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, 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 April 30, 1997
Common Stock, par value $0.50 per share	13,728,987

QUANEX CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	April 30, 1997 (Unaudited)	October 31, 1996 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 34,809	$ 35,975
Accounts and notes receivable, net	93,782	90,583
Inventories	89,852	89,938
Deferred income taxes	9,971	10,019
Prepaid expenses	1,915	121
Total current assets	230,329	226,636
Property, plant and equipment	656,500	620,058
Less accumulated depreciation and amortization	(302,650)	(284,723)
Property, plant and equipment, net	353,850	335,335
Goodwill, net	82,793	84,343
Net assets of discontinued operations	-	7,217
Other assets	17,314	17,152
	$684,286	$670,683
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ -	$ 5,575
Accounts payable	74,206	73,958
Income taxes payable	14,827	3,807
Accrued expenses	44,139	44,286
Current maturities of long-term debt	402	-
Total current liabilities	133,574	127,626
Long-term debt	214,163	253,513
Deferred pension credits	11,839	11,827
Deferred postretirement welfare benefits	28,509	28,033
Deferred income taxes	31,571	33,743
Other liabilities	19,812	20,000
Total liabilities	439,468	474,742
Stockholders' equity:		
Preferred stock, no par value	-	-
Common stock, $.50 par value	6,863	6,795
Additional paid-in capital	97,464	94,251
Retained earnings	142,219	96,623
Unearned compensation	(185)	(185)
Adjustment for minimum pension liability	(1,543)	(1,543)
Total stockholders' equity	244,818	195,941
	$684,286	$670,683

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

	Three Months Ended April 30		Six Months Ended April 30	
	1997	1996	1997	1996
	(Unaudited)			
Net sales	$217,058	$174,316	$411,992	$325,463
Cost and expenses:				
Cost of sales	187,451	150,994	360,464	284,087
Selling, general and administrative expense	12,504	10,950	24,818	21,999
Operating income	17,103	12,372	26,710	19,377
Other income (expense):				
Interest expense	(4,917)	(2,260)	(9,768)	(5,140)
Capitalized interest	764	78	1,382	127
Other, net	85	1,031	(299)	1,163
Income from continuing operations before income taxes	13,035	11,221	18,025	15,527
Income tax expense	(4,561)	(4,713)	(6,308)	(6,522)
Income from continuing operations	8,474	6,508	11,717	9,005
Income from discontinued operations, net of income taxes	616	1,624	1,699	3,174
Gain on sale of discontinued operations, net of income taxes	36,290	-	36,290	-
Income before extraordinary charge	45,380	8,132	49,706	12,179
Extraordinary charge - early extinguishment of debt	-	-	-	(2,522)
Net income	$ 45,380	8,132	$ 49,706	9,657
Earnings per common share:				
Primary:				
Continuing operations	$ 0.61	$ 0.48	$ 0.84	$ 0.67
Discontinued operations	0.04	0.12	0.12	0.23
Gain on sale of discontinued operations	2.60	-	2.60	-
Extraordinary charge	-	-	-	(0.19)
Total primary net earnings	$ 3.25	$ 0.60	$ 3.56	$ 0.71
Fully diluted:				
Continuing operations	$ 0.57	$ 0.45	$ 0.83	$ 0.66
Discontinued operations	0.03	0.10	0.10	0.19
Gain on sale of discontinued operations	2.18	-	2.18	-
Extraordinary charge	-	-	-	(0.15)
Total assuming full dilution	$ 2.78	$ 0.55	$ 3.11	$ 0.70
Weighted average shares outstanding:				
Primary	13,965	13,641	13,939	13,614
Assuming full dilution	16,661	16,360	16,635	16,353

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Six Months Ended April 30, 1997	Six Months Ended April 30, 1996
	(Unaudited)	
Operating activities:		
Net income	$49,706	$ 9,657
Adjustments to reconcile net income to cash provided by operating activities:		
Income from discontinued operations	(1,699)	(3,174)
Gain on sale of discontinued operations	(36,290)	-
Depreciation and amortization	20,437	17,656
Deferred income taxes	(2,172)	(4,237)
Deferred pension costs	12	(486)
Deferred postretirement welfare benefits	476	584
	30,470	20,000
Changes in assets and liabilities net of effects from acquisitions and dispositions:		
Decrease (increase) in accounts and notes receivable	(3,199)	4,512
Decrease (increase) in inventory	86	(9,190)
Increase (decrease) in accounts payable	248	(7,812)
Increase (decrease) in accrued expenses	(147)	515
Other, net	(4,072)	2,326
Cash provided by continuing operations	23,386	10,351
Cash provided by (used in) discontinued operations	(4,630)	5,500
Cash provided by operating activities	18,756	15,851
Investment activities:		
Proceeds from the sale of discontinued operations	63,900	-
Capital expenditures of continuing operations net of retirements	(36,970)	(8,298)
Capital expenditures of discontinued operations	(685)	(3,673)
Other, net	(6,169)	(2,781)
Cash provided by (used in) investment activities	20,076	(14,752)
Cash provided by operating and investment activities	38,832	1,099
Financing activities:		
Notes payable borrowings (repayments)	-	(10,000)
Purchase of Senior Notes	-	(44,667)
Bank borrowings (repayments)	(40,000)	50,000
Common dividends paid	(4,110)	(4,055)
Other, net	4,112	684
Cash used by financing activities	(39,998)	(8,038)
Decrease in cash and equivalents	(1,166)	(6,939)
Cash and equivalents at beginning of period	35,975	45,205
Cash and equivalents at end of period	$34,809	$38,266
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$10,127	$ 5,369
Income taxes	11,269	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:	April 30, 1997	October 31, 1996
	(In thousands)	
Raw materials	$26,307	$28,426
Finished goods and work in process.....	54,776	52,768
	81,083	81,194
Other.................................	8,769	8,744
	$89,852	$89,938

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

LIFO....................................	$65,299	$69,234
FIFO....................................	24,553	20,704
	$89,852	$89,938

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $18 million at April 30, 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 April 30, 1997, the Company had $120 million outstanding under the Revolver and no outstanding term loans.

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.

4.Discontinued Operations

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 reported as the segment "Cold Finished Steel Bars".

Net sales and income from discontinued operations are as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1997	1996	1997	1996
	(In thousands)			
Net sales..................	$28,485	$44,025	$66,733	$81,650
Income before income taxes..	949	2,800	2,615	5,472
Income tax expense..........	(333)	(1,176)	(916)	(2,298)
Net income.................	616	$ 1,624	$ 1,699	$ 3,174

	October 31, 1996
	(In thousands)
Net Assets of Discontinued Operations	
Current assets............................	$36,702
Property, plant and equipment, net.........	16,211
Other assets..............................	1,827
Current liabilities.......................	(25,440)
Deferred pension credits..................	(5,466)
Deferred postretirement welfare benefits...	(27,595)
Deferred income taxes.....................	9,710
Adjustment for minimum pension liability...	1,268
Net assets of discontinued operations...	$ 7,217

5.Subsequent Event

In May 1997, the Company entered into a non-binding letter of intent to purchase Advanced Metal Forming C.V., a Netherlands based manufacturer of impact extruded automotive air bag products. The transaction is subject to various conditions, including the completion of due diligence, the receipt of all regulatory and governmental approvals and the negotiation and execution of a definitive agreement. Although there can be no assurance that the transaction will close, the Company anticipates that the transaction will close in the Company's fiscal fourth quarter.

6. Industry Segment Information

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

Three Months Ended April 30, 1997	Hot Rolled Steel Bars	Steel Tubes	Aluminum Products(1)	Corporate and Other(2)	Consolidated
		(in thousands)			
Units shipped:					
To unaffiliated companies	145.0 Tons	25.9 Tons	71,946 Lbs.		
Intersegment	6.2	-	-		
Total	151.2 Tons	25.9 Tons	71,946 Lbs.		
Net Sales:					
To unaffiliated companies	$76,859	$32,231	$107,968	-	$217,058
Intersegment(3)	3,630	-	-	$(3,630)	-
Total	$80,489	$32,231	$107,968	$(3,630)	$217,058
Operating income (loss)	$12,796	$ 2,151	$ 4,614	$(2,458)	$ 17,103

Three Months Ended April 30, 1996	Hot Rolled Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(2)	Consolidated
Units shipped:					
To unaffiliated companies	127.7 Tons	24.2 Tons	59,833 Lbs.		
Intersegment	6.5	-	-		
Total	134.2 Tons	24.2 Tons	59,833 Lbs.		
Net Sales:					
To unaffiliated companies	$69,375	$31,661	$73,280	-	$174,316
Intersegment(3)	3,715	-	-	$(3,715)	-
Total	$73,090	$31,661	$73,280	$(3,715)	$174,316
Operating income (loss)	$10,340	$ 2,382	$ 3,766	$(4,116)	$ 12,372

Six Months Ended April 30, 1997	Hot Rolled Steel Bars	Steel Tubes	Aluminum Products(1)	Corporate and Other(2)	Consolidated
Units shipped:					
To unaffiliated companies	270.5 Tons	49.9 Tons	136,734 Lbs.		
Intersegment	12.5	-	-		
Total	283.0 Tons	49.9 Tons	136,734 Lbs.		
Net Sales:					
To unaffiliated companies	$143,976	$60,288	$207,728	-	$411,992
Intersegment(3)	7,367	-	-	$ (7,367)	-
Total	$151,343	$60,288	$207,728	$ (7,367)	$411,992
Operating income (loss)	$ 21,941	$ 2,447	$ 8,603	$ (6,281)	$ 26,710

Six Months Ended April 30, 1996	Hot Rolled Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(2)	Consolidated
Units shipped:					
To unaffiliated companies	230.9 Tons	47.1 Tons	109,466 Lbs.		
Intersegment	14.1	-	-		

Total....................	245.0 Tons	47.1 Tons	109,466 Lbs.		
Net Sales:					
To unaffiliated companies	$126,483	$61,811	$137,169	-	$325,463
Intersegment(3).........	8,158	-	-	$ (8,158)	-
Total....................	$134,641	$61,811	$137,169	$ (8,158)	$325,463
Operating income (loss)..	$ 17,675	$ 4,337	$ 5,417	$ (8,052)	$ 19,377

(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 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".

The Company's hot rolled steel business reflected improvements in net sales and operating income for the first and second quarters of fiscal 1997 as compared to the same periods 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 Impact") 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 Impact in August 1996 is expected to result in higher fiscal 1997 sales through the third fiscal quarter and, assuming no material declines in the markets in which it serves, be accretive to fiscal 1997 earnings. The sale of LaSalle in April 1997 will affect income for the remainder of fiscal 1997 by the difference between the amount LaSalle would have earned and the reduction in interest expense as a result of the repayment of debt with the net 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 four businesses:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1997	1996	1997	1996
	(In thousands)			
Hot Rolled Steel Bars:				
Units shipped (Tons)............	151.2	134.2	283.0	245.0
Net Sales.......................	$ 80,489	$ 73,090	$151,343	$134,641
Operating income................	$ 12,796	$ 10,340	$ 21,941	$ 17,675
Depreciation and amortization...	$ 3,405	$ 4,590	$ 6,810	$ 9,180
Identifiable assets.............	$175,381	$170,779	$175,381	$170,779
Steel Tubes:				
Units shipped (Tons)............	25.9	24.2	49.9	47.1
Net Sales.......................	$ 32,231	$ 31,661	$ 60,288	$ 61,811
Operating income................	$ 2,151	$ 2,382	$ 2,447	$ 4,337
Depreciation and amortization...	$ 617	$ 583	$ 1,244	$ 1,178
Identifiable assets.............	$ 47,336	$ 43,839	$ 47,336	$ 43,839
Aluminum Products:				
Units shipped (Pounds)..........	71,946	59,833	136,734	109,466
Net Sales.......................	$107,968	$ 73,280	$207,728	$137,169
Operating income................	$ 4,614	$ 3,766	$ 8,603	$ 5,417
Depreciation and amortization...	$ 5,968	$ 3,454	$ 12,038	$ 6,937
Identifiable assets.............	$417,078	$227,862	$417,078	$227,862

Consolidated net sales for the three and six months ended April 30, 1997, were $217.1 million and $412.0 million, respectively, representing increases of $42.7 million, or 25%, and $86.5 million, or 27%, respectively, when compared to the same periods last year. The improvement principally reflects the inclusion of Piper Impact sales and improved sales volume in the Company's hot rolled steel bar business.

Net sales from the Company's hot rolled steel bar business for the three and six months ended April 30, 1997, were $80.5 million and $151.3 million, respectively, representing increases of $7.4 million, or 10%, and $16.7 million, or 12%, respectively, when compared to the same periods last year. The improvements were primarily due to sales volume increases of 13% and 16%, respectively, for the three and six months ended April 30, 1997, as compared to the same prior year periods. The hot rolled steel bar business sales volume increase is principally due to the continued market strength in the durable goods market, particularly transportation and capital goods, and to the Company's product quality and delivery performance.

Net sales from the Company's steel tube business for the three and six months ended April 30, 1997, were $32.2 million and $60.3 million, respectively, representing an increase of $570 thousand and a decrease of $1.5 million, respectively, when compared to the same periods last year. Product pricing pressure continued, however, demand for mechanical, pipe and heat exchanger products was improved during the second fiscal quarter of 1997.

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

Net sales from the Company's aluminum products business for the three and six months ended April 30, 1997, were $108.0 million and $207.7 million, respectively, representing increases of $34.7 million, or 47%, and $70.6 million, or 51%, respectively, when compared to the same periods last year. These increases are principally due to the acquisition of Piper Impact in August 1996 and were partially offset by substantially lower aluminum prices. Net sales were also higher for the three and six months ended April 30, 1997, compared to the same periods last year, due to increased sales volume of aluminum flat roll.

Consolidated operating income for the three and six months ended April 30, 1997, was $17.1 million and $26.7 million, respectively, representing increases of $4.7 million, or 38%, and $7.3 million, or 38%, respectively, when compared to the same periods last year. This increase was primarily due to the inclusion of Piper Impact's results and improved operating income in the hot rolled steel bar business.

Operating income from the Company's hot rolled steel bar business for the three and six months ended April 30, 1997, was $12.8 million and $21.9 million, respectively, representing increases of $2.5 million, or 24%, and $4.3 million, or 24%, respectively, when compared to the same periods last year. These improvements were attributable to higher sales for both the quarter and year-to-date due to increased capacity and strong demand.

Operating income from the Company's steel tube business for the three and six months ended April 30, 1997, was $2.2 million and $2.4 million, respectively, representing decreases of $231,000, or 10%, and $1.9 million, or 44%, respectively, when compared to the same periods last year. Profitability improved during the second quarter of fiscal 1997 compared to the first quarter but still remained below prior year levels primarily due to weaker selling prices and a depressed boiler tube market.

Operating income from the Company's aluminum products business for the three and six months ended April 30, 1997, was $4.6 million and $8.6 million, respectively, representing increases of $848,000, or 23%, and $3.2 million, or 59%, respectively, when compared to the same periods last year. Improvement in this segment reflects the acquisition of Piper Impact and were offset by lower aluminum prices.

Selling, general and administrative expenses increased by $1.6 million, or 14%, and $2.8 million, or 13%, respectively, for the three and six months ended April 30, 1997, as compared to the same periods of last year, primarily due to the inclusion of Piper Impact's selling, general and administrative expenses. However, as a percentage of net sales, selling, general and administrative expenses were 5.8% and 6.0%, respectively, for the three and six months ended April 30, 1997, compared to 6.3% and 6.8%, respectively, in the same prior year periods.

Interest expense increased by $2.7 million and $4.6 million, respectively, for the three and six months ended April 30, 1997, as compared to the same periods of 1996 primarily as a result of increased bank borrowings associated with the Piper Impact acquisition. This increased interest expense was 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.

Income from continuing operations for the three and six months ended April 30, 1997, was $8.5 million and $11.7 million, respectively, as compared to $6.5 million and $9.0 million for the same prior year periods. The improvements were principally attributable to the inclusion of the results of Piper Impact and improved results at the Company's MacSteel division. Included in "Other, net" for the three months ended April 30, 1997 was a life insurance gain of approximately $400,000. Included in "Other, net" for the three months ended April 30, 1996, was a $2.3 million pretax gain related to the final recovery of a business interruption claim. Also included in "Other, net" for the three months ended April 30, 1996, was $1.5 million resulting from a loss on abandonment of idle assets. Capitalized interest increased to $764,000 and $1.4 million, respectively, for the three and six months ended April 30, 1997, compared to $78,000 and $127,000 for the same periods last year due to ongoing construction related to the expansion programs at MacSteel and Piper Impact. Income taxes were applied at the Company's expected annual effective rate. The Company's effective income tax rate was 35% for the first and second quarters of fiscal 1997 compared to 42% in both prior year periods.

Income from discontinued operations, net of income taxes, for the three and six months ended April 30, 1997, was $616,000 and $1.7 million, respectively, as compared to $1.6 million and $3.2 million for the same periods in 1996. The decrease was primarily attributable to lower margins between selling prices and raw material costs, partly offset by higher sales volume. Included in net income for the three and six months ended April 30, 1997, is an after-tax gain of $36.3 million on the sale of discontinued operations.

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") 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. New borrowings under the Bank Agreement may not be made after July 23, 2001. The Bank Agreement also 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 April 30, 1997). 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 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 April 30, 1997, there were $120 million of outstanding Revolver borrowings and no term loans outstanding.

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 bank 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 August 9, 1996, the Company completed the acquisition of substantially all of the assets of Piper Impact. 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.

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.

At April 30, 1997, the Company had commitments of $22 million for the purchase or construction of capital assets, primarily relating to the Company's continued expansions at MacSteel and Piper Impact. 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, environmental expenditures and dividends.

Operating Activities

Cash provided by operating activities during the six months ended April 30, 1997, was $18.8 million as compared to $15.9 million during the six months ended April 30, 1996. The increase was principally due to improved income and higher depreciation, partially offset by increased cash used by discontinued operations.

Investment Activities

Net cash provided by investment activities during the six months ended April 30, 1997, was $20.1 million as compared to cash used in investment activities of $14.8 million for the same 1996 period. The increase in cash provided by investment activities was principally due to proceeds from the sale of LaSalle, and was partly offset by increased capital expenditures and payment of the remaining notes related to the Piper Impact acquisition. The Company estimates that fiscal 1997 capital expenditures will be approximately $70 to $80 million.

Financing Activities

Cash used in financing activities for the six months ended April 30, 1997, was $40.0 million, principally consisting of $40.0 million of repayments of bank borrowings from proceeds of the LaSalle sale. Cash used in financing activities for the six months ended April 30, 1996, was $8.0 million, principally consisting of $44.7 million for the early extinguishment of long-term debt, a $10.0 million reduction in notes payable and the payment of $4.1 million in common dividends and was offset by long-term bank borrowings of $50.0 million.

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 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.

PART II. OTHER INFORMATION

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

On February 27, 1997, the Company held its regular Annual Meeting of Stockholders (the "Annual Meeting").

At the Annual Meeting, John D. O'Connell, Robert C. Snyder, and Vernon E. Oechsle 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
John D. O'Connell	11,005,824	858,396
Robert C. Snyder	11,008,316	855,902
Vernon E. Oechsle	11,006,057	858,162

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 to amend the Company's Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock, $.50 par value, from 25,000,000 shares to 50,000,000 shares.

The ratification of Deloitte & Touche LLP as the Company's independent auditors was approved with 11,776,615 votes cast for approval, 25,008 votes cast against, and 62,594 abstentions. The amendment to the Company's Restated Certificate of Incorporation was approved with 10,718,920 votes cast for approval, 1,078,157 votes cast against, and 67,137 abstentions.

Item 5 - Other Information.

None

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

Exhibit 11 - Statement re computation of earnings per share.

Exhibit 27 - Financial Data Schedule

A Report on Form 8-K was filed by the Company on May 5, 1997, regarding the completion of the sale of its LaSalle Steel subsidiary 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

/s/ Viren M. Parikh

Viren M. Parikh
Controller (Chief Accounting Officer)

Date June 12, 1997
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EXHIBIT 11

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	1996	1995	1996	1995
	(Unaudited)		(Unaudited)	
Income from continuing operations	$ 8,474	$ 6,508	$ 11,717	$ 9,005
Income from discontinued operations, net of income taxes	616	1,624	1,699	3,174
Gain on sale of discontinued operations, net of income taxes	36,290	-	36,290	-
Income before extraordinary charge	45,380	8,132	49,706	12,179
Extraordinary charge - early extinguishment of debt	-	-	-	(2,522)
Net income	$45,380	$ 8,132	$ 49,706	$ 9,657
Weighted average shares outstanding-primary	13,965	13,641	13,939	13,614
Earnings per common share:				
Primary:				
Income from continuing operations	$ 0.61	$ 0.48	$ 0.84	$ 0.67
Income from discontinued operations	0.04	0.12	0.12	0.23
Gain on sale of discontinued operations	2.60	-	2.60	-
Extraordinary charge	-	-	-	(0.19)
Earnings per common share	$ 3.25	$ 0.60	$ 3.56	$ 0.71

Income from continuing operations	$ 8,474	$ 6,508	$ 11,717	$ 9,005
Income from discontinued operations, net of income taxes	616	1,624	1,699	3,174
Gain on sale of discontinued operations, net of income taxes	36,290	-	36,290	-
Income before extraordinary charge	45,380	8,132	49,706	12,179
Extraordinary charge - early extinguishment of debt	-	-	-	(2,522)
Net income	45,380	8,132	49,706	9,657
Interest on 6.88% convertible subordinated debentures and amortization of related issuance costs, net of applicable income taxes	999	891	1,998	1,784
Adjusted net income	$ 46,379	$ 9,023	$ 51,704	$ 11,441
Weighted average shares outstanding-primary	13,965	13,641	13,939	13,614
Effect of common stock equivalents arising from stock options	-	23	-	43
Subordinated debentures assumed converted to common stock	2,696	2,696	2,696	2,696
Weighted average shares outstanding-fully diluted	16,661	16,360	16,635	16,353
Earnings per common share:				
Assuming full dilution:				
Income from continuing operations	$ 0.57	$ 0.45	$ 0.83	$ 0.66
Income from discontinued operations	0.03	0.10	0.10	0.19
Gain on sale of discontinued operations	2.18	-	2.18	-
Extraordinary charge	-	-	-	(0.15)
Earnings per common share	$ 2.78	$ 0.55	$ 3.11	$ 0.70

This schedule contains summary financial information extracted from the balance sheet as of April 30, 1997 and the income statement for the three and six months ended April 30, 1997 and is qualified in its entirety by reference to such financial statements.

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6-MOS
OCT-31-1997
NOV-01-1996
APR-30-1997
34,809
0
93,782
0
89,852
230,329
656,500
302,650
684,286
133,574
214,163
0
0
6,863
237,955
684,286
411,992
411,992
360,464
360,464
0
0
9,768
18,025
6,308
11,717
1,699
36,290
0
49,706
3.560
3.110