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, 1994

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, 1994
Common Stock, par value $0.50 per share	13,332,403

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	April 30, 1994 (Unaudited)	October 31, 1993 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 10,400	$ 42,247
Short-term investments	60,985	47,655
Accounts and notes receivable, net	80,624	72,266
Inventories	86,050	76,899
Deferred income taxes	3,866	3,875
Prepaid expenses	1,359	468
Total current assets	243,284	243,410
Property, plant and equipment	477,174	459,154
Less accumulated depreciation and amortization	(229,003)	(216,808)
Net property, plant and equipment	248,171	242,346
Goodwill, net	33,490	33,964
Other assets	10,430	9,147
	$ 535,375	$ 528,867
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 64,736	$ 62,349
Income taxes payable	346	-
Accrued expenses	34,611	32,504
Current maturities of long-term debt	115	219
Total current liabilities	99,808	95,072
Long-term debt	128,400	128,476
Deferred pension credits	15,021	13,923
Deferred postretirement welfare benefits	49,251	47,559
Deferred income taxes	17,973	18,061
Total liabilities	310,453	303,091
Stockholders' equity:		
Preferred stock, no par value	86,250	86,250
Common stock, $.50 par value	6,666	6,657
Additional paid-in capital	85,507	85,218
Retained earnings	48,483	49,635
Adjustment for minimum pension liability	(1,984)	(1,984)
Total stockholders' equity	224,922	225,776
	$ 535,375	$ 528,867

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	1994	1993	1994	1993
	(Unaudited)			
Net sales	$ 172,235	$ 161,370	$ 321,757	$ 302,800
Cost and expenses:				
Cost of sales	151,852	144,996	287,044	274,791
Selling, general and administrative expense	10,775	11,229	20,888	20,910
Operating income	9,608	5,145	13,825	7,099
Other income (expense):				
Interest expense	(3,488)	(3,371)	(6,977)	(6,776)
Capitalized interest	861	412	1,617	676
Other, net	(468)	1,093	1,096	3,118
Income before income taxes	6,513	3,279	9,561	4,117
Income tax expense	(2,736)	(1,377)	(4,016)	(1,729)
Net income	3,777	1,902	5,545	2,388
Preferred dividends	(1,483)	(1,483)	(2,967)	(2,967)
Net income attributable to common stockholders	$ 2,294	$ 419	$ 2,578	$ (579)
Primary earnings (loss) per common share	$ 0.17	$ 0.03	$ 0.19	$ (0.04)
Weighted average shares outstanding	13,446	13,607	13,431	13,626

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Six Months Ended April 30,	
	1994	1993
	(Unaudited)	
Operating activities:		
Net income	$ 5,545	$ 2,388
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	14,432	15,600
Facilities realignment accrual	(1,113)	(1,962)
Deferred income taxes	(88)	1,198
Pension costs	1,098	991
Postretirement welfare benefits	1,692	1,043
	21,566	19,258
Changes in assets and liabilities net of effects from acquisitions and dispositions:		
Decrease (increase) in accounts and notes receivable	(14,748)	(1,651)
Decrease (increase) in inventory	(9,151)	(4,457)
Increase (decrease) in accounts payable	2,387	(6,498)
Increase (decrease) in accrued expenses	2,107	250
Other, net	(536)	188
Cash provided (used) by operating activities	1,625	7,090
Investment activities:		
Capital expenditures, net of retirements	(18,283)	(16,163)
Decrease (increase) in short-term investments	(13,330)	-
Proceeds from the sale of Bellville Tube Division and Viking Metallurgical Subsidiary	6,390	16,375
Other, net	(1,670)	3,448
Cash provided (used) by investment activities	(26,893)	3,660
Cash provided (used) by operating and investment activities	(25,268)	10,750
Financing activities:		
Repayments of long-term debt	(180)	(46)
Dividends paid	(6,697)	(6,788)
Purchases of Quanex common stock	-	(3,540)
Other, net	298	124
Cash used by financing activities	(6,579)	(10,250)
Increase (decrease) in cash and equivalents	(31,847)	500
Cash and equivalents at beginning of period	42,247	96,858
Cash and equivalents at end of period	$ 10,400	$ 97,358
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 6,976	$ 7,002
Income taxes	$ 3,796	$ 122

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. 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 1993 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 1994 classifications.

2. Inventories

	April 30, 1994	October 31, 1993
	(In thousands)	
Inventories consist of the following:		
Inventories valued at lower of cost (principally LIFO method) or market:		
Raw materials	$27,450	$25,474
Finished goods and work in process	49,742	42,610
	77,192	68,084
Other	8,858	8,815
	$86,050	$76,899

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $12 million at April 30, 1994, and $10 million at October 31, 1993.

3. Long-Term Debt and Financing Arrangements

At April 30, 1994, the Company had $125 million outstanding under its unsecured Long-Term Note Agreement (Senior Notes Agreement). The debt bears interest at the rate of 10.77% per annum, payable semi-annually. The Senior Notes Agreement will mature on August 23, 2000, and requires annual repayments of $20,833,000 beginning on August 23, 1995.

At April 30, 1994, the Company had no amounts outstanding under its unsecured $48 million Revolving Credit and Letter of Credit Agreement (Bank Agreement). The Bank Agreement consists of a revolving line of credit (Revolver), renewable annually, which expires March 31, 1997, and up to $20 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 floating prime or a reserve adjusted Eurodollar rate.

All of the above agreements contain customary affirmative and negative covenants which the Company must meet. As of April 30, 1994, the Company was in compliance with all of the covenants.

4. Income Taxes

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", effective November 1, 1993. This Statement supersedes SFAS No. 96, "Accounting for Income Taxes", which was adopted by the Company in 1989. It was not necessary for the Company to record any adjustments for the cumulative effect of adopting SFAS No. 109.

Deferred income taxes typically reflect (a) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) alternative minimum tax, operating loss and tax credit carryforwards. Significant components of the Company's net deferred tax liability as of November 1, 1993 are as follows:

	November 1, 1993 ($000)
Deferred tax liabilities:	
Tax over book depreciation	$ 38,690
Other	4,917
	43,607
Deferred tax assets:	
Employee benefit obligations	26,695
Reserves not currently deductible	2,726
	29,421
Net deferred tax liability	$ 14,186

At April 30, 1994, $3,866,000 of deferred tax assets were classified as a current asset and included in "Deferred income taxes" on the Consolidated Balance Sheet. No valuation allowance was required for deferred tax assets at either November 1, 1993 or April 30, 1994.

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Industry Segment Information

Quanex is principally a specialty metals producer. The Company's operations primarily consist of four segments: hot rolled steel bars, cold finished steel bars, steel tubes, and aluminum building products.

Three Months Ended April 30, 1994	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes	Alum. Bldg. Products	Other(1)	Consoli- dated
	(in thousands)					
Units shipped:						
To unaffiliated companies	114.2 Tons	49.5 Tons	20.1 Tons	35,504 Lbs.		
Intersegment	7.8	-	-	-		
Total............................	122.0 Tons	49.5 Tons	20.1 Tons	35,504 Lbs.		
Net Sales:						
To unaffiliated companies	$ 59,066	$ 43,259	$ 26,016	$ 43,894	$ -	$ 172,235
Intersegment(2)..................	4,172	-	1	-	(4,173)	-
Total............................	$ 63,238	43,259	26,017	43,894	(4,173)	172,235
Operating income (loss)	$ 8,421	$ 2,713	$ 1,383	$ 408	$ (3,317)	$ 9,608

Three Months Ended April 30, 1993	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes(3)	Alum. Bldg. Products	Other(1)	Consoli- dated
Units shipped:						
To unaffiliated companies	109.7 Tons	46.1 Tons	38.1 Tons	26,580 Lbs.		
Intersegment	6.8	-	-	-		
Total............................	116.5 Tons	46.1 Tons	38.1 Tons	26,580 Lbs.		
Net Sales:						
To unaffiliated companies	$ 51,037	$ 37,714	$ 36,637	$ 34,410	$ 1,572	$ 161,370
Intersegment(2)..................	3,392	-	-	-	(3,392)	-
Total............................	$ 54,429	37,714	36,637	34,410	(1,820)	161,370
Operating income (loss)	$ 5,280	$ 1,794	$ 3,478	$ (948)	$ (4,459)	$ 5,145

Six Months Ended April 30, 1994	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes	Alum. Bldg. Products	Other(1)	Consoli- dated
Units shipped:						
To unaffiliated companies	223.7 Tons	93.1 Tons	39.3 Tons	60,086 Lbs.		
Intersegment	14.5	-	-	-		
Total............................	238.2 Tons	93.1 Tons	39.3 Tons	60,086 Lbs.		
Net Sales:						
To unaffiliated companies	$112,969	$ 80,426	$ 52,172	$ 76,190	$ -	$ 321,757
Intersegment(2)..................	7,916	-	-	-	(7,916)	-
Total............................	$120,885	80,426	52,172	76,190	(7,916)	321,757
Operating income	$ 14,382	$ 4,283	$ 3,116	$ (1,721)	$ (6,235)	$ 13,825

Six Months Ended April 30, 1993	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes(3)	Alum. Bldg. Products	Other(1)	Consoli- dated
Units shipped:						
To unaffiliated companies	205.9 Tons	85.2 Tons	75.5 Tons	46,233 Lbs.		
Intersegment	12.7	-	-	-		
Total............................	218.6 Tons	85.2 Tons	75.5 Tons	46,233 Lbs.		

Net Sales:						
To unaffiliated companies(2).....	$ 95,840	$ 69,389	$ 70,301	$ 61,105	$ 6,165	$ 302,800
Intersegment	6,523	-	-	-	(6,523)	-
Total............................	$102,363	69,389	70,301	61,105	(358)	302,800
Operating income.................	$ 9,864	$ 2,844	$ 5,681	$ (4,728)	$ (6,562)	$ 7,099

(1) Included in "Other" are intersegment eliminations, Viking Metallurgical Corporation (for the three and six months ended April 30, 1993), and corporate expenses.

(2) Intersegment sales are conducted on an arm's-length basis.

(3) Includes Bellville Tube Division which was sold during the second quarter of fiscal 1993.

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

RESULTS OF OPERATIONS

The Company classifies its operations into four business segments: hot rolled steel bars, cold finished steel bars, steel tubes and aluminum building products. The Company's products are marketed to the industrial machinery and capital equipment industries, the transportation industry, the energy processing industry and the home building and remodeling industries.

Results for the first two quarters of fiscal 1994 reflect improved market conditions in the Company's steel bar businesses, and lower costs per unit at those businesses resulting from higher volume and the effects of cost reduction programs. Results for the Company's steel tube businesses reflect the absence of operating income from Bellville Tube Division, which was sold in fiscal 1993, and increased pressure from imports on certain products. Partially offsetting these items was improved demand and prices in automotive related business. Results for the Company's aluminum building products business also improved but continued to be affected by excess supplies of aluminum ingot. Although excess supplies of ingot have reduced the Company's raw material costs, declines in prices for the Company's finished products have exceeded the benefit of the lower raw material costs, resulting in lower margins. Also affecting the aluminum building products business was the continued loss of sales related to a fire that occurred during the fourth quarter of fiscal 1993 at the Company's Lincolnshire facility.

The improved results in the Company's steel bar businesses were partially related to the continued recovery in the United States economy, which has resulted in increased prices and demand. Continued improved financial results will be dependent upon, among other things, whether improvements in the economy are sustained and whether such improvements will continue to be felt in the Company's other businesses. The Company currently expects that its results for the steel bar businesses for the third quarter ending July 31, 1994 should continue to reflect strong demand but will be seasonally slower than the second quarter. The steel tube business is expected to continue to experience volume and pricing pressures related to higher levels of imported tubing. Improved results in the Company's aluminum building products business will be largely dependent upon improvements in selling prices relative to the cost of raw materials and increasing sales and market penetration for aluminum products from the Company's aluminum mini-mill that began commercial operations in July 1992.

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,	
	1994	1993	1994	1993
	(In thousands)			
Hot Rolled Steel Bars:				
Units shipped (Tons)...........	122.0	116.5	238.2	218.6
Net Sales......................	$ 63,238	$ 54,429	$120,885	$102,363
Operating income...............	$ 8,421	$ 5,280	$ 14,382	$ 9,864
Depreciation and amortization..	$ 3,285	$ 3,195	$ 6,570	$ 6,390
Identifiable assets............	$162,189	$146,623	$162,189	$146,623
Cold Finished Steel Bars:				
Units shipped (Tons)...........	49.5	46.1	93.1	85.2
Net Sales......................	$ 43,259	$ 37,714	$ 80,426	$ 69,389
Operating income...............	$ 2,713	$ 1,794	$ 4,283	$ 2,844
Depreciation and amortization..	$ 331	$ 316	$ 674	$ 631
Identifiable assets............	$ 54,367	$ 44,226	$ 54,367	$ 44,226
Steel Tubes:				
Units shipped (Tons)...........	20.1	38.1	39.3	75.5
Net Sales......................	$ 26,017	$ 36,637	$ 52,172	$ 70,301
Operating income...............	$ 1,383	$ 3,478	$ 3,116	$ 5,681
Depreciation and amortization..	$ 503	$ 842	$ 1,027	$ 1,706
Identifiable assets............	$ 41,621	$ 38,009	$ 41,621	$ 38,009
Aluminum Building Products:				
Units shipped (Pounds).........	35,504	26,580	60,086	46,233
Net Sales......................	$ 43,894	$ 34,410	$ 76,190	$ 61,105
Operating income...............	$ 408	$ (948)	$ (1,721)	$ (4,728)
Depreciation and amortization..	$ 3,027	$ 3,183	$ 5,991	$ 6,114
Identifiable assets............	$211,458	$198,074	$211,458	$198,074

Consolidated net sales for the quarter and six months ended April 30, 1994, were $172.2 million and $321.8 million, respectively, representing an increase in second quarter sales of $10.9 million, or 6.7%, and an increase in year-to-date sales of $19.0 million, or 6.3%, when compared to the three and six month periods last year. The increase is due to improvements in the economy and increases in demand which resulted in higher average selling prices in the Company's steel businesses. The Company realized these increases in sales despite the absence of $11.5 million and $25.8 million in sales, respectively, during the first and second quarter of fiscal 1993 from businesses sold last year.

Net sales from the Company's hot rolled steel bar business for the quarter and six months ended April 30, 1994, were $63.2 million and $120.9 million, respectively, as compared to $54.4 million and $102.4 million, respectively, for the same 1993 periods. These results represent increases of $8.8 million, or 16.2%, and $18.5 million, or 18.1%, respectively, as compared to the 1993 periods. These increases are attributable to improved demand, particularly in the automotive and truck markets, and higher average selling prices. The Company's hot rolled steel bar business is currently operating near capacity.

Net sales from the Company's cold finished steel bar business for the quarter and six months ended April 30, 1994, were $43.3 million and $80.4 million, respectively, as compared to $37.7 million and $69.4 million, respectively, for the same 1993 periods. This represents increases of $5.5 million, or 14.7%, and $11.0 million, or 15.9%, respectively, as compared to the same 1993 periods. These increases are also attributable to improved demand and higher selling prices.

Net sales from the Company's steel tube business for the quarter and six months ended April 30, 1994, were $26.0 million and $52.2 million, respectively, as compared to $36.6 million and $70.3 million, respectively, for the same 1993 periods. This represents decreases of $10.6 million, or 29.0%, and $18.1 million, or 25.8%, respectively, as compared to the same 1993 periods. However, net sales for the quarter and six months ended April 30, 1993, included revenues from Bellville Tube Division that was sold in April of 1993. Excluding the net sales of Bellville Tube Division from the 1993 data, net sales decreased by $678 thousand, or 2.5%, for the quarter ended April 30, and increased by $1.5 million, or 2.9%, for the six months ended April 30. The steel tube business was adversely affected during the quarter by increased foreign competition and lower prices for certain products. The increased pressure from imports on certain products was partially offset by improved demand and prices in automotive related business.

Net sales from the Company's aluminum building products business for the quarter and six months ended April 30, 1994, were $43.9 million and $76.2 million, respectively, as compared to $34.4 million and $61.1 million, respectively, for the comparative 1993 periods. This represents increases of $9.5 million, or 27.6%, and $15.1 million, or 24.7%, respectively, as compared to the 1993 periods. This increase is attributable to improved demand related to the improving economy and improved market penetration. Improved sales were partially offset by declines in average selling prices of approximately 4% for the three and six months ended April 30, 1994, as compared to the corresponding 1993 periods.

Consolidated operating income for the quarter and six months ended April 30, 1994, was $9.6 million and $13.8 million, respectively, as compared to $5.1 million and $7.1 million, respectively, for the comparative 1993 periods. This represents increases of $4.5 million, or 86.7%, and $6.7 million, or 94.7%, respectively, as compared to the same 1993 periods. This increase is principally due to higher net sales combined with lower costs per unit primarily related to operating at higher levels of volume and cost reduction programs. Included in the quarter and six months ended April 30, 1993, is $1.3 million and $2.7 million, respectively, of operating income from the Company's Bellville Tube Division and Viking Metallurgical subsidiary which were sold during the second quarter of fiscal 1993.

Operating income from the Company's hot rolled steel bar business for the quarter and six months ended April 30, 1994, was $8.4 million and $14.4 million, respectively, as compared to $5.3 million and $9.9 million, respectively, for the comparative 1993 periods. This represents increases of $3.1 million, or 59.5%, and $4.5 million, or 45.8%, respectively, as compared to the 1993 periods. This increase is due to higher net sales as well as lower variable costs per ton.

Operating income from the Company's cold finished steel bar business for the quarter and six months ended April 30, 1994, was $2.7 million and $4.3 million, respectively, as compared to $1.8 million and $2.8 million, respectively, for the same 1993 periods. This represents increases of $919 thousand, or 51.2%, and $1.4 million, or 50.6%, respectively, as compared to the 1993 periods. This increase is primarily due to higher net sales and lower variable costs per ton.

Operating income from the Company's steel tube business for the quarter and six months ended April 30, 1994, was $1.4 million and $3.1 million, respectively, as compared to $3.5 million and $5.7 million, respectively, for the comparative 1993 periods. This represents decreases of $2.1 million, or 60.2%, and $2.6 million, or 45.2%, respectively, as compared to the 1993 periods. Operating income for the quarter and six months ended April 30, 1993 included the Company's Bellville Tube Division, which was sold in April of 1993. After excluding the impact of the Bellville Tube Division, operating income for the six months ended April 30, 1994, was down 10% as compared to the same period in 1993. This decline was attributable to lower sales and prices in certain markets.

Results for the Company's aluminum building products business for the quarter and six months ended April 30, 1994, were $408 thousand operating income and an operating loss of $1.7 million, respectively, as compared to operating losses of $948 thousand and $4.7 million, respectively, for the comparative 1993 periods. This represents improvements of $1.4 million and $3.0 million, respectively, as compared to the 1993 periods. This increase is due to higher sales of aluminum mill finished sheet and an improved product mix.

Selling, General and Administrative Expenses and Interest Expense for the 1994 periods were both relatively flat as compared to the same 1993 periods. However, Selling, General and Administrative Expenses for 1994 periods declined as a percentage of net sales from that experienced during the 1993 periods.

Net income attributable to common shareholders for the quarter and six months ended April 30, 1994, was $2.3 million and $2.6 million, respectively, as compared to $419 thousand and a loss of $579 thousand, respectively, for the 1993 periods. This represents increases of $1.9 million and $3.2 million, respectively, as compared to the same 1993 periods, after deducting preferred dividends of $1.5 million and $3.0 million, respectively, from both periods. The improvement is primarily attributable to improved operating income.

Included in net income for the quarter ended April 30, 1994 are two unusual items which were classified as "other, net" in the income statement. Based on current interest rates, the Company accrued the maximum potential loss of $1.7 million on its interest rate swap contracts to be settled in August 1995. Offsetting this was $1.0 million to recognize partial reimbursement of a business interruption loss related to a fire at the Company's Lincolnshire facility in August 1993. Included in net income for the six months ended April 30, 1993 is a $1.4 million gain on the settlement of financing contracts. Interest income, classified as "other, net", was $600 thousand and $1.5 million, respectively, for the quarter and six months ended April 30, 1994, as compared to $1.8 million and $3.0 million, respectively, excluding the gain on the settlement of financing contracts, for the comparative 1993 periods. The decrease in interest income is primarily due to lower yields on the Company's short-term investments and because average cash available for investment was lower in 1994 as compared to 1993.

Net income attributable to common stockholders continues to be affected by dividend obligations associated with the $86.3 million in preferred stock issued in the third quarter of fiscal 1992, the proceeds of which have not yet been fully deployed in the Company's business operations. Until the Company's excess cash is invested in the business, the Company is expected to experience a negative financing cost arbitrage on the uninvested funds.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are cash on hand, cash flow from operations, and, if needed, borrowings under a $48 million unsecured revolving credit facility with a group of banks (the "Bank Agreement"). All borrowings under the Bank Agreement bear interest, at the option of the Company, at either floating prime or a reserve adjusted Eurodollar rate. 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. There were no outstanding borrowings under the Bank Agreement at April 30, 1994 and $104,000 of outstanding letters of credit. As of April 30, 1994, the Company was in compliance with all Bank Agreement covenants.

At April 30, 1994, the Company had $125,000,000 outstanding under its unsecured Long-Term Note Agreement ("Senior Notes Agreement"). The debt bears interest at the rate of 10.77% per annum, payable semi-annually. The Senior Notes Agreement will mature on August 23, 2000, and requires annual repayments of $20,833,000 beginning on August 23, 1995. The Senior Notes Agreement contains customary affirmative and negative covenants, as well as requirements to maintain a minimum capital base, as defined. As of April 30, 1994, the Company was in compliance with all Senior Notes Agreement covenants. In addition, the Senior Notes Agreement limits the payment of dividends and certain restricted investments. Management believes that cash flow from operations, cash reserves, and, if necessary, additional borrowings will be sufficient to make all interest and principal payments related to the Senior Notes Agreement.

At April 30, 1994, the Company had commitments of $16 million for the purchase or construction of capital assets, primarily at its Nichols-Homeshield and MacSteel divisions. The Company's $52 million Phase II MacSteel Ultra Clean Steel Program, which commenced in June 1992, is expected to be completed in early 1995. The Company's $9 million in capital additions at its Nichols-Homeshield division is expected to be completed in July 1994. The Company expects to fund its capital expenditures through cash flow from operations, existing cash balances, proceeds from short-term investments and, if necessary, from borrowings under the Bank Agreement. The Company is currently reviewing various alternatives with respect to the use of its excess available cash, including a possible business acquisition. Although the Company does not currently have any agreements for such an acquisition, any such acquisition would likely involve the use of a substantial portion of the Company's excess available cash as well as additional borrowings if necessary or desirable.

In management's opinion, the Company currently has sufficient funds and adequate financial sources available to meet its anticipated liquidity needs. Management believes that cash flow from operations, cash balances, short-term investments and available borrowings will be sufficient for the foreseeable future to finance anticipated capital expenditures, debt service requirements, including interest expense, debt retirement obligations, and dividends.

Operating Activities

Cash provided by operating activities during the six months ended April 30, 1994, was $1.6 million. This represents a decrease of $5.5 million as compared to the same 1993 period. This decrease reflects improved operating results, offset by increased working capital requirements.

Investment Activities

Net cash used by investment activities during the six months ended April 30, 1994 was $26.9 million as compared to net cash provided by investment activities of $3.7 million for the same 1993 period. The six months ended April 30, 1994, includes increases in short-term investments of $13.3 million. The six months ended April 30, 1993, includes the proceeds from the sale of Bellville Tube Division and Viking Metallurgical Subsidiary of $16.4 million as compared to $6.4 million of proceeds received in 1994. Capital expenditures for the six months ended April 30, 1994 were $18.3 million as compared to $16.2 million for the same 1993 period. The Company estimates that fiscal 1994 capital expenditures will approximate $40 to $50 million.

Financing Activities

Cash used by financing activities for the six months ended April 30, 1994 was $6.6 million, principally consisting of $3.7 million in common dividends and $3.0 million in preferred dividends. This represents a decrease of $3.7 million from the same 1993 period. Uses of cash during 1993 included $3.5 million in purchases of the Company's common stock.

CHANGE IN ACCOUNTING

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("FAS") No. 109, "Accounting for Income Taxes" ("FAS 109"), which modifies and replaces FAS No. 96, "Accounting for Income Taxes". The Company adopted FAS 109 effective November 1, 1993. It was not necessary for the Company to record any adjustments for the cumulative effect of adopting FAS 109.

PART II. OTHER INFORMATION

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

On February 24, 1994, the Company held its regular Annual Meeting of Stockholders (the "Annual Meeting").

At the Annual Meeting, Robert C. Snyder and John D. O'Connell were reelected as directors for a three year term. The following sets forth the number of shares that voted for and for which votes were withheld for the election of each of such persons:

	For	Withheld
Robert C. Snyder	11,478,809	49,391
John D. O'Connell	11,468,144	60,056

In addition, at the Annual Meeting, the stockholders of the Company ratified the appointment of Deloitte & Touche as the Company's independent auditors and approved the adoption of the Quanex Corporation 1994 Employee Stock Option Plan. The ratification of Deloitte & Touche as the Company's independent auditors was approved with 11,454,865 votes cast for approval, 31,982 votes cast against and 41,353 abstentions. The Quanex Corporation 1994 Employee Stock Option Plan was approved with 9,797,194 votes cast for approval, 1,583,311 votes cast against and 144,815 abstentions. Because all of the matters presented at the Annual Meeting were matters for which brokers had discretionary authority to vote the shares held by them for their clients, there were no broker non-votes.

Item 5 - Other Information.

None

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

(a) Exhibit 11 - Statement re computation of earnings per share.

(b) No reports on Form 8-K were filed by the Company during the quarter for which this report is being filed.

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 9, 1994

Exhibit Index

Exhibit Number	Description	Page Number
11	Computation of Earnings per Share	

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,	
	1994	1993	1994	1993
	(Unaudited)			
Net income (loss)	$ 3,777	$ 1,902	$ 5,545	$ 2,388
Preferred dividend requirements	(1,483)	(1,483)	(2,967)	(2,967)
Net income attributable to common stockholders	$ 2,294	$ 419	$ 2,578	$ (579)
Weighted average shares outstanding-primary	13,446	13,607	13,431	13,626
Earnings (loss) per common share - primary	0.17	0.03	0.19	(0.04)

Net income (loss)	$ 3,777	$ 1,902	$ 5,545	$ 2,388
Weighted average shares outstanding-primary	13,446	13,607	13,431	13,626
Effect of common stock equivalents arising from stock options	8	84	20	95
Preferred stock assumed converted to common stock	2,738	2,738	2,738	2,738
Weighted average shares outstanding-fully diluted	16,192	16,429	16,189	16,459
Earnings (loss) per common share - assuming full dilution	$ 0.23	$ 0.12	$ 0.34	$ 0.15