Core-Mark Holding Company, Inc.
Form 10-Q
May 08, 2012
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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 March 31, 2012
o 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: 000-51515
CORE-MARK HOLDING COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-1489747 (IRS Employer Identification No.)
395 Oyster Point Boulevard, Suite 415 South San Francisco, CA	94080
(Address of principal executive offices)	(Zip Code)

(650) 589-9445
(Registrant's telephone number, including area code)

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 requirement for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x
As of April 30, 2012, 11,426,672 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2012
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 16.9	$ 15.2
Restricted cash	12.8	12.6
Accounts receivable, net of allowance for doubtful accounts of $9.9 and $9.6 at March 31, 2012 and December 31, 2011, respectively	225.8	215.7
Other receivables, net	40.8	42.0
Inventories, net (Note 5)	234.9	362.3
Deposits and prepayments	49.5	48.2
Deferred income taxes	6.3	6.2
Total current assets	587.0	702.2
Property and equipment, net	101.0	99.5
Goodwill	16.2	16.2
Other non-current assets, net	52.8	52.3
Total assets	$ 757.0	$ 870.2
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 92.9	$ 91.5
Book overdrafts	7.3	27.1
Cigarette and tobacco taxes payable	144.5	173.4
Accrued liabilities	71.3	78.6
Deferred income taxes	0.3	0.3
Total current liabilities	316.3	370.9
Long-term debt (Note 6)	1.4	63.1
Deferred income taxes	9.8	9.8
Other long-term liabilities	9.3	9.5
Claims liabilities, net	28.0	27.8
Pension liabilities	13.6	13.6
Total liabilities	378.4	494.7
Stockholders' equity:		
Common stock, $0.01 par value (50,000,000 shares authorized, 12,474,589 and 12,382,724 shares issued; 11,419,012 and 11,344,947 shares outstanding at March 31, 2012 and December 31, 2011, respectively)	0.1	0.1
Additional paid-in capital	242.0	240.1
Treasury stock at cost (1,055,577 and 1,037,777 shares of common stock at March 31, 2012 and December 31, 2011, respectively)	(32.9)	(32.2)
Retained earnings	173.1	171.6
Accumulated other comprehensive loss	(3.7)	(4.1)
Total stockholders' equity	378.6	375.5

Total liabilities and stockholders’ equity	$ 757.0	$ 870.2

See accompanying notes to condensed consolidated financial statements.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net sales	$2,100.7	$1,722.5
Cost of goods sold	1,990.6	1,630.2
Gross profit	110.1	92.3
Warehousing and distribution expenses	63.4	53.9
Selling, general and administrative expenses	39.7	36.7
Amortization of intangible assets	0.9	0.5
Total operating expenses	104.0	91.1
Income from operations	6.1	1.2
Interest expense	(0.6)	(0.6)
Interest income	0.1	0.1
Foreign currency transaction gains, net	0.1	0.6
Income before income taxes	5.7	1.3
Provision for income taxes (Note 8)	(2.1)	(0.8)
Net income	$3.6	$0.5
Basic net income per common share (Note 9)	$0.31	$0.04
Diluted net income per common share (Note 9)	$0.31	$0.04
Basic weighted-average shares (Note 9)	11.4	11.3
Diluted weighted-average shares (Note 9)	11.6	11.8
Dividend declared and paid per common share	$0.17	$—

See accompanying notes to condensed consolidated financial statements.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net income	$ 3.6	$ 0.5
Other comprehensive income, net of tax:		
Minimum pension liability adjustment	0.1	—
Foreign currency translation adjustment	0.3	0.5
Total other comprehensive income, net of tax	0.4	0.5
Comprehensive income	$ 4.0	$ 1.0

See accompanying notes to condensed consolidated financial statements.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended March 31, 2012	2011
Cash flows from operating activities:		
Net income	$3.6	$0.5
Adjustments to reconcile net income to net cash provided by operating activities:		
LIFO and inventory provisions	2.8	2.7
Amortization of debt issuance costs	0.1	0.1
Stock-based compensation expense	1.4	1.3
Bad debt expense, net	0.3	0.3
Depreciation and amortization	6.3	5.1
Foreign currency transaction gains, net	(0.1)	(0.6)
Deferred income taxes	(0.1)	(0.7)
Changes in operating assets and liabilities:		
Accounts receivable, net	(10.2)	0.5
Other receivables, net	1.2	3.2
Inventories, net	125.6	34.2
Deposits, prepayments and other non-current assets	(3.6)	(6.6)
Accounts payable	1.3	18.1
Cigarette and tobacco taxes payable	(29.8)	(29.3)
Pension, claims, accrued and other long-term liabilities	(7.1)	2.3
Net cash provided by operating activities	91.7	31.1
Cash flows from investing activities:		
Restricted cash	—	(0.4)
Additions to property and equipment, net	(5.5)	(1.3)
Proceeds from sale of fixed assets	0.2	—
Net cash used in investing activities	(5.3)	(1.7)
Cash flows from financing activities:		
Repayments under revolving credit facility, net	(62.0)	—
Dividends paid	(2.0)	—
Repurchases of common stock	(0.7)	—
Proceeds from exercise of common stock options and warrants	0.6	2.0
Tax withholdings related to net share settlements of restricted stock units	(0.7)	(0.6)
Excess tax deductions associated with stock-based compensation	0.3	0.6
Decrease in book overdrafts	(19.9)	(6.5)
Net cash used in financing activities	(84.4)	(4.5)
Effects of changes in foreign exchange rates	(0.3)	0.2
Increase in cash and cash equivalents	1.7	25.1
Cash and cash equivalents, beginning of period	15.2	16.1
Cash and cash equivalents, end of period	$16.9	$41.2
Supplemental disclosures:		
Cash paid during the period for:		
Income taxes paid, net of refunds	$0.3	$—
Interest paid	$0.4	$0.5

See accompanying notes to condensed consolidated financial statements.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Company Information

Business

Core-Mark Holding Company, Inc. and subsidiaries (referred herein as “we,” “us,” “our,” “the Company” or “Core-Mark”) is one of the largest marketers of fresh and broad-line supply solutions to the convenience retail industry in North America. We offer a full range of products, marketing programs and technology solutions to approximately 29,000 customer locations in the United States (“U.S.”) and Canada. Our customers include traditional convenience stores, grocery stores, drug stores, liquor stores and other specialty and small format stores that carry convenience products. Our product offering includes cigarettes, other tobacco products, candy, snacks, fast food, groceries, fresh products, dairy, bread, beverages, general merchandise and health and beauty care products. We operate a network of 26 distribution centers (excluding two distribution facilities we operate as a third party logistics provider) in the U.S. and Canada.

2. Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated balance sheet as of March 31, 2012 and the unaudited condensed consolidated statements of operations, comprehensive income and cash flows for the three months ended March 31, 2012 and 2011 have been prepared on the same basis as our audited consolidated financial statements and include all adjustments necessary for the fair presentation of our consolidated results of operations, financial position and cash flows. Results for the interim periods are not necessarily indicative of results to be expected for the full year or any other future period. The condensed consolidated balance sheet as of December 31, 2011 has been derived from our audited financial statements, which are included in our 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 8, 2012.

The significant accounting policies and certain financial information that are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, but which are not required for interim reporting purposes, have been omitted. The unaudited condensed consolidated interim financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2011.

Concentration of Credit Risks

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash investments, accounts receivable and other receivables. We place our cash and cash equivalents in short-term instruments with high quality financial institutions and limit the amount of credit exposure in any one financial instrument.

A credit review is completed for new customers and ongoing credit evaluations of each customer's financial condition are performed and prepayment or other guarantees are required whenever deemed necessary. Credit limits given to customers are based on a risk assessment of their ability to pay and other factors. Alimentation Couche-Tard, Inc. (“Couche-Tard”) accounted for approximately 13.5% of our net sales in the first quarter of 2012 and no single customer accounted for 10% or more of our total net sales during the three months ended March 31, 2011. In addition, no single customer accounted for 10% or more of our accounts receivables as of March 31, 2012 or 2011.

3. Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-05, Presentation of Comprehensive Income. The new guidance changes the presentation of comprehensive income, but does not change the components that are recognized in net income or other comprehensive income under current accounting guidance. The adoption of ASU 2011-05 did not impact the financial position or results of operations but did impact the presentation of the condensed consolidated financial statements. We have provided the required financial reporting presentation pursuant to ASU 2011-05 herein.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The Company adopted ASU 2011-08 and is testing goodwill impairment in accordance with ASU 2011-08. The adoption, which occurred on January 1, 2012, did not have a material impact on its condensed consolidated financial statements.

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4. Acquisitions

Acquisition of Forrest City Grocery Company

On May 2, 2011, Core-Mark acquired Forrest City Grocery Company (“FCGC”), located in Forrest City, Arkansas, and FCGC thereafter became a subsidiary of Core-Mark. FCGC was a regional wholesale distributor servicing customers in Arkansas, Mississippi, Tennessee and the surrounding states. The acquisition provides Core-Mark with additional infrastructure and increases its market share in the southeastern U.S.

As of March 31, 2012, total consideration to acquire FCGC was approximately $54.0 million. The total consideration increased by $1.0 million during the first quarter of 2012 due primarily to certain pre-acquisition tax liabilities. The acquisition was funded with a combination of cash on hand and borrowings under our $200 million revolving credit facility. The FCGC acquisition was accounted for as a business combination.

The following table summarizes the allocation of the consideration paid for the acquisition and the estimated fair values of assets acquired, liabilities assumed and recognized at the acquisition date based on the valuation (dollars in millions):

	May 2, 2011
Cash	$ 3.5
Accounts receivable	18.4
Other receivables	0.4
Inventory	13.0
Prepaid expenses / other assets	2.0
Property, plant and equipment	6.0
Intangible assets	18.4
Goodwill	11.6
Net deferred tax liabilities	(7.0)
Other liabilities	(12.3)
Total consideration	$ 54.0

Intangible assets include $16.4 million for customer relationships which is being amortized over 15 years and $2.0 million for non-competition agreements, the majority of which is being amortized over five years. The estimated fair value of the intangible assets was determined using the income approach, which discounts expected future cash flows to present value.

The valuation includes $11.6 million of non-amortizing goodwill which represents the excess of the cash paid over the fair value of net assets acquired and liabilities assumed, net of deferred tax liabilities. The goodwill recognized is not deductible for tax purposes. The $7.0 million of net deferred tax liabilities resulting from the acquisition were related primarily to the difference between the book and tax bases of the intangible assets, whose estimated fair value was determined by the valuation.

The purchase price allocation presented herein is based on a final valuation, however there is a remaining escrow reserve of approximately $17 million for any post-closing liabilities. The escrow reserve, subject to adjustment, is available for claims through May 2015.

Results of operations of FCGC have been included in Core-Mark’s consolidated statements of operations since the date of acquisition. We did not consider the FCGC acquisition to be a material business combination and therefore have not disclosed pro-forma results of operations for the acquired business as required for material business combinations.

5. Inventories

Cost of goods sold reflects the application of the last-in, first-out (“LIFO”) method of valuing inventories in the U.S. based upon estimated annual producer price indices. Inventories in Canada are valued on a first-in, first-out (“FIFO”) basis, as LIFO is not a permitted inventory valuation method in Canada. During periods of rising prices, the LIFO method of costing inventories generally results in higher current costs being charged against income while lower costs are retained in inventories. Conversely, during periods of decreasing prices, the LIFO method of costing inventories generally results in lower current costs being charged against income and higher stated inventories. If the FIFO method had been used for valuing inventories in the U.S., inventories would have been approximately $80.9 million higher at March 31, 2012, compared to $78.0 million higher at December 31, 2011. We recorded LIFO expense of $2.9 million for the three months ended March 31, 2012 and 2011.

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6. Long-term Debt

Total long-term debt consists of the following (in millions):

	March 31, 2012	December 31, 2011
Amounts borrowed (Credit Facility)	$—	$62.0
Obligations under capital leases	1.4	1.1
Total long-term debt	$1.4	$63.1

We have a revolving credit facility (“Credit Facility”) with a capacity of $200 million, which also provides for up to an additional $100 million of lenders' revolving commitments, subject to certain provisions. On May 5, 2011, we entered into a fourth amendment to our Credit Facility (the "Fourth Amendment"), which extended our Credit Facility from February 2014 to May 2016 and reduced the unused facility fees and the margin on LIBOR or CDOR borrowings. The margin added to LIBOR or CDOR is a range of 175 to 225 basis points, down from a range of 275 to 350 basis points. The Fourth Amendment ties the LIBOR or CDOR margin to the amount of available credit under the revolving Credit Facility, instead of the achievement of certain operating results as defined in the original agreement. At the date of signing the Fourth Amendment, we incurred fees of approximately $0.7 million, which are being amortized over the term of the amendment.

All obligations under the Credit Facility are secured by first priority liens upon substantially all of our present and future assets. The terms of the Credit Facility permit prepayment without penalty at any time (subject to customary breakage costs with respect to LIBOR or CDOR based loans prepaid prior to the end of an interest period).

The Credit Facility contains restrictive covenants, including among others, limitations on dividends and other restricted payments, other indebtedness, liens, investments and acquisitions and certain asset sales. As of March 31, 2012, we were in compliance with all of the covenants under the Credit Facility.

Amounts borrowed, outstanding letters of credit and amounts available to borrow, net of certain reserves required under the Credit Facility, were as follows (in millions):

	March 31, 2012	December 31, 2011
Amounts borrowed	$—	$62.0
Outstanding letters of credit	$21.8	$23.7
Amounts available to borrow	$167.3	$106.2

Average borrowings during the three months ended March 31, 2012 were $24.8 million, with amounts borrowed, at any one time outstanding, ranging from zero to $72.9 million. For the same period in 2011, no monies were borrowed under the Credit Facility.

Our weighted-average interest rate was calculated based on our daily cost of borrowing, which was computed on a blend of prime and LIBOR rates. The weighted-average interest rate on our revolving credit facility for the three months ended March 31, 2012 was 2.1%. We paid total unused facility fees and letter of credit participation fees, which are included in interest expense, of $0.2 million during the three months ended March 31, 2012 compared to $0.5 million for the same period in 2011. Amortization of debt issuance costs are included in interest expense. Unamortized debt issuance costs were $1.8 million as of March 31, 2012 and $1.9 million as of December 31, 2011.

7. Contingencies

Litigation

The Company is a plaintiff in a successful lawsuit, currently on appeal, against Sonitrol Corporation. The case arose from the December 21, 2002 arson fire at the Denver warehouse in which Sonitrol failed to detect and respond to a four-hour burglary and subsequent arson. In 2010, a jury found in favor of the Company and our insurers. The Company's current share of the judgment, with daily accruing pre-judgment interest, is approximately $15.5 million, less outstanding attorneys' fees and costs. Sonitrol is appealing the decision through the Colorado appellate court. On May 4, 2012, the Colorado appellate court issued a notice scheduling oral arguments on the appeal for June 27, 2012. We are unable to predict when this litigation will be finally resolved and the ultimate outcome. Any monetary recovery from the lawsuit would be recognized in income only when and if it is finally paid to the Company.

We are subject to certain legal proceedings, claims, investigations and administrative proceedings in the ordinary course of

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our business. We make a provision for a liability when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. At March 31, 2012, we were not involved in any other material litigation.

8. Income Taxes

Our effective tax rate was 36.8% for the three months ended March 31, 2012 compared to 61.5% for the same period in
2011.

The provision for income taxes for the three months ended March 31, 2012 included a $0.1 million net benefit related primarily to the expiration of the statute of limitations for uncertain tax positions which reduced our effective tax rate by approximately 2.0%. Non-deductible transaction costs related to the acquisition of FCGC added approximately 20.0% to our effective tax rate for the same period in 2011.

At March 31, 2012, the total gross amount of unrecognized tax benefits, which was included in other long-term liabilities,
related to federal, state and foreign taxes, was approximately $1.7 million, all of which would impact our effective tax rate, if
recognized. The expiration of the statute of limitations for certain tax positions in future years could impact the total gross amount of unrecognized tax benefits by $0.1 million through March 31, 2013.

We file U.S. federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2008 to 2011 tax years remain subject to examination by federal and state tax authorities. The 2007 tax year is still open for certain state tax authorities. The 2004 to 2011 tax years remain subject to examination by the tax authorities in certain foreign jurisdictions.

9. Earnings Per Share

The following table sets forth the computation of basic and diluted net earnings per share (dollars and shares in millions, except per share amounts):

	Three Months Ended March 31,					
	2012			2011		
	Net Income	Weighted-Average Shares Outstanding	Net Income Per Common Share	Net Income	Weighted-Average Shares Outstanding	Net Income Per Common Share
Basic EPS	$3.6	11.4	$0.31	$0.5	11.3	$0.04
Effect of dilutive common share equivalents:						
Unvested restricted stock units		0.1	—		0.1	—
Stock options		0.1	—		0.1	—
Warrants		—	—		0.3	—
Diluted EPS	$3.6	11.6	$0.31	$0.5	11.8	$0.04

Note: Basic and diluted earnings per share are calculated based on unrounded actual amounts.

Certain options were outstanding but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive. There were no anti-dilutive stock options outstanding for the three months ended March 31, 2012 compared to 104,020 outstanding for the three months ended March 31, 2011.

In 2004, we issued an aggregate of 9,800,000 shares of our common stock and warrants to purchase an aggregate of 990,616 shares of our common stock to the Class 6(B) creditors of Fleming (our former parent company) pursuant to its plan of reorganization. We refer to the warrants we issued to the Class 6(B) creditors as the Class 6(B) warrants.

We received no cash consideration at the time we issued the Class 6(B) warrants. The Class 6(B) warrants had an exercise price of $20.93 per share. The shares of common stock and the Class 6(B) warrants were issued pursuant to an exemption from registration under Section 1145(a) of the Bankruptcy Code. We also issued warrants to purchase an aggregate of 247,654 shares of our common stock to the holders of our Tranche B Notes, which we refer to as Tranche B warrants. The Tranche B warrants had an exercise price of $15.50 per share.

Both the Class 6(B) and Tranche B warrants expired on August 23, 2011, at which time any outstanding warrants were net issued in an automatic cashless exercise in accordance with their terms. As of March 31, 2012, (a) all 990,616 Class 6(B) warrants originally issued have been exercised resulting in a cumulative net issuance of 550,873 shares of common stock, and (b) all 247,654

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Tranche B warrants originally issued have been exercised resulting in a cumulative net issuance of 145,512 shares of common stock. Combined, a total of 696,385 shares have been net issued upon cash and cashless exercises of the Company's warrants and no Class 6(B) warrants or Tranche B warrants remain outstanding.

10. Stock-Based Compensation Plans

Total stock-based compensation cost recognized in the condensed consolidated statements of operations as a component of selling, general and administrative expenses was $1.4 million and $1.3 million for the three months ended March 31, 2012 and 2011, respectively. Total unrecognized compensation cost related to non-vested share-based compensation arrangements was $9.3 million at March 31, 2012. This balance is expected to be recognized over a weighted-average period of 2.1 years.

During the three months ended March 31, 2012, we granted 78,760 restricted stock units to employees and non-employee directors from the 2010 Long Term Incentive Plan (“LTIP”) at a weighted-average grant date fair value of $39.57, compared to 137,532 restricted stock units from the 2010 LTIP at a weighted-average grant date fair value of $34.12 for the same period in 2011. During the three months ended March 31, 2012, we also granted 81,375 performance-based shares to employees from the 2010 LTIP at a weighted-average grant date fair value of $39.45, compared to 28,192 performance-based shares to employees from the 2010 LTIP at the weighted-average grant date fair value of $34.12 for the same period in 2011. The number of performance shares granted during 2012 that the employee ultimately earns is based upon achievement of certain specified performance metrics. The weighted-average grant date fair value is based on the fair market value of our common stock at the date of grant.

The following table summarizes the activity for all stock options, restricted stock units and performance shares under all of the LTIPs for the three months ended March 31, 2012:

		December 31, 2011 Outstanding		Activity durin			
				Granted		Exercised	
Plans	Securities	Number	Price	Number	Price	Number	P
2004 LTIP	RSUs	188	$0.01	—	$ —	(188)	$
	Options	41,077	35.08	—	—	(6,188)	3
2005 LTIP	RSUs	3,053	0.01	—	—	—	—
2005 Directors’ Plan	Options	7,500	27.03	—	—	(1,500)	2
2007 LTIP (1)	RSUs	78,509	0.01	—	—	(17,803)	0
	Options	274,034	25.71	—	—	(11,271)	2
	Perf. shares	11,271	0.01				

. With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $12.3 million as of April 30, 2012 and October 31, 2011, respectively.

6. Earnings and Dividends Per Share

Earnings Per Share

Fiscal 2012 and 2011 basic and diluted earnings per share from continuing operations are identical for the three and six months ended April 30, 2012 and 2011 as the Company reported a loss from continuing operations. The computation of diluted earnings per share excludes outstanding options and other common stock equivalents in periods where inclusion of such potential common stock instruments would be anti-dilutive in the periods presented. When income from continuing operations is a loss, all potential dilutive instruments are excluded from the computation of diluted earnings per share as they would be anti-dilutive. Accordingly, for the three and six months ended April 30, 2012, 0.1 million and 0.1 million, respectively, of restricted stock and 0.4 million and 0.4 million, respectively, of common stock equivalents were excluded from the computation of diluted earnings per share as the Company had a loss from continuing operations. For the three and six months ended April 30, 2011, 0.3 million and 0.2 million, respectively, of restricted stock and 0.4 million and 0.4 million, respectively, of common stock equivalents were excluded from the computation of diluted earnings per share as the Company had a loss from continuing operations.

For the six months ended April 30, 2012 and 2011, the Company had 0.8 million and 0.3 million, respectively, of securities that are potentially dilutive in future earnings per share calculations. Such dilution will be dependent on the excess of the market price of the Company's stock over the exercise price and other components of the treasury stock method.

Dividends Per Share

During the three and six months ended April 30, 2012, the Company paid \$0.04 and \$0.08, respectively, cash dividend per common share. During the three and six months ended April 30, 2011, the Company paid \$0.04 and \$0.08, respectively, cash dividend per common share.

7. Comprehensive Income

Comprehensive income comprises net income and all other non-owner changes in equity, including foreign currency translation, pension related adjustments and realized and unrealized gains and losses on derivatives, if any. Comprehensive income for the three and six months ended April 30, 2012 and 2011 was as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2012	2011	2012	2011
	(In thousands)			
Comprehensive income (loss):				
Net income (loss)	$(12,285)	$(1,389)	$(19,033)	$(6,129)
Foreign currency translation adjustment, net of taxes	673	1,885	(1,160)	1,977
Total comprehensive income (loss), net of taxes	$(11,612)	$496	$(20,193)	$(4,152)

The 2012 and 2011 foreign currency translation activity is primarily associated with Edgetech, acquired by the Company on March 31, 2011. As a result of this acquisition, Quanex has operations in Germany and the United Kingdom whose functional currency is the Euro and the British Pound Sterling, respectively.

8. Long-Term Debt and Capital Lease Obligations

Long-term debt consists of the following:

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

	April 30, 2012	October 31, 2011
	(In thousands)	
Revolving Credit Facility	$—	$ —
City of Richmond, Kentucky Industrial Building Revenue Bonds	800	900
Scott County, Iowa Industrial Waste Recycling Revenue Bonds	600	600
Capital lease obligations and other	135	166
Total debt	$1,535	$ 1,666
Less maturities due within one year included in current liabilities	352	352
Long-term debt	$1,183	$ 1,314

The Company’s $270.0 million Senior Unsecured Revolving Credit Facility (the Credit Facility) was executed on April 23, 2008. The Credit Facility has a five-year term and is unsecured. The Credit Facility expires April 23, 2013 and provides for up to $50.0 million for standby letters of credit, limited to the undrawn amount available under the Credit Facility. Borrowings under the Credit Facility bear interest at a spread above LIBOR based on a combined leverage and ratings grid. Proceeds from the Credit Facility may be used to provide availability for acquisitions, working capital, capital expenditures and general corporate purposes. Under the Credit Facility, the Company is obligated to comply with certain financial covenants requiring the Company to maintain a Consolidated Leverage Ratio of no more than 3.25 to 1 and a Consolidated Interest Coverage Ratio of no less than 3.00 to 1. As defined by the Credit Facility’s indenture, the Consolidated Leverage Ratio is the ratio of consolidated indebtedness as of such date to consolidated EBITDA for the previous four fiscal quarters; and the Consolidated Interest Coverage Ratio is the ratio of consolidated EBITDA to consolidated interest expense for the previous four consecutive fiscal quarters. EBITDA is defined by the indenture to include proforma EBITDA of acquisitions and to exclude certain items like non-cash charges. Additionally, the Credit Facility contains certain limitations on additional indebtedness, asset or equity sales, and acquisitions. Dividends and other distributions are permitted so long as after giving effect to such dividend or stock repurchase, there is no event of default.

As of April 30, 2012, the Company had no borrowings under the Credit Facility, and the Company was in compliance with all Credit Facility financial covenants. The availability under the Credit Facility is a function of both the facility amount utilized and meeting covenant requirements. Although there were no borrowings on the Credit Facility and only $5.7 of outstanding letters of credit under the Credit Facility, the aggregate availability under the Credit Facility was limited by the Consolidated Leverage Ratio resulting in an availability of $166.0 million at April 30, 2012.

9. Retirement Plans

The Company has a number of retirement plans covering substantially all employees. The Company provides both defined benefit and defined contribution plans. In general, the plant or location of employment determines an employee’s coverage for retirement benefits. Effective with the respective acquisition dates in the second fiscal quarter of 2011, the Edgetech employees were eligible to participate in the Company’s retirement plans.

Pension Plan

The Company has a non-contributory, single employer defined benefit pension plan that covers substantially all non-union employees. Effective January 1, 2007, the Company amended this defined benefit pension plan to include a new cash balance formula for all new salaried employees hired on or after January 1, 2007 and for any non-union employees who were not participating in a defined benefit plan prior to January 1, 2007. All new salaried employees are eligible to receive credits equivalent to 4% of their annual eligible wages, while some of the employees at the time of the plan amendment were “grandfathered” and are eligible to receive credits ranging up to 6.5% based upon a percentage they received in the defined contribution plan prior to the amendment of the pension plan. Additionally, every year the participants will receive an interest related credit on their respective balance equivalent to the prevailing 30-year Treasury rate. Benefits for participants in this plan prior to January 1, 2007 continue to be based on a more traditional formula for retirement benefits, where the plan pays benefits to employees upon retirement using a formula based upon years of service and pensionable compensation prior to retirement. Of the Company’s participants, 99% are under the cash balance formula.

The components of net periodic pension cost are as follows:

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QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2012	2011	2012	2011
	(In thousands)			
Net periodic benefit cost:				
Service cost	$846	$945	$1,826	$1,883
Interest cost	204	201	408	401
Expected return on plan assets	(303)	(261)	(580)	(519)
Amortization of net loss	23	23	73	45
Net periodic benefit cost	$770	$908	$1,727	$1,810

The decrease in net periodic benefit cost from 2011 to 2012 is primarily attributable to decreases in the liabilities and normal costs used to calculate the net periodic benefit cost primarily attributable to demographic data changes. The Company's pension funding policy generally has been to make the minimum annual contributions required by applicable regulations while considering targeted funded percentages. In fiscal 2010, the Company decided to modify its funding strategy and accelerate contributions to target a 100% funding threshold. Additionally, the Company will consider funding fiscal year requirements early in the fiscal year to potentially maximize returns on assets. During the three and six months ended April 30, 2012, the Company contributed $4.2 million to the plan. The Company does not expect to make any additional contributions for the balance of fiscal 2012. Future contributions are dependent on many variables, including the variability of the market value of the assets as compared to the obligation and other market or regulatory conditions. In addition, the Company takes into consideration its business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ greatly from current estimates.

10. Industry Segment Information

Quanex has two reportable segments: Engineered Products and Aluminum Sheet Products. The Engineered Products segment produces systems, finished products and components serving the OEM residential window and door industry, while the Aluminum Sheet Products segment produces mill finished and coated aluminum sheet serving the broader building and construction markets. The primary market drivers of both segments are residential repair and remodel activity (R&R) and new home construction.

The Company measures its inventory at the segment level on a FIFO or weighted-average basis; however, at the consolidated Company level, approximately one third of the inventory is measured on a LIFO basis. The LIFO reserve is computed on a consolidated basis as a single pool and is thus treated as a corporate expense. See Note 5 to the financial statements for more information. LIFO inventory adjustments along with corporate office charges and intersegment eliminations are reported as Corporate, Intersegment Eliminations or Other. The Company accounts for intersegment sales and transfers as though the sales or transfers were to third parties, that is, at current market prices. Intersegment sales, related cost of sales, and intercompany profit are eliminated in consolidation at Corporate. Corporate assets primarily include cash and equivalents partially offset by the Company's consolidated LIFO inventory reserve.

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2012	2011	2012	2011
	(In thousands)			
Net Sales:				
Engineered Products	$108,770	$82,493	$208,163	$166,504
Aluminum Sheet Products	88,293	123,059	153,993	202,197
Intersegment Eliminations	(2,619)	(2,440)	(6,133)	(5,781)
Consolidated	$194,444	$203,112	$356,023	$362,920
Operating Income (Loss):				
Engineered Products	$83	$1,914	$1,887	$1,266
Aluminum Sheet Products	(7,533)	6,058	(13,051)	6,609
Corporate & Other	(8,629)	(10,257)	(16,219)	(17,826)
Consolidated	$(16,079)	$(2,285)	$(27,383)	$(9,951)

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QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

	April 30, 2012	October 31, 2011
	(In thousands)	
Identifiable Assets:		
Engineered Products	$391,099	$ 389,889
Aluminum Sheet Products	133,833	132,161
Corporate, Intersegment Eliminations & Other	43,108	62,879
Consolidated	$568,040	$ 584,929
Goodwill:		
Engineered Products	$68,701	$ 69,432
Consolidated	$68,701	$ 69,432

11. Stock-Based Compensation

Effective with the Separation on April 23, 2008, the Company established the Quanex Building Products Corporation 2008 Omnibus Incentive Plan (the 2008 Plan). The 2008 Plan provides for the granting of stock options, stock appreciation rights, restricted stock awards, restricted stock units (RSUs), performance stock awards, performance unit awards, annual incentive awards, other stock-based awards and cash-based awards. The 2008 Plan is administered by the Compensation and Management Development Committee of the Board of Directors and allows for immediate, graded or cliff vesting options, but options must be exercised no later than ten years from the date of grant. The aggregate number of shares of common stock originally authorized for grant under the 2008 Plan was 2,900,000. At the Company's annual shareholder meeting in February 2011, the shareholders approved an amendment which increased the aggregate number of shares available for grant under the 2008 Plan by an additional 2,400,000 shares. Any officer, key employee and/or non-employee director of the Company or any of its affiliates is eligible for awards under the 2008 Plan. The initial awards granted under the 2008 Plan were on April 23, 2008; service is the vesting condition.

The Company's practice is to grant options and restricted stock or RSUs to non-employee directors on the last business day of each fiscal year, with an additional grant of options to each director on the date of his or her first anniversary of service. Additionally, the Company's practice is to grant options, restricted stock and RSUs to employees at the Company's December board meeting and occasionally to key employees as deemed appropriate at other times during the year. The exercise price of the option awards is equal to the closing market price on the date granted. The Company generally issues shares from treasury stock, if available, to satisfy stock option exercises and grants of restricted stock. If there are no shares in treasury stock, the Company issues additional shares of common stock. The Company has not capitalized any stock-based compensation cost as part of inventory or fixed assets during the six months ended April 30, 2012 and 2011.

Restricted Stock Awards

Under the 2008 Plan, common stock may be awarded to key employees, officers and non-employee directors. The recipient is entitled to all of the rights of a shareholder, except that during the forfeiture period the shares are nontransferable. The awards vest over a specified time period, but typically either immediately vest or cliff vest over a three-year period with service as the vesting condition. Upon issuance of stock under the plan, fair value is measured by the grant-date price of the Company's shares. This fair value is then expensed over the restricted period with a corresponding increase to additional paid-in-capital. A summary of non-vested restricted stock award changes during the six months ended April 30, 2012 follows:

	Shares	Weighted - Average Grant-Date Fair Value Per Share
Non-vested at October 31, 2011	256,390	$ 12.67
Granted	83,900	15.08
Vested	(115,790)	7.82
Non-vested at April 30, 2012	224,500	$ 16.08

The weighted-average grant-date fair value of restricted stock granted during the six months ended April 30, 2012 and 2011 was $15.08 and $17.14 per share, respectively. The total fair value of restricted stock vested during the six months ended April 30, 2012 was $0.9 million. Total unrecognized compensation cost related to unamortized restricted stock awards was $1.9 million as of April 30, 2012. This cost is expected to be recognized over a weighted-average period of 2.0 years.

Stock Options

As described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011, the Company uses the Black-Scholes-Merton option-pricing model to estimate the fair value of its stock options. The fair value of each option was estimated on the date of grant. The following is a summary of valuation assumptions and resulting grant-date fair values for grants during the following periods:

	Six Months Ended April 30,	
	2012	2011
Weighted-average expected volatility	54.0 %	53.0 %
Expected term (in years)	4.9-5.1	4.9-5.1
Risk-free interest rate	1.0 %	1.7 %
Expected dividend yield over expected term	1.0 %	1.0 %
Weighted-average grant-date fair value per share	$6.49	$7.57

Below is a table summarizing the stock option shares activity for the 2008 Plan since October 31, 2011:

	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at October 31, 2011	2,137,436	$ 14.08		
Granted	455,050	15.08		
Exercised	(77,909)	13.67		
Cancelled/Expired	(3,300)	13.94		
Outstanding at April 30, 2012	2,511,277	14.28	7.5	$ 10,567
Vested or expected to vest at April 30, 2012	2,444,823	14.21	7.5	$ 10,432
Exercisable at April 30, 2012	1,672,985	$ 13.41	6.8	$ 8,456

The total intrinsic value of options (the amount by which the market price of the stock on the date of exercise exceeded the exercise price of the option) exercised during the six months ended April 30, 2012 and 2011 was $0.3 million and $0.3 million, respectively. The total fair value of shares vested during the six months ended April 30, 2012 and 2011 was $2.3 million and $2.1 million, respectively. Total unrecognized compensation cost related to stock options granted under the 2008 Plan was $3.9 million as of April 30, 2012. This cost is expected to be recognized over a weighted-average period of 1.7 years.

Restricted Stock Units

RSUs vest over a specified time period, but typically either immediately vest or cliff vest over a three-year period with service as the vesting condition. RSUs are not considered to be outstanding shares of common stock and do not have voting rights. Holders of RSUs receive cash for an equivalent amount of cash dividends paid on the underlying common stock. Upon the earlier of the date the director ceases to be a board member or a change of control or upon vesting for the employee grants, each RSU is payable in cash in an amount equal to the market value of one share of the Company's common stock. Accordingly, the RSU liability will be adjusted to fair market value at each reporting date. The Company granted 137,500 and 0 RSU awards, respectively, during the six months ended April 30, 2012 and 2011. The fair market value per share of the outstanding awards was $18.43 and $20.96 as of April 30, 2012 and 2011, respectively. The aggregate amount charged to expense with respect to these awards was $0.6 million and $0.1 million for the six months ended April 30, 2012 and 2011, respectively. The number of RSU awards outstanding as of April 30, 2012 and October 31, 2011 was 184,226 and 56,410, respectively.

12. Income Taxes

The provision for income taxes is determined by applying an estimated annual effective income tax rate to income from continuing operations before income taxes. The rate is based on the most recent annualized forecast of pretax income, permanent book versus tax differences and tax credits. The Company's estimated annual effective tax rate for the six months ended April 30, 2012 is 30.7% compared to the estimated annual effective tax rate of 37.2% for the six months ended April 30, 2011. The decrease in the effective tax rate benefit is primarily attributable to nondeductible employee related items in the current year.

Prepaid and other current assets on the Consolidated Balance Sheets include an income tax receivable of $0.2 million as of April 30, 2012 and October 31, 2011.

The Company's unrecognized tax benefit (UTB) is related to the Separation and state tax items regarding the interpretations of tax laws and regulations. The total UTB as of April 30, 2012 is $19.2 million. Of this, $8.6 million is recorded in Liability for uncertain tax positions and $10.6 million is recorded in Deferred income taxes (non-current assets) on the Consolidated Balance Sheets. The UTB includes $17.9 million for which the disallowance of such items would not affect the annual effective tax rate.

Judgment is required in assessing the future tax consequences of events that have been recognized in the Company's financial statements or income tax returns. The final outcome of the future tax consequences of legal proceedings, if any, as well as the outcome of competent authority proceedings, changes in regulatory tax laws, or interpretation of those tax laws could impact the Company's financial statements. The Company is subject to the effects of these matters occurring in various jurisdictions. The Company believes that it is reasonably possible that a decrease of approximately $3.5 million in the UTB may be recognized within the next twelve months as a result of a lapse in the statute of limitations.

13. Contingencies

Environmental

Quanex is subject to extensive laws and regulations concerning the discharge of materials into the environment and the remediation of chemical contamination. To satisfy such requirements, Quanex must make capital and other expenditures on an ongoing basis. The Company accrues its best estimates of its remediation obligations and adjusts such accruals as further information and circumstances develop. Those estimates may change substantially depending on information about the nature and extent of contamination, appropriate remediation technologies, and regulatory approvals. In accruing for environmental remediation liabilities, costs of future expenditures are not discounted to their present value, unless the amount and timing of the expenditures are fixed or reliably determinable. When environmental laws might be deemed to impose joint and several liability for the costs of responding to contamination, the Company accrues its allocable share of liability taking into account the number of parties participating, their ability to pay their shares, the volumes and nature of the wastes involved, the nature of anticipated response actions, and the nature of the Company's alleged connections. The cost of environmental matters has not had a material adverse effect on Quanex's operations or financial condition in the past, and management is not currently aware of any conditions that it believes are likely to have a material adverse effect on Quanex's operations, financial condition or cash flows.

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QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Total environmental reserves and corresponding recovery for the Company as of April 30, 2012 and October 31, 2011 were as follows:

	April 30, 2012	October 31, 2011
	(In thousands)	
Current[1]	$1,804	$ 1,965
Non-current	10,606	11,221
Total environmental reserves	$12,410	$ 13,186
Receivable for recovery of remediation costs[2]	$11,860	$ 12,304

1 Reported in Accrued liabilities on the Consolidated Balance Sheets.

2 Reported in Accounts receivable and Other assets on the Consolidated Balance Sheets.

Currently, the Company’s ongoing remediation activities are at one of its subsidiaries, Nichols Aluminum-Alabama, LLC (NAA). NAA operates a plant in Decatur, Alabama that is subject to an Alabama Hazardous Wastes Management and Minimization Act Post-Closure Permit. Among other things, the permit requires NAA to remediate, as directed by the state, historical environmental releases of wastes and waste constituents. Consistent with the permit, NAA has undertaken various studies of site conditions and, during the first quarter of 2006, started a phased program to treat in-place free product petroleum that had been released underneath the plant. During the second quarter 2010, NAA submitted to the state the first component of its proposed workplan for implementing a site-wide remedy. The full workplan was submitted to the state during the third quarter 2010, revised during the second quarter 2011 to reflect both additional sampling data and responses to state comments, and revised again in the fourth quarter 2011 in response to another round of state comments. Based on those plans, which remain subject to further comment, revision, and state approval, the Company’s remediation reserve at NAA’s Decatur plant is $12.3 million as of April 30, 2012. Approximately $1.2 million of the April 30, 2012 reserve represents administrative costs; the balance of $11.1 million represents estimated costs for investigation, studies, cleanup, and treatment. The reserve has not been discounted. NAA was acquired through a stock purchase in which the sellers agreed to indemnify Quanex and NAA for identified environmental matters related to the business and based on conditions initially created or events initially occurring prior to the acquisition. Environmental conditions are presumed to relate to the period prior to the acquisition unless proved to relate to releases occurring entirely after closing. The limit on indemnification is $21.5 million excluding legal fees. While the Company’s current estimates indicate it will not reach this limit, changing circumstances could result in additional costs or expense that are not foreseen at this time. In accordance with the indemnification, the indemnitors paid the first $1.5 million of response costs and have been paying 90% of ongoing costs. Based on its experience to date, its estimated cleanup costs going forward, and costs incurred to date as of April 30, 2012, the Company expects to recover from the sellers' shareholders an additional $11.9 million which has not been discounted. Of that, $11.1 million is recorded in Other assets on the Consolidated Balance Sheets, and the balance is reflected in Accounts receivable on the Consolidated Balance Sheets. The undiscounted recovery from indemnitors as of October 31, 2011was $12.3 million.

The Company's final remediation costs and the timing of those expenditures will depend upon such factors as the nature and extent of contamination, the cleanup technologies employed, the effectiveness of the cleanup measures that are employed, and regulatory concurrences. While actual remediation costs, therefore, may be more or less than amounts accrued, the Company believes it has established adequate reserves for all probable and reasonably estimable remediation liabilities. It is not possible at this point to reasonably estimate the amount of any obligation for remediation in excess of current accruals because of uncertainties as to the extent of environmental impact, cleanup technologies, and concurrence of governmental authorities. The Company currently expects to pay the accrued remediation reserve through at least fiscal 2034, although some of the same factors discussed earlier could accelerate or extend the timing.

Other

From time to time, the Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of their business. Although the ultimate resolution and impact of such litigation on the Company is not presently determinable, the Company's management believes that the eventual outcome of such litigation will not have a material adverse effect on the overall financial condition, results of operations or cash flows of the Company.

14. Warranty Obligations

The Company's estimated obligations for warranty are accrued concurrently with the revenue recognized. The Company makes provisions for its warranty obligations based upon historical experience incurred for such obligations adjusted, as necessary, for current conditions and factors. Due to the significant uncertainties and judgments involved in estimating the Company's warranty obligations, including changing product designs, variance in customer installation process and future claims experience varying from historical claims experience, the ultimate amount incurred for warranty costs could change in the near and long-term from the current estimate.

The following table provides a reconciliation of the activity related to the Company's accrued warranty, including both the current (reported in Accrued liabilities on the Consolidated Balance Sheets) and long-term portions (reported in Other liabilities on the Consolidated Balance Sheets), for the six months ended April 30, 2012 (in thousands):

	April 30, 2012
Balance at October 31, 2011	$5,262
Provision for warranty expense	316
Warranty costs paid	(164)
Total accrued warranty	$5,414
Less long-term portion	3,565
Current accrued warranty	$1,849

15. Fair Value Measurement of Assets and Liabilities

The Company's investments that are measured at fair value on a recurring basis are categorized below using the fair value hierarchy. The fair value hierarchy has three levels based on reliability of inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values obtained from readily available pricing sources for comparable instruments and Level 3 includes fair values requiring measurement without observable market values that would require a high level of judgment to determine fair value. The following table summarizes assets measured on a recurring basis based on the fair value hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	April 30, 2012	October 31, 2011
	(In thousands)	
Money Market Fund investments	$43,878	$ 80,688
Pension plan assets	18,785	14,004

Total	$62,663	$ 94,692

The Company holds Money Market Fund investments that are classified as cash equivalents and pension plan assets measured at fair value based on active market quotations, which represent Level 1 inputs. As of April 30, 2012 and October 31, 2011, the Company did not have any assets or liabilities measured at fair value on a recurring basis in Level 2 or Level 3.

16. Stock Repurchase Program and Treasury Stock

On May 27, 2010, the Board of Directors approved a stock repurchase program of 1.0 million shares, and on August 25, 2011, the Board of Directors authorized an additional 1.0 million shares to this program. The objectives of this program are to manage the dilution created by shares issued under stock-based compensation plans and to repurchase shares opportunistically. The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. The Company uses a moving-average method on the subsequent reissuance of shares, and any resulting proceeds in excess of cost are credited to additional paid in capital while any deficiency is charged to retained earnings.

As of October 31, 2011, the number of shares in treasury stock was 1,035,288. During the six months ended April 30, 2012, the Company purchased 94,337 shares at a cost of $1.3 million partially offset by shares issued for stock option exercises and restricted stock grants for a net decrease to the number of shares in treasury stock to 967,816 as of April 30, 2012. Since inception of the program, Quanex has purchased 1,094,337 shares through April 30, 2012. The remaining shares authorized for repurchase in the program was 905,663 as of April 30, 2012.

17. Other Income (Expense)

During the three and six months ended April 30, 2012, the Company incurred $0.1 million of transaction losses and $9 thousand of transaction gains which are included in determining net income primarily related to Edgetech's international operations and foreign currency denominated exposures. During the three and six months ended April 30, 2011, the Company incurred $0.3 million and $0.3 million, respectively, of transaction gains related to foreign currency denominated exposures.

18. Restructuring and Related Activities

In November 2011, management committed to a plan to close its Barbourville, Kentucky facility (Barbourville) which is included in the Engineered Products segment. The consolidation plan, in part, calls for the permanent closing of Barbourville. The equipment used to manufacture the single seal spacer system is being relocated to the Company's Cambridge, Ohio facility. The Company believes this consolidation will allow it to better serve customers through streamlined operations. The consolidation of operations and the subsequent closure of the Barbourville facility are expected to be completed during 2012.

Under ASC Topic 712, "Compensation — Nonretirement Postemployment Benefits", the Company is required to record charges for contractual termination benefits and other ongoing benefit arrangements when it is probable that employees will be entitled to benefits under the contract's terms and the amount can be reasonably estimated. The Company determined that certain severance pay qualifies as either a contractual termination benefit or an ongoing benefit arrangement, and accordingly has recognized $0.9 million and $3.0 million, respectively, in estimated severance during the three and six months ended April 30, 2012. Severance will be paid out during the remainder of 2012, provided employees continue their employment until their planned exit dates.

Under ASC Topic 420, "Exit or Disposal Cost Obligations," the Company is required to record charges for one-time employee termination benefits, contract termination costs, and other associated costs as incurred. For the three and six months ended April 30, 2012, the Company expensed $2.3 million and $2.7 million, respectively, of facilities consolidation costs. All other costs related to the closure and relocation activities are being recorded as incurred, when they meet the definition of a liability, and they are included in the statements of income as selling, general, and administrative expenses, in accordance with the applicable accounting guidance. Cumulative costs incurred as of April 30, 2012 total $5.7 million. Total expected costs of $9 million for the project are comprised of approximately $4 million for employee-related costs and $5 million for plant closure, equipment moving and set up costs, substantially all of which will be charged to selling, general and administrative expense.

Management's estimates of costs, planned exit dates for employees and the timing of the project completion are subject to change.
In February 2012, the Company and the union reached an agreement to pay a one-time incentive bonus to employees upon their planned exit date termination, providing certain performance criteria are met. The salaried employees are being offered the same one-time incentive bonus under the same terms as the union employees. The incentive bonus expense will be recognized ratably over the remaining performance period and is included in the total employee-related cost number above.

During November 2010, the Company committed to a plan to shut down its plant in The Dalles (included in the Engineered Products segment) and service its clients out of other locations. The Dalles shut down was completed in January 2011. The Company accrued a net lease liability for the difference between remaining lease rental payments offset by sublease income, since management subleased the facility in November 2011. The Company does not expect to have any additional charges for contract termination and other exit costs related to The Dalles.

A reconciliation of the beginning and ending liability balances showing charges to expense, cash payments and other adjustments for the six months ended April 30, 2012 is as follows (in thousands):

	Employee termination costs	Facility consolidation costs	Contract termination and other exit costs	Total
Reconciliation of the liability in the balance sheet				
Beginning balance, October 31, 2011	$ —	$ —	$ 722	$ 722
Charges to expense, continuing operations	3,025	2,663	—	5,688
Cash payments	(725)	(1,992)	(212)	(2,929)
Other adjustments	—	—	—	—
Ending balance, April 30, 2012	$ 2,300	$ 671	$ 510	$ 3,481

The employee termination and facility consolidation activity above related to the IG spacer consolidation program while

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the contract termination and other exit costs relate to The Dalles shut down.

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

General

The discussion and analysis of Quanex Building Products Corporation and its subsidiaries' financial condition and results of operations should be read in conjunction with the April 30, 2012 Consolidated Financial Statements of the Company and the accompanying notes and in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011. References made to the "Company" or "Quanex" include Quanex Building Products Corporation and its subsidiaries and Quanex Corporation (accounting predecessor to Quanex Building Products Corporation) unless the context indicates otherwise.

Private Securities Litigation Reform Act

Certain of the statements contained in this document and in documents incorporated by reference herein, including those made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" are "forward-looking" statements as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words "expect," "believe," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements which address future operating performance, events or developments that the Company expects or anticipates will occur in the future, including statements relating to volume, sales, operating income and earnings per share, and statements expressing general outlook about future operating results, are forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company's historical experience and the present projections or expectations. As and when made, management believes that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors exist that could cause the Company's actual results to differ materially from the expected results described in or underlying the Company's forward-looking statements. Such factors include domestic and international economic activity, prevailing prices of aluminum scrap and other raw material costs, the rate of change in prices for aluminum scrap, fluctuations in foreign currency exchange rates, energy costs, interest rates, construction delays, market conditions, particularly in the home building and remodeling markets, any material changes in purchases by the Company's principal customers, labor supply and relations, environmental regulations, changes in estimates of costs for known environmental remediation projects and situations, world-wide political stability and economic growth, warranty obligations, the Company's successful implementation of its internal operating plans, acquisition strategies and integration, 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. All written and verbal forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by such factors. For more information, see Part I, Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K, for the year ended October 31, 2011.

About Third-Party Information

In this report, the Company relies on and refers to information regarding industry data obtained from market research, publicly available information, industry publications, U.S. government sources and other third parties. Although the Company believes the information is reliable, it cannot guarantee the accuracy or completeness of the information and has not independently verified it.

Description of Business

On December 12, 2007, Quanex Building Products Corporation was incorporated in the state of Delaware as a subsidiary of Quanex Corporation to facilitate the separation of Quanex Corporation's vehicular products and building products businesses. The separation occurred on April 23, 2008 through the spin-off of Quanex Corporation's building products business to its shareholders immediately followed by the merger of Quanex Corporation (consisting principally of the vehicular products business and all non-building products related corporate accounts) with a wholly-owned subsidiary of Gerdau S.A. (Gerdau).

The spin-off and subsequent merger is hereafter referred to as the "Separation". For purposes of describing the events related to the Separation, as well as other events, transactions and financial results of Quanex Corporation and its subsidiaries related to periods prior to April 23, 2008, the term "the Company" refers to Quanex Building Products Corporation's accounting predecessor, Quanex Corporation. In March 2011, the Company acquired Edgetech I.G., Inc. and its German subsidiary. Headquartered in Cambridge, Ohio, Edgetech has three manufacturing facilities (U.S., U.K., and Germany) that produce and market a full line of insulating glass spacer systems for window and door customers in North America and abroad.

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In November 2011, management committed to a plan to consolidate its Insulating Glass (IG) spacer manufacturing facility in Barbourville, Kentucky into its IG spacer manufacturing facility in Cambridge, Ohio. In 2010, management closed its start-up facility in China due to the contraction of demand and the Company's ability to serve the overseas thin film solar panel market from its North American operations. Accordingly, the China assets and liabilities, results of operations and cash flows are reported as discontinued operations for all periods presented. Unless otherwise noted, all discussions reflect only continuing operations.

Consolidated Results of Operations
Summary Information

	Three Months Ended April 30,				Six Months Ended April 30,			
	2012	2011	Change	%	2012	2011	Change	%
	(Dollars in millions)							
Net sales	$194.4	$203.1	$(8.7)	(4.3)	$356.0	$362.9	$(6.9)	(1.9)
Cost of sales [1]	171.8	175.5	(3.7)	(2.1)	309.9	315.2	(5.3)	(1.7)
Selling, general and administrative	29.1	22.0	7.1	32.3	54.3	42.3	12.0	28.4
Depreciation and amortization	9.6	7.9	1.7	21.5	19.2	15.4	3.8	24.7
Operating income (loss)	(16.1)	(2.3)	(13.8)	600.0	(27.4)	(10.0)	(17.4)	174.0
Interest expense	(0.1)	(0.1)	—	—	(0.2)	(0.2)	—	—
Other, net	—	0.3	(0.3)	(100.0)	0.2	0.4	(0.2)	(50.0)
Income tax (expense) benefit	3.9	0.7	3.2	457.1	8.4	3.6	4.8	133.3
Income (loss) from continuing operations	$(12.3)	$(1.4)	$(10.9)	778.6	$(19.0)	$(6.2)	$(12.8)	206.5

[1] Exclusive of items shown separately below.

Overview

The first six months of fiscal year 2012 saw some positive signs for the overall housing market including rising housing starts and falling new home inventory levels, indicators for Quanex's end markets. Unseasonably warm weather during the winter months resulted in early favorable signs. In the most recent couple of months, which is the typical start of the building season, demand did not retreat, suggesting the early positive signs were not entirely weather related. Quanex believes the best indicator of its end markets are U.S. window shipments as reported by

Ducker Worldwide, a market intelligence firm. Ducker reported that U.S. window shipments for the last twelve months were down 7% as compared0%to the previous twelve month period. The headwinds that have persisted throughout the downturn, declining housing prices, low consumer confidence and reduced homeowner lending continue, albeit to a lesser extent as of late.

Ducker reported that the first calendar quarter, the best comparison for the Company's second fiscal quarter, experienced a 6% increase in window shipments over the comparable previous year period. This is compared to the Company's Engineered Products segment that experienced a 16% increase in same store sales. Edgetech sales are reflected beginning with the acquisition date of March 31, 2011. Edgetech contributed $20.2 million and $39.0 million, respectively, of Net sales for the three and six months ended April 30, 2012 while the remaining Quanex businesses' Net sales declined $22.5 million and $39.6 million or 11.4% and 11.1% for the three and six months ended April 30, 2012, respectively, compared to the same 2011 periods; the decline was realized within the Aluminum Sheet Products segment both from reduced volume from the strike at two of Nichols' Davenport, Iowa facilities (see further discussion in Aluminum Sheet) and lower aluminum prices. Same store Net sales from Engineered Products for the three and six months ended April 30, 2012 increased $12.5 million and $9.0 million, respectively, or 16.4% and 5.6%, respectively, compared to the previous year predominantly related to higher vinyl extrusion sales. The operating loss for the three and six months ended April 30, 2012 was $13.8 million and $17.4 million, respectively, more than the year ago comparative periods, most of which is tied to lower volume and lower aluminum prices experienced in the aluminum segment while Engineered Products recognized a $0.6 million dollar improvement in operating income for the six months.

Quanex historically experiences its lowest sales during the first half of its fiscal year as winter weather typically reduces homebuilding and home improvement activity. Sales are generally seasonally stronger in the second half of the fiscal year with the weather sensitive building season underway. Profits tend to be lower in quarters with lower sales because a high percentage

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of manufacturing overhead and operating expense is due to labor and other costs that are generally semi-variable through the year.
Macro-economic factors like weak residential construction and high unemployment will continue to create difficult end market conditions for Quanex. The Company currently expects calendar year 2012 U.S. window shipments to be about 39 million units, below Ducker's 2012 forecasted shipments of 40.5 million. However, the Company remains positive on the long term prospects of its residential and commercial end markets and will continue to invest in its future.
The Company believes that consumer demand for more energy efficient products and its ability to provide innovative window and door systems in addition to stand-alone components will fuel long-term organic growth incremental to the eventual housing market recovery. The integration of Edgetech into the Engineered Products sales and marketing organization was completed in September 2011 and it is clear that Quanex is already a stronger customer-focused organization as a result. The Company remains bullish long-term as demographics for long-term housing demand in the U.S. remain favorable when factoring the projected population increase and continuing immigration. The Company believes taking a disciplined approach to the way it seeks new business opportunities will make it a more successful company and a stronger competitor by offering a broader range of customers a more robust slate of systems, products, services and solutions, while intensely focusing on continuously improving customer service. Additionally, the Company is elevating its programs to develop more energy efficient products. These programs and initiatives, coupled with an eventual return to a more normal new home construction market and residential repair and remodel (R&R) market, will benefit Quanex over the long term.

Business Segments
Quanex has two reportable segments: Engineered Products and Aluminum Sheet Products. The Engineered Products segment produces systems, finished products, and components serving the OEM residential window and door industry, while the Aluminum Sheet Products segment produces mill finished and coated aluminum sheet serving the broader residential building products markets. The primary market drivers of both segments are residential repair and remodel activity and new home construction.
For financial reporting purposes, three of the Company’s four operating segments, Homeshield, Insulating Glass (IG) and Mikron, have been aggregated into the Engineered Products reportable segment. The remaining operating segment, Aluminum Sheet Products (Nichols Aluminum), is reported as a separate reportable segment. Corporate & Other is comprised of corporate office expenses and certain inter-division eliminations. The sale of products between segments is recognized at market prices. The financial performance of the operations is based upon operating income. The segments follow the accounting principles described in Item 1, Note 1 to the consolidated financial statements of the Company’s 2011 Form 10-K. The two reportable segments value

inventory on a FIFO or weighted-average basis while the LIFO reserve relating to those operations accounted for under the LIFO method of inventory valuation is computed on a consolidated basis in a single pool and treated as a corporate item.

Three and Six Months Ended April 30, 2012 Compared to Three and Six Months Ended April 30, 2011

Engineered Products

	Three Months Ended April 30,				Six Months Ended April 30,			
	2012	2011	Change	%	2012	2011	Change	%
	(Dollars in millions)							
Net sales	$108.8	$82.5	$26.3	31.9	$208.1	$166.5	$41.6	25.0
Cost of sales [1]	83.4	63.1	20.3	32.2	158.4	131.6	26.8	20.4
Selling, general and administrative	18.3	11.9	6.4	53.8	33.8	22.6	11.2	49.6
Depreciation and amortization	7.0	5.6	1.4	25.0	14.0	11.0	3.0	27.3
Operating income (loss)	$0.1	$1.9	$(1.8)	(94.7)	$1.9	$1.3	$0.6	46.2

[1] Exclusive of items shown separately below.

Engineered Products is focused on providing window and door OEM customers with fenestration components, products and systems. Key end markets are residential remodel and repair and new home construction. Engineered Products finished the period with sales up $26.3 million or 32% for the quarter and up $41.6 million or 25% for the six months ended April 30, 2012 compared to the same 2011 periods. The improvement in Net sales was predominantly related to the contribution of three and six months of results from Edgetech in 2012 compared to one month of 2011 results as Edgetech was acquired on March 31, 2011.

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Edgetech contributed $20.2 million and $39.0 million of sales for the three and six months ended April 30, 2012, respectively, compared to $6.4 million for the one month ended April 30, 2011. Second fiscal quarter and six month 2012 same store Net sales increased 16.4% and 5.6%, respectively compared to 2011 even though the beginning of 2011 benefited from a pull-forward of demand as a result of a $1,500 energy efficient window tax credit program that expired on December 31, 2010. There were no similar tax credits in the fiscal 2012. This gain was primarily from higher vinyl fenestration extrusion sales where the business executed exceptionally well and saw demand rise. While it is always difficult to precisely know whether Quanex products find their way into either the new home construction market or R&R market, the Company believes favorable weather, stronger new home construction and market share gains were drivers this quarter. Quanex believes there is value in measuring its sales performance against industry indices. Engineered Products compares its sales to US window shipments as reported by Ducker Worldwide. For the twelve months ended April 30, 2012, Engineered Products' Net sales before contributions from acquisitions were up 3.3% compared to the previous twelve months, versus US window shipments that were down approximately 7%. The industry experienced a more normal low seasonal volume demand during the first six months of 2012; uncertainty remains as to what level the demand will be during the remainder of 2012. There were clearly favorable signs in housing in the first six months and time will tell as to how much can be attributed to the mild winter experienced thus far versus the beginnings of a real housing recovery. The long-term recovery is likely to take better hold once changes in housing prices, credit availability and consumer confidence turn to the positive.

Net sales less Cost of sales (Contribution margin) at Engineered Products for the three and six months ended April 30, 2012 compared to the same period of last year improved by $6.1 million and $14.8 million, respectively, including Edgetech's contribution of $4.7 million and $9.8 million, respectively. Net sales less Cost of sales as a percent of Net sales for the six months ended April 30, 2012 is higher than the same 2011 period (with and without acquisitions) even with the weak market and pressure on volume. Increased revenues, combined with pricing initiatives, cost controls and productivity improvements strengthened margins. One such pricing initiative was the oil-based raw material surcharge initiated May 1, 2011 at Truseal, one of the Company's insulating glass spacer operations. The surcharge helped Truseal offset the higher cost of butyl, a key raw material of the business that is highly correlated to the price of oil. In 2011, Quanex consolidated facilities in Kent, Washington and closed a facility in The Dalles, Oregon. Of the $3.1 million in 2011 plant consolidation costs, $1.3 million is recognized in Cost of sales benefiting the six month margin comparison. The six months ended April 30, 2011 also includes $2.1 million of warranty reserve costs which contributed to the year over year improvement in margins.

On November 7, 2011, the Company announced a consolidation program for its IG spacer manufacturing facility in Barbourville, Kentucky into its IG spacer manufacturing facility in Cambridge, Ohio. At the completion of the consolidation, which is expected in the fourth quarter of 2012, the Barbourville facility will be permanently closed. The consolidation is ahead of schedule and remains on budget. Total cash spending associated with the consolidation plan are estimated at about $16.0 million (excludes a pre-tax, non-cash impairment charge of $1.6 million taken in the fourth quarter 2011). Of the $16.0 million of cash, total expenses (to be recognized in Selling, general and administrative costs) are expected to be $9.0 million for the project, comprised of approximately $4.0 million for employee-related costs and $5.0 million for plant closure, equipment moving and set up costs, substantially all of which will be charged to Selling, general and administrative expense. Management’s estimates of costs, planned exit dates for employees and the timing of the project completion are subject to change. The Company expects an annual pre-tax cash savings of $9.0 million once the consolidation is concluded.

Selling, general and administrative costs increased for the three and six months ended 2012 from the addition of Edgetech, which represented $2.8 million and $6.6 million, respectively, of the higher expenses, as well as more plant consolidation expenses in 2012 compared to 2011. The three and six months ended April 30, 2012 Selling, general and administrative costs included expenses of $3.2 million and $5.7 million, respectively, associated with the Company’s IG spacer consolidation program compared to $1.4 million (included in the total $3.1 million discussed above) in first quarter 2011 related to plant consolidations. In March 2012, a portion of the roof collapsed at the Barbourville, Kentucky facility due to extreme weather. While $0.5 million of clean-up and related costs were incurred during the second quarter 2012, customers had minimal to no service interruption as the clean-up activities were well executed and equipment moves to Cambridge were expedited. While the Company anticipates incurring some additional related costs in the third quarter, the Company expects a cash recovery for damages as the insurance claim is processed and settled. Insurance recoveries are recognized when realized, and may occur in periods subsequent to costs being incurred. Selling, general and administrative costs for the full fiscal year of 2012 are expected to increase over fiscal 2011 as a full twelve months of expense associated with Edgetech is realized and as the IG spacer consolidation project is completed in the second half of 2012.

Depreciation and amortization has increased for the three and six months ended April 30, 2012 compared to 2011 primarily due to the addition of Edgetech, which represented $1.4 million and $3.5 million, respectively, of the higher depreciation and amortization. Partially offsetting this increase for the six months ended April 30, 2012 compared to the same 2011 period was $0.3 million (included in the $3.1 million discussed above) of accelerated depreciation related to the plant consolidations was recognized in the first quarter of 2011. Depreciation and amortization for the full fiscal year of 2012 is expected to increase over fiscal 2011 as a full twelve months of expense associated with the recognition of Edgetech intangible assets and the step-up in

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Edgetech’s tangible assets is realized going forward.
Engineered Products’ operating income for the second quarter declined by $1.8 million while operating income for the six months ended April 30, 2012 exceeded the same 2011 period by $0.6 million. The 2012 reported results and margins were negatively impacted by the aforementioned IG spacer consolidation program and roof collapse related expenses as well as the Company's start up spacer facility in Germany. The three and six months ended April 30, 2012 saw $3.7 million and $6.2 million, respectively, of the combined IG consolidation and roof related expense compared to $5.2 million of combined facility consolidation and warranty reserve costs in the six months ended April 30, 2011. The Company continues to believe that investments in growth opportunities like Germany and plant consolidations like the IG consolidation program will have long-term benefits that will outweigh these current period costs and lead to revenue growth and margin improvements in future years.
Even in the face of weaker window demand, 2012 same store Net sales increased 16.4% and 5.6%, during the three and six months ended April 30, 2012, respectively, compared to the same 2011 periods from the strong performance of vinyl fenestration extrusions which saw a demand rise from favorable weather and market share gains. Engineered Products’ long-term organic growth programs are focused on driving profitable growth through a single sales and marketing team that is intensely focused on driving continuous improvement of customer satisfaction. The Company believes this will drive profitable growth at Engineered Products by furthering the goal of becoming the leading energy efficiency expert in the market by offering customers state-of-the-art engineering, design and marketing support. Engineered Products is in the early stages of its long-term organic growth initiatives but believes they will have a meaningful impact on its long-term growth and profitability. The Company will continue to incur expenses and to invest in additional resources at Engineered Products to support this organic growth effort.

Aluminum Sheet Products

	Three Months Ended April 30,				Six Months Ended April 30,			
	2012	2011	Change	%	2012	2011	Change	%
	(Dollars in millions)							
Net sales	$88.3	$123.0	$(34.7)	(28.2)	$154.0	$202.2	$(48.2)	(23.8)
Cost of sales [1]	91.0	112.7	(21.7)	(19.3)	157.5	187.1	(29.6)	(15.8)
Selling, general and administrative	2.8	2.0	0.8	40.0	5.1	4.1	1.0	24.4
Depreciation and amortization	2.0	2.3	(0.3)	(13.0)	4.5	4.4	0.1	2.3
Operating income (loss)	$(7.5)	$6.0	$(13.5)	(225.0)	$(13.1)	$6.6	$(19.7)	(298.5)
	61.1	79.7	(18.6)	(23.3)	105.3	131.9	(26.6)	(20.2)

Shipped
pounds

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[1] Exclusive of items shown separately below.

The primary market drivers for the Aluminum Sheet Products segment are residential repair and remodel activity and new home construction (together approximately 70% of the segment's sales) and transportation (approximately 20% of the segment's sales) markets.

On January 20, 2012, Nichols Aluminum experienced a strike by about 240 bargaining unit employees at its two facilities located in Davenport, Iowa. During the second quarter, Nichols offered permanent positions to the approximately 100 temporary employees it hired since the strike began. The majority of those employees accepted a full time position. Shortly after that action, the union ended its strike. At this time, Nichols does not have a formal agreement with the union, but is operating with the necessary crew levels to meet demand.

The decrease in net sales at the Aluminum Sheet Products segment for the three and six months ended April 30, 2012 was the result of a 23.3% and 20.2%, respectively, decrease in shipments and a 6.5% and 4.6%, respectively, decrease in average selling price compared to the same period of 2011. Shipments were down in 2012 from the year ago quarter due primarily to reduced production related to the strike. The Company estimates that approximately two-thirds of the second quarter volume decline and one half of the six months volume decline is attributable to the strike. Customer demand improved during the quarter as seasonal construction activity increased, but Nichols was unable to meet that rising demand. In addition, shipments were down for the six months ended 2012 in part due to weaker end demand because of the absence of the window tax credit program compared to the available program in 2011. Average selling price decreased primarily due to lower London Metal Exchange (LME) aluminum prices in the comparative period and to a lesser extent down due to a lower percentage of painted shipments in 2012 compared to 2011. LME aluminum prices are the most commonly used index for correlating aluminum sheet prices. The Aluminum Association, which tracks aluminum industry shipments of sheet products, reported non-can sheet aluminum shipments in the first half of fiscal 2012 up 8.3% from a year ago, while Aluminum Sheet Products' shipments were down. Nichols underperformance is primarily attributed to the impact of the strike as well as relatively weaker residential demand, where it has a large presence, compared to relatively stronger distribution and transportation demand, where it has a smaller presence.

Selling, general and administrative costs increased by $0.8 million and $1.0 million, respectively, for the three and six months ended April 30, 2012 compared to the same 2011 periods primarily due to the strike. These costs are directly associated with the negotiating activities themselves and include such items as legal fees and security.

Depreciation and amortization has decreased for the second quarter of 2012 compared to 2011 primarily due to accelerated depreciation during the first quarter of fiscal 2011 related to the reduction of an asset's remaining useful life.

Operating income decreased at the Aluminum Sheet Products segment for the three and six months ended April 30, 2012, compared to prior year due to reduced volume, higher costs associated with purchasing semi-finished aluminum coils from third parties, higher conversion costs associated with the processing of semi-finished coils into finished sheet, and the impact of a lower spread (sales less material costs) associated with purchasing semi-finished coils as well as a general reduction in LME aluminum prices. In an attempt to meet improving demand, Nichols purchased semi-finished aluminum coils from third parties to help make up for reduced casting capacity from the strike. Third party coils are expensive relative to Nichols' internal cost of production, and third party coils require additional finishing work to be done by the Nichols finishing plants. Nichols is a high fixed cost business, so as its shipments drop, its ability to substantially reduce operating costs is limited. The segment's operating income and margins are impacted by changes in LME aluminum prices as its spread is correlated with aluminum prices over time. Declines in aluminum prices generally result in spread compression; however, as aluminum prices rebound, spread and profits generally expand. In the second quarter 2012, estimated direct expenses associated with the strike were approximately $5 million and the volume related operating income impact is estimated at about $4 million. The net direct expenses of $5 million represent the aforementioned costs associated with the purchase of semi-finished aluminum coils from third parties and to a lesser extent include outside maintenance, legal fees, security costs and incremental expenses associated with the salary workforce that stepped in to continue to keep the two facilities operating; estimated labor savings are included as a benefit in the net direct expenses figure. Although the strike hurt the 2012 second fiscal quarter results, Quanex believes the outcome has improved the competitiveness of the Nichols business and will benefit the overall long-term position of the business.

With the return of the necessary crew levels operating at Nichols, non-routine costs are expected to fall while productivity and shipped pounds are expected to rise in the second half of 2012 compared to the first half. The Company does expect approximately $2 million of remaining strike-related, carryover expenses in the third fiscal quarter of 2012 associated with Nichols' purchase of semi-finished coils. Additionally, LME aluminum prices are hovering around 90 cents per pound currently, and the aluminum scrap supply is tight. This means that scrap costs today are expensive relative to the LME price, so the Company expects its 2012 second half spread to be lower than it was in the second half of fiscal 2011.

Corporate and Other

	Three Months Ended April 30,				Six Months Ended April 30,			
	2012	2011	Change	%	2012	2011	Change	%
	(Dollars in millions)							
Net sales	$(2.7)	$(2.4)	$(0.3)	12.5	$(6.1)	$(5.8)	$(0.3)	5.2
Cost of sales [1]	(2.6)	(0.3)	(2.3)	766.7	(6.0)	(3.5)	(2.5)	71.4
Selling, general and administrative	8.0	8.1	(0.1)	(1.2)	15.4	15.6	(0.2)	(1.3)
Depreciation and amortization	0.6	—	0.6	100.0	0.7	—	0.7	100.0
Operating income (loss)	$(8.7)	$(10.2)	$1.5	(14.7)	$(16.2)	$(17.9)	$1.7	(9.5)

1 Exclusive of items shown separately below.

Corporate and Other operating expenses, which are not in the segments mentioned above, include intersegment eliminations, the consolidated LIFO inventory adjustments (calculated on a combined pool basis), if any, and corporate office expenses. Net sales amounts represent intersegment eliminations between the Engineered Products segment and the Aluminum Sheet Products segment with an equal and offsetting elimination in Cost of sales. Included in Cost of sales for the three and six months ended

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April 30, 2011 was $2.0 million of LIFO expense with no comparative costs in 2012. LIFO related expense/income is derived from management's estimate of year-end inventory volume and pricing. Management is currently estimating that aluminum scrap values held in inventory by the Company will be flat at October 31, 2012 compared to October 31, 2011. Accordingly, no year-end LIFO adjustment was recorded during the six months ended April 30, 2012. Management updates this estimate each quarter in an effort to determine what amount, if any, should be recorded in the period. The actual adjustment is trued-up in the fourth quarter once the year-end volume levels and pricing are known.

Selling, general and administrative costs were essentially flat year over year. The Company initiated a company-wide ERP project (Project Quest) in 2011 to support the drive for long-term organic growth by bringing the myriad of disparate systems currently existing throughout the Company together into a single standard system supported by a common set of processes. The current plan anticipates the conversion of all of the Company’s disparate systems to a single system over a period of at least three years. Due to a full three and six months of activity in the periods ended April 30, 2012, expenses associated with the development of Project Quest increased by $0.8 million and $1.2 million, respectively, compared to the same 2011 periods. Project Quest costs recognized in Selling, general and administrative expenses during the six months ended April 30, 2012 were $1.8 million. During fiscal 2011, the Company recognized $1.5 million of Project Quest expense and expects an increase of expense in fiscal 2012 primarily due to a full twelve months of activity in 2012 as it prepares for the initial conversions of the legacy systems in fiscal 2013. Project Quest depreciation expense of $0.4 million and $0.6 million was incurred for the three and six months ended April 30, 2012, respectively, in conjunction with the 2012 implementation of the human capital management module of the ERP system. As the new ERP system is placed in service (replacing the legacy systems) the Company expects depreciation expense to increase. Transaction related costs associated with the acquisition of Edgetech during fiscal 2011 offset the higher Project Quest costs in 2012. Included in the results for the three and six months ended April 30, 2011, was $1.1 million and $2.2 million, respectively, of transaction related costs with no comparative costs in 2012.

Other items

Other, net typically includes interest income earned on the Company’s cash and equivalents and, beginning with the acquisition of Edgetech in March 2011, foreign currency transaction gains and losses. During the three and six months ended April 30, 2012, other income decreased by $0.3 million and $0.2 million, respectively, primarily due to a decline in net foreign currency transaction gains of $0.4 million and $0.2 million compared to the respective 2011 periods,

The Company’s estimated annual effective tax rate for the three and six months ended April 30, 2012 is 24.3% and 30.7%, respectively, compared to 32.5% and 37.2% for the respective three and six months ended April 30, 2011. The decrease in the tax rate benefit is primarily attributable to nondeductible employee related items in the current year.

Liquidity and Capital Resources

The Company's principal sources of funds are cash on hand, cash flow from operations, and borrowings under its $270.0 million Senior Unsecured Revolving Credit Facility (the Credit Facility). As of April 30, 2012, the Company has a solid liquidity position, comprised of cash and equivalents and adequate availability under the Company's Credit Facility. The Company has $54.1 million of cash and equivalents, $166.0 million of current availability under the revolving credit facility and minimal debt of $1.5 million as of April 30, 2012. Cash equivalents for the six months ended April 30, 2012 decreased by $35.5 million to $54.1 million primarily due to planned capital expenditures, the seasonally slower first half of the fiscal year, the Nichols strike and the planned IG spacer consolidation project. The Company's strategy for cash uses is to invest in organic growth opportunities, make strategic acquisitions that fit its fenestration vision, fund the cash dividend and make ongoing purchases of Quanex stock.

The Company's excess cash and equivalents are invested only in large, overnight money market funds due to the conditions of the financial market. The funds are diversified by security type across Treasuries, Government Agencies and Prime Corporate. These funds are all AAA-rated, approved by the NAIC and compliant with Rule 2A-7 of the Investment Company Act of 1940. The Company's current investments are diversified across multiple institutions that the Company believes to be financially sound. The Company intends to remain in highly rated money market funds, financial institutions and treasuries following a prudent investment philosophy. From time to time, to prepare for potential disruption in the money markets, the Company may temporarily move funds into operating bank accounts of highly-rated financial institutions to meet on-going operational liquidity requirements. The Company had no material losses on its cash and marketable securities investments.

The Credit Facility was executed on April 23, 2008 and has a five-year term. Proceeds from the Credit Facility may be used to provide availability for acquisitions, working capital, capital expenditures, and general corporate purposes. Borrowings under the Credit Facility bear interest at a spread above LIBOR based on a combined leverage and ratings grid. There are certain limitations on additional indebtedness, asset or equity sales, and acquisitions. Dividends and other distributions are permitted so long as after giving effect to such dividend or stock repurchase, there is no event of default. Under the Credit Facility, the Company is obligated to comply with certain financial covenants requiring the Company to maintain a Consolidated Leverage Ratio of no more than

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3.25 to 1 and a Consolidated Interest Coverage Ratio of no less than 3.00 to 1. As defined by the indenture, the Consolidated Leverage Ratio is the ratio of consolidated indebtedness as of such date to consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) for the previous four fiscal quarters, and the Consolidated Interest Coverage Ratio is the ratio of consolidated EBITDA to consolidated interest expense, in each case for the previous four consecutive fiscal quarters. EBITDA is defined by the indenture to include proforma EBITDA of acquisitions and to exclude certain items like goodwill and intangible asset impairments and certain other non-cash charges and non-recurring items. The availability under the Credit Facility is a function of both the facility amount utilized and meeting covenant requirements. Additionally, the availability of the Credit Facility is dependent upon the financial viability of the Company's lenders. The Credit Facility is funded by a syndicate of nine banks, with three banks comprising over 55% of the commitment. If any of the banks in the syndicate were unable to perform on their commitments to fund the facility, the availability under the Credit Facility could be reduced; however, the Company has no reason to believe that such liquidity will be unavailable or decreased. The Company intends to execute a facility prior to the expiration of the Credit Facility.

As of April 30, 2012, the Company had no borrowings under the Credit Facility, and the Company was in compliance with all Credit Facility covenants as seen by the table below:

At April 30, 2012	Required	Actual
Consolidated Interest Coverage Ratio	No less than 3.00 to 1	117.12 to 1
Consolidated Leverage Ratio	No more than 3.25 to 1	0.15 to 1

Although there were no borrowings on the Credit Facility and only $5.7 million of outstanding letters of credit under the Credit Facility, the aggregate availability under the Credit Facility was limited by the Consolidated Leverage Ratio resulting in an availability of $166.0 million at April 30, 2012. Because the Consolidated Leverage Ratio is based on a rolling twelve months of EBITDA, a change in future earnings will impact the amount available under the Credit Facility in future quarters, absent any pro-forma EBITDA benefit from any potential acquisitions. To have access to the full availability of the $270.0 million Credit Facility, the Company must have a minimum rolling EBITDA of approximately $84 million for the previous four fiscal quarters. Actual rolling EBITDA for the previous four fiscal quarters was $53.5 million as of April 30, 2012. Increased earnings for any future periods could increase availability under the Credit Facility; conversely, reduced earnings for any future periods could adversely impact the amount available under the Credit Facility in future quarters, absent any pro-forma EBITDA benefit from any potential acquisitions.

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

The Company's working capital was $116.8 million on April 30, 2012 compared to $140.3 million on October 31, 2011. Working capital declined by $23.6 million from a reduction in cash and equivalents primarily related to capital expenditures offset by an increase in conversion capital (accounts receivable plus inventory less accounts payable) of $6.2 million. Within conversion capital, inventory increased by $9.5 million reflecting strategic increases in levels of finished goods held, including builds to support the IG plant consolidation and to enhance customer service levels during the building season.

The following table summarizes the Company's cash flow results from continuing operations for the six months ended April 30, 2012 and 2011:

	Six Months Ended April 30,	
	2012	2011
	(In millions)	
Cash flows from operating activities	$(11.8)	$(5.3)
Cash flows from investing activities	$(21.3)	$(121.0)
Cash flows from financing activities	$(2.9)	$(3.1)

Highlights from the Company's cash flow results for the six months ended April 30, 2012 and 2011 are as follows:

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Operating Activities – Continuing Operations

Cash used by operating activities from continuing operations for the first six months of fiscal 2012 increased by $6.5 million compared to the same period last year. Higher cash use is primarily attributable to reduced earnings in 2012, including strike related expenditures; $2.7 million of IG spacer consolidation payments made during the six months ended April 30, 2012; and a $2.3 million increase in pension contributions. These cash uses were partially offset by lower annual incentive payments made during the six months ended April 30, 2012 compared to the same 2011 period. Conversion capital activity was relatively flat using $6.1 million of cash during the six months ended April 30, 2012 compared to using $8.0 million of cash in the same 2011 period. The first half of fiscal 2012 and fiscal 2011 both saw investments in inventory levels to enhance customer service for the building season. Additionally, 2012 inventory levels were increased related to the IG spacer consolidation while 2011 inventory rose due to increases in raw material costs. The Company does not expect to make any additional pension contributions and does not expect to have any significant tax payments for the balance of fiscal 2012. IG consolidation expenditures will continue into the second half of fiscal 2012 as the IG spacer consolidation program is completed. The Company expects to generate operating cash flow during the balance of fiscal 2012 as the Company’s second half of its fiscal year is typically seasonally stronger.

Investing Activities – Continuing Operations

Cash used in investing activities from continuing operations during the six months ended April 30, 2012, declined $99.7 million compared to the same period in 2011. The decrease in cash spending from investing activities is attributable to the Company's acquisition activity in the second fiscal quarter of 2011 whereby Quanex spent $104.4 million to acquire Edgetech and $6.4 million to acquire JELD-WEN's vinyl extrusion assets in Yakima, Washington. Partially offsetting this decrease is a $10.4 million increase in capital spending. In the first six months of fiscal 2012, the Company incurred $5.7 million associated with the rollout of its company-wide ERP system (Project Quest), initiated in March 2011, compared to $1.6 million during the same 2011 period. The Company also incurred capital expenditures of $5.7 million during the six months ended April 30, 2012 related to its IG spacer consolidation program initiated in fiscal 2012. The Company expects total 2012 capital expenditures to approximate $49.0 million, including IG consolidation capital spending of approximately $7.0 million and Project Quest capital spending of $13.0 million. At April 30, 2012, the Company had commitments of approximately $8.9 million for the purchase or construction of capital assets. The Company plans to fund these capital expenditures through current cash and equivalents..

Financing Activities – Continuing Operations

The Company used $2.9 million for financing activities from continuing operations during the six months ended April 30, 2012, compared to $3.1 million in the same prior year period. The Company spent $0.2 million less on purchases of Quanex common stock in 2012 compared to 2011 which is offset by higher proceeds from stock from option exercises of $0.4 million. During the six months ended April 30, 2011, the Company received a $0.4 million repayment by the China facility (discontinued cash outflow) to its Quanex parent (offsetting financing cash inflow in continuing operations).

Discontinued Operations

Cash flows from discontinued operations represent results related to the Company’s start-up facility in China that was closed in fiscal year 2010. Residual 2011 cash flows represent wind-up activities, including repayment by the China facility (discontinued cash outflow) to its Quanex parent (offsetting financing cash inflow in continuing operations).

Critical Accounting Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, the Company’s management must make decisions which impact the reported amounts and the related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and assumptions on which to base estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to revenue recognition, allowances for doubtful accounts, inventory, long-lived assets, environmental contingencies, insurance, U.S. pension and other post-employment benefits, litigation and contingent liabilities, warranty obligations and income taxes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company’s management believes the critical accounting estimates listed and described in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Company’s 2011 Annual Report on Form 10-K are the most important to the fair presentation of the Company’s financial condition and results. These policies require management’s significant judgments and estimates in the preparation of the Company’s consolidated financial statements. There have been no significant changes to the Company’s critical accounting estimates since October 31, 2011.

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New Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update No. 2011-05 (ASU 2011-05), Presentation of Comprehensive Income. This amendment will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amended guidance, which must be applied retroactively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (November 1, 2012 for the Company), with earlier adoption permitted. ASU 2011-05 impacts presentation only and will have no effect on the Company's financial condition, results of operations or cash flows. In December 2011, the FASB issued Accounting Standards Update No. 2011-12 (ASU 2011-12), "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." ASU 2011-12 deferred the effective date of ASU 2011-05 related to the presentation of reclassifications of items out of accumulated other comprehensive income. All other requirements of ASU 2011-05 were not affected by ASU 2011-12.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion of the Company and its subsidiaries' exposure to various market risks contains "forward looking statements" that involve risks and uncertainties. These projected results have been prepared utilizing certain assumptions considered reasonable in light of information currently available to the Company. Nevertheless, because of the inherent unpredictability of interest rates, foreign currency rates and metal commodity prices as well as other factors, actual results could differ materially from those projected in such forward looking information. The Company does not use derivative financial instruments for speculative or trading purposes.

Interest Rate Risk

The Company and its subsidiaries have a Credit Facility and other long-term debt which subject the Company to the risk of loss associated with movements in market interest rates.

At April 30, 2012, the Company had fixed-rate debt totaling $0.1 million or 9% of total debt, which does not expose the Company to the risk of earnings loss due to changes in market interest rates. The Company and certain of its subsidiaries' floating-rate obligations totaled $1.4 million, or 91% of total debt at April 30, 2012. Based on the floating-rate obligations outstanding at April 30, 2012, a one percent increase or decrease in the average interest rate would result in a change to pre-tax interest expense of approximately $14 thousand.

Commodity Price Risk

Within the Aluminum Sheet Products segment, the Company uses various grades of aluminum scrap as well as minimal amounts of prime aluminum ingot as raw materials for its manufacturing processes. The price of this raw material is subject to fluctuations due to many factors in the aluminum market. In the normal course of business, Nichols Aluminum enters into firm price sales commitments with its customers. In an effort to reduce the risk of fluctuating raw material prices, Nichols Aluminum enters into firm price raw material purchase commitments (which are designated as “normal purchases” under ASC Topic 815 “Derivatives and Hedging” (ASC 815)) as well as option contracts on the London Metal Exchange (LME). The Company’s risk management policy as it relates to these LME contracts is to enter into contracts to cover the raw material needs of the Company’s committed sales orders, to the extent not covered by fixed price purchase commitments.

Nichols Aluminum maintains a balanced metals book position which excludes a normal operational inventory level. This operating inventory level as a matter of practice is currently not hedged against material price (LME) movements. This practice reflects that over the commodity price cycle, no gain or loss is incurred on this inventory. Through the use of firm price raw material purchase commitments and LME contracts, the Company intends to protect cost of sales from the effects of changing prices of aluminum. To the extent that the raw material costs factored into the firm price sales commitments are matched with firm price raw material purchase commitments, changes in aluminum prices should have no effect. During fiscal 2012 and 2011, the Company primarily relied upon firm price raw material purchase commitments to protect cost of sales tied to firm price sales commitments. At April 30, 2012, there were 164 open LME forward contracts associated with metal exchange derivatives covering notional volumes of 9.0 million pounds with a fair value mark-to-market net loss of approximately $0.2 million. At April 30, 2012 there were no open LME short sale contracts associated with metal exchange derivatives. These contracts were not designated as hedging instruments, and any mark-to-market net gain or loss was recorded in Cost of sales with the offsetting amount reflected as a current asset or liability on the balance sheet. At October 31, 2011, there were 62 open LME forward contracts associated with metal exchange derivatives covering notional volumes of 3.4 million pounds with a fair value mark-to-market net loss of approximately $0.1 million. In addition, at October 31, 2011 there were 97 open LME short sale contracts associated with metal exchange derivatives covering notional volumes of 5.3 million pounds with a fair value mark-to-market net gain of approximately $0.1 million.

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Within the Engineered Products segment, polyvinyl resin (PVC) is the significant raw material consumed during the manufacture of vinyl extrusions. The Company has a monthly resin adjuster in place with the majority of its customers and resin supplier that is adjusted based upon published industry resin prices for the prior month. This adjuster effectively shares the base pass-through price changes of PVC with the Company's customers commensurate with the market at large. The Company's long-term exposure to changes in PVC prices is thus significantly reduced due to the contractual component of the resin adjuster program; however, there is a level of exposure to short-term volatility due to the one month lag.

Effective May 1, 2011, one of the Company's warm edge, insulating glass spacer divisions initiated an oil-based materials surcharge. The surcharge helps offset the rising cost of butyl and other oil-based raw materials, pricing of which are highly correlated to the price of oil. The surcharge is in place with the majority of its customers and is adjusted monthly based upon the 90 day average published price for Brent crude. The oil-based raw materials purchased by the Company are subject to similar pricing schemes. Therefore, the Company's long-term exposure to changes in oil-based raw materials prices is significantly reduced due to the contractual component of the surcharge program.

Foreign Currency Rate Risk

The Company's international operations have exposure to foreign currency rate risks primarily due to fluctuations in the British Pound, the Canadian dollar and Euro. From time to time, the Company enters into foreign exchange contracts associated with its exposures from operations to manage a portion of the foreign currency rate risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (1934 Act) as of April 30, 2012. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of April 30, 2012, the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act) during the most recent fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 27, 2010, the Board of Directors approved a stock repurchase program that authorized the repurchase of 1.0 million shares of the Company's common stock, and on August 25, 2011, the Board of Directors authorized an additional 1.0 million shares to the program. The program does not have a dollar limit or an expiration date. There were no repurchases of shares during the quarter ended April 30, 2012, and there were 905,663 shares remaining in the program at April 30, 2012.

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Item 6. Exhibits

Exhibit Number	Description of Exhibits
3.1	Certificate of Incorporation of the Registrant dated as of December 12, 2007, filed as Exhibit 3.1 of the Registrant’s Registration Statement on Form 10 (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on January 11, 2008, and incorporated herein by reference.
3.2	Amended and Restated Bylaws of the Registrant dated as of August 25, 2011, filed as Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (Reg. No. 001-33913) filed with the Securities and Exchange Commission on August 29, 2011, and incorporated herein by reference.
4.1	Form of Registrant’s Common Stock certificate, filed as Exhibit 4.1 of Amendment No. 1 to the Registrant’s Registration Statement on Form 10 (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on February 14, 2008, and incorporated herein by reference.
4.2	Credit Agreement dated as of April 23, 2008, among the Company, certain of its subsidiaries as guarantors, Wells Fargo Bank, National Association, in its capacity as administrative agent, and certain lender parties, filed as Exhibit 10.1 of the Registrant’s Current Report on Form 8-K (Reg. No. 001-33913) dated April 23, 2008, and incorporated herein by reference.
*31.1	Certification by chief executive officer pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	Certification by chief financial officer pursuant to Rule 13a-14(a)/15d-14(a).
*32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document

*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith

As permitted by Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant has not filed with this Quarterly Report on Form 10-Q certain instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries because the total amount of securities authorized under any of such instruments does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant agrees to furnish a copy of any such agreements to the Securities and Exchange Commission upon request.

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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 BUILDING PRODUCTS CORPORATION
Date: June 11, 2012	/s/ Brent L. Korb Brent L. Korb Senior Vice President – Finance and Chief Financial Officer (Principal Financial Officer)

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