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 January 31, 1997

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 January 31, 1997
Common Stock, par value $0.50 per share	13,677,576

QUANEX CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	January 31, 1997 (Unaudited)	October 31, 1996 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 37,192	$ 35,975
Accounts and notes receivable, net	82,736	90,583
Inventories	89,845	89,938
Deferred income taxes	9,988	10,019
Prepaid expenses	2,113	121
Total current assets	221,874	226,636
Property, plant and equipment	638,273	620,058
Less accumulated depreciation and amortization	(294,006)	(284,723)
Property, plant and equipment, net	344,267	335,335
Goodwill, net	83,568	84,343
Net assets of discontinued operations	17,822	7,217
Other assets	17,140	17,152
	$684,671	$670,683
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ -	$ 5,575
Accounts payable	66,309	73,958
Income taxes payable	5,991	3,807
Accrued expenses	34,788	44,286
Current maturities of long-term debt	402	-
Total current liabilities	107,490	127,626
Long-term debt	284,052	253,513
Deferred pension credits	11,931	11,827
Deferred postretirement welfare benefits	28,391	28,033
Deferred income taxes	32,441	33,743
Other liabilities	19,861	20,000
Total liabilities	484,166	474,742
Stockholders' equity:		
Preferred stock, no par value	-	-
Common stock, $.50 par value	6,839	6,795
Additional paid-in capital	96,496	94,251
Retained earnings	98,898	96,623
Unearned compensation	(185)	(185)
Adjustment for minimum pension liability	(1,543)	(1,543)
Total stockholders' equity	200,505	195,941
	$684,671	$670,683

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

	Three Months Ended January 31, 1997	1996
	(Unaudited)	
Net sales	$194,934	$151,147
Cost and expenses:		
Cost of sales	173,013	133,093
Selling, general and administrative expense	12,314	11,049
Operating income	9,607	7,005
Other income (expense):		
Interest expense	(4,851)	(2,880)
Capitalized interest	618	49
Other, net	(384)	132
Income from continuing operations before income taxes	4,990	4,306
Income tax expense	(1,747)	(1,809)
Income from continuing operations	3,243	2,497
Income from discontinued operations, net of income taxes	1,083	1,550
Income before extraordinary charge	4,326	4,047
Extraordinary charge - early extinguishment of debt	-	(2,522)
Net income	$ 4,326	$ 1,525
Earnings per common share:		
Continuing operations	$ 0.23	$ 0.18
Discontinued operations	0.08	0.12
Extraordinary charge	-	(0.19)
Net earnings per share	$ 0.31	$ 0.11
Weighted average shares outstanding	13,932	13,595

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Three Months Ended January 31,	
	1997	1996
	(Unaudited)	
Operating activities:		
Net income	$ 4,326	$ 1,525
Adjustments to reconcile net income to cash provided by continuing operations:		
Income from discontinued operations	(1,083)	(1,550)
Depreciation and amortization	10,275	8,927
Deferred income taxes	(1,302)	(1,730)
Deferred pension costs	104	(485)
Deferred postretirement welfare benefits	358	277
	12,678	6,964
Changes in assets and liabilities net of effects from acquisitions and dispositions:		
Decrease in accounts and notes receivable	7,847	8,181
Decrease (increase) in inventory	93	(11,884)
Decrease in accounts payable	(7,649)	(13,254)
Decrease in accrued expenses	(9,498)	(5,237)
Other, net	84	1,323
Cash provided by (used in) continuing operations	3,555	(13,907)
Cash used in discontinued operations	(9,414)	(3,192)
Cash used in operating activities	(5,859)	(17,099)
Investment activities:		
Capital expenditures, net of retirements	(18,215)	(3,573)
Capital expenditures of discontinued operations	(108)	(929)
Other, net	(5,780)	15
Cash used in investment activities	(24,103)	(4,487)
Cash used in operating and investment activities	(29,962)	(21,586)
Financing activities:		
Notes payable repayments	-	(10,000)
Purchase of Senior Notes	-	(44,667)
Bank borrowings	30,000	50,000
Common dividends paid	(2,051)	(2,028)
Other, net	3,230	631
Cash provided by (used in) financing activities	31,179	(6,064)
Increase (decrease) in cash and equivalents	1,217	(27,650)
Cash and equivalents at beginning of period	35,975	45,205
Cash and equivalents at end of period	$37,192	$17,555
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 6,448	$ 5,369
Income taxes	$ 1,140	$ 273

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Accounting Policies

The interim consolidated financial statements of Quanex Corporation and subsidiaries 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 1996 Annual Report on Form 10-K, which is incorporated by reference. Certain amounts for prior periods have been reclassified in the accompanying consolidated financial statements to conform to 1997 classifications.

2. Inventories

Inventories consist of the following:	January 31, 1997	October 31, 1996
	(In thousands)	
Raw materials	$26,839	$28,426
Finished goods and work in process	54,619	52,768
	81,458	81,194
Other	8,387	8,744
	$89,845	$89,938

The values of inventories in the consolidated balance sheets are based on the following accounting methods:		
LIFO	$67,442	$69,234
FIFO	22,403	20,704
	$89,845	$89,938

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $16 million at January 31, 1997, and $15 million at October 31, 1996.

3. Long-Term Debt and Financing Arrangements

On July 23, 1996, the Company replaced its $75 million Revolving Credit and Letter of Credit Agreement with an unsecured $250 million Revolving Credit and Term Loan Agreement ("Bank Agreement"). The Bank Agreement consists of a revolving line of credit ("Revolver") and up to two term loans not to exceed $100 million in the aggregate and repayable at a time selected by the Company to be no later than July 23, 2004. Any term loan elections reduce the amount available under the Revolver. The Bank Agreement expires July 23, 2001, 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 (i) the prime rate or the federal funds rate plus one percent, whichever is higher, or (ii) a Eurodollar based rate. At January 31, 1997, the Company had $190 million outstanding under the Revolver and no term loans outstanding.

In December 1995, the Company acquired the remaining $44.7 million principal amount of its Senior Notes for a purchase price equal to 107.5% of the principal amount plus accrued interest. The acquisition and related expenses resulted in an after-tax extraordinary charge of approximately $2.5 million ($4.3 million before tax) in the first quarter of 1996.

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. Discontinued Operations

In January 1997, the Company entered into a non-binding letter of intent to sell its LaSalle Steel Company ("LaSalle") subsidiary. Completion of the sale is expected to occur during the Company's second fiscal quarter. Accordingly, effective with the issuance of the first quarter 1997 financial statements, LaSalle's results of operations and net assets have been classified as discontinued operations and prior periods have been restated. For business segment reporting purposes, LaSalle's data was previously reported as the segment "Cold Finished Steel Bars".

Income from discontinued operations for the three months ended January 31, 1997 and 1996, included revenues of $38.2 million and $37.6 million, respectively. Income from discontinued operations for the three months ended January 31, 1997 and 1996, is reported net of income taxes of $583,000 and $1.1 million, respectively.

	January 31, 1997	October 31, 1996
	(In thousands)	
Net Assets of Discontinued Operations		
Current assets............................	$42,607	$36,702
Property, plant and equipment, net.........	15,876	16,211
Other assets..............................	1,827	1,827
Current liabilities........................	(20,696)	(25,440)
Deferred pension credits...................	(5,456)	(5,466)
Deferred postretirement welfare benefits...	(27,743)	(27,595)
Deferred income taxes......................	10,139	9,710
Adjustment for minimum pension liability...	1,268	1,268
Net assets of discontinued operations...	$17,822	$ 7,217

5. Industry Segment Information

Quanex is principally a specialized metals and metal products producer. The Company's operations primarily consist of three segments: hot rolled steel bars, bars, steel tubes, and aluminum products.

Three Months Ended January 31, 1997	Hot Rolled Steel Bars	Steel Tubes	Aluminum Products(1)	Corporate and Other(2)	Consolidated
			(in thousands)		
Units shipped:					
To unaffiliated companies	125.5 Tons	24.0 Tons	64,788 Lbs.		
Intersegment............	6.3	-	-		
Total....................	131.8 Tons	24.0 Tons	64,788 Lbs.		
Net Sales:					
To unaffiliated companies	$67,117	$28,057	$99,760	-	$194,934
Intersegment(3).........	3,737	-	-	$(3,737)	-
Total....................	$70,854	$28,057	$99,760	$(3,737)	$194,934
Operating income (loss)..	$ 9,145	$ 296	$ 3,989	$(3,823)	$ 9,607

Three Months Ended January 31, 1996	Hot Rolled Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(2)	Consolidated
Units shipped:					
To unaffiliated companies	103.2 Tons	22.9 Tons	49,633 Lbs.		
Intersegment............	7.6	-	-		
Total....................	110.8 Tons	22.9 Tons	49,633 Lbs.		
Net Sales:					
To unaffiliated companies	$57,108	$30,150	$63,889	-	$151,147
Intersegment(3).........	4,443	-	-	$(4,443)	-
Total....................	$61,551	$30,150	$63,889	$(4,443)	$151,147
Operating income (loss)..	$ 7,335	$ 1,955	$ 1,651	$(3,936)	$ 7,005

(1) 1997 includes Piper Impact, Inc.
(2) Included in "Corporate and Other" are intersegment eliminations and corporate expenses.
(3) Intersegment sales are conducted on an arm's-length basis.

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

RESULTS OF OPERATIONS

The Company classifies its operations into three business segments: hot rolled steel bars, steel tubes and aluminum products. The Company's products are marketed to the industrial machinery and capital equipment industries, the transportation industry, the energy processing industry and the residential and commercial building industries.

In January 1997, the Company entered into a non-binding letter of intent to sell its LaSalle Steel Company ("LaSalle") subsidiary. Completion of the sale is expected to occur during the Company's second fiscal quarter. Accordingly, effective with the issuance of the first quarter 1997 financial statements, LaSalle's results of operations and net assets 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".

The Company's hot rolled steel business reflected improvements in net sales and operating income for the first quarter of fiscal 1997 as compared to the first quarter of fiscal 1996. The improvements were due primarily to higher sales volume. The improved results in the Company's hot rolled steel business reflect the benefits realized from the Company's capital improvement programs, which have allowed the Company to increase production, improve quality and manage manufacturing costs.

The Company's aluminum products business achieved higher sales and operating income primarily due to the acquisition in August 1996 of Piper Impact, Inc. ("Piper") and its higher margin operations. The Company's Nichols-Homeshield Division was affected by weaker margins between selling prices and raw material costs. These margins, referred to herein as "price spreads", are a key financial performance indicator in the aluminum products business.

The Company currently expects that overall business levels for the remainder of fiscal 1997 should be similar to those experienced during 1996. However, 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. The acquisition of Piper is expected to result in higher fiscal 1997 sales and, assuming no material declines in the markets in which it serves, be accretive to earnings. Upon completion of the sale of LaSalle, income for the remainder of fiscal 1997 will be affected by the difference between the amount LaSalle would have earned and the income resulting from reinvestment of the proceeds from the sale. 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 three business segments:

	Three Months Ended January 31,	
	1997	1996
	(In thousands)	
Hot Rolled Steel Bars:		
Units shipped (Tons)	131.8	110.8
Net Sales	$ 70,854	$ 61,551
Operating income	$ 9,145	$ 7,335
Depreciation and amortization	$ 3,405	$ 4,590
Identifiable assets	$169,444	$168,405
Steel Tubes:		
Units shipped (Tons)	24.0	22.9
Net Sales	$ 28,057	$ 30,150
Operating income	$ 296	$ 1,955
Depreciation and amortization	$ 627	$ 595
Identifiable assets	$ 48,021	$ 43,857
Aluminum Products:		
Units shipped (Pounds)	64,788	49,633
Net Sales	$ 99,760	$ 63,889
Operating income	$ 3,989	$ 1,651
Depreciation and amortization	$ 6,070	$ 3,483
Identifiable assets	$405,124	$232,616

Consolidated net sales for the three months ended January 31, 1997, were $194.9 million representing an increase of $43.8 million, or 29% when compared to the same period last year. The increase was due principally to the inclusion of Piper's sales in 1997 and higher sales volumes in the hot rolled steel bar business.

Net sales from the Company's hot rolled steel bar business for the three months ended January 31, 1997, were $70.9 million as compared to $61.6 million for the same 1996 period. This increase of $9.3 million, or 15% was attributable to a 19% increase in volume and was partially offset by a 3% decrease in average selling prices. The volume increase is principally due to continued market strength in durable goods, particularly transportation and capital goods.

Net sales from the Company's steel tube business for the three months ended January 31, 1997, decreased 7% from $30.2 million in 1996 to $28.1 million for the first fiscal quarter of 1997. The decrease was attributable to 11% lower average selling prices partly offset by 5% higher volume. Lower selling prices were primarily attributable to price pressure in the welded tube market and a lower priced product mix.

Net sales from the Company's aluminum products business for the three months ended January 31, 1997, were $99.8 million as compared to $63.9 million for the same 1996 period. This increase of $35.9 million, or 56%, was principally attributable to the inclusion of Piper's sales. Volume at the Company's Nichols-Homeshield division was up 20% for the first quarter of fiscal 1997 compared to same prior year period, while average selling prices were down 10% compared to last year. Aluminum prices were beginning to increase during the first quarter of fiscal 1997.

Consolidated operating income for the three months ended January 31, 1997, was $9.6 million, representing an increase of $2.6 million, or 37%, when compared to the same period last year. This increase was primarily due to the inclusion of Piper's results and improved operating income in the hot rolled steel bar business, partly offset by lower operating income in the steel tubes business.

Operating income from the Company's hot rolled steel bar business for the three months ended January 31, 1997, was $9.1 million as compared to $7.3 million for the same 1996 period. This increase of approximately 25% was due to higher volume and lower depreciation charges.

Operating income from the Company's steel tube business for the three months ended January 31, 1997, was $296,000 as compared to $2.0 million for the same period last year. The decrease in operating income resulted from lower selling prices and a less profitable sales mix.

Operating income from the Company's aluminum products business for the three months ended January 31, 1997, was $4.0 million as compared to $1.7 million for the same 1996 period. This increase resulted principally from the inclusion of Piper's results, partially offset by lower spreads at Nichols-Homeshield. Piper's results for the first quarter were affected by increased training and development costs associated with several new products.

Selling, general and administrative expenses increased by $1.3 million, or 11%, for the three months ended January 31, 1997, as compared to the same period of 1996, primarily due to the inclusion of Piper's selling, general and administrative expenses. However, as a percentage of net sales, selling, general and administrative expenses were 6.3% in the first quarter of fiscal 1997 compared to 7.3% in the prior year period.

Interest expense increased by $2.0 million, to $4.9 million, for the three months ended January 31, 1997, as compared to the same period of 1996 primarily as a result of increased bank borrowings associated with the Piper acquisition, partly offset by decreased expense due to the early extinguishment of the Company's remaining senior notes late in the first quarter of fiscal 1996.

Net income for the three months ended January 31, 1997, was $4.3 million as compared to $1.5 million for the same 1996 period. The improvement was principally attributable to the inclusion of the results of Piper. Capitalized interest increased to $618,000 in the first quarter of fiscal 1997 compared to $49,000 for the same period last year due to ongoing construction related to the expansion programs at MacSteel and Piper. Income taxes were applied at the Company's expected annual effective rate. The Company's effective income tax rate was 35% for the first quarter of fiscal 1997 compared to 42% in the prior year period.

Income from discontinued operations, net of income taxes, for the three months ended January 31, 1997, was $1.1 million as compared to $1.6 million for the same 1996 period. The decrease was primarily attributable to lower margins between selling prices and raw material costs, partly offset by higher sales volume.

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 replaced the Company's former $75 million Revolving Credit and Letter of Credit Agreement (the "Old Bank Agreement"), effective July 23, 1996. The Bank Agreement consists of a revolving line of credit ("Revolver") and up to two term loans not to exceed $100 million in the aggregate and repayable at a date selected by the Company to be no later than July 23, 2004. Any term loan elections reduce the amount available under the Revolver. The Bank Agreement expires July 23, 2001, 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 (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 based on a fixed rate ($50 million at 7.025%, and $50 million at 6.755%) and payments are received on a LIBOR based variable rate (5.53125% at January 31, 1997). Differentials to be paid or received under the agreements are recognized as interest expense. The agreements mature in 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 January 31, 1997, there were $190 million of outstanding Revolver borrowings.

In December 1995, the Company acquired all of its outstanding 10.77% Senior Notes for a purchase price equal to 107.5% of the principal amount plus accrued interest. The acquisition and related expenses resulted in an after-tax extraordinary charge of approximately $2.5 million in the first quarter of 1996. The acquisition was funded with cash and additional borrowings under the Old Bank Agreement.

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 August 9, 1996, the Company completed the acquisition of substantially all of the assets of Piper. Piper's assets, net of various liabilities, were acquired for approximately $130 million in cash, cash equivalents, and notes. This acquisition was financed with existing cash and bank borrowings. Subsequent to the acquisition, the Company's Board of Directors approved additional capital expenditures at Piper totaling approximately $55 million. These expenditures are expected to provide the capacity needed to supply major new customer programs phasing in over the next two years.

At January 31, 1997, the Company had commitments of $27 million for the purchase or construction of capital assets, primarily relating to the Company's continued expansion at MacSteel and the expansion at Piper. The capital project at MacSteel also includes significant upgrades to pollution control systems to ensure compliance with EPA standards under the Clean Air Act. The MacSteel expansion is expected to cost approximately $60 million and is expected to be completed during fiscal year 1998. The Company plans to fund this capital investment 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, environmental expenditures and dividends.

Operating Activities

Cash used in operating activities during the three months ended January 31, 1997, was $5.9 million as compared to $17.1 million during the three months ended January 31, 1996. The decrease in cash used by operating activities was principally due to improved income and decreased working capital requirements, partially offset by increased cash used by discontinued operations.

Investment Activities

Net cash used in investment activities during the three months ended January 31, 1997, was $24.1 million as compared to $4.5 million for the same 1996 period. The increase in cash used by investment activities was principally due to increased capital expenditures and payment of the remaining notes related to the Piper acquisition. The Company estimates that fiscal 1997 capital expenditures will be approximately $70 to $80 million.

Financing Activities

Cash provided by financing activities for the three months ended January 31, 1997, was $31.2 million, principally consisting of $30.0 million of bank borrowings, offset by $2.1 million in common dividends paid.

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, the continuation of countervailing import duties on certain of the Company's competitors, construction delays, market conditions for the Company's customers, any material changes in purchases by the principal customers of AMSCO and Piper, 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.

PART II. OTHER INFORMATION

Item 5 - Other Information

None

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

Exhibit 11 Statement re computation of per share earnings.

Exhibit 27 Financial Data Schedule.

No reports on Form 8-K were filed by the Company during the quarter for which this report is being filed.

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

/s/ Viren M. Parikh

Viren M. Parikh
Controller (Chief Accounting Officer)

Date March 11, 1997

EXHIBIT 11

QUANEX CORPORATION
COMPUTATION OF EARNINGS PER COMMON SHARE
(In thousands, except per share amounts)

	Three Months Ended January 31, 1997	1996
	(Unaudited)	
Income from continuing operations	$3,243	$2,497
Income from discontinued operations, net of income taxes	1,083	1,550
Income before extraordinary charge	4,326	4,047
Extraordinary charge - early extinguishment of debt	-	(2,522)
Net income	$4,326	$1,525
Weighted average shares outstanding-primary	13,932	13,595
Earnings per common share:		
Primary:		
Income from continuing operations	$ 0.23	$ 0.18
Income from discontinued operations	0.08	0.12
Extraordinary charge	-	(0.19)
Earnings per common share	$ 0.31	$ 0.11

	1997	1996
Income from continuing operations	$3,243	$2,497
Income from discontinued operations, net of income taxes	1,083	1,550
Income before extraordinary charge	4,326	4,047
Extraordinary charge - early extinguishment of debt	-	(2,522)
Net income	$4,326	$1,525
Interest on 6.88% convertible subordinated debentures and amortization of related issuance costs, net of applicable income taxes	999	893
Adjusted net income	$5,325	$ 2,418
Weighted average shares outstanding-primary	13,932	13,595
Effect of common stock equivalents arising from stock options	-	18
Subordinated debentures assumed converted to common stock	2,696	2,696
Weighted average shares outstanding-fully diluted	16,628	16,309
Earnings per common share:		
Assuming full dilution:		
Income from continuing operations	$ 0.26	$ 0.21
Income from discontinued operations	0.07	0.10
Extraordinary charge	-	(0.15)
Earnings per common share	$ 0.33	$ 0.16

This schedule contains summary financial information extracted from the balance sheet as of January 31, 1997 and the income statement for the three months ended January 31, 1997 and is qualified in its entirety by reference to such financial statements.

1,000

3-MOS
OCT-31-1997
NOV-01-1996
JAN-31-1997
37,192
0
82,736
0
89,845
221,874
638,273
294,006
684,671
107,490
284,052
0
0
6,839
193,666
684,671
194,934
194,934
173,013
173,013
0
0
4,851
4,990
1,747
3,243
1,083
0
0
4,326
0.310
0.330