

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**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 1, 2006**

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**QUANEX CORPORATION**

(Exact name of registrant as specified in its charter)

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

**1-5725**  
(Commission File Number)

**38-1872178**  
(IRS Employer Identification No.)

**1900 West Loop South, Suite 1500, Houston, Texas**  
(Address of principal executive offices)

**77027**  
(Zip Code)

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

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02 Results of Operations and Financial Condition**

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 1, 2006, Quanex Corporation issued a press release (the "Earnings Press Release") reporting its earnings results for the second quarter of 2006. The foregoing is qualified by reference to the Earnings Press Release which is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

Exhibit 99.1. Press release dated June 1, 2006

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**SIGNATURE**

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**

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(Registrant)

June 1, 2006

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/s/ KEVIN P. DELANEY

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(Date)

Kevin P. Delaney  
*Senior Vice President - General Counsel and Secretary*

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## **Exhibit Index**

99.1 Press release dated June 1, 2006

## Quanex Fiscal Second Quarter 2006 Results

### Building Products Segment Posts Record 2nd Quarter Net Sales and Operating Income

#### Order Backlog Continues to Build

HOUSTON, June 1, 2006 (PRIMEZONE) -- Quanex Corporation (NYSE:NX) today reported fiscal second quarter results for the period ending April 30, 2006. Net sales were \$507.2 million compared to \$528.0 million a year ago, and income from continuing operations was \$68.8 million versus \$86.5 million in the year ago period. Diluted earnings per share from continuing operations were \$1.07 compared to \$1.31 in the second quarter last year. Diluted earnings per share were \$1.07 versus \$1.29 in the year ago quarter. The latest 12 month return on invested capital was 19.1% compared to 16.6% a year ago.

#### Second Quarter Highlights

- Net sales at the Building Products segment were a second quarter record \$261.8 million compared to \$244.3 million in the year ago quarter; net sales at the Vehicular Products segment were \$245.4 million versus \$283.7 million a year ago.
- Building Products operating income was a second quarter record \$35.1 million compared to \$31.3 million in the year ago quarter; Vehicular Products operating income was \$40.4 million versus \$61.5 million a year ago.
- Order backlogs in the quarter were up 22% and 31% for MACSTEEL and Nichols Aluminum, respectively, compared to the first quarter.
- Cash provided by operating activities and capital expenditures for the first half of 2006 were \$67.5 million and \$42.9 million, respectively, compared to \$72.9 million and \$21.9 million, respectively, in the same period last year.
- Total debt less cash (net debt) to capitalization was 8.4% compared to 27.7% a year ago.
- Stock option expenses were \$0.02 per diluted share for the quarter.

#### Selected Financial Information

##### Second Quarter Financials

(\$ in millions, except per share data)

|                                            | 2nd qtr<br>2006 | 2nd qtr<br>2005 | inc/(dcr) |
|--------------------------------------------|-----------------|-----------------|-----------|
|                                            | -----           | -----           | -----     |
| Net Sales                                  | \$507.2         | \$528.0         | ( 4%)     |
| Operating Income                           | 68.8            | 86.5            | (20%)     |
| Income from Continuing Ops.                | 42.8            | 51.7            | (17%)     |
| EPS: Basic Earnings from Continuing Ops.   | \$1.14          | \$1.37          | (17%)     |
| EPS: Diluted Earnings from Continuing Ops. | \$1.07          | \$1.31          | (18%)     |
| EPS: Diluted Earnings                      | \$1.07          | \$1.29          | (17%)     |

#### Segment Commentary

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

|                  | 2nd qtr<br>2006 | 2nd qtr<br>2005 | inc/(dcr) |
|------------------|-----------------|-----------------|-----------|
|                  | -----           | -----           | -----     |
| Net Sales        | \$245.4         | \$283.7         | (13%)     |
| Operating Income | \$ 40.4         | \$ 61.5         | (34%)     |

The Vehicular Products segment is focused on providing customers with engineered steel bar products and value added services. Key market drivers are light vehicle builds (approx. 65% of segment sales) and heavy duty truck builds (approx. 15% of segment sales).

"Segment demand improved markedly through the quarter and, consequently, our steel bar tons shipped came within 1% of year ago shipments, a period in which the segment had been in an oversold position," said Raymond A. Jean, Chairman and Chief Executive Officer. "North American light vehicle builds in our second quarter were off about 1% compared to the second quarter 2005. Operating income was down from last year's difficult benchmark due to very high raw material surcharges at the time, but our margins this quarter were still very strong at some 16.5%. Our second quarter backlog increased 22% over the first quarter, indicating lower inventory levels in the supply chain, the ramp-up of new programs, and further strengthening in our secondary markets," said Jean.

BUILDING PRODUCTS (\$ in millions)

|                  | 2nd qtr<br>2006 | 2nd qtr<br>2005 | inc/(dcr) |
|------------------|-----------------|-----------------|-----------|
|                  | -----           | -----           | -----     |
| Net Sales        | \$261.8         | \$244.3         | 7%        |
| Operating Income | \$ 35.1         | \$ 31.3         | 12%       |

The Building Products segment is focused on providing window and door OEM customers with engineered products and components, and is also a leading provider of common alloy aluminum sheet. Key market drivers are housing starts (approx. 50% of segment sales) and remodeling activity (approx. 50% of segment sales).

"New home construction and remodeling activity was seasonally strong during the quarter, with annualized housing starts of approximately two million. Customer demand at our engineered window and door components business was excellent in the quarter and we continue to build momentum. Aluminum sheet shipments at Nichols Aluminum were off 6% compared to the year ago quarter, a period when we had many of our customers on allocation. The backlog continued to improve throughout the quarter. Net sales at Nichols were \$139.5 million and our spread per pound improved 11% compared to a year ago, the result of higher selling prices and relatively low scrap costs," said Jean.

Outlook

Overall demand in the second half of 2006 is expected to be up appreciably compared to the second half of 2005, supported by a healthy economy, historically low interest rates and new programs at both operating segments.

In the Vehicular Products segment, business activity is expected to continue to improve, with second half 2006 steel bar ton shipments now expected to be much stronger than the second half of 2005, based on the strength of new powertrain related programs. Light vehicle builds are expected to remain on a 15.5 million annualized units pace while heavy truck production should remain robust at some 360,000 annualized builds as manufacturers attempt to sell ahead of 2007 EPA mandated diesel engine emission requirements. Steel scrap costs have experienced a modest upward swing recently, but the scrap surcharge mechanism will continue to maintain margin rates over time.

In the Building Products segment, housing starts in the second half of 2006 are expected to slow modestly from this time last year, while remodeling and replacement activities are expected to remain strong. At the segment's engineered window and door components business, overall order activity is excellent. Through a combination of organic growth and recent acquisitions, the 2006 revenue growth in the window and door components business is expected to be some 15% over 2005. At the segment's Nichols Aluminum sheet business, demand continues to rebound and the business now expects second half 2006 aluminum sheet shipments to be much stronger than second half 2005 shipments. With London Metal Exchange (LME) aluminum ingot prices at high levels and aluminum scrap cost increases expected to remain relatively more modest, Nichols expects to continue experiencing strong material spreads in the second half of 2006.

Cash provided by operating activities is expected to be stronger in the second half of 2006 on rising earnings compared to the first half of the year. Taken together, the 2006 sales and earnings outlook for Quanex is very favorable. Accordingly, for its third quarter and full year, Quanex expects to report diluted earnings per share from continuing operations within a range of \$1.10 to \$1.16 and \$4.00 to \$4.20, respectively.

Note that the substantial rise in LME aluminum ingot prices associated with the Nichols Aluminum business could require Quanex to book a non-cash LIFO charge for 2006.

Other

On January 26, 2005, the Company irrevocably elected, pursuant to the indenture governing its 2.50% convertible senior debentures due 2034, to settle the principal amount of the debentures in cash while the premium amount of the debentures may be settled in any combination of cash and common stock when they become convertible and are surrendered by the holders thereof. Allowing for this election and using an average stock closing price of \$42.82 for its second quarter, the Company's diluted earnings per share from continuing operations were reduced by \$0.04.

Dividend Declared

The Board of Directors declared the Company's quarterly cash dividend of \$0.12 per share on the common stock, payable June 30, 2006, to shareholders of record on June 15, 2006.

## Corporate Profile

Quanex Corporation is an industry-leading manufacturer of value-added, engineered materials and components serving the vehicular products and building products markets.

### Financial Statistics as of 01/31/06

Book value per common share: \$18.94; Total debt to capitalization: 15.7%; Return on invested capital: 19.1%; Return on common equity: 23.3%; Actual number of common shares outstanding: 37,999,276.

### 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 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.

The Quanex Corporation logo is available at <http://www.primezone.com/newsroom/prs/?pkgid=1117>

Statements that use the words "expect," "should," "believe," "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 21, 2005) under the Securities Exchange Act of 1934, in particular the section titled "Private Securities Litigation Reform Act" contained therein.

For additional information, visit the Company's website at [www.quanex.com](http://www.quanex.com).

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, |           |
|---------------------------------|-----------|--------------------------------------------------------------|-------------------------------|-----------|
| 2006                            | 2005      |                                                              | 2006                          | 2005      |
| \$507,236                       | \$527,976 | Net sales                                                    | \$951,805                     | \$993,178 |
| 396,541                         | 400,570   | Cost of sales                                                | 748,625                       | 768,574   |
|                                 |           | Selling, general<br>and administrative<br>expense            | 44,813                        | 46,931    |
| 23,940                          | 24,121    | Depreciation and<br>amortization                             | 35,298                        | 31,767    |
| 17,910                          | 16,824    |                                                              |                               |           |
| 68,845                          | 86,461    | Operating income                                             | 123,069                       | 145,906   |
| (1,215)                         | (2,943)   | Interest expense                                             | (2,455)                       | (5,295)   |
| 356                             | 578       | Other, net                                                   | 467                           | (1,339)   |
|                                 |           |                                                              |                               |           |
| 67,986                          | 84,096    | Income from continuing<br>operations before taxes            | 121,081                       | 139,272   |
| (25,155)                        | (32,379)  | Income tax expense                                           | (44,800)                      | (53,624)  |
|                                 |           |                                                              |                               |           |
| 42,831                          | 51,717    | Income from continuing<br>operations                         | 76,281                        | 85,648    |
|                                 |           | Gain (loss) from<br>discontinued operations,<br>net of taxes | (406)                         | (6,428)   |
| 19                              | (732)     |                                                              |                               |           |
| \$ 42,850                       | \$ 50,985 | Net income                                                   | \$ 75,875                     | \$ 79,220 |
| =====                           | =====     |                                                              | =====                         | =====     |
|                                 |           | Basic earnings per<br>common share:                          |                               |           |
|                                 |           | Earnings from continuing                                     |                               |           |

|           |           |                                             |           |           |
|-----------|-----------|---------------------------------------------|-----------|-----------|
| \$ 1.14   | \$ 1.37   | operations                                  | \$ 2.02   | \$ 2.28   |
| \$ --     | \$ (0.02) | Gain (loss) from discontinued operations    | \$ (0.01) | \$ (0.17) |
| \$ 1.14   | \$ 1.35   | Basic earnings per share                    | \$ 2.01   | \$ 2.11   |
|           |           | Diluted earnings per common share:          |           |           |
| \$ 1.07   | \$ 1.31   | Earnings from continuing operations         | \$ 1.93   | \$ 2.20   |
| \$ --     | \$ (0.02) | Gain (loss) from discontinued operations    | \$ (0.01) | \$ (0.16) |
| \$ 1.07   | \$ 1.29   | Diluted earnings per share                  | \$ 1.92   | \$ 2.04   |
|           |           | Weighted average common shares outstanding: |           |           |
| 37,677    | 37,767    | Basic                                       | 37,677    | 37,620    |
| 40,327    | 39,936    | Diluted                                     | 40,131    | 39,353    |
| \$ 0.1200 | \$ 0.0900 | Cash dividends per share                    | \$ 0.2233 | \$ 0.1800 |

QUANEX CORPORATION  
INDUSTRY SEGMENT INFORMATION  
(In thousands)  
(Unaudited)

| Three months ended<br>April 30, |           |                     | Six months ended<br>April 30, |           |
|---------------------------------|-----------|---------------------|-------------------------------|-----------|
| 2006                            | 2005      |                     | 2006                          | 2005      |
|                                 |           | Net sales:          |                               |           |
| \$245,397                       | \$283,666 | Vehicular Products  | \$464,170                     | \$553,256 |
| 261,839                         | 244,310   | Building Products   | 487,635                       | 439,922   |
| \$507,236                       | \$527,976 | Net sales           | \$951,805                     | \$993,178 |
|                                 |           | Operating income:   |                               |           |
| \$ 40,422                       | \$ 61,459 | Vehicular Products  | \$ 73,671                     | \$106,011 |
| 35,066                          | 31,322    | Building Products   | 61,772                        | 53,464    |
| (6,643)                         | (6,320)   | Corporate and Other | (12,374)                      | (13,569)  |
| \$ 68,845                       | \$ 86,461 | Operating Income    | \$123,069                     | \$145,906 |

QUANEX CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)  
(Unaudited)

| April 30,<br>2006 |                                              | October 31,<br>2005 |
|-------------------|----------------------------------------------|---------------------|
|                   | Assets                                       |                     |
| \$ 62,306         | Cash and equivalents                         | \$ 49,681           |
| 194,590           | Accounts and notes receivable, net           | 152,072             |
| 155,911           | Inventories                                  | 133,003             |
| 11,468            | Deferred income taxes                        | 12,864              |
| 7,455             | Other current assets                         | 4,669               |
| --                | Current assets of discontinued operations    | 5,504               |
| 431,730           | Total current assets                         | 357,793             |
| 1,012,125         | Property, plant and equipment                | 969,962             |
| (577,125)         | Less accumulated depreciation                | (546,020)           |
| 435,000           | Property, plant and equipment, net           | 423,942             |
| 196,351           | Goodwill                                     | 196,341             |
| 24,129            | Cash surrender value insurance policies, net | 24,927              |
| 78,822            | Intangible assets, net                       | 82,360              |
| 8,509             | Other assets                                 | 9,002               |
| --                | Assets of discontinued operations            | 5,846               |
| \$1,174,541       | Total assets                                 | \$1,100,211         |
|                   | Liabilities and stockholders' equity         |                     |

|             |                                                |             |
|-------------|------------------------------------------------|-------------|
| \$ 162,821  | Accounts payable                               | \$ 129,152  |
| 61,944      | Accrued liabilities                            | 73,616      |
| 12,890      | Income taxes payable                           | 14,465      |
| 2,734       | Current maturities of long-term debt           | 2,459       |
| --          | Current liabilities of discontinued operations | 4,208       |
| -----       | -----                                          | -----       |
| 240,389     | Total current liabilities                      | 223,900     |
| 130,880     | Long-term debt                                 | 133,462     |
| 8,861       | Deferred pension credits                       | 8,158       |
| 7,448       | Deferred postretirement welfare benefits       | 7,519       |
| 58,633      | Deferred income taxes                          | 58,836      |
| 5,999       | Non-current environmental reserves             | 6,732       |
| 2,626       | Other liabilities                              | 2,742       |
| --          | Liabilities of discontinued operations         | 2,120       |
| -----       | -----                                          | -----       |
| 454,836     | Total liabilities                              | 443,469     |
| 719,705     | Total stockholders' equity                     | 656,742     |
| -----       | -----                                          | -----       |
| \$1,174,541 | Total liabilities and stockholders' equity     | \$1,100,211 |
| =====       | =====                                          | =====       |

QUANEX CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands)  
(Unaudited)

|                                                                                       | Six months ended<br>April 30, |           |
|---------------------------------------------------------------------------------------|-------------------------------|-----------|
|                                                                                       | 2006                          | 2005      |
|                                                                                       | -----                         | -----     |
| Operating activities:                                                                 |                               |           |
| Net income                                                                            | \$ 75,875                     | \$ 79,220 |
| Loss from discontinued operations                                                     | 406                           | 6,428     |
|                                                                                       | -----                         | -----     |
| Net income from continuing operations                                                 | 76,281                        | 85,648    |
| Adjustments to reconcile net income to cash provided by operating activities:         |                               |           |
| Depreciation and amortization                                                         | 35,612                        | 32,059    |
| Deferred income taxes                                                                 | 1,180                         | 750       |
| Stock-based compensation                                                              | 2,797                         | 263       |
| Deferred pension and postretirement benefits                                          | 632                           | (975)     |
|                                                                                       | -----                         | -----     |
|                                                                                       | 116,502                       | 117,745   |
| Changes in assets and liabilities, net of effects from acquisitions and dispositions: |                               |           |
| Decrease (Increase) in accounts and notes receivable                                  | (42,506)                      | (23,814)  |
| Decrease (Increase) in inventory                                                      | (22,874)                      | (12,303)  |
| Increase (Decrease) in accounts payable                                               | 33,669                        | (22,487)  |
| Increase (Decrease) in accrued liabilities                                            | (11,686)                      | 2,189     |
| Increase (Decrease) in income taxes payable                                           | (1,575)                       | 13,633    |
| Other, net                                                                            | (3,327)                       | (326)     |
|                                                                                       | -----                         | -----     |
| Cash provided by (used for) operating activities from continuing operations           | 68,203                        | 74,637    |
| Cash provided by (used for) operating activities from discontinued operations         | (742)                         | (1,745)   |
|                                                                                       | -----                         | -----     |
| Cash provided by operating activities                                                 | 67,461                        | 72,892    |
| Investment activities:                                                                |                               |           |
| Acquisitions, net of cash acquired                                                    | --                            | (200,009) |
| Proceeds from sale of discontinued operations                                         | 5,432                         | 11,592    |
| Capital expenditures, net of retirements                                              | (42,915)                      | (21,894)  |
| Retired executive life insurance proceeds                                             | 461                           | --        |
| Other, net                                                                            | 320                           | (128)     |
|                                                                                       | -----                         | -----     |
| Cash used for investing activities from continuing operations                         | (36,702)                      | (210,439) |
| Cash used for investment activities from discontinued operations                      | (14)                          | (362)     |
|                                                                                       | -----                         | -----     |
| Cash used for investment activities                                                   | (36,716)                      | (210,801) |
| Financing activities:                                                                 |                               |           |
| Bank borrowings (repayments), net                                                     | (2,307)                       | 110,076   |
| Purchases of Quanex common stock                                                      | (17,906)                      | --        |
| Common dividends paid                                                                 | (8,588)                       | (6,870)   |

|                                                                                |           |           |
|--------------------------------------------------------------------------------|-----------|-----------|
| Issuance of common stock from option exercises, including related tax benefits | 10,724    | 9,623     |
| Other, net                                                                     | --        | 260       |
|                                                                                | -----     | -----     |
| Cash provided by (used for) financing activities from continuing operations    | (18,077)  | 113,089   |
| Cash used for financing activities from discontinued operations                | (56)      | (105)     |
|                                                                                | -----     | -----     |
| Cash provided by (used for) financing activities                               | (18,133)  | 112,984   |
|                                                                                | -----     | -----     |
| Effect of exchange rate changes on cash and equivalents                        | 13        | 12        |
| Increase (Decrease) in cash and equivalents                                    | 12,625    | (24,913)  |
| Beginning of period cash and equivalents                                       | 49,681    | 41,743    |
|                                                                                | -----     | -----     |
| End of period cash and equivalents                                             | \$ 62,306 | \$ 16,830 |
|                                                                                | =====     | =====     |

CONTACT: Quanex Corporation  
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