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 July 31, 1995

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 July 31, 1995
Common Stock, par value $0.50 per share	13,430,533

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	July 31, 1995 (Unaudited)	October 31, 1994 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 45,726	$ 34,041
Short-term investments	-	54,070
Accounts and notes receivable, net	95,418	83,082
Inventories	89,874	81,800
Deferred income taxes	5,849	6,114
Prepaid expenses	800	289
Total current assets	237,667	259,396
Property, plant and equipment	520,662	499,798
Less accumulated depreciation and amortization	(260,388)	(237,537)
Net property, plant and equipment	260,274	262,261
Goodwill, net	32,302	33,017
Other assets	12,538	9,334
	$542,781	$564,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 10,000	$ -
Accounts payable	79,455	75,515
Income taxes payable	641	1,160
Accrued expenses	40,811	37,118
Current maturities of long-term debt	20,958	20,958
Total current liabilities	151,865	134,751
Long-term debt	134,192	107,442
Deferred pension credits	14,889	15,810
Deferred postretirement welfare benefits	52,678	50,742
Deferred income taxes	26,967	23,014
Total liabilities	380,591	331,759
Stockholders' equity:		
Preferred stock, no par value	-	86,250
Common stock, $.50 par value	6,715	6,688
Additional paid-in capital	90,860	86,323
Retained earnings	66,668	55,081
Unearned compensation	(330)	(370)
Adjustment for minimum pension liability	(1,723)	(1,723)
Total stockholders' equity	162,190	232,249
	$542,781	$564,008

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

	Three Months Ended July 31		Nine Months Ended July 31	
	1995	1994	1995	1994
	(Unaudited)			
Net sales	$228,172	$181,088	$662,405	$502,845
Cost and expenses:				
Cost of sales	198,016	157,554	579,805	444,598
Selling, general and administrative expense	11,130	11,453	35,996	32,588
Operating income	19,026	12,081	46,604	25,659
Other income (expense):				
Interest expense	(2,522)	(3,484)	(7,672)	(10,461)
Capitalized interest	-	996	1,867	2,613
Other, net	52	367	714	1,710
Income before income taxes and extraordinary charge	16,556	9,960	41,513	19,521
Income tax expense	(6,953)	(4,183)	(17,435)	(8,199)
Income before extraordinary charge	9,603	5,777	24,078	11,322
Extraordinary charge - early extinguishment of debt	-	-	(2,021)	-
Net income	9,603	5,777	22,057	11,322
Preferred dividends	(990)	(1,484)	(3,957)	(4,451)
Net income attributable to common stockholders	$ 8,613	$ 4,293	$ 18,100	$ 6,871
Earnings per common share:				
Primary before extraordinary charge	$ 0.63	$ 0.32	$ 1.48	$ 0.51
Extraordinary charge	-	-	(0.15)	-
Total primary net earnings	$ 0.63	$ 0.32	$ 1.33	$ 0.51
Fully diluted before extraordinary charge	$ 0.59	$ 0.32	$ 1.48	$ 0.51
Extraordinary charge	-	-	(0.15)	-
Total assuming full dilution	$ 0.59	$ 0.32	$ 1.33	$ 0.51
Weighted average shares outstanding:				
Primary	13,642	13,465	13,598	13,442
Assuming full dilution	16,382	13,465	13,598	13,442

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Nine Months Ended July 31	
	1995	1994
	(Unaudited)	
Operating activities:		
Net income	$22,057	$11,322
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	24,672	21,885
Facilities realignment accrual	-	(1,128)
Deferred income taxes	3,953	1,664
Deferred pension costs	(921)	1,218
Deferred postretirement welfare benefits	1,936	2,375
	51,697	37,336
Changes in assets and liabilities net of effects from acquisitions and dispositions:		
Increase in accounts and notes receivable	(12,336)	(16,670)
Increase in inventory	(8,074)	(9,130)
Increase in accounts payable	3,940	4,248
Increase in accrued expenses	3,693	5,076
Other, net	(765)	(65)
Cash provided by operating activities	38,155	20,795
Investment activities:		
Capital expenditures, net of retirements	(21,052)	(30,213)
Decrease (increase) in short-term investments	54,070	492
Proceeds from the sale of Viking Metallurgical Subsidiary	-	6,390
Other, net	(672)	387
Cash provided (used) by investment activities	32,346	(22,944)
Cash provided (used) by operating and investment activities	70,501	(2,149)
Financing activities:		
Notes payable borrowings	10,000	-
Purchase of Senior Notes	(59,500)	-
Repayments of long-term debt	-	(180)
Common dividends paid	(5,908)	(5,600)
Preferred dividends paid	(4,451)	(4,451)
Other, net	1,043	378
Cash used by financing activities	(58,816)	(9,853)
Increase (decrease) in cash and equivalents	11,685	(12,002)
Cash and equivalents at beginning of period	34,041	42,247
Cash and equivalents at end of period	$45,726	$30,245
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 6,518	$ 7,090
Income taxes	$12,209	$ 6,500

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. 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 1994 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 1995 classifications.

2. Inventories

Inventories consist of the following:	July 31, 1995	October 31, 1994
	(In thousands)	
Inventories valued at lower of cost (principally LIFO method) or market:		
Raw materials	$31,709	$25,946
Finished goods and work in process	49,554	47,684
	81,263	73,630
Other	8,611	8,170
	$89,874	$81,800

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $23 million at July 31, 1995, and $15 million at October 31, 1994.

3. Long-Term Debt and Financing Arrangements

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 $86,250,000 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.

At July 31, 1995, the Company had $65.5 million in Senior Notes ("Senior Notes"). The Senior Notes bear interest at the rate of 10.77% per annum, payable semi-annually. The Senior Notes require annual repayments of $20.8 million beginning on August 23, 1995, with a final payment of $3.0 million on August 23, 1998. In December 1994, the Company acquired $59.5 million principal amount of the Senior Notes for a purchase price equal to 105% of the principal amount plus accrued interest. The Company recorded an extraordinary charge of $2.0 million ($3.5 million before tax) in the first quarter of 1995 related to the call premium and write-off of deferred debt issuance costs for the Senior Notes that were repurchased.

At July 31, 1995, the Company had $10.0 million outstanding under its unsecured $48 million Revolving Credit and Letter of Credit Agreement ("Bank Agreement"). The Bank Agreement consists of a revolving line of credit ("Revolver"), renewable annually, which expires March 31, 1999, and up to $20 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 floating prime or a reserve adjusted Eurodollar rate.

All of the above agreements contain customary affirmative and negative covenants which the Company must meet. As of July 31, 1995, the Company was in compliance with all of the covenants.

4. Industry Segment Information

Quanex is principally a specialty metals producer. The Company's operations primarily consist of four segments: hot rolled steel bars, cold finished steel bars, steel tubes, and aluminum products.

Three Months Ended July 31, 1995	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(1)	Consolidated
				(in thousands)		
Units shipped:						
To unaffiliated companies	120.8 Tons	44.1 Tons	21.5 Tons	59,824 Lbs.		
Intersegment...........	5.1	-	-	-		
Total....................	125.9 Tons	44.1 Tons	21.5 Tons	59,824 Lbs.		
Net Sales:						
To unaffiliated companies	$70,244	$41,198	$27,478	$89,252	-	$228,172
Intersegment(2).........	2,982	-	(1)	-	$(2,981)	-
Total....................	$73,226	$41,198	$27,477	$89,252	$(2,981)	$228,172
Operating income (loss)..	$11,980	$ 2,685	$ 1,212	$ 6,264	$(3,115)	$ 19,026

Three Months Ended July 31, 1994	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(1)	Consolidated
Units shipped:						
To unaffiliated companies	108.9 Tons	45.8 Tons	19.9 Tons	43,994 Lbs.		
Intersegment...........	5.0	-	-	-		
Total....................	113.9 Tons	45.8 Tons	19.9 Tons	43,994 Lbs.		
Net Sales:						
To unaffiliated companies	$57,167	$40,251	$24,693	$58,977	-	$181,088
Intersegment(2).........	2,681	-	-	-	$(2,681)	-
Total....................	$59,848	$40,251	$24,693	$58,977	$(2,681)	$181,088
Operating income (loss)..	$ 7,719	$ 2,147	$ 1,055	$ 4,953	$(3,793)	$ 12,081

Nine Months Ended July 31, 1995	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(1)	Consolidated
Units shipped:						
To unaffiliated companies	352.9 Tons	145.1 Tons	69.5 Tons	169,333 Lbs.		
Intersegment...........	17.7	-	-	-		
Total....................	370.6 Tons	145.1 Tons	69.5 Tons	169,333 Lbs.		
Net Sales:						
To unaffiliated companies	$196,895	$134,152	$87,814	$243,544	-	$662,405
Intersegment(2).........	10,158	-	-	-	$(10,158)	-
Total....................	$207,053	$134,152	$87,814	$243,544	$(10,158)	$662,405
Operating income (loss)..	$ 29,014	$ 9,424	$ 6,076	$ 15,711	$(13,621)	$ 46,604

Cold Corporate

Nine Months Ended July 31, 1994	Hot Rolled Steel Bars	Finished Steel Bars	Steel Tubes	Aluminum Products	and Other(1)	Consoli-dated
Units shipped:						
To unaffiliated companies	332.6 Tons	138.9 Tons	59.2 Tons	104,080 Lbs.		
Intersegment...........	19.5	-	-	-		
Total....................	352.1 Tons	138.9 Tons	59.2 Tons	104,080 Lbs.		
Net Sales:						
To unaffiliated companies	$170,136	$120,677	$76,865	$135,167	-	$502,845
Intersegment(2).........	10,597	-	-	-	$(10,597)	-
Total....................	$180,733	$120,677	$76,865	$135,167	$(10,597)	$542,845
Operating income (loss)..	$ 22,101	$ 6,430	$ 4,171	$ 3,232	$(10,275)	$ 25,659

(1) Included in "Corporate and Other" are intersegment eliminations and corporate expenses.
(2) 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 four business segments: hot rolled steel bars, cold finished 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 home building and remodeling industries.

The Company's results for the three and nine months ended July 31, 1995, reflected a significant increase in revenues and income from the comparable periods in 1994. Although all of the Company's business segments recorded greater revenue and income in the three and nine months ended July 31, 1995, over prior periods, the most significant gains were recognized in the Company's aluminum products and hot rolled steel bar businesses. The aluminum products business improved from operating income of $5.0 million and $3.2 million for the three and nine months ended July 31, 1994, respectively, to operating income of $6.3 million and $15.7 million for the three and nine months ended July 31, 1995, respectively. The hot rolled steel bar business improved from operating income of $7.7 million and $22.1 million for the three and nine months ended July 31, 1994, respectively, to operating income of $12.0 million and $29.0 million for the three and nine months ended July 31, 1995, respectively.

The improved results for the first three quarters of fiscal 1995 reflected more favorable market conditions in all segments due primarily to a stronger domestic economy, improved margins resulting from favorable pricing trends, greater market penetration for certain of the Company's manufactured products and the cost reduction programs initiated in earlier years and continuing to the present. The improved results also reflected the benefits realized from the Company's capital improvement programs, which have allowed the Company to increase capacity, improve quality and manage manufacturing costs.

The improvements in each of the Company's businesses resulted in the Company reporting operating income for the three and nine months ended July 31, 1995, of $19.0 million and $46.6 million, respectively, as compared to $12.1 million and $25.7 million, respectively, for the same periods of fiscal 1994. Income before extraordinary charge for the three and nine months ended July 31, 1995, was $9.6 million and $24.1 million, respectively, as compared to $5.8 million and $11.3 million, respectively, for the same periods of fiscal 1994. The nine months ended July 31, 1995, included a $2.0 million ($3.5 million before tax) extraordinary charge for early extinguishment of debt relating to the acquisition by the Company of $59.5 million principal amount of its 10.77% Senior Notes for a purchase price equal to 105% of the principal amount plus accrued interest.

The Company expects that fiscal year 1995 revenues in the Company's hot rolled steel bar business and aluminum products business will exceed 1994 results due to increased capacity levels and favorable business conditions experienced during the first three quarters of fiscal 1995. Domestic and global market factors, however, will continue to impact the Company and any slowdown in the U.S. economy could affect demand and pricing for many of the Company's products. The Company currently expects that business conditions will remain favorable in the fourth quarter of fiscal 1995. The Company, however, is operating at near capacity in both its hot rolled steel and cold finished steel bars segments. Continued improved financial results will be dependent upon, among other things, whether the strong economic conditions experienced in the first three quarters of fiscal 1995 can be sustained.

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 four businesses:

	Three Months Ended July 31, 1995	Three Months Ended July 31, 1994	Nine months Ended July 31, 1995	Nine months Ended July 31, 1994
	(In thousands)			
Hot Rolled Steel Bars:				
Units shipped (Tons)...........	125.9	113.9	370.6	352.1
Net Sales......................	$ 73,226	$ 59,848	$207,053	$180,733
Operating income...............	$ 11,980	$ 7,719	$ 29,014	$ 22,101
Depreciation and amortization...	$ 3,870	$ 3,285	$ 11,610	$ 9,855
Identifiable assets............	$167,424	$165,571	$167,424	$165,571
Cold Finished Steel Bars:				
Units shipped (Tons)...........	44.1	45.8	145.1	138.9
Net Sales......................	$ 41,198	$ 40,251	$134,152	$120,677
Operating income...............	$ 2,685	$ 2,147	$ 9,424	$ 6,430
Depreciation and amortization...	$ 346	$ 311	$ 1,039	$ 985
Identifiable assets............	$ 49,705	$ 49,806	$ 49,705	$ 49,806
Steel Tubes:				
Units shipped (Tons)...........	21.5	19.9	69.5	59.2
Net Sales......................	$ 27,477	$ 24,693	$ 87,814	$ 76,865
Operating income...............	$ 1,212	$ 1,055	$ 6,076	$ 4,171
Depreciation and amortization...	$ 490	$ 488	$ 1,525	$ 1,515
Identifiable assets............	$ 40,850	$ 40,032	$ 40,850	$ 40,032
Aluminum Products:				
Units shipped (Pounds)..........	59,824	43,994	169,333	104,080
Net Sales......................	$ 89,252	$ 58,977	$243,544	$135,167
Operating income...............	$ 6,264	$ 4,953	$ 15,711	$ 3,232
Depreciation and amortization...	$ 3,199	$ 3,280	$ 9,916	$ 9,271
Identifiable assets............	$242,816	$219,600	$242,816	$219,600

Consolidated net sales for the three and nine months ended July 31, 1995, were $228.2 million and $662.4 million, respectively, representing increases of $47.1 million, or 26%, and $159.6 million, or 32%, respectively, when compared to the same periods last year. These increases were due to significantly higher volume in the aluminum products business, additional volume related to greater production capacity as compared to last year, improvements in the economy and increases in demand combined with higher average selling prices.

Net sales from the Company's hot rolled steel bar business for the three and nine months ended July 31, 1995, were $73.2 million and $207.1 million, respectively, representing increases of $13.4 million, or 22%, and $26.3 million, or 15%, respectively, when compared to the same periods last year. These increases were attributable to improvements in volume for the three and nine months ended July 31, 1995, as compared to the same periods of fiscal 1994, of 11% and 5%, respectively, combined with increases in average selling prices of 11% and 9%, respectively. Volume increases were partly due to the additional capacity provided as a result of the capital improvements completed in March 1995. The hot rolled steel bar business also continued to benefit from strength in the durable goods markets.

Net sales from the Company's cold finished steel bar business for the three and nine months ended July 31, 1995, were $41.2 million and $134.2 million, respectively, representing increases of $947 thousand, or 2%, and $13.5 million, or 11%, respectively, when compared to the same periods last year. Volume for the quarter ending July 31, 1995, was relatively flat at

44.1 thousand tons as compared to 45.8 thousand tons for the same period last year. Volume for the nine months ending July 31, 1995, increased 4% over the same period in fiscal 1994. Average selling prices during the three and nine months ending July 31, 1995, increased 7% and 6%, respectively, over the three and nine months ending July 31, 1994.

Net sales from the Company's steel tube business for the three and nine months ended July 31, 1995, were $27.5 million and $87.8 million, respectively, representing increases of $2.8 million, or 11%, and $10.9 million, or 14%, respectively, when compared to the same periods last year. These increases in sales resulted principally from improvements in volume for the three and nine months ended July 31, 1995, as compared to the same periods of fiscal 1994, of 8% and 17%, respectively. The Company's steel tube business was adversely affected in fiscal 1994, and to a lesser degree in fiscal 1995, by downward pricing pressure from imports on certain products and a general weakness in this segment's primary markets, which include power generation and the petrochemical and refining industries. In June 1994, the Company filed petitions alleging that imports of carbon and alloy seamless pipe up to 4.5 inches in diameter from four countries were being dumped or subsidized. In August 1994, the International Trade Commission (the "ITC") made an affirmative preliminary determination that imports of small-diameter pipe from these countries were causing injury to the U.S. industry and in January 1995, dumping bonds were imposed on imports of these products by these countries. In July 1995, the ITC made a final determination that imports of small diameter seamless carbon and alloy standard, line and pressure pipe from four countries had caused injury to the U.S. industry. This final ruling results in the ongoing enforcement of dumping margins imposed by the U.S. Department of Commerce.

Net sales from the Company's aluminum products business for the three and nine months ended July 31, 1995, were $89.3 million and $243.5 million, respectively, representing increases of $30.3 million, or 51%, and $108.4 million, or 80%, respectively, when compared to the same periods last year. These increases were attributable to increases in volume for the three and nine months ended July 31, 1995, as compared to the same periods of fiscal 1994, of 36% and 63%, respectively, due to improved demand and market share and increases in average selling prices of 11% in both the three and nine month periods. Results were affected by aluminum price increases, which generally increased by more than the Company's average selling price because of a change in product mix. Lower priced mill finished sheet was a higher percentage of total sales in the first three quarters of fiscal 1995 as compared to the same periods of last year. First and second quarter results for 1994 were adversely affected by the fire at the Company's Lincolnshire plant.

Consolidated operating income for the three and nine months ended July 31, 1995, was $19.0 million and $46.6 million, respectively, representing increases of $6.9 million, or 57%, and $20.9 million, or 82%, respectively, when compared to the same periods last year. These increases were principally due to higher net sales.

Operating income from the Company's hot rolled steel bar business for the three and nine months ended July 31, 1995, was $12.0 million and $29.0 million, respectively, representing increases of $4.3 million, or 55%, and $6.9 million, or 31%, respectively, when compared to the same periods last year. These increases were principally due to higher volume, net sales and improved margins.

Operating income from the Company's cold finished steel bar business for the three and nine months ended July 31, 1995, was $2.7 million and $9.4 million, respectively, representing increases of $538 thousand, or 25%, and $3.0 million, or 47%, respectively, when compared to the same periods last year. These increases were principally due to higher net sales and improved margins.

Operating income from the Company's steel tube business for the three and nine months ended July 31, 1995, was $1.2 million and $6.1 million, respectively, representing increases of $157 thousand, or 15%, and $1.9 million, or 46%, respectively, when compared to the same periods last year. These increases were principally due to higher volume and net sales.

Operating income from the Company's aluminum products business for the three and nine months ended July 31, 1995, was $6.3 million and $15.7 million, respectively, representing increases of $1.3 million, or 26%, and $12.5 million, or 386%, respectively, when compared to the same periods last year. These increases were principally due to higher volume and net sales.

Selling, General and Administrative Expenses were flat for the quarter ending July 31, 1995, when compared to the same prior year quarter, notwithstanding a 26% increase in net sales. Fiscal year-to-date selling, general and administrative expenses have increased by $3.4 million, or 10%, as compared to the same periods of 1994. However, as a percentage of net sales, selling, general and administrative expenses decreased as compared to the same periods last year.

Interest expense decreased by $962 thousand and $2.8 million, respectively, for the three and nine months ended July 31, 1995, as compared to the same periods of 1994 primarily as a result of the early extinguishment of a portion of the Company's senior debt late in the first fiscal quarter of 1995. Interest expense will increase following the Company's exchange of its 6.88% Cumulative Convertible Exchangeable Preferred Stock ("Preferred Stock") for its 6.88% Convertible Subordinated Debentures due June 30, 2007 ("6.88% Debentures") on June 30, 1995. Although this exchange will reduce net income through interest charges, net income attributable to common shareholders will benefit from the resulting tax savings.

Net income attributable to common shareholders for the three and nine months ended July 31, 1995, was $8.6 million and $18.1 million, respectively, as compared to $4.3 million and $6.9 million, respectively, for the comparable 1994 periods. Preferred dividends reduced net income attributable to common shareholders by $990 thousand and $4.0 million ,respectively, for the three and nine month periods ended July 31, 1995, as compared to $1.5 million and $4.5 million, respectively, for the three and nine month periods ended July 31, 1994. The improvement in net income attributable to common shareholders was primarily attributable to improved operating income.

Included in the nine months ended July 31, 1995, was an extraordinary charge of $2.0 million relating to early extinguishment of debt. Included in "Other, net" for the nine months ended July 31, 1995, was a $1.1 million pretax gain related to a life insurance policy on a deceased former officer. Included in "Other, net" for the nine months ended July 31, 1994, was a $1.7 million pretax charge related to certain financing contracts, partially offset by $1.0 million of income relating to partial reimbursement of a business interruption loss for the fire that occurred at the Company's Lincolnshire facility in August 1993. Also, included in "Other, net" was investment income of $416 thousand and $336 thousand for the three and nine months ended July 31, 1995, respectively, as compared to $677 thousand and $2.2 million, respectively, for the comparable 1994 periods. The decreases were due to decreases in cash available for investment and losses on sales of short-term investments.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are cash on hand, cash flow from operations, and, if needed, borrowings under a $48 million unsecured revolving credit facility with a group of banks (the "Bank Agreement"). All borrowings under the Bank Agreement bear interest, at the option of the Company, at either floating prime or a reserve adjusted Eurodollar rate. 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. The Bank Agreement was amended in December 1994 to extend the maturity of the facility to March 31, 1999. At July 31, 1995, there were $10.0 million of outstanding borrowings and $2.1 million of outstanding letters of credit under the 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 $86,250,000 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.

At July 31, 1995, the Company had outstanding $65.5 million in Senior Notes ("Senior Notes"). The Senior Notes are unsecured and bear interest at the rate of 10.77% per annum, payable semi-annually. The Senior Notes require annual repayments of $20.8 million beginning on August 23, 1995, with a final payment of $3.0 million on August 23, 1998. In December 1994, the Company acquired $59.5 million principal amount of the Senior Notes for a purchase price equal to 105% of the principal amount plus accrued interest. The acquisition was funded with the Company's available cash, proceeds from the sale of its short-term investments and $10 million in borrowings under the Bank Agreement. The Senior Notes contain customary affirmative and negative covenants, as well as requirements to maintain a minimum capital base, as defined. In addition, the Senior Notes limit the payment of dividends and certain restricted investments.

At July 31, 1995, the Company had commitments of $10 million for the purchase or construction of capital assets. The Company's $52 million (not including approximately $9 million in capitalized interest) Phase II MacSteel expansion project and $8 million Nichols-Homeshield annealing expansion were both completed in March 1995.

In management's opinion, the Company currently has sufficient funds and adequate financial sources available to meet its anticipated liquidity needs including required payments on the Senior Notes and the Debentures. Management believes that cash flow from operations, cash balances and available borrowings will be sufficient for the foreseeable future to finance anticipated capital expenditures, debt service requirements and dividends.

Operating Activities

Cash provided by operating activities during the nine months ended July 31, 1995, was $38.2 million. This represents an increase of $17.4 million as compared to the comparable 1994 period. This increase was primarily attributable to improved income before depreciation and amortization expense. Working capital increases were $3.0 million less during the nine months ended July 31, 1995, as compared to the nine months ended July 31, 1994.

Investment Activities

Net cash provided by investment activities during the nine months ended July 31, 1995, was $32.3 million as compared to net cash used by investment activities of $22.9 million for the nine months ended July 31, 1994. The increase in cash provided by investment activities was principally due to decreases in short-term investments to fund the Company's acquisition of its Senior Notes. Capital expenditures for the nine months ended July 31, 1995, were $21.1 million as compared to $30.2 million for the same 1994 period. Cash used by investing activities for the nine months ended July 31, 1994, includes $6.4 million of proceeds from the sale of the Company's Viking Metallurgical Corporation subsidiary. The Company estimates that fiscal year 1995 capital expenditures will approximate $30 million.

Financing Activities

Net cash used by financing activities for the nine months ended July 31, 1995, was $58.8 million, principally consisting of $59.5 million for the early extinguishment of long-term debt, $5.9 million in common dividends and $4.5 million in preferred dividends. These uses of cash were partly offset by notes payable borrowings of $10.0 million.

PART II. OTHER INFORMATION

Item 5 - Other Information

None

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

4.1	Sixth Amendment to the Revolving Credit and Letter of Credit Agreement dated June 30, 1995
11	Statement re computation of per share earnings.
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 September 8, 1995

EXHIBIT 4.1

SIXTH AMENDMENT TO QUANEX CORPORATION REVOLVING CREDIT AND LETTER OF CREDIT AGREEMENT

This Sixth Amendment to Quanex Corporation Revolving Credit and Letter of Credit Agreement ("Sixth Amendment") made as of June 30, 1995 ("Amendment Effective Date"), among Comerica Bank (successor-in-interest by reason of merger to Manufacturers Bank, N.A., formerly known as Manufacturers National Bank of Detroit), First Interstate Bank of Texas, N.A., Harris Trust and Savings Bank and NationsBank of Texas, N.A. (individually, "Bank" and collectively, "Banks"), Comerica Bank, as agent for the Banks (in such capacity, "Agent") and Quanex Corporation, a Delaware corporation ("Company").

W I T E N S S E T H:

WHEREAS, the Banks, the Agent and the Company have executed and delivered that certain Quanex Corporation Revolving Credit and Letter of Credit Agreement dated as of December 4, 1990, as amended by a First Amendment to Quanex Corporation Revolving Credit and Letter of Credit Agreement dated March 26, 1991, a Second Amendment to Quanex Corporation Revolving Credit and Letter of Credit Agreement dated April 15, 1992, a Third Amendment to Quanex Corporation Revolving Credit and Letter of Credit Agreement dated as of February 12, 1993, a Fourth Amendment to Quanex Corporation Revolving Credit and Letter of Credit Agreement dated as of April, 1, 1993, and a Fifth Amendment to Quanex Corporation Revolving Credit and Letter of Credit Agreement dated as of December 8, 1994 (the "Original Agreement"); and

WHEREAS, the Company and the Banks desire to amend the Original Agreement as set forth below:

NOW THEREFORE, in consideration of the premises, the Banks, the Agent and the Company hereby agree as follows:

1. Section 1.56 of the original Agreement is amended in its entirety to read as follows:

"'Preferred Stock' shall mean the Cumulative Convertible Exchangeable Preferred Stock of the Company issued in 1988 and the Cumulative Convertible Exchangeable Preferred Stock of the Company issued in 1992."

2. Section 1.71 of the Original Agreement is amended in its entirety to read as follows:

"'Subordinated Debentures' shall mean the 9-1/8% Convertible Subordinated Debentures of the Company due September 30, 2008, and the 6.88% Convertible Subordinated Debentures of the Company due June 30, 2007."

3. The Company hereby represents and warrants that, after giving effect to the amendment contained herein, (a) execution, delivery and performance of this Sixth Amendment are within the Company's corporate powers, have been duly authorized, are not in contravention of law or the terms of the Company's Certificate of Incorporation or Bylaws, and do not require the consent or approval of any governmental body, agency or authority; and this Sixth Amendment will be valid and binding in accordance with their terms; (b) the continuing representations and warranties of the Company set forth in Sections 8.1 through 8.16 of the Original Agreement are true and correct on and as of the date hereof with the same force and effect as made on and as of the date hereof; (c) the continuing representations and warranties of the Company set forth in Section 8.17 of the Original Agreement are true and correct as of the date hereof with respect to the most recent financial statements furnished to the Banks by the Company in accordance with Section 9.3 of the Original Agreement; and (d) no Event of Default, or condition or event which, with the giving of notice or the running of time, or both, would constitute an Event of Default under the Original Agreement has occurred and is continuing as of the date hereof.

4. This Sixth Amendment shall be effective as of the Amendment Effective Date.

5. All references to the term "Agreement" and to the terms "hereof", "hereunder" and similar referential terms in the Original Agreement shall be deemed to mean or refer to the Original Agreement as amended by this Sixth Amendment.

6. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Original Agreement.

7. This Sixth Amendment may be executed in counterparts, in accordance with Section 13.8 of the Original Agreement.

IN WITNESS WHEREOF, the Banks, the Agent and the Company have caused this Sixth Amendment to be executed by their respective, duly authorized officers, all as of the date set forth above.

COMPANY:

QUANEX CORPORATION

By /s/ Wayne M. Rose

Wayne M. Rose
Vice President - Finance

AGENT:

COMERICA BANK (successor-in-interest by reason of merger to Manufacturers Bank, N.A., formerly known as Manufacturers National Bank of Detroit), as Agent

By /s/ Bradley Terryn

Title: Vice President

BANKS:

COMERICA BANK (successor-in-interest by reason of merger to Manufacturers Bank, N.A., formerly known as Manufacturers National Bank of Detroit), as Agent

By /s/ Bradley Terryn

Title: Vice President

FIRST INTERSTATE BANK OF TEXAS, N.A.

By /s/ Frank W. Schageman

Title: Vice President

HARRIS TRUST AND SAVINGS BANK

By /s/ James H. Colley
Title: Vice President

NATIONSBANK OF TEXAS, N.A.

By /s/ Richard L. Nichols, Jr.
Title: Vice President

The undersigned accept and agree to the Sixth Amendment to the Quanex Corporation Revolving Credit and Letter of Credit Agreement dated as of December 4, 1990, as amended, and ratify and confirm their respective obligations under the Guaranty Agreements executed and delivered to the Banks by the undersigned prior to the date of execution of such Sixth Amendment and agree that such Guaranty Agreements, as amended, continue to be in full force and effect.

LASALLE STEEL COMPANY

By /s/ Wayne M. Rose
Wayne M. Rose
Vice President

NICHOLS-HOMESHIELD, INC.

By /s/ Wayne M. Rose
Wayne M. Rose
Vice President

MICHIGAN SEAMLESS TUBE COMPANY

By /s/ Wayne M. Rose
Wayne M. Rose
Vice President

EXHIBIT 11

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

	Three Months Ended July 31, 1995	Three Months Ended July 31, 1994	Nine Months Ended July 31, 1995	Nine Months Ended July 31, 1994
	(Unaudited)		(Unaudited)	
Income before extraordinary charge................	$ 9,603	$ 5,777	$ 24,078	$ 11,322
Extraordinary charge - early extinguishment of debt	-	-	(2,021)	-
Net income.......................................	9,603	5,777	22,057	11,322
Preferred dividend requirements..................	(990)	(1,484)	(3,957)	(4,451)
Net income attributable to common stockholders............................	$ 8,613	$ 4,293	$ 18,100	$ 6,871
Weighted average shares outstanding-primary............................	13,642	13,465	13,598	13,442
Earnings per common share:				
Primary:				
Earnings before extraordinary charge...........	0.63	0.32	1.48	0.51
Extraordinary charge...........................	-	-	(0.15)	-
Earnings per common share....................	0.63	0.32	1.33	0.51

Income before extraordinary charge................	$ 9,603	$ 5,777	$ 24,078	$ 11,322
Interest on 6.88% convertible subordinated debentures and amortization of related issuance costs, net of applicable income taxes..........	302	-	302	-
Adjusted income before extraordinary charge	9,905	5,777	24,380	11,322
Extraordinary charge - early extinguishment of debt	-	-	(2,021)	-
Adjusted net income after extraordinary charge....	9,905	5,777	22,359	11,322
Weighted average shares outstanding-primary............................	13,642	13,465	13,598	13,442
Effect of common stock equivalents arising from stock options.....................	2	30	39	36
Subordinated debentures assumed converted to common stock...............................	2,738	2,738	2,738	2,738
Weighted average shares outstanding-fully diluted......................	16,382	16,233	16,375	16,216
Earnings per common share:				
Assuming full dilution:				
Earnings before extraordinary charge...........	0.59	0.36	1.49	0.70
Extraordinary charge...........................	-	-	(0.12)	-
Earnings per common share....................	0.59	0.36	1.37	0.70

This schedule contains summary financial information extracted from the balance sheet as of July 31, 1995 and the income statement for the nine months ended July 31, 1995 and is qualified in its entirety by reference to such financial statements.

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9-MOS
OCT-31-1995
NOV-01-1994
JUL-31-1995
45,726
0
95,418
0
89,874
237,667
520,662
260,388
542,781
151,865
134,192
6,715
0
0
155,475
542,781
662,405
662,405
579,805
579,805
0
0
7,672
41,513
17,435
24,078
0
2,021
0
22,057
1.330
1.370