

QUANEX CORP  
Form 10-K/A  
June 08, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K/A**

**Amendment No. 1**

(Mark One)

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

**For the fiscal year ended October 31, 2004**

or

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

**Commission file number 1-5725**

**QUANEX CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**38-1872178**

(I.R.S. Employer Identification No.)

**1900 West Loop South, Suite 1500, Houston, Texas**

(Address of principal executive offices)

**77027**

(Zip code)

**(713) 961-4600**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.50 par value	New York Stock Exchange, Inc.
Rights to Purchase Series A Junior Participating Preferred Stock	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

**NONE**

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

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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 an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting common equity held by non-affiliates as of April 30, 2004, computed by reference to the closing price for the Common Stock on the New York Stock Exchange, Inc. on that date, was \$664,151,147. Such calculation assumes only the registrant's officers and directors were affiliates of the registrant.

At April 30, 2005, there were outstanding 25,228,278 shares of the registrant's Common Stock, \$.50 par value.

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**EXPLANATORY NOTE**

This amendment to Quanex Corporation's Annual Report on Form 10-K for the fiscal year ended October 31, 2004, as filed by Quanex Corporation on December 21, 2004, (the 2004 Form 10-K ) is being filed for the sole purpose of revising the Report of Independent Registered Public Accounting Firm to include the financial statement schedule listed in the Index at Item 15 in the 2004 Form 10-K.

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**PART II**

**Item 8. *Financial Statements and Supplementary Data***

**RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of Quanex Corporation and subsidiaries were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on management's best judgments and estimates.

Quanex's system of internal controls is designed to provide reasonable assurance, at justifiable cost, as to the reliability of financial records and reporting and the protection of assets. The system of controls provides for appropriate division of responsibility and the application of policies and procedures that are consistent with high standards of accounting and administration. Internal controls are monitored through recurring internal audit programs and are updated as our businesses and business conditions change.

The Audit Committee, composed solely of outside, independent directors, determines that management is fulfilling its financial responsibilities by meeting periodically with management, the independent auditors, and Quanex's internal auditors, to review internal accounting controls and assess the effectiveness of our disclosure controls and procedures. The Audit Committee is responsible for appointing the independent auditors and reviewing the scope of all audits and the accounting principles applied in our financial reporting. Deloitte & Touche LLP has been engaged by the Audit Committee as independent auditors to audit the accompanying consolidated financial statements and issue the report thereon, which appears on the following page. Our internal auditors and Deloitte & Touche LLP have full and free access to meet with the Audit Committee, without management present, to discuss the results of their audits, the quality of our financial reporting and the adequacy of our internal controls and disclosure controls and procedures.

We believe that Quanex's system of internal controls, combined with the activities of the internal auditors and the Audit Committee, provides reasonable assurance of the integrity of our financial reporting.

/s/ RAYMOND A. JEAN

Raymond A. Jean  
*Chairman of the Board, President and  
Chief Executive Officer*

/s/ TERRY M. MURPHY

Terry M. Murphy  
*Vice President Finance and  
Chief Financial Officer*

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders

Quanex Corporation

Houston, Texas

We have audited the accompanying consolidated balance sheets of Quanex Corporation and subsidiaries (the Company) as of October 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended October 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Quanex Corporation and subsidiaries as of October 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP  
Deloitte & Touche LLP

Houston, Texas  
December 21, 2004

**QUANEX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	2004	October 31, (In thousands)	2003
<b>ASSETS</b>			
Current assets:			
Cash and equivalents	\$ 41,743		\$ 22,108
Accounts and notes receivable, net of allowance of \$6,882 and \$6,829	176,358		104,009
Inventories	115,367		68,626
Deferred income taxes	10,744		5,320
Other current assets	2,363		1,499
Current assets of discontinued operations	9,759		31,886
Total current assets	356,334		233,448
Property, plant and equipment, net	350,982		298,733
Goodwill, net	134,670		66,436
Cash surrender value insurance policies, net	24,439		24,536
Intangible assets, net	27,556		2,755
Other assets	9,391		3,517
Assets of discontinued operations	26,150		53,689
Total assets	\$ 929,522		\$ 683,114
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 161,674		\$ 80,791
Accrued liabilities	45,844		33,764
Income taxes payable	4,127		7,641
Current maturities of long-term debt	456		3,877
Current liabilities of discontinued operations	4,102		14,592
Total current liabilities	216,203		140,665
Long-term debt	130,496		15,893
Deferred pension credits	8,804		7,781
Deferred postretirement welfare benefits	7,745		7,845
Deferred income taxes	53,983		49,938
Non-current environmental reserves	8,188		13,517
Other liabilities	2,973		283
Liabilities of discontinued operations	423		2,033
Total liabilities	428,815		237,955
Stockholders' equity:			
Preferred stock, no par value, shares authorized 1,000,000; issued and outstanding none			
Common stock, \$0.50 par value, shares authorized 50,000,000; issued 16,650,862 and 16,519,271	8,324		8,260
Additional paid-in-capital	191,675		187,114
Retained earnings	307,754		264,067
Unearned compensation	(824)		(164)
Accumulated other comprehensive income	(4,463)		(3,641)
	502,466		455,636
Less common stock held by Rabbi Trust - 58,139 and 47,507 shares	(1,759)		(1,317)
Less cost of shares of common stock in treasury 0 and 294,803			(9,160)
Total stockholders' equity	500,707		445,159
Total liabilities & stockholders' equity	\$ 929,522		\$ 683,114

See notes to consolidated financial statements.





**QUANEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

	2004	Years Ended October 31,		2002
		2003		
	(In thousands, except per share amounts)			
Net sales	\$ 1,460,268	\$ 898,197	\$ 853,430	
Cost and expenses:				
Cost of sales	1,245,639	743,953	685,762	
Selling, general and administrative	65,618	48,029	48,104	
Depreciation and amortization	50,054	40,985	39,114	
Gain on sale of land	(454)	(405)		
Operating income	99,411	65,635	80,450	
Interest expense	(6,049)	(2,829)	(14,547)	
Capitalized interest			1,879	
Retired executive life insurance benefit		2,152	9,020	
Other, net	282	2,695	1,962	
Income from continuing operations before income taxes	93,644	67,653	78,764	
Income tax expense	(36,045)	(23,650)	(25,020)	
Income from continuing operations	57,599	44,003	53,744	
Income (loss) from discontinued operations, net of taxes	(3,132)	(1,116)	1,738	
Net income	\$ 54,467	\$ 42,887	\$ 55,482	
Basic earnings per common share <sup>(*)</sup> :				
Earnings from continuing operations	\$ 3.50	\$ 2.72	\$ 3.62	
Income (loss) from discontinued operations	(0.19)	(0.07)	0.12	
Basic earnings per share	\$ 3.31	\$ 2.65	\$ 3.74	
Diluted earnings per common share <sup>(*)</sup> :				
Earnings from continuing operations	\$ 3.45	\$ 2.69	\$ 3.41	
Income (loss) from discontinued operations	(0.19)	(0.07)	0.11	
Diluted earnings per share	\$ 3.26	\$ 2.62	\$ 3.52	
Weighted average common shares outstanding <sup>(*)</sup> :				
Basic	16,436	16,154	14,823	
Diluted	16,698	16,384	16,237	

(\*) On December 2, 2004 the Board of Directors declared a three-for-two stock split in the form of a 50% stock dividend, payable on December 31 to holders of record on December 17. The amounts above are presented without giving effect to such stock split. See Note 5, Earnings Per Share, for a proforma presentation of the impact of this stock split.

See notes to consolidated financial statements.

## QUANEX CORPORATION

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Years Ended October 31, 2004, 2003 and 2002	Comprehensive Income	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income		Treasury Stock & Other	Total Stockholders Equity
					Minimum Pension Liability	Derivative Gain (Loss)		
(In thousands)								
Balance at October 31, 2001		\$ 7,043	\$ 108,314	\$ 186,274	\$ (1,809)	\$ (5,403)	\$ (14,442)	\$ 279,977
Comprehensive income:								
Net income	\$ 55,482			55,482				55,482
Adjustment for minimum pension liability (net of taxes of \$798)	(1,247)				(1,247)			(1,247)
Derivative transactions:								
Current period hedging transactions (net of taxes of \$511)	(798)					(798)		(798)
Reclassifications into earnings (net of taxes of \$3,694)	5,778					5,778		5,778
Total comprehensive income	\$ 59,215							
Common dividends (\$0.64 per share)				(9,637)				(9,637)
Common stock held by Rabbi Trust							(108)	(108)
Cost of common stock in treasury							12,672	12,672
Other		1,184	77,658	(45)			479	79,276
Balance at October 31, 2002		\$ 8,227	\$ 185,972	\$ 232,074	\$ (3,056)	\$ (423)	\$ (1,399)	\$ 421,395
Comprehensive income:								
Net income	\$ 42,887			42,887				42,887
Adjustment for minimum pension liability (net of taxes of \$372)	(583)				(583)			(583)
Derivative transactions:								
Current period hedging transactions (net of taxes of \$1)	(2)					(2)		(2)
Reclassifications into earnings (net of taxes of \$270)	423					423		423
Total comprehensive income	\$ 42,725							
Common dividends (\$0.68 per share)				(10,865)				(10,865)
Common stock held by Rabbi Trust							(336)	(336)
Cost of common stock in treasury							(9,160)	(9,160)
Other		33	1,142	(29)			254	1,400
Balance at October 31, 2003		\$ 8,260	\$ 187,114	\$ 264,067	\$ (3,639)	\$ (2)	\$ (10,641)	\$ 445,159