreased $17.7 million, or 9.2%, in 2006, compared to 2005. The Water Transmission Group benefited from a major pipe project in Northern California throughout 2005, which was completed in the first quarter of 2006.

Infrastructure Products' sales increased $29.2 million, or 17.3%, in 2006, compared to 2005. Higher demand for concrete and steel poles was due principally to the continued strong housing market and improved market penetration, particularly in the southeast U.S. The Company’s Hawaiian division had higher sales due to the continued strength of the governmental, commercial and residential construction markets on Oahu and Maui.

Gross Profit

Gross profit in 2006 was $132.4 million, or 24.1% of sales, compared to $125.2 million, or 25.3% of sales, in 2005. Gross profit increased $7.2 million due to higher sales.

Fiberglass-Composite Pipe Group's gross profit increased $17.2 million in 2006, compared to 2005. Profit margins improved to 33.3% for 2006, compared to 31.0% for 2005. Higher margins resulted from improvements in product and market mix, and price increases. Increased sales volume generated additional gross profit of $13.2 million while favorable product mix generated additional gross profit of $4.0 million in 2006.

Water Transmission Group's gross profit decreased $20.1 million in 2006, compared to 2005. Profit margins declined to 15.0% for 2006, compared to 24.1% in 2005. Lower sales volume reduced profit by $4.3 million in 2006. Water Transmission Group's gross profit decreased $20.1 million in 2006, compared to 2005. Profit margins declined to 15.0% for 2006, compared to 24.1% in 2005. Lower sales volume reduced profit by $4.3 million in 2006. Lower margins negatively impacted gross profit by $15.8 million due to an unfavorable mix of projects, start-up costs associated with the introduction of wind towers and lower efficiencies due to lower sales.

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Gross profit in the Infrastructure Products Group increased $10.5 million in 2006, compared to 2005. Profit margins improved to 23.7% for 2006, compared to 21.6% in 2005. Increased sales volume generated additional gross profit of $6.3 million, while higher margins generated additional gross profit of $4.2 million in 2006. Higher margins resulted from price increases and operating efficiencies due to increased production levels.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses totaled $94.7 million, or 17.2% of sales, in 2006, compared to $90.3 million, or 18.2% of sales, in 2005. The $4.4 million increase included higher incentive and stock compensation expense of $4.9 million, higher employee benefit costs of $1.4 million, and higher commission and administrative expense of $7.5 million associated with higher sales, offset by higher legal fees and settlement costs of $6.8 million and self-insurance expense of $2.6 million in 2005.

Other Income, Net

Other income increased from $2.1 million in 2005 to $11.4 million in 2006 due primarily to the $9.0 million gain from the sale of the Brea property. Other income included royalties and fees from licensees, foreign currency transaction losses, and other miscellaneous income.

Interest

Net interest expense totaled $1.7 million in 2006, compared to $5.5 million in 2005. The decrease in net interest expense was due to higher interest income from short-term investments and the lower average outstanding debt and less higher-rate, fixed-rate debt.

Provision for Income Taxes

Income taxes decreased to $10.9 million in 2006 from $11.0 million in 2005. The effective tax rate on income from continuing operations decreased to 23% in 2006 from 35% for the same period in 2005. The effective tax in 2006 was lower than the tax at the statutory rate, with the difference of $7.2 million due to settlement of the 1996-1998 and 1999-2002 IRS examinations, final approval of the Company's 1998-2000 research and development credit refund claims, and settlements with other foreign and local jurisdictions. Also, the rate in 2005 was higher as a result of the one-time repatriation of foreign earnings under the American Jobs Creation Act of 2004.

Equity in Earnings of Joint Venture, Net of Taxes

Equity income, which consists of Ameron's share of the results of TAMCO, increased to $13.6 million in 2006, compared to $9.0 million in 2005. Dividends from TAMCO were taxed at an effective rate of 11.3% and 10.4 %, respectively, in 2006 and 2005, reflecting the dividend exclusion provided to the Company under current tax laws. The improvement in TAMCO's earnings was due to increased demand for steel rebar and higher selling prices, reflecting the continued strong construction market and the high prices of steel worldwide.

Income from Discontinued Operations, Net of Taxes

During the third quarter of 2006, the Company completed the sale of the Coatings Business and recognized a pretax gain of $.9 million. Provision for income taxes related to the gain was $1.0 million, which resulted in a net loss of $.2 million in 2006. Income from discontinued operations before the loss on the sale of the Coatings Business, net of taxes, totaled $2.3 million in 2006, compared to $3.1 million in 2005. The Coatings Business generated $152.2 million and $209.8 million in net sales in 2006 and 2005, respectively.

OFF-BALANCE SHEET FINANCING

The Company does not have any off-balance sheet financing, other than listed in the Liquidity and Capital Resources section herein. All of the Company's subsidiaries are included in the financial statements, and the Company does not have relationships with any special purpose entities.

CONTINGENCIES

The Company is one of numerous defendants in various asbestos-related personal injury lawsuits. These cases generally seek unspecified damages for asbestos-related diseases based on alleged exposure to products previously manufactured by the Company and others, and at this time the Company is generally not aware of the extent of injuries allegedly suffered by the individuals or the facts supporting the claim that injuries were caused by the Company's products. Based upon the information available to it at this time, the Company is not in a position to evaluate its potential exposure, if any, as a result of such claims or future similar claims, if any, that may be filed. Hence, no amounts have been accrued for loss contingencies related to these lawsuits in accordance with Statements of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies." The Company continues to vigorously defend all such lawsuits. As of November 30, 2007, the Company was a defendant in asbestos-related cases involving 60 claimants, compared to 145 claimants as of November 30, 2006. The Company is not in a position to estimate the number of additional claims that may be filed against it in the future. For the year ended November 30, 2007, there were new claims involving 19 claimants, dismissals and/or settlements involving 104 claimants and no judgments. Net costs and expenses incurred by the Company for the year ended November 30, 2007 in connection with asbestos-related claims were approximately $.2 million.

As of November 30, 2006, the Company was one of numerous defendants in various silica-related personal injury lawsuits involving seven claimants. As of November 30, 2007, the Company was no longer a defendant in any silica-related cases. No net costs and expenses were incurred by the Company for the year ended November 30, 2007 in connection with silica-related claims.

In May 2003, Dominion Exploration and Production, Inc. and Pioneer Natural Resources USA, Inc. (collectively "Dominion") brought an action against the Company in Civil District Court for the Parish of Orleans, Louisiana as owners of an offshore production facility known as a SPAR. Dominion seeks damages allegedly sustained by it resulting from delays in delivery of the SPAR caused by the removal and replacement of certain coatings containing lead and/or lead chromate for which the manufacturer of the SPAR alleged the Company was responsible. Dominion contends that the Company made certain misrepresentations and warranties to Dominion concerning the lead-free nature of those coatings. Dominion's petition as filed alleged a claim for damages in an unspecified amount; however, Dominion's economic expert has since estimated Dominion's damages at approximately $128 million, a figure which the Company contests. This matter is in discovery and no trial date has yet been established. The Company believes that it has meritorious defenses to this action. Based upon the information available to it at this time, the Company is not in a position to evaluate the ultimate outcome of this matter.

In April 2004, Sable Offshore Energy Inc. ("Sable"), as agent for certain owners of the Sable Offshore Energy Project, brought an action against various coatings suppliers and application contractors, including the Company and two of its subsidiaries, Ameron (UK) Limited and Ameron B.V. (collectively "Ameron Subsidiaries") in the Supreme Court of Nova Scotia, Canada. Sable seeks damages allegedly sustained by it resulting from performance problems with several coating systems used on the Sable Offshore Energy Project, including coatings products furnished by the Company and the Ameron Subsidiaries. Sable's originating notice and statement of claim alleged a claim for damages in an unspecified amount; however, Sable has since alleged that its claim for damages against all defendants is approximately 428 million Canadian dollars, a figure which the Company and the Ameron Subsidiaries contest. This matter is in discovery, and no trial date has yet been established. The Company believes that it has meritorious defenses to this action. Based upon the information available to it at this time, the Company is not in a position to evaluate the ultimate outcome of this matter.

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 are either adequately reserved, covered by insurance, or would not have a material effect on the Company's financial position, cash flows, or its results of operations if disposed of unfavorably.

The Company is 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. 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, cash flows, or its results of operations.

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NEW ACCOUNTING PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with Statement of Financial Accounting Standard ("SFAS") No. 109 and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The minimum threshold is defined in FIN No. 48 as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. FIN No. 48 must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying FIN No. 48 at adoption is to be reported as an adjustment to beginning retained earnings for the year of adoption. FIN No. 48 is effective for the first quarter of the Company's 2008 fiscal year and is not expected to have a material effect on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which formally defines fair value, creates a standardized framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands fair value measurement disclosures. SFAS No. 157 will be effective for the first quarter of the year ending November 30, 2008. The Company is evaluating whether the adoption of SFAS No. 157 will have a material effect on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," amending FASB Statement No. 87, "Employers' Accounting for Pensions," FASB Statement No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and FASB Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 158 requires companies to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its financial statements and to recognize changes in that status in the year in which the changes occur. SFAS No. 158 also requires a company to measure the funded status of a plan as of the date of its year-end financial statements. The Company adopted the recognition provisions of SFAS No. 158 in fiscal year 2007. See Note (16) of the Notes to Consolidated Financial Statements, under Part II, Item 8, for information regarding the impact of adopting the recognition provisions of SFAS No. 158. The Company has not yet adopted the measurement provisions which are not effective until fiscal 2009. The Company is evaluating whether the adoption of the measurement provision of SFAS No. 158 will have a material effect on its consolidated financial statements.

In September 2006, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," effective for fiscal years beginning after December 15, 2007. EITF Issue No. 06-4 requires that, for split-dollar life insurance arrangements providing a benefit to an employee extending to postretirement periods, an employer should recognize a liability for future benefits in accordance with SFAS No. 106. EITF Issue No. 06-4 requires that recognition of the effects of adoption should be either by (a) a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption or (b) a change in accounting principle through retrospective application to all prior periods. The Company is evaluating whether the adoption of EITF Issue No. 06-4 will have a material effect on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 seeks to improve the overall quality of financial reporting by providing companies the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 will be effective for the year ending November 30, 2008. The Company is evaluating whether the adoption of SFAS No. 159 will have a material effect on its consolidated financial statements.

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

Any of the statements contained in this report that refer to the Company's forecasted, 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. In addition, 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.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. From time to time, the Company borrows in various currencies to reduce the level of net assets subject to changes in foreign exchange rates or purchases foreign exchange forward and option contracts to hedge firm commitments, such as receivables and payables, denominated in foreign currencies. The Company does not use the contracts for speculative or trading purposes. At November 30, 2007, the Company had 12 foreign currency forward contracts expiring at various dates through February 2008, with an aggregate notional value of $6.3 million and fair value of $6.3 million. Such instruments are carried at fair value, with related adjustments recorded in other income.

Debt Risk

The Company has variable-rate, short-term and long-term debt as well as fixed-rate, long-term debt. The fair value of the Company's fixed-rate debt is subject to changes in interest rates. The estimated fair value of the Company's variable-rate debt approximates the carrying value of such debt since the variable interest rates are market-based, and the Company believes such debt could be refinanced on materially similar terms. The Company is subject to the availability of credit to support new requirements and to refinance long-term and short-term debt.

At November 30, 2007, the estimated fair value of notes payable by the Company totaling $20.0 million, with a fixed rate of 5.36% per annum, was $20.1 million. The Company is required to repay these notes in annual installments of $10.0 million in 2008 and 2009. At November 30, 2007, the estimated fair value of notes payable by the Company's wholly-owned subsidiary in Singapore totaling approximately $35.3 million, with a fixed rate of 4.25% per annum, was $35.3 million. These notes must be repaid in installments of approximately $7.1 million per year beginning in 2008. The Company had $7.2 million of variable-rate industrial development bonds payable at a rate of 3.81% per annum at November 30, 2007, payable in 2016. The Company also had $8.5 million of variable-rate industrial development bonds payable at a rate of 3.81% per annum at November 30, 2007, payable in 2021. The industrial revenue bonds are supported by the Revolver. The Company borrowed $3.7 million under various foreign short-term bank facilities that are supported by the Revolver, which permits borrowings up to $100.0 million through September 2010. The average interest rate of such borrowings by foreign subsidiaries was 13.51% per annum at November 30, 2007.

	Expected Maturity Date						Total Outstanding As of November 30, 2007	
(Dollars in thousands)	2008	2009	2010	2011	2012	Thereafter	Recorded Value	Fair Value
Liabilities								
Long-term debt:								
Fixed-rate secured notes, payable in US$	$ 10,000	$ 10,000	$ -	$ -	$ -	$ -	$ 20,000	$ 20,114
Average interest rate	5.36%	5.36%	-	-	-	-	5.36%	

Fixed-rate secured notes, payable in Singapore dollars	7,055	7,055	7,055	7,055	7,054	-	35,274	35,330
Average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	-	4.25%	
Variable-rate bank revolving credit facilities, payable in local currencies	-	-	3,674	-	-	-	3,674	3,674
Average interest rate	-	-	13.51%	-	-	-	13.51%	
Variable-rate industrial development bonds, payable in US$	-	-	-	-	-	7,200	7,200	7,200
Average interest rate	-	-	-	-	-	3.81%	3.81%	
Variable-rate industrial development bonds, payable in US$	-	-	-	-	-	8,500	8,500	8,500
Average interest rate	-	-	-	-	-	3.81%	3.81%	

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF INCOME

	Year ended November 30,		
(Dollars in thousands, except per share data)	2007	2006	2005
Sales	$ 631,010	$ 549,180	$ 494,767
Cost of sales	(484,981)	(416,791)	(369,557)
Gross profit	146,029	132,389	125,210
Selling, general and administrative expenses	(97,870)	(94,689)	(90,283)
Other income, net	6,030	11,397	2,137
Income from continuing operations before interest, income taxes and equity in earnings of joint venture	54,189	49,097	37,064
Interest income/(expense), net	1,927	(1,682)	(5,520)
Income from continuing operations before income taxes and equity in earnings of joint venture	56,116	47,415	31,544
Provision for income taxes	(10,359)	(10,905)	(11,040)
Income from continuing operations before equity in earnings of joint venture	45,757	36,510	20,504
Equity in earnings of joint venture, net of taxes	15,383	13,550	9,005
Income from continuing operations	61,140	50,060	29,509
Income from discontinued operations, net of taxes	6,099	2,140	3,101
Net income	$ 67,239	$ 52,200	$ 32,610
Basic earnings per share:			
Income from continuing operations	$ 6.77	$ 5.73	$ 3.51
Income from discontinued operations, net of taxes	.68	.25	.37
Net income	$ 7.45	$ 5.98	$ 3.88
Diluted earnings per share:			
Income from continuing operations	$ 6.73	$ 5.64	$ 3.44
Income from discontinued operations, net of taxes	.67	.24	.36
Net income	$ 7.40	$ 5.88	$ 3.80
Weighted-average shares (basic)	9,029,487	8,731,839	8,410,563
Weighted-average shares (diluted)	9,090,846	8,871,695	8,579,194

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

AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - ASSETS

	As of November 30,	
(Dollars in thousands, except per share data)	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 155,433	$ 139,479
Receivables, less allowances of $6,235 in 2007 and $4,912 in 2006	185,335	160,173
Inventories	97,717	77,134
Deferred income taxes	22,446	23,861
Prepaid expenses and other current assets	12,100	15,921
Total current assets	473,031	416,568
Investments in joint ventures		
Equity method	14,677	14,501
Cost method	3,784	3,784
Property, plant and equipment		
Land	35,860	33,327
Buildings	75,245	57,434
Machinery and equipment	292,563	261,538
Construction in progress	24,655	20,657
Total property, plant and equipment at cost	428,323	372,956
Accumulated depreciation	(254,592)	(238,486)
Total property, plant and equipment, net	173,731	134,470
Deferred income taxes	4,202	-
Intangible assets, net of accumulated amortization of $1,130 in 2007 and $3,017 in 2006	2,243	2,143
Other assets	34,144	44,885
Total assets	$ 705,812	$ 616,351

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

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - LIABILITIES AND STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data)	As of November 30, 2007	2006
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	$ 17,055	$ 10,000
Trade payables	45,216	45,650
Accrued liabilities	84,436	68,970
Income taxes payable	11,985	11,481
Total current liabilities	158,692	136,101
Long-term debt, less current portion	57,593	72,525
Other long-term liabilities	44,154	44,500
Total liabilities	260,439	253,126
Commitments and contingencies		
Stockholders' equity		
Common Stock, par value $2.50 per share, authorized 24,000,000 shares, outstanding 9,138,563 shares in 2007 and 9,075,094 shares in 2006, net of treasury shares	29,623	29,431
Additional paid-in capital	46,675	39,500
Retained earnings	430,925	371,894
Accumulated other comprehensive loss	(9,870)	(27,232)
Treasury Stock (2,710,479 shares in 2007 and 2,697,148 shares in 2006)	(51,980)	(50,368)
Total stockholders' equity	445,373	363,225
Total liabilities and stockholders' equity	$ 705,812	$ 616,351

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

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in thousands)	Common Stock Shares Outstanding	Amount	Additional Paid-in Capital	Unearned Restricted Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, November 30, 2004	8,431,471	$ 27,745	$ 21,903	$ (2,300)	$ 301,013	$ (20,420)	$ (48,774)	$ 279,167
Net Income - 2005	-	-	-	-	32,610	-	-	32,610
Exercise of stock options	239,318	599	4,701	-	-	-	-	5,300
Foreign currency translation adjustment	-	-	-	-	-	(10,329)	-	(10,329)
Minimum pension liability adjustment, net of tax	-	-	-	-	-	(5,209)	-	(5,209)
Comprehensive income from joint venture	-	-	-	-	-	(366)	-	(366)
Cash dividends on Common Stock	-	-	-	-	(6,828)	-	-	(6,828)
Stock compensation expense	-	-	899	-	-	-	-	899
Issuance of restricted stock	42,500	106	1,433	(1,539)	-	-	-	-
Restricted stock compensation expense	-	-	-	1,755	-	-	-	1,755
Treasury stock purchase	(15,141)	-	-	-	-	-	(501)	(501)
Balance, November 30, 2005	8,698,148	28,450	28,936	(2,084)	326,795	(36,324)	(49,275)	296,498
Net Income - 2006	-	-	-	-	52,200	-	-	52,200
Exercise of stock options	347,283	853	7,032	-	-	-	109	7,994
Foreign currency translation adjustment	-	-	-	-	-	2,330	-	2,330
Minimum pension liability adjustment, net of tax	-	-	-	-	-	6,314	-	6,314
Comprehensive income from joint venture	-	-	-	-	-	448	-	448
Cash dividends on Common Stock	-	-	-	-	(7,101)	-	-	(7,101)
Stock compensation expense	-	-	151	-	-	-	-	151

Issuance of restricted stock	51,000	128	(128)	-	-	-	-	-
Excess Tax Benefit related to stock-based compensation	-	-	2,469	-	-	-	-	2,469
Restricted stock compensation expense	-	-	3,124	-	-	-	-	3,124
Treasury stock purchase	(21,337)	-	-	-	-	-	(1,202)	(1,202)
Reclassification of unearned restricted stock under SFAS No. 123(R)	-	-	(2,084)	2,084	-	-	-	-
Balance, November 30, 2006	9,075,094	29,431	39,500	-	371,894	(27,232)	(50,368)	363,225
Net Income - 2007	-	-	-	-	67,239	-	-	67,239
Exercise of stock options	49,125	106	1,456	-	-	-	-	1,562
Foreign currency translation adjustment	-	-	-	-	-	8,210	-	8,210
Minimum pension liability adjustment, net of tax	-	-	-	-	-	15,237	-	15,237
Adjustment for initial adoption of SFAS No. 158, net of tax	-	-	-	-	-	(6,035)	-	(6,035)
Comprehensive income from joint venture	-	-	-	-	-	(50)	-	(50)
Cash dividends on Common Stock	-	-	-	-	(8,208)	-	-	(8,208)
Stock compensation expense	-	-	103	-	-	-	-	103
Issuance of restricted stock	34,550	86	(86)	-	-	-	-	-
Excess Tax Benefit related to stock-based compensation	-	-	1,955	-	-	-	-	1,955
Restricted stock compensation expense	-	-	3,747	-				