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VULCAN INTERNATIONAL CORP
Form 10-Q
November 12, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-10219

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

DELAWARE 31-0810265
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

300 Delaware Avenue, Suite 1704, Wilmington, Delaware 19801
(Address of principal executive offices) (Zip Code)

(302) 427-804
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Outstanding shares of no par value common stock at September 30, 2003:

1,004,707 shares

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VULCAN INTERNATIONAL CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, December 31,

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| | 2003 UNAUDITED | 2002 |
|---|-------------------|------------|
| -ASSETS- | | |
| CURRENT ASSETS: | | |
| Cash | \$ 1,503,467 | 1,682,049 |
| Marketable securities (At fair market value) | 31,907,138 | 30,237,923 |
| Accounts receivable | 2,063,204 | 1,437,170 |
| Inventories | 777,290 | 702,518 |
| Prepaid expense and other | 64,418 | 44,825 |
| Refundable federal income tax | 623,240 | - |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 36,938,757 | 34,104,485 |
| | ----- | ----- |
| PROPERTY, PLANT AND EQUIPMENT-at cost | 11,697,979 | 11,679,978 |
| Less-Accumulated depreciation and depletion | 9,859,282 | 9,577,197 |
| | ----- | ----- |
| NET PROPERTY, PLANT AND EQUIPMENT | 1,838,697 | 2,102,781 |
| | ----- | ----- |
| OTHER ASSETS: | | |
| Investment in joint venture | 223,621 | 20,805 |
| Marketable securities (At fair market value) | 31,359,502 | 27,615,871 |
| Deferred charges and other assets | 5,906,044 | 5,771,763 |
| | ----- | ----- |
| TOTAL OTHER ASSETS | 37,489,167 | 33,408,439 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 76,266,621 | 69,615,705 |
| | ===== | ===== |
| -LIABILITIES AND SHAREHOLDERS' EQUITY- | | |
| CURRENT LIABILITIES: | | |
| Notes payable | \$ 4,558,542 | 1,861,711 |
| Deferred income tax | 9,444,721 | 7,133,396 |
| Other | 1,675,469 | 6,766,590 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 15,678,732 | 15,761,697 |
| | ----- | ----- |
| OTHER LIABILITIES: | | |
| Deferred income tax | 10,358,723 | 9,641,263 |
| Commitments and contingencies | - | - |
| Minority interest in partnership | 10,864 | 17,304 |
| Other liabilities | 37,470 | 34,531 |
| | ----- | ----- |
| TOTAL OTHER LIABILITIES | 10,407,057 | 9,693,098 |
| | ----- | ----- |
| SHAREHOLDERS' EQUITY: | | |
| Capital stock | 249,939 | 249,939 |
| Additional paid-in capital | 8,253,926 | 8,205,825 |
| Retained earnings | 30,245,403 | 27,952,115 |
| Accumulated other comprehensive income | 37,671,427 | 34,013,394 |
| | ----- | ----- |
| | 76,420,695 | 70,421,273 |
| | ----- | ----- |
| Less-Common stock in treasury-at cost | 26,239,863 | 26,260,363 |
| | ----- | ----- |
| TOTAL SHAREHOLDERS' EQUITY | 50,180,832 | 44,160,910 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 76,266,621 | 69,615,705 |
| | ===== | ===== |

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

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PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED

| | For the nine months ended September 30, | | For the three months ended September 30, | |
|--|--|-----------|---|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| REVENUES: | | | | |
| Net sales | \$7,665,565 | 6,873,944 | 2,930,246 | 2,293,461 |
| Dividends and interest | 1,737,609 | 1,723,113 | 589,282 | 577,080 |
| | ----- | ----- | ----- | ----- |
| TOTAL REVENUES | 9,403,174 | 8,597,057 | 3,519,528 | 2,870,541 |
| | ----- | ----- | ----- | ----- |
| COST AND EXPENSES: | | | | |
| Cost of sales | 7,255,299 | 6,311,195 | 2,741,839 | 2,150,874 |
| General and administrative | 1,513,311 | 1,423,529 | 569,753 | 478,846 |
| Interest expense | 35,702 | 131,872 | (29,079) | 38,858 |
| | ----- | ----- | ----- | ----- |
| TOTAL COST AND EXPENSES | 8,804,312 | 7,866,596 | 3,282,513 | 2,668,578 |
| | ----- | ----- | ----- | ----- |
| Income related to Re-Solve Settlement | 1,448,119 | - | 1,448,119 | - |
| EQUITY IN JOINT VENTURE INCOME AND MINORITY INTEREST | 201,952 | 209,039 | 62,503 | 69,047 |
| | ----- | ----- | ----- | ----- |
| INCOME BEFORE GAIN ON SALE OF ASSETS | 2,248,933 | 939,500 | 1,747,637 | 271,010 |
| NET GAIN ON SALE OF PROPERTY, EQUIPMENT AND SECURITIES | 849,456 | 784,402 | 165,690 | 216,012 |
| | ----- | ----- | ----- | ----- |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 3,098,389 | 1,723,902 | 1,913,327 | 487,022 |
| INCOME TAX PROVISION | 654,395 | 235,164 | 517,685 | 74,220 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|-------------------------------|-------------|-----------|-----------|---------|
| NET INCOME | \$2,443,994 | 1,488,738 | 1,395,642 | 412,802 |
| | ===== | ===== | ===== | ===== |
| NET INCOME PER SHARE | \$ 2.43 | 1.36 | 1.39 | .38 |
| | ===== | ===== | ===== | ===== |
| DIVIDENDS PER COMMON SHARE | \$.15 | .60 | .05 | .20 |
| | ===== | ===== | ===== | ===== |

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

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PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended
UNAUDITED

| | September 30, 2003 | September 30, 2002 |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 7,033,877 | 6,191,072 |
| Cash paid to suppliers and employees and United States EPA | (12,109,287) | (7,867,171) |
| Dividends received | 1,737,609 | 1,723,113 |
| Interest paid | (85,928) | (15,298) |
| Income taxes paid | (185,000) | (205,000) |
| | ----- | ----- |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | (3,608,729) | (173,284) |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of property, equipment and securities | 837,680 | 796,734 |
| Purchase of property and equipment | (42,752) | (347,125) |
| Cash distribution from joint venture | - | 400,000 |
| Collections on notes receivable and other | 89,094 | 90,346 |
| | ----- | ----- |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 884,022 | 939,955 |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net borrowings (repayments) under credit agreements | 2,696,831 | - |
| Sale of treasury shares | - | 19,885 |
| Purchase of common shares | - | (825,393) |
| Cash dividends paid | (150,706) | (657,168) |
| | ----- | ----- |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 2,546,125 | (1,462,676) |
| | ----- | ----- |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (178,582) | (696,005) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 1,682,049 | 2,493,733 |
| | ----- | ----- |

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| | | |
|---|----------------|-----------|
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 1,503,467 | 1,797,728 |
| | ===== | ===== |
| RECONCILIATION OF NET INCOME TO | | |
| NET CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 2,443,994 | 1,488,738 |
| Adjustments- | | |
| Depreciation and amortization | 300,509 | 258,579 |
| Deferred income taxes | 1,144,343 | 3,484 |
| Equity in joint venture income and minority interest | (201,952) | (209,039) |
| Net gain on sale of property, equipment and securities | (849,456) | (784,402) |
| (Increase) in accounts receivable | (631,688) | (682,872) |
| (Increase) in inventories | (74,772) | (120,169) |
| (Decrease) in accounts payable, accrued expenses and other assets | (5,739,707) | (127,603) |
| | ----- | ----- |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ (3,608,729) | (173,284) |
| | ===== | ===== |

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

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PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
SCHEDULE SUPPORTING NET INCOME PER COMMON SHARE
AND DIVIDENDS PER COMMON SHARE
UNAUDITED

EXHIBIT 1

| | Nine months ended September 30, | | Three months ended September 30, | |
|------------------------------------|------------------------------------|-----------|-------------------------------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| a) Net income | \$2,443,994 | 1,488,738 | 1,395,642 | 412,802 |
| | ===== | ===== | ===== | ===== |
| b) Cash dividends on common shares | \$ 150,706 | 657,168 | 50,235 | 216,325 |
| | ===== | ===== | ===== | ===== |
| Weighted Average Shares: | | | | |
| c) Common shares issued | 1,999,512 | 1,999,512 | 1,999,512 | 1,999,512 |
| d) Common treasury shares | 994,842 | 902,375 | 994,805 | 911,524 |
| | ----- | ----- | ----- | ----- |
| e) Common shares outstanding | 1,004,670 | 1,097,137 | 1,004,707 | 1,087,988 |
| | ===== | ===== | ===== | ===== |

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| | | | | | | |
|----|--------------------------------------|----|------|------|------|-----|
| f) | Income per common share (a/e): | \$ | 2.43 | 1.36 | 1.39 | .38 |
| g) | Dividends per common share | \$ | .15 | .60 | .05 | .20 |

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

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PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended September 30, 2003 and 2002
UNAUDITED

The accompanying condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to reflect a fair presentation of financial position, results of operations and cash flows for the interim periods. All such adjustments are of a normal recurring nature.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVENTORIES

| | SEPTEMBER 30, 2003 UNAUDITED | DECEMBER 31, 2002 |
|---------------------------|------------------------------------|----------------------|
| Inventories consisted of: | | |
| Finished goods | \$296,059 | 506,240 |
| Work in process | 161,125 | 33,983 |
| Raw materials | 320,106 | 162,295 |
| | ----- | ----- |
| Total inventories | \$777,290 | 702,518 |
| | ===== | ===== |

LEGAL MATTERS

On September 2, 2003 the claims of the United States against the Company for past and future clean-up cost and expenses with respect to the Re-Solve, Inc. Superfund Site in North Dartmouth, Massachusetts have been resolved by the

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docketing of a settlement agreement in the Federal District Court of Massachusetts approved by Senior Federal Judge Robert Keeton. The settlement provided that the Company pay to the U.S. Department of Justice the amount of \$3,800,000 plus interest from November 1, 2002. The total settlement of \$3,846,831 was paid on September 2, 2003. The approved settlement agreement resolves all matters involved in this case.

The Company had accrued an estimated liability of \$3,522,000, net of \$1,814,000 tax, for the judgment, accrued interest for the past costs and a discounted present value for estimated future costs in connection with the site. The Company recognized income related to the settlement of \$955,000, net of \$493,000 tax, for the nine months and three month ended September 30, 2003 as compared to expense of \$77,000 and \$26,000, after tax for the nine months and three months ended September 30, 2002, for accrued interest and amortization of estimated future costs related to this matter.

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PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended September 30, 2003 and 2002
UNAUDITED
(Continued)

There may be other potential clean-up liabilities at other sites of which the Company has no specific knowledge.

The Company has an interest in a partnership, CCBA, that owns certain real estate. On August 13, 1999 a Complaint for money damages in excess of \$25,000, based upon breach of fiduciary duty was filed by the other partner in the Court of Common Pleas in Hamilton County, Ohio. The plaintiff had claimed that it was entitled to 45.24% of \$827,000 and additional damages. On October 24, 2003 the case was dismissed in the Court of Common Pleas in Hamilton County, Ohio.

CCBA appealed a real estate tax assessment from 1999 that had increased the annual real estate tax by approximately \$96,000. The local school board has appealed the revision and reduced its initial appraised value of the property. During 2001, the partnership received a \$96,000 refund of the additional tax paid in 1999. CCBA has recorded a liability of approximately \$123,000 related to this issue based on the revised value asserted by the local school board. If CCBA is successful, this liability will be recognized as income.

The Company is involved in other litigation matters and claims which are normal in the course of operations. Management believes that the resolution of these matters will not have a material effect on the Company's business or financial condition.

COMPREHENSIVE INCOME

During the nine months ended September 30, 2003 and 2002 total other comprehensive income (loss) was as follows:

Nine months ended Three months ended

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| | September 30, | | September 30, | |
|----------------------------|---------------|--------------|---------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| Net income | \$2,443,994 | 1,488,738 | 1,395,642 | 412,802 |
| Other comprehensive | | | | |
| income (loss), net of tax: | | | | |
| Unrealized gain (loss) | | | | |
| on marketable securities | 3,943,198 | (15,313,434) | (1,409,361) | (9,753,985) |
| Less: reclassification | | | | |
| adjustment for gains | | | | |
| included in net income | (285,165) | (58,313) | (43,808) | - |
| | ----- | ----- | ----- | ----- |
| Total comprehensive | | | | |
| income (loss) | \$6,102,027 | (13,883,009) | (57,527) | (9,341,183) |
| | ===== | ===== | ===== | ===== |

Accumulated comprehensive income consists of unrealized holding gains on securities available for sale of \$37,671,427 at September 30, 2003 and \$34,013,394 at December 31, 2002.

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PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended September 30, 2003 and 2002
UNAUDITED
(Continued)

STOCK OPTIONS

Options to purchase not more than 50,000 shares of treasury stock at \$33.20 per share, that were granted to the President of the Company in 2001 will expire in 2008. The options were changed to decrease the option exercise price to \$33.20 per share. The closing price of the stock at September 30, 2003 was \$38.90. As a result, the Company accrued an additional compensation expense liability of \$285,000 related to the stock options.

BUSINESS SEGMENT INFORMATION

Reportable segments for the nine months and three months ended September 30, 2003 are as follows:

| | Nine months ended | | Three months ended | |
|---------------------------|-------------------|-----------|--------------------|-----------|
| | September 30 | | September 30 | |
| | 2003 | 2002 | 2003 | 2002 |
| NET SALES FROM CONTINUING | | | | |
| OPERATIONS: | | | | |
| Rubber and Foam Products | \$5,764,958 | 4,830,187 | 2,060,748 | 1,338,715 |
| Bowling Pins | 1,799,196 | 1,776,811 | 862,874 | 888,078 |
| Real Estate Operations | 619,509 | 659,786 | 176,258 | 194,640 |
| Intersegment net sales | (229,661) | (104,568) | (99,683) | (56,209) |
| | ----- | ----- | ----- | ----- |
| | 7,954,002 | 7,162,216 | 3,000,197 | 2,365,224 |

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| | | | | |
|---|--------------|-----------|-----------|-----------|
| Timber sales reported in gain on sale of property and equipment | (288,437) | (288,272) | (69,951) | (71,763) |
| | ----- | ----- | ----- | ----- |
| TOTAL SALES FROM CONTINUING OPERATIONS | \$7,665,565 | 6,873,944 | 2,930,246 | 2,293,461 |
| | ===== | ===== | ===== | ===== |
| OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS: | | | | |
| Rubber and Foam Products | \$ (327,159) | (310,086) | (95,575) | (206,009) |
| Bowling Pins | 73,174 | 202,128 | 9,170 | 121,492 |
| Real Estate Operations | 158,309 | 240,705 | 8,242 | 47,527 |
| | ----- | ----- | ----- | ----- |
| TOTAL OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS | (95,676) | 132,747 | (78,163) | (36,990) |
| Interest expense - net | (35,702) | (131,872) | 14,580 | (38,858) |
| Income-Re-Solve settlement | 1,448,119 | - | 1,448,119 | - |
| Other unallocated corporate income - net | 1,781,648 | 1,723,027 | 528,791 | 562,870 |
| Income tax provision | (654,395) | (235,164) | (517,685) | (74,220) |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$2,443,994 | 1,488,738 | 1,395,642 | 412,802 |
| | ===== | ===== | ===== | ===== |

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PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended September 30, 2003 and 2002
UNAUDITED
(Continued)

There were no securities of the Registrant sold by the Registrant during the nine months ended September 30, 2003, that were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4(2) of the Act.

REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at September 30, 2003, and for the nine month period then ended have been reviewed, prior to filing, by the Registrant's independent accountants, J.D. Cloud & Co. L.L.P., whose report covering their review of the financial statements is included in this report.

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors
Vulcan International Corporation
Wilmington, Delaware

We have reviewed the accompanying condensed consolidated balance sheet of Vulcan International Corporation and subsidiaries as of September 30, 2003, and the related condensed consolidated statements of income and cash flows for the nine month and three month periods ended September 30, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have audited, in accordance with U.S. generally accepted auditing standards, the consolidated balance sheet of Vulcan International Corporation and subsidiaries as of December 31, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 11, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

J.D. CLOUD & CO. L.L.P.
Certified Public Accountants

Cincinnati, Ohio
November 5, 2003

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PART I - FINANCIAL INFORMATION (Continued)

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

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Net sales revenue for the nine months ended September 30, 2003, increased \$791,621 or 11.5% over the corresponding period in 2002. The increase in sales was due mainly to the increase in the Rubber and Foam Products segment. Cost of sales increased \$944,104 or 15.0% during the nine months ended September 30, 2003 compared to the corresponding nine month period in 2002. The increased cost of sales is due mainly to the increased cost of raw materials in the Rubber and Foam Products and Bowling Pins segments. Net sales revenue for the third quarter of 2003 increased \$636,785 or 27.8% and cost of sales increased \$590,965 or 27.5% compared to the corresponding quarter in 2002. These changes are due to increased sales and costs in the Company's Rubber and Foam Products segment.

General and administrative expenses increased \$89,782 or 6.3% in the nine months ended September 30, 2003, as compared to the corresponding nine month period in 2002. General and administrative expenses for the third quarter of 2003 increased \$90,907 or 19.0% compared to the corresponding quarter in 2002. The increase in general and administrative expenses in the nine months and three months of 2003 over the corresponding period of 2002 was the result of recognizing the increased liability for the stock options that were issued to the President and Chairman of the Board.

Interest expense for the nine months ended September 30, 2003 decreased \$96,170. Interest expense for the three months ended September 30, 2003 decreased \$67,937. The decreases are primarily due to decreased interest rates and the settlement of the EPA liability that resulted in a decrease in the interest accrued during the year.

Gains on the sale of property, equipment and securities were \$849,456 for the nine months ended September 30, 2003, as compared to \$786,402 for the corresponding period in 2002. Gains in 2003 and 2002 were primarily the result of the sale of marketable securities and timber.

The Company has a 50% interest in a joint venture, Vulcan Brunswick Bowling Pin Company (VBBPC) which manufactures bowling pins in Antigo, Wisconsin for Brunswick and the Company. The Company's investment in VBBPC is included in other assets at September 30, 2003.

Summarized income statement information for VBBPC consists of the following:

| | Nine Months Ended September 30, | | Three Months ended September 30, | |
|---------------------------------------|------------------------------------|-----------|-------------------------------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| Net sales | \$4,461,960 | 4,636,356 | 1,379,816 | 1,530,288 |
| Costs and expenses | 4,056,327 | 4,214,866 | 1,254,378 | 1,391,168 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 405,633 | 421,490 | 125,438 | 139,120 |
| | ===== | ===== | ===== | ===== |
| Company's 50% equity in net income | \$ 202,816 | 210,745 | 62,719 | 69,560 |
| | ===== | ===== | ===== | ===== |

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- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Continued)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements during the third quarter of 2003 were funded in part through earnings, short-term borrowings and noncash charges such as depreciation and amortization and from the sale of timber, equipment and marketable securities. The cash from these transactions was primarily used in operations. The Company expects to continue, when necessary, to use short-term borrowings to meet cash requirements not fully provided by earnings, depreciation and amortization. The Company funded the settlement regarding the Re-Solve, Inc. Superfund Site by accessing its existing line of credit. There were approximately \$26,400 of commitments for capital expenditures as of September 30, 2003.

During the nine months ended September 30, 2003, 2,000 shares of treasury stock valued at \$68,600 were issued to the President as bonus compensation.

- Item 3. Quantitative and Qualitative Disclosures about Market Risks.

MARKETABLE SECURITIES

The fair value of marketable securities has increased \$11,967,723 from December 31, 2002 to October 31, 2003. At October 31, 2003 the fair value of marketable securities was \$69,821,517 as compared to \$63,266,641 at September 30, 2003.

The net unrealized holding gain at October 31, 2003 was approximately \$42,000,000 net of deferred taxes of approximately \$21,600,000. The Company is subject to the risk that fair value securities could decline.

- Item 4. Controls and Procedures

a) Disclosure controls and procedures. The Chief Executive Officer and the Principal Financial Officer have carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures that are designed to ensure that information relating to the Company required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon this evaluation, these officers have concluded, that as of September 30, 2003, the Company's disclosure controls and procedures were adequate.

b) Changes in internal control over financial reporting. During the period covered by this report, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Item 1. Legal Proceedings.

On March 1, 1990 the United States of America filed a Complaint against the Company and others in the United States District Court for the District of Massachusetts claiming that the Company was a potentially responsible party with respect to the Re-Solve, Inc. Superfund Site in North Dartmouth, Massachusetts seeking to recover response costs incurred and to be incurred in the future in connection with this Site.

Although the Company had engaged counsel to represent it in that action, the Company was first informed on March 28, 2001 that the Court had entered, pursuant to prior rulings, an unopposed "Final Judgment" against the Company on September 22, 1999. The "Final Judgment" awarded damages against the Company in favor of the United States in the amount of \$3,465,438, plus interest, for unreimbursed response costs, plus any additional past unreimbursed response costs, interest and certain future costs the United States incurs at the site. The United States filed a notice of lien in certain jurisdictions on real property of the Registrant and its subsidiary Vulcan Corporation in the dollar amount of the judgment, plus interest.

On September 2, 2003 the claims of the United States against the Company for past and future clean-up cost and expenses with respect to the Re-Solve, Inc. Superfund Site in North Dartmouth, Massachusetts have been resolved by the docketing of a settlement agreement in the Federal District Court of Massachusetts approved by Senior Federal Judge Robert Keeton. The settlement provided that the Company pay to the U.S. Department of Justice the amount of \$3,800,000 plus interest from November 1, 2002. The total settlement of \$3,846,831 was paid on September 2, 2003. The approved settlement agreement resolves all matters involved in this case.

The Company had accrued an estimated liability of \$3,522,000, net of \$1,814,000 tax, for the judgment, accrued interest for the past costs and a discounted present value for estimated future costs in connection with the site. The Company recognized income related to the settlement of \$955,000, net of \$493,000 tax, for the nine months and three month ended September 30, 2003 as compared to expense of \$77,000 and \$26,000, after tax for the nine months and three months ended September 30, 2002, for accrued interest and amortization of estimated future costs related to this matter.

There may be other potential clean-up liabilities at other sites of which the Company has no specific knowledge.

The Company has an interest in a partnership, CCBA, that owns certain real estate. On August 13, 1999 a Complaint for money damages in excess of \$25,000, based upon breach of fiduciary duty was filed by the other partner in the Court of Common Pleas in Hamilton County, Ohio. The plaintiff had claimed that it was entitled to 45.24% of \$827,000 and additional damages. On October 24, 2003 the case was dismissed in the Court of Common Pleas in Hamilton County, Ohio.

CCBA appealed a real estate tax assessment from 1999 that had increased the annual real estate tax by approximately \$96,000. The local school board has appealed the revision and reduced its initial appraised value of the property. During 2001, the partnership received a \$96,000 refund of the additional tax paid in 1999. CCBA has recorded a liability of approximately \$123,000 related to this issue based on the revised value asserted by the local school board. If CCBA is successful, this liability will be

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recognized as income.

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PART II - OTHER INFORMATION (Continued)

Item 1. Legal Proceedings. (Continued)

The Company is involved in other litigation matters and claims which are normal in the course of operations. Management believes that the resolution of these matters will not have a material effect on the Company's business or financial condition.

Item 2. Changes in Securities and Use of Proceeds - Not Applicable

Item 3. Defaults Upon Senior Securities - Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders - Not Applicable

Item 5. Other Information - Stanley I. Rafalo, O.D. passed away July 30, 2003. Mr. Rafalo was a member of the audit and compensation committee and had been a member of the board of directors for forty years.

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

a. Exhibits

Exhibit 11 - Statement regarding computation of per share earnings included in Part 1, Item 1 of this Form 10Q, page 4.

Exhibit 31.1 - Rule 13a-14(a)/15d-14(a) Certification of Benjamin Gettler.

Exhibit 31.2 - Rule 13a-14(a)/15d-14(a) Certification of Vernon E. Bachman.

Exhibit 32 - Section 1350 Certifications

b. The Company filed Form 8-K for the quarter ended September 30, 2003.

Exhibit 99.1 - Settlement of Litigation

Exhibit 99.2 - Appointment to the Board of Directors and announcement of a regular quarterly dividend

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PART II - OTHER INFORMATION

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(Continued)

SIGNATURES

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

VULCAN INTERNATIONAL CORPORATION

By: /s/ Benjamin Gettler

Date November 12, 2003 Benjamin Gettler
Chairman of the Board, President
and Chief Executive Officer

By: /s/ Vernon E. Bachman

Date November 12, 2003 Vernon E. Bachman
Vice President, Secretary-Treasurer
and Principal Accounting Officer

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Exhibit 31.1
CERTIFICATIONS

In connection with the Quarterly Report of Vulcan International Corporation on Form 10-Q for the period ending September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Benjamin Gettler, Chairman of the Board and Chief Executive Officer of Vulcan International Corporation, certify, that:

- (1) I have reviewed this report on Form 10-Q of Vulcan International Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), for the

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Registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- (5) The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors(or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Benjamin Gettler

Benjamin Gettler
Chairman of the Board and
Chief Executive Officer
November 12, 2003

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Exhibit 31.2
CERTIFICATIONS

In connection with the Quarterly Report of Vulcan International Corporation on Form 10-Q for the period ending September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I,

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Vernon E. Bachman, Vice President and Secretary-Treasurer of Vulcan International Corporation, certify, that:

- (1) I have reviewed this report on Form 10-Q of Vulcan International Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- (5) The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Vernon E. Bachman

Vernon E. Bachman
Vice President and
Secretary-Treasurer
November 12, 2003

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