

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

[X] Annual report pursuant to Section 15(d) of the Securities Exchange Act  
of 1934

For the fiscal year ended December 31, 2001

Commission File Number 1-5725

A. Full title of the plan and the address of the plan, if  
different from that of the issuer named below:

Quanex Corporation 401 (k) Savings Plan for Hourly Employees

B. Name of the issuer of the securities held pursuant to the plan  
and the address of its principal executive office:

Quanex Corporation  
1900 West Loop South, Suite 1500  
Houston, TX 77027

INDEPENDENT AUDITORS' REPORT

The Benefits Committee  
Quanex Corporation  
Houston, Texas

Re: Quanex Corporation 401(k) Savings Plan for Hourly Employees

We have audited the accompanying statements of net assets available for benefits of the Quanex Corporation 401(k) Savings Plan for Hourly Employees ("the Plan") as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of investments as of December 31, 2001 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. This supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE, LLP  
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DELOITTE & TOUCHE, LLP

Houston, Texas  
June 19, 2002

QUANEX CORPORATION  
QUANEX CORPORATION 401(k) SAVINGS PLAN FOR HOURLY EMPLOYEES

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31,  
-----  
-----

--- 2001  
2000 -----  
-----

-----  
Assets:

Investments  
at fair

value (see  
Note C) \$

22,676,174

22,264,190

Participant  
loans

1,031,673

930,540

Employee  
contributions

receivable

76,459

80,335

Employer  
contributions

receivable

66,366

74,884 -----  
-----

-----  
142,825

155,219 -----  
-----

-----  
Net assets  
available

for benefits

\$ 23,850,672

\$ 23,349,949  
=====

=====

See notes to financial statements.

QUANEX CORPORATION  
 QUANEX CORPORATION 401(k) SAVINGS PLAN FOR HOURLY EMPLOYEES

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE  
 FOR BENEFITS

DECEMBER 31,

-----

-- 2001 2000

-----

Investment  
 income:

Interest and  
 dividends \$  
 584,092 \$

1,746,101 Net  
 appreciation  
 (depreciation)  
 in fair value

of  
 investments  
 (see Note C)  
 (1,773,034)

(1,699,342) -

-----

(1,188,942)

46,759 -----

-----

Contributions:

Employer (net  
 of  
 forfeitures)

875,698

873,415

Employee

991,054

1,050,475 ---

-----

1,866,752

1,923,890 ---

-----

Interest on  
 participant  
 loans 83,773

68,620 -----

-----

----- Total  
 additions

761,583

2,039,269 ---

-----

Benefit

payments

1,873,626

361,834

Administrative

fees (see

Note D) 3,986

3,440 -----

-----

----- Total

deductions

1,877,612

365,274 -----

-----

Transfers of

plan assets

(see Note G)

1,616,752

(94,851) ----  
 -----  
 -----  
 Increase in  
 net assets  
 available for  
 benefits  
 500,723  
 1,579,144 Net  
 assets  
 available for  
 benefits:  
 Beginning of  
 year  
 23,349,949  
 21,770,805 --  
 -----  
 -----  
 End of year \$  
 23,850,672 \$  
 23,349,949  
 =====  
 =====

See notes to financial statements.

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR  
EIN: 38-1872178; PN 016

QUANEX CORPORATION  
QUANEX CORPORATION 401(k) SAVINGS PLAN FOR HOURLY EMPLOYEES

SUPPLEMENTAL SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2001

Shares/ Current  
Par Value Cost  
Value -----  
-----

\*

Fidelity Puritan

Fund 16,811 \$

313,213 \$

297,045 \*

Fidelity

Magellan Fund

38,591 3,964,022

4,021,966 \*

Fidelity

Contrafund

48,848 2,315,125

2,089,242 \*

Fidelity Growth

& Income Fund

107,509

3,798,727

4,018,693 \*

Fidelity

Independence

Fund 114,831

2,469,000

1,810,889 \*

Fidelity

Overseas Fund

7,512 262,480

205,966 \*

Fidelity

Balanced Fund

109,258

1,643,176

1,627,945 \*

Fidelity Blue

Chip Fund 14,728

750,929 632,414

\* Fidelity Asset

Manager Fund

8,251 149,854

127,886 \*

Fidelity Low-

Priced Stock

Fund 6,290

154,221 172,478

\* Fidelity

Government Money

Market Fund

4,059,124

4,059,124

4,059,124

Templeton

Foreign Fund

30,626 306,169

283,292

Neuberger &

Berman Partners

Trust Fund 1,515

25,634 24,274 --

----- Total

Mutual Fund

Assets

20,211,674

19,371,214 \*

Quanex

Corporation

unitized common  
stock 60,991  
572,672 807,516  
\* Fidelity  
Common/Commingled  
trust 2,497,444  
2,497,444  
2,497,444  
Participant  
loans (bearing  
interest rates  
from 7.85% to  
9.50%, maturing  
within five to  
seven years)  
930,540  
1,031,673 -----  
-----  
--- Total  
Investments \$  
24,212,330 \$  
23,707,847  
=====  
=====

\* Party-in-Interest

QUANEX CORPORATION  
401(k) SAVINGS PLAN FOR HOURLY EMPLOYEES

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

A. DESCRIPTION OF THE PLAN

The following description of the Quanex Corporation 401(k) Savings Plan for Hourly Employees (the "Plan"), formerly the Nichols 401(k) Savings Plan for Hourly Employees, provides only general information. Participants should refer to the Plan document for more complete information.

- (1) General. The Plan, sponsored by Quanex Corporation (the "Company") was established on October 1, 1987 and was amended and restated effective January 1, 1998. The Plan is a defined contribution plan, which covers substantially all union hourly employees of the Davenport, Iowa; Decatur, Alabama; and Hamel, Minnesota facilities. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Fidelity Management Trust Company ("Fidelity" or the "Trustee") holds the assets of the Plan in trust. The Benefits Committee (the "Committee"), appointed by the Company's Board of Directors, serves as the Plan administrator.

Effective July 1, 2001, the union employees of Temroc Metals, Inc. became participants of the Plan.

- (2) Contributions. Participants may elect to reduce the current level of their compensation from 1% to 15% by contributing on a pre-tax basis as defined by the Plan agreement. Participants may also contribute in half percentages. Company contributions are made based on a percentage of the employee's compensation for each individual with at least one year of service.
- (3) Participant Accounts. Each participant's account is credited with the participant's contribution, the employer's contribution, and the participant's pro rata share of investment earnings. Investment earnings allocations are based on individual participant account balances as of the end of the period in which the income is earned.
- (4) Vesting. Participants are immediately vested in their contributions and earnings thereon. Vesting in the employer contribution is based on years of credited service. A participant is 20% vested for each year of credited service and fully vested after five years. If a participant terminates employment prior to becoming fully vested, the nonvested portion of the employer contributions are immediately forfeited by the participant and utilized to reduce future employer contributions.
- (5) Payment of Benefits. The Plan is intended for long-term savings but provides for early withdrawals and loan arrangements under certain conditions. Upon termination of service, a participant may elect to receive a lump-sum distribution equal to the total amount of vested benefits in his or her account. Terminated participants with account balances of less than \$5,000 will automatically receive a lump sum distribution.
- (6) Loans. Loans may be granted to a participant of the Plan at the Committee's discretion. Loan terms range up to five years or seven years if used for the purchase of a primary residence. The loans bear a reasonable rate of interest established by the Committee. Interest on the loan is allocated to the borrower's participant account.



B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Accounting Basis. The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.
- (2) Investment Valuation. The Plan recognizes net appreciation or depreciation in the fair value of its investments. Investments are reflected at fair value in the financial statements. Fair value of mutual fund assets is determined using a quoted net asset value. Fair value for Quanex Corporation common stock, which is listed on the New York Stock Exchange, is determined using the last recorded sales price. The recorded value of the common/commingled trust is at face value, which is fair value.
- (3) Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.
- (4) Administrative Expenses. The Company pays all administrative expenses of the Plan, except for loan set up and carrying fees, and redemption fees imposed on certain Fidelity funds.
- (5) Payment of Benefits. Benefit payments are recorded when paid.

C. INVESTMENTS

The following are investments that represent 5 percent or more of the Plan's net assets.

December 31, 2001	December 31, 2000
Shares	Amount
Amount	Shares
-----	-----
-----	-----
-----	-----
-----	-----
-----	-----
Fidelity Magellan Fund 38,591	\$4,021,966
30,541	\$3,643,557
Fidelity Contrafund	48,848
2,089,242	43,742
2,150,778	Fidelity Growth and Income Fund
107,509	4,018,693
97,426	4,101,643
Fidelity Independence Fund	114,831
1,810,889	138,806
3,055,120	Fidelity Balanced Fund
109,258	1,627,945
63,940	

971,244  
 Fidelity  
 Government  
 Money  
 Market Fund  
 4,059,124  
 4,059,124  
 3,725,625  
 3,725,625  
 Quanex  
 unitized  
 common  
 stock  
 60,991  
 807,516  
 208,504  
 2,005,813  
 Common /  
 Commingled  
 Trust  
 2,497,444  
 2,497,444  
 1,087,328  
 1,087,328

During the years ended December 31, 2001 and 2000, the Plan's  
 investments (including gains and losses on investments bought and sold,  
 as well as held during the year) appreciated / (depreciated) in value  
 as follows:

2001	2000	-
-----		
		-----
- Mutual		
funds \$		
(2,253,298)		
\$		
(1,678,080)		
Quanex		
unitized		
common		
stock		
480,264		
(21,262)	--	
-----		
		-----
- \$		
(1,773,034)		
\$		
(1,699,342)		
=====		
=====		

D. RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by  
 Fidelity. Fidelity is the trustee as defined by the Plan and,  
 therefore, these transactions qualify as party-in-interest  
 transactions. Fees paid by the Plan for the investment management  
 services amounted to \$3,986 and \$3,440 for the years ended December 31,  
 2001 and 2000, respectively. In addition, the Plan invests in shares of  
 Quanex Corporation unitized common stock. Quanex Corporation is the  
 Plan sponsor as defined by the Plan and, therefore, these transactions  
 also qualify as party-in-interest transactions. As of December 31, 2001  
 and 2000, the value of Quanex Corporation unitized common stock held by  
 the Plan was \$807,516 and \$2,005,813, respectively.

E. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to terminate the Plan at any time subject to the provisions set forth in ERISA. In the event of Plan termination, the assets held by the Trustee under the Plan will be valued and fully vested, and each participant will be entitled to distributions respecting his or her account.

F. FEDERAL INCOME TAX STATUS

The Plan is subject to specific rules and regulations related to employee benefit plans under the Department of Labor and the Internal Revenue Service. The Plan has received a favorable letter of tax determination dated June 18, 1993. As such, the Plan is a qualified trust under Sections 401(a) and 401(k) of the Internal Revenue Code (the "Code") and, as a result, is exempt from federal income tax under Section 501(a) of the Code. The Company believes the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. The Company believes the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

G. TRANSFER OF ASSETS

Account balances and participant loans of \$183,855 and \$(94,851) were transferred between the Plan and the Quanex Corporation 401(k) Savings Plan in plan years 2001 and 2000, respectively.

The assets of the Temroc Metals, Inc. Bargaining Unit Employees' 401(k) Plan, totaling \$1,432,897, were transferred to the Plan on July 2, 2001.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Quanex Corporation 401 (k) Savings Plan  
for Hourly Employees

Date: June 28, 2002

/s/ Viren M. Parikh

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Viren M. Parikh, Benefits Committee

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
- - - - -	- - - - -
- 23.1	Independent Auditor's Consent

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-54085 of Quanex Corporation on Form S-8 of our report dated June 19, 2002, appearing in this Annual Report on Form 11-K of the Quanex Corporation 401 (k) Savings Plan for Hourly Employees for the year ended December 31, 2001.

/s/ DELOITTE & TOUCHE LLP

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DELOITTE & TOUCHE LLP

Houston, Texas  
June 28, 2002