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, 1995

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, 1995
Common Stock, par value $0.50 per share	13,430,533

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	April 30, 1995 (Unaudited)	October 31, 1994 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 23,042	$ 34,041
Short-term investments	-	54,070
Accounts and notes receivable, net	112,932	83,082
Inventories	93,209	81,800
Deferred income taxes	6,217	6,114
Prepaid expenses	1,138	289
Total current assets	236,538	259,396
Property, plant and equipment	514,505	499,798
Less accumulated depreciation and amortization	(252,836)	(237,537)
Net property, plant and equipment	261,669	262,261
Goodwill, net	32,541	33,017
Other assets	9,116	9,334
	$539,864	$564,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 10,000	$ -
Accounts payable	89,248	75,515
Income taxes payable	923	1,160
Accrued expenses	39,571	37,118
Current maturities of long-term debt	20,958	20,958
Total current liabilities	160,700	134,751
Long-term debt	47,942	107,442
Deferred pension credits	15,183	15,810
Deferred postretirement welfare benefits	51,946	50,742
Deferred income taxes	25,121	23,014
Total liabilities	300,892	331,759
Stockholders' equity:		
Preferred stock, no par value	86,250	86,250
Common stock, $.50 par value	6,715	6,688
Additional paid-in capital	87,510	86,323
Retained earnings	60,563	55,081
Unearned compensation	(343)	(370)
Adjustment for minimum pension liability	(1,723)	(1,723)
Total stockholders' equity	238,972	232,249
	$539,864	$564,008

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

	Three Months Ended April 30		Six Months Ended April 30	
	1995	1994	1995	1994
	(Unaudited)			
Net sales	$234,347	$172,235	$434,233	$321,757
Cost and expenses:				
Cost of sales	204,600	151,852	381,789	287,044
Selling, general and administrative expense	12,580	10,850	24,866	21,135
Operating income	17,167	9,533	27,578	13,578
Other income (expense):				
Interest expense	(2,034)	(3,488)	(5,150)	(6,977)
Capitalized interest	837	861	1,867	1,617
Other, net	965	(393)	662	1,343
Income before income taxes and extraordinary charge	16,935	6,513	24,957	9,561
Income tax expense	(7,113)	(2,736)	(10,482)	(4,016)
Income before extraordinary charge	9,822	3,777	14,475	5,545
Extraordinary charge - early extinguishment of debt	-	-	(2,021)	-
Net income	9,822	3,777	12,454	5,545
Preferred dividends	(1,483)	(1,483)	(2,967)	(2,967)
Net income attributable to common stockholders	$ 8,339	$ 2,294	$ 9,487	$ 2,578
Earnings per common share:				
Primary before extraordinary charge	$ 0.62	$ 0.17	$ 0.85	$ 0.19
Extraordinary charge	-	-	(0.15)	-
Total primary net earnings	$ 0.62	$ 0.17	$ 0.70	$ 0.19
Fully diluted before extraordinary charge	$ 0.60	$ 0.17	$ 0.85	$ 0.19
Extraordinary charge	-	-	(0.15)	-
Total assuming full dilution	$ 0.60	$ 0.17	$ 0.70	$ 0.19
Weighted average shares outstanding:				
Primary	13,601	13,446	13,580	13,431
Assuming full dilution	16,351	13,446	13,580	13,431

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Six Months Ended April 30, 1995	Six Months Ended April 30, 1994
	(Unaudited)	
Operating activities:		
Net income	$12,454	$ 5,545
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	16,673	14,432
Facilities realignment accrual	-	(1,113)
Deferred income taxes	2,107	(88)
Deferred pension costs	(627)	1,098
Deferred postretirement welfare benefits	1,204	1,692
	31,811	21,566
Changes in assets and liabilities net of effects from acquisitions and dispositions:		
Increase in accounts and notes receivable	(29,850)	(14,748)
Increase in inventory	(11,409)	(9,151)
Increase in accounts payable	13,733	2,387
Increase in accrued expenses	2,453	2,107
Other, net	(1,189)	(536)
Cash provided by operating activities	5,549	1,625
Investment activities:		
Capital expenditures, net of retirements	(14,894)	(18,283)
Decrease (increase) in short-term investments	54,070	(13,330)
Proceeds from the sale of Viking Metallurgical Subsidiary	-	6,390
Other, net	(493)	(1,670)
Cash provided (used) by investment activities	38,683	(26,893)
Cash provided (used) by operating and investment activities	44,232	(25,268)
Financing activities:		
Notes payable borrowings	10,000	-
Purchase of Senior Notes	(59,500)	-
Repayments of long-term debt	-	(180)
Common dividends paid	(3,894)	(3,730)
Preferred dividends paid	(2,967)	(2,967)
Other, net	1,130	298
Cash used by financing activities	(55,231)	(6,579)
Decrease in cash and equivalents	(10,999)	(31,847)
Cash and equivalents at beginning of period	34,041	42,247
Cash and equivalents at end of period	$23,042	$10,400
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 6,262	$ 6,976
Income taxes	$ 7,190	$ 3,796

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 1994 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 1995 classifications.

2. Inventories

Inventories consist of the following:	April 30, 1995	October 31, 1994
	(In thousands)	
Inventories valued at lower of cost (principally LIFO method) or market:		
Raw materials	$34,567	$25,946
Finished goods and work in process	49,003	47,684
	83,570	73,630
Other	9,639	8,170
	$93,209	$81,800

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $21 million at April 30, 1995, and $15 million at October 31, 1994.

3. Long-Term Debt and Financing Arrangements

At April 30, 1995, the Company had $65.5 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 requires annual repayments of $20.8 million beginning on August 23, 1995, with a final payment of $3.0 million on August 23, 1998. In December 1994, the Company acquired $59.5 million principal amount of the Senior Notes for a purchase price equal to 105% of the principal amount plus accrued interest. The Company recorded an extraordinary charge of $2.0 million ($3.5 million before tax) in the first quarter of 1995 related to the call premium and write-off of deferred debt issuance costs for the Senior Notes that were repurchased.

At April 30, 1995, the Company had $10.0 million 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, 1999, 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, 1995, the Company was in compliance with all of the covenants.

4. Subsequent Event

On May 25, 1995, the Company's Board of Directors authorized the exchange of the Company's outstanding 6.88% Cumulative Convertible Exchangeable Preferred Stock for the Company's 6.88% Convertible Subordinated Debentures due June 30, 2007. The Debentures will be subject to mandatory annual sinking fund payments sufficient to redeem 25% of the Debentures issued on each of June 30, 2005 and June 30, 2006, to retire a total of 50% of the Debentures before maturity. The exchange, which will be effective June 30, 1995, is expected to contribute approximately six cents per share in the current fiscal year, or approximately seventeen cents per share on an annualized basis. The increase in long-term debt and reduction in preferred stock is expected to increase the Company's total debt to total capitalization ratio from 24.8% at April 30, 1995, to approximately 50% at the time of the exchange.

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 products.

Three Months Ended April 30, 1995	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(1)	Consoli-dated
				(in thousands)		
Units shipped:						
To unaffiliated companies	120.2 Tons	53.0 Tons	25.3 Tons	58,336 Lbs.		
Intersegment............	7.4	-	-	-		
Total....................	127.6 Tons	53.0 Tons	25.3 Tons	58,336 Lbs.		
Net Sales:						
To unaffiliated companies	$67,087	$49,627	$31,541	$86,092	-	$234,347
Intersegment(2).........	4,260	-	1	-	$(4,261)	-
Total....................	$71,347	$49,627	$31,542	$86,092	$(4,261)	$234,347
Operating income (loss)..	$10,058	$ 4,070	$ 2,985	$ 5,262	$(5,208)	$ 17,167

Three Months Ended April 30, 1994	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(1)	Consoli-dated
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	$(3,392)	$ 9,533

Six Months Ended April 30, 1995	Hot Rolled Steel Bars	Cold Finished Steel Bars	Steel Tubes	Aluminum Products	Corporate and Other(1)	Consoli-dated
Units shipped:						
To unaffiliated companies	232.2 Tons	101.0 Tons	48.0 Tons	109,509 Lbs.		
Intersegment............	12.5	-	-	-		
Total....................	244.7 Tons	101.0 Tons	48.0 Tons	109,509 Lbs.		
Net Sales:						
To unaffiliated companies	$126,651	$92,954	$60,336	$154,292	-	$434,233
Intersegment(2).........	7,176	-	1	-	$ (7,177)	-
Total....................	$133,827	$92,954	$60,337	$154,292	$ (7,177)	$434,233
Operating income (loss)..	$ 17,034	$ 6,739	$ 4,864	$ 9,447	$(10,506)	$ 27,578

Cold Corporate

Six Months Ended April 30, 1994	Hot Rolled Steel Bars	Finished Steel Bars	Steel Tubes	Aluminum Products	and 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 (loss)..	$ 14,382	$ 4,283	$ 3,116	$(1,721)	$(6,482)	$ 13,578

(1) Included in "Corporate and Other" are intersegment eliminations and corporate expenses.
(2) Intersegment sales are conducted on an arm's-length basis.

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

RESULTS OF OPERATIONS

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

The Company's results for the three and six months ended April 30, 1995, reflected a significant increase in revenues and income from the comparable periods in 1994, with the greatest increases being realized for the quarter ended April 30, 1995. Although all of the Company's business segments recorded materially greater revenue and income in the three and six months ended April 30, 1995, over prior periods, the most significant gain was recognized in the Company's aluminum products business where the results in that segment shifted from operating income of $408 thousand and an operating loss of $1.7 million for the three and six months ended April 30, 1994, respectively, to operating income of $5.3 million and $9.4 million, respectively.

The improved results for the first and second quarters of fiscal 1995 reflected more favorable market conditions in all segments due primarily to a stronger domestic economy, improved margins resulting from favorable pricing trends, greater market penetration for certain of the Company's manufactured products and the cost reduction programs initiated in earlier years and continuing to the present. The improved results also reflected the benefits realized from the Company's capital improvement programs, which have allowed the Company to increase capacity, improve quality and manage manufacturing costs.

The improvements in each of the Company's businesses resulted in the Company reporting operating income for the three and six months ended April 30, 1995, of $17.2 million and $27.6 million, respectively, as compared to $9.5 million and $13.6 million, respectively, for the same periods of fiscal 1994. Income before extraordinary charge for the three and six months ended April 30, 1995, was $9.8 million and $14.5 million, respectively, as compared to $3.8 million and $5.5 million, respectively, for the same periods of fiscal 1994. The six months ended April 30, 1995, included a $2.0 million ($3.5 million before tax) extraordinary charge for early extinguishment of debt relating to the acquisition by the Company of $59.5 million principal amount of its 10.77% Senior Notes for a purchase price equal to 105% of the principal amount plus accrued interest.

Market conditions continue to be favorable in each of the Company's businesses. In addition, the Company expects that fiscal 1995 revenues in the Company's hot rolled steel bar business and aluminum products business will continue to show improvement over 1994 results due to increased capacity levels. Domestic and global market factors, however, will continue to impact the Company and any slowdown in the U.S. economy could affect demand and pricing for many of the Company's products. In this regard, increased interest rates can be expected to impact the demand for products in many of the Company's markets, including the automotive and light truck market and the residential building market. The recently announced proposed trade sanctions against certain Japanese automakers could also impact the Company to the extent such action affects overall trade with the United States and demand for products manufactured by the Company's customers. The Company currently expects that business conditions will remain strong in fiscal 1995. The Company, however, is operating at near capacity in both its hot rolled steel and cold finished steel bars segments. Continued improved financial results will be dependent upon, among other things, whether the strong economic conditions experienced in the first two quarters of fiscal 1995 can be sustained.

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, 1995	Three Months Ended April 30, 1994	Six Months Ended April 30, 1995	Six Months Ended April 30, 1994
	(In thousands)			
Hot Rolled Steel Bars:				
Units shipped (Tons)............	127.6	122.0	244.7	238.2
Net Sales.......................	$ 71,347	$ 63,238	$133,827	$120,885
Operating income................	$ 10,058	$ 8,421	$ 17,034	$ 14,382
Depreciation and amortization...	$ 3,870	$ 3,285	$ 7,740	$ 6,570
Identifiable assets.............	$174,055	$162,189	$174,055	$162,189
Cold Finished Steel Bars:				
Units shipped (Tons)............	53.0	49.5	101.0	93.1
Net Sales.......................	$ 49,627	$ 43,259	$ 92,954	$ 80,426
Operating income................	$ 4,070	$ 2,713	$ 6,739	$ 4,283
Depreciation and amortization...	$ 347	$ 331	$ 693	$ 674
Identifiable assets.............	$ 57,005	$ 54,367	$ 57,005	$ 54,367
Steel Tubes:				
Units shipped (Tons)............	25.3	20.1	48.0	39.3
Net Sales.......................	$ 31,542	$ 26,017	$ 60,337	$ 52,172
Operating income................	$ 2,985	$ 1,383	$ 4,864	$ 3,116
Depreciation and amortization...	$ 510	$ 503	$ 1,035	$ 1,027
Identifiable assets.............	$ 42,652	$ 41,621	$ 42,652	$ 41,621
Aluminum Products:				
Units shipped (Pounds)..........	58,336	35,504	109,509	60,086
Net Sales.......................	$ 86,092	$ 43,894	$154,292	$ 76,190
Operating income................	$ 5,262	$ 408	$ 9,447	$ (1,721)
Depreciation and amortization...	$ 3,386	$ 3,027	$ 6,717	$ 5,991
Identifiable assets.............	$252,886	$211,458	$252,886	$211,458

Consolidated net sales for the three and six months ended April 30, 1995, were $234.3 million and $434.2 million, respectively, representing increases of $62.1 million, or 36%, and $112.5 million, or 35%, respectively, when compared to the same periods last year. These increases are due to significantly higher volume in the aluminum products business, improvements in the economy and increases in demand in all of the Company's businesses combined with higher average selling prices.

Net sales from the Company's hot rolled steel bar business for the three and six months ended April 30, 1995, were $71.3 million and $133.8 million, respectively, representing increases of $8.1 million, or 13%, and $12.9 million, or 11%, respectively, when compared to the same periods last year. These increases were attributable to improvements in volume for the three and six months ended April 30, 1995, as compared to the same periods of fiscal 1994, of 5% and 3% respectively, combined with increases in average selling prices of 8% in each period. Volume increases reflected the additional capacity provided as a result of the capital improvements completed in March 1995. The hot rolled steel bar business also continued to benefit from strength in the durable goods markets.

Net sales from the Company's cold finished steel bar business for the three and six months ended April 30, 1995, were $49.6 million and $93.0 million, respectively, representing increases of $6.4 million, or 15%, and $12.5 million, or 16%, respectively, when compared to the same periods last year. These increases were attributable to improvements in volume for the three and six months ended April 30, 1995, as compared to the same periods of fiscal 1994, of 7% and 8%, respectively, combined with increases in average selling prices of 7% in each period. The cold finished steel bar business also benefited from the continued strength in durable goods and capital equipment markets.

Net sales from the Company's steel tube business for the three and six months ended April 30, 1995, were $31.5 million and $60.3 million, respectively, representing increases of $5.5 million, or 21%, and $8.2 million, or 16%, respectively, when compared to the same periods last year. These increases in sales resulted from improvements in volume for the three and six months ended April 30, 1995, as compared to the same periods of fiscal 1994, of 26% and 22%, respectively, partly offset by decreases in average selling prices of 4% and 5%, respectively, due to changes in product mix. The Company's steel tube business was adversely affected in fiscal 1994, and to a lesser degree in the first two quarters of fiscal 1995, by downward pricing pressure from imports on certain products and a general weakness in this segment's primary markets, which include power generation and the petrochemical and refining industries. In June 1994, the Company filed petitions alleging that imports of carbon and alloy seamless pipe up to 4.5 inches in diameter from four countries were being dumped or subsidized. In August 1994, the International Trade Commission made an affirmative preliminary determination that imports of small-diameter pipe from these countries were causing injury to the U.S. industry and in January 1995, the U.S. Department of Commerce released preliminary determinations against importers from four countries, and dumping bonds were imposed against their imports until a final determination is made. Final injury and dumping determinations from both the International Trade Commission and the Department of Commerce are expected by late summer 1995.

Net sales from the Company's aluminum products business for the three and six months ended April 30, 1995, were $86.1 million and $154.3 million, respectively, representing increases of $42.2 million, or 96%, and $78.1 million, or 103%, respectively, when compared to the same periods last year. These increases are attributable to increases in volume for the three and six months ended April 30, 1995, as compared to the same periods of fiscal 1994, of 64% and 82%, respectively, due to improved demand and market share and increases in average selling prices of 19% and 11%, respectively. Results were affected by aluminum price increases, which generally increased by more than the Company's average selling price because of a change in product mix. Lower priced mill finished sheet was a higher percentage of total sales in the first two quarters of fiscal 1995 as compared to the same periods of last year. Margins between selling prices and raw material costs, however, improved during the first two quarters of fiscal 1995 as compared to 1994. First and second quarter results for 1994 were adversely affected by the fire at the Company's Lincolnshire plant.

Consolidated operating income for the three and six months ended April 30, 1995, was $17.2 million and $27.6 million, respectively, representing increases of $7.6 million, or 80%, and $14.0 million, or 103%, respectively, when compared to the same periods last year. These increases are principally due to higher net sales and significantly improved results at the Company's aluminum products business.

Operating income from the Company's hot rolled steel bar business for the three and six months ended April 30, 1995, was $10.1 million and $17.0 million, respectively, representing increases of $1.6 million, or 19%, and $2.7 million, or 18%, respectively, when compared to the same periods last year. These increases are principally due to higher net sales and improved margins.

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

Operating income from the Company's cold finished steel bar business for the three and six months ended April 30, 1995, was $4.1 million and $6.7 million, respectively, representing increases of $1.4 million, or 50%, and $2.5 million, or 57%, respectively, when compared to the same periods last year. These increases are principally due to higher net sales and improved margins.

Operating income from the Company's steel tube business for the three and six months ended April 30, 1995, was $3.0 million and $4.9 million, respectively, representing increases of $1.6 million, or 116%, and $1.7 million, or 56%, respectively, when compared to the same periods last year. These increases are principally due to higher net sales.

Operating income from the Company's aluminum products business for the three and six months ended April 30, 1995, was $5.3 million and $9.4 million, respectively, representing increases of $4.9 million and $11.2 million, respectively, when compared to the same periods last year. These increases are principally due to higher net sales and improved margins.

Selling, General and Administrative Expenses increased by $1.7 million, or 16%, and $3.7 million, or 18%, respectively, for the three and six months ended April 30, 1995, as compared to the same periods of 1994 primarily due to increased levels of business activity. However, as a percentage of net sales, selling, general and administrative expenses decreased as compared to the same periods last year.

Interest expense decreased by $1.5 million and $1.8 million, respectively, for the three and six months ended April 30, 1995, as compared to the same periods of 1994 primarily as a result of the early extinguishment of a portion of the Company's senior debt late in the first fiscal quarter of 1995. Interest expense is expected to increase following the Company's scheduled exchange of its 6.88% Cumulative Convertible Exchangeable Preferred Stock ("Preferred Stock") for its 6.88% Convertible Subordinated Debentures due June 30, 2007 ("6.88% Debentures") on June 30, 1995. Although this exchange will reduce net income through interest charges, net income attributable to common shareholders will benefit through increased tax deductions.

Net income attributable to common shareholders for the three and six months ended April 30, 1995, was $8.3 million and $9.5 million, respectively, as compared to $2.3 million and $2.6 million, respectively, for the same 1994 periods, after deducting preferred dividends of $1.5 million from all periods. The improvement was primarily attributable to improved operating income. Included in the six months ended April 30, 1995 was an extraordinary charge of $2.0 million relating to early extinguishment of debt. Included in "Other, net" for the three and six months ended April 30, 1995, was a $1.1 million pretax gain related to a life insurance policy on a deceased former officer. Included in "Other, net" for the three months ended April 30, 1994, was a $1.7 million pretax charge related to certain financing contracts, partially offset by $1.0 million of income relating to partial reimbursement of a business interruption loss for the fire that occurred at the Company's Lincolnshire facility in August 1993. Also, included in "Other, net" was investment income of $213 thousand and an investment loss of $80 thousand, respectively, for the three and six months ended April 30, 1995, as compared to investment income of $600 thousand and $1.5 million, respectively, for the same 1994 periods. The decreases were due to decreases in cash available for investment and losses on sales of short-term investments.

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. The Bank Agreement was amended in December 1994 to extend the maturity of the facility to March 31, 1999. Under the Bank Agreement, at April 30, 1995, there were $10.0 million of outstanding borrowings and $2.1 million of outstanding letters of credit.

At April 30, 1995, the Company had outstanding $65.5 million in Senior Notes ("Senior Notes"). The Senior Notes are unsecured and bear interest at the rate of 10.77% per annum, payable semi-annually. The Senior Notes require annual repayments of $20.8 million beginning on August 23, 1995, with a final payment of $3.0 million on August 23, 1998. In December 1994, the Company acquired $59.5 million principal amount of the Senior Notes for a purchase price equal to 105% of the principal amount plus accrued interest. The acquisition was funded with the Company's available cash, proceeds from the sale of its short-term investments and $10 million in borrowings under the Bank Agreement. The Senior Notes contain customary affirmative and negative covenants, as well as requirements to maintain a minimum capital base, as defined. In addition, the Senior Notes limit the payment of dividends and certain restricted investments.

The Company currently has outstanding 3,450,000 Depositary Convertible Exchangeable Preferred Shares, each representing 1/10th of a share of Preferred Stock. The Preferred Stock may be exchanged, at the option of the Company, beginning on June 30, 1995, for the 6.88% Debentures, having a principal amount equal to $250 per share of Preferred Stock ($25 per Depositary Convertible Exchangeable Preferred Share) exchanged. On May 25, 1995, the Company's Board of Directors authorized the exchange of the outstanding Preferred Stock for the 6.88% Debentures. The Debentures will be subject to mandatory annual sinking fund payments sufficient to redeem 25% of the Debentures issued on each of June 30, 2005 and June 30, 2006, to retire a total of 50% of the Debentures before maturity. The exchange, which will be effective June 30, 1995, is expected to contribute approximately six cents per share through the tax benefits of interest deductions in the current fiscal year, or approximately seventeen cents per share on an annualized basis. The increase in long-term debt and reduction in preferred stock is expected to increase the Company's total debt to total capitalization ratio 24.8% at April 30, 1995, to approximately 50% at the time of the exchange.

At April 30, 1995, the Company had commitments of $6 million for the purchase or construction of capital assets. The Company's $52 million (not including approximately $9 million in capitalized interest) Phase II MacSteel expansion project and $8 million Nichols-Homeshield annealing expansion were both completed in March 1995.

In management's opinion, the Company currently has sufficient funds and adequate financial sources available to meet its anticipated liquidity needs including required payments on the Senior Notes. Management believes that cash flow from operations, cash balances and available borrowings will be sufficient for the foreseeable future to finance anticipated capital expenditures, debt service requirements and dividends.

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

Operating Activities

Cash provided by operating activities during the six months ended April 30, 1995, was $5.5 million. This represents an increase of $3.9 million as compared to the same 1994 period. This increase reflects improved net income partly offset by increased working capital requirements.

Investment Activities

Net cash provided by investment activities during the six months ended April 30, 1995, was $38.7 million as compared to net cash used by investment activities of $26.9 million for the same 1994 period. The increase in cash provided by investment activities was principally due to decreases in short-term investments to fund the Company's acquisition of its Senior Notes. Capital expenditures for the six months ended April 30, 1995, were $14.9 million as compared to $18.3 million for the same 1994 period. The six months ended April 30, 1994 includes $6.4 million of proceeds from the sale of the Company's Viking Metallurgical Corporation subsidiary. The Company estimates that fiscal 1995 capital expenditures will approximate $30 to $40 million.

Financing Activities

Net cash used by financing activities for the six months ended April 30, 1995, was $55.2 million, principally consisting of $59.5 million for the early extinguishment of long-term debt, $3.9 million in common dividends and $3.0 million in preferred dividends. This was partly offset by notes payable borrowings of $10.0 million.

PART II. OTHER INFORMATION

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

On March 2, 1995, the Company held its regular Annual Meeting of Stockholders (the "Annual Meeting").

At the Annual Meeting, Carl E. Pfeiffer, Vincent R. Scorsone and Donald G. Barger, Jr. were elected as directors for a three year term. The following sets forth the number of shares that voted for and for which votes were withheld for the election of each of such persons:

	For	Withheld
Carl E. Pfeiffer	11,357,066	58,516
Vincent R. Scorsone	11,337,555	78,027
Donald G. Barger, Jr.	11,328,147	87,436

In addition, at the Annual Meeting, the stockholders of the Company ratified the appointment of Deloitte & Touche LLP as the Company's independent auditors, approved an amendment to the 1989 Non-Employee Director Stock Option Plan, approved an amendment to the 1988 Stock Option Plan, approved an amendment to the 1987 Non-Employee Director Stock Option Plan, and approved an amendment to the 1978 Employee Qualified and Non-Qualified Stock Option Plan. The amendments to these plans primarily related to changes in the rights of employees to exercise options following termination. The ratification of Deloitte & Touche LLP as the Company's independent auditors was approved with 11,298,366 votes cast for approval, 25,910 votes cast against and 91,306 abstentions. The amendment to the 1989 Non-Employee Director Stock Option Plan was approved with 9,007,774 votes cast for approval, 2,246,765 votes cast against and 161,043 abstentions. The amendment to the 1988 Stock Option Plan was approved with 9,225,762 votes cast for approval, 2,030,951 votes cast against and 158,868 abstentions. The amendment to the 1987 Non-Employee Director Stock Option Plan was approved with 9,016,865 votes cast for approval, 2,255,755 votes cast against and 142,962 abstentions. The amendment to the 1978 Employee Qualified and Non-Qualified Stock Option Plan was approved with 9,227,770 votes cast for approval, 2,027,455 votes cast against and 160,356 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.

11 Statement re computation of per share earnings.

27 Financial Data Schedule.

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

Viren M. Parikh
Controller (Chief Accounting Officer)

Date June 9, 1995

EXHIBIT 11

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

	Three Months Ended April 30, 1995	Three Months Ended April 30, 1994	Six Months Ended April 30, 1995	Six Months Ended April 30, 1994
	(Unaudited)		(Unaudited)	
Income before extraordinary charge	$ 9,822	$ 3,777	$ 14,475	$ 5,545
Extraordinary charge - early extinguishment of debt	-	-	(2,021)	-
Net income	9,822	3,777	12,454	5,545
Preferred dividend requirements	(1,483)	(1,483)	(2,967)	(2,967)
Net income attributable to common stockholders	$ 8,339	$ 2,294	$ 9,487	$ 2,578
Weighted average shares outstanding-primary	13,601	13,446	13,580	13,431
Earnings per common share:				
Primary:				
Earnings before extraordinary charge	0.62	0.17	0.85	0.19
Extraordinary charge	-	-	(0.15)	-
Earnings per common share	0.62	0.17	0.70	0.19

	Three Months Ended April 30, 1995	Three Months Ended April 30, 1994	Six Months Ended April 30, 1995	Six Months Ended April 30, 1994
Income before extraordinary charge	$ 9,822	$ 3,777	$ 14,475	$ 5,545
Extraordinary charge - early extinguishment of debt	-	-	(2,021)	-
Net income	9,822	3,777	12,454	5,545
Weighted average shares outstanding-primary	13,601	13,446	13,580	13,431
Effect of common stock equivalents arising from stock options	12	8	23	20
Preferred stock assumed converted to common stock	2,738	2,738	2,738	2,738
Weighted average shares outstanding-fully diluted	16,351	16,192	16,341	16,189
Earnings per common share:				
Assuming full dilution:				
Earnings before extraordinary charge	0.60	0.23	0.88	0.34
Extraordinary charge	-	-	(0.12)	-
Earnings per common share	0.60	0.23	0.76	0.34

This schedule contains summary financial information extracted from the balance sheet as of April 30, 1995 and the income statement for the six months ended April 30, 1995 and is qualified in its entirety by reference to such financial statements.

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3-MOS
OCT-31-1995
NOV-01-1994
APR-30-1995
23,042
0
112,932
0
93,209
236,538
514,505
252,836
539,864
160,700
47,942
6,715
0
86,250
146,007
539,864
434,233
434,233
381,789
381,789
0
0
5,150
24,957
10,482
14,475
0
2,021
0
12,454
0.700
0.760