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**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): **MAY 29, 2003**

**QUANEX CORPORATION**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction  
of incorporation)

**1-5725**  
(Commission File No.)

**38-1872178**  
(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**

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Item 7. Financial Statements, ProForma Financial Information and Exhibits.

- (a) Financial statements of businesses acquired.

Not applicable.

- (b) Pro forma financial information.

Not applicable.

- (c) Exhibits

99.1 Press Release dated May 29, 2003, announcing second quarter 2003 results.

Item 9. Regulation FD Disclosure.

The following information, which is intended to be furnished under Item 12 "Results of Operations and Financial Condition," is being furnished under this Item 9 in accordance with SEC Release No. 34-47583. 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 May 29, 2003, Quanex Corporation issued a press release ("the Press Release") reporting its earnings results for the second quarter ended April 30, 2003. 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: May 29, 2003

By: /s/ Terry M. Murphy  
Terry M. Murphy  
Vice President – Finance and Chief  
Financial Officer

INDEX TO EXHIBITS

| <b>Item<br/>Number</b> | <b>Exhibit</b>  |
|------------------------|---|
| 99.1                   | Press Release dated May 29, 2003, announcing second quarter 2003 results. |



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

**Quanex Announces Fiscal Second Quarter 2003 Results**  
**Best-Ever Second Quarter Sales From Continuing Operations**  
**Company Buys Back 221,100 Common Shares**

Houston, Texas, May 29, 2003 – Quanex Corporation (NYSE:NX) announced fiscal second quarter results for the period ending April 30, 2003. Net sales were a record for the quarter at \$254.6 million, 2% higher than a year ago and primarily attributable to slightly higher volumes and moderate price increases at MACSTEEL and Nichols Aluminum. Income from continuing operations was down 12% to \$9.4 million compared to last year's record second quarter and resulted from decreased margins and profits in Quanex's non-core businesses. The Company commented that MACSTEEL reported good results for the quarter, but that demand was much softer than expected at its Engineered Products business due to a harsh winter season, which slowed its customers' activities in key market regions. Diluted earnings per share for the quarter were \$.58. Income from continuing operations for the first six months of 2003 was \$16.1 million, equal to the record set a year ago.

Net sales for the fiscal 2002 second quarter were \$249.5 million. Net income and diluted earnings per share a year ago were \$10.6 million and \$.70, respectively.

**Highlights**

Regarding the Company's results, Raymond A. Jean, chairman and chief executive officer stated, "Second quarter results fell short of our expectations, and while we had a good quarter at MACSTEEL, severe winter weather in the Northeast and Midwest slowed construction activity and significantly impacted our door and window customers. Normally, we are ramping up our Engineered Products business early in the second quarter, but this year the spring thaw came much later and stronger order rates did not kick-in until recently."

"During the quarter, we also experienced production and quality problems at our Nichols Aluminum Alabama facility associated with the upgrade of our coating system, where painted coil was produced and shipped that did not fully meet our high quality standards," continued Jean. "Fortunately, production issues were resolved during the second quarter, painted coil demand is good and we expect painted sales for the third quarter at Alabama to exceed year ago levels."

"During the quarter, we purchased 221,100 shares of our outstanding common stock. With our positive long term outlook for our core businesses, look for us to continue buying back shares at today's prices," said Jean.

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

|                  | 2nd qtr 2003 | 2nd qtr 2002 |
|------------------|--------------|--------------|
| Net Sales        | \$ 254.6     | \$ 249.5     |
| Operating Income | 14.9         | 20.0         |
| Net Income       | 9.4          | 10.6         |
| EPS: Basic       | \$ .58       | \$ .77       |
| EPS: Diluted     | \$ .58       | \$ .70       |

**Segment Commentary**

**VEHICULAR PRODUCTS** (\$ in millions)

|                   | 2nd qtr 2003 | 2nd qtr 2002 |
|-------------------|--------------|--------------|
| Net sales:        | \$ 118.0     | \$ 117.6     |
| Operating income: | 14.3         | 16.4         |

The Vehicular Products segment includes MACSTEEL, Piper Impact and Temroc Metals. The segment's main driver is North American light vehicle builds.

"Despite the fact that North American builds were down 4% for the fiscal second quarter versus a year ago, MACSTEEL experienced a good quarter with higher sales and operating income, clearly outperforming their market. Both sales and income were up over last year while operating margins remained the same. Solid operating performance, a richer mix and some price relief enabled MACSTEEL to overcome significant year-over-year scrap and energy cost increases. Toward the end of the second quarter, MACSTEEL's backlog dropped and we entered the third quarter with softer releases compared to last quarter and a year ago, consistent with reductions in the OEMs' recent build rates. Nevertheless, Phase VI, our value-added MACPLUS program, is essentially sold out and management is exploring opportunities to incrementally increase capacity," Jean said.

"Offsetting MACSTEEL's earnings improvement, were operating losses at both Piper Impact and Temroc. Piper results were negatively affected from the demand erosion of its aluminum airbag components. The business, while posting a loss for the quarter, did report improved results over the prior two quarters, even with lower sales. Piper has made good progress in lowering the breakeven point over the last 12 months. While sales will be down significantly from 2002, Piper is on track to add about \$10 million of new programs on an annualized basis. We also look forward to other programs now in the pipeline to begin kicking in later this year," said Jean.

**BUILDING PRODUCTS** (\$ in millions)

|                   | 2nd qtr 2003 | 2nd qtr 2002 |
|-------------------|--------------|--------------|
| Net sales:        | \$ 136.6     | \$ 131.9     |
| Operating income: | 4.2          | 7.6          |

The Building Products segment includes Engineered Products and Nichols Aluminum. The main drivers of the segment are residential housing starts and remodeling expenditures.

“Engineered Products results for the quarter were well below our expectations. Many of our larger door and window customers have strong positions in the Midwest and Northeast markets which were severely impacted by a long, wet and cold winter season. Our customers simply couldn’t get any traction during this period, and in fact, business conditions remained slow until recently,” said Jean.

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“Nichols Aluminum results for the quarter had the benefit of strong volume, higher selling prices and improved spread versus a year ago, which was more than offset by the poor operating performance at the Alabama (NAA) finishing facility, which in turn negatively impacted margins for the Building Products segment. A capital project of about \$2 million was approved last year to allow NAA to ramp up the capacity of its existing paint line. However, due to a number of unexpected problems, low quality painted coil was produced and shipped. During the second quarter, management changes were made, quality was restored, and we are currently working closely with customers sorting out remaining issues. We do not expect these production issues at NAA to impact third quarter results in a material way,” continued Jean.

### **Outlook**

The Company’s two target markets are vehicular products and building products. North American light vehicle builds year-to-date are below year-ago levels, and the OEMs’ calendar second quarter build rates are now projected to be 10% below last year. As a result, for the third quarter, the Company expects MACSTEEL to report slightly lower results compared to a year ago. Share gains, higher prices and scrap surcharges will be a plus in the third quarter compared to last year, but will be offset by lower volume and higher scrap costs. Demand is projected to rebound slightly later in the quarter.

Within the Building Products segment, the Company now expects Nichols to post flat sales and lower operating earnings for the third quarter. Rising scrap prices, with little change in mill finish selling prices, will negatively impact their results. Business activity at Engineered Products has returned to the healthy levels expected for this time of year and management anticipates third quarter results to be in line with a year ago. New housing starts for 2003 are expected to be down about 5% from last year while remodeling expenditures are expected to be in line with 2002.

Because of the current uncertainty in the economy, near term results cannot be easily forecasted. At this point, it is difficult to predict what North American light vehicle build rates will be for the remainder of 2003. In addition, the Company also experienced further tightening in spread due to tight scrap supplies, particularly for its aluminum scrap. Based on the factors discussed above, a broader earnings range is prudent. Therefore, the Company now expects its third quarter diluted earnings per share to be in the range of \$.65 to \$.80. For fiscal 2003, the Company now expects diluted earnings per share to be in the range of \$2.65 to \$2.90.

### **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 financial statements. Expensing stock options would have reduced net income by about \$378,000 and \$325,000 for the second quarter of 2003 and 2002 respectively, and would have reduced diluted earnings per share by \$.02 for both periods.

In December, 2002, the Company’s Board of Directors approved a program to purchase up to one million shares (6%) of its outstanding common stock. During the second quarter, the Company purchased 221,100 shares at an average price of \$30.72, and year-to-date, the Company has purchased 438,600 shares at an average price of \$30.76.

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### **Dividend Declared**

The Board of Directors declared a quarterly cash dividend of \$.17 per share on the Company’s common stock, payable June 30, 2003 to shareholders of record on June 16, 2003.

### **Corporate Profile**

Quanex is an industry-leading manufacturer of engineered materials and components for the vehicular products and building products markets.

### **Financial Statistics as of 04/30/03**

Book value per common share: \$26.25; Total debt to capitalization: 16.33%; Return on invested capital: 12.25%; Return on common equity: 14.01%; Actual number of common shares outstanding: 16,031,494

### **Definitions**

**Book value per common share** – calculated as total stockholders’ equity as of balance sheet date divided by actual number of common shares outstanding;  
**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 5 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 5 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 and below 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 20, 2002) under the Securities Exchange Act of 1934, in particular the sections titled, “Private Securities Litigation Reform Act” contained therein.*

**QUANEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

(Unaudited)

| Three months ended<br>April 30,                    |            |   | Six months ended<br>April 30, |            |
|--|------------|---|-------------------------------|------------|
| 2003   | 2002       |   | 2003                          | 2002       |
| \$ 254,610   | \$ 249,500 | <b>Net sales</b>                            | \$ 484,119                    | \$ 453,743 |
| 213,368  | 204,371    | Cost of sales                               | 407,493                       | 375,413    |
| 14,340   | 13,697     | Selling, general and administrative expense | 27,595                        | 25,861     |
| 12,027   | 11,399     | Depreciation and amortization               | 24,041                        | 22,592     |
| 14,875   | 20,033     | <b>Operating income</b>                     | 24,990                        | 29,877     |
| (596)  | (4,668)    | Interest expense                            | (1,571)                       | (8,109)    |
| —  | 803        | Capitalized interest                        | —                             | 1,533      |
| 353  | 446        | Other, net                                  | 1,812                         | 1,844      |
| 14,632   | 16,614     | <b>Income before income taxes</b>           | 25,231                        | 25,145     |
| (5,267)  | (5,982)    | Income tax expense                          | (9,083)                       | (9,053)    |
| \$ 9,365   | \$ 10,632  | <b>Net income</b>                           | \$ 16,148                     | \$ 16,092  |
| <b>Weighted average common shares outstanding:</b> |            |   |                               |            |
| 16,064   | 13,881     | Basic                                       | 16,238                        | 13,665     |
| 16,286   | 16,107     | Diluted                                     | 16,470                        | 15,848     |
| <b>Earnings per common share:</b>                  |            |   |                               |            |
| \$ 0.58  | \$ 0.77    | <b>Basic</b>                                | \$ 0.99                       | \$ 1.18    |
| \$ 0.58  | \$ 0.70    | <b>Diluted</b>                              | \$ 0.98                       | \$ 1.10    |
| \$ 0.17  | \$ 0.16    | <b>Cash dividends per share</b>             | \$ 0.34                       | \$ 0.32    |

**QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION**

(In thousands)

(Unaudited)

| Three months ended<br>April 30, |            |                                | Six months ended<br>April 30, |            |
|---------------------------------|------------|--------------------------------|-------------------------------|------------|
| 2003                            | 2002       |                                | 2003                          | 2002       |
| <b>Vehicular Products:</b>      |            |                                |                               |            |
| \$ 118,018                      | \$ 117,640 | Net sales                      | \$ 226,950                    | \$ 220,073 |
| \$ 14,336                       | \$ 16,356  | Operating income               | \$ 24,223                     | \$ 27,098  |
| <b>Building Products:</b>       |            |                                |                               |            |
| \$ 136,592                      | \$ 131,860 | Net sales                      | \$ 257,169                    | \$ 233,670 |
| \$ 4,218                        | \$ 7,643   | Operating income               | \$ 8,385                      | \$ 10,017  |
| <b>Corporate and Other:</b>     |            |                                |                               |            |
| \$ —                            | \$ —       | Intercompany sales elimination | \$ —                          | \$ —       |
| \$ (3,679)                      | \$ (3,966) | Corporate charges              | \$ (7,618)                    | \$ (7,238) |

**Total:**

|    |         |    |         |                  |    |         |    |         |
|----|---------|----|---------|------------------|----|---------|----|---------|
| \$ | 254,610 | \$ | 249,500 | Net sales        | \$ | 484,119 | \$ | 453,743 |
| \$ | 14,875  | \$ | 20,033  | Operating income | \$ | 24,990  | \$ | 29,877  |

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**QUANEX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands)

(Unaudited)

| April 30,                                   |         | October 31, |         |   |    |         |    |         |
|---|---------|-------------|---------|---|----|---------|----|---------|
| 2003  | 2002    | 2002        | 2001    |   |    |         |    |         |
| <b>Assets</b>                               |         |             |         |   |    |         |    |         |
| \$  | 806     | \$          | 3,898   | Cash and equivalents                              | \$ | 18,283  | \$ | 29,573  |
|   | 125,917 |             | 113,290 | Accounts and notes receivable, net                |    | 116,122 |    | 109,706 |
|   | 105,991 |             | 87,394  | Inventories                                       |    | 90,756  |    | 83,109  |
|   | 12,398  |             | 14,636  | Other current assets                              |    | 10,640  |    | 14,490  |
|   | 245,112 |             | 219,218 | <b>Total current assets</b>                       |    | 235,801 |    | 236,878 |
|   | 343,980 |             | 360,019 | Property, plant and equipment, net                |    | 353,132 |    | 357,635 |
|   | 66,436  |             | 66,726  | Goodwill, net                                     |    | 66,436  |    | 59,226  |
|   | 34,926  |             | 47,228  | Other assets                                      |    | 33,771  |    | 43,892  |
| \$  | 690,454 | \$          | 693,191 | <b>Total assets</b>                               | \$ | 689,140 | \$ | 697,631 |
| <b>Liabilities and stockholders' equity</b> |         |             |         |   |    |         |    |         |
| \$  | 83,763  | \$          | 87,051  | Accounts payable                                  | \$ | 76,588  | \$ | 76,831  |
|   | 38,800  |             | 49,735  | Accrued expenses                                  |    | 48,973  |    | 50,659  |
|   | 1,311   |             | 2,686   | Income taxes payable                              |    | 4,839   |    | 1,087   |
|   | 1,375   |             | 4,035   | Other current liabilities                         |    | 3,970   |    | 5,593   |
|   | 424     |             | 434     | Current portion of long-term debt                 |    | 434     |    | 420     |
|   | 125,673 |             | 143,941 | <b>Total current liabilities</b>                  |    | 134,804 |    | 134,590 |
|   | 81,694  |             | 171,037 | Long-term debt                                    |    | 75,131  |    | 219,608 |
|   | 7,048   |             | 6,434   | Deferred pension credits                          |    | 4,960   |    | 7,962   |
|   | 8,182   |             | 7,811   | Deferred postretirement welfare benefits          |    | 7,928   |    | 7,777   |
|   | 33,064  |             | 31,761  | Deferred income taxes                             |    | 29,210  |    | 29,282  |
|   | 13,997  |             | 17,277  | Other liabilities                                 |    | 15,712  |    | 18,435  |
|   | 269,658 |             | 378,261 | <b>Total liabilities</b>                          |    | 267,745 |    | 417,654 |
|   | 420,796 |             | 314,930 | <b>Total stockholders' equity</b>                 |    | 421,395 |    | 279,977 |
| \$  | 690,454 | \$          | 693,191 | <b>Total liabilities and stockholders' equity</b> | \$ | 689,140 | \$ | 697,631 |

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**QUANEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

(In thousands)

(Unaudited)

| Three months ended<br>April 30, |           | Six months ended<br>April 30, |           |
|---------------------------------|-----------|-------------------------------|-----------|
| 2003                            | 2002      | 2003                          | 2002      |
| <b>Operating activities:</b>    |           |                               |           |
| \$ 9,365                        | \$ 10,632 | \$ 16,148                     | \$ 16,092 |
| (405)                           | —         | (405)                         | —         |
| 12,114                          | 11,486    | 24,221                        | 22,765    |
| 2,601                           | 1,071     | 3,855                         | 2,480     |
| 4,902                           | 59        | 2,342                         | (1,494)   |
| 28,577                          | 23,248    | 46,161                        | 39,843    |
| (22,207)                        | (20,414)  | (9,795)                       | (1,715)   |
| (5,194)                         | 564       | (15,235)                      | (1,887)   |
| 4,544                           | 21,411    | 7,175                         | 9,556     |
| (712)                           | 5,139     | (10,173)                      | (1,922)   |
| (5,869)                         | 161       | (3,528)                       | 1,599     |
| (1,315)                         | 2,473     | (4,791)                       | (424)     |
| (2,176)                         | 32,582    | 9,814                         | 45,050    |
| <b>Investment activities:</b>   |           |                               |           |
| —                               | (17,365)  | —                             | (17,365)  |
| 2,832                           | —         | 2,832                         | —         |
| (6,292)                         | (8,819)   | (14,812)                      | (20,109)  |
| (1,857)                         | (171)     | (3,004)                       | (646)     |
| (5,317)                         | (26,355)  | (14,984)                      | (38,120)  |
| <b>Financing activities:</b>    |           |                               |           |
| 11,700                          | (35,000)  | 6,700                         | (40,000)  |
| —                               | (7,029)   | —                             | (7,029)   |
| (6,804)                         | —         | (13,515)                      | —         |
| (2,741)                         | (2,253)   | (5,379)                       | (4,412)   |
| 764                             | 18,093    | 1,574                         | 20,453    |
| (45)                            | (1,318)   | (1,687)                       | (1,617)   |
| 2,874                           | (27,507)  | (12,307)                      | (32,605)  |
| (4,619)                         | (21,280)  | (17,477)                      | (25,675)  |
| 5,425                           | 25,178    | 18,283                        | 29,573    |
| \$ 806                          | \$ 3,898  | \$ 806                        | \$ 3,898  |