UNITED STATES
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 January 31, 2000

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 January 31, 2000
Common Stock, par value $0.50 per share	14,047,890

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

	January 31, 2000 (Unaudited)	October 31, 1999 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 21,955	$ 25,874
Accounts and notes receivable, net	91,816	87,204
Inventories	97,594	78,463
Deferred income taxes	11,884	19,146
Prepaid expenses	1,621	1,700
Total current assets	224,870	212,387
Property, plant and equipment	774,699	753,811
Less accumulated depreciation and amortization	(358,156)	(346,970)
Property, plant and equipment, net	416,543	406,841
Goodwill, net	47,715	48,990
Other assets	23,812	22,228
	$ 712,940	$ 690,446
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 79,004	$ 70,187
Accrued payable - acquisition	13,462	-
Accrued expenses	47,615	54,305
Current maturities of long-term debt	9,226	10,545
Income taxes payable	3,176	1,103
Total current liabilities	152,483	136,140
Long-term debt	188,121	179,121
Deferred pension credits	7,004	6,691
Deferred postretirement welfare benefits	7,452	7,490
Deferred income taxes	43,531	43,910
Other liabilities	14,711	16,033
Total liabilities	413,302	389,385
Stockholders' equity:		
Preferred stock, no par value	-	-
Common stock, $.50 par value	7,097	7,135
Common stock held by rabbi trust	(3,331)	(2,322)
Additional paid-in capital	110,684	110,317
Retained earnings	186,261	186,867
Unearned compensation	(171)	(171)
Accumulated other comprehensive income	(902)	(765)
Total stockholders' equity	299,638	301,061
	$ 712,940	$ 690,446

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

	Three Months Ended January 31, 2000	Three Months Ended January 31, 1999
	(Unaudited)	
Net sales	$ 199,294	$ 183,103
Cost and expenses:		
Cost of sales	165,643	148,735
Selling, general and administrative expense	13,282	14,302
Depreciation and amortization	12,162	11,572
Operating income	8,207	8,494
Other income (expense):		
Interest expense	(3,330)	(3,681)
Capitalized interest	544	346
Other, net	1,002	794
Income before income taxes	6,423	5,953
Income tax expense	(2,248)	(2,084)
Net income	$ 4,175	$ 3,869
Earnings per common share:		
Basic:		
Total basic net earnings	$ 0.29	$ 0.27
Diluted:		
Total diluted net earnings	$ 0.29	$ 0.27
Weighted average shares outstanding:		
Basic	14,172	14,224
Diluted	14,360	14,234
Common stock dividends per share	$ 0.16	$ 0.16

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Three Months Ended January 31, 2000	Three Months Ended January 31, 1999
	(Unaudited)	
Operating activities:		
Net income	$ 4,175	$ 3,869
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	12,300	11,712
Deferred income taxes	30	(603)
Deferred pension and postretirement benefits	273	454
Changes in assets and liabilities net of effects from acquisitions and dispositions:		
Decrease in accounts and notes receivable	811	6,153
Decrease (increase) in inventory	(6,103)	4,615
Increase/(decrease) in accounts payable	4,150	(9,636)
Decrease in accrued expenses	(9,642)	(8,686)
Other, net (including income tax refund)	8,107	(231)
Cash provided by operating activities	14,101	7,647
Investment activities:		
Acquisition of Golden Aluminum, net of cash acquired	(6,406)	-
Capital expenditures, net of retirements	(14,458)	(14,530)
Other, net	(892)	(239)
Cash used by investment activities	(21,756)	(14,769)
Cash used by operating and investment activities	(7,655)	(7,122)
Financing activities:		
Bank borrowings, net	9,169	3,694
Purchase of subordinated debentures	-	(400)
Purchase of Quanex common stock	(3,785)	-
Common dividends paid	(2,296)	(2,280)
Issuance of common stock, net	620	1,276
Other, net	(24)	(26)
Cash provided by financing activities	3,684	2,264
Effect of exchange rate changes on cash and equivalents	52	(16)
Decrease in cash and equivalents	(3,919)	(4,874)
Cash and equivalents at beginning of period	25,874	26,279
Cash and equivalents at end of period	$ 21,955	$ 21,405
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 4,390	$ 4,934
Cash paid (received) during the period for income taxes	$ (7,007)	$ 2,048
Supplemental disclosures of non-cash investing activity: The Company acquired the assets of Golden Aluminum in the first quarter of fiscal 2000. In conjunction with the acquisition, the following transaction took place:		
Purchase price of Golden Aluminum	$ 21,462	$ 0
Cash paid in first fiscal quarter	(8,000)	-
Payable balance for acquisition as of January 31, 2000	$ 13,462	$ 0
Golden Aluminum cash acquired	$ 1,594	$ 0

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Accounting Policies

The interim consolidated financial statements of Quanex Corporation and subsidiaries (the "Company") are unaudited, but include all adjustments which the Company deems necessary for a fair presentation of its financial position and results of operations. All such adjustments are of a normal recurring nature. 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 1999 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 2000 classifications.

2. Inventories

Inventories consist of the following:	January 31, 2000	October 31, 1999
	(In thousands)	
Raw materials	$ 30,200	$ 24,617
Finished goods and work in process............................	60,510	46,958
	90,710	71,575
Other	6,884	6,888
	$ 97,594	$ 78,463

The values of inventories in the consolidated balance sheets are based on the following accounting methods:

LIFO	$ 63,433	$ 58,968
FIFO	34,161	19,495
	$ 97,594	$ 78,463

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $12 million and $11 million at January 31, 2000, and October 31, 1999, respectively.

3. Acquisition

On January 25, 2000, the Company announced that it had completed the purchase from Alcoa, Inc. of the Golden Aluminum production facility based in Fort Lupton, Colorado. Quanex acquired the assets of the facility for $8 million plus working capital value which is estimated at approximately $13 million.

The newly acquired facility has become part of Quanex's flat-rolled aluminum sheet business - Nichols Aluminum (the Aluminum Mill Sheet Products segment). It has been renamed Nichols Aluminum - Golden Inc., (Nichols Aluminum - Golden), a wholly owned subsidiary of Quanex Corporation.

Operations at Nichols Aluminum-Golden include melting and casting aluminum into sheet made from a blend of primary P1020 ingot and selected grades of recycled scrap metal, cold rolling it to specific gauge, annealing, leveling, custom coating and slitting to width. Nichols Aluminum-Golden can produce more than 50-million pounds annually of high quality metal for engineered applications in niche markets, such as end and tab stock for food packaging, metal components for computer disks, and home accessory products.

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. Earnings Per Share
The computational components of basic and diluted earnings per share are as follows (Shares and dollars in thousands except per share amounts):

	For the Three Months Ended January 31, 2000			For the Three Months Ended January 31, 1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS						
Total basic net earnings	$ 4,175	14,172	$ 0.29	$ 3,869	14,224	$ 0.27
EFFECT OF DILUTIVE SECURITIES						
Effect of common stock Equiv arising from stock options	-	62		-	10	
Effect of common stock held by rabbi trust	-	126		-	-	
Effect of conversion of subordinated debentures(1)	-	-		-	-	
DILUTED EPS						
Total diluted net earnings	$ 4,175	14,360	$ 0.29	$ 3,869	14,234	$ 0.27

(1) Conversion of the Company's 6.88% convertible subordinated debentures into common stock is anti-dilutive for the periods presented and therefore not included in the calculation of diluted earnings per share.

5. Comprehensive Income (Dollars in thousands)

Total comprehensive income for the three months ended January 31, 2000 and 1999 is $4,038 and $3,228, respectively. Included in comprehensive income is net income, the change in the cumulative foreign currency translation adjustment balance and the change in the adjustment for minimum pension liability balance.

6. Long-term Debt

Long-term debt consists of the following:

(In thousands)	January 31, 2000	October 31, 1999
"Bank Agreement Revolver"	$ 85,000	$ 75,000
Convertible subordinated debentures	73,720	73,720
Piper Impact Europe "Credit Facility"	20,267	22,703
Industrial Revenue and Economic Development Bonds, unsecured, payable in annual installments through the year 2005, bearing interest ranging from 6.50% to 8.375%..................................	3,275	3,275
State of Alabama Industrial Development Bonds	4,755	4,755
Scott County, Iowa Industrial Waste Recycling Revenue Bonds	3,000	3,000
Other	7,330	7,213
	$ 197,347	$ 189,666
Less maturities due within one year included in current liabilities	9,226	10,545
	$ 188,121	$ 179,121

7. Industry Segment Information

Three Months Ended January 31, 2000	Engineered Steel Bars	Aluminum Mill Sheet Products	Engineered Products	Corporate and Other(1)	Consolidated
		(In thousands)			
Net Sales:					
To unaffiliated companies	$ 78,315	$ 75,762	$ 45,217	$ -	$199,294
Intersegment(2)	1,427	3,958	-	(5,385)	-
Total	$ 79,742	$ 79,720	$ 45,217	$ (5,385)	$199,294
Operating income (loss)	$ 11,835	$ 2,203	$ (1,626)	$ (4,205)	$ 8,207

Three Months Ended January 31, 1999	Engineered Steel Bars	Aluminum Mill Sheet Products	Engineered Products	Corporate and Other(1)	Consolidated
		(In thousands)			
Net Sales:					
To unaffiliated companies	$ 63,996	$ 66,444	$ 52,663	$ -	$183,103
Intersegment(2)	1,101	4,976	1	(6,078)	-
Total	$ 65,097	$ 71,420	$ 52,664	$ (6,078)	$183,103
Operating income (loss)	$ 11,303	$ 2,165	$ (222)	$ (4,752)	$ 8,494

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

8. Stock Repurchase Program

In December 1999, Quanex announced that its Board of Directors approved a program to repurchase up to 2 million shares of the Company's common stock in the open market or in privately negotiated transactions. During the first fiscal quarter ended January 31, 2000, the Company repurchased and retired approximately 157,000 shares at a cost of nearly $3.8 million.

For shares purchased by the Company and retired: 1) common stock is charged for the par value of the shares, 2) additional paid in capital is charged for the pro-rata portion associated with those shares and 3) retained earning is charged for the remainder of the cost of the retired shares. For the shares purchased and retired in the first fiscal quarter ended January 31, 2000, the equity was reduced as shown below:

Repurchase Cost	Common Stock	Additional Paid in Capital	Retained Earnings
	(In thousands)		
$3,785	$78	$1,222	$2,485

9. Subsequent Event

Subsequent to the fiscal quarter ended January 31, 2000, the Company accepted unsolicited block offers to buy back approximately $4.9 million principal amount of convertible subordinated debentures for approximately $4.6 million in cash.

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

GENERAL

The discussion and analysis of Quanex Corporation and its subsidiaries' (the "Company"'s) financial condition and results of operations should be read in conjunction with the January 31, 2000 and October 31, 1999 Consolidated Financial Statements of the Company and the accompanying notes.

PRIVATE SECURITIES LITIGATION REFORM ACT

Certain forward-looking information contained herein is being provided in accordance with the provisions of the Private Securities Litigation Reform Act. Such information is subject to certain assumptions and beliefs based on current information known to the Company and is subject to factors that could produce actual results materially different from those anticipated in the forward-looking statements contained in this report. Such factors include domestic and international economic activity, prevailing prices of steel and aluminum scrap and other raw material costs, interest rates, construction delays, market conditions for the Company's customers, any material changes in purchases by the Company's principal customers, environmental regulations and changes in estimates of costs for known environmental remediation projects and situations, world-wide political stability and economic growth, the Company's successful implementation of its internal operating plans, performance issues with key customers, suppliers and subcontractors, and regulatory changes and legal proceedings. Accordingly, there can be no assurance that the forward-looking statements contained herein will occur or that objectives will be achieved.

RESULTS OF OPERATIONS

Overview

Summary Information as % of Sales: (Dollars in millions)

	THREE MONTHS ENDED JANUARY 31,			
	2000		1999	
	Dollar Amount	% of Sales	Dollar Amount	% of Sales
Net Sales	$199.3	100%	$183.1	100%
Cost of Sales	165.6	83	148.7	81
Sell., gen. and admin.	13.3	7	14.3	8
Deprec. and amort.	12.2	6	11.6	6
Operating Income	8.2	4%	8.5	5%
Interest Expense	(3.3)	(1)	(3.7)	(2)
Capitalized Interest	.5	0	.3	0
Other, net	1.0	0	.8	0
Income tax expense	(2.2)	(1)	(2.0)	(1)
Net Income	$ 4.2	2%	$ 3.9	2%

The Company achieved record first quarter sales and income from continuing operations for the three month period ending January 31, 2000. The Company's engineered steel bar and aluminum mill sheet products businesses posted record first-quarter operating income and significantly higher sales compared with the same period last year. These results reflect operational improvements and seasonally strong markets with customers in the transportation and construction industries.

Business Segments

Pursuant to SFAS 131, the Company has three reportable segments: engineered steel bars, aluminum mill sheet products, and engineered products. The engineered steel bar segment consists of engineered steel bars manufacturing, steel bar and tube heat treating services and steel bar and tube wear and corrosion resistant finishing services. The aluminum mill sheet segment manufactures mill finished and coated aluminum sheet. The engineered products segment manufactures impact-extruded and machined aluminum and steel parts, aluminum window and patio door screens, window frames and other roll formed products and stamped shapes.

The following table sets forth selected operating data for the Company's three business segments:

	Three Months Ended January 31, 2000	Three Months Ended January 31, 1999
	(In thousands)	
Engineered Steel Bars:		
Net sales	$ 79,742	$ 65,097
Operating income	11,835	11,303
Deprec. and amort.	4,926	4,056
Identifiable assets	$ 250,439	$ 222,581
Aluminum Mill Sheet Products:		
Net sales	$ 79,720	$ 71,420
Operating income	2,203	2,165
Deprec. and amort.	3,341	3,130
Identifiable assets	$ 230,421	$ 194,408
Engineered Products:		
Net sales	$ 45,217	$ 52,664
Operating loss	(1,626)	(222)
Deprec. and amort.	3,844	4,354
Identifiable assets	$ 205,624	$ 216,036

The engineered steel bar business earned record quarterly operating income for the third consecutive quarter. Demand for MACSTEEL products is high and the backlog for orders looks strong. However, scrap markets are a little tighter and pricing pressures resulting from global sourcing continue, contributing to reduced spreads from a year ago. Sales of MACPLUS, a premium, value-added cold-finished steel bar, are at record levels. Increased volumes are being realized from the completion of Phase IV expansion projects late last fiscal year, which boosted cold-finishing capacity at both of MACSTEEL's engineered bar mills.

The aluminum mill sheet business is building on its record-setting performance from last year with best-ever first quarter results for sales and operating income for the three-months ended January 31, 2000. With the acquisition from Alcoa, Inc. of a high quality, value-added aluminum sheet casting and rolling mill based in Fort Lupton, Colorado, Nichols Aluminum is well positioned for further growth. See Note 3 to the financial statements for further discussion of the acquisition.

Lower sales at Piper Impact due to the reduced demand for aluminum automotive air bag components was the major contributor to the first quarter loss posted by the Engineered Products Group. However, the Engineered Products Group is aggressively pursuing new business, and is encouraged by the sales growth activity underway. New applications for specialized roll-forming and impact-extrusion technologies are being developed. Several prototypes have been delivered and trials are taking place with both new and existing customers.

Outlook

The Company currently expects that the overall business levels for the remainder of fiscal 2000 should be similar to those experienced during 1999, except for its engineered products business which is experiencing product mix change resulting in lower sales. Domestic and global market factors 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. Continuing global pricing pressures in the Engineered Steel Bar business and reduced demand for aluminum airbag components in the Engineered Products business offer significant challenges to our operations in maintaining spreads. Improved financial results will be dependent upon, among other things, whether the strength of the economy can be sustained, improvements in the markets which the Company serves, successful new product development efforts at the engineered products business and whether the fiscal 1999 improvement in the price spreads of aluminum mill sheet products can be sustained.

Fiscal Quarter ended January 31, 2000 vs. 1999

Net Sales - Consolidated net sales for the three months ended January 31, 2000, were $199.3 million representing an increase of $16.2 million, or 9%, when compared to consolidated net sales for the same period in 1999. For the three months ended January 31, 2000, increased net sales in the engineered steel bar and aluminum mill sheet businesses were partially offset by lower net sales at the Company's engineered products businesses.

Net sales from the Company's engineered steel bar business for the three months ended January 31, 2000, were $79.7 million representing an increase of $14.6 million, or 22% when compared to the same period last year. This increase was principally due to increased sales volume from seasonally strong markets in the transportation industry as well as increased sales of MACPLUS, a premium, value-added cold-finished steel bar, as compared to the same prior year period. The impact on net sales from the higher fiscal 2000 volume and more value added mix was partially offset, however, by continuing competitive pricing pressures resulting from global sourcing.

Net sales from the Company's aluminum mill sheet products business for the three months ended January 31, 2000, were $79.7 million representing an increase of $8.3 million, or 12% when compared to the same period last year. This increase was due to increased volume from the seasonally strong construction market and increased selling price resulting from sales of more value-added painted product as well as market driven price increases.

Net sales from the Company's engineered products business for the three months ended January 31, 2000, were $45.2 million representing a decrease of $7.4 million, or 14% when compared to the same period last year. The decrease in the three month period ended January 31, 2000 is largely due to the reduced demand for aluminum automotive air bag components at the Piper facilities.

Operating income - Consolidated operating income for the three months ended January 31, 2000, was $8.2 million representing a decrease of $287 thousand, or 3% when compared to the same period last year. The decrease in the three month period ended January 31, 2000 was largely due to increased operating losses at the engineered products business, partially offset by increased operating income at the engineered steel bar and aluminum mill sheet products business.

Operating income from the Company's engineered steel bar business for the three months ended January 31, 2000, was $11.8 million representing an increase of $.5 million, or 5% when compared to the same period last year. The increase in the three months ended January 31, 2000 compared to 1999 was due to higher net sales from increased volumes and more value-added product sales; however these sales were at a lower spread than the same prior year period due largely to the pricing pressures. Depreciation expense for the three months ended January 31, 2000 was also higher than the same prior year period due to recently completed capital projects. Additionally, the prior year's three months ended January 31, 1999 included approximately $2 million of non-recurring benefits realized as a result of an insurance recovery and a litigation settlement.

Operating income from the Company's aluminum mill sheet products business for the three months ended January 31, 2000, was $2.2 million representing only a slight increase of $38 thousand compared to the same period last year. This increase was largely due to higher sales which were largely offset by higher material costs as aluminum scrap prices increased reducing spreads.

Operating loss from the Company's engineered products business for the three months ended January 31, 2000, was $1.6 million compared to an operating loss of $222 thousand for the same prior year period. The declining results were largely due to lower net sales at the Piper Impact facilities, but were partially offset by increased operating income at the Fabricated Products division. Fabricated Products achieved increased operating income despite lower net sales for the first quarter ended January 31, 2000 as compared to the same prior year period as a result of selling a larger proportion of value-added, higher margin products as well as having lower depreciation expense.

In addition to the three operating segments mentioned above, operating expenses for corporate and other for the three months ended January 31, 2000 was $4.2 million compared to $4.8 million for the same period last year. Included in corporate and other are the corporate office expenses, impact of LIFO valuation method of inventory accounting and intersegment eliminations. (See note 2 to the financial statements regarding LIFO valuation method of inventory accounting.)

Selling, general and administrative expenses declined by $1.0 million, or 7% for the three months ended January 31, 2000, as compared to the same period of last year. This decline is largely due to the fact that the prior year included items such as relocation expenses and consulting expenses for system implementations which did not recur in the first fiscal quarter of 2000.

Depreciation and amortization increased by $.6 million, or 5% for the three months ended January 31, 2000, as compared to the same period of last year. The increase is principally due to increased depreciation at the engineered steel bar and aluminum mill sheet products businesses for recently completed projects, partially offset by lower depreciation and amortization at the engineered products business.

Interest expense declined by $.4 million or 10% to $3.3 million for the three months ended January 31, 2000 as compared to the same fiscal period of 1999. The decline was due largely to the lower outstanding debt balance during the three month period ended January 31, 2000 as compared to the same prior year period.

Capitalized interest increased by $198 thousand for the three months ended January 31, 2000, as compared to the same period of 1999 due to the Phase V expansion project at MACSTEEL which is currently underway.

Other, net increased $208 thousand for the three months ended January 31, 2000, as compared to the same period of 1999 primarily as a result of increased investment income.

Net income increased $306 thousand to $4.2 million for the three months ended January 31, 2000, compared to $3.9 million for the same period of 1999.

The increase was due largely to lower interest expense and higher capitalized interest and "other, net", offset partially by lower operating income.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are cash on hand, cash flow from operations, and borrowings under its $250 million unsecured Revolving Credit and Term Loan Agreement ("Bank Agreement"). There have been no significant changes to the terms of the Company's debt structure during the three month period ended January 31, 2000. See Note 6 to the financial statements for detail regarding the outstanding borrowings under the Company's various facilities.

At January 31, 2000, the Company had commitments of approximately $10 million for the purchase or construction of capital assets. The Company plans to fund these capital expenditures through cash flow from operations and, if necessary, additional borrowings.

In December 1999, Quanex announced that its Board of Directors approved a program to repurchase up to 2 million shares of the Company's common stock. During the first fiscal quarter ended January 31, 2000, the Company repurchased approximately 157,000 shares at a cost of nearly $3.8 million. Funds for the program have been and will be provided from the Company's available working capital and bank credit line.

Subsequent to the fiscal quarter ended January 31, 2000, the Company accepted unsolicited block offers to buy back approximately $4.9 million principal amount of convertible subordinated debentures for approximately $4.6 million in cash.

The Company believes that it has sufficient funds and adequate financial sources available to meet its anticipated liquidity needs. The Company also believes that cash flow from operations, cash balances and available borrowings will be sufficient for the foreseeable future to finance anticipated working capital requirements, capital expenditures, debt service requirements, environmental expenditures and dividends.

Operating Activities

Cash provided by operating activities during the three months ended January 31, 2000 was $14.1 million. This represents an increase of $6.5 million, or 84%, compared to the three months ended January 31, 1999. This increase is primarily a result of a $7.0 million tax refund received during the three month period ended January 31, 2000 compared to $2.0 million paid for the same period of 1999. The increased cash flow due to taxes was partially offset by cash used in meeting increased working capital requirements.

Investment Activities

Net cash used by investment activities during the three months ended January 31, 2000 was $21.8 million compared to $14.8 million for the same period of 1999. Fiscal 2000 cash from investing activities includes cash paid for the acquisition of Golden Aluminum totaling $6.4 million, net of cash acquired. Capital expenditures and other investment activities increased $581 thousand in the three month period ended January 31, 2000 as compared to the same period of 1999. The Company estimates that fiscal 2000 capital expenditures will approximate $50 to $55 million.

Financing Activities

Net cash provided by financing activities for the three months ended January 31, 2000 was $3.7 million, compared to $2.3 million for the same prior year period. The Company borrowed $9.2 million during the first three months of fiscal 2000, as compared to borrowing of $3.7 million during the same period last year. Also, during the three months ended January 31, 2000, the Company paid $3.8 million to repurchase approximately 157,000 shares of its own common stock.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", which is effective for the Company's year ending October 31, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133" which defers the effective date of SFAS No. 133 until the Company's year ending October 31, 2001. The Company will be analyzing SFAS No. 133 to determine what, if any, impact or additional disclosure requirements this pronouncement will have.

YEAR 2000

Subsequent to January 1, 2000, the Company continued to monitor all critical systems for any potential delayed complications or disruptions from the Year 2000 issues, including those relating to the leap year and its dealings with customers, suppliers and other third parties. No material problems were encountered. The Company believes that no significant additional efforts associated with the Year 2000 issues are required in the future.

ALL STATEMENTS REGARDING YEAR 2000 MATTERS CONTAINED IN THIS QUARTERLY REPORT ON FORM 10-Q ARE "YEAR 2000 READINESS DISCLOSURES" WITHIN THE MEANING OF THE YEAR 2000 INFORMATION AND READINESS DISCLOSURE ACT.

EUROPEAN MONETARY UNION

Within Europe, the European Economic and Monetary Union (the "EMU") introduced a new currency, the Euro, on January 1, 1999. The new currency was introduced in response to the EMU's policy of economic convergence to harmonize trade policy, eliminate business costs associated with currency exchange and to promote the free flow of capital, goods and services among the participating countries.

On January 1, 1999, the participating countries adopted the Euro as their local currency, initially available for currency trading on currency exchanges and non-cash (banking) transactions. The existing local currencies, or legacy currencies, will remain legal tender through January 1, 2002. Beginning on January 1, 2002, Euro-denominated bills and coins will be issued for cash transactions. For a period of six months from this date, both legacy currencies and the Euro will be legal tender. On or before July 1, 2002, the participating countries will withdraw all legacy currency and use exclusively the Euro.

At the current time, the Company does not believe that the conversion to the Euro will have a material impact on its business or its financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company holds certain floating-rate obligations. The exposure of these obligations to increases in short-term interest rates is limited by interest rate swap agreements entered into by the Company. These swap agreements effectively fix the interest rate on all of the Company's variable rate debt, thus limiting the potential impact that increasing interest rates would have on earnings. At October 31, 1999 the unrealized losses related to the interest rate swap agreements were $2.0 million. As of January 31, 2000, there was an unrealized gain related to the interest rate swap agreements amounting to $0.7 million. It should be noted that any change in value of these contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged item.

In addition, the Company utilizes a range forward zero-cost agreement to protect its initial equity investment in its Netherlands subsidiary, Piper Impact Europe. This agreement, which was entered into with a major financial institution, has a notional value of 30 million guilders. By establishing minimum and maximum exchange rates, this agreement limits the potential devaluation of the Company's initial investment in its subsidiary while also limiting any potential appreciation. If, at the expiration date of the agreement, the Dutch guilder/US dollar exchange rate is within the range of 1.80 to 2.05, this agreement will expire at no cost to either party. At October 31, 1999, the Company booked a gain to stockholder's equity of $378 thousand. At January 31, 2000, the Company booked an additional $881 thousand gain to stockholder's equity for a total gain of $1.3 million. A hypothetical 10% increase in the January 31, 2000 exchange rate would result in a positive adjustment to stockholders' equity of approximately $1.2 million. In contrast, a hypothetical 10% decrease would result in a negative adjustment to stockholder's equity of approximately $1.3 million. However, it should be noted that any change in the value of this agreement, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged position.

Other than the items mentioned above, there were no other material quantitative or qualitative changes during the first three months of fiscal 2000 in the Company's market risk sensitive instruments.

PART II. OTHER INFORMATION

Item 5 - Other Information

As of January 23, 2000, a three year agreement was ratified by the United Steel Workers representing 253 employees at MACSTEEL's Arkansas plant.

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

Exhibit 10.1	Amendment to Quanex Corporation 1997 Key Employee Stock Option Plan, dated December 9, 1999.
* Exhibit 10.2	Amendment to Quanex Corporation 1996 Employee Stock Option and Restricted Stock Plan, effective February 23, 2000.
* Exhibit 10.3	Quanex Corporation Non-Employee Director Retirement Plan as amended as of May 25, 1995.
Exhibit 27	Financial Data Schedule - January 31, 2000.

* Management Compensation or Incentive Plan

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

Index to Exhibits

Exhibit Number	Description of Exhibits
Exhibit 10.1	Amendment to Quanex Corporation 1997 Key Employee Stock Option Plan, dated December 9, 1999.
* Exhibit 10.2	Amendment to Quanex Corporation 1996 Employee Stock Option and Restricted Stock Plan, effective February 23, 2000.
* Exhibit 10.3	Quanex Corporation Non-Employee Director Retirement Plan as amended as of May 25, 1995.
Exhibit 27	Financial Data Schedule - January 31, 2000.

* Management Compensation or Incentive Plan

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 March 7, 2000

EXHIBIT 10.1

AMENDMENT TO THE QUANEX CORPORATION 1997 KEY EMPLOYEE STOCK OPTION PLAN

THIS AGREEMENT by Quanex Corporation (the "Company"),

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Company previously adopted the plan agreement known as the "Quanex Corporation 1997 Key Employee Stock Option Plan" (the "Plan"); and

WHEREAS, the Board of Directors of the Company retained the right in Article XI of the Plan to amend the Plan from time to time; and

WHEREAS, the Board of Directors of the Company has approved the following amendment to the Plan;

NOW, THEREFORE, effective January 1, 2000, the Board of Directors of the Company agrees that Section 6.2 of the Plan is hereby amended, effective with respect to all Options issued in the future under this Plan, as follows:

6.2 DURATION OF OPTIONS. No Option shall be exercisable after ten years from the date the Option is granted. An Option may terminate prior to the normal expiration date as specified below.

(a) General Rule for Severance of Employment. Except as may be otherwise expressly provided herein, all Options shall terminate on the earlier of the date of the expiration of the Option or one day less than three months after the date of the severance of the employment relationship between the Company and all Affiliates and the Optionee, whether with or without cause, for any reason other than the death, Disability or, Retirement of the Optionee, during which period the Optionee shall be entitled to exercise the Option in respect of the number of shares that the Optionee would have been entitled to purchase had the Optionee exercised the Option on the date of such severance of employment. Whether authorized leave of absence, or absence on military or government service shall constitute severance of the employment relationship between the Company and all

Affiliates and the Optionee, shall be determined by the Committee at the time thereof.

(b) Death, Disability or Retirement of Optionee. In the event of the death, Disability or Retirement of Optionee, before the date of expiration of such Option, such Option shall continue fully in effect, including provisions providing for subsequent vesting of such Option, for period of not more than three years commencing on the date of the Optionee's death, Disability or Retirement and shall terminate on the earlier of the date of the expiration of such year period or the date of expiration of the Option. After the death of the Optionee, his executors, administrators or any person or persons to whom his Option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the Option to exercise the Option in respect to the number of shares that the Optionee would have been entitled to exercise if he were still alive.

Notwithstanding the foregoing provisions of this Section, the Committee may provide for a different option termination date in the Option Agreement with respect to any Option.

Dated: December 9, 1999.

EXHIBIT 10.2

AMENDMENT
TO THE QUANEX CORPORATION
1996 EMPLOYEE STOCK OPTION AND RESTRICTED STOCK PLAN

THIS AGREEMENT by Quanex Corporation (the "Company"),

W I T N E S S E T H:

WHEREAS, the Company maintains the Plan known as the "Quanex Corporation 1996 Employee Stock Option and Restricted Stock Plan" (the "Plan");

WHEREAS, the Company retained the right in Section 12 of the Plan to amend the Plan from time to time; and

WHEREAS, the directors of the Company have approved resolutions to amend the Plan to increase the number of shares of the Company's Common Stock, $.50 par value, by 600,000 shares;

NOW THEREFORE, effective February 23, 2000, the Company agrees that, subject to and contingent upon the approval of this Agreement by the Company's stockholders, Section 3 of the Plan is hereby amended in its entirety to read as follows:

SECTION 3. STOCK SUBJECT TO THE PLAN

The total amount of the Common Stock with respect to which Awards may be granted shall not exceed in the aggregate 1,350,000 shares. The class and aggregate number of shares which may be subject to the Options granted under the Plan shall be subject to adjustment under Section 7. The class and aggregate number of shares which may be subject to the Restricted Stock Awards granted under the Plan shall also be subject to adjustment under Section 8. Shares may be treasury shares or authorized but unissued shares. If any Award under the Plan shall expire or terminate for any reason without having been exercised in full, or if any Award shall be forfeited, the shares subject to the unexercised or forfeited portion of such Award shall again be available for the purposes of the Plan.

EXHIBIT 10.3

QUANEX CORPORATION
NON-EMPLOYEE DIRECTOR RETIREMENT PLAN

To promote the interest of Quanex Corporation (the "Company") and to assist the Company in obtaining and retaining qualified persons to act as directors of the Company, the Company has adopted the following Non-Employee Director Retirement Plan (the "Plan").

1. Eligibility. Each person, other than full-time employees of the Company, serving on or after the Effective Date of this Plan, as a director subject to reelection by the holders of Common Stock of the Company, and each person serving as a director at the request of the Board of Directors, shall be entitled to participate in this Plan.

2. Retirement Benefit. Any director who is eligible to participate in this Plan and has served on the Board of Directors of the Company (not including time served when a full-time employee of the Company) for at least an aggregate of ten full years shall be entitled to a retirement payment as provided herein. Subject to Sections 3 and 4 below, the Company shall pay to the director annually a sum (the "Retirement Amount") equal to the base annual director retainer fee paid at the time the person is no longer a director of the Company. The base annual director retainer fee shall not include fees paid for attendance at meetings or other purposes. The Retirement Amount shall be paid annually on the anniversary date of the retirement of the person as a director or at such earlier time as the Company may select. In addition, the Company may elect to pay the Retirement Amount in installments provided the Retirement Amount shall be paid in full by each anniversary date.

3. Termination of Payment. The Company shall pay the Retirement Amount annually for a period equal to the aggregate length of time the director served on the Board of Directors (not including time served when a full-time employee of the Company), such period to be rounded up to the next full year, provided that the Company's obligation shall earlier terminate (i) upon the death of the director, (ii) upon the termination of this Plan as to all then current and retired directors, in which case payment shall be made to all eligible retired directors for the year in which the termination of this Plan occurs and two additional years, and (iii) upon a determination by the Board of Directors that the retired director is serving as a director, officer or employee of a competitor of the Company and the continuation of such relationship after 15 days written notice of such determination to the retired director.

4. Consultation. At any time payments are being made to a person pursuant to this Plan, such person agrees to be available to consult with and advise the Board of Directors of the Company from time to time upon reasonable notice; provided that the Company shall pay all out of pocket expenses of such person, such person shall not be obligated to travel and such consultations shall not require more of such person's time than that required when serving as a director.

5. Effective Date. This Plan shall be effective on February 20, 1992, and shall remain in effect until termination by a resolution of the Board of Directors of the Company. Except as provided in Section 3, upon termination of this Plan, no person shall be entitled to any further benefits hereunder.

Approved by the Board of Directors - 2/20/92
Amended by the Board of Directors - 5/25/95

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AS OF JANUARY 31, 2000 AND THE INCOME STATEMENT FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
OCT-31-2000
NOV-01-1999
JAN-31-2000
21,955
0
91,816
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97,594
224,870
774,699
(358,156)
712,940
152,483
188,121
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7,097
292,541
712,940
199,294
199,294
165,643
165,643
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3,330
6,423
2,248
4,175
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0
0
4,175
0.29
0.29