

AMERON INTERNATIONAL CORP
Form 10-K
February 11, 2008

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

FORM 10-K

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

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

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

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Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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.

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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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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)

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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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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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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 its 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.

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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.

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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.

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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)	(d)
			Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs	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
(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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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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.

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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:

(In thousands)	1% Increase		1% Decrease	
	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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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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):

Contractual Obligations	Total	Payments Due by Period			
		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

Contractual Commitments	Total	Commitments Expiring Per Period			
		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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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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.

(Dollars in thousands)	Expected Maturity Date						Total Outstanding As of November 30, 2007	
	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.

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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

	As of November 30,	
(Dollars in thousands, except per share data)	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

	Common Stock		Additional Paid-in Capital	Unearned Restricted Stock	Retained Earnings	Accumulated Other Comprehensive Treasury		Total
	Shares Outstanding	Amount				Loss	Stock	
(Dollars in thousands)								
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

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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	-	-	-	-	3,747
Treasury stock purchase	(20,206)	-	-	-	-	-	(1,612)	(1,612)
Balance, November 30, 2007	9,138,563	\$ 29,623	\$ 46,675	\$ -	\$ 430,925	\$ (9,870)	\$ (51,980)	\$ 445,373

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

AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Year ended November 30,		
	2007	2006	2005
Net income	\$ 67,239	\$ 52,200	\$ 32,610
Foreign currency translation adjustment	8,210	2,330	(10,329)
Minimum pension liability adjustment, net of tax	15,237	6,314	(5,209)
Comprehensive income/(loss) from joint venture	(50)	448	(366)
Comprehensive income	\$ 90,636	\$ 61,292	\$ 16,706

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year ended November 30,		
	2007	2006	2005
OPERATING ACTIVITIES			
Net income	\$ 67,239	\$ 52,200	\$ 32,610
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	16,993	17,270	18,718
Amortization	41	170	206
Provision/(benefit) for deferred income taxes	7,016	(5,631)	701
Net earnings in excess of distributions from joint ventures	(227)	(276)	1,901
Loss/(gain) from sale of property, plant and equipment	17	(8,864)	(1,634)
(Gain)/loss from sale of discontinued operations	(5,943)	157	-
Stock compensation expense	3,850	3,275	2,654
Non-cash write-down of assets	643	-	-
Changes in operating assets and liabilities:			
Receivables, net	(21,747)	(23,284)	(23,649)
Inventories	(19,200)	(25,906)	(10,624)
Prepaid expenses and other current assets	3,847	(5,890)	(884)
Other assets	(440)	6,323	1,894
Trade payables	(1,626)	6,937	6,686
Accrued liabilities and income taxes payable	14,024	22,330	3,660
Other long-term liabilities	(1,284)	(21,968)	4,945
Net cash provided by operating activities	63,203	16,843	37,184
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	288	10,253	3,855
Proceeds from sale of discontinued operations	16,319	115,000	-
Acquisitions	(5,977)	(989)	-
Additions to property, plant and equipment	(47,697)	(34,530)	(25,371)
Net cash (used in)/provided by investing activities	(37,067)	89,734	(21,516)
FINANCING ACTIVITIES			
Net change in short-term borrowings	-	(8,333)	-
Issuance of debt	2,483	3,279	59,424
Repayment of debt	(12,708)	(11,069)	(57,073)
Debt issuance costs	-	-	(322)
Dividends on Common Stock	(8,208)	(7,101)	(6,828)
Issuance of Common Stock	1,562	7,994	5,300
Excess tax benefits related to stock-based compensation	1,955	2,469	-

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Purchase of treasury stock	(1,612)	(1,202)	(501)
Net cash used in financing activities	(16,528)	(13,963)	-
Effect of exchange rate changes on cash and cash equivalents	6,346	2,194	(1,121)
Net change in cash and cash equivalents	15,954	94,808	14,547
Cash and cash equivalents at beginning of year	139,479	44,671	30,124
Cash and cash equivalents at end of year	\$ 155,433	\$ 139,479	\$ 44,671

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

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Ameron International Corporation and all wholly-owned subsidiaries ("Ameron" or the "Company"). All material intercompany accounts and transactions have been eliminated.

Reclassifications

Certain prior-year balances have been reclassified to conform with the current-year presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant estimates include revenue and costs recorded under percentage-of-completion accounting, assumptions related to benefit plans, goodwill, and reserves associated with management incentives, receivables, inventories, income taxes, self insurance and environmental and legal contingencies. Actual results could differ from those estimates.

Revenue Recognition

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, are typically designed for specific applications, are not interchangeable between projects, and are not manufactured for stock. In those cases in which 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.

Research and Development Costs

Research and development costs, which relate primarily to the development, design and testing of products, are expensed as incurred. Such costs, which are included in selling, general and administrative expenses, were approximately \$5,724,000 in 2007, \$5,790,000 in 2006, and \$4,567,000 in 2005.

Environmental Clean-up Costs

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 the Company's legal counsel. When the Company's exposures can be reasonably estimated and are probable, liabilities and expenses are recorded.

Income Taxes

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 to reduce deferred income tax assets to the amounts expected to be realized.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

Net Income Per Share

Basic net income per share is computed on the basis of the weighted-average number of common shares outstanding during the periods presented. Diluted net income per share is computed on the basis of the weighted-average number of common shares outstanding plus the effect of outstanding stock options and restricted stock, using the treasury stock method as follows:

(In thousands, except per share data)	2007	2006	2005
Numerator:			
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
Denominator for basic income per share:			
Weighted-average shares outstanding, basic	9,029,487	8,731,839	8,410,563
Denominator for diluted income per share:			
Weighted-average shares outstanding, basic	9,029,487	8,731,839	8,410,563
Dilutive effect of stock options and restricted stock	61,359	139,856	168,631
Weighted-average shares outstanding, diluted	9,090,846	8,871,695	8,579,194
Basic net income 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 net income 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

Cash and Cash Equivalents

Cash equivalents represent highly liquid investments with maturities of three months or less when purchased.

Inventory Valuation

Inventories are stated at the lower of cost or market with cost determined principally on the first-in, first-out ("FIFO") method except for certain steel inventories used by the Water Transmission Group that 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.

Joint Ventures

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.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

Property, Plant and Equipment

Items capitalized as property, plant and equipment, including improvements to existing facilities, are recorded at cost. Construction in progress represents capital expenditures incurred for assets not yet placed in service. Capitalized interest was not material for the periods presented.

Depreciation is computed principally using the straight-line method based on estimated useful lives of the assets.

Leasehold improvements are amortized over the shorter of the life of the improvement or the term of the lease. Useful lives are as follows:

	Useful Lives in Years
Buildings	10-40
Machinery and equipment	
Autos, trucks and trailers	3-8
Cranes and tractors	5-15
Manufacturing equipment	3-15
Other	3-20

Goodwill and Intangible Assets

Intangible assets are amortized on a straight-line basis over periods ranging from three to 15 years.

The cost of an acquired business is allocated to the acquired net assets based on the estimated fair values at the date of acquisition. The excess of the cost of an acquired business over the aggregate fair value is recorded as goodwill. Goodwill is not amortized, but instead tested for impairment at least annually. Such tests require management to make estimates about future cash flows and other factors to determine the fair value of the respective assets.

The Company reviews the recoverability of intangible and other 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.

Self Insurance

The Company typically utilizes third-party insurance subject to varying retention levels or self insurance and aggregate limits. 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.

Foreign Currency Translation

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). Translation adjustments arising from intercompany advances that are permanent in nature are also included in accumulated other comprehensive income (loss). Gains or losses resulting from foreign currency transactions are included in other income, net.

Derivative Financial Instruments and Risk Management

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. From time to time, derivative financial instruments, primarily foreign exchange contracts, are used by the Company to reduce those risks. The Company does not hold or issue financial or derivative financial instruments for trading or speculative purposes. As of November 30, 2007 and 2006, the Company had foreign currency forward contracts with an aggregate notional value of \$6,299,000 and \$1,803,000, and fair value of \$6,301,000 and \$1,794,000, respectively. The Company does not apply hedge accounting for these derivative financial instruments. These derivatives are not designated as hedges. Net changes in fair values of the underlying instruments are recognized in earnings.

Fair Value of Financial Instruments

The fair value of financial instruments, other than long-term debt or derivatives, approximates the carrying value because of the short-term nature of such instruments.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of cash equivalents, trade accounts receivable, and forward foreign exchange contracts. The Company records an allowance for doubtful accounts based on historical experience and expected trends. Credit risk with respect to trade accounts receivable is generally distributed over a large number of entities comprising the Company's customer base and is geographically dispersed. The Company performs ongoing credit evaluations of its customers, maintains an allowance for doubtful accounts and, in certain instances, maintains credit insurance. The Company actively evaluates the creditworthiness of the financial institutions with which it conducts business.

Stock-Based Compensation

Prior to December 1, 2005, the Company applied Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its various stock compensation plans. Effective December 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payments, using the Modified Prospective Application method. SFAS No. 123 (R) requires the Company to measure all employee stock-based compensation awards using the fair-value method and to record such expense in its consolidated financial statements as described in Note (13). Under the Modified Prospective Application method, financial results for the prior periods have not been adjusted.

Other Comprehensive Loss

The components of accumulated other comprehensive loss (net of tax, except for foreign currency translation) at November 30, were as follows:

(In thousands)	2007	2006
Foreign currency translation adjustment	\$ 8,128	\$ (82)
Comprehensive loss from TAMCO	(1,146)	(1,096)
Unrecognized pension and postretirement expense	(6,035)	-
Minimum pension liability adjustment	(10,817)	(26,054)
Accumulated other comprehensive loss	\$ (9,870)	\$ (27,232)

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 158 in fiscal year 2007. See Note (16) 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 year 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.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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.

Supplemental Cash Flow Information

(In thousands)	2007	2006	2005
Interest paid	\$ 3,996	\$ 4,891	\$ 5,863
Income taxes paid	18,687	9,663	18,244

Business Acquisitions

In October 2007, the Company acquired Polyplaster, Ltda. (“Polyplaster”) for \$5,977,000 plus an earn out that could total \$1,500,000 based on the future performance of the acquired business. The purchase price was assigned primarily to property, plant and equipment, and inventory. Results of operations would not have been significantly different had the acquisition been completed at the beginning of periods presented. Polyplaster is a fiberglass-pipe manufacturer located in Betim, Brazil, near the city of Belo Horizonte which supplies polyester, fiberglass-pipe systems to the water, wastewater and industrial markets. This acquisition expands the Company’s operations in South America. In 2006, the Company acquired Tubos Y Activos (“Tubos”), a steel fabrication operation located in Mexicali, Mexico, for \$989,000. Polyplaster is included in the Fiberglass-Composite Pipe Group; Tubos is included in the Water Transmission Group.

NOTE 2 - DISCONTINUED OPERATIONS

On August 1, 2006, the Company completed the sale of its Performance Coatings & Finishes business (the “Coatings Business”) to PPG Industries, Inc. (“PPG”) for \$115,000,000 in cash upon the closing, plus post-closing adjustments of \$13,663,000, not including interest. In 2006, the Company recognized a pretax gain of \$862,000 subject to the final purchase price adjustment. Provision for income tax related to the gain was \$1,019,000 which resulted in a net loss of \$157,000.

During 2007, the Company completed disposition of several retained properties formerly used by the Coatings Business and recognized a net gain of \$5,251,000. In 2007, the Company also recognized a net gain of \$107,000 resulting from the final settlement with PPG. In addition, the Company recognized \$156,000 of research and development tax credits related to the Coatings Business in 2007. The 2007 tax credit was due to the retroactive application of tax legislation enacted in 2007. During the fourth quarter of 2007, the Company recognized a net tax

benefit of \$585,000 due to an adjustment in tax expense related to the gain on the sale of the Coatings 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.

The results of operations for the discontinued business were as follows for the year ended November 30:

(In thousands)	2007	2006	2005
Revenue from discontinued operations	\$ -	\$ 152,190	\$ 209,807
Income from discontinued operations before disposal, before income taxes	\$ -	\$ 5,308	\$ 6,531
Income taxes on income from discontinued operations	156	(3,011)	(3,430)
Income from discontinued operations before disposal, net of taxes	156	2,297	3,101
Gain from sale of discontinued operations, before income taxes	5,358	862	-
Income taxes on gain from sale of discontinued operations	585	(1,019)	-
Gain/(loss) on sale of discontinued operations, net of taxes	5,943	(157)	-
Income from discontinued operations, net of taxes	\$ 6,099	\$ 2,140	\$ 3,101

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The income taxes on gain from sale of discontinued operations in 2006 reflects the allocation of sale proceeds to various taxing jurisdictions, which resulted in certain tax losses without tax benefits. Prior period income statement amounts have been reclassified to present the operating results of the Coatings Business as a discontinued operation. Prior period balance sheets and cash flow statements have not been adjusted.

NOTE 3 - OTHER INCOME, NET

Other income, net was as follows for the year ended November 30:

(In thousands)	2007	2006	2005
Dividends from joint ventures-cost method	\$ 2,451	\$ -	\$ 1,300
Royalties, fees and other income	751	887	602
(Loss)/gain on sale of property, plant and equipment	(17)	8,837	(220)
Foreign currency (loss)/gain	(116)	(1,089)	520
Other	2,961	2,762	(65)
	\$ 6,030	\$ 11,397	\$ 2,137

NOTE 4 - RECEIVABLES

Receivables were as follows at November 30:

(In thousands)	2007	2006
Trade	\$ 156,562	\$ 124,308
Joint ventures	2,714	9,478
Other	32,294	31,299
Allowances	(6,235)	(4,912)
	\$ 185,335	\$ 160,173

The Company's provision for bad debts was \$3,248,000 in 2007, \$1,351,000 in 2006, and \$2,502,000 in 2005. Trade receivables included unbilled receivables related to the percentage-of-completion method of revenue recognition of \$45,578,000 and \$32,278,000 at November 30, 2007 and 2006, respectively.

NOTE 5 - INVENTORIES

Inventories were as follows at November 30:

(In thousands)	2007	2006
Finished products	\$ 41,580	\$ 30,802
Materials and supplies	28,246	22,224
Products in process	27,891	24,108
	\$ 97,717	\$ 77,134

Certain steel inventories are valued using the LIFO method. Inventories valued using the LIFO method comprised 17.5% and 24.1% of consolidated inventories at November 30, 2007 and 2006, respectively. If inventories valued using the LIFO method had been valued using the FIFO method, total inventories would have increased by \$9,749,000 and \$6,085,000 at November 30, 2007 and 2006, respectively. The increase in LIFO reserve for 2007 was due to increases in steel prices and steel inventories within the Water Transmission Group.

NOTE 6 - JOINT VENTURES

Investments, advances and equity in undistributed earnings of joint ventures were as follows at November 30:

(In thousands)	2007		2006	
Investment--equity method	\$	14,677	\$	14,501
Investments--cost method		3,784		3,784
	\$	18,461	\$	18,285

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The Company's ownership of joint ventures is summarized below:

Products	Joint Ventures	Ownership
		Interest
Fiberglass pipe	Bondstrand, Ltd.	40%
Concrete pipe	Ameron Saudi Arabia, Ltd.	30%
Steel products	TAMCO	50%

Investments in joint ventures and the amount of undistributed earnings were as follows:

(In thousands)	Fiberglass Pipe	Concrete Pipe	Steel Products	Total
Cost	\$ 3,784	\$ -	\$ 8,482	\$ 12,266
Accumulated comprehensive loss from joint venture	-	-	(1,146)	(1,146)
Accumulated equity in undistributed earnings	-	-	7,341	7,341
Investment, November 30, 2007	\$ 3,784	\$ -	\$ 14,677	\$ 18,461
2007 Dividends	\$ 2,451	\$ -	\$ 16,792	\$ 19,243
Cost	\$ 3,784	\$ -	\$ 8,482	\$ 12,266
Accumulated comprehensive loss from joint venture	-	-	(1,096)	(1,096)
Accumulated equity in undistributed earnings	-	-	7,115	7,115
Investment, November 30, 2006	\$ 3,784	\$ -	\$ 14,501	\$ 18,285
2006 Dividends	\$ -	\$ -	\$ 15,004	\$ 15,004

The Company provides for income taxes on the undistributed earnings of its joint ventures to the extent such earnings are included in the consolidated statements of income.

The investment in TAMCO was recorded based on audited financial statements as of November 30, 2007. Condensed financial data of TAMCO, an investment which is accounted for under the equity method, were as follows:

Financial Condition (at November 30,)

(In thousands)	2007	2006
Current assets	\$ 80,167	\$ 64,766
Noncurrent assets	40,215	34,189
	\$ 120,382	\$ 98,955
Current liabilities	\$ 67,147	\$ 46,434
Noncurrent liabilities	8,140	7,780
Stockholders' equity	45,095	44,741
	\$ 120,382	\$ 98,955

Results of Operations (year ended November 30,)

(In thousands)	2007	2006	2005
Net sales	\$ 268,208	\$ 273,036	\$ 252,435
Gross profit	66,494	61,336	42,188
Net income	34,037	30,559	20,391

The Company recognized \$1,146,000 and \$1,096,000 in accumulated other comprehensive loss at November 30, 2007 and 2006, respectively, which represents its proportionate share of TAMCO's accumulated other comprehensive loss.

Sales to joint ventures totaled \$3,873,000 in 2007, \$5,888,000 in 2006, and \$1,524,000 in 2005.

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NOTE 7 - OTHER ASSETS

Other assets were as follows at November 30:

(In thousands)	2007	2006
Cash surrender value of insurance policies	\$ 25,294	\$ 24,828
Assets held for sale	3,599	14,737
Other	5,251	5,320
	\$ 34,144	\$ 44,885

NOTE 8 - ACCRUED LIABILITIES

Accrued liabilities were as follows at November 30:

(In thousands)	2007	2006
Self insurance reserves	\$ 29,877	\$ 30,088
Compensation and benefits	22,843	21,331
Deferred Income	13,759	475
Product warranties and guarantees	3,590	3,146
Taxes (other than income taxes)	3,363	1,382
Reserves for pending claims and litigation	2,331	1,231
Commissions and royalties	1,866	6,562
Interest	172	153
Other	6,635	4,602
	\$ 84,436	\$ 68,970

The Company's product warranty accrual reflects management's estimate of probable liability associated with product warranties. The Company generally provides a standard product warranty not exceeding one year from date of purchase. Management establishes product warranty accruals based on historical experience and other currently-available information. Changes in the product warranty accrual for the year ended November 30 were as follows:

(In thousands)	2007	2006
Balance, beginning of period	\$ 3,146	\$ 4,026
Payments	(2,594)	(1,680)
Warranty adjustment related to discontinued operations	130	(1,675)
Warranties issued during the period	2,908	2,475
Balance, end of period	\$ 3,590	\$ 3,146

NOTE 9 - OTHER LONG-TERM LIABILITIES

Other long-term liabilities were as follows at November 30:

(In thousands)	2007	2006
Accrued pension cost	\$ 23,345	\$ 35,827
Deferred income tax liabilities	15,740	785
Compensation and benefits	3,336	4,618
Deferred income	-	3,167
Other	1,733	103

\$ 44,154 \$ 44,500

Accrued pension cost at November 30, 2006 has been revised from \$54,140,000 to \$35,827,000 to properly record the accrued pension cost net of prepaid pension cost of \$18,313,000 that was previously included as other assets.

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NOTE 10 - INCOME TAXES

The provision for income taxes included the following for the year ended November 30:

(In thousands)	2007	2006	2005
Current			
Federal	\$ (2,678)	\$ 14,615	\$ 2,260
Foreign	7,413	5,364	3,449
State	(1,392)	3,459	797
	\$ 3,343	\$ 23,438	\$ 6,506
Deferred			
Federal	\$ 10,646	\$ (10,309)	\$ 3,573
Foreign	(5,078)	(386)	173
State	1,448	(1,838)	788
	7,016	(12,533)	4,534
	\$ 10,359	\$ 10,905	\$ 11,040

Deferred income tax assets/(liabilities) were comprised of the following as of November 30:

(In thousands)	2007	2006
Current deferred income taxes		
Self-insurance and claims reserves	\$ 10,572	\$ 15,142
Inventories	5,541	4,998
Employee benefits	4,406	5,631
Accounts receivable	1,731	1,097
Valuation allowances	(2,641)	(3,708)
Other	2,837	701
Net current deferred income tax assets	22,446	23,861
Noncurrent deferred income taxes		
Net operating loss carry-overs	12,597	17,138
Pension benefit costs	6,134	12,854
Employee benefits	1,661	831
Investments	(227)	3,234
Valuation allowances	(12,969)	(18,193)
Property, plant and equipment	(17,277)	(16,341)
Other	(1,457)	(308)
Net noncurrent deferred income tax liabilities	(11,538)	(785)
Net deferred income tax assets	\$ 10,908	\$ 23,076

As of November 30, 2007, the Company had foreign net operating loss carry-overs of approximately \$46,100,000. A full valuation allowance has been provided against these net operating losses except for \$18,300,000 of net operating losses generated by its subsidiary in the Netherlands, which has shown recent profitability. The balance of the valuation allowance applies to certain foreign deferred tax assets and certain other deferred tax assets that will likely not result in a tax benefit. The net valuation allowance decreased by \$6,291,000 in 2007, compared to 2006. This net

decrease included a \$7,782,000 decrease in the valuation allowance for foreign net operating loss carry-overs and other foreign deferred tax assets for which no benefit has been recognized. Included in this decrease was a release of \$3,200,000 of valuation allowance related to the Company's subsidiary in the Netherlands due to profitability in 2007 and a change in projected profitability in the future. The decrease was offset by a net increase in the valuation allowance related to executive compensation deductions. During the fourth quarter of 2007, the Company recognized a charge to income from continuing operations of approximately \$1,200,000 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.

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The tax provision represents effective tax rates of 18.5%, 23.0% and 35.0% of income before income taxes for the years ended November 30, 2007, 2006 and 2005, respectively. A reconciliation of income taxes provided at the effective income tax rate and the amount computed at the federal statutory income tax rate of 35.0% is as follows for the year ended November 30:

(In thousands)	2007	2006	2005
Domestic pretax income	\$ 6,721	\$ 30,036	\$ 19,532
Foreign pretax income	49,395	17,379	12,012
	\$ 56,116	\$ 47,415	\$ 31,544
Taxes at federal statutory rate	\$ 19,641	\$ 16,596	\$ 11,040
State taxes, net of federal tax benefit	(293)	1,053	942
Foreign earnings taxed at different rates, including withholding taxes	(4,782)	1,264	(484)
Percentage depletion	(618)	(558)	(449)
Non-deductible compensation	2,612	1,702	693
Research and development credits	(449)	(28)	(329)
Section 199 deduction	(262)	(490)	-
Settlement of tax examinations	(1,285)	(7,233)	-
Repatriation of foreign earnings under the AJCA	-	-	1,077
Investment write-off	(4,723)	-	-
Other, net	518	(1,401)	(1,450)
	\$ 10,359	\$ 10,905	\$ 11,040

The Company files tax returns in numerous jurisdictions and is subject to audit in these jurisdictions. During the year ended November 30, 2007, the Company was not under federal audit; and the statute of limitations for 2003 expired. The statute is still open for 2004 and forward. In December 2007, the Internal Revenue Service began an examination of the Company's 2005-2006 federal income tax returns. No assessments have been issued. Although it cannot predict with certainty the ultimate outcome of this examination, the Company believes it has adequately provided for any potential liabilities that may result.

In 2006, the Internal Revenue Service ("IRS") finalized its examination of the Company's 1996 through 1998 federal income tax returns as well as its returns for 1999 through 2002. The results of these examinations, which included a concurrent review of the Company's claims for research and development credits for tax years 1998-2000, are reflected in the financial statements. In addition, the financial statements reflect settlements with other local and foreign jurisdictions. The net impact to the Company's financial statements as a result of these federal, foreign and local jurisdiction settlements was a reduction of approximately \$7,200,000 in income taxes payable.

In November 2005, the Company repatriated approximately \$36,000,000 of earnings from three of its foreign subsidiaries under the provisions of the 2004 American Jobs Creation Act ("AJCA"). The AJCA created a one-time incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. In November 2006, the Company repatriated approximately \$13,000,000 of earnings from its subsidiary in New Zealand with funds generated by this subsidiary's portion of the sale of the Coatings Business.

The Company intends to permanently reinvest the remaining unrepatriated foreign earnings. The cumulative amount of undistributed earnings of foreign subsidiaries was \$98,000,000 at November 30, 2007. The Company has provided no deferred taxes on the earnings; and the additional U.S. income tax on the unremitted foreign earnings, if repatriated, may be offset in whole or in part by foreign tax credits.

NOTE 11 - DEBT

Short-term borrowings consist of loans payable under bank credit lines. There were no short-term borrowings outstanding at November 30, 2007 and at November 30, 2006. At November 30, 2007, the equivalent of \$15,411,000 was available under short-term credit lines.

Domestically, as of November 30, 2007, the Company maintained a \$100,000,000 revolving credit facility with six banks (the "Revolver"). At November 30, 2007, \$19,115,000 of the Revolver was utilized for standby letters of credit; therefore, \$80,885,000 was available. Under the Revolver, the Company may, at its option, borrow at floating interest rates (LIBOR plus a spread ranging from .75% to 1.625% based on the Company's financial condition and performance), at any time until September 2010, when all borrowings under the Revolver must be repaid.

Foreign subsidiaries also maintain unsecured revolving credit facilities and short-term facilities with banks. Foreign subsidiaries may borrow in various currencies, at interest rates based upon specified margins over money market rates. Short-term lines permit borrowings up to \$16,500,000. At November 30, 2007, \$3,674,000 was borrowed under these facilities.

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The Company intends for short-term borrowing under certain bank facilities utilized by the Company and its foreign subsidiaries to be refinanced on a long-term basis via the Revolver. In addition, the amount available under the Revolver exceeds such short-term borrowing at November 30, 2007. Accordingly, amounts due under these bank facilities have been classified as long-term debt and are considered payable when the Revolver is due.

Long-term debt consisted of the following as of November 30:

(In thousands)	2007	2006
Fixed-rate notes:		
5.36%, payable in annual principal installments of \$10,000	\$ 20,000	\$ 30,000
4.25%, payable in Singapore Dollars, in annual principal installments of \$7,055	35,274	33,173
Variable-rate industrial development bonds:		
payable in 2016 (3.81% at November 30, 2007)	7,200	7,200
payable in 2021 (3.81% at November 30, 2007)	8,500	8,500
Variable-rate bank revolving credit facility (13.51% at November 30, 2007)	3,674	3,652
	74,648	82,525
Less current portion	(17,055)	(10,000)
	\$ 57,593	\$ 72,525

Future maturities of long-term debt were as follows as of November 30, 2007:

(In thousands)	Year ending November 30,	Amount
	2008	\$ 17,055
	2009	17,055
	2010	10,729
	2011	7,055
	2012	7,054
	Thereafter	15,700
		\$ 74,648

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.

The Revolver, the 5.36% term notes and the 4.25% term notes are collateralized by substantially all of the Company's assets. The industrial revenue bonds are supported by standby letters of credit that are issued under the Revolver. The interest rate on the industrial development bonds is based on a weekly index of tax-exempt issues plus a spread of ..20%. Certain note agreements contain provisions regarding the Company's ability to grant security interests or liens in association with other debt instruments. If the Company grants such a security interest or lien, then such notes will be secured equally and ratably as long as such other debt shall be secured.

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Interest income and expense were as follows for the year ended November 30:

(In thousands)	2007	2006	2005
Interest income	\$ 5,161	\$ 2,899	\$ 259
Interest expense	(3,234)	(4,581)	(5,779)
Interest income/(expense), net	\$ 1,927	\$ (1,682)	\$ (5,520)

The following disclosure of the estimated fair value of the Company's debt is prepared in accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required to develop the estimated fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

(In thousands)	Carrying Amount	Fair Value
November 30, 2007		
Fixed-rate, long-term debt	\$ 55,274	\$ 55,444
Variable-rate, long-term debt	19,374	19,374
November 30, 2006		
Fixed-rate, long-term debt	\$ 63,173	\$ 63,397
Variable-rate, long-term debt	19,352	19,352

The estimated fair value of the Company's variable-rate debt approximates the carrying value of the debt since the variable interest rates are market-based, and the Company believes such debt could be refinanced on materially similar terms. The estimated fair value of the Company's fixed-rate, long-term debt is based on U.S. government notes at November 30, 2007 plus an estimated spread for similar securities with similar credit risks and remaining maturities.

NOTE 12 - LEASE COMMITMENTS

The Company leases facilities and equipment under non-cancelable operating leases. Rental expense under long-term operating leases of real property, vehicles and other equipment was \$4,039,000 in 2007, \$3,774,000 in 2006, and \$3,786,000 in 2005. Future rental commitments were as follows as of November 30, 2007:

(In thousands)	Year ending November 30,	Amount
	2008	\$ 4,289
	2009	4,144
	2010	3,521
	2011	2,639
	2012	1,935
	Thereafter	21,927
		\$ 38,455

Future rental commitments for leases are not reduced by minimum non-cancelable sublease rentals aggregating \$3,051,000 at November 30, 2007.

NOTE 13 - INCENTIVE STOCK COMPENSATION PLANS

As of November 30, 2007, the Company had outstanding grants under the following share-based compensation plans:

- 1994 Non-Employee Director Stock Option Plan ("1994 Plan") - The 1994 Plan was terminated in 2001, except as to the outstanding options. A total of 240,000 new shares of Common Stock were made available for awards to non-employee directors. Non-employee directors were granted options to purchase the Company's Common Stock at prices not less than 100% of market value on the date of grant. Such options vested in equal annual installments over four years and terminate ten years from the date of grant.

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- 2001 Stock Incentive Plan ("2001 Plan") - The 2001 Plan was terminated in 2004, except as to the outstanding stock options and restricted stock grants. A total of 380,000 new shares of Common Stock were made available for awards to key employees and non-employee directors. The 2001 Plan served as the successor to the 1994 Plan and superseded that plan. Non-employee directors were granted options under the 2001 Plan to purchase the Company's Common Stock at prices not less than 100% of market value on the date of grant. Such options vested in equal annual installments over four years. Such options terminate ten years from the date of grant. Key employees were granted restricted stock under the 2001 Plan. Such restricted stock grants vested in equal annual installments over four years.
- 2004 Stock Incentive Plan ("2004 Plan") - The 2004 Plan serves as the successor to the 2001 Plan and supersedes that plan. A total of 525,000 new shares of Common Stock were made available for awards to key employees and non-employee directors and may include, but are not limited to, stock options and restricted stock grants. Non-employee directors were granted options under the 2004 Plan to purchase the Company's Common Stock at prices not less than 100% of market value on the date of grant. Such options vest in equal annual installments over four years and terminate ten years from the date of grant. Key employees were granted restricted stock under the 2004 Plan. Such restricted stock grants vest in equal annual installments over three years. During the 12 months ended November 30, 2007, the Company granted 28,550 restricted shares to key employees with fair value on the grant date of \$2,305,000 and 6,000 restricted shares to non-employee directors with fair value of \$417,000. On September 19, 2007, the Company also granted to a key employee 54,000 shares of restricted stock that will vest in February of 2008, 2009, and 2010, so long as a change of control of the Company has not occurred prior to the applicable grant date and the key employee continues to be employed by the Company. The fair value on the grant date of those restricted shares was \$5,395,000. Additionally, the key employee received a grant of performance stock units, pursuant to which a maximum of 24,000 shares of the Company's Common Stock may be issued depending on the Company's per share stock price on the date the award vests, no later than November 30, 2010. A Lattice model was used with volatility rate of 38% and risk free rate of 4.04% in determining the fair value of the performance stock units. The volatility rate was calculated based on historical trading data with the anticipated life of 2.5 years. The risk-free rate was based on the contemporary yield curve between the two and three year rate. The fair value of the performance stock units on September 19, 2007 was \$2,055,000, which will be recognized ratably as stock compensation expense through March 31, 2010.

In addition to the above, on January 24, 2001, non-employee directors were granted options to purchase the Company's Common Stock at prices not less than 100% of market value on the date of grant. Such options vested in equal annual installments over four years and terminate ten years from the date of grant. At November 30, 2007, there were 13,000 shares of Common Stock subject to such stock options.

Prior to December 1, 2005, the Company applied Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its various stock option plans. Effective December 1, 2005, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payments, using the Modified Prospective Application method. SFAS No. 123(R) requires the Company to measure all employee stock-based compensation awards using the fair-value method and to record such expense in its consolidated financial statements. Under the Modified Prospective Application method, financial results for the prior periods have not been adjusted. Stock-based compensation expense for the year ended November 30, 2007 includes: (a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested, as of December 1, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation, and (b) compensation expense for all stock-based compensation awards granted subsequent to November 30, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R).

The Company's income from continuing operations before income taxes and equity in earnings of joint venture for the year ended November 30, 2007 included compensation expense of \$3,850,000, related to stock-based compensation arrangements. Tax benefit related to this expense was \$1,502,000. There were no capitalized share-based

compensation costs for the year ended November 30, 2007.

Tax benefits and excess tax benefits resulting from the exercise of stock options are reflected as financing cash flows in the Company's statements of cash flows. For the 12 months ended November 30, 2007, excess tax benefits totaled \$1,955,000.

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The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation for the year ended November 30:

(In thousands, except per share data)	2005
Reported net income	\$ 32,610
Add: stock-based employee compensation expense included in reported net income, net of tax	1,645
Deduct: stock-based employee compensation expense determined under SFAS No. 123, net of tax	(1,212)
Pro forma net income	\$ 33,043
Earnings per share (basic)	
As reported	\$ 3.88
Pro forma	3.93
Earnings per share (diluted)	
As reported	3.80
Pro forma	3.85

The following table summarizes the stock option activity for the year ended November 30, 2007:

Current Year Stock-Based Compensation

	Number of	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Options	Options	per Share		
Outstanding at November 30, 2006	120,500	\$ 27.25		
Exercised	(53,250)	25.33		
Outstanding at November 30, 2007	67,250	28.77	4.54	\$ 5,179
Options exercisable at November 30, 2007	62,750	28.43	4.70	\$ 4,854

In the year ended November 30, 2007, no options were granted, forfeited or expired. The aggregate intrinsic value in the table above represents the total pretax intrinsic value, which is the difference between the Company's closing stock price on the last trading day of fiscal 2007 and the exercise price times the number of shares that would have been received by the option holders if they had exercised their options on November 30, 2007. This amount will change based on the fair market value of the Company's stock. The aggregate intrinsic value of stock options exercised in the years ended November 30, 2007, 2006 and 2005 was \$3,050,000, \$13,870,000, and \$4,781,000, respectively. As of November 30, 2007, there was \$8,273,000 of total unrecognized compensation cost related to stock-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 2.5 years.

In the years ended November 30, 2007, 2006 and 2005, 88,550, 51,000, and 42,500 shares of restricted stock were granted, respectively. The weighted-average grant-date fair value of such restricted stock was \$90.76, \$55.31, and \$36.20, respectively. The fair value of vested restricted stock for the years ended November 30, 2007, 2006 and 2005 was \$3,562,000, \$3,973,000, and \$1,738,000, respectively.

Net cash proceeds from stock option exercises in the years ended November 30, 2007, 2006 and 2005 were \$1,562,000, \$7,994,000, and \$5,300,000, respectively. The Company's policy is to issue shares from its authorized shares upon the exercise of stock options.

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NOTE 14 - GOODWILL AND OTHER INTANGIBLE ASSETS

SFAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill and intangible assets with indefinite useful lives not be amortized but instead be tested for impairment at least annually. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values.

During 2007, the Company completed the required goodwill and intangible asset impairment tests. No impairment losses were identified as a result of these tests. Changes in the Company's carrying amount of goodwill by business segment were as follows:

(In thousands)	November 30, 2006	Foreign Currency Translation Adjustments	November 30, 2007
Fiberglass-Composite Pipe	\$ 1,440	\$ -	\$ 1,440
Water Transmission	390	2	392
Infrastructure Products	201	-	201
	\$ 2,031	\$ 2	\$ 2,033

The Company's intangible assets, other than goodwill, and related accumulated amortization consisted of the following:

(In thousands)	November 30, 2007		November 30, 2006	
	Gross Intangible Assets	Accumulated Amortization	Gross Intangible Assets	Accumulated Amortization
Trademarks	\$ 113	\$ (101)	\$ 100	\$ (100)
Non-compete agreements	299	(163)	252	(140)
Patents	212	(212)	212	(212)
Leasehold interests	-	-	1,930	(1,930)
Other	79	(17)	-	-
	\$ 703	\$ (493)	\$ 2,494	\$ (2,382)

All of the Company's intangible assets, other than goodwill, are subject to amortization. Amortization expense related to intangible assets in the years ended November 30, 2007, 2006, and 2005 was \$41,000, \$170,000, and \$206,000, respectively. At November 30, 2007, estimated future amortization expense for each of the years in the five-year period ending November 30, 2012 was as follows: \$88,000 for 2008, \$41,000 for 2009, \$33,000 for 2010, \$30,000 for 2011, and \$18,000 for 2012.

NOTE 15 - COMMITMENTS AND 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 \$200,000.

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.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

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 \$128,000,000, 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 428,000,000 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.

NOTE 16 - EMPLOYEE BENEFIT PLANS

The Company has a qualified, defined benefit, noncontributory pension plan for certain U.S. employees not covered by union pension plans. The Company's subsidiaries in the Netherlands and the United Kingdom provide defined retirement benefits to eligible employees. The Company also provides health and life insurance to a limited number of eligible retirees and eligible survivors of retirees.

The Company's defined benefit pension and other postretirement benefit costs and obligations are dependent on assumptions used by actuaries in calculating such amounts. These assumptions, which are reviewed annually, include discount rates, long-term expected rates of return on plan assets and expected rates of increase in compensation. Assumed discount rates, based on market interest rates on long-term fixed income debt securities of highly-rated corporations, are used to calculate the present value of benefit payments which are projected to be made in the future, including projections of increases in employees' annual compensation and health care costs. A decrease in the discount rate would increase the Company's obligation and expense. The long-term expected rate of return on

plan assets is based principally on prior performance and future expectations for various types of investments as well as the expected long-term allocation of assets. Changes in the allocation of plan assets would impact the expected rate of return. The expected rate of increase in compensation is based upon movements in inflation rates as reflected by market interest rates. Benefits paid to participants are based upon age, years of credited service and average compensation or negotiated benefit rates.

Assets of the Company's U.S. defined benefit plan are invested in a directed trust. Assets in the trust are invested in domestic and foreign equity securities of corporations (including \$8,462,400 of the Company's Common Stock at November 30, 2007), U.S. government obligations, derivative securities, corporate bonds and money market funds. The subsidiaries in the Netherlands and the United Kingdom contract with third-party insurance companies to pay benefits to retirees.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

During the year ended November 30, 2007, the Company adopted the provisions of 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 a company 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 incremental effect of applying SFAS No. 158 on individual line items to the Company's balance sheet as of November 30, 2007, including tax effects, was as follows:

(In thousands)	Before Adoption of SFAS No. 158	Effect of Adopting SFAS No. 158	As Reported Under SFAS No. 158
Intangible assets	\$ 1,225	\$ (1,225)	\$ -
Accrued pension liability	(14,705)	(8,670)	(23,375)
Deferred income tax asset	6,915	3,860	10,775
Accumulated other comprehensive loss, net of taxes	10,817	6,035	16,852

The pretax amounts recognized in accumulated other comprehensive income after the adoption of SFAS No. 158 include the following as of November 30, 2007:

(In thousands)	Pension Benefits		U.S. Postretirement Benefits
	U.S.	Non-U.S.	
Net actuarial loss	\$ 25,416	\$ (1,064)	\$ 275
Prior service cost/(credit)	358	2,140	227
Net transition asset	-	-	275
Net amount recognized	\$ 25,774	\$ 1,076	\$ 777

The Company's estimates of 2008 amortization of amounts included in accumulated other comprehensive income are as follows:

(In thousands)	Pension Benefits		U.S. Postretirement Benefits
	U.S.	Non-U.S.	
Net actuarial loss	\$ 931	\$ -	\$ -
Prior service cost/(credit)	111	(304)	-
Net amount recognized	\$ 1,042	\$ (304)	\$ -

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

PENSION BENEFITS

The following sets forth the change in benefit obligation, change in plan assets, funded status and amounts recognized in the balance sheets as of November 30, 2007 and 2006 for the Company's U.S. and non-U.S. defined benefit retirement plans:

(In thousands)	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2007	2006	2007	2006
Change in Benefit Obligation				
Projected benefit obligation-beginning of year	\$ 192,504	\$ 184,747	\$ 49,066	\$ 51,546
Service cost	2,928	3,255	529	1,101
Interest cost	11,178	10,198	2,260	1,870
Participant contributions	-	-	163	295
Amendments	-	208	-	(333)
Curtailment	-	(1,997)	-	(4,156)
Settlement	-	-	-	(757)
Special termination benefit	-	268	-	-
Actuarial (gain)/loss	(2,829)	6,742	(9,227)	(5,449)
Foreign currency exchange rate changes	-	-	4,333	5,666
Benefit payments	(11,371)	(10,917)	(1,216)	(717)
Projected benefit obligation-end of year	\$ 192,410	\$ 192,504	\$ 45,908	\$ 49,066
Accumulated Benefit Obligation	\$ 184,724	\$ 185,453	\$ 45,370	\$ 48,489
Change in Plan Assets				
Plan assets at fair value-beginning of year	\$ 166,138	\$ 134,758	\$ 31,973	\$ 31,718
Actual return on plan assets	26,142	20,667	(324)	(618)
Foreign currency exchange rate changes	-	-	3,049	3,534
Employer contributions	3,031	21,630	665	887
Participant contributions	-	-	163	295
Settlement	-	-	-	(3,126)
Benefit payments	(11,371)	(10,917)	(1,216)	(717)
Plan assets at fair value-end of year	\$ 183,940	\$ 166,138	\$ 34,310	\$ 31,973
Funded Status				
Funded status	\$ (8,470)	\$ (26,366)	\$ (11,598)	\$ (17,093)
Unrecognized actuarial loss		44,118		6,222
Unrecognized prior service cost		471		2,206
Net amount recognized		\$ 18,223		\$ (8,665)
Balance Sheet Amounts				
Before Adoption of SFAS No. 158				
Accrued cost	\$ (787)	\$ (19,315)	\$ (11,557)	\$ (16,516)
Intangible asset	358	472	1,034	2,206
Accumulated other comprehensive loss, pretax	17,732	37,066	-	5,645
Net amount recognized	\$ 17,303	\$ 18,223	\$ (10,523)	\$ (8,665)
After Adoption of SFAS No. 158				
Noncurrent assets	\$ -		\$ 167	
Current liabilities	(30)		-	
Noncurrent liabilities	(8,440)		(11,765)	
Net amount recognized	\$ (8,470)		\$ (11,598)	

The Company contributed \$3,000,000 to the U.S. pension plan and \$719,000 to the non-U.S. pension plans in 2007. The Company expects to contribute approximately \$3,000,000 to its U.S. pension plan and \$1,200,000 to the non-U.S. pension plans in 2008.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

Expected future pension benefit payments, which reflect expected future service, were as follows as of November 30, 2007:

(In thousands)	Year	U.S. Pension	Non-U.S.
	Ending November 30,	Benefits	Pension Benefits
	2008	\$ 11,553	\$ 1,454
	2009	11,969	1,605
	2010	12,410	1,830
	2011	12,962	1,867
	2012	13,334	1,935
	2013-2017	71,339	12,013

Net periodic benefit costs for the Company's defined benefit retirement plans for 2007, 2006 and 2005 included the following components:

(In thousands)	U.S. Pension Benefits			Non-U.S. Pension Benefits		
	2007	2006	2005	2007	2006	2005
Service cost	\$ 2,928	\$ 3,255	\$ 3,122	\$ 529	\$ 1,101	\$ 1,334
Interest cost	11,178	10,198	10,082	2,260	1,870	1,850
Expected return on plan assets	(14,172)	(12,210)	(11,203)	(1,680)	(1,433)	(1,382)
Amortization of unrecognized prior service cost	113	104	106	281	488	656
Curtailment	-	325	-	-	2,911	-
Amortization of unrecognized net transition obligation	-	-	-	151	317	76
Amortization of accumulated loss	3,904	4,434	4,954	-	-	-
Other, net	-	-	-	-	610	-
Net periodic cost	\$ 3,951	\$ 6,106	\$ 7,061	\$ 1,541	\$ 5,864	\$ 2,534

The following table provides the weighted-average assumptions used to compute the actuarial present value of projected benefit obligations:

	U.S. Pension Benefits			Non-U.S. Pension Benefits		
	2007	2006	2005	2007	2006	2005
Weighted-average discount rate	6.15%	5.95%	5.60%	5.60%	4.50%	4.00%
Rate of increase in compensation levels	3.65%	3.45%	3.10%	2.00%	2.00%	2.00%

The following table provides the weighted-average assumptions used to compute the actuarial net periodic benefit cost:

	U.S. Pension Benefits			Non-U.S. Pension Benefits		
	2007	2006	2005	2007	2006	2005
Weighted-average discount rate	5.95%	5.60%	5.85%	4.50%	4.00%	4.75%

Expected long-term rate of return on plan assets	8.75%	8.75%	8.75%	5.00%	5.20%	5.40%
Rate of increase in compensation levels	3.45%	3.10%	3.35%	2.00%	2.00%	2.00%

The following table shows the Company's target allocation range for the U.S. defined benefit pension plan, along with the actual allocations, as of November 30,:

	Target	2007	2006
Domestic equities	65%	71%	70%
International equities	10%	11%	10%
Fixed-income securities	25%	18%	20%
Total	100%	100%	100%

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

Approximately 13% of the Company's employees are covered by union-sponsored, collectively-bargained, multi-employer pension plans. Related to these plans, the Company contributed and charged to expense \$2,000,000, \$3,000,000, and \$2,650,000 in 2007, 2006, and 2005, respectively. These contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. The Company has no intention of withdrawing from any of these plans, nor is there any intention to terminate such plans.

The Company provides to certain employees a savings plan under Section 401(k) of the U.S. Internal Revenue Code. The savings plan allows for deferral of income through contributions to the plan, within certain restrictions. Company matching contributions are in the form of cash. In 2007, 2006, and 2005, the Company recorded expense for matching contributions of \$648,000, \$1,387,000, and \$422,000 respectively.

POSTRETIREMENT BENEFITS

The following sets forth the change in benefit obligation, change in plan assets, funded status and amounts recognized in the balance sheets as of November 30, 2007 and 2006 for the Company's U.S. postretirement health care and life insurance benefits. The measurement date of plan assets and obligations is October 1 for each year presented:

(In thousands)	U.S. Postretirement Benefits	
	2007	2006
Change in Benefit Obligation		
Projected benefit obligation-beginning of year	\$ 3,492	\$ 3,315
Service cost	88	78
Interest cost	202	179
Actuarial gain	(149)	(167)
Amendments	-	324
Benefit payments	(129)	(237)
Projected benefit obligation-end of year	\$ 3,504	\$ 3,492
Change in Plan Assets		
Plan assets at fair value-beginning of year	\$ 396	\$ 324
Actual return on plan assets	1	106
Benefit payments	(32)	(34)
Plan assets at fair value-end of year	\$ 365	\$ 396
Funded Status		
Funded status	\$ (3,139)	\$ (3,096)
Unrecognized actuarial loss		405
Unrecognized transition obligation		321
Unrecognized prior service cost		246
Net amount recognized		\$ (2,124)
Balance Sheet Amounts		
Before Adoption of SFAS No. 158		
Accrued benefit liability	\$ (2,362)	\$ (2,124)
Net amount recognized	\$ (2,362)	\$ (2,124)
After Adoption of SFAS No. 158		
Noncurrent liabilities	\$ (3,139)	
Net amount recognized	\$ (3,139)	

Expected future benefit payments, which reflect expected future service, were as follows as of November 30, 2007:
U.S. Post-

(In thousands)	Year Ending November 30,	Retirement Benefits
	2008	\$ 222
	2009	225
	2010	226
	2011	216
	2012	229
	2013 - 2017	1,425

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

Net periodic benefit costs for the Company's postretirement health care and life insurance benefits for 2007, 2006 and 2005 included the following components:

(In thousands)	U.S. Postretirement Benefits		
	2007	2006	2005
Service cost	\$ 88	\$ 78	\$ 118
Interest cost	202	179	204
Expected return on plan assets	(35)	(27)	(31)
Amortization of unrecognized prior service cost/(gain)	19	(14)	(14)
Amortization of unrecognized net transition obligation	46	46	71
Amortization of accumulated loss	15	41	59
Net periodic cost	\$ 335	\$ 303	\$ 407

The following table provides the weighted-average assumptions used to compute the actuarial present value of projected benefit obligations:

	U.S. Postretirement Benefits		
	2007	2006	2005
Weighted-average discount rate	6.15%	5.95%	5.60%
Rate of increase in compensation levels	3.65%	3.45%	3.10%

The following table provides the weighted-average assumptions used to compute the actuarial net periodic benefit cost:

	U.S. Postretirement Benefits		
	2007	2006	2005
Weighted-average discount rate	5.95%	5.60%	5.85%
Rate of increase in compensation levels	3.45%	3.10%	3.35%

In 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduces a Medicare prescription drug benefit beginning in 2006 as well as a federal subsidy to sponsors of retirement health care plans that provide a benefit at least actuarially equivalent to the Medicare benefit. The effect of the Act did not have a material impact on the Company's consolidated financial statements.

The assumed health care cost trend increased from 9% to 10% in 2007, and it is assumed that the rate will decline gradually to 5% by 2012 and beyond. The effect of a one-percentage-point change in the assumed health care cost trend would have changed the amounts of the benefit obligation and the sum of the service cost and interest cost components of postretirement benefit expense for 2007, as follows:

(In thousands)	1%	
	Increase	Decrease
Effect on total of service and interest cost components of net periodic expense	\$ 21	\$ (19)
Effect on postretirement benefit obligation	182	(154)

The Company provides life insurance to eligible executives with life insurance protection equal to three times base salary. Upon retirement, the executive is provided with life insurance protection equal to final base salary. There were no expenses related to this plan in 2007 or 2006, and \$66,800 in 2005.

The Company has severance agreements with certain key employees that could provide benefits upon termination of up to 3.5 times total annual compensation of such employees.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTE 17 - CAPITAL STOCK

The Company is incorporated in Delaware. The articles of incorporation authorize 24,000,000 shares of \$2.50 par value Common Stock, 1,000,000 shares of \$1.00 par value preferred stock and 100,000 shares of \$1.00 par value series A junior participating cumulative preferred stock. The preferred stock may be issued in series, with the rights and preferences of each series to be established by the Board of Directors. As of November 30, 2007, no shares of preferred stock or series A junior participating cumulative preferred stock were outstanding.

As of November 30, 2007, 9,138,563 shares of Common Stock were issued and outstanding, including 82,770 restricted shares. Restrictions limit the sale and transfer of these shares. On each anniversary of the grant date, a percentage of the shares (determined at the time of the grant) become unrestricted. The restrictions are scheduled to lapse as follows: 41,535 shares will become unrestricted in 2008, 27,368 shares in 2009, 12,367 shares in 2010, and 1,500 shares in 2011.

On November 12, 2007, the Company entered into a Rights Agreement with Computershare Trust Company, N.A. as Rights agent. That agreement provides, among other things, that upon certain triggering events, including the acquisition by a party of 20% or more of the Company's Common Stock, or the announcement of an intention to make an acquisition offer which would result in such party acquiring 20% or more of the Company's Common Stock, the shareholders of the Company, other than such party, would have rights to purchase Common Stock of the Company at a significant discount, unless such rights were to be redeemed by the Company or unless such acquisition offer were to meet certain minimum requirements as more completely described in such Rights Agreement.

NOTE 18 - SEGMENT INFORMATION

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information" requires disclosure of certain information about operating segments, geographic areas in which the Company operates, major customers, and products and services. In accordance with SFAS No. 131, the Company has determined it has four operating and three reportable segments: Fiberglass-Composite Pipe, Water Transmission and Infrastructure Products. 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 products including wind towers. The Infrastructure Products Group consists of two operating segments, the Pole Products and Hawaii Divisions, and manufactures and sells ready-mix concrete, sand and aggregates, concrete pipe and culverts, and concrete and steel lighting and traffic poles. In the prior periods, the Company included a fourth reportable segment, Performance Coatings & Finishes, which was sold August 1, 2006. The results from this segment have been reported as discontinued operations for all reporting periods. Each of these segments has a dedicated management team and is managed separately, primarily because of differences in products. TAMCO, the Company's equity method investment, is not included in any of these segments. The Company's Chief Operating Decision Maker is the Chief Executive Officer who primarily reviews sales and income before interest, income taxes and equity in earnings of joint venture for each operating segment in making decisions about allocating resources and assessing performance. The Company allocates certain selling, general and administrative expenses to operating segments utilizing assumptions believed to be appropriate in the circumstances. Costs of shared services (e.g., costs of Company-wide insurance programs or benefit plans) are allocated to the operating segments based on revenue, wages or net assets employed. Other items not related to current operations or of an unusual nature, such as adjustments to reflect inventory balances of certain steel inventories under the last-in, first-out ("LIFO") method, certain unusual legal costs and expenses, interest expense and income taxes, are not allocated to the reportable segments.

The markets served by the Fiberglass-Composite Pipe Group are worldwide in scope. The Water Transmission Group serves primarily the western U.S. The Infrastructure Products Group's quarry and ready-mix business operates

exclusively in Hawaii, and poles are sold throughout the U.S. Sales for export or to any individual customer did not exceed 10% of consolidated sales in 2007, 2006 or 2005.

In accordance with SFAS No. 131, the following table presents information related to each operating segment included in, and in a manner consistent with, internal management reports. Inter-segment sales were not significant. Total assets by segment are those assets that are used exclusively by such segment. Unallocated assets are principally cash, corporate property and equipment, and investments. Long-lived assets consist of all long-term assets, excluding investments, goodwill, intangible assets, and deferred tax assets.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

SEGMENT INFORMATION

	Fiberglass- Composite Pipe	Water Transmission	Infrastructure Products	Other	Discontinued Operations	Eliminations	Total
(In thousands) 2007							
Sales	\$ 237,850	\$ 190,261	\$ 205,711	\$ -	\$ -	\$ (2,812)	\$ 631,010
Income from continuing operations before interest, income taxes and equity in earnings of joint venture	62,347	(6,026)	35,929	(38,061)	-	-	54,189
Equity in earnings of joint venture, net of taxes	-	-	-	15,383	-	-	15,383
Income from joint ventures - cost method	2,451	-	-	-	-	-	2,451
Investments in joint ventures							
Equity method	-	-	-	14,677	-	-	14,677
Cost method	3,784	-	-	-	-	-	3,784
Long-lived assets	42,270	77,429	53,747	34,536	(107)	-	207,875
Total assets	260,567	218,247	103,993	226,239	144	(103,378)	705,812
Capital expenditures	6,810	31,219	8,675	993	-	-	47,697
Depreciation and amortization	5,294	4,911	5,891	938	-	-	17,034
2006							
Sales	\$ 176,721	\$ 174,986	\$ 198,177	\$ -	\$ -	\$ (704)	\$ 549,180
Income from continuing operations before interest, income taxes and equity in earnings of joint venture	37,804	7,577	30,607	(26,891)	-	-	49,097
Equity in earnings of joint venture, net of taxes	-	-	-	13,550	-	-	13,550
	-	-	-	-	-	-	-

Income from joint ventures - cost method								
Investments in joint ventures								
Equity method	-	-	-	14,501	-	-	-	14,501
Cost method	3,784	-	-	-	-	-	-	3,784
Long-lived assets	31,957	51,041	48,796	47,561	-	-	-	179,355
Total assets	206,326	167,463	97,249	252,710	-	(107,397)	-	616,351
Capital expenditures	4,558	16,502	10,659	(236)	4,036	-	-	35,519
Depreciation and amortization	4,685	4,000	4,509	609	3,637	-	-	17,440
2005								
Sales	\$ 134,071	\$ 192,731	\$ 168,990	\$ -	\$ -	\$ (1,025)	\$ -	\$ 494,767
Income from continuing operations before interest, income taxes and equity in earnings of joint venture	24,482	25,845	22,127	(35,390)	-	-	-	37,064
Equity in earnings of joint venture, net of taxes	-	-	-	9,005	-	-	-	9,005
Income from joint ventures - cost method	1,300	-	-	-	-	-	-	1,300
Investments in joint ventures								
Equity method	-	-	-	13,777	-	-	-	13,777
Cost method	3,784	-	-	-	2,138	-	-	5,922
Long-lived assets	30,199	38,520	43,553	39,048	40,685	-	-	192,005
Total assets	176,713	132,803	83,053	162,979	170,784	(148,296)	-	578,036
Capital expenditures	8,919	5,567	4,607	1,170	5,108	-	-	25,371
Depreciation and amortization	4,070	3,910	4,444	710	5,790	-	-	18,924

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

GEOGRAPHIC AREAS

(In thousands)	United States	Europe	Asia	Other	Discontinued Operations	Eliminations	Total
2007							
Sales to external customers	\$ 453,705	\$ 47,844	\$ 112,306	\$ 19,967	\$ -	\$ (2,812)	\$ 631,010
Long-lived assets	165,144	10,110	24,115	8,506	-	-	207,875
Total assets	452,697	53,718	246,742	56,033	-	(103,378)	705,812
2006							
Sales to external customers	\$ 432,670	\$ 26,545	\$ 80,726	\$ 9,239	\$ -	\$ -	\$ 549,180
Long-lived assets	154,882	15,229	20,866	(11,622)	-	-	179,355
Total assets	538,254	50,785	139,514	(4,805)	-	(107,397)	616,351
2005							
Sales to external customers	\$ 406,939	\$ 20,157	\$ 62,155	\$ 5,516	\$ -	\$ -	\$ 494,767
Long-lived assets	125,310	6,046	19,202	762	40,685	-	192,005
Total assets	419,103	20,907	110,602	4,936	170,784	(148,296)	578,036

SUPPLEMENTARY DATA - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the years ended November 30, 2007 and 2006, follow:

(In thousands except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007				
Sales	\$ 120,355	\$ 156,756	\$ 165,048	\$ 188,851
Gross profit	25,320	40,762	37,001	42,946
Income from continuing operations	8,312	14,813	20,659	17,356
Income from discontinued operations, net of taxes	156	990	463	4,490
Net income	8,468	15,803	21,122	21,846
Diluted net income per share:				
Income from continuing operations	.92	1.63	2.27	1.90
Income from discontinued operations, net of taxes	.02	.11	.05	.49
Net income	.94	1.74	2.32	2.39
Stock price per share-high	84.25	81.28	109.60	109.16
Stock price per share-low	71.57	64.35	76.02	85.10
Dividends per share	.20	.20	.25	.25
2006				
Sales	\$ 125,972	\$ 132,657	\$ 139,941	\$ 150,610
Gross profit	28,582	34,771	36,082	32,954
Income from continuing operations	3,962	16,998	16,982	12,118
Income from discontinued operations, net of taxes	(351)	1,704	997	(210)
Net income	3,611	18,702	17,979	11,908
Diluted net income/(loss) per share:				
Income from continuing operations	.45	1.92	1.91	1.35
Income from discontinued operations, net of taxes	(.04)	.19	.11	(.02)
Net income	.41	2.11	2.02	1.33

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Stock price per share-high	61.81	76.04	70.70	80.01
Stock price per share-low	44.66	54.54	50.63	64.03
Dividends per share	.20	.20	.20	.20

The Company traditionally experiences lower sales during the first fiscal quarter because of seasonal patterns associated with weather and contractor schedules.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Ameron International Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity, of comprehensive income and of cash flows present fairly, in all material respects, the financial position of Ameron International Corporation and its subsidiaries at November 30, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(1) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 and Note 16 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R), effective November 30, 2007. As discussed in Note 1 and 13 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payments, effective December 1, 2005.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

February 8, 2008

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Management has established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of November 30, 2007 pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic Commission filings. No changes were made in the Company's internal control over financial reporting during the fiscal quarter ended November 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation under the framework in Internal Control - Integrated Framework, management concluded that internal control over financial reporting was effective as of November 30, 2007. The effectiveness of the Company's internal control over financial reporting as of November 30, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to the directors, the Audit Committee of the Board of Directors, and the audit committee financial expert, is contained in the Company's Proxy Statement. Such information is incorporated herein by reference. The Board of Directors of the Company has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act. The members of that audit committee are identified in the Company's Proxy Statement under the section captioned "The Board and Its Committees." Such information is incorporated herein by reference. The Board of Directors has determined that one of the members of its

Audit Committee, William D. Horsfall, is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K.

Information with respect to the executive officers who are not directors of the Company is located in Part I, Item 4 of this report.

The Company has adopted a Code of Business Conduct and Ethics (the "Code") that applies to directors, officers and employees of the Company, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Copies of the Code, as well as each of the Company's Corporate Governance Guidelines and charters of the Audit, the Compensation and the Nominating & Corporate Governance committees of its Board of Directors are available on the Company's website, located at www.ameron.com, and are available in print to stockholders upon written request to the Secretary of the Company at the Company's headquarters address.

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ITEM 11 - EXECUTIVE COMPENSATION

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

* The information required by Items 11, 12, 13 and 14 is contained in the Company's Proxy Statement. Such information is incorporated herein by reference.

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PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) FINANCIAL STATEMENT SCHEDULES:

The following financial statements are included in this Annual Report on Form 10-K:

Consolidated Statements of Income for the years ended November 30, 2007, 2006 and 2005.

Consolidated Balance Sheets as of November 30, 2007 and 2006.

Consolidated Statements of Stockholders' Equity for the years ended November 30, 2007, 2006 and 2005.

Consolidated Statements of Comprehensive Income for the years ended November 30, 2007, 2006 and 2005.

Consolidated Statements of Cash Flows for the years ended November 30, 2007, 2006 and 2005.

Notes to Consolidated Financial Statements
Report of Independent Registered Public
Accounting Firm

The following additional financial data should be read in conjunction with the Consolidated Financial Statements. Schedules not included with this additional financial data have been omitted because they are either not applicable, not required, not significant, or the required information is provided in the Consolidated Financial Statements under Financial Statements and Supplementary Data, under Part II, Item 8.

SCHEDULESCHEDULES OF AMERON

II Valuation and Qualifying Accounts and Reserves

(2) EXHIBITS:

EXHIBITEXHIBITS OF AMERON

- 3(i) Certificate of Incorporation (1)
- 3(ii) Bylaws (2)
- 4 Instruments Defining the Rights of Security Holders, Including Indentures
- 10 Material Contracts
- 21 Subsidiaries of the Registrant
- 23.1 Consent of PricewaterhouseCoopers LLP
- 23.2 Consent of PricewaterhouseCoopers LLP regarding TAMCO
- 31.1 Section 302 Certification of Chief Executive Officer
- 31.2

	Section 302 Certification of Chief Financial Officer
32	Section 906 Certification of Chief Executive Officer and Chief Financial Officer
99.1	TAMCO Financial Statements as of November 30, 2007, and for each of the three years in the period ended November 30, 2007 and Report of Independent Registered Public Accounting Firm

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

(b) REPORTS ON FORM 8-K

Six reports on Form 8-K were filed by the Company during the last quarter of the fiscal year ended November 30, 2007 as follows:

September 20, 2007 reporting the amendment of the Company's Bylaws and the results of operations for the third quarter ended August 26, 2007, as reported in a press release dated September 20, 2007.

September 21, 2007 reporting the declaration of a quarterly dividend of \$.25 per share of Common Stock for the Company's third quarter ended August 26, 2007, as reported in a press release dated September 21, 2007.

September 21, 2007 reporting the extension of employment of the Chief Executive Officer, amendment to the employment agreement and grant of performance stock units, as reported in a press release dated September 19, 2007.

October 9, 2007 reporting the acquisition of a new subsidiary in Brazil, as reported in a press release dated October 5, 2007.

November 13, 2007 reporting the establishment of a Shareholder Rights Agreement, as reported in a press release dated November 12, 2007.

November 20, 2007 reporting the resignation of an executive officer effective November 15, 2007.

(1) The Certificate of Incorporation is incorporated by reference to the Quarterly Report on Form 10-Q of the Company filed June 24, 2005.

(2) The Bylaws are incorporated by reference to the Report on Form 8-K of the Company filed September 20, 2007.

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AMERON INTERNATIONAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEAR ENDED NOVEMBER 30, 2007

(In thousands)

Classification	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions, Payments And Write-offs	Reclassifications and Other	Balance at End of Year
DEDUCTED FROM ASSET ACCOUNTS					

Allowance for doubtful accounts	\$4,912	\$3,248	\$(2,212)	\$287 *	\$6,235
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* Translation adjustment.

FOR THE YEAR ENDED NOVEMBER 30, 2006

(In thousands)

Classification	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions, Payments And Write-offs	Reclassifications and Other	Balance at End of Year
DEDUCTED FROM ASSET ACCOUNTS					

Allowance for doubtful accounts	\$7,693	\$1,351	\$(1,339)	\$(2,793) **	\$4,912
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** Amount primarily consists of allowance for doubtful accounts eliminated due to the sale of the discontinued operations.

FOR THE YEAR ENDED NOVEMBER 30, 2005

(In thousands)

Classification	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions, Payments And Write-offs	Reclassifications and Other	Balance at End of Year
DEDUCTED FROM ASSET ACCOUNTS					

Allowance for doubtful accounts	\$7,984	\$2,502	\$(2,362)	\$(431) *	\$7,693
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* Translation adjustment.

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AMERON INTERNATIONAL CORPORATION AND SUBSIDIARIES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERON INTERNATIONAL CORPORATION

By: /s/ Javier Solis
Javier Solis, Executive Vice President & Secretary

Date: February 8, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: 2-8-08	/s/ James S. Marlen James S. Marlen	Director, Chairman of the Board, and Chief Executive Officer (Principal Executive Officer)
Date: 2-8-08	/s/ James R. McLaughlin James R. McLaughlin	Senior Vice President, Chief Financial Officer & Treasurer (Principal Financial & Accounting Officer)
Date: 2-8-08	/s/ Daniel J. Emmett Daniel J. Emmett	Vice President, Controller
Date: 2-8-08	/s/David Davenport David Davenport	Director
Date: 2-8-08	/s/J. Michael Hagan J. Michael Hagan	Director
Date: 2-8-08	/s/Terry L.Haines Terry L. Haines	Director
Date: 2-8-08	/s/William D. Horsfall William D. Horsfall	Director
Date: 2-8-08	/s/John E. Peppercorn John E. Peppercorn	Director
Date: 2-8-08	/s/Dennis C. Poulsen Dennis C. Poulsen	Director

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