UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 1998

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 1-5725

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

DELAWARE	38-1872178
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1900 West Loop South, Suite 1500, Houston, Texas 77027
(Address of principal executive offices and zip code)

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

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.

Class	Outstanding at April 30, 1998
Common Stock, par value $0.50 per share	14,171,704

QUANEX CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

	April 30, 1998 (Unaudited)	October 31, 1997 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 47,110	$ 26,851
Accounts and notes receivable, net	83,441	80,089
Inventories	70,194	73,035
Deferred income taxes	7,625	5,601
Prepaid expenses	2,322	1,320
Total current assets	210,692	186,896
Property, plant and equipment	664,640	642,854
Less accumulated depreciation and amortization	(283,309)	(263,783)
Property, plant and equipment, net	381,331	379,071
Goodwill, net	94,787	91,496
Net assets of discontinued operations	--	13,554
Other assets	16,144	14,688
	$ 702,954	$ 685,705
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 75,976	$ 71,317
Income taxes payable	2,609	8,503
Accrued expenses	47,728	43,208
Current maturities of long-term debt	9,748	11,050
Total current liabilities	136,061	134,078
Long-term debt	192,618	201,858
Deferred pension credits	6,625	6,627
Deferred postretirement welfare benefits	6,921	6,835
Deferred income taxes	51,284	48,111
Other liabilities	19,085	19,373
Total liabilities	412,594	416,882
Stockholders' equity:		
Common stock, $.50 par value	7,086	7,025
Additional paid-in capital	108,058	105,146
Retained earnings	175,661	156,528
Foreign currency translation adjustment	(147)	422
Adjustment for minimum pension liability ...	(298)	(298)
Total stockholders' equity	290,360	268,823
	$ 702,954	$ 685,705

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

	Three Months Ended April 30, 1998	Three Months Ended April 30, 1997	Six Months Ended April 30, 1998	Six Months Ended April 30, 1997
	(Unaudited)			
Net sales	$ 203,428	$ 185,999	$ 384,410	$ 353,954
Cost and expenses:				
Cost of sales	166,421	151,108	320,703	289,605
Selling, general and administrative expense	11,995	10,799	23,335	21,613
Depreciation and amortization	10,911	9,511	21,478	19,124
Operating income	14,101	14,581	18,894	23,612
Other income (expense):				
Interest expense	(3,661)	(4,917)	(7,405)	(9,768)
Capitalized interest	1,219	764	2,696	1,382
Other, net	351	860	1,352	1,251
Income from continuing operations before income taxes	12,010	11,288	15,537	16,477
Income tax expense	(4,254)	(3,949)	(5,488)	(5,766)
Income from continuing operations	7,756	7,339	10,049	10,711
Income from discontinued operations, net of income taxes	--	1,751	--	2,705
Gain on sale of discontinued operations, net of income taxes	--	36,290	13,606	36,290
Net income	$ 7,756	$ 45,380	$ 23,655	$ 49,706
Earnings per common share:				
Basic:				
Continuing operations	$ 0.55	$ 0.53	$ 0.71	$ 0.78
Discontinued operations	--	0.13	--	0.20
Gain on sale of discontinued operations	--	2.65	0.97	2.65
Total basic net earnings	$.0.55	$ 3.31	$ 1.68	$ 3.63
Diluted:				
Continuing operations	$ 0.51	$ 0.50	$ 0.70	$ 0.77
Discontinued operations	--	0.10	--	0.16
Gain on sale of discontinued operations	--	2.18	0.95	2.18
Total diluted net earnings	$ 0.51	$ 2.78	$ 1.65	$ 3.11
Weighted average shares outstanding:				
Basic	14,154	13,716	14,119	13,680
Diluted	17,110	16,661	14,331	16,635

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Six Months Ended April 30, 1998	Six Months Ended April 30, 1997
	(Unaudited)	
Operating activities:		
Net income	$ 23,655	$ 49,706
Adjustments to reconcile net income to cash provided by operating activities:		
Income from discontinued operations	--	(2,705)
Gain on sale of discontinued operations	(13,606)	(36,290)
Depreciation and amortization	21,761	19,423
Deferred income taxes	3,173	(2,210)
Deferred pension costs	(2)	(94)
Deferred postretirement welfare benefits	86	157
	35,067	27,987
Changes in assets and liabilities net of effects from acquisitions and dispositions:		
Increase in accounts and notes receivable	(2,312)	(4,109)
Decrease in inventory	96	21
Increase in accounts payable	5,048	778
Increase (decrease) in accrued expenses	745	(585)
Other, net	(9,143)	(4,003)
Cash provided by continuing operations	29,501	20,089
Cash used in discontinued operations	--	(1,332)
Cash provided by operating activities	29,501	18,757
Investment activities:		
Proceeds from the sale of discontinued operations	31,434	63,900
Capital expenditures of continuing operations, net of retirements	(27,134)	(35,482)
Capital expenditures of discontinued operations	--	(2,174)
Other, net	(1,868)	(6,169)
Cash provided by investment activities	2,432	20,075
Cash provided by operating and investment activities	31,933	38,832
Financing activities:		
Bank borrowings (repayments), net	(10,144)	(40,000)
Common dividends paid	(4,522)	(4,110)
Issuance of common stock under benefit plans	2,973	3,281
Other, net	--	831
Cash used in financing activities	(11,693)	(39,998)
Effect of exchange rate changes on cash and equivalents	19	--
Increase (decrease) in cash and equivalents	20,259	(1,166)
Cash and equivalents at beginning of period	26,851	35,962
Cash and equivalents at end of period	$ 47,110	$ 34,796

Supplemental disclosure of cash flow information:

Cash paid during the period for:		
Interest	$ 7,173	$ 10,127
Income taxes	$ 10,032	$ 11,269

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Accounting Policies

The interim consolidated financial statements of Quanex Corporation and subsidiaries (the "Company"), are unaudited, but include all adjustments which the Company deems necessary for a fair presentation of its financial position and results of operations. All such adjustments are of a normal recurring nature. Results of operations for interim periods are not necessarily indicative of results to be expected for the full year. All significant accounting policies conform to those previously set forth in the Company's fiscal 1997 Annual Report on Form 10-K, as amended, which is incorporated by reference. Certain amounts for prior periods have been reclassified in the accompanying consolidated financial statements to conform to 1998 classifications.

2. Inventories

Inventories consist of the following:

	April 30, 1998	October 31, 1997
	(In thousands)	
Raw materials	$22,394	$19,432
Finished goods and work in process	41,646	47,739
	64,040	67,171
Other	6,154	5,864
	$70,194	$73,035

The values of inventories in the consolidated balance sheets are based on the following accounting methods:

LIFO	$48,324	$51,517
FIFO	21,870	21,518
	$70,194	$73,035

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $19 million at April 30, 1998, and $16 million at October 31, 1997.

3. Acquisition

On October 29, 1997, the Company, through its Dutch subsidiary, Piper Impact Europe B.V., ("Piper Europe"), acquired the net assets of Advanced Metal Forming C.V., a Dutch limited partnership, for approximately $30 million. Based on preliminary purchase accounting, the goodwill associated with Piper Europe is approximately NLG 26 million or $13 million as of April 30, 1998.

Piper Europe produces aluminum impact extrusions and precision steel stampings for the automotive and electronics industries in Europe and North America. Piper Europe employs approximately 260 people, and its manufacturing facilities are located near Zwolle in The Netherlands.

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. Long-Term Debt and Financing Arrangements

The Company has an unsecured $250 million Revolving Credit and Term Loan Agreement ("Bank Agreement"). The Bank Agreement consists of a revolving line of credit ("Revolver"). In July 1997, the term loan provisions of the Bank Agreement expired. The Bank Agreement expires July 23, 2002, and provides for up to $25 million for standby letters of credit, limited to the undrawn amount available under the Revolver. All borrowings under the Revolver bear interest, at the option of the Company, at either (a) the Prime Rate or the Federal Funds Rate plus one percent, whichever is higher, or (b) a Eurodollar-based Rate. At April 30, 1998, the Company had $90 million outstanding under the Revolver.

On October 28, 1997, Piper Europe executed a stand-alone secured credit facility ("Credit Facility") providing up to 50 million Dutch Guilders ("NLG"). At April 30, 1998, 1 NLG was equal to 0.4949 U.S. dollars. The Credit Facility consists of a Roll-Over Term Loan, a Medium Term Loan and an Overdraft Facility. The Roll-Over Term Loan provides NLG 15 million for loan periods of 1, 2, 3, 6, or 12 months with repayment of outstanding borrowings on October 27, 2002. Interest is payable on the repayment date at the Amsterdam Interbank Offering Rate (AIBOR) plus 90 basis points. In the case of a loan period of twelve months, interest is payable six months after the beginning of the loan period and on the repayment date. The Medium Term Loan provides NLG 15 million at 6.375% interest payable quarterly in arrears from March 1, 1998, with quarterly repayments of principal in equal amounts of NLG 500 thousand commencing January 1, 1999 through April 1, 2006. The Overdraft Facility provides an aggregate amount of NLG 20 million to cover overdrafts or up to NLG 15 million of loans for a period of one year, subject to annual renewal. Overdrafts bear interest at the Bank's published rate for overdraft facilities plus 1% per annum. Loans under the Overdraft Facility bear interest at AIBOR plus 45 to 55 basis points. The terms of Overdraft Facility loans are selected by Piper Europe to be a period of 1, 2, 3, 6, or 12 months. Interest on overdrafts is paid quarterly in arrears. Interest on loans under the Overdraft Facility is payable on the repayment date, however, in the case of a loan period of twelve months, interest is payable six months after the beginning of the loan period and on the repayment date. At April 30, 1998, Piper Europe had NLG 35.7 million outstanding under the Credit Facility.

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

5. Discontinued Operations

In April 1997, the Company completed the sale of its LaSalle Steel Company ("LaSalle") subsidiary. The Company recorded an after tax gain on the sale of $36.3 million in the second quarter of fiscal 1997. In the first quarter of fiscal 1998, an additional after tax gain of $833 thousand was recorded as a result of post-closing adjustments. LaSalle's results of operations have been reclassified as discontinued operations in the prior period and prior periods have been restated. For business segment reporting purposes, LaSalle's data was previously classified as "Cold Finished Steel Bars".

In December 1997, the Company completed the sale of its tubing operations, comprised of Michigan Seamless Tube, Gulf States Tube and the Tube Group Administrative Office ("Tubing Operations"). The sale was effective November 1, 1997. The Company recorded a net gain on the sale of $12.8 million in the first quarter of fiscal 1998. Included in the gain is an accrual for the Company's best estimate of potential environmental clean-up costs at one of the discontinued operating facilities. Results of these operations have been reclassified as discontinued operations in the prior period and prior periods have been restated. For business segment reporting purposes, Tubing Operations were previously classified as "Steel Tubes".

Net sales and income from discontinued operations are as follows:

	April 30, 1997 Three Months Ended	April 30, 1997 Six Months Ended
	(In Thousands)	
Net sales	$ 59,544	$ 124,771
Income before income taxes	2,696	4,163
Income tax expense	(945)	(1,458)
Income from discontinued operations	$ 1,751	$ 2,705

	October 31, 1997
	(In Thousands)
Net Assets of Discontinued Operations	
Current assets	$ 24,388
Property, plant and equipment, net	17,357
Other assets	2,784
Current liabilities	(11,241)
Deferred pension credits	(4,373)
Deferred postretirement welfare benefits	(22,406)
Deferred income taxes	6,718
Adjustment for minimum pension liability	327
Net assets of discontinued operations	$ 13,554

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

6. Earnings Per Share

The following tables present information necessary to calculate basic and diluted earnings per share per FAS 128 for the periods indicated (in thousands except per share amounts):

	For the Three Months Ended April 30, 1998			For the Three Months Ended April 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS						
Income from Cont. Oper.	$ 7,756	14,154	$ 0.55	$ 7,339	13,716	$ 0.53
Income from Discont. Oper.	--		--	1,751		0.13
Gain on sale of Discont. Oper.	--		--	36,290		2.65
Total basic net earnings	$ 7,756		$ 0.55	$ 45,380		$ 3.31
EFFECT OF DILUTIVE SECURITIES						
Effect of common stock Equiv. arising from stock options	--	260		--	249	
Effect of conversion of subordinated debentures	$ 999	2,696		$ 999	2,696	
DILUTED EPS						
Income from Cont. Oper.	$ 8,755	17,110	$0.51	$ 8,338	16,661	$ 0.50
Income from Discont. Oper.	--		--	1,751		0.10
Gain on sale of Discont. Oper.	--		--	36,290		2.18
Total diluted net earnings	$ 8,755		$0.51	$ 46,379		$ 2.78

	For the Six Months Ended April 30, 1998			For the Six Months Ended April 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS						
Income from Cont. Oper.	$ 10,049	14,119	$0.71	$ 10,711	13,680	$ 0.78
Income from Discont. Oper.	--		--	2,705		0.20
Gain on sale of Discont. Oper.	13,606		0.97	36,290		2.65
Total basic net earnings	$ 23,655		$1.68	$ 49,706		$ 3.63
EFFECT OF DILUTIVE SECURITIES						
Effect of common stock Equiv. arising from stock options	--	212		--	259	
Effect of conversion of subordinated debentures(1)	--	--		$ 1,998	2,696	
DILUTED EPS						
Income from Cont. Oper.	$ 10,049	14,331	$0.70	$ 12,709	16,635	$ 0.77
Income from Discont. Oper.	--		--	2,705		0.16
Gain on sale of Discont. Oper.	13,606		0.95	36,290		2.18
Total diluted net earnings	$ 23,655		$1.65	$ 51,704		$ 3.11

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(1) Conversion of the Company's 6.88% convertible subordinated debentures into common stock was not considered in the computation of diluted EPS for the six months ended April 30, 1998 because it was antidilutive.

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

7. Industry Segment Information

Quanex is principally a specialized metals and metal products producer. The Company's continuing operations primarily consists of two segments: engineered steel bars and aluminum products.

Three Months Ended April 30, 1998	Engineered Steel Bars	Aluminum Products	Corporate and Other(1)	Consolidated
	(In thousands)			
Net Sales:				
To unaffiliated companies.........	$ 88,231	$ 115,197	$ --	$ 203,428
Intersegment(2)....................	722	--	(722)	--
Total	$ 88,953	$ 115,197	$ (722)	$ 203,428
Operating income (loss)	$ 16,363	$ 779	$ (3,041)	$ 14,101

Three Months Ended April 30, 1997	Engineered Steel Bars	Aluminum Products	Corporate and Other(1)	Consolidated
	(In thousands)			
Net Sales:				
To unaffiliated companies	$ 78,031	$ 107,968	$ --	$185,999
Intersegment(2)..................	4,067	--	(4,067)(3)	--
Total	$ 82,098	$ 107,968	$ (4,067)	$185,999
Operating income (loss)	$ 13,200	$ 3,839	$ (2,458)	$ 14,581

Six Months Ended April 30, 1998	Engineered Steel Bars	Aluminum Products	Corporate and Other(1)	Consolidated
	(In thousands)			
Net Sales:				
To unaffiliated companies	$ 167,428	$ 216,982	$ --	$ 384,410
Intersegment(2)..................	1,616	--	(1,616)	--
Total	$ 169,044	$ 216,982	$ (1,616)	$ 384,410
Operating income (loss)	$ 28,122	$ (1,862)	$ (7,366)	$ 18,894

Six Months Ended April 30, 1997	Engineered Steel Bars	Aluminum Products	Corporate and Other(1)	Consolidated
	(In thousands)			
Net Sales:				
To unaffiliated companies	$ 146,226	$ 207,728	$ --	$ 353,954
Intersegment(2)..................	8,359	--	(8,359)(3)	--
Total	$ 154,585	$ 207,728	$ (8,359)	$ 353,954
Operating income (loss)	$ 22,840	$ 7,053	$ (6,281)	$ 23,612

(1) Included in "Corporate and Other" are intersegment eliminations and corporate expenses.

(2) Intersegment sales are conducted on an arm's-length basis.

(3) Includes intersegment sales of $3.6 and $7.2 million to discontinued operations for the three and six month periods ended April 30, 1997.

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

RESULTS OF OPERATIONS

The Company classifies its operations into two business segments: engineered steel bars and aluminum products. The Company's products are marketed to the transportation, capital equipment, homebuilding and remodeling, defense and other commercial industries.

In April 1997, the Company completed the sale of its LaSalle Steel Company ("LaSalle") subsidiary. LaSalle's results of operations have been classified as discontinued operations and prior periods have been restated. For business segment reporting purposes, LaSalle's data was previously classified as "Cold Finished Steel Bars".

In October 1997, the Company, through its Dutch subsidiary, Piper Europe, purchased the net assets of Advanced Metal Forming C.V., a Dutch limited partnership, for approximately $30 million. The Company's balance sheet as of October 31, 1997 includes Piper Europe.

In December 1997, the Company completed the sale of its tubing operations ("Tubing Operations"), comprised of Michigan Seamless Tube, Gulf States Tube and the Tube Group Administrative Office. The sale was effective November 1, 1997. Results of these operations have been reclassified as discontinued operations in the prior period and prior periods have been restated. For business segment reporting purposes, Tubing Operations were previously classified as "Steel Tubes". Two small divisions, Heat Treat Division and Nitro Steel Division, which were previously included with this segment, were retained by the Company and are now included in the engineered steel bars segment.

The Company's engineered steel bars business reflected record quarterly and six month earnings and sales for the period ended April 30, 1998. These results were due primarily to higher sales volume, but also reflect the benefits realized from the Company's capital expenditure programs, which have allowed the Company to increase production, enhance quality and manage manufacturing costs.

The Company's aluminum products business experienced an operating loss for the first six months of 1998 despite increased net sales which were primarily due to the acquisition of Piper Europe. The Nichols Aluminum division was affected by seasonal and weather-related weakness in the homebuilding business and compressed margins due to extreme tightness in the market for premium-grade raw materials. These margins, referred to herein as "price spreads", are a key financial performance indicator in the aluminum sheet business. Piper Impact continued to experience high start-up costs at its new plant during the first six months of 1998, but showed improvement and returned to profitability in the last two months of the period.

The Company currently expects that overall business levels for the remainder of fiscal 1998 should be similar to those experienced during 1997. Start-up costs at Piper Impact's new plant are expected to decrease with the use of key new equipment. Aluminum products pricing pressures and weaker margins, if they continue, could impact operating results for the remainder of fiscal 1998. The sale of LaSalle in April 1997 and the Tubing Operations in December 1997 will affect income for the remainder of fiscal 1998 by the difference between the amount LaSalle and the Tubing Operations would have earned and the reduction in interest expense as a result of the repayment of debt with the net proceeds from the sale. Domestic and global market factors will impact the Company and any slowdown in the U.S. economy could affect demand and pricing for many of the Company's products. Improved financial results will be dependent upon, among other things, whether the continued strength of the economy can be sustained, improvements in the markets which the Company serves and improvement in the price spreads of aluminum products.

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

The following table sets forth selected operating data for the Company's two business segments:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1998	1997	1998	1997
	(In thousands)			
Engineered Steel Bars:				
Net Sales....................	$ 88,953	$ 82,098	$169,044	$154,585
Operating Income.............	$ 16,363	$ 13,200	$ 28,122	$ 22,840
Depreciation and amortization.	$ 3,385	$ 3,520	$ 6,762	$ 7,040
Identifiable assets..........	$205,472	$179,801	$205,472	$179,801
Aluminum Products:				
Net Sales....................	$115,197	$107,968	$216,982	$207,728
Operating Income.............	$ 779	$ 3,839	$(1,862)	$ 7,053
Depreciation and amortization.	$ 7,492	$ 5,968	$ 14,648	$ 12,038
Identifiable assets..........	$442,706	$417,078	$442,706	$417,078

Consolidated net sales for the three and six months ended April 30, 1998, were $203.4 and $384.4 million, respectively, representing an increase of $17.4 million, or 9%, and $30.5 million or 9%, when compared to consolidated net sales for the same periods last year. The improvement reflects improved sales volume in the Company's engineered steel bar business, sales by Piper Europe and $3.6 and $7.2 million of sales to discontinued operations reflected as inter-segment sales in the three and six months ended April 30, 1997.

Net sales from the Company's engineered steel bar business for the three and six months ended April 30, 1998, were $89.0 and $169.0 million representing an increase of $6.9 million, or 8%, and $14.5 million, or 9%, when compared to the same period last year. The improvements were primarily due to sales volume increases as compared to the same prior year periods. The increase in net sales at the engineered steel bar business is principally due to the continued strength in the durable goods market, particularly transportation and capital goods, and increased production capacity resulting from capital expansion programs.

Net sales from the Company's aluminum products business for the three and six months ended April 30, 1998, were $115.2 and $217.0 million representing an increase of $7.2 million, or 7%, and $9.3 million, or 4%, when compared to the same periods last year. Included in the net sales for the three and six month ended April 30, 1998 are $7.9 and $13.8 million of sales by Piper Europe.

Consolidated operating income for the three and six months ended April 30, 1998 was $14.1 and $18.9 million representing a decrease of $480 thousand, or 3%, and $4.7 million, or 20%, when compared to the same periods last year. The decrease was due to lower operating earnings from the aluminum products business partly offset by improved earnings in the engineered steel bar business.

Operating income from the Company's engineered steel bar business for the three and six months ended April 30, 1998, was $16.4 and $28.1 million, respectively, representing an increase of $3.2 million, or 24% and $5.3 million, or 23%, when compared to the same periods last year. This improvement was attributable to higher sales due to increased capacity and strong demand.

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

Operating income from the Company's aluminum products business for the three and six months ended April 30, 1998, was $779 thousand and a loss of $1.9 million, respectively, compared to operating income of $3.8 and $7.1 million for the same periods last year. The earnings decline in this segment is a result of weakened margins at Nichols Aluminum due to extreme tightness in the market for premium-grade raw materials as well as continued start-up costs, including higher labor and training expenses and the temporary use of less efficient production processes, at Piper Impact's new plant in New Albany, Mississippi.

Selling, general and administrative expenses increased by $1.2 million, or 11%, and $1.7 million, or 8% for the three and six months ended April 30, 1998, as compared to the same periods of last year. These increases are principally due to the inclusion of Piper Europe and the higher sales levels of the Company.

Depreciation and amortization increased by $1.4 million, or 15%, and $2.4 million, or 12% for the three and six months ended April 30, 1998 as compared to the same periods of last year. The increase is principally due to increased depreciation at Piper Impact and the inclusion of Piper Europe.

Interest expense decreased by $1.3 and $2.4 million for the three and six months ended April 30, 1998, as compared to the same periods of 1997 as a result of reducing bank borrowings with proceeds received from the sale of LaSalle and the Tubing Operations.

Capitalized interest increased by $455 thousand and $1.3 million for the three and six months ended April 30, 1998, as compared to the same periods of 1997 primarily due to Phase III and IV of the MACSTEEL expansion project.

"Other, net" decreased $509 thousand for the three months ended April 30, 1998, as compared to the same period of 1997 primarily as a result of a life insurance gain in 1997. "Other, net" remained relatively constant for the six months ended April 30, 1998, as compared to the same period of 1997 as increased investment income in 1998 offset the 1997 life insurance gain mentioned above.

Income from continuing operations increased $417 thousand, or 6%, for the three months ended April 30, 1998 compared to the same period of 1997. This increase is due primarily to the reduced interest expense, partially offset by the decline in operating income for the period. Income from continuing operations decreased $662 thousand, or 6% for the six months ended April 30, 1998, as compared to the same period of 1997. The decrease is primarily due to decreased operating income, partially offset by decreased interest expense and increased capitalized interest.

Included in net income for the six months ended April 30, 1998 is $13.6 million of gain on sale of discontinued operations, net of income taxes. Included in net income for the three and six months ended April 30, 1997 is $36.3 million gain on the sale of discontinued operations, net of taxes, and $1.8 and $2.7 million, respectively, of income from discontinued operations, net of taxes.

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are cash on hand, cash flow from operations, and borrowings under an unsecured $250 million Revolving Credit and Term Loan Agreement ("Bank Agreement"). The Bank Agreement consists of a revolving line of credit ("Revolver"). In July 1997, the term loan provisions of the Bank Agreement expired. The maturity date of the Bank Agreement, however, was extended by one year to July 23, 2002. The Bank Agreement also provides for up to $25 million for letters of credit, limited to the undrawn amount available under the Revolver. All borrowings under the Revolver bear interest, at the option of the Company, at either (i) the Prime Rate or the Federal Funds Rate plus one percent, whichever is higher, or (ii) a Eurodollar-based Rate. In the fourth quarter of fiscal 1996, the Company entered into interest rate swap agreements, which effectively converted $100 million of its variable rate debt under the Bank Agreement to fixed rate. Under these agreements, payments are made each quarter based on a fixed rate ($50 million at 7.025%, and $50 million at 6.755%) and payments are received each quarter on a LIBOR based variable rate (5.6875% at April 30, 1998). Differentials to be paid or received under the agreements are recognized as interest expense. Payments under the swap agreements are tied to the interest periods for the borrowings under the Bank Agreement. The swap agreements mature July 29, 2003. The Bank Agreement contains customary affirmative and negative covenants and requirements to maintain a minimum consolidated tangible net worth, as defined. The Bank Agreement limits the payment of dividends and certain restricted investments. Under the Bank Agreement, at April 30, 1998, there was $90 million of outstanding Revolver borrowings.

On June 30, 1995, the Company exercised its right under the terms of its Cumulative Convertible Exchangeable Preferred Stock to exchange such stock for an aggregate of $84,920,000 of its 6.88% Convertible Subordinated Debentures due June 30, 2007("Debentures"). Interest is payable semi-annually on June 30 and December 31 of each year. The Debentures are subject to mandatory annual sinking fund payments sufficient to redeem 25% of the Debentures issued on each of June 30, 2005 and June 30, 2006, to retire a total of 50% of the Debentures before maturity. The Debentures are subordinate to all senior indebtedness of the Company and are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of $31.50 per share.

On April 18, 1997, the Company completed the sale of LaSalle for approximately $65 million in cash. The proceeds were used to pay down the Company's Revolver.

On October 29, 1997, the Company acquired, through its Dutch subsidiary, Piper Europe, substantially all of the assets of Advance Metal Forming C.V., a Dutch limited partnership, for approximately $30 million. The acquisition was financed with existing cash and bank borrowings of 35 million Dutch Guilders. Piper Europe's primary source of funds is a stand-alone secured credit facility ("Credit Facility") providing up to 50 million Dutch Guilders ("NLG"). At April 30, 1998, 1 NLG was equal to 0.4949 dollars. The Credit Facility consists of a Roll-Over Term Loan, a Medium Term Loan and an Overdraft Facility. The Roll-Over Term Loan provides NLG 15 million for loan periods of 1, 2, 3, 6, or 12 months with repayment of outstanding borrowings on October 27, 2002. Interest is payable on the repayment date at the Amsterdam Interbank Offering Rate (AIBOR) plus 90 basis points. In the case of a loan period of twelve months, interest is payable six months after the beginning of the loan period and on the repayment date. The Medium Term Loan provides NLG 15 million at 6.375% interest payable quarterly in arrears from March 1, 1998, with quarterly repayments of principal in equal amounts of NLG 500 thousand commencing January 1, 1999 through April 1, 2006. The Overdraft Facility provides an aggregate amount of NLG 20 million to cover overdrafts or up to NLG 15 million of loans for a period of one year, subject to annual renewal. Overdrafts bear interest at the Bank's published rate for overdraft facilities plus 1% per annum. Loans under the Overdraft Facility bear interest at AIBOR plus 45 to 55 basis points. The terms of Overdraft Facility loans are selected by Piper Europe to be a period of 1, 2, 3, 6, or 12 months. Interest on overdrafts is paid quarterly in arrears. At April 30, 1998, Piper Europe had NLG 35.7 million outstanding under the Credit Facility.

On December 3, 1997, the Company completed the sale of its Tubing Operations for approximately $30 million in cash. The proceeds were used to improve the Company's debt structure and for investment in the Company's value-added businesses.

On December 22, 1997, the Company renewed its letter of intent to purchase Decatur Aluminum Corp., a Decatur, Alabama based aluminum sheet manufacturer. The acquisition of Decatur Aluminum is subject to the results of on-going negotiations of a definitive agreement.

At April 30, 1998, the Company had commitments of $30 million for the purchase or construction of capital assets, primarily relating to the Company's continued expansions and improvements programs at MacSteel, Piper and Nichols Aluminum. The Company plans to fund these capital expenditures through cash flow from operations and, if necessary, additional borrowings.

The Company believes that it has sufficient funds and adequate financial sources available to meet its anticipated liquidity needs. The Company also believes that cash flow from operations, cash balances and available borrowings will be sufficient for the foreseeable future to finance anticipated working capital requirements, capital expenditures, debt service requirements and environmental expenditures.

Operating Activities

Cash provided by operating activities during the six months ended April 30, 1998 was $29.5 million as compared to $18.8 million provided during the six months ended April 30, 1997. The increase was principally due to lower working capital requirements and higher depreciation expense from continuing operations, and the elimination of cash used by discontinued operations.

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

Investment Activities

Net cash provided by investment activities during the six months ended April 30, 1998, was $2.4 million as compared to $20.1 million for the same 1997 period. The decrease in cash provided by investment activities was principally due to decreased proceeds from the sale of discontinued operations, but partially offset by decreased capital expenditures on continuing operations and the elimination of capital expenditures on discontinued operations. The Company estimates that fiscal 1998 capital expenditures will be approximately $70 to $80 million.

Financing Activities

Cash used in financing activities for the six months ended April 30, 1998, was $11.7 million, as compared to $40.0 million for the same 1997 period. The cash used in both periods primarily consists of repayments of bank borrowings.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income", which is effective for the Company's year ending October 31, 1999. SFAS No. 130 establishes standards for the reporting and displaying of comprehensive income and its components. The Company will be analyzing SFAS No. 130 during 1998 to determine what, if any, additional disclosures will be required.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which is effective for the Company's year ended October 31, 1999. This statement establishes standards for the reporting of information about operating segments. The Company will be analyzing SFAS No. 131 during 1998 to determine what, if any, additional disclosures will be required.

In February 1998, the FASB issued SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits", which is effective for the Company's year ended October 31, 1999. This statement defines new disclosure requirements for pension and other postretirement benefits in an effort to facilitate financial analysis by adding useful information and deleting disclosures that the FASB considers no longer useful. The Company will be analyzing SFAS No. 132 during 1998 to determine what additional disclosures will be required.

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

PRIVATE SECURITIES LITIGATION REFORM ACT

Certain forward looking information contained herein is being provided in accordance with the provisions of the Private Securities Litigation Reform Act. Such information is subject to certain assumptions and beliefs based on current information known to the Company and is subject to factors that could result in actual results differing materially from those anticipated in the forward looking statements contained in this report. Such factors include domestic and international economic activity, prevailing prices of steel and aluminum scrap and other raw material costs, interest rates, construction delays, market conditions for the Company's customers, any material changes in purchases by the principal customers of AMSCO and Piper Impact, environmental regulations and changes in estimates of costs for known environmental remediation projects and situations, world-wide political stability and economic growth, the Company's successful implementation of its internal operating plans, performance issues with key customers, suppliers and subcontractors, and regulatory changes and legal proceedings. Accordingly, there can be no assurance that the forward-looking statements contained herein will occur or that objectives will be achieved.

YEAR 2000

In response to the Year 2000 issue, the Company initiated a project in early 1997 to identify, evaluate and implement changes to its existing computerized business systems. The Company is addressing the issue through a combination of modifications to existing programs and conversions to Year 2000 compliant software. In addition, the Company will be communicating with its major customers, suppliers, and other service providers to determine whether they are actively involved in projects to ensure that their products and business systems will be Year 2000 compliant. Although the Company currently anticipates that it will not incur material expenditures or disruption of operations relating to year 2000 processing issues, if the Company or its key customers or key vendors are unable to resolve, in a timely manner, any significant processing issues that may arise, such inability could have an adverse effect on the Company's business, financial condition and results of operations. Accordingly, the Company plans to devote the necessary resources to resolve all significant year 2000 issues in a timely manner.

ENVIRONMENTAL MATTERS

The Company's former Tube Group Division once owned and operated a plant in Redford Township, Michigan. The Michigan Department of Environmental Quality has alleged that the Company is liable for contamination there and asked the Company to undertake clean-up actions in response thereto. Quanex contests its alleged responsibility for the contamination, but conditionally has offered to enter into negotiations with the State and other potentially responsible parties concerning participation in clean-up work.

PART II. OTHER INFORMATION

Item 1 - Legal Proceedings.

Other than the proceedings described under Part I Item 2, "Environmental Matters", there are no material legal proceedings to which Quanex, its subsidiaries, or their property is subject.

Item 4 - Submission of Matters to a Vote of Security Holders.

On February 26, 1998, the Company held its regular Annual Meeting of Stockholders (the "Annual Meeting").

At the Annual Meeting, Carl E. Pfeiffer, Vincent R. Scorsone, and Donald G. Barger, Jr. were elected as directors for a three year term. The following sets forth the number of shares that voted for and for which votes were withheld of each of such persons:

	For	Withheld
Carl E. Pfeiffer	11,862,722	89,505
Vincent R. Scorsone	11,879,292	72,935
Donald G. Barger, Jr.	11,879,792	72,435

In addition, at the Annual Meeting, the stockholders of the Company ratified the appointment of Deloitte & Touche LLP as the Company's independent auditors and approved the Company's 1997 Non-Employee Director Stock Option Plan.

The ratification of Deloitte & Touche LLP as the Company's independent auditors was approved with 11,889,806 votes cast for approval, 28,117 votes cast against, and 34,290 abstentions. The Company's 1997 Non-Employee Director Stock Option Plan was approved with 10,742,410 votes cast for approval, 1,090,795 votes cast against, and 118,999 abstentions.

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

Exhibit 11 - Statement re computation of earnings per share.
Exhibit 27.1 - Financial Data Schedule - April 30, 1998.
Exhibit 27.2 - Amended Financial Data Schedule - January 31, 1998.
Exhibit 27.3 - Restated Financial Data Schedule - Fiscal Years Ended 1997, 1996, and 1995.
Exhibit 27.4 - Restated Financial Data Schedule - Fiscal Quarters Ended 1997.
Exhibit 27.5 - Restated Financial Data Schedule - Fiscal Quarters Ended 1996.

A Report on Form 8-K was filed by the Company on December 17, 1997, regarding the completion of the sale of its Tubing Operations and containing certain pro forma financial statements of the Company and notes thereto regarding the sale.

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.

QUANEX CORPORATION

Viren M. Parikh
Controller (Chief Accounting Officer)

Date June 9, 1998

INDEX TO EXHIBITS

Exhibit No.	Description
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QUANEX CORPORATION
COMPUTATION OF EARNINGS PER COMMON SHARE
(In thousands, except per share amounts)

	Three Months Ended April 30,		Six Months Ended April 30,	
	1998	1997	1998	1997
	(Unaudited)			
Income from continuing operations	$ 7,756	$ 7,339	$10,049	$10,711
Income from discontinued operations, net of income taxes	--	1,751	--	2,705
Gain on sale of discontinued operations, net of income taxes	--	36,290	13,606	36,290
Income before extraordinary charge	7,756	45,380	23,655	49,706
Extraordinary charge - early extinguishment of debt	--	--	--	--
Net income	$ 7,756	$45,380	$23,655	$49,706
Weighted average shares outstanding-basic	14,154	13,716	14,119	13,680
Earnings per common share:				
Basic:				
Income from continuing operations	$ 0.55	$ 0.53	$ 0.71	$ 0.78
Income from discontinued operations	--	0.13	--	0.20
Gain on sale of discontinued operations	--	2.65	0.97	2.65
Earnings per common share	$ 0.55	$ 3.31	$ 1.68	$ 3.63

Income from continuing operations	$ 7,756	$ 7,339	$10,049	$10,711
Income from discontinued operations, net of income taxes	--	1,751	--	2,705
Gain on sale of discontinued operations, net of income taxes	--	36,290	13,606	36,290
Income before extraordinary charge	7,756	45,380	23,655	49,706
Extraordinary charge - early extinguishment of debt	--	--	--	--
Net income	$ 7,756	$45,380	$23,655	$49,706
Interest on 6.88% convertible subordinated debentures and amortization of related issuance costs, net of applicable income taxes	999	999	1,998(1)	1,998
Adjusted net income	$ 8,755	$46,379	$23,655	$51,704
Weighted average shares outstanding-basic	14,154	13,716	14,119	13,680
Effect of common stock equivalents arising from stock options	260	249	212	259
Subordinated debentures assumed converted to common stock	2,696	2,696	2,696(1)	2,696
Weighted average shares outstanding-diluted	17,110	16,661	14,331	16,635
Earnings per common share:				
Diluted:				
Income from continuing operations	$ 0.51	$ 0.50	$ 0.70	$ 0.77
Income from discontinued operations	--	0.10	--	0.16
Gain on sale of discontinued operations	--	2.18	0.95	2.18
Earnings per common share	$ 0.51	$ 2.78	$ 1.65	$ 3.11

- ----------------

(1) The conversion of the 6.88% subordinated debentures would be antidilutive for the period presented and therefore, it is not included in the computation of diluted earnings per share.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AS OF APRIL 30, 1998 AND THE INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
OCT-31-1998
NOV-01-1997
APR-30-1998
47,110
0
83,441
0
70,194
210,692
664,640
283,309
702,954
136,061
192,618
0
0
7,086
283,274
702,954
384,410
384,410
342,181
342,181
0
0
7,405
15,537
5,488
10,049
0
13,606
0
23,655
1.680
1.650

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AS OF JANUARY 31, 1998 AND THE INCOME STATEMENT FOR THE THREE MONTHS ENDED JANUARY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
OCT-31-1998
NOV-01-1997
JAN-31-1998
43,080
0
70,294
0
66,665
190,199
651,201
273,406
679,473
120,671
191,482
0
0
7,054
276,348
679,473
180,982
180,982
164,849
164,849
0
0
3,744
3,527
1,234
2,293
0
13,606
0
15,899
1.130
1.110

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AS OF OCTOBER 31, 1997, 1996 AND 1995 AND THE INCOME STATEMENT FOR THE YEARS ENDED OCTOBER 31, 1997, 1996, AND 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR	YEAR	YEAR
OCT-31-1997	OCT-31-1996	OCT-31-1995
NOV-01-1996	NOV-01-1995	NOV-01-1994
OCT-31-1997	OCT-31-1996	OCT-31-1995
26,851	35,962	45,192
0	0	0
80,089	78,439	74,622
10,338	7,703	2,933
73,035	78,828	49,422
186,896	202,641	176,487
642,854	551,314	433,598
263,783	232,149	199,616
685,705	638,948	466,458
134,078	114,403	122,858
201,858	253,513	111,894
0	0	0
0	0	0
7,025	6,795	6,743
261,798	190,214	166,071
685,705	638,948	466,458
746,093	620,069	603,985
746,093	620,069	603,985
647,287	528,677	522,779
647,287	528,677	522,779
0	0	0
2,674	10,462	574
17,541	11,929	10,742
42,643	39,617	40,311
14,925	16,639	16,931
27,718	22,978	23,380
5,176	9,912	10,480
36,290	(2,522)	(2,021)
0	0	0
69,184	30,368	31,839
5.010	2.240	2.070
4.380	2.080	2.050

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEETS AS OF JANUARY 31, APRIL 30, AND JULY 31, 1997 AND THE INCOME STATEMENT FOR THE THREE, SIX AND NINE MONTHS, RESPECTIVELY ENDED JANUARY 31, APRIL 30, AND JULY 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS	6-MOS	9-MOS
OCT-31-1997	OCT-31-1997	OCT-31-1997
NOV-01-1996	NOV-01-1996	NOV-01-1996
JAN-31-1997	APR-30-1997	JUL-31-1997
37,179	34,796	25,658
0	0	0
71,506	82,548	79,378
0	0	0
77,518	78,807	76,780
197,435	207,240	192,724
569,133	586,338	603,442
240,920	249,132	256,613
653,437	652,180	646,974
94,917	120,443	119,134
284,052	214,163	194,273
0	0	0
0	0	0
6,839	6,863	7,002
194,734	239,023	252,672
653,437	652,180	646,974
167,955	353,954	550,543
167,955	353,954	550,543
148,110	308,729	477,415
148,110	308,729	477,415
0	0	0
0	0	0
4,851	9,768	13,808
5,189	16,477	29,721
1,817	5,766	10,403
3,372	10,711	19,318
954	2,705	3,518
0	36,290	36,290
0	0	0
4,326	49,706	59,126
0.320	3.630	4.310
0.310	3.110	3.740

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEETS AS OF JANUARY 31, APRIL 30, AND JULY 31, 1996 AND THE INCOME STATEMENT FOR THE THREE, SIX AND NINE MONTHS, RESPECTIVELY ENDED JANUARY 31, APRIL 30, AND JULY 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS	6-MOS	9-MOS
OCT-31-1996	OCT-31-1996	OCT-31-1996
NOV-01-1995	NOV-01-1995	NOV-01-1995
JAN-31-1996	APR-30-1996	JUL-31-1996
17,542	38,253	31,510
0	0	0
67,685	71,659	66,231
0	0	0
59,828	57,060	59,941
152,319	173,906	164,464
436,942	442,797	448,955
207,509	216,901	224,455
442,461	457,661	449,520
74,137	85,221	87,385
138,060	138,195	118,195
0	0	0
0	0	0
6,759	6,760	6,763
166,183	172,340	179,588
442,461	457,661	449,520
121,845	265,342	425,636
121,845	265,342	425,636
107,417	233,259	367,445
107,417	233,259	367,445
0	0	0
0	0	0
2,880	5,140	7,453
2,629	11,688	24,579
1,105	4,910	10,323
1,524	6,778	14,256
2,523	5,401	7,068
(2,522)	(2,522)	(2,522)
0	0	0
1,525	9,657	18,802
0.110	0.710	1.390
0.110	0.710	1.320