

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of  
The Securities Exchange Act of 1934**

**August 25, 2005**  
(Date of earliest event reported)

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**QUANEX CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**1-5725**  
(Commission File Number)

**38-1872178**  
(IRS Employer Identification No.)

**1900 West Loop South, Suite 1500, Houston, Texas**  
(Address of principal executive offices)

**77027**  
(Zip Code)

Registrant's telephone number, including area code: **713-961-4600**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02 Results of Operations and Financial Condition**

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On August 25, 2005, Quanex Corporation issued a press release (the "Press Release") reporting its earnings results for the third quarter of fiscal year 2005. The foregoing is qualified by reference to the Press Release which is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

Exhibit 99.1. Press release dated August 25, 2005

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**SIGNATURE**

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

**QUANEX CORPORATION**

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(Registrant)

**August 25, 2005**

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(Date)

**/s/ TERRY M. MURPHY**

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

**Exhibit Index**

99.1 Press release dated August 25, 2005

## Quanex Fiscal Third Quarter 2005 Results

Record Net Sales & Diluted Earnings per Share from Continuing Operations  
 Cash Provided by Operating Activities Up 119% YTD  
 Company Reduces Outstanding Revolver Debt by 73% in the Quarter  
 Increases Common Stock Cash Dividend 15%; Raises 2005 Guidance

HOUSTON, Aug. 25, 2005 -- Quanex Corporation (NYSE:NX) today reported record fiscal third quarter net sales and income from continuing operations. Diluted earnings per share from continuing operations were \$1.71, a third quarter record and more than double year ago quarterly results of \$0.82. Third quarter diluted earnings per share were \$1.70.

### Quarterly Highlights

- Return on invested capital was 19.7% compared to 8.6% in the year ago period.
- Third quarter net sales were \$498.8 million, up 24% over the year ago quarter.
- Net sales from Mikron Industries, acquired in December 2004, were up 14% from the year ago quarter; earnings were \$0.17 per diluted share after interest expense.
- Vehicular Products and Building Products segment operating income for the quarter were up 93% and 121%, respectively, over last year's third quarter.
- Income from continuing operations set a third quarter record of \$45.0 million, compared to \$20.5 million in the year ago quarter.
- Common stock cash dividend was increased to \$0.155 per quarter.
- Outstanding revolver bank debt was reduced by \$80 million.
- Total debt to capitalization at quarter end was 21.2%; cash and equivalents were \$8.8 million.

### Selected Quarterly Financial Information

|  | 3rd qtr 2005 | 3rd qtr 2004 | inc/(dcr) |
|--|--------------|--------------|-----------|
| Net Sales                                  | \$498.8      | \$403.0      | 24%       |
| Operating Income                           | 76.4         | 34.5         | 122%      |
| Income from Continuing Ops.                | 45.0         | 20.5         | 119%      |
| EPS: Basic Earnings from Continuing Ops.   | \$1.78       | \$0.83       | 114%      |
| EPS: Diluted Earnings from Continuing Ops. | 1.71         | 0.82         | 109%      |

### Segment Commentary

#### Vehicular Products

|                  | 3rd qtr 2005 | 3rd qtr 2004 | inc/(dcr) |
|------------------|--------------|--------------|-----------|
| Net Sales        | \$240.0      | \$226.8      | 6%        |
| Operating Income | 48.1         | 25.0         | 93%       |

The Vehicular Products segment is focused on providing customers with value-added, engineered steel bar and extrusion products. Key market drivers are light vehicle builds (appx. 65% of segment sales) and heavy duty truck builds (appx. 15% of segment sales).

"While our average selling price was up in the quarter, demand was off versus a year ago due to inventory adjustments and significant production cutbacks by two of our major end users -- General Motors and Ford. Consequently, our engineered steel bar shipments were down from year ago levels," said Raymond A. Jean, chairman and chief executive officer. "We now expect the OEMs to build vehicle stocks to more normalized levels in the back half of the calendar year, and we are therefore looking for improved bar shipments in our fourth quarter over the third, although down from the frenzied pace of our fourth quarter 2004. Margins remained excellent in the segment and operating income nearly doubled compared to the year ago quarter, the benefit of higher selling prices and falling scrap costs," continued Jean.

#### Building Products

|                  | 3rd qtr 2005 | 3rd qtr 2004 | inc/(dcr) |
|------------------|--------------|--------------|-----------|
| Net Sales        | \$258.9      | \$177.1      | 46%       |
| Operating Income | 42.8         | 19.4         | 121%      |

The Building Products segment is focused on providing window and door OEM customers with engineered products and components, and is also a leading provider of common alloy aluminum sheet. Key market drivers are housing starts (appx. 50% of segment sales) and remodeling activity (appx. 50% of segment sales).

"The overall housing outlook remained positive during our third quarter, with annualized housing starts hovering around the 2 million mark. Some of our window and door customers were adversely impacted early in the quarter by severe weather, primarily in their Northeast markets," Jean said. "Offsetting this impact were excellent operating results at our aluminum sheet business, which had a very strong quarter. Our painted sheet sales remained very strong and accounted for nearly 45% of all sheet sales in the quarter, thanks, in part, to excellent operating performance at our Alabama facility. Also, we're pleased with what we see at Mikron. They are on a sharp growth curve given their new programs and the strong performance of their customer base," said Jean.

#### Cash Flow

"Cash provided by operating activities remains extremely strong, and for the nine months ended July, we generated \$160.7 million compared to \$73.5 million in the year ago period. In December 2004, we borrowed \$200 million from our revolving credit line to finance the acquisition of Mikron. Through July, the outstanding balance was reduced by \$170 million, or 85%, with \$80 million of that paid down in the third quarter alone. Once again, Quanex finds itself in an enviable financial position with a low debt to capitalization ratio that provides us with excellent financial flexibility. Today we increased our quarterly cash dividend from \$0.135 to \$0.155 per share, which equates to a \$0.62 per share dividend on an annualized basis. This action is consistent with both our excellent financial results and our prospects for the future," continued Jean.

#### Outlook

Consistent with a strong housing market and the acquisition of Mikron, Quanex expects an excellent fourth quarter from its window and door components businesses.

At its engineered steel bar business, Quanex entered the fourth quarter with a lower backlog compared to the year ago period. However, the vehicular supply chain inventory correction is coming to an end and production schedules are expected to increase to replenish low dealer stocks with 2006 models. While the precise timing remains an issue, the Company does expect demand at its engineered steel bar business to regain momentum through calendar 2005.

At the aluminum sheet business, demand is off modestly from year ago levels as customers rebalance inventories. However, with robust end markets, combined with strong margins and a healthy mix of value-added products, the business is expected to have an excellent quarter.

Consolidating expected segment results, Quanex looks to report record fiscal 2005 diluted earnings per share from continuing operations in a range of \$6.10 to \$6.20, up from fiscal 2004's \$2.30, and higher than the Company's previous guidance of \$5.75 to \$6.00 issued on May 26, 2005. The Company cautions that its combination of short cycle businesses and volatile raw material costs, particularly for steel scrap, makes forecasting problematic.

#### Other

Quanex continues to incur substantial costs related to its Sarbanes-Oxley activities and estimated that external costs were approximately \$3.7 million, or \$0.09 per diluted share in the quarter.

The Company continues to account for stock options using the current transition provisions of SFAS No. 123. Accordingly, Quanex does not reflect the option expense in its income statement or diluted earnings per share. However, the Company does disclose the impact to net income and diluted earnings per share in footnotes to its SEC financial statements. Expensing stock options in the third quarter would have reduced net income by about \$542,000 and would have reduced diluted earnings per share by \$0.02. Quanex will begin expensing stock options in its fiscal 2006 first quarter.

On January 26, 2005, the Company irrevocably elected, pursuant to the indenture governing its 2.50% convertible senior debentures due 2034, to settle the principal amount of the debentures in cash when they become convertible and are surrendered by the holders thereof. Allowing for this election and using an average stock price of \$53.04 for its third fiscal quarter, the Company's diluted earnings per share were reduced by \$0.04. The Company estimates that for each \$3.00 increase in its stock price above the debenture's conversion price of approximately \$38.30, diluted earnings per share will be reduced by about \$0.01 per quarter. On August 1, 2005, the Company announced, as required, that its debentures were convertible by holders in accordance with the terms of the indenture.

#### Dividend Declared

The Board of Directors increased the Company's quarterly cash dividend by \$0.02 and declared \$0.155 per share on the common stock, payable September 30, 2005, to shareholders of record on September 15, 2005.

#### Corporate Profile

Quanex Corporation, with expected 2005 sales of \$2 billion, is an industry-leading manufacturer of value-added, engineered materials and components serving the vehicular products and building products markets.

Book value per common share: \$24.74; Total debt to capitalization: 21.16%; Return on invested capital: 19.69%; Return on common equity: 26.21%; Actual number of common shares outstanding: 25,268,137

## Definitions

Book value per common share -- calculated as total stockholders' equity as of balance sheet date divided by actual number of common shares outstanding;

Total debt to capitalization -- calculated as the sum of both the current and long term portion of debt, as of balance sheet date, divided by the sum of both the current and long term portion of debt plus total stockholders' equity as of balance sheet date;

Return on invested capital -- calculated as the total of the prior 12 months net income plus prior 12 months after-tax interest expense and capitalized interest, the sum of which is divided by the trailing five quarters average total debt (current and long term) and total stockholders' equity;

Return on common equity -- calculated as the prior 12 months net income, divided by the trailing five quarters average common stockholders' equity.

Statements that use the words "expect," "should," "believe," "will," "might," or similar words reflecting future expectations or beliefs are forward-looking statements. The statements found above are based on current expectations. Actual results or events may differ materially from this release. Factors that could impact future results may include, without limitation, the effect of both domestic and global economic conditions, the impact of competitive products and pricing, and the availability and cost of raw materials. For a more complete discussion of factors that may affect the Company's future performance, please refer to the Company's most recent 10-K filing (December 21, 2004) under the Securities Exchange Act of 1934, in particular the sections titled, "Private Securities Litigation Reform Act" contained therein.

For additional information, visit the Company's website at [www.quanex.com](http://www.quanex.com).

QUANEX CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share data)  
(Unaudited)

| Three Months ended<br>July 31, |            |  | Nine months ended<br>July 31 |             |
|--------------------------------|------------|--|------------------------------|-------------|
| 2005                           | 2004       |  | 2005                         | 2004        |
| \$ 498,796                     | \$ 403,017 | Net sales  | \$1,502,737                  | \$1,027,936 |
| 378,824                        | 337,637    | Cost of sales  | 1,157,784                    | 880,142     |
|                                |            | Selling, general<br>and<br>administrative<br>expense   | 75,036                       | 46,158      |
| 27,300                         | 17,734     | Depreciation and<br>amortization   | 48,402                       | 38,040      |
| 16,275                         | 13,178     | Gain on sale of<br>land  | --                           | (454)       |
| --                             | --         | Operating income   | 221,515                      | 64,050      |
| 76,397                         | 34,468     | Interest expense   | (7,841)                      | (4,491)     |
| (2,491)                        | (1,735)    | Other, net   | (2,088)                      | 613         |
| (749)                          | (209)      | Income from<br>continuing<br>operations<br>before taxes  | 211,586                      | 60,172      |
| 73,157                         | 32,524     | Income tax<br>expense  | (81,461)                     | (22,235)    |
| (28,166)                       | (12,022)   | Income from<br>continuing<br>operations<br>Gain (loss) from<br>discontinued<br>operations, net<br>of taxes | 130,125                      | 37,937      |
| 44,991                         | 20,502     |  | (6,190)                      | (2,208)     |
| (276)                          | (2,744)    | Net income   | \$ 123,935                   | \$ 35,729   |
| \$ 44,715                      | \$ 17,758  |  |                              |             |

Basic earnings  
per common  
share:

|           |           |   |           |           |
|-----------|-----------|---|-----------|-----------|
| \$ 1.78   | \$ 0.83   | Earnings from continuing operations         | \$ 5.18   | \$ 1.54   |
| \$ (0.01) | \$ (0.11) | Gain (loss) from discontinued operations    | \$ (0.25) | \$ (0.09) |
| -----     | -----     |   | -----     | -----     |
| \$ 1.77   | \$ 0.72   | Basic earnings per share                    | \$ 4.93   | \$ 1.45   |
| -----     | -----     |   | -----     | -----     |
|           |           | Diluted earnings per common share:          |           |           |
|           |           | Earnings from continuing operations         | \$ 4.98   | \$ 1.52   |
| \$ (0.01) | \$ (0.11) | Gain (loss) from discontinued operations    | \$ (0.23) | \$ (0.09) |
| -----     | -----     |   | -----     | -----     |
| \$ 1.70   | \$ 0.71   | Diluted earnings per share                  | \$ 4.75   | \$ 1.43   |
| -----     | -----     |   | -----     | -----     |
|           |           | Weighted average common shares outstanding: |           |           |
| 25,238    | 24,696    | Basic                                       | 25,133    | 24,602    |
| 26,630    | 25,086    | Diluted                                     | 26,394    | 25,002    |
|           |           | Cash dividends per share                    | \$ 0.4250 | \$ 0.3533 |
| \$ 0.1550 | \$ 0.1267 |   |           |           |

QUANEX CORPORATION  
INDUSTRY SEGMENT INFORMATION  
(In thousands)  
(Unaudited)

| Three months ended<br>July 31, |            | Nine months ended<br>July 31, |             |                     |
|--------------------------------|------------|-------------------------------|-------------|---------------------|
| 2005                           | 2004       | 2005                          | 2004        |                     |
| -----                          | -----      | -----                         | -----       |                     |
|                                |            |                               |             | Net sales:          |
| \$ 239,923                     | \$ 225,956 | \$ 803,943                    | \$ 570,484  | Vehicular Products  |
| 258,873                        | 177,061    | 698,794                       | 457,452     | Building Products   |
| -----                          | -----      | -----                         | -----       |                     |
| \$ 498,796                     | \$ 403,017 | \$1,502,737                   | \$1,027,936 | Net sales           |
| -----                          | -----      | -----                         | -----       |                     |
|                                |            |                               |             | Operating income:   |
| \$ 48,109                      | \$ 24,952  | \$ 153,331                    | \$ 47,530   | Vehicular Products  |
| 42,803                         | 19,406     | 96,267                        | 35,718      | Building Products   |
| (14,515)                       | (9,890)    | (28,083)                      | (19,198)    | Corporate and Other |
| -----                          | -----      | -----                         | -----       |                     |
| \$ 76,397                      | \$ 34,468  | \$ 221,515                    | \$ 64,050   | Operating Income    |
| -----                          | -----      | -----                         | -----       |                     |

QUANEX CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(In thousands)  
(Unaudited)

| July 31, |       | October 31, |       |
|----------|-------|-------------|-------|
| 2005     | 2004  | 2004        | 2003  |
| -----    | ----- | -----       | ----- |

|   |           |    |           |  |    |           |    |           |
|---|-----------|----|-----------|--|----|-----------|----|-----------|
| \$  | 8,827     | \$ | 39,071    | Assets<br>Cash and<br>equivalents                          | \$ | 41,743    | \$ | 22,108    |
|   |           |    |           | Accounts and<br>notes<br>receivable,<br>net                |    |           |    |           |
|   | 171,584   |    | 172,265   | Inventories  |    | 176,358   |    | 104,009   |
|   | 132,742   |    | 115,354   | Deferred<br>income taxes                                   |    | 115,367   |    | 68,626    |
|   | 10,870    |    | 7,876     | Other current<br>assets                                    |    | 10,744    |    | 5,320     |
|   | 4,030     |    | 3,005     | Current<br>assets of<br>discontinued<br>operations         |    | 2,363     |    | 1,499     |
|   | 132       |    | 38,163    |  |    | 9,759     |    | 31,886    |
| -----   |           |    |           |  |    |           |    |           |
|   | 328,185   |    | 375,734   | Total current<br>assets                                    |    | 356,334   |    | 233,448   |
|   | 962,951   |    | 834,584   | Property,<br>plant and<br>equipment                        |    | 842,147   |    | 742,602   |
|   | (533,314) |    | (479,850) | Less<br>accumulated<br>depreciation                        |    | (491,165) |    | (443,869) |
| -----   |           |    |           |  |    |           |    |           |
|   | 429,637   |    | 354,734   | Property,<br>plant and<br>equipment,<br>net                |    | 350,982   |    | 298,733   |
|   | 199,603   |    | 138,924   | Goodwill, net  |    | 134,670   |    | 66,436    |
|   | 23,724    |    | 24,972    | Cash surrender<br>value<br>insurance<br>policies, net      |    | 24,439    |    | 24,536    |
|   | 84,130    |    | 28,137    | Intangibles,<br>net  |    | 27,556    |    | 2,755     |
|   | 9,231     |    | 9,600     | Other assets   |    | 9,391     |    | 3,517     |
|   | 2,679     |    | 38,774    | Long-term<br>assets of<br>discontinued<br>operations       |    | 26,150    |    | 53,689    |
| -----   |           |    |           |  |    |           |    |           |
| \$  | 1,077,189 | \$ | 970,875   | Total assets   | \$ | 929,522   | \$ | 683,114   |
| =====   |           |    |           |  |    |           |    |           |
| Liabilities<br>and<br>stockholders'<br>equity |           |    |           |  |    |           |    |           |
| \$  | 134,275   | \$ | 137,053   | Accounts<br>payable  | \$ | 161,674   | \$ | 80,791    |
|   | 65,697    |    | 41,170    | Accrued<br>liabilities                                     |    | 45,844    |    | 33,764    |
|   | 8,421     |    | 7,901     | Income taxes<br>payable                                    |    | 4,127     |    | 7,641     |
|   | 2,669     |    | 3,554     | Current<br>maturities of<br>long-term debt                 |    | 456       |    | 3,877     |
|   | 330       |    | 14,622    | Current<br>liabilities<br>of<br>discontinued<br>operations |    | 4,102     |    | 14,592    |
| -----   |           |    |           |  |    |           |    |           |
|   | 211,392   |    | 204,300   | Total<br>current<br>liabilities                            |    | 216,203   |    | 140,665   |
|   | 165,167   |    | 190,558   | Long-term debt   |    | 130,496   |    | 15,893    |
|   | 8,813     |    | 6,444     | Deferred<br>pension<br>credits                             |    | 8,804     |    | 7,781     |
|   | 7,590     |    | 7,864     | Deferred<br>postretirement<br>welfare<br>benefits          |    | 7,745     |    | 7,845     |
|   | 48,563    |    | 66,731    | Deferred<br>income taxes                                   |    | 53,983    |    | 49,938    |
|   | 7,520     |    | 8,047     | Non-current<br>environmental<br>reserves                   |    | 8,188     |    | 13,517    |
|   |           |    |           | Other  |    |           |    |           |

|             |            |               |            |            |
|-------------|------------|---------------|------------|------------|
| 2,971       | 2,771      | liabilities   | 2,973      | 283        |
|             |            | Long-term     |            |            |
|             |            | liabilities   |            |            |
|             |            | of            |            |            |
| --          | 1,714      | discontinued  | 423        | 2,033      |
|             |            | operations    |            |            |
| -----       |            |               |            |            |
| 452,016     | 488,429    | Total         | 428,815    | 237,955    |
|             |            | liabilities   |            |            |
| -----       |            |               |            |            |
| 625,173     | 482,446    | Total         | 500,707    | 445,159    |
|             |            | stockholders' |            |            |
|             |            | equity        |            |            |
| -----       |            |               |            |            |
| \$1,077,189 | \$ 970,875 | Total         | \$ 929,522 | \$ 683,114 |
|             |            | liabilities   |            |            |
|             |            | and           |            |            |
|             |            | stockholders' |            |            |
|             |            | equity        |            |            |
| =====       |            |               |            |            |

QUANEX CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands)  
(Unaudited)

|   | Nine months ended |           |
|---|-------------------|-----------|
|   | July 31,          |           |
|   | 2005              | 2004      |
|   | -----             | -----     |
| Operating activities:   |                   |           |
| Net income  | \$ 123,935        | \$ 35,729 |
| Loss from discontinued operations   | 6,190             | 2,208     |
|   | -----             | -----     |
| Net income from continuing operations   | 130,125           | 37,937    |
| Adjustments to reconcile net income to cash provided by operating activities:         |                   |           |
| Gain on sale of land  | --                | (454)     |
| Depreciation and amortization   | 48,851            | 38,439    |
| Deferred income taxes   | (4,303)           | 11,340    |
| Deferred pension and postretirement benefits  | (145)             | (1,318)   |
|   | -----             | -----     |
|   | 174,528           | 85,944    |
| Changes in assets and liabilities, net of effects from acquisitions and dispositions: |                   |           |
| Decrease (Increase) in accounts and notes receivable                                  | 16,423            | (45,070)  |
| Decrease (Increase) in inventory  | (6,162)           | (7,031)   |
| Increase (Decrease) in accounts payable   | (40,860)          | 34,341    |
| Increase (Decrease) in accrued liabilities  | 1,106             | 4,390     |
| Increase (Decrease) in income taxes payable   | 19,204            | (2,947)   |
| Other, net  | (775)             | 1,408     |
| Operating cash flow from discontinued operations                                      | (2,730)           | 2,482     |
|   | -----             | -----     |
| Cash provided by operating activities   | 160,734           | 73,517    |
| Investment activities:  |                   |           |
| Acquisitions, net of cash acquired  | (200,519)         | (214,579) |
| Proceeds from sale of land  | --                | 637       |
| Proceeds from sale of discontinued operations   | 11,592            | --        |
| Capital expenditures, net of retirements  | (35,475)          | (11,904)  |
| Other, net  | 669               | (471)     |
| Cash used for investment activities from discontinued operations                      | (179)             | (1,345)   |
|   | -----             | -----     |
| Cash used for investment activities   | (223,912)         | (227,662) |
| Financing activities:   |                   |           |
| Bank borrowings (repayments), net   | 29,710            | 175,000   |
| Common dividends paid   | (10,351)          | (8,386)   |



|   |          |           |
|---|----------|-----------|
| Issuance of common stock, net                           | 10,328   | 9,667     |
| Other, net  | 565      | (5,182)   |
|   | -----    | -----     |
| Cash provided by financing activities                   | 30,252   | 171,099   |
|   | -----    | -----     |
| Effect of exchange rate changes on cash and equivalents | 10       | 9         |
| Increase (Decrease) in cash                             | (32,916) | 16,963    |
| Beginning of period cash and equivalents                | 41,743   | 22,108    |
|   | -----    | -----     |
| End of period cash and equivalents                      | \$ 8,827 | \$ 39,071 |
|   | =====    | =====     |

CONTACT: Quanex Corp., Houston  
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Media: Valerie Calvert  
713/877-5305