

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended December 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 1-5725

A. Full title of the plan and the address of the plan, if different from that of the issuer name below:

Quanex Corporation Hourly Bargaining Unit Employees Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Quanex Corporation  
1900 West Loop South, Suite 1500  
Houston, Texas 77027  
(713) 961-4600

## INDEPENDENT AUDITORS' REPORT

The Benefits Committee  
Quanex Corporation  
Houston, Texas

Re: Quanex Corporation Hourly Bargaining Unit Employees Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Quanex Corporation Hourly Bargaining Unit Employee Savings Plan (the "Plan") as of December 31, 1996 and 1995, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1996 and 1995, and the changes in net assets available for benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of (1) investments as of December 31, 1996 and (2) 5% reportable transactions for the year ended December 31, 1996 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 1996 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

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DELOITTE & TOUCHE LLP

March 28, 1997

QUANEX CORPORATION  
 HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN  
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	----- 1996 -----	----- 1995 -----
Assets:		
Investments, at fair value -		
Mutual fund assets:		
Fidelity Puritan Fund	\$1,268,634	\$ 835,000
Fidelity Magellan Fund	2,326,232	1,843,510
Fidelity Contrafund	399,810	127,661
Fidelity Growth and Income Fund	624,189	328,455
Fidelity Overseas Fund	562,072	369,562
Fidelity Balanced Fund	143,087	74,250
Templeton Foreign Fund	41,980	--
Fidelity Government Money Market Fund	2,450,167	2,119,423
Quanex Corporation common stock	291,588	187,886
Common/commingled trust	147,525	95,257
	-----	-----
Total	8,255,284	5,981,004
	-----	-----
Employee contributions receivable	162,502	136,120
Employer contributions receivable	12,396	10,191
	-----	-----
Total	174,898	146,311
	-----	-----
Net assets available for benefits	\$8,430,182	\$6,127,315
	=====	=====

See notes to financial statements.

QUANEX CORPORATION  
HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	1996	1995
Investment income:		
Interest and dividends	\$ 672,045	\$ 298,232
Net appreciation in fair value of investments	143,494	467,045
Total	815,539	765,277
Contributions:		
Employee	1,786,138	1,637,214
Employer	105,510	98,350
Total	1,891,648	1,735,564
Total additions	2,707,187	2,500,841
Benefit payments	404,320	189,234
Increase in net assets available for benefits	2,302,867	2,311,607
Net assets available for benefits:		
Beginning of year	6,127,315	3,815,708
End of year	\$8,430,182	\$6,127,315

See notes to financial statements.

QUANEX CORPORATION  
HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1996 AND 1995

A. DESCRIPTION OF THE PLAN

The following description of the Quanex Corporation Hourly Bargaining Unit Employees' Savings Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

- (1) General. The Plan, originally named the Quanex Corporation Hourly Employee Savings Plan, became effective January 1, 1989 and is sponsored by Quanex Corporation (the "Company"). The Plan began receiving contributions in April 1989. The Plan is a defined contribution plan which is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan is a voluntary savings plan in which hourly employees of certain divisions of the Company are eligible to participate after completing three months of active service. The assets of the Plan are held in trust by Fidelity Management Trust Company ("Fidelity" or the "Trustee"). The Benefits Committee (the "Committee"), appointed by the Company's Board of Directors, serves as the Plan administrator.
- (2) Contributions. Participants may elect to contribute up to 15% of their before-tax or after-tax compensation as defined by the Plan agreement. The Plan was amended effective July 1, 1994 to include LaSalle Steel Company hourly employees. All plan provisions apply to the LaSalle Steel Company hourly employees with the addition of an employer matching contribution that does not exceed 5% of the member's considered compensation.
- (3) Participant Accounts. Each participant's account is credited with the participant's contribution and an allocation of investment income, which is based upon individual participant account balances as of the end of the period in which the income was earned.
- (4) Investment Options. The Plan has the following investment funds managed by the Trustee:
  - Government Money Market Fund - composed of short-term government obligations.
  - Balanced Fund - invested and reinvested in common and preferred stocks and bonds.
  - Growth and Income Fund - invested and reinvested in equity and debt securities of foreign and domestic companies.
  - Magellan Fund - invested and reinvested in equity and debt securities of foreign and domestic companies.
  - Contrafund - invested and reinvested in equities of foreign and domestic companies.
  - Overseas Fund - invested and reinvested in foreign securities.
  - Puritan Fund - invested and reinvested in common and preferred stocks and bonds.
  - Templeton Foreign Fund - invested and reinvested in foreign securities.
  - Quanex Corporation Common Stock - invested and reinvested exclusively in the common stock of Quanex Corporation.
  - Common/Commingled Trust - invested and reinvested in investment contracts with insurance companies, banks and other financial institutions.

- (5) Vesting. Participants are immediately vested in their contributions and the related earnings. Vesting in the employer's matching contributions for employees is 0% for less than one year of service graduating to 100% for five or more years. Upon death, retirement or total and permanent disability, the participant or beneficiary becomes immediately vested in the employer's contribution. In the event of termination, nonvested portions of employer's contributions are immediately forfeited by participants and utilized to reduce future employer matching contributions.
- (6) Payment of Benefits. Upon termination of service, the participant may elect to receive a lump sum distribution equal to the total amount of vested benefits in his or her account. As of December 31, 1996 and 1995, net assets available for benefits included benefits of \$5,632 and \$16,875, respectively, due to participants who have withdrawn from participation in the Plan.

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Accounting Basis. The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.
- (2) Investment Valuation. The Plan recognizes net appreciation or depreciation in the fair value of its investments. Investments are reflected at fair value in the financial statements. Fair value of mutual fund assets is determined using a quoted net asset value. Fair value for Quanex Corporation common stock, which is listed on the New York Stock Exchange, is determined using the last recorded sales price. The fair value of the common/commingled trust is at face value.
- (3) Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in the net assets available for benefits during the reporting period. The Plan's financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.
- (4) Administrative Expenses. The Company pays all administrative expenses.
- (5) Payment of Benefits. Benefit payments are recorded when paid.

#### C. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to terminate the Plan at anytime subject to the provisions set forth in ERISA. In the event of Plan termination, the assets held by the Trustee under the Plan will be valued and fully vested, and each participant will be entitled to distributions respecting his or her account.

#### D. FEDERAL INCOME TAX STATUS

The Plan is subject to specific rules and regulations related to employee benefit plans under the Department of Labor and the Internal Revenue Service (the "IRS"). The Plan has received a favorable letter of tax determination dated October 24, 1996. As such, the Plan is a qualified trust under Sections 401 (a) and 401 (k) of the Internal Revenue Code (the "Code") and, as a result, is exempt from federal income tax under Section 501 (a) of the Code. The Company believes the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. The Company believes the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

## E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1996 and 1995, the Plan purchased and sold shares of Quanex Corporation common stock, as shown below:

		1996			1995	
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	3,306	\$75,789		4,243	\$92,529	
Sales	2,351	50,315	\$54,568	347	7,997	\$7,457

During the years ended December 31, 1996 and 1995, the Plan purchased and sold shares of Fidelity mutual fund assets as shown below:

		1996			1995	
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	711,273	\$2,842,364		879,682	\$2,278,180	
Sales	320,094	754,693	\$785,068	270,825	456,173	\$484,054

During the years ended December 31, 1996 and 1995, the Plan purchased and sold shares of Fidelity Common/Commingled Trust as shown below:

		1996			1995	
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	87,559	\$87,559		82,554	\$82,554	
Sales	35,292	35,292	\$35,292	7,387	82,554	\$82,554

## F. SUBSEQUENT EVENT

In April 1997, Quanex Corporation announced the sale of their LaSalle Steel Company subsidiary ("LaSalle") to Niagara Corporation.

SUPPLEMENTAL FUND INFORMATION

Contributions, benefit payments and investment income by fund were as follows for the years ended December 31:

	1996	1995
	-----	-----
Employee Contributions:		
Fidelity Puritan Fund	\$ 258,650	\$ 225,346
Fidelity Magellan Fund	453,847	419,024
Fidelity Contrafund	91,666	44,860
Fidelity Growth and Income Fund	146,079	114,399
Fidelity Overseas Fund	148,714	144,420
Fidelity Balanced Fund	59,839	48,443
Fidelity Government Money Market Fund	491,386	508,585
Templeton Foreign Fund	4,812	--
Quanex Corporation common stock	63,562	62,267
Common/commingled trust	67,583	69,870
	-----	-----
	<u>\$1,786,138</u>	<u>\$1,637,214</u>
	=====	=====

	1996	1995
	-----	-----
Employer Contributions:		
Fidelity Puritan Fund	\$ 15,152	\$13,810
Fidelity Magellan Fund	21,803	19,431
Fidelity Contrafund	6,119	4,379
Fidelity Growth and Income Fund	10,918	9,598
Fidelity Overseas Fund	10,289	10,578
Fidelity Balanced Fund	7,296	6,954
Fidelity Government Money Market Fund	18,902	18,045
Templeton Foreign Fund	104	--
Quanex Corporation common stock	6,047	6,177
Common/commingled trust	8,880	9,378
	-----	-----
	<u>\$105,510</u>	<u>\$98,350</u>
	=====	=====



	1996 -----	1995 -----
Benefit payments:		
Fidelity Puritan Fund	\$ 41,028	\$ 26,984
Fidelity Magellan Fund	121,150	51,315
Fidelity Contrafund	5,210	--
Fidelity Growth and Income Fund	14,286	5,381
Fidelity Overseas Fund	9,593	2,595
Fidelity Balanced Fund	7,915	2,498
Fidelity Government Money Market Fund	171,595	94,128
Templeton Foreign Fund	--	--
Quanex Corporation common stock	4,863	3,993
Common/commingled trust	28,680	2,340
	-----	-----
	\$404,320	\$189,234
	=====	=====

	1996 -----	1995 -----
Investment income:		
Fidelity Puritan Fund	\$149,359	\$ 129,241
Fidelity Magellan Fund	243,707	431,859
Fidelity Contrafund	51,197	17,439
Fidelity Growth and Income Fund	86,323	69,343
Fidelity Overseas Fund	58,357	26,530
Fidelity Balanced Fund	11,564	6,251
Fidelity Government Money Market Fund	115,993	105,725
Templeton Foreign Fund	3,593	--
Quanex Corporation common stock	88,680	(24,578)
Common/commingled trust	6,766	3,467
	-----	-----
	\$815,539	\$ 765,277
	=====	=====

ITEM 27A - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
 EIN: 38-1872178; PN 015

QUANEX CORPORATION  
 HOURLY BARGAINING UNIT  
 EMPLOYEES SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF INVESTMENTS  
 DECEMBER 31, 1996

	Shares/ Par Value -----	Cost ----	Current Value -----
Mutual Fund Assets - Fidelity Investments:			
Government Money Market Fund*	2,450,167	\$2,450,167	\$2,450,167
Balanced Fund*	10,162	133,855	143,087
Puritan Fund*	73,587	1,193,292	1,268,634
Growth and Income Fund*	20,312	519,062	624,189
Magellan*	28,844	2,140,420	2,326,232
Contrafund*	9,485	364,846	399,810
Overseas Fund*	18,225	515,693	562,072
Templeton Foreign Fund*	4,052	39,972	41,980
		-----	-----
Total Mutual Fund Assets		7,357,307	7,816,171
Quantex Corporation Common Stock*	10,656	233,902	291,588
Common/Commingled Trust*	147,525	147,525	147,525
		-----	-----
Total investments		\$7,738,734 =====	\$8,255,284 =====

\*Party-in-Interest

## ITEM 27D - SCHEDULE OF REPORTABLE (5%) TRANSACTIONS EIN 38-1872178; PN 015

## QUANEX CORPORATION HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF 5% REPORTABLE TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 1996

## Single Transactions

Description	Total Number of Purchases During Plan Year	Purchase Price	Total Number of Sales During Plan Year	Selling Price	Cost of Asset	Current Value on Transaction Date	Net Gain (Loss)
None							

## Series of Transactions

Description	Total Number of Purchases During Plan Year	Purchase Price	Total Number of Sales During Plan Year	Selling Price	Cost of Asset	Current Value on Transaction Date	Net Gain (Loss)
*Puritan Fund	45	\$474,444	17	\$ 55,974	\$ 52,419	\$ 55,974	\$ 3,555
*Magellan Fund	56	851,371	36	296,052	272,627	296,052	23,425
*Contrafund	46	305,355	10	60,227	60,772	60,227	(545)
*Government Money Market Fund	61	639,600	48	308,856	308,856	308,856	0

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\*Party-in-interest

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Quanex Corporation Hourly Bargaining Unit  
Employees Savings Plan

Date: June 24, 1997

/s/ Joseph K. Peery

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Joseph K. Peery, Benefits Committee

INDEX TO EXHIBITS

23.1 Independent Auditor's Consent

## INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-46824 of Quanex Corporation on Form S-8 of our report dated March 28, 1997 appearing in the Annual Report on Form 11-K of the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan for the year ended December 31, 1996.

/s/ Deloitte & Touche LLP

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DELOITTE & TOUCHE LLP

Houston, Texas  
June 24, 1997