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 April 30, 1999

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, 1999
Common Stock, par value $0.50 per share	14,249,201

QUANEX CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

	April 30, 1999 (Unaudited)	October 31, 1998 (Audited)
ASSETS		
Current assets:		
Cash and equivalents	$ 33,223	$ 26,279
Accounts and notes receivable, net	79,586	85,166
Inventories	78,669	85,397
Deferred income taxes	11,119	11,560
Prepaid expenses	2,989	1,410
Total current assets	205,586	209,812
Property, plant and equipment	730,379	702,955
Less accumulated depreciation and amortization	(329,401)	(307,901)
Property, plant and equipment, net	400,978	395,054
Goodwill, net	49,961	52,281
Other assets	17,229	17,141
	$ 673,754	$ 674,288
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 68,082	$ 75,160
Accrued expenses	56,003	56,125
Current maturities of long-term debt	7,994	12,248
Income taxes payable	3,827	3,300
Total current liabilities	135,906	146,833
Long-term debt	191,611	188,302
Deferred pension credits	7,595	7,832
Deferred postretirement welfare benefits	7,250	7,092
Deferred income taxes	32,785	33,412
Other liabilities	17,529	18,773
Total liabilities	392,676	402,244
Stockholders' equity:		
Preferred stock, no par value	--	--
Common stock, $.50 par value	7,125	7,090
Additional paid-in capital	109,872	108,624
Retained earnings	165,776	156,278
Cumulative foreign currency translation adjustment	(615)	1,132
Adjustment for minimum pension liability	(1,080)	(1,080)
Total stockholders' equity	281,078	272,044
	$ 673,754	$ 674,288

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	1999	1998	1999	1998
	(Unaudited)		(Unaudited)	
Net sales	$ 202,879	$ 203,428	$ 385,982	$ 384,410
Cost and expenses:				
Cost of sales	160,147	166,421	308,882	320,703
Selling, general and administrative expense	13,187	11,995	27,489	23,335
Depreciation and amortization	11,405	10,911	22,977	21,478
Operating income	18,140	14,101	26,634	18,894
Other income (expense):				
Interest expense	(3,605)	(3,661)	(7,286)	(7,405)
Capitalized interest	475	1,219	821	2,696
Other, net	31	351	825	1,352
Income from continuing operations before income taxes	15,041	12,010	20,994	15,537
Income tax expense	(5,264)	(4,254)	(7,348)	(5,488)
Income from continuing operations	9,777	7,756	13,646	10,049
Gain on sale of discontinued operations, net of income taxes	--	--	--	13,606
Income before extraordinary charge	9,777	7,756	13,646	23,655
Extraordinary gain - early extinguishment of debt	415	--	415	--
Net income	$ 10,192	$ 7,756	$ 14,061	$ 23,655
Earnings per common share:				
Basic:				
Continuing operations	$ 0.69	$ 0.55	$ 0.96	$ 0.71
Gain on sale of discontinued operations	--	--	--	0.97
Extraordinary item	0.03	--	0.03	--
Total basic net earnings	$ 0.72	$ 0.55	$ 0.99	$ 1.68
Diluted:				
Continuing operations	$ 0.64	$ 0.51	$ 0.93	$ 0.70
Gain on sale of discontinued operations	--	--	--	0.95
Extraordinary item	0.02	--	0.02	--
Total diluted net earnings	$ 0.66	$ 0.51	$ 0.95	$ 1.65
Weighted average shares outstanding:				
Basic	14,249	14,154	14,236	14,119
Diluted	16,818	17,110	16,846	14,331
Common stock dividends per share	$ 0.16	$ 0.16	$ 0.32	$ 0.32

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Six Months Ended April 30,	
	1999	1998
	(Unaudited)	
Operating activities:		
Net income	$ 14,061	$ 23,655
Adjustments to reconcile net income to cash provided by operating activities:		
Gain on sale of discontinued operations	--	(13,606)
Extraordinary gain on early extinguishment of debt	(638)	--
Depreciation and amortization	23,254	21,761
Deferred income taxes	(589)	3,173
Deferred pension costs	(237)	(2)
Deferred postretirement welfare benefits	158	86
Changes in assets and liabilities net of effects from acquisitions and dispositions:		
Increase/(decrease) in accounts and notes receivable	4,969	(2,312)
Decrease in inventory	6,294	96
Increase/(decrease) in accounts payable	(6,729)	5,048
Increase in accrued expenses	168	745
Other, net	(1,638)	(9,143)
Cash provided by operating activities	39,073	29,501
Investment activities:		
Proceeds from the sale of discontinued operations	--	31,434
Capital expenditures, net of retirements	(30,338)	(27,134)
Other, net	(753)	(1,868)
Cash provided (used) by investment activities	(31,091)	2,432
Cash provided by operating and investment activities	7,982	31,933
Financing activities:		
Bank borrowings (repayments), net	11,108	(10,144)
Purchase of subordinated debentures	(8,799)	--
Common dividends paid	(4,560)	(4,522)
Issuance of common stock, net	1,283	2,973
Other, net	(29)	--
Cash used in financing activities	(997)	(11,693)
Effect of exchange rate changes on cash and equivalents	(41)	19
Increase in cash and equivalents	6,944	20,259
Cash and equivalents at beginning of period	26,279	26,851
Cash and equivalents at end of period	$ 33,223	$ 47,110
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 6,963	$ 7,173
Income taxes	$ 7,174	$ 10,032

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 1998 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 1999 classifications.

2. Inventories

Inventories consist of the following:	April 30, 1999	October 31, 1998
	(In thousands)	
Raw materials	$ 20,578	$ 25,167
Finished goods and work in process	51,010	52,485
	71,588	77,652
Other	7,081	7,745
	$ 78,669	$ 85,397

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

LIFO	$ 59,435	$ 57,594
FIFO	19,234	27,803
	$ 78,669	$ 85,397

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $10 million and $12 million at April 30, 1999, and October 31, 1998, respectively.

3. Acquisition

On October 9, 1998, the Company acquired the stock of Decatur Aluminum Corp., a Decatur, Alabama based coiled aluminum sheet manufacturer, for approximately $19 million. Included in the purchase price was debt totaling $5 million and other specified liabilities totaling $5 million assumed by the Company. The newly acquired company has been renamed Nichols Aluminum-Alabama, Inc. ("Nichols Aluminum Alabama"). Based on preliminary purchase accounting, goodwill associated with Nichols Aluminum Alabama is approximately $10 million as of April 30, 1999. Nichols Aluminum Alabama's operations include cold rolling aluminum sheet to specific gauge, annealing, leveling, custom painting and slitting to width.

4. Discontinued Operations

In December 1997, the Company completed the sale of its tubing operations, comprised of Michigan Seamless Tube, Gulf States Tube, and the Tube Group Administrative Office ("Tubing Operations"). The sale was effective November 1, 1997. The Company recorded an after tax gain on the sale of $12.8 million during the first quarter of fiscal 1998.

In April 1997, the Company completed the sale of its LaSalle Steel Company ("LaSalle") subsidiary. The Company recorded an after tax gain on the sale of $36.3 million in the second quarter of fiscal 1997 and an additional $833 thousand in the first quarter of 1998 as a result of post-closing adjustments.

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

5.Earnings Per Share

The following table presents information necessary to calculate basic and diluted earnings per share per FAS 128 for the periods indicated (in thousands except per share amounts):

	For the Three Months Ended April 30, 1999			For the Three Months Ended April 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS						
Income from Cont. Oper.	$ 9,777	14,249	$ 0.69	$ 7,756	14,154	$ 0.55
Extra. Gain - early debt ext.	415		.03	--		--
Total basic net earnings	$10,192		$ 0.72	$ 7,756		$ 0.55
EFFECT OF DILUTIVE SECURITIES						
Effect of common stock Equiv. arising from stock options	--	5		--	260	
Effect of conversion of subordinated debentures	950	2,564		999	2,696	
DILUTED EPS						
Income from Cont. Oper	$ 10,727	16,818	$ 0.64	$ 8,755	17,110	$ 0.51
Extra. Gain - early debt ext.	415		.02	--		--
Total diluted net earnings	$ 11,142		$ 0.66	$ 8,755		$ 0.51

	For the Six Months Ended April 30, 1999			For the Six Months Ended April 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS						
Income from Cont. Oper	$ 13,646	14,236	$ 0.96	$ 10,049	14,119	$ 0.71
Gain on Sale of Discont. Oper.	--		--	13,606		0.97
Extra. Gain - early debt ext.	415		.03	--		--
Total basic net earnings	$14,061		$ 0.99	$ 23,655		$ 1.68
EFFECT OF DILUTIVE SECURITIES						
Effect of common stock Equiv. arising from stock options	--	8		--	212	
Effect of conversion of subordinated debentures(1)	1,928	2,602		--	--	
DILUTED EPS						
Income from Cont. Oper.	$ 15,574	16,846	$ 0.93	$ 10,049	14,331	$ 0.70
Gain on Sale of Discont. Oper.	--		--	13,606		0.95
Extra. Gain - early debt ext.	415		.02	--		--
Total diluted net earnings	$ 15,989		$ 0.95	$ 23,655		$ 1.65

(1) Conversion of the Company's 6.88% convertible subordinated debentures into common stock was not considered in the computation of diluted EPS for the six months ended April 30, 1998 because it was anti-dilutive.

6. Comprehensive Income

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income", which is effective for the Company's year ending October 31, 1999. SFAS No. 130 establishes standards for the reporting and displaying of comprehensive income and its components. In accordance with this new pronouncement, the Company has calculated total comprehensive income for the three and six months ended April 30, 1999 to be $9,086 and $12,314, respectively. Comprehensive income for the three and six months ended April 30, 1998 is $7,815 and $23,086, 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.

7. Extraordinary Item

During the first six months of fiscal 1999, the Company accepted unsolicited block offers to buy back $9.7 million principal amount of the 6.88% Convertible Subordinated Debentures for $8.8 million in cash. An after tax extraordinary gain of $415 thousand was recorded on this transaction. The principal amount of bonds outstanding as of April 30, 1999 was $73,720,000.

8. Second Amended and Restated Rights Agreement

The Company approved an amended shareholder rights plan during the second quarter of fiscal 1999. Named the Second Amended and Restated Rights Agreement, the updated plan went into effect April 15, 1999 and replaced the Amended and Restated Rights Agreement which was established 10 years earlier. The Amended and Restated Rights Agreement and the Preferred Share Purchase Rights granted pursuant thereto were scheduled to expire on April 26, 1999. With the Second Amended and Restated Rights Agreement, Quanex's shareholder rights plan has been extended 10 years to April 15, 2009. Additionally, the purchase price was increased from $60.00 to $90.00.

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

9. Industry Segment Information

Three Months Ended April 30, 1999	Engineered Steel Bars	Aluminum Mill Sheet Products	Engineered Products	Corporate and Other(1)	Consolidated
	(In thousands)				
Net Sales:					
To unaffiliated companies	$ 72,951	$ 72,005	$ 57,923	$ 0	$ 202,879
Intersegment(2)..................	1,908	4,862	0	(6,770)	--
Total	$ 74,859	$ 76,867	$ 57,923	$ (6,770)	$ 202,879
Operating income (loss)	$ 14,314	$ 3,034	$ 3,059	$ (2,267)	$ 18,140

Three Months Ended April 30, 1998	Engineered Steel Bars	Aluminum Mill Sheet Products	Engineered Products	Corporate and Other(1)	Consolidated
	(In thousands)				
Net Sales:					
To unaffiliated companies	$ 88,231	$ 60,567	$ 54,630	$ 0	$ 203,428
Intersegment(2)...	722	4,887	--	(5,609)	--
Total	$ 88,953	$ 65,454	$ 54,630	(5,609)	$ 203,428
Operating income (loss)	$ 16,363	$ (1,483)	$ 2,268	$ (3,047)	$ 14,101

Six Months Ended April 30, 1999	Engineered Steel Bars	Aluminum Mill Sheet Products	Engineered Products	Corporate and Other(1)	Consolidated
	(In thousands)				
Net Sales:					
To unaffiliated companies	$ 136,947	$138,449	$ 110,586	$ --	385,982
Intersegment(2)..................	3,009	9,838	1	(12,848)	--
Total	$ 139,956	$148,287	$ 110,587	$(12,848)	$ 385,982
Operating income (loss)	$ 25,617	$ 5,199	$ 2,837	$ (7,019)	$ 26,634

Six Months Ended April 30, 1998	Engineered Steel Bars	Aluminum Mill Sheet Products	Engineered Products	Corporate and Other(1)	Consolidated
	(In thousands)				
Net Sales:					
To unaffiliated companies	$ 167,428	$113,126	$ 103,856	$ --	$ 384,410
Intersegment(2)..................	1,616	9,676	--	(11,292)	--
Total	$ 169,044	$122,802	$ 103,856	$(11,292)	$ 384,410
Operating income (loss)	$ 28,122	$ (3,663)	$ 1,807	$ (7,372)	$ 18,894

(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

GENERAL

The discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the April 30, 1999 and October 31, 1998 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 result in actual results differing materially 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 and Year 2000 readiness efforts, 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 APRIL 30, 1999		1998		SIX MONTHS ENDED APRIL 30, 1999		1998	
	Dollar Amount	% of Sales	Dollar Amount	% of Sales	Dollar Amount	% of Sales	Dollar Amount	% of Sales
Net Sales	$ 202.9	100%	$ 203.4	100%	$ 386.0	100%	$ 384.4	100%
Cost of Sales	160.2	79	166.4	82	308.9	80	320.7	83
Sell., gen. and admin.	13.2	6	12.0	6	27.5	7	23.3	6
Deprec. and amort.	11.4	6	10.9	5	23.0	6	21.5	6
Operating Income	18.1	9%	14.1	7%	26.6	7%	18.9	5%
Interest Expense	(3.6)	(2)	(3.7)	(2)	(7.3)	(2)	(7.4)	(2)
Capitalized Interest	.5	0	1.2	1	.8	0	2.7	1
Other, net	0	0	.4	0	.8	0	1.3	0
Income tax expense	(5.2)	(2)	(4.2)	(2)	(7.3)	(1)	(5.5)	(1)
Income from continuing operations	$ 9.8	5%	$ 7.8	4%	$ 13.6	4%	$ 10.0	3%

The Company achieved significantly higher earnings on essentially the same sales levels for the second quarter and the six-month period of fiscal 1999 compared with the same periods of fiscal 1998. The primary contributing factors were higher sales and operating efficiencies in the Nichols Aluminum division resulting from sales by Nichols Aluminum Alabama, Inc. which was acquired in October 1998, lower steel and aluminum scrap prices and some operating improvements achieved at other business units. Additionally, there were some benefits realized at the engineered steel bar business which amounted to approximately $2 million (pre-tax) as a result of a business interruption insurance recovery and an electrode litigation settlement received during the first quarter of fiscal 1999.

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 April 30,		SIX Months Ended April 30,	
	1999	1998	1999	1998
	(In thousands)		(In thousands)	
Engineered Steel Bars:				
Net sales...........................	$ 74,859	$ 88,953	$139,956	$169,044
Operating income....................	14,314	16,363	25,617	28,122
Deprec. and amort...................	4,056	3,385	8,112	6,762
Identifiable assets.................	$224,556	$205,472	$224,556	$205,472
Aluminum Mill Sheet Products:(1)				
Net sales...........................	$ 76,867	$ 65,454	$148,287	$122,802
Operating income (loss)............	3,034	(1,483)	5,199	(3,663)
Deprec. and amort...................	3,128	2,724	6,258	5,468
Identifiable assets.................	$194,393	$164,462	$194,393	$164,462
Engineered Products:				
Net sales...........................	$ 57,923	$ 54,630	$110,587	$103,856
Operating income....................	3,059	2,268	2,837	1,807
Deprec. and amort...................	4,187	4,768	8,541	9,180
Identifiable assets.................	$213,273	$280,277	$213,273	$280,277

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(1) 1999 results include Nichols Aluminum Alabama's operations acquired October 9, 1998. (See Note 3 to financial statements)

The engineered steel bar business posted another good quarter, though it did not beat the record results achieved in the prior year's second quarter. Demand in the automotive and heavy truck markets continues to be good, but other markets are experiencing fair to weak business conditions. This slowdown, in combination with the scheduled shutdown for maintenance projects, contributed to lower volumes and sales for engineered steel bars for the six months ended April 30, 1999. Despite lower volume and net sales, operating income levels remained relatively strong. This is largely due to the lower steel scrap material costs experienced during the first six months of fiscal 1999 as compared to 1998. Additionally, there were some benefits realized which amounted to approximately $2 million (pre-tax) as a result of a business interruption insurance recovery and an electrode settlement received during the first quarter of fiscal 1999. The $16 million Phase IV expansion project that will double MACSTEEL's shipping capacity for MACPLUS cold finished steel bars was completed at both of the engineered bar mills during the second quarter of fiscal 1999. Production is underway at the Fort Smith facility while trials are taking place at the Jackson facility. Our premium, value-added engineered steel bar, MACPLUS, is designed for precise, mission-critical applications and remains in high demand by original equipment manufacturer ("OEM") customers who require steel bars featuring defect-free surfaces with tight dimensional tolerances and concentricity.

The aluminum mill sheet business achieved increases in volume, net sales and operating income for the first six months of fiscal 1999 as compared to 1998. These increases were a result of the additional finishing capacity brought by the acquisition of Nichols Aluminum Alabama in October of 1998 as well as falling prices for aluminum scrap. All of Nichols' facilities are benefiting from the acquisition which allows them to realize gains and efficiencies obtainable by running at higher volumes and operating with greater flexibility. The casting plant is utilizing its two new rotary furnaces and dross recovery system to melt more economical aluminum scrap and improve the yield of scrap to molten metal. Continuous improvement projects are underway at Nichols' casting and finishing operations to identify and remove constraints throughout their manufacturing processes including restoration and improvement projects for the Alabama-based mill.

The engineered products business experienced seasonally strong demand for residential products and strong demand in automotive markets which resulted in the business being able to recover the operating losses experienced in the first three months of the fiscal year and show operating income for the six months ended April 30, 1999. Additionally, cost-control measures at the Piper Impact facility began showing success as the higher labor costs that had been experienced in the first three months of fiscal 1999 were reduced in the second quarter. The higher labor costs experienced in the first three months were a result of lower productivity as employees at Piper Impact's New Albany, Mississippi operations were being trained to finish products that were previously processed at the Company's Utah-based facility. As of the end of May 1999, production has ceased at the Utah facility. Piper Impact's development of new products for both steel and aluminum impact extrusions continues for applications in automotive, defense and other industries. Fabricated Products (AMSCO and Homeshield) began increasing production for the typically busy summer months ahead, continuing to emphasize profit margin improvement, business expansion and diversification.

Outlook

The Company currently expects that overall business levels for the remainder of fiscal 1999 should be similar to those experienced during 1998, excluding the one-time, mostly non-cash restructuring charge taken in the fourth quarter of fiscal 1998. The higher sales volume in the aluminum mill sheet segment is expected to offset the slowing demand in the engineered steel bar segment. The engineered products segment anticipates softening demand for aluminum air bag components partially offset by seasonally strengthening demand for fabricated residential building products. The improved spreads resulting from lower steel and aluminum scrap for the first six months of 1999 may not continue for the remainder of 1999 as steel and aluminum scrap prices have seemingly begun an upward trend. Also, we expect continued benefits to sales and earnings for the remainder of fiscal 1999 from the acquisition of Nichols Aluminum Alabama. Domestic and global market factors will impact the Company and any slowdown in the U.S. economy could adversely affect demand and pricing for many of the Company's products.

Fiscal Quarter and Six months ended April 30, 1999 vs. 1998

Net Sales - Consolidated net sales for the three and six months ended April 30, 1999, were $202.9 and $386.0 million, respectively, representing a decrease of $.5 million, or .2%, and an increase of $1.6 million, or .4%, when compared to consolidated net sales for the same periods in 1998. Increased net sales in the aluminum mill sheet and engineered products businesses were offset by lower net sales at the Company's engineered steel bar business.

Net sales from the Company's engineered steel bar business for the three and six months ended April 30, 1999, were $74.9 and $140.0 million, respectively, representing a decrease of $14.1 million, or 16%, and $29.1 million, or 17%, when compared to the same periods last year. This decline was principally due to the reduced demand in some of the durable goods market, inventory adjustments by some customers and pricing pressures resulting from global sourcing of engineered bars and forged components.

Net sales from the Company's aluminum mill sheet products business for the three and six months ended April 30, 1999, were $76.9 and $148.3 million, respectively, representing an increase of $11.4 million, or 17%, and $25.5 million, or 21%, when compared to the same periods last year. This increase was largely due to the acquisition of Nichols Aluminum Alabama in October of 1998 as well as strong demand in the building products market.

Net sales from the Company's engineered products business for the three and six months ended April 30, 1999, were $57.9 and $110.6 million, respectively, representing an increase of $3.3 million, or 6%, and $6.7 million, or 6%, when compared to the same periods last year. This increase is due to increased sales at both Piper facilities as well as the Fabricated Products divisions. These increases are a result of strong demand for residential and automotive products.

Operating income - Consolidated operating income for the three and six months ended April 30, 1999, was $18.1 and $26.6 million, respectively, representing an increase of $4.0 million, or 29%, and $7.7 million, or 41%, when compared to the same periods last year. The increase was due to increased operating income at the aluminum mill sheet products business and the engineered products segment, partially offset by lower operating income in the engineered steel bar segment.

Operating income from the Company's engineered steel bar business for the three and six months ended April 30, 1999, was $14.3 and $25.6 million, respectively, representing a decrease of $2.0 million, or 13%, and $2.5 million, or 9%, when compared to the same periods last year. These decreases were due to reduced volume and net sales, largely offset by higher spreads realized from lower steel scrap prices and productivity improvements from the Phase III project completed in 1998. Additionally, approximately $2 million of benefits were realized as a result of a business interruption insurance recovery and an electrode litigation settlement received in the first fiscal quarter.

Operating income from the Company's aluminum mill sheet products business for the three and six months ended April 30, 1999, was $3.0 and $5.2 million, respectively, compared to an operating losses of $1.5 and $3.7 million for the same periods last year. This increase was largely due to higher sales and operating efficiencies realized from the acquisition of Nichols Aluminum Alabama and improved spreads resulting from lower aluminum scrap prices as well as benefits from the new rotary furnaces and the dross recovery system.

Operating income from the Company's engineered products business for the three and six months ended April 30, 1999, was $3.1 and $2.8 million, respectively, representing a $.8 million, or 35%, and $1.0 million, or 57%, increase when compared to the same periods last year. The improvement was largely due to increased sales at the Fabricated Products Division (AMSCO and Homeshield) as well as at the Piper facilities.

Selling, general and administrative expenses increased by $1.2 million, or 10%, and $4.2 million, or 18%, respectively, for the three and six months ended April 30, 1999, as compared to the same periods of last year. This increase is largely a result of the acquisition of Nichols Aluminum Alabama, Year 2000 readiness efforts, relocation expenses and consulting expenses for system implementations.

Depreciation and amortization increased by $.5 million, or 5%, and $1.5 million, or 7%, respectively, for the three and six months ended April 30, 1999, as compared to the same periods 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 as well as the inclusion of Nichols Aluminum Alabama, which was acquired in October 1998, partially offset by lower depreciation and amortization at the engineered products business.

Interest expense remained relatively constant for the three and six months ended April 30, 1999, as compared to the same periods of 1998.

Capitalized interest decreased by $.7 and $1.9 million, respectively, for the three and six months ended April 30, 1999, as compared to the same periods of 1998 primarily due to the completion of significant capital projects at MACSTEEL and completion of the steel plant at Piper Impact.

Other, net decreased $.3 and $.5 million, respectively, for the three and six months ended April 30, 1999, as compared to the same periods of 1998 primarily as a result of decreased investment income on lower cash balances.

Income from continuing operations increased $2.0 million, or 26%, and $3.6 million, or 36%, respectively, for the three and six months ended April 30, 1999, as compared to the same periods of 1998. The increase was principally due to increased operating earnings from the Company's aluminum mill sheet products and the engineered products businesses.

Net income was $10.2 and $14.1 million, respectively, for the three and six months ended April 30, 1999, compared to $7.8 and $23.7 million for the same periods of 1998. Included in net income for the first quarter of fiscal 1998 was $13.6 million of gain on the sale of discontinued operations, net of taxes. Included in net income for the second fiscal quarter of 1999 was $415 thousand of extraordinary gain on the early extinguishment of debt, net of taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are cash on hand, cash flow from operations, and borrowings under an unsecured $250 million Revolving Credit and Term Loan Agreement ("Bank Agreement"). At April 30, 1999, the Company had $90 million borrowed against the Bank Agreement. There have been no significant changes to the Company's debt structure or level of borrowings under the various debt facilities during the six month period ended April 30, 1999.

During the first six months of fiscal 1999 the Company accepted unsolicited block offers to buy back $9.7 million principal amount of convertible subordinated debentures for $8.8 million in cash. An after tax extraordinary gain of $415 thousand was recorded on this transaction.

At April 30, 1999, the Company had commitments of approximately $20 million for the purchase or construction of capital assets, primarily relating to the Company's continued expansions at MACSTEEL and Piper Impact. The Company plans to fund these capital expenditures through cash flow from operations and, if necessary, additional borrowings.

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 six months ended April 30, 1999 was $39.1 million. This represents an increase of $9.6 million, or 32%, compared to the six months ended April 30, 1998. This increase is a result of several factors including:

1) increased cash resulting from the improved operating earnings of the first six months of fiscal 1999 compared to the same period of 1998,

2) lower taxes paid in the six month period ended April 30, 1999 compared to 1998, (higher tax payments were made in the six months ended 1998 due to the gain on the sale of discontinued operations),

3) lower working capital requirements in the six month period ended April 30, 1999 compared to 1998 as a result of the completion of the Phase III expansion project and better working capital management.

Investment Activities

Net cash used by investment activities during the six months ended April 30, 1999 was $31.1 million compared to $2.4 million provided by investment activities for the same period of 1998 because fiscal 1998 cash from investing activities included proceeds from the sale of the Tubing Operations of $31.4 million. Capital expenditures and other investment activities remained similar for the two periods. The Company estimates that fiscal 1999 capital expenditures will approximate $60 to $65 million.

Financing Activities

Net cash used by financing activities for the six months ended April 30, 1999 was $1.0 million, compared to $11.7 million for the same prior year period. The Company borrowed $11.1 million during the first half of fiscal 1999 compared with the repayment of $10.1 million during the same period last year. In 1999, the Company purchased $9.7 million principal value of its subordinated debentures for $8.8 million in cash.

NEW ACCOUNTING PRONOUNCEMENTS

In February 1998, the FASB issued SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits", which is effective for the Company's year ending October 31, 1999. This statement defines new disclosure requirements for pension and other postretirement benefits in an effort to facilitate financial analysis by adding useful information and deleting disclosures that the FASB considers no longer useful. The Company continues to analyze SFAS No. 132 to determine what additional disclosures will be required.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which is effective for the Company's year ending October 31, 2001. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company will analyze SFAS No. 133 to determine what, if any, impact or additional disclosure requirements this pronouncement will have.

YEAR 2000

The Company, like other businesses, is facing the Year 2000 issue. Many computer systems and equipment with embedded chips or processors use only two digits to represent the calendar year. This could result in computational or operational errors as dates are compared across the century boundary causing possible disruptions in business operations. The Year 2000 issue can arise at any point in the Company's supply, manufacturing, processing, distribution, and financial chains.

State of Readiness

The Company began addressing the Year 2000 issue in 1997, with an initial assessment of Year 2000 readiness efforts at each of its operating units. Based on responses from the operating units, a standardized Year 2000 Plan format was developed. By July 1998, each operating unit had developed a Year 2000 Plan that included the following components:

1. Inventory of all systems - identifying them as critical and non-critical
2. Assessment of all systems for Year 2000 compliance
3. Development of a project schedule for remediation or replacement of non-compliant systems
4. Development of a project schedule for testing the compliant systems
5. Development of a list of significant vendors/suppliers for surveying their Year 2000 readiness efforts

The Year 2000 issue is being addressed within the Company by its individual business units, and progress is reported periodically to management. The Company committed necessary resources to conduct risk assessment and to take corrective actions, where required, with a target date of becoming Year 2000 ready for the most critical systems by July 1999. Testing and implementation of Cyborg, the human resource management and payroll system may be delayed at some locations.

Business and Information Systems (Information Technology Systems)

Engineered Steel Bars Segment:

Engineered Steel Bars Segment has completed the inventory, assessment, and remediation/replacement phases. The testing of systems is in progress. Approximately 90 percent of the testing is finished, with a projected completion date of July 1999.

Aluminum Mill Sheet Products Segment:

Aluminum Mill Sheet Products segment is in the process of upgrading its main business system. Approximately 70 percent of the tasks are finished, with a projected completion date of July 1999. The inventory and assessment phases have been completed for all other business systems. Remediation/replacement and testing are scheduled to be complete by June 1999, except for the Human Resource Management and Payroll system which is projected to be complete by October 1999.

Engineered Products Segment:

Engineered Products Segment has finished the inventory and assessment phases for all business systems. Fabricated Products Division has remediated or replaced 90 percent of its critical business systems. Upgrading the balance of the systems, and testing of all IT Systems is scheduled to be complete by July 1999. Piper Impact is approximately 70 percent finished in the process of implementing an Enterprise Resource Planning ("ERP") system. Completion of this implementation, including testing, is projected to occur by September 1999. Remediation/replacement and testing of remaining business systems at Piper are at different stages of completion, ranging from 25 to 50 percent. The timeframe for completion is anticipated to be June to October of 1999.

Non-Information Technology Systems

For Non-IT systems, the inventory phase is complete at all business segments. The Company is relying on a combination of vendor certification and internal testing for assessment phase. At Engineered Steel Bars Segment, assessment, replacement, and testing phases have been completed on approximately 80 percent of the critical systems. Assessment and testing, with corrective action as required, at the other two business segments is ranging between 10 and 20 percent accomplished, with anticipated completion by the fourth quarter of 1999.

Third Party Relationships

The Company's business units are in the process of surveying the Year 2000 readiness efforts of critical external parties, including suppliers and customers. Approximately 700 major suppliers have been contacted. Over 60 percent have responded, with varying levels of readiness being reported. Follow-up surveys and risk assessments are expected to be complete by July 1999. Monitoring risk in this area will continue into the third quarter of 1999, as many suppliers will not have completed their Year 2000 readiness efforts until such time.

All business segments have recently initiated a survey of major customers' Year 2000 readiness efforts. Approximately 500 major customers have been contacted. Less than 30 percent have responded. Monitoring and risk assessment will continue into the fourth quarter of 1999.

Contingency Planning

The Company is developing contingency plans intended to mitigate possible disruption in business operations that may result from the Year 2000 issue. Contingency plans may include stockpiling necessary materials and inventories, securing alternate sources of supply, adjusting facility shutdown and start-up schedules, development of manual procedures to execute transactions and complete processes and other appropriate measures. Once developed, contingency plans will be continually refined, as additional information becomes available.

Independent Verification and Validation

Quanex commissioned a Third Party Review of its Y2K program. Detailed interviews were conducted at Quanex's Group and Corporate offices, and at most plant locations. The results of this study highlighted the progress being made and pointed out areas where additional resources were needed. As a result of the review, Quanex has augmented the staff resources working on the Y2K program with several experienced Y2K project managers and technicians in order to address the requirements identified. The Company has also retained BrightStar Information Technology Group, Inc. to provide Y2K Program coordination support for the Corporate Office, and to assist in the audit of readiness efforts at the business segments.

Cost

Year 2000 activities and associated costs are being managed within each business unit. The historical costs of remediation and other activities directly connected with Year 2000 issues have been less than $ 500,000. The timing of these expenses may vary and is not necessarily indicative of readiness efforts or progress to date. Not included in these historical costs are expenditures associated with normal upgrades and acquisition or implementation of new business systems planned for other business reasons and not accelerated due to Year 2000 issues. As of now, the Company's best estimate of total costs, directly related to Year 2000 issues, is between $2 and $3 million.

Risks

Quanex is a diversified and decentralized company comprised of three business segments. Each of these segments has multiple operating units, resulting in thirteen separate Year 2000 Plans. Quanex does not have standardized systems throughout the Company. This diversification has allowed the Company to spread the risk of the Year 2000 issue, since no one system is responsible for the entire financial and operational needs of the Company.

While the diversification reduces the risk of a material Year 2000 issue affecting the entire Company, this same diversification increases the possibility that the Year 2000 issue will cause a problem at one or more units since many more systems exist than in a centralized environment. Management is addressing this issue by requiring regular periodic reporting from each business unit and monitoring the progress with follow-up review by independent consultants. However, if implementation of the ERP systems at two major business units is not completed in a timely manner, the affected units will implement contingency plans to minimize disruptions in business operations that may result from the Year 2000 issue.

The Company relies on third party suppliers for raw materials, water, utilities, transportation and other key services. Interruption of supplier operations due to Year 2000 issues could affect the Company's operations. While each business unit will evaluate the status of its major suppliers' Year 2000 readiness efforts and develop contingency plans to manage the risk, it cannot eliminate the potential for disruption due to third party failures.

The Company is also dependent upon its customers for sales and cash flow. Year 2000 interruptions in the operations of its major customers could result in reduced sales, increased inventory or receivable levels and cash flow reductions. The Company is in the process of surveying its major customers' Year 2000 readiness efforts to assess risk and develop plans to minimize the impact on its operations.

The Company believes that it is taking all reasonable steps to ensure Year 2000 readiness. Its ability to meet the projected goals, including the costs of addressing the Year 2000 issue and the dates upon which compliance will be attained, depends on the availability and cost of personnel trained in this area, the timing and success of Year 2000 remediation and testing efforts, the Year 2000 readiness of its key suppliers and customers and the successful development and implementation of contingency plans. Although these and other unanticipated Year 2000 issues could have an adverse effect on the results of operations or financial condition of the Company, it is not possible to anticipate the extent of impact or the worst case scenario at this time, since the contingency plans are still under development.

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, 1998 the unrealized losses related to the interest rate swap agreements were $8.5 million. As of April 30, 1999, the unrealized losses related to the interest rate swap agreements were $4.8 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.

Other than the item mentioned above, there were no other material quantitative or qualitative changes during the first six months of fiscal 1999 in the Company's market risk sensitive instruments.

PART II. OTHER INFORMATION

Item 1 - Legal Proceedings

On or about May 26, 1999, the federal government filed in the United States District Court for the Southern District of Texas a complaint and proposed consent decree with respect to alleged violations of the Clean Water Act by the Company and Vision Metals, Inc. at the Company's former facility in Rosenberg, Texas. Among other things, the complaint alleged that during the Company's ownership the plant had discharged water which contained pollutants at levels greater than applicable effluent limits, had not appropriately monitored its discharges, and had not adequately notified the federal Environmental Protection Agency of exceedances. Under the consent decree, which is subject to public comment and approval of the court, all of the complaint's allegations against the Company would be settled by payment of a civil penalty in the amount of $466,421. The Company tendered this matter to Vision Metals for defense and indemnification pursuant to the purchase agreement by which Vision Metals acquired the Rosenberg facility and assumed certain environmental liabilities. Vision Metals has accepted the Company's tender without reservation.

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

On February 24, 1999, the Company held its Annual Meeting of Stockholders (the "Annual Meeting").

At the Annual Meeting, Michael J. Sebastian, Russell M. Flaum, and Susan F. Davis 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 of each of such persons:

	For	Withheld
Michael J. Sebastian	11,819,823	91,172
Russell M. Flaum	11,821,528	89,467
Susan F. Davis	11,818,721	92,274

In addition, at the Annual Meeting, the stockholders of the Company ratified the appointment of Deloitte & Touche LLP as the Company's independent auditors. The ratification of Deloitte & Touche LLP as the Company's independent auditors was approved with 11,846,810 votes cast for approval, 29,886 votes cast against, and 34,299 abstentions.

Item 5 - Other Information.

In January 1999, the production and maintenance employees at the Arkansas plant of MACSTEEL voted to have the United Steel Workers as their bargaining representative.

A five-year contract was ratified by the United Steel Workers representing 190 employees at the MACSTEEL's Michigan plant as of February 28, 1999.

After the Annual Meeting of Stockholders on February 24, 1999, Robert C. Snyder retired as chairman of the board of directors and resigned from the board of directors. The board elected Vernon E. Oechsle to chairman of the board of directors and chief executive officer of the Company, and named James H. Davis president and chief operating officer. These actions occurred as part of the Company's normal management succession. Mr. Snyder's resignation, with the previously announced retirement of Gerald B. Haeckel, brings the total number of Quanex board members to eight.

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

Exhibit 4 - Second Amended and Restated Rights Agreement dated as of April 15, 1999, between the Registrant and American Stock Transfer & Trust Co. as Rights Agent filed as Exhibit 4.1 to the Registrant's Form 8-K dated April 15, 1999, and incorporated herein by reference.

Exhibit 27 - Financial Data Schedule - April 30, 1999.

A Report on Form 8-K was filed by the Company on April 16, 1999, regarding the approval of the Second Amended and Restated Rights Agreement effective April 15, 1999, which made certain amendments to the Amended and Restated Rights Agreement including 1) extending the expiration date for an additional ten years and 2) increasing the Purchase Price from $60.00 to $90.00. The Amended and Restated Rights Agreement and the Preferred Share Purchase Rights granted pursuant thereto were scheduled to expire on April 26,1999 and have been extended to April 15, 2009.

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 10, 1999

Index to Exhibits

Exhibit Number	Description of Exhibits
Exhibit 4 -	Second Amended and Restated Rights Agreement dated as of April 15, 1999, between the Registrant and American Stock Transfer & Trust Co. as Rights Agent filed as Exhibit 4.1 to the Registrant's Form 8-K dated April 15, 1999, and incorporated herein by reference.
Exhibit 27 -	Financial Data Schedule - April 30, 1999.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AS OF APRIL 30, 1999 AND THE INCOME STATEMENT FOR THE SIX MONTHS ENDED APRIL 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS
OCT-31-1999
NOV-01-1998
APR-30-1999
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