

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) **June 3, 2004**

QUANEX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1-5725

(Commission
file number)

38-1872178

(I.R.S. Employer Identification
No.)

1900 West Loop South, Suite 1500, Houston, Texas 77027

(Address of principal executive offices)

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

Item 7. Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release of Quanex Corporation dated June 3, 2004.

Item 9. Regulation FD Disclosure

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On June 3, 2004, Quanex Corporation issued a press release (the "Press Release") reporting its earnings results for the second quarter of fiscal year 2004. The foregoing is qualified by reference to the Press Release which is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Quanex Corporation

Date: June 3, 2004

By: /s/ RAYMOND A. JEAN
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description of Exhibits
99.1*	Press Release dated June 3, 2004, announcing second quarter of fiscal year 2004 results.

* Filed herewith



Financial Contact: Jeff Galow, 713/877-5327
Media Contact: Valerie Calvert, 713/877-5305

**Quanex Announces Fiscal Second Quarter 2004 Results
Reports Record Second Quarter Net Sales and Earnings
Acquisitions Enhance the Company's Earnings Outlook
Closed its \$125 Million 2.5% Convertible Debenture Offering on May 5, 2004**

Houston, Texas, June 3, 2004 – Quanex Corporation (NYSE:NX) announced fiscal second quarter results for the period ending April 30, 2004, which included three months results from the Company's acquisitions of MACSTEEL Monroe and TruSeal Technologies. Net sales were a record \$406.0 million in the quarter, up 60% over a year ago, with net sales from the two acquisitions totaling \$100.6 million. Demand at the Company's Vehicular Products and Building Products segments was very strong and backlogs for the third quarter remain at high levels. Record net income of \$11.5 million was up 22% compared to last year's second quarter. Diluted earnings per share were \$.69, the Company's best-ever second quarter figure. MACSTEEL Monroe and TruSeal contributed about \$.21 (after interest expense) to diluted earnings per share in the second quarter.

Net sales for the second quarter 2003 were \$254.6 million. Net income and diluted earnings per share for the second quarter 2003 were \$9.4 million and \$.58, respectively.

Highlights

Raymond A. Jean, chairman and chief executive officer stated, "We delivered to our investors record second quarter earnings resulting from: (1) very strong customer demand, (2) accretive acquisitions, (3) overhead reductions and (4) ongoing company-wide lean initiatives. Runaway steel scrap costs finally abated in April, when we experienced a \$45 per ton drop in MACSTEEL's overall raw material costs compared to March. Margins, however, were significantly compressed during February and March. North American light vehicle builds in the Company's second quarter were up about 5% over the year ago period. Heavy duty truck builds continued to gain momentum during our quarter, with builds up some 50% over a year ago. Both housing starts and remodeling activity remained remarkably strong through the period, which allowed the Building Products segment to post excellent results," Jean said.

"During the quarter, we made excellent progress with the integration of MACSTEEL Monroe and TruSeal Technologies. Both businesses are exceeding expectations and their long term earnings potential remains excellent. A key metric we use in our acquisition screen is the ability of the acquired company to exceed our weighted average cost of capital by the end of its third year. On an annualized basis, TruSeal already crossed that threshold, and we expect MACSTEEL Monroe to hit that target by year-end. Our previous 2004 earnings guidance for the two acquisitions, based on 10 months expected results, was \$.40 to \$.50 per diluted share. However, with the ongoing strength we see in our two target markets, we believe a range of \$.60 to \$.70 per diluted share for the two acquisitions is now more appropriate for 2004," continued Jean.

"We continue to make excellent progress in managing our working capital. A metric we use to track our progress is the conversion cycle, which is the sum of inventory days, plus receivable days, less days payable, all based on average daily sales. For the second quarter, the conversion cycle improved to 45 days from 55 days in the year ago quarter, an 18% improvement," said Jean.

"Quanex uses the LIFO method of accounting which requires us to revalue our inventories at the end of each year. As we have reported for our first two quarters this year, our scrap costs, particularly steel scrap, have risen dramatically, impacting our inventory valuation based on the LIFO method. Accordingly, for the second quarter, we booked a \$2.0 million charge to operating income on the assumption that year-end 2004 inventories will have a higher valuation compared to year-end 2003," said Jean.

Quarterly Financials (\$ in millions, except per share data)

	2 nd qtr 2004	2 nd qtr 2003	Inc/dcr
Net Sales	\$ 406.0	254.6	60%
Operating Income	19.8	14.9	33%
Net Income	11.5	9.4	22%
EPS: Basic	\$.70	\$.58	21%
EPS: Diluted	.69	.58	19%

Segment Commentary

VEHICULAR PRODUCTS (\$ in millions)

	2 nd qtr 2004	2 nd qtr 2003
Net Sales	\$ 225.3	\$ 118.0
Operating Income	13.5	14.3

The **Vehicular Products** segment is comprised of MACSTEEL, including the recently acquired MACSTEEL Monroe operation, Piper Impact and Temroc Metals. The segment's main drivers are North American light vehicle builds and heavy duty truck builds.

"North American light vehicle builds remained at very robust levels during the quarter and MACSTEEL's operations ran close to their rated capacity. Backlogs in the third quarter remain healthy, although light vehicle inventories at the retail level are a concern. Our Vehicular Products segment also

benefited from excellent heavy duty truck production during the second quarter, which continues to outpace year ago figures by nearly 50%.

Excluding Monroe's results, MACSTEEL's shipments were up about 14% for the quarter over the year ago quarter, while operating income was down some 34% because of lower operating margins. Rapidly increasing steel scrap costs were a major issue during the second quarter as average raw material costs were up about 25% for the January to March period compared to December.

However, several favorable developments occurred late in our second quarter. MACSTEEL experienced a significant drop in raw material costs in April, down some \$45 per ton from March levels. MACSTEEL also adjusted the quarterly formula-based steel scrap surcharge, effective April 1, to more accurately reflect the higher costs we experienced in the January through March period.

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These two actions, along with productivity gains and high value added product sales, enabled us to recover some margin during April," Jean said.

"While Piper Impact continued to struggle with the reduction of base business during the quarter, we did benefit from both lower manufacturing costs and new business opportunities, which allowed us to report positive operating earnings for the quarter. Although air bag component sales fell again in the quarter, Piper continued to experience improvement in other markets. Earlier this quarter, we announced both a restructuring plan for Piper, which is now being executed, as well as our intention to sell the business," said Jean.

BUILDING PRODUCTS (\$ in millions)

	2 nd qtr 2004	2 nd qtr 2003
Net Sales	\$ 180.7	\$ 136.6
Operating Income	12.1	4.2

The **Building Products** segment is comprised of Engineered Products, including the recent acquisition of TruSeal Technologies, and Nichols Aluminum. The main drivers of the segment are residential housing starts and remodeling expenditures.

"Engineered Products, excluding TruSeal's excellent results, reported very strong sales for the quarter, in part due to the relatively mild winter season experienced by our customers, which in turn allowed for an early start to the Spring building season," said Jean. "Housing starts and remodeling activity remained higher than expected throughout the quarter and customer demand is expected to again be strong in our third quarter."

"Nichols Aluminum continues to improve with both sales and operating income up markedly from the year ago quarter. Shipments remained strong to our building and construction customers and demand in our other aluminum markets continued to pick up momentum. The Golden facility, which supplies food packaging and container products, also reported good customer activity in key market niches. Nichols has an excellent backlog of business and customer demand in the capital equipment, service center, and transportation markets continues to improve. The division successfully pushed through higher prices to help offset increases in material costs, while production efficiency gains continued to benefit the bottom line significantly," said Jean.

Outlook

Demand in the Company's two target markets, vehicular products and building products, remains strong. With an improving economy and still very favorable interest rates, Quanex expects robust business activity in its two business segments through the remainder of the fiscal year.

In the Company's Vehicular Products segment, overall business activity from now through year-end appears excellent. 2004 North American light vehicle builds are expected to remain flat to last year's 16+ million builds, and a healthy increase in heavy truck builds, now estimated to be up 35% to 40% over last year's builds, will serve to fill any gaps in the segment's robust demand outlook. Excluding Monroe's results, MACSTEEL expects to deliver significantly higher third quarter earnings compared to third quarter 2003 and second quarter 2004 results due to lower material costs and a higher April 1 steel scrap surcharge, which remains in effect until July 1.

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In the Company's Building Products segment, the market drivers remain positive and order activity remains brisk. Housing starts for 2004 are expected to moderate slightly from last year's record 1.86 million units, while remodeling expenditures, which the Company believes account for about one half of the segment's sales, are also expected to remain at healthy levels. Quanex expects its Engineered Products division to deliver excellent operating results in the third quarter. At Nichols Aluminum, London Metal Exchange ingot prices and scrap prices are expected to remain flat to down slightly for the third quarter, a positive for Nichols, while selling prices continue to improve.

Taken together, Quanex's sales and earnings outlook for the remainder of the year remains very favorable. Accordingly, for its fiscal third quarter and fiscal year 2004, the Company expects to report diluted earnings per share within a range of \$1.00 to \$1.20 and \$3.25 to \$3.75 respectively.

Other

The Company continues to account for stock options using the current transition provisions of SFAS No. 123. Accordingly, Quanex does not reflect the option expense in its income statement or diluted earnings per share. However, the Company does disclose the impact on net income and diluted earnings per share in the footnotes to its SEC financial statements. Expensing stock options in the second fiscal quarter 2004 would have reduced net income by about \$543,000 and diluted earnings per share by \$.03.

On March 31, 2004, Quanex announced its plans for restructuring Piper Impact and for the sale of the business. The Company stated that while Piper Impact continued to generate positive cash flow, it became necessary to idle one of the division's two facilities because of an ongoing drop in its traditional business. Piper's market focus is no longer aligned with Quanex's strategic direction of serving the vehicular products and building products markets, and for that reason, will be sold.

On May 11, 2004, the Company announced it sold \$125 million 2.5% convertible senior debentures. Proceeds from the sale of debentures were used to repay a portion of the amounts outstanding under its revolving credit agreement and for general corporate purposes.

Dividend Declared

The Board of Directors declared the Company's quarterly cash dividend of \$.17 per share on the Company's common stock, payable June 30, 2004 to shareholders of record on June 15, 2004.

Corporate Profile

Quanex is a \$1.4 billion industry-leading manufacturer of value-added engineered materials and components serving the Vehicular Products and Building Products markets.

Financial Statistics as of 4/30/04

Book value per common share: \$28.28; Total debt to capitalization: 32.08%; Return on invested capital: 8.31%; Return on common equity: 10.07%; Actual number of common shares outstanding: 16,438,490

Definitions

Book value per common share – calculated as total stockholders' equity as of balance sheet date divided by actual number of common shares outstanding;

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Total debt to capitalization – calculated as the sum of both the current and long term portion of debt, as of balance sheet date, divided by the sum of both the current and long term portion of debt plus total stockholders' equity as of balance sheet date;

Return on invested capital – calculated as the total of the prior 12 months net income plus prior 12 months after-tax interest expense and capitalized interest, the sum of which is divided by the trailing five quarters average total debt (current and long term) and total stockholders' equity;

Return on common equity – calculated as the prior 12 months net income, divided by the trailing five quarters average common stockholders' equity.

Statements that use the words "expect," "should," "will," "might," or similar words reflecting future expectations or beliefs are forward-looking statements. The statements found above are based on current expectations. Actual results or events may differ materially from this release. Factors that could impact future results may include, without limitation, the effect of both domestic and global economic conditions, the impact of competitive products and pricing, and the availability and cost of raw materials. For a more complete discussion of factors that may affect the Company's future performance, please refer to the Company's most recent 10-K filing (December 29, 2003) under the Securities Exchange Act of 1934, in particular the sections titled, "Private Securities Litigation Reform Act" contained therein.

For further information, visit the Company's website at www.quanex.com.

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QUANEX CORPORATION CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

Three months ended April 30,				Six months ended April 30,	
2004	2003			2004	2003
\$ 405,993	\$ 254,610	Net sales		\$ 687,149	\$ 484,119
354,222	213,773	Cost of sales		599,308	407,898
17,578	14,340	Selling, general and administrative expense		30,686	27,595
14,419	12,027	Depreciation and amortization		27,149	24,041
—	(405)	Gain on sale of land		(454)	(405)
19,774	14,875	Operating income		30,460	24,990
(1,831)	(674)	Interest expense		(2,756)	(1,724)
382	431	Other, net		822	1,965
18,325	14,632	Income before income taxes		28,526	25,231
(6,781)	(5,267)	Income tax expense		(10,555)	(9,083)
\$ 11,544	\$ 9,365	Net income		\$ 17,971	\$ 16,148
Weighted average common shares outstanding:					
16,423	16,064	Basic		16,370	16,238
16,690	16,286	Diluted		16,639	16,470
Earnings per common share:					
\$ 0.70	\$ 0.58	Basic		\$ 1.10	\$ 0.99

\$	0.69	\$	0.58	Diluted	\$	1.08	\$	0.98
\$	0.17	\$	0.17	Cash dividends per share	\$	0.34	\$	0.34

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QUANEX CORPORATION
INDUSTRY SEGMENT INFORMATION

(In thousands)

(Unaudited)

Three months ended April 30,			Six months ended April 30,					
2004	2003		2004	2003				
Net sales:								
\$	225,254	\$	118,018	Vehicular Products	\$	366,233	\$	226,950
	180,739		136,592	Building Products		320,916		257,169
\$	405,993	\$	254,610	Net sales	\$	687,149	\$	484,119
Operating income:								
\$	13,506	\$	14,336	Vehicular Products	\$	22,186	\$	24,223
	12,071		4,218	Building Products		17,582		8,385
	(5,803)		(3,679)	Corporate and Other		(9,308)		(7,618)
\$	19,774	\$	14,875	Operating Income	\$	30,460	\$	24,990

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QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

April 30,		October 31,						
2004	2003	2003	2002					
Assets								
\$	5,290	\$	806	Cash and equivalents	\$	22,108	\$	18,283
	195,813		125,917	Accounts and notes receivable, net		123,185		116,122
	139,683		105,991	Inventories		79,322		90,756
	13,791		12,398	Other current assets		8,116		10,640
	354,577		245,112	Total current assets		232,731		235,801
	398,573		343,980	Property, plant and equipment, net		335,904		353,132
	137,756		66,436	Goodwill, net		66,436		66,436
	28,718		2,813	Intangibles, net		2,755		2,870
	30,990		32,113	Other assets		28,037		30,901
\$	950,614	\$	690,454	Total assets	\$	665,863	\$	689,140
Liabilities and stockholders' equity								
\$	143,226	\$	83,763	Accounts payable	\$	89,435	\$	76,588
	46,460		38,800	Accrued liabilities		39,209		48,973
	6,400		1,311	Income taxes payable		7,381		4,839
	16		1,375	Other current liabilities		46		3,970
	3,751		424	Current portion of long-term debt		3,877		434
	199,853		125,673	Total current liabilities		139,948		134,804
	215,817		81,694	Long-term debt		15,893		75,131
	2,299		7,048	Deferred pension credits		8,323		4,960
	7,782		8,182	Deferred postretirement welfare benefits		7,845		7,928
	44,005		33,064	Deferred income taxes		34,895		29,210
	15,938		13,997	Other liabilities		13,800		15,712
	485,694		269,658	Total liabilities		220,704		267,745
	464,920		420,796	Total stockholders' equity		445,159		421,395
\$	950,614	\$	690,454	Total liabilities and stockholders' equity	\$	665,863	\$	689,140

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QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands)

(Unaudited)

Three months ended April 30,			Six months ended April 30,					
2004	2003		2004	2003				
		Operating activities:						
\$	11,544	\$	9,365	Net income	\$	17,971	\$	16,148
		Adjustments to reconcile net income to cash provided by operating activities:						
	—	(405)		Gain on sale of land	(454)		(405)	
	14,564	12,114		Depreciation and amortization	27,402		24,221	
	3,059	2,601		Deferred income taxes	4,560		3,855	
	1,312	4,902		Deferred pension and postretirement benefits	(6,087)		2,342	
	30,479	28,577			43,392		46,161	
		Changes in assets and liabilities, net of effects from acquisitions and dispositions:						
	(47,802)	(22,207)		Increase in accounts and notes receivable	(49,592)		(9,795)	
	(14,263)	(5,194)		Increase in inventory	(20,679)		(15,235)	
	25,500	4,544		Increase in accounts payable	31,870		7,175	
	(1,180)	(712)		Increase (Decrease) in accrued liabilities	1,200		(10,173)	
	(640)	(5,869)		Decrease in income taxes payable	(1,127)		(3,528)	
	2,309	(1,315)		Other, net	231		(4,791)	
	(5,597)	(2,176)		Cash provided by (used for) operating activities	5,295		9,814	
		Investment activities:						
	17,340	—		Acquisitions, net of cash acquired	(214,573)		—	
	—	2,832		Proceeds from sale of land	637		2,832	
	(4,099)	(6,292)		Capital expenditures, net of retirements	(8,265)		(14,812)	
	44	(1,857)		Other, net	(558)		(3,004)	
	13,285	(5,317)		Cash provided by (used for) investment activities	(222,759)		(14,984)	
		Financing activities:						
	(10,000)	11,700		Bank revolver and note repayments, net	200,000		6,700	
	—	(6,804)		Purchases of Quanex common stock	—		(13,515)	
	(2,802)	(2,741)		Common dividends paid	(5,591)		(5,379)	
	508	764		Issuance of common stock, net	7,223		1,574	
	(302)	(45)		Other, net	(1,011)		(1,687)	
	(12,596)	2,874		Cash provided by (used for) financing activities	200,621		(12,307)	
	16			Effect of exchange rate changes on cash and equivalents	25			
	(4,892)	(4,619)		Decrease in cash	(16,818)		(17,477)	
	10,182	5,425		Beginning of period cash and equivalents	22,108		18,283	
\$	5,290	\$	806	End of period cash and equivalents	\$	5,290	\$	806