UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended March 31, 2004

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File No. 1-7170

IMCO Recycling Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

75-2008280

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

5215 North O Connor Blvd., Suite 1500

Central Tower at Williams Square

Irving, Texas 75039

(Address of principal executive offices) (Zip Code)

(972) 401-7200

(Registrant s telephone number, including area code)

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 x No ¨

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the close of business on April 30, 2004.

Common Stock, $0.10 par value, 15,443,674

EXPLANATORY NOTE TO FORM 10-Q/A AMENDMENT TO FORM 10-Q

FOR QUARTER ENDED MARCH 31, 2004

This Form 10-Q/A (Amendment No. 1) is being filed by IMCO Recycling Inc. with the Securities and Exchange Commission solely for the purpose of reflecting revised and additional disclosures in response to comments received from the staff of the Division of Corporation Finance with the SEC, as well as for the purposes of enhancing our disclosures following discussions with the staff. These amendments principally revise and supplement certain portions of Item 1. Financial Statements, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 3. Quantitative and Qualitative Disclosures About Market Risk of Part I of the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004 filed with the SEC on May 10, 2004.

This Amendment No. 1 provides revised and additional disclosures under the following captions as follows:

The amendments restate the Consolidated Balance Sheet at March 31, 2004 and December 31, 2003 and the notes related thereto as contained under Item 1. Financial Statements

To reverse a gain recognized in the fourth quarter of fiscal 2003 related to the redemption of the Company s former joint venture partner s share interest in VAW-IMCO Guss und Recycling GmbH (VAW-IMCO), IMCO s German subsidiary. As a result, the consolidated balance sheets have been restated to reflect a reduction in goodwill; and

To reduce accounts receivable by $566,000, for legal fees which should have been expensed in the third quarter of 2003.

The amendments revise the Consolidated Balance Sheets and disclosures under Note C Long-Term Debt of Notes to Consolidated Financial Statements (Unaudited) under Item 1. Financial Statements to reclassify borrowings under our senior revolving credit facility we established in October 2003 as a current liability and revise the Consolidated Balance Sheets to reclassify restricted cash from current assets to long-term assets as of March 31, 2004.

The amendments also revise the Consolidated Statements of Cash Flows and Note M Condensed Consolidating Financial Statements under Item 1. Financial Statements and the applicable disclosures under Liquidity and Capital Resources under Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, in order to reflect the decrease in restricted cash as a financing cash flow instead of an investing cash flow.

The amendments revise Note C Long-Term Debt and Note L Condensed Consolidating Financial Statements to clarify the nature of the guarantees by the company s subsidiaries guaranteeing the debt, and reconcile the equity accounts of the Company in the Guarantor Condensed Consolidating Balance Sheets and reflect other changes to the Guarantor Condensed Consolidating Balance Sheets and Consolidating Statements of Cash Flows in the Condensed Consolidating Financial Statements shown in Note L.

The amendments further revise Note C Long-Term Debt to show the calculation of the specific undrawn availability tests.

The amendments revise Note K Income Taxes to revise the statutory tax rate reconciliation provided, and Note E Commitments and Contingencies to disclose our inability to make an estimate of any reasonably possible losses resulting from those contingencies listed.

The amendments revise Credit Facilities and Refinancing under Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations to add disclosures regarding certain of the covenants contained in the company s senior revolving credit facility.

The amendments revise the first paragraph under Item 3. Quantitative and Qualitative Disclosures About Market Risk to add language regarding our limitations on fully benefiting from future price changes in prices for natural gas and metals due to its use of hedging instruments.

The amendments revise the presentation under Contractual Obligations under Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations to clarify the treatment of interest payments in the table.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), new certifications by our principal executive officer and principal financial officer are being filed as exhibits to this Form 10-Q/A under Item 6 of Part II.

For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Exchange Act, each item of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 that was affected by this Amendment No. 1 has been amended and restated in its entirety.

No attempt has been made in this Form 10-Q/A to modify or update other disclosures as presented in the original Form 10-Q, except as required to reflect such amendments. This Amendment No. 1 continues to speak as of the date of filing the original Form 10-Q, and we have not updated the disclosures contained therein to reflect any events that occurred at a date subsequent to the filing of the original Form 10-Q (including disclosures relating to risks, uncertainties and other factors that may affect our future performance). You should read this Amendment No. 1 together with other documents that we have filed with the Securities and Exchange Commission subsequent to the filing of our original Form 10-Q in May 2004. Information contained in such reports and documents updates and supersedes certain information contained in this Form 10-Q/A.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	March 31, 2004	December 31, 2003
	Restated (unaudited)	Restated
ASSETS		
Current Assets		
Cash and cash equivalents	$ 10,759	$ 14,760
Accounts receivable (net of allowance of $1,304 and $1,228 at March 31, 2004 and December 31, 2003, respectively)	136,419	111,562
Inventories	75,000	78,270
Deferred income taxes	12,582	11,444
Other current assets	15,350	12,382
Total Current Assets	250,110	228,418
Property and equipment, net	216,172	219,668
Goodwill	63,919	63,617
Restricted cash	22,278	24,846
Investments in joint ventures	893	976
Other assets, net	12,798	13,209
	$ 566,170	$ 550,734
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 95,719	$ 96,207
Accrued liabilities	41,688	30,955
Current maturities of long-term debt	32,589	33,017
Total Current Liabilities	169,996	160,179
Long-term debt	223,188	223,176
Deferred income taxes	22,097	20,390
Other long-term liabilities	25,623	25,244
STOCKHOLDERS EQUITY		
Preferred stock; par value $.10; 8,000,000 shares authorized; none issued		
Common stock; par value $.10; 40,000,000 shares authorized; 17,157,437 issued at March 31, 2004; 17,155,211 issued at December 31, 2003	1,716	1,716
Additional paid-in capital	102,885	103,264
Deferred stock compensation	(5,480)	(4,153)
Retained earnings	48,117	45,406
Accumulated other comprehensive loss	(4,565)	(4,825)

Treasury stock, at cost; 1,631,863 shares at March 31, 2004; 1,843,403 shares at December 31, 2003	(17,407)	(19,663)
Total Stockholders Equity	125,266	121,745
	$ 566,170	$ 550,734

See Notes to Consolidated Financial Statements.

IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	For the three months ended March 31,	
	2004	**2003**
Revenues	$ 278,508	$ 195,083
Cost of sales	255,361	183,176
Gross profits	23,147	11,907
Selling, general and administrative expense	11,931	8,005
Fees on receivables sale		290
Interest expense	6,444	2,349
Other (income) expense net	143	67
Equity in net earnings of affiliates	(17)	(925)
Earnings before provision for income taxes and minority interests	4,646	2,121
Provision for income taxes	1,908	646
Earnings before minority interests	2,738	1,475
Minority interests, net of provision for income taxes	27	152
Net earnings	$ 2,711	$ 1,323
Net earnings per common share:		
Basic	$ 0.19	$ 0.09
Diluted	$ 0.18	$ 0.09
Weighted average shares outstanding:		
Basic	14,501	14,502
Diluted	15,294	14,548

See Notes to Consolidated Financial Statements.

IMCO RECYCLING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(in thousands)

	For the three months ended March 31,	
	2004	**2003**
OPERATING ACTIVITIES		
Earnings	$ 2,711	$ 1,323
Depreciation and amortization	7,115	6,305
Provision for deferred income taxes	675	416
Equity in earnings of affiliates	(17)	(925)
Other non-cash charges	1,290	995
Changes in operating assets and liabilities:		
Accounts receivable	(26,006)	(10,973)
Accounts receivable sold		(4,400)
Inventories	2,832	1,081
Other current assets	(1,467)	613
Accounts payable and accrued liabilities	15,032	(3,200)
Net cash from (used by) operating activities	2,165	(8,765)
INVESTING ACTIVITIES		
Payments for property and equipment	(7,626)	(2,392)
Net cash acquired in acquisition of remaining 50% of VAW-IMCO		15,669
Other	(300)	121
Net cash from (used by) investing activities	(7,926)	13,398
FINANCING ACTIVITIES		
Net payments of long-term revolving credit facility	(428)	12,500
Net payments of proceeds from issuance of long-term debt		1,181
Decrease in restricted cash	2,568	
Debt issuance costs	(209)	
Other	127	(93)
Net cash from (used by) financing activities	2,058	13,588
Effect of exchange rate differences on cash and cash equivalents	(298)	(52)
Net increase (decrease) in cash and cash equivalents	(4,001)	18,169
Cash and cash equivalents at January 1	14,760	6,875
Cash and cash equivalents at March 31	$ 10,759	$ 25,044
SUPPLEMENTARY INFORMATION		
Cash payments for interest	$ 366	$ 1,540
Cash payments for income taxes, net of refunds received	$ 665	$ 1,106

See Notes to Consolidated Financial Statements.

IMCO RECYCLING INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2004

(dollars in tables are in thousands, except per share data)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. The accompanying financial statements include the accounts of IMCO Recycling Inc. and all of its subsidiaries (collectively, except where the context otherwise requires, referred to as we, us, our or similar terms). All significant intercompany accounts and transactions have been eliminated. For further information, refer to the consolidated financial statements and footnotes, as amended, thereto included in our Annual Report on Form 10-K/A for the year ended December 31, 2003. Certain reclassifications have been made to prior period statements to conform to the current period presentation.

NOTE B - INVENTORIES

The components of inventories are:

	March 31, 2004	December 31, 2003
Finished goods	$ 33,362	$ 36,329
Raw materials	35,219	33,428
Work in process	2,646	4,613
Supplies	3,773	3,900
	$ 75,000	$ 78,270

NOTE C LONG-TERM DEBT

In February 2004, our VAW-IMCO subsidiary paid us approximately 20,000,000 Euros (U.S. $24,846,000, including interest) paying in full its indebtedness owed to us under the intercompany note that we had pledged as part of the collateral security for the senior secured notes we issued in October 2003. The prepayment of this intercompany note, which was denominated in U.S. Dollars, resulted in a recognized gain of $278,000 for the first quarter of 2004. The funds were deposited in a collateral account held by the trustee under the indenture governing the senior secured notes, which permits us for a one-year period to use these funds for acquisitions and construction of assets and properties to be used in our domestic business. In the first quarter of 2004, we withdrew from the collateral account $2,568,000 for capital expenditures related to manufacturing equipment, pollution control equipment and buildings. These assets will be added to and form a part of the collateral security for the senior secured notes.

The prepayment of the intercompany note resulted in a gain of $1,880,000, recognized in December of 2003, since the note had been marked-to-market as it was current in nature and given the rise in value of the Euro against the U.S. Dollar. In February 2004, the repayment of the intercompany note resulted in the recognition of an additional gain of $278,000. This gain was also due to the rise in value of the Euro against the U.S. Dollar at that time.

Our long-term debt is summarized as follows:

	March 31, 2004	December 31, 2003
	Restated	Restated
Senior Credit Facility, expiring in October 2007	$ 32,563	$ 32,991
10 3/8% Senior Secured Notes, due October 6, 2010 (net of the discount)	208,769	208,751
7.65% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1996 Series, Due May 1, 2016 (net of the discount)	5,705	5,705
7.45% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1997 Series, Due May 1, 2022	4,600	4,600
6.00% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1998 Series, Due May 1, 2023	4,100	4,100
Other	40	46
Subtotal	255,777	256,193
Less current maturities	32,589	33,017
Total	$ 223,188	$ 223,176

To refinance our then-existing indebtedness, on October 6, 2003, we issued $210,000,000 principal amount of senior secured notes. The issue was priced at 99.383% to yield 10.50% and provided $208,704,000 of proceeds. Interest is payable semi-annually, on April 15 and October 15 of each year, commencing on April 15, 2004. In addition, on October 6, 2003, we established a new four-year $120,000,000 senior secured revolving credit facility (senior credit facility). Our former senior credit facility and receivables sale facility were both scheduled to expire by their own terms in the fourth quarter of 2003.

As of March 31, 2004, we had $32,563,000 of indebtedness outstanding under our senior credit facility. Under this facility, we are subject to a borrowing base limitation based on eligible domestic inventory and receivables. As of March 31, 2004, we estimated that our borrowing base would have supported additional borrowings of $55,331,000 after giving effect to outstanding borrowings of $32,563,000 and outstanding letters of credit of $3,726,000. As of March 31, 2004, our total borrowing base was estimated to be approximately $91,620,000.

The senior secured notes are redeemable at our option, in whole or in part, at any time after October 15, 2007. At any time prior to October 15, 2006, we may redeem up to 35% of the aggregate principal amount of the senior secured notes with the proceeds of one or more equity offerings of our common shares at a redemption price of 110.375% of the principal amount of the senior secured notes, together with accrued and unpaid interest, if any, to the date of the redemption.

The senior secured notes are jointly and severally, unconditionally guaranteed on a senior basis by all of our existing 100% owned domestic subsidiaries that are co-borrowers under the senior credit facility and by any future restricted domestic subsidiaries. The senior secured notes are not guaranteed by any of our current foreign subsidiaries. See NOTE L CONDENSED CONSOLIDATING FINANCIAL STATEMENTS. The senior secured notes and guarantees are secured by first-priority liens, subject to permitted liens, on the real property, fixtures and equipment relating to our wholly-owned domestic operating plants and on the fixtures and equipment relating to substantially all of our leased domestic operating plants. The liens securing the senior secured notes do not extend to any of our inventory, accounts receivable and related property (which secure the senior credit facility) or to any of our foreign real or personal property.

Upon the occurrence of a change of control (as defined under the indenture governing the senior secured notes), we are required to offer to purchase the senior secured notes at a price equal to 101% of the principal amount of the outstanding senior secured notes plus accrued interest.

The indenture governing the senior secured notes, among other things, contains covenants limiting our ability and the ability of our restricted subsidiaries to incur additional debt; make restricted payments, including paying dividends or making investments; sell or otherwise dispose of assets, including capital stock of subsidiaries; engage in sale-leaseback transactions; create liens on our or our subsidiaries assets; receive distributions; engage in transactions with affiliates; and merge or sell substantially all of our or our subsidiaries assets.

The terms of our senior credit facility include, among other covenants, (i) prohibitions against incurring certain indebtedness and granting liens, (ii) limitations on dividends and repurchases of shares of capital stock, and (iii) limitations on capital expenditures, investments and acquisitions. The indebtedness under the senior secured credit facility is secured by the Company s and its co-borrowers inventories, receivables, general intangibles and the proceeds thereof. We are subject to the terms of a lockbox arrangement with the administrative agent bank under the senior credit facility, whereby funds deposited from collections of receivables are applied by the lenders to reduce outstanding balances of the borrowings under the senior credit facility. As a result of this lockbox requirement, the amounts outstanding under the senior credit facility are classified as a current liability. If at any time during specified periods, our undrawn availability under this facility is less than $50,000,000, we will also be required to maintain a minimum fixed coverage ratio and minimum tangible net worth, as follows:

a minimum fixed charge coverage ratio of 1.0 to 1.0 (calculated based on our parent entity and wholly-owned domestic subsidiaries), and

a minimum tangible net worth of $44,500,000 plus 50% of future net income on a consolidated basis.

As a result of our new financing arrangements, we are currently unable to pay cash dividends to our stockholders. As of March 31, 2004, we were in compliance with all applicable debt covenants.

The amounts outstanding under the new senior secured credit facility are classified as a current liability because the terms of the facility contain a subjective acceleration clause and contractual provisions that require the cash receipts of the Company to be used to repay amounts outstanding under the revolving credit facility.

VAW-IMCO credit facilities

VAW-IMCO has two lines of credit available. As of March 31, 2004, no amounts were outstanding under these lines of credit. The total amount of credit available under these facilities is 15,000,000 Euros ($18,455,000 U.S. Dollars).

NOTE D NET EARNINGS PER SHARE

The following table set forth the reconciliation between weighted average shares used for calculating basic and diluted earnings per share (EPS):

	Three months ended March 31,	
	2004	**2003**
Numerator for basic and diluted earnings per share:		
Net earnings	$ 2,711	$ 1,323
Denominator:		
Basic earnings per share-weighted-average shares	14,500,971	14,502,356
Dilutive potential common shares- stock options	792,864	45,416
Denominator for diluted earnings per share	15,293,835	14,547,772
Net earnings per share:		
Basic	$ 0.19	$ 0.09
Diluted	$ 0.18	$ 0.09

As of March 31, 2004, we had a total of 930,000 shares of restricted stock outstanding, of which the unvested shares are excluded from our basic earnings per share calculation. We also had options for 1,018,667 shares that were considered anti-dilutive.

NOTE E COMMITMENTS AND CONTINGENCIES

General

Our operations, like those of other basic industries, are subject to federal, state, local and foreign laws, regulations and ordinances. These laws and regulations (1) govern activities or operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes and (2) impose liability for costs of cleaning up, and certain damages resulting from past spills, disposals or other releases of hazardous substances. It can be anticipated that more rigorous environmental laws will be enacted that could require us to make substantial expenditures in addition to those described here.

From time to time, our operations have resulted, or may result, in certain non-compliance with applicable requirements under environmental laws. However, we believe that any such non-compliance under such environmental laws would not have a material adverse effect on our financial position or results of operations.

Environmental proceedings

In 1997, the Illinois Environmental Protection Agency (IEPA) notified us that two of our zinc subsidiaries were potentially responsible parties (PRP) pursuant to the Illinois Environmental Protection Act for the cleanup of contamination at a site in Marion County, Illinois to which these subsidiaries, among others, in the past had sent zinc oxide for processing and resale. The site has not been fully investigated and final estimated cleanup costs have not yet been determined. Because of the nature of this matter, we cannot make an estimate of reasonable possible losses. We have been informed by the IEPA that the agency is preparing a revised list of companies that may have sent materials to the site and the volume of materials sent by each company. Once we receive this information, we may seek, possibly in connection with other PRPs, an agreed resolution of the IEPA s claims.

On February 15, 2001, the State of Michigan filed a lawsuit against us in the State Circuit Court for the 30th District, Ingham County, Michigan. The lawsuit arose out of disputes between our Alchem Aluminum Inc. subsidiary and Michigan environmental authorities concerning air emission control permits at Alchem s aluminum specialty alloy production facilities in Coldwater, Michigan. The State claimed injunctive relief and penalties for alleged non-compliance with and violations of federal and state environmental laws. The suit sought compliance by us as well as potentially substantial monetary penalties. On January 14, 2004, the parties settled the lawsuit by entering a Consent Judgment with the State Circuit Court. The Consent Judgment requires that we (i) operate our Coldwater aluminum facilities in compliance with a permit compliance program, (ii) adhere to certain recordkeeping, notification and testing guidelines, (iii) install a baghouse and associated equipment at our Alchem facility in Coldwater; and (iv) pay a civil fine in the amount of $300,000 to the State of Michigan. We paid the civil fine in the first quarter of 2004 and are in compliance with the Consent Judgment.

On April 27, 2001, the U. S. Environmental Protection Agency, Region V, issued to us a Notice of Violation (NOV) alleging violations of the federal Clean Air Act, primarily for violations of the Michigan State Implementation Plan at our Coldwater facilities. The NOV addressed the same instances of alleged non-compliance raised in the State of Michigan lawsuit, alleging that we purportedly failed to obtain appropriate preconstruction air quality permits prior to conducting modifications to the Coldwater facilities and exceeded permitted emission levels. All issues raised in the NOV have been addressed through the State of Michigan lawsuit and Consent Judgment.

On March 17, 2004, we were named as a co-defendant in a lawsuit filed in the U.S. District Court for the Central District of California. The listed claimants are the current owners of a Corona, California property formerly owned by one of our subsidiaries. The petition seeks declaratory relief and damages in an unspecified amount in connection with an alleged release of hazardous substances on the property. Because of the nature of this matter, we cannot make an estimate of reasonable possible losses. We believe that we have meritorious defenses to the claims contained in the petition. We plan a vigorous defense against these claims and are seeking indemnification from certain of the other co-defendants.

There is the possibility that expenditures could be required at our other facilities from time to time, because of new or revised regulations that could require that additional expenditures be made for compliance purposes. These expenditures could materially affect our results of operations and financial condition in future periods.

Other legal proceedings

In 1998 an employee filed a personal injury claim against us (Bland v. IMCO Recycling Inc.) in Missouri state court. In August 2002 the trial court entered a final judgment against us for $4,000,000. We are also involved in litigation with the surety for the appeal bond that was levied to secure the judgment in the Bland case (IMCO Recycling Inc. v. American Guarantee & Liability Insurance Company), currently pending in the Missouri Circuit Court of Appeals. To date, we have not paid any portion of the Bland judgment or reimbursed the surety. In a lawsuit between us and our umbrella coverage insurer to resolve a dispute as to coverage in the Bland case (Twin City Fire Insurance Company v. IMCO Recycling Inc.), a federal district court in Missouri entered a judgment in our favor and awarded the Company its costs in July 2003. We have filed post-trial motions seeking the award of our attorneys fees and to clarify the terms of the favorable judgment. When judgment is entered, to clarify these points an appeal may be filed by one or both parties. We currently believe that there is insurance coverage for the Bland claim and that we will be indemnified for any payments that we must make. We have not established any reserves for the Bland case.

We are also a party from time to time to what we believe are routine litigation and proceedings considered part of the ordinary course of our business. We believe that the outcome of such proceedings would not have a material adverse effect on our financial position or results of operations.

NOTE F OTHER COMPREHENSIVE EARNINGS (LOSS)

The following table presents the components of other comprehensive earnings (loss). These items change equity during the reporting period, but are not included in earnings.

	Total	Unrealized Gain (Loss) on Derivative Financial Instruments	Foreign Currency Translation, Unrealized Gain (Loss)
Balance at December 31, 2003	$ (4,825)	$ 1,939	$ (6,764)
Current quarter net change	(711)		(711)
Change in fair value of derivative financial instruments	2,607	2,607	
Reclassification of (gains) on derivative financial instruments into earnings	(1,039)	(1,039)	
Income tax effect	(597)	(597)	
Balance at March 31, 2004	$ (4,565)	$ 2,910	$ (7,475)

We translate the balance sheets of our foreign subsidiaries using fiscal period-end exchange rates. The consolidated statements of earnings are translated using the average exchange rates for the period. The cumulative effect of such translations is included in shareholders equity, other than for current intercompany accounts, as a component of other comprehensive earnings (loss). Foreign currency translation adjustments, unrealized gains or losses, accumulate in equity until the final disposition of their respective operations.

See NOTE N- MARKET RISK MANAGEMENT USING FINANCIAL INSTRUMENTS for further information in regards to our deferred hedging activities.

NOTE G SEGMENT REPORTING

Description of the Types of Products and Services from which Each Reportable Segment Derives its Revenues:

With the consolidation of VAW-IMCO in 2003, we now have the following product lines: Aluminum Recycling, Specialty Alloy, Zinc and International Aluminum.

The Aluminum Recycling and Specialty Alloy product lines have been aggregated for reporting purposes into one business segment for financial reporting purposes Domestic Aluminum and represents all of our aluminum melting, processing, alloying, trading and salt cake recycling activities within the United States. We have aggregated these businesses because the products produced are identical, (except for minor differences in chemical composition), are delivered in the same manner (either molten or in bars), the raw materials used are very similar, the production processes and equipment used are identical, and they report to the same member of executive management. Our international aluminum segment represents all of our aluminum melting, processing, alloying and trading activities outside the United States. Our zinc segment represents all of our zinc melting, processing and trading activities.

Measurement of Segment Profit or Loss and Segment Assets:

The accounting policies of the reportable segments are the same as those described in NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of our Form 10-K for the year ended December 31, 2003. We evaluate performance based on gross profit or loss from operations, net of selling expenses, which we title Segment Income. Provision for income taxes, interest, corporate general and administrative costs, including depreciation of corporate assets and amortization of capitalized debt costs, are not allocated to the reportable segments. Intersegment sales and transfers are recorded at market value; net profits on intersegment sales and transfers were immaterial for the periods presented. Consolidated cash, net capitalized debt costs, net current deferred tax assets and assets located at our headquarters office in Irving, Texas are not allocated to the reportable segments.

Factors Management Used to Identify Our Reportable Segments:

Our reportable segments are business units that offer different types of metal products and services in different geographic locations. The reportable segments are each managed separately, because they produce distinct products and services and sell to different types of customers. The following table shows our segment assets for the indicated periods:

	March 31, 2004	December 31, 2003
Assets:		
Domestic Aluminum	$ 263,508	$ 232,209

International Aluminum	158,391	175,345
Zinc	110,346	109,815
Other unallocated assets	33,925	33,365
Total Assets	$ 566,170	$ 550,734

The following table shows our revenues and income for the three month periods ended March 31, 2004 and March 31, 2003, respectively.

	Three months ended March 31,	
	2004	**2003**
REVENUES:		
Domestic Aluminum	$ 137,679	$ 127,117
International Aluminum	90,673	33,264
Zinc	50,156	34,702
Total Revenues	$ 278,508	$ 195,083
SEGMENT INCOME:		
Domestic Aluminum	$ 6,620	$ 5,813
International Aluminum	6,957	2,909
Zinc	3,893	1,106
Total Segment Income	$ 17,470	$ 9,828
Unallocated amounts:		
General and administrative expenses	$ (6,358)	$ (4,992)
Interest expense	(6,444)	(2,349)
Fees on receivables sale		(290)
Interest and other income	(22)	(76)
Earnings before provision for income taxes and minority interests	$ 4,646	$ 2,121

NOTE H VAW-IMCO

On March 14, 2003, we entered into an agreement with Hydro Aluminium Deutschland GmbH (Hydro) and VAW-IMCO, finalizing the terms and conditions under which VAW-IMCO would redeem its shares owned by Hydro.

VAW-IMCO owns and operates two aluminum recycling foundry alloy facilities in Grevenbroich and Töging, Germany, that together have an annual melting capacity in excess of 700 million pounds. VAW-IMCO supplies specialty alloys to the European automobile industry and serves other European aluminum markets. This acquisition of the remaining 50% interest in VAW-IMCO was an important step in the on-going expansion of our international operations.

As a result of this agreement, voting control of VAW-IMCO was effectively vested in a wholly-owned subsidiary of ours, and effective March 1, 2003, the accounts of VAW-IMCO were consolidated with those of ours and reflected within our consolidated financial statements. Prior to that date, the accounts of VAW-IMCO were reflected in our financial statements under the equity method of accounting.

The following table represents our condensed unaudited pro forma statement of operations for the three months ended March 31, 2003. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisition been made at the beginning of the periods presented or the future results of the combined operations. The condensed unaudited pro forma statement of operations assumes that the consolidation of VAW-IMCO occurred on January 1, 2003.

	Three months ended March 31, 2003
Revenues	$ 246,671
Gross profit	17,870
Net earnings	1,972
Net earnings per common share:	
Basic	$ 0.14
Diluted	$ 0.14
Weighted average shares outstanding:	
Basic	14,502,356
Diluted	14,547,772

NOTE I STOCK BASED COMPENSATION

We follow Accounting Principles Board Opinion No. 25 (APB 25), Accounting for Stock Issued to Employees, and related interpretations in accounting for our employee stock options. Under APB 25, if the exercise price of employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. We have adopted the pro forma disclosure features of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, as amended by Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. Our net earnings and earnings per share would have been reduced to the pro forma amounts shown below if compensation cost had been determined based on the fair value at the grant dates.

Our pro forma information below is presented as if we had applied the fair value recognition provision of SFAS 123 Accounting for Stock-Based Compensation.

	Three months ended March 31,	
	2004	2003
Net earnings, as reported	$ 2,711	$ 1,323
Add: stock-based compensation expense included in reported net income, net of tax	166	91
Less: compensation cost determined under the fair value method, net of tax	(169)	(177)
Pro forma net earnings	$ 2,708	$ 1,237
Basic earnings per share:		
As reported	$ 0.19	$ 0.09
Pro forma	0.19	0.09
Diluted earnings per share:		
As reported	$ 0.18	$ 0.09
Pro forma	0.18	0.09

NOTE J STOCKHOLDERS EQUITY

In February 2004, we awarded a total of 172,000 restricted stock units to certain of our officers and key employees resulting in deferred compensation of $1,594,000 recorded as a reduction to stockholders equity. This amount will be recorded as compensation expense over the vesting period of such restricted stock units. The restricted stock units cannot be transferred or pledged and are subject to forfeiture if the holder s employment with us terminates for any reason other than death, disability or retirement. The restricted stock units fully vest upon the earlier of the fifth anniversary of the date of grant, a change of control of the company or upon the holder s death, disability or retirement. The vested restricted stock units are exchangeable into shares of IMCO common stock.

NOTE K INCOME TAXES

Our effective tax rate was 41% for the three months ended March 31, 2004. This compares to an effective tax rate of 39% for the comparable period in 2003. Our provision for income tax in 2003 excluded the equity income from VAW-IMCO, which is recorded on an after tax basis. Our overall effective rate increased in 2004 mostly due to the full consolidation of VAW-IMCO. Starting in March of 2003, VAW-IMCO was consolidated and this resulted in a higher overall effective tax rate due to German income taxes imposed on VAW-IMCO. This consolidation has had the impact of increasing our international earnings.

Higher interest expense and generally lower domestic earnings generated net operating losses in the U.S. Deferred tax benefits related to these net operating losses have been recorded. While our effective tax rate contemplates profitable operating results for the year, if expected profit improvements in our domestic operations do not occur, utilization of the existing U.S. deferred tax assets will need to be re-evaluated.

The provision for income taxes was as follows:

	Three months ended March 31,	
	2004	**2003**
Current:		
Federal	$	$ (80)
State	49	47
Foreign	2,738	670
	2,787	637
Deferred:		
Federal	(766)	180
State	(140)	(60)
Foreign	27	(111)
	(879)	9
Provision for income taxes	$ 1,908	$ 646

The income tax expense (benefit), computed by applying the federal statutory rate to earnings (loss) before income taxes, differed from the provision for income taxes as follows:

	Three months ended March 31,	
	2004	2003
Income taxes at the federal statutory rate	$ 1,626	$ 742
Foreign tax rate difference	93	(38)
State income taxes, net	(63)	(4)
Foreign income not currently taxable	(17)	(263)
Other, net	269	209
Provision for income taxes	$ 1,908	$ 646

NOTE L CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Certain of our subsidiaries (Guarantor Subsidiaries) are guarantors of the indebtedness of IMCO Recycling under its senior secured notes. See NOTE C - LONG-TERM DEBT. For purposes of complying with the reporting requirements of the Guarantor Subsidiaries, presented below are condensed consolidating financial statements of IMCO Recycling Inc., the Guarantor Subsidiaries, and those subsidiaries of IMCO Recycling Inc. that are not guaranteeing the indebtedness under the senior secured notes (Non-Guarantor Subsidiaries).

The condensed consolidating balance sheets are presented as of March 31, 2004, and the condensed consolidating statements of operations and the condensed consolidating statements of cash flows are presented for the three months ended March 31, 2004 and 2003.

IMCO RECYCLING INC. AND SUBSIDIARIES

GUARANTOR CONDENSED CONSOLIDATING BALANCE SHEETS

	As of March 31, 2004 (Restated)				
	IMCO Recycling Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	$ 153	$ 46	$ 10,560	$	$ 10,759
Accounts receivable, net	9,494	77,748	49,589	(412)	136,419
Inventories	2,634	46,620	25,746		75,000
Deferred income taxes	7,906	3,246	1,430		12,582
Other current assets	3,581	8,480	3,289		15,350
Total Current Assets	23,768	136,140	90,614	(412)	250,110
Property and equipment, net	36,476	107,006	74,547	(1,857)	216,172
Goodwill	3,660	49,874	10,385		63,919
Restricted cash	22,278				22,278
Investments in joint ventures		893			893
Other assets, net	10,541	1,444	813		12,798
Investments in subsidiaries/intercompany receivable (payable), net	319,790	(95,176)	(7,330)	(217,284)	