



Quanex Announces Fiscal Fourth Quarter and 2001 Annual Results

December 6, 2001

Company Reports Best Quarterly Earnings of the Year
Engineered Products Group Reports Best-Ever Operating Income for the Quarter

And Year

HOUSTON, Dec. 6 /PRNewswire/ -- Quanex Corporation (NYSE: NX) today announced fiscal 2001 fourth quarter and annual results for the period ending October 31, 2001. Net sales for the fourth quarter 2001 were \$256.0 million and \$924.4 million for the year. The Company commented that sales for the quarter were stronger than expected due to market share gains and relatively good demand in Quanex's two core markets: Vehicular Products and Building Products. Net income for the fourth quarter 2001 and the year were \$11.2 million and \$29.2 million, respectively. Earnings per share, while not a record for the Company, demonstrated Quanex's ability to generate healthy earnings despite a general slowing of economic conditions in its durable goods markets. Earnings per share for the fourth quarter 2001 were \$.84 basic and \$.77 diluted and \$2.18 basic and \$2.07 diluted for the year.

Results for fiscal 2000 were negatively impacted by the performance of the Company's Piper Impact division which resulted in several unusual charges against earnings last year. Net sales for the fourth quarter 2000 and the year were \$244.9 million and \$964.5 million, respectively. Net income for the fourth quarter 2000 and the year were \$12.7 million and \$36.2 million, respectively (excluding a fourth quarter 2000 pre-tax \$56.3 million asset impairment charge at Piper Impact and a third quarter 2000 pre-tax \$14.3 million loss on the sale of Piper Europe). Earnings per share for the fourth quarter 2000 were \$.94 basic and \$.86 diluted (excluding unusual charges) and were \$2.64 basic and \$2.46 diluted (excluding unusual charges) for the year.

Highlights

Regarding the Company's results, Raymond A. Jean, chairman and chief executive officer stated, "Quanex continues to outperform its competitors in the markets it serves. This year we set a goal to report sequentially better earnings quarter-to-quarter. I am pleased to report that we successfully met this challenge despite softness in our core markets and sharply reduced demand in the served industrial markets. A focus on reducing conversion and overhead costs, coupled with the introduction of new products, were the three key drivers helping us achieve these results. Demand in Building Products for the quarter was surprisingly robust. Our Engineered Products group, which primarily serves window and door manufacturers, had a record year and a particularly strong fourth quarter with record cash from operations and operating income. MACSTEEL, our engineered steel bar group, again turned in excellent operating results given the softness in their Vehicular Products market for the quarter and the year."

Quarterly and Yearly Financials (\$ in millions, except per share data, before unusual charges)

| | 4th qtr 2001 | FY 2001 | 4th qtr 2000 | FY 2000 |
|------------------|--------------|----------|--------------|---------|
| Net Sales | \$256.0 | \$ 924.4 | \$244.9 | \$964.5 |
| EBITDA | 32.8 | 104.0 | 33.3 | 115.5 |
| Operating Income | 20.9 | 57.3 | 22.7 | 66.6 |
| Net Income | 11.2 | 29.2 | 12.7 | 36.2 |
| EPS: Basic | \$.84 | \$2.18 | \$.94 | \$2.64 |
| EPS: Diluted | \$.77 | \$2.07 | \$.86 | \$2.46 |

Statements that use the words "expect," "should," "will," "might," or similar words reflecting future expectations or beliefs are forward-looking statements. The following statements are based on current expectations. Actual results or events may differ materially from this release. Factors that could impact future results may include, without limitation, the effect of both domestic and global economic conditions, the impact of competitive products and pricing, and the availability and cost of raw materials. For a more complete discussion of factors that may affect the Company's future performance, please refer to the Company's most recent 10-K filing (January 5, 2001) under the Securities Exchange Act of 1934, in particular the sections titled, "Private Securities Litigation Reform Act" contained therein.

Segment Commentary

MACSTEEL -- Engineered Steel Bar Group (\$ in millions)

| | 4th qtr 2001 | FY 2001 | 4th qtr 2000 | FY 2000 |
|--------------|--------------|----------|--------------|----------|
| Net sales: | \$93.5 | \$ 336.3 | \$90.2 | \$ 360.4 |
| Opr. income: | 13.8 | 42.0 | 15.5 | 57.7 |

"For fiscal 2001, MACSTEEL outperformed its competitors and they expect to do so again in fiscal 2002," Ray Jean continued. "The group had a surprisingly strong fourth quarter finish to the year. Sales for the quarter were 4% better than a year ago and their overall results for the year were

excellent given the difficult steel market environment. Industry figures indicate that 2001 North American automotive production will be down some 10% from last year while heavy truck sales will be down 50% from last year. MACSTEEL's sales for the year are off about 7% and the group gained market share within its vehicular products market. MACSTEEL continues to be rated number one in customer service and quality in the engineered bar market and remains the supplier of choice for bar products. MACSTEEL's strength is its ability to adjust to a changing marketplace. When business activity softens in their core market, as it did this year, MACSTEEL 'turns on a dime' and shifts output to other markets, such as energy and defense. For 2001, MACSTEEL maintained strict control over its costs and the group benefited from favorable scrap pricing.

"Phase VI, the group's \$50 million capital program to expand its value-added MACPLUS product offering by 50%, is proceeding on schedule and on budget. The Jackson project was completed last month and the facility will now be producing an additional 40,000+ tons per year of value-added cold finished bars. The additional tonnage resulting from the expansion will allow MACSTEEL to supply more value-added products to its vehicular products customers."

NICHOLS ALUMINUM -- Aluminum Sheet Products Group (\$ in millions)

| | 4th qtr 2001 | FY 2001 | 4th qtr 2000 | FY 2000 |
|--------------|--------------|---------|--------------|----------|
| Net sales: | \$103.8 | \$380.1 | \$105.0 | \$ 415.8 |
| Opr. income: | 2.3 | 5.9 | 6.2 | 21.5 |

"Nichols Aluminum operated profitably in a very difficult business environment this quarter and for the year as well. The group not only reported their highest operating income for the year in the fourth quarter, they also improved financial results sequentially throughout the year. Estimates from the Aluminum Association indicate that flat roll demand in our markets was down some 22% year over year, while at Nichols, output was off about 10% for the same period. Superior customer service along with excellent, consistent quality made the difference with customers."

ENGINEERED PRODUCTS -- Formed Metal Products Group (\$ in millions)

| | 4th qtr 2001 | FY 2001 | 4th qtr 2000 | FY 2000 |
|--------------|--------------|---------|--------------|---------|
| Net sales: | \$43.3 | \$146.5 | \$32.2 | \$106.9 |
| Opr. income: | 7.7 | 20.0 | 5.1 | 14.3 |

"Engineered Products achieved all-time quarterly records for cash from operations and operating income during the fourth quarter. For the year, the group set all-time records in net sales, cash from operations and operating income. The combination of improved productivity, profitable acquisitions, cost control and new product development all contributed to an outstanding performance for 2001."

PIPER IMPACT -- Impact Extrusion Products Group (\$ in millions, excluding unusual charges and Piper Europe results)

| | 4th qtr 2001 | FY 2001 | 4th qtr 2000 | FY 2000 |
|--------------|--------------|---------|--------------|---------|
| Net sales: | \$21.7 | \$85.5 | \$24.2 | \$88.6 |
| Opr. income: | 0.5 | 3.3 | (0.8) | (9.5) |

"Piper Impact reported another profitable quarter compared to a significant operating loss in last year's fourth quarter. This is Piper's fourth consecutive quarter of profitability and demonstrates a substantial year-over-year turnaround for this business. Certainly, more work and improvement are needed at Piper, but I can tell you that they are making progress. Focus remains on leaning-out manufacturing processes, fixed cost reductions and new product development. As business activity continues to shift away from traditional air bag components to other vehicular product offerings, Piper has the management team to make this transition successful. It will not happen overnight, but we are confident they have the people, assets and processes in place to improve results."

Outlook

The Company's fiscal first quarter (November, December and January) is historically its least profitable of the year as there are fewer production days, the Company's vehicular and building products customers take holiday shutdowns and customers manage year-end inventories closely. First quarter 2002 earnings per share are expected to be near this year's \$.27. For the year we expect to again show sequentially improving quarterly results.

Dividend Declared

The Board of Directors declared a quarterly dividend of \$.16 per share on the Company's common stock, payable December 31, 2001 to shareholders of record on December 21, 2001.

Corporate Profile

Quanex is an industry leading manufacturer of engineered materials and components for vehicular and building products markets.

Latest 12 Months Financial Information

(from continuing operations, excluding unusual charges and gains)

Sales: \$924.4 million; EBITDA: \$104.0 million; Operating income: \$57.3 million; Net income: \$28.8 million; Basic earnings per share: \$2.15; Quarterly common dividend rate (per share): \$.16; Book value per common share: \$20.88; Long-term debt to capitalization: 43.9 %; Return on common equity:

10.55 %; Actual number of common shares outstanding: 13,409,223; Common stock price range (52-week hi - low): \$27.55 - \$16.38.

For further information visit the Company website at www.quanex.com.

Financial Contact: Jeff Galow, 713/877-5327

Media Contact: Valerie Calvert, 713/877-5305

QUANEX CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

| Three months ended | | | Twelve months ended | |
|--------------------|------------|-------------------------------------|---------------------|-----------|
| October 31, | | | October 31, | |
| 2001 | 2000 | | 2001 | 2000 |
| (Unaudited) | | | (Audited) | |
| \$256,033 | \$244,918 | Net sales | \$924,353 | \$964,518 |
| 208,703 | 198,371 | Cost of sales | 769,328 | 796,434 |
| | | Selling, general and | | |
| 16,014 | 13,294 | administrative expense | 54,202 | 53,545 |
| 10,391 | 10,540 | Depreciation and amortization | 43,507 | 47,921 |
| | | Operating income before unusual | | |
| 20,925 | 22,713 | charges | 57,316 | 66,618 |
| --- | 56,300 | Piper Impact impairment charge | --- | 56,300 |
| --- | --- | Loss on sale of Piper Impact Europe | --- | 14,280 |
| 20,925 | (33,587) | Operating income (loss) | 57,316 | (3,962) |
| (4,143) | (3,756) | Interest expense | (16,555) | (15,255) |
| 571 | 251 | Capitalized interest | 1,666 | 1,941 |
| 648 | 272 | Other, net | 2,623 | 1,870 |
| | | Income (loss) before income | | |
| 18,001 | (36,820) | taxes and extraordinary gain | 45,050 | (15,406) |
| (6,761) | 12,878 | Income tax (expense) benefit | (16,228) | 5,383 |
| | | Income (loss) before | | |
| 11,240 | (23,942) | extraordinary gain | 28,822 | (10,023) |
| | | Extraordinary gain on early | | |
| --- | --- | extinguishment of debt, net of | | |
| | | income taxes | 372 | 358 |
| \$11,240 | \$(23,942) | Net income (loss) | \$29,194 | \$(9,665) |
| | | Weighted average common shares | | |
| | | outstanding: | | |
| 13,404 | 13,428 | Basic | 13,399 | 13,727 |
| 15,455 | 13,428 | Diluted | 15,426 | 13,727 |
| | | Earnings per common share: | | |
| | | Basic: | | |
| | | Income (loss) before | | |
| \$0.84 | \$(1.78) | extraordinary gain | \$2.15 | \$(0.73) |
| --- | --- | Extraordinary gain | 0.03 | 0.03 |
| \$0.84 | \$(1.78) | Total basic net earnings (loss) | \$2.18 | \$(0.70) |
| | | Diluted: | | |
| | | Income (loss) before | | |
| \$0.77 | \$(1.78) | extraordinary gain | \$2.05 | \$(0.73) |
| --- | --- | Extraordinary gain | 0.02 | 0.03 |
| \$0.77 | \$(1.78) | Total diluted net earnings | | |
| \$0.16 | \$0.16 | (loss) | \$2.07 | \$(0.70) |
| | | Common stock dividends per share | \$0.64 | \$0.64 |

QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION

(In thousands)

| Three months ended | Twelve months ended |
|--------------------|---------------------|
| October 31, | October 31, |

| 2001 (Unaudited) | 2000 | | 2001 (Audited) | 2000 |
|---------------------|------------|--------------------------------|-------------------|------------|
| | | Engineered Steel Bars: | | |
| \$93,496 | \$90,214 | Net sales | \$336,318 | \$360,437 |
| \$13,784 | \$15,484 | Operating income | \$ 41,955 | \$57,702 |
| | | Aluminum Mill Sheet Products: | | |
| \$103,824 | \$104,968 | Net sales | \$380,068 | \$415,777 |
| \$2,309 | \$6,153 | Operating income | \$5,934 | \$21,529 |
| | | Engineered Products: | | |
| \$43,284 | \$32,159 | Net sales | \$146,487 | \$106,865 |
| \$7,658 | \$5,117 | Operating income | \$19,983 | \$14,301 |
| | | Piper Impact: | | |
| \$21,745 | \$24,199 | Net sales | \$85,514 | \$106,416 |
| \$484 | \$(57,062) | Operating income / (loss) | \$3,256 | \$(82,470) |
| | | Corporate and Other: | | |
| \$(6,316) | \$(6,622) | Intercompany sales elimination | \$(24,034) | \$(24,977) |
| \$(3,310) | \$(3,279) | Corporate charges | \$(13,812) | \$(15,024) |
| | | Total: | | |
| \$256,033 | \$244,918 | Net sales | \$924,353 | \$964,518 |
| \$20,925 | \$(33,587) | Operating income / (loss) | \$57,316 | \$(3,962) |

Note: The one-time loss from the sale of Piper Impact-Europe of \$14.3 million is included in Piper Impact's operating loss for the twelve-months ended October 31, 2000. The \$56.3 million asset impairment charge is included in Piper Impact's operating loss for the three and twelve-months ended October 31, 2000.

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

| | October 31, 2001 | 2000 |
|--|---------------------|-----------|
| | (Audited) | |
| Assets | | |
| Cash and equivalents | \$29,573 | \$22,409 |
| Accounts and notes receivable, net | 109,706 | 98,465 |
| Inventories | 83,109 | 101,274 |
| Other current assets | 14,490 | 13,798 |
| Total current assets | 236,878 | 235,946 |
| Property, plant and equipment, net | 357,635 | 338,248 |
| Goodwill, net | 59,226 | 47,539 |
| Other assets | 43,892 | 24,126 |
| Total assets | \$697,631 | \$645,859 |
| Liabilities and stockholders' equity | | |
| Accounts payable | \$76,831 | \$77,339 |
| Accrued expenses | 50,659 | 50,189 |
| Income taxes payable | 1,087 | 3,218 |
| Other current liabilities | 5,593 | --- |
| Current portion of long-term debt | 420 | 256 |
| Total current liabilities | 134,590 | 131,002 |
| Long-term debt | 219,608 | 191,657 |
| Deferred pension credits | 7,962 | 7,026 |
| Deferred postretirement welfare benefits | 7,777 | 7,634 |
| Deferred income taxes | 29,282 | 27,620 |
| Other liabilities | 18,435 | 14,423 |
| Total liabilities | 417,654 | 379,362 |
| Total stockholders' equity | 279,977 | 266,497 |
| Total liabilities and stockholders' equity | \$697,631 | \$645,859 |

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

| Three months ended October 31, | Twelve months ended October 31, |
|-----------------------------------|------------------------------------|
|-----------------------------------|------------------------------------|

| 2001 (Unaudited) | 2000 | | 2001 (Audited) | 2000 |
|------------------------|------------|---|-------------------|-----------|
| Operating activities: | | | | |
| \$11,240 | \$(23,942) | Net income (loss) | \$29,194 | \$(9,665) |
| --- | --- | Extraordinary gain on early extinguishment of debt (net of taxes) | (372) | (358) |
| --- | --- | Loss on sale of Piper Impact Europe (net of taxes of \$4,998) | --- | 9,282 |
| --- | 36,595 | Piper Impact Impairment charge (net of taxes of \$19,705) | --- | 36,595 |
| 10,456 | 10,668 | Depreciation and amortization | 43,910 | 48,445 |
| 4,953 | 8,360 | Deferred income taxes | 2,357 | 5,483 |
| 553 | 501 | Deferred pension and postretirement benefits | (1,231) | 659 |
| 27,202 | 32,182 | | 73,858 | 90,441 |
| (7,813) | (603) | Increase in accounts and notes receivable | (7,917) | (9,149) |
| 8,314 | (4,596) | (Increase) decrease in inventory | 20,808 | (12,474) |
| (458) | (2,254) | Increase (decrease) in accounts payable | (2,569) | 5,412 |
| 2,437 | (653) | Increase (decrease) in accrued expenses | (911) | (6,314) |
| (819) | (575) | Other, net (including income tax refund) | 1,681 | 9,954 |
| 28,863 | 23,501 | Cash provided by operating activities | 84,950 | 77,870 |
| Investment activities: | | | | |
| --- | --- | Acquisition of Golden Aluminum, net of cash acquired | --- | (20,148) |
| --- | --- | Acquisition of Temroc Metals, net of cash acquired | (17,922) | --- |
| --- | --- | Acquisition of Imperial Products, net of cash acquired | --- | (15,303) |
| (12,577) | (8,959) | Capital expenditures, net of retirements | (55,575) | (42,327) |
| (74) | (1,240) | Cash used by other investment activities | (3,597) | (1,809) |
| (12,651) | (10,199) | Cash used by investment activities | (77,094) | (79,587) |
| Financing activities: | | | | |
| (17,000) | (20,000) | Bank borrowings (repayments), net | 30,000 | 33,394 |
| --- | --- | Repayment of borrowings on insurance policies | (17,273) | --- |
| --- | --- | Purchase of subordinated debentures | (3,942) | (9,586) |
| (236) | (1,306) | Purchases of Quanex common stock | (2,226) | (17,185) |
| (2,152) | (2,173) | Common dividends paid | (8,621) | (8,884) |
| 660 | 29 | Issuance of common stock, net | 2,473 | 1,002 |
| 284 | 5 | Cash provided (used) by other financing activities | (1,103) | (556) |
| (18,444) | (23,445) | Cash used by financing activities | (692) | (1,815) |
| --- | --- | Effect of exchange rate changes on cash and equivalents | --- | 67 |
| (2,232) | (10,143) | Increase (decrease) in cash | 7,164 | (3,465) |
| 31,805 | 32,552 | Beginning of period cash and equivalents | 22,409 | 25,874 |
| \$29,573 | \$22,409 | End of period cash and equivalents | \$29,573 | \$22,409 |

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CONTACT: financial, Jeff Galow, +1-713-877-5327, or media, Valerie Calvert, +1-713-877-5305, both of Quanex Corporation

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