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VULCAN INTERNATIONAL CORP
Form 10-Q
August 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 June 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 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 June 30, 2003:

1,004,707 shares

VULCAN INTERNATIONAL CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

VULCAN INTERNATIONAL CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

| | |
|-----------|--------------|
| JUNE 30, | DECEMBER 31, |
| 2003 | 2002 |
| UNAUDITED | |

-ASSETS-

CURRENT ASSETS:

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| | | |
|-----------------------------------------------|---------------|------------|
| Cash | \$ 1,005,819 | 1,682,049 |
| Marketable securities (At fair market value) | 33,306,595 | 30,237,923 |
| Accounts receivable | 1,690,765 | 1,437,170 |
| Inventories | 1,209,443 | 702,518 |
| Prepaid expense and tax | 80,804 | 44,825 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 37,293,426 | 34,104,485 |
| | ----- | ----- |
| PROPERTY, PLANT AND EQUIPMENT-at cost | 11,704,158 | 11,679,978 |
| Less-Accumulated depreciation and depletion | 9,762,743 | 9,577,197 |
| | ----- | ----- |
| NET PROPERTY, PLANT AND EQUIPMENT | 1,941,415 | 2,102,781 |
| | ----- | ----- |
| OTHER ASSETS: | | |
| Investment in joint venture | 160,902 | 20,805 |
| Marketable securities (At fair market value) | 32,170,183 | 27,615,871 |
| Deferred charges and other assets | 5,854,047 | 5,771,763 |
| | ----- | ----- |
| TOTAL OTHER ASSETS | 38,185,132 | 33,408,439 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 77,419,973 | 69,615,705 |
| | ===== | ===== |
| | | |
| -LIABILITIES AND SHAREHOLDERS' EQUITY- | | |
| CURRENT LIABILITIES: | | |
| Notes payable | \$ 861,711 | 1,861,711 |
| Deferred income tax | 8,134,693 | 7,133,396 |
| Other | 6,850,664 | 6,766,590 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 15,847,068 | 15,761,697 |
| | ----- | ----- |
| OTHER LIABILITIES: | | |
| Deferred income tax | 11,236,194 | 9,641,263 |
| Commitments and contingencies | - | - |
| Minority interest in partnership | 10,648 | 17,304 |
| Other liabilities | 37,470 | 34,531 |
| | ----- | ----- |
| TOTAL OTHER LIABILITIES | 11,284,312 | 9,693,098 |
| | ----- | ----- |
| SHAREHOLDERS' EQUITY: | | |
| Capital stock | 249,939 | 249,939 |
| Additional paid-in capital | 8,253,926 | 8,205,825 |
| Retained earnings | 28,899,995 | 27,952,115 |
| Accumulated other comprehensive income | 39,124,596 | 34,013,394 |
| | ----- | ----- |
| | 76,528,456 | 70,421,273 |
| | ----- | ----- |
| Less-Common stock in treasury-at cost | 26,239,863 | 26,260,363 |
| | ----- | ----- |
| TOTAL SHAREHOLDERS' EQUITY | 50,288,593 | 44,160,910 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 77,419,973 | 69,615,705 |
| | ===== | ===== |

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 six months ended | | For the three months ended | |
|--------------------------------------------------------|--------------------------|------------------|----------------------------|------------------|
| | June 30, 2003 | June 30, 2002 | June 30, 2003 | June 30, 2002 |
| REVENUES: | | | | |
| Net sales | \$4,735,319 | 4,580,483 | 2,527,283 | 2,213,777 |
| Dividends | 1,148,327 | 1,146,033 | 580,273 | 574,402 |
| | ----- | ----- | ----- | ----- |
| TOTAL REVENUES | 5,883,646 | 5,726,516 | 3,107,556 | 2,788,179 |
| | ----- | ----- | ----- | ----- |
| COST AND EXPENSES: | | | | |
| Cost of sales | 4,513,460 | 4,160,321 | 2,352,664 | 2,020,397 |
| General and administrative | 943,558 | 944,683 | 461,195 | 465,169 |
| Interest expense | 64,781 | 93,014 | 26,986 | 45,688 |
| | ----- | ----- | ----- | ----- |
| TOTAL COST AND EXPENSES | 5,521,799 | 5,198,018 | 2,840,845 | 2,531,254 |
| | ----- | ----- | ----- | ----- |
| EQUITY IN JOINT VENTURE INCOME AND MINORITY INTEREST | 139,449 | 139,992 | 68,052 | 71,489 |
| | ----- | ----- | ----- | ----- |
| INCOME BEFORE GAIN ON SALE OF ASSETS | 501,296 | 668,490 | 334,763 | 328,414 |
| NET GAIN ON SALE OF PROPERTY, EQUIPMENT AND SECURITIES | 683,766 | 568,390 | 135,865 | 141,688 |
| | ----- | ----- | ----- | ----- |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 1,185,062 | 1,236,880 | 470,628 | 470,102 |
| INCOME TAX PROVISION | 136,710 | 160,944 | 25,374 | 35,469 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$1,048,352 | 1,075,936 | 445,254 | 434,633 |
| | ===== | ===== | ===== | ===== |
| NET INCOME PER SHARE | \$ 1.04 | .98 | .44 | .40 |
| | ===== | ===== | ===== | ===== |
| DIVIDENDS PER COMMON SHARE | \$.10 | .40 | .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

| | JUNE 30, 2003 | JUNE 30, 2002 |
|-------------------------------------------------------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 4,485,658 | 4,244,415 |
| Cash paid to suppliers and employees | (5,707,167) | (5,847,852) |
| Dividends received | 1,148,327 | 1,146,033 |
| Interest paid | (24,292) | (15,298) |
| Income taxes paid | (185,000) | (145,000) |
| | ----- | ----- |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | (282,474) | (617,702) |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of property, equipment and securities | 692,987 | 583,945 |
| Purchase of property and equipment | (42,752) | (289,913) |
| Cash distribution from joint venture | - | 400,000 |
| Collections on notes receivable and other | 56,480 | 59,779 |
| | ----- | ----- |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 706,715 | 753,811 |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net borrowings (repayments) under credit agreements | (1,000,000) | - |
| Sale of treasury shares | - | 19,885 |
| Purchase of common shares | - | (171,531) |
| Cash dividends paid | (100,471) | (440,842) |
| | ----- | ----- |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | (1,100,471) | (592,488) |
| | ----- | ----- |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (676,230) | (456,379) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 1,682,049 | 2,493,733 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 1,005,819 | 2,037,354 |
| | ===== | ===== |
| RECONCILIATION OF NET INCOME TO | | |
| NET CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 1,048,352 | 1,075,936 |
| Adjustments- | | |
| Depreciation and amortization | 197,852 | 167,195 |
| Deferred income taxes | (36,817) | (8,979) |
| Equity in joint venture income and minority interest | (139,449) | (139,992) |
| Net gain on sale of property, equipment and securities | (683,766) | (568,391) |
| (Increase) in accounts receivable | (249,661) | (328,233) |

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| | | |
|-------------------------------------------------------------------------------|--------------|-----------|
| (Increase) in inventories | (506,925) | (289,478) |
| Increase (decrease) in accounts payable, accrued expenses and other assets | 87,940 | (525,760) |
| | ----- | ----- |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ (282,474) | (617,702) |
| | ===== | ===== |

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

| | For the six months ended | | For the three months ended | |
|------------------------------------------|--------------------------|------------------|----------------------------|------------------|
| | June 30, 2003 | June 30, 2002 | June 30, 2003 | June 30, 2002 |
| a) Net income | \$1,048,352 | 1,075,936 | 445,254 | 434,633 |
| | ===== | ===== | ===== | ===== |
| b) Cash dividends on common shares | \$ 100,471 | 440,842 | 50,236 | 220,421 |
| | ===== | ===== | ===== | ===== |
| Weighted Average Shares: | | | | |
| c) Common shares issued | 1,999,512 | 1,999,512 | 1,999,512 | 1,999,512 |
| d) Common treasury shares | 994,860 | 897,725 | 994,805 | 898,022 |
| | ----- | ----- | ----- | ----- |
| e) Common shares outstanding | 1,004,652 | 1,101,787 | 1,004,707 | 1,101,490 |
| | ===== | ===== | ===== | ===== |
| f) Income per common share (a/e): | \$ 1.04 | .98 | .44 | .40 |
| g) Dividends per common share | \$.10 | .40 | .05 | .20 |

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

PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

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

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.

The Company has 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. This estimated liability was calculated based on the "Final Judgment" and using other information provided by the U.S. Environmental Protection Agency ("EPA"). The Company expensed \$28,000 and \$14,000, after tax, for the six months and three months ended June 30, 2003, as compared to \$51,000 and \$25,000, after tax for the six months and three months ended June 30, 2002, for accrued interest and amortization of estimated future costs related to this matter.

On March 10, 2003 the U.S. Department of Justice announced a tentative settlement of this matter for \$3,800,000 plus interest from November 2002. The total settlement will be payable within thirty days of the consent decree being approved by the court and entered on the court docket. If the settlement is approved by the court, the Company would recognize income of approximately \$983,000, net of tax of \$507,000, for the difference between the final settlement and the amount it has accrued. The Company expects to settle this during the third quarter 2003. The liability for future costs is a significant estimate of the future costs and it is subject to change as actual costs are incurred and reported by the EPA.

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

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(Continued)

Item 1. Financial Statements.

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

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 claims that it is entitled to 45.24% of \$827,000 and additional damages. March 27, 2001, the plaintiff threatened to file an Amended Complaint that alleges damages of \$1,062,000 and costs, plus punitive damages of \$2,000,000 on various grounds. The Registrant believes that the suit is without merit and has been defending itself vigorously against the issues raised.

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.

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.

There were no securities of the Registrant sold by the Registrant during the six months ended June 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.

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PART I - FINANCIAL INFORMATION
(Continued)

Item 1. Financial Statements.

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

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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

| | JUNE 30, 2003 UNAUDITED | DECEMBER 31, 2002 |
|---------------------------|-------------------------------|----------------------|
| Inventories consisted of: | | |
| Finished goods | \$ 595,896 | 506,240 |
| Work in process | 169,221 | 33,983 |
| Raw materials | 444,326 | 162,295 |
| | ----- | ----- |
| Total inventories | \$1,209,443 | 702,518 |
| | ===== | ===== |

COMPREHENSIVE INCOME

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

| | For the six months ended | | For the three months ended | |
|--------------------------------------------------------------------------|-----------------------------|------------------|-------------------------------|------------------|
| | June 30, 2003 | June 30, 2002 | June 30, 2003 | June 30, 2002 |
| Net income | \$ 1,048,352 | 1,075,936 | 445,254 | 434,633 |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gain (loss) on marketable securities | 5,352,559 | (5,559,449) | 7,443,910 | (6,849,887) |
| Less: reclassification adjustment for gains included in net income | (241,357) | (58,313) | (12,427) | (3,313) |
| | ----- | ----- | ----- | ----- |
| Total comprehensive income (loss) | \$ 6,159,554 | (4,541,826) | 7,876,737 | (6,418,567) |
| | ===== | ===== | ===== | ===== |

Accumulated comprehensive income consists of unrealized holding gains on securities available for sale of \$39,124,596 at June 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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended June 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.

BUSINESS SEGMENT INFORMATION

Reportable segments for the six months and three months ended June 30, 2003 are as follows:

| | For the six months ended | | For the three months ended | |
|-----------------------------------------------------------------|----------------------------------------------------------|------------------|-------------------------------|------------------|
| | June 30, 2003 | June 30, 2002 | June 30, 2003 | June 30, 2002 |
| NET SALES FROM CONTINUING OPERATIONS: | | | | |
| Rubber and Foam Products | \$3,704,210 | 3,491,472 | 2,151,535 | 1,755,320 |
| Bowling Pins | 936,322 | 888,733 | 287,531 | 356,616 |
| Real Estate Operations | 443,251 | 465,146 | 217,929 | 211,105 |
| Intersegment net sales | (129,978) | (48,359) | (19,715) | (21,007) |
| | 4,953,805 | 4,796,992 | 2,637,280 | 2,302,034 |
| Timber sales reported in gain on sale of property and equipment | (218,486) | (216,509) | (109,997) | (88,257) |
| | TOTAL SALES FROM CONTINUING OPERATIONS | \$4,735,319 | 4,580,483 | 2,527,283 |
| | ===== | ===== | ===== | ===== |
| OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS: | | | | |
| Rubber and Foam Products | \$ (231,584) | (104,077) | (4,837) | (60,683) |
| Bowling Pins | 64,004 | 80,636 | 5,970 | 37,508 |
| Real Estate Operations | 150,067 | 193,178 | 61,476 | 75,364 |
| | TOTAL OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS | (17,513) | 169,737 | 62,609 |
| | Interest expense - net | (64,781) | (93,014) | (26,986) |
| | Other unallocated corporate income - net | 1,267,356 | 1,160,157 | 435,005 |
| | Income tax provision | (136,710) | (160,944) | (25,374) |
| | NET INCOME | \$1,048,352 | 1,075,936 | 445,254 |
| | ===== | ===== | ===== | ===== |

REVIEW BY INDEPENDENT ACCOUNTANTS

The condensed consolidated financial statements at June 30, 2003, and for the six 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.

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 June 30, 2003, and the related condensed consolidated statements of income and cash flows for the six month and three month periods ended June 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
August 1, 2003

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

Net sales revenue for the six months ended June 30, 2003, increased \$154,836 or 3.4% over the corresponding period in 2002. Cost of sales increased \$353,139 or 8.5% during the six months ended June 30, 2003 compared to the corresponding six month period in 2002. Net sales revenue for the second quarter of 2003 increased \$313,506 or 14.2% and cost of sales increased \$332,267 or 16.5% compared to the corresponding quarter in 2002. These changes are due to increased sales and costs in the Company's Rubber and Foam segment.

General and administrative expenses decreased \$1,125 or 0.1% in the six months ended June 30, 2003, as compared to the corresponding six month period in 2002. General and administrative expenses for the second quarter of 2003 decreased \$3,974 or 0.8% compared to the corresponding quarter in 2002.

Interest expense for the six months ended June 30, 2003 decreased \$28,233. Interest expense for the three months ended June 30, 2003 decreased \$18,702. The decreases are primarily due to decreased interest rates and reductions in short-term debt. Interest of \$41,404 and \$20,735 was incurred for the accrued EPA liability for the six months and three months ended June 30, 2003.

Gains on the sale of property, equipment and securities were \$683,766 for the six months ended June 30, 2003, as compared to \$568,390 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 June 30, 2003.

Summarized income statement information for VBBPC consists of the following:

| | Six Months Ended June 30, 2003 | 2002 | Three Months ended June 30, 2003 | 2002 |
|---------------------------------------|-----------------------------------|-----------|-------------------------------------|-----------|
| Net sales | \$3,082,144 | 3,106,068 | 1,502,328 | 1,588,129 |
| Costs and expenses | 2,801,949 | 2,823,698 | 1,365,753 | 1,443,753 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 280,195 | 282,370 | 136,575 | 144,376 |
| | ===== | ===== | ===== | ===== |
| Company's 50% equity in net income | \$ 140,097 | 141,185 | 68,287 | 72,188 |
| | ===== | ===== | ===== | ===== |

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PART I - FINANCIAL INFORMATION
(Continued)

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

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LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements during the second quarter of 2003 were funded in part through earnings 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. In addition, the Company expects to fund its proposed settlement regarding the Re-Solve, Inc. Superfund Site by accessing its existing line of credit, the possible sale of securities and from its operating cash flow. There were approximately \$7,500 of commitments for capital expenditures as of June 30, 2003.

During the six months ended June 30, 2003, 2000 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 \$6,860,878 from December 31, 2002 to July 31, 2003. At July 31, 2003 the fair value of marketable securities was \$64,714,672 as compared to \$65,476,778 at June 30, 2003.

The net unrealized holding gain at July 31, 2003 was approximately \$38,600,000 net of deferred taxes of approximately \$19,900,000. The Company is subject to the risk that fair value securities could decline further.

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 June 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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PART II - OTHER INFORMATION

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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.

The Company has 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. This estimated liability was calculated based on the "Final Judgment" and using other information provided by the U.S. Environmental Protection Agency ("EPA"). The Company expensed \$28,000 and \$14,000, after tax, for the six months and three months ended June 30, 2003, as compared to \$51,000 and \$25,000, after tax for the six months and three months ended June 30, 2002, for accrued interest and amortization of estimated future costs related to this matter.

On March 10, 2003 the U.S. Department of Justice announced a tentative settlement of this matter for \$3,800,000 plus interest from November 2002. The total settlement will be payable within thirty days of the consent decree being approved by the court and entered on the court docket. If the settlement is approved by the court, the Company would recognize income of approximately \$983,000, net of tax of \$507,000, for the difference between the final settlement and the amount it has accrued. The Company expects to settle this during the third quarter 2003. The liability for future costs is a significant estimate of the future costs and it is subject to change as actual costs are incurred and reported by the EPA.

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

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PART II - OTHER INFORMATION (Continued)

Item 1. Legal Proceedings. (Continued)

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

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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 claims that it is entitled to 45.24% of \$827,000 and additional damages. March 27, 2001, the plaintiff threatened to file an Amended Complaint that alleges damages of \$1,062,000 and costs, plus punitive damages of \$2,000,000 on various grounds. The Registrant believes that the suit is without merit and has been defending itself vigorously against the issues raised.

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.

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 -

The Annual Meeting of the shareholders of Vulcan International Corporation was held on May 8, 2003. The following matters were voted upon:

- a. The following members of the Board of Directors of Vulcan International Corporation were elected as directors by the votes indicated:

| Director | For | Against | Withheld |
|-------------------------|---------|---------|----------|
| Leonard Aconsky | 826,331 | 114,024 | |
| Benjamin Gettler | 826,463 | 113,892 | |
| Thomas D. Gettler | 937,900 | 2,455 | |
| Edward B. Kerin | 830,169 | 110,186 | |
| Stanley I. Rafalo, O.D. | 825,552 | 114,803 | |

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PART II - OTHER INFORMATION (Continued)

- b. Approval and ratification of all purchases of Company stock by the Company since May 9, 2002 and approval and ratification of the action of the Board of Directors at its May 8, 2003 meeting authorizing the purchase of up to 100,000 shares of the Company at such times as the President may determine are in the best

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interest of the Company:

| For | Against | Withheld |
|---------|---------|----------|
| 939,068 | 0 | 1,287 |

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 was not required to file Form 8-K for the quarter ended June 30, 2003.

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PART II - OTHER INFORMATION
(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 August 12, 2003

Benjamin Gettler
Chairman of the Board, President
and Chief Executive Officer

By: /s/ Vernon E. Bachman

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Date August 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 June 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 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,

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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
August 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 June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, 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:

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- 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
August 12, 2003

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Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

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In connection with the Quarterly Report of Vulcan International Corporation (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Benjamin Gettler, Chairman of the Board and Chief Executive Officer of the Company and Vernon E. Bachman, Vice President and Secretary-Treasurer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Benjamin Gettler

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

/s/ Vernon E. Bachman

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

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