



Quanex Announces Fiscal First Quarter 2002 Results

February 28, 2002

Company Reports Best Ever First Quarter Earnings;
Diluted Earnings Per Share Up 44% Versus a Year Ago;
Company Acquired Colonial Craft Inc. on February 13, 2002

HOUSTON, Feb. 28 /PRNewswire-FirstCall/ -- Quanex Corporation (NYSE: NX) today announced fiscal first quarter results for the period ending January 31, 2002. Net sales for the first quarter were \$204.2 million, 2% higher than a year ago. The Company commented that earnings for the quarter were higher than expected as a result of outstanding performances of its two core businesses: MACSTEEL and Engineered Products. Net income for the first quarter was \$5.5 million. Fully diluted earnings per share from continuing operations for the first quarter were \$.39, best ever for the Company and 44% higher than a year ago.

Net sales for the first quarter 2001 were \$199.9 million. Both income and earnings per share before extraordinary gains for the first quarter 2001 were \$3.7 million and \$.27, respectively.

Highlights

Regarding the Company's results, Raymond A. Jean, chairman and chief executive officer stated, "Quanex continues to outperform its markets. We experienced strong January sales at MACSTEEL, Engineered Products and Nichols Aluminum. A combination of new programs, increased market penetration and restocking efforts of customers gave a boost to MACSTEEL's results within the Vehicular Products segment. Unusually mild winter weather along with new products for key customers in the Building Products segment enabled Engineered Products to keep fuller schedules throughout the first quarter while customer restocking in January benefited Nichols Aluminum. This unexpected strength allowed for a strong finish to the first quarter. Results also benefited from company-wide cost reduction initiatives started last year and benefits from these efforts continue to gain momentum. With earnings per share up 44% from a year ago, we have a great start to fiscal 2002. Given our strong backlogs, I am encouraged that the higher sales activity we saw in January will continue through the second quarter."

Quarterly Financials (\$ in millions, except per share data; 2001 EPS figures before extraordinary gains)

	1st qtr 2002	1st qtr 2001
Net Sales	\$ 204.2	\$ 199.9
EBITDA	22.4	20.6
Operating Income	9.8	8.2
Net Income	5.5	4.1
EPS:	\$.41	\$.27
EPS: Diluted:	\$.39	\$.27

Statements that use the words "expect," "should," "will," "might," or similar words reflecting future expectations or beliefs are forward-looking statements. The statements found above and below 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 4, 2002) under the Securities Exchange Act of 1934, in particular the sections titled, "Private Securities Litigation Reform Act" contained therein.

Segment Commentary

VEHICULAR PRODUCTS (\$ in millions)

	1st qtr 2002	1st qtr 2001
Net sales:	\$ 102.4	\$ 99.1
Operating income:	10.7	8.4

The Vehicular Products segment includes MACSTEEL, Piper Impact and Temroc Metals. The segment's main driver is North American light vehicle builds. For fiscal year 2002, the Company expects MACSTEEL's sales and operating income to represent about 75% and 85% of the segment's results, respectively.

"MACSTEEL had a great first quarter and they continue to outperform their market," continued Jean. "North American light vehicle builds are tracking pretty close with last year's first quarter production. For MACSTEEL, share gains and new programs have allowed them to operate at a higher level for the quarter compared to a year ago. Inventory restocking by customers further bolstered demand, as evidenced by unexpectedly strong January order releases. For the first quarter, MACSTEEL operated between 5 to 6 days per week compared to 4 to 5 days per week a year ago. For most of the second quarter, MACSTEEL is expected to operate both plants at 6 days."

"Phase VI, MACSTEEL's \$50 million capital program to expand its value-added MACPLUS product offering by 50%, is complete at the Jackson plant and the facility is currently running customer specific trials. The project at the Fort Smith facility is on schedule and on budget for completion by fiscal year end. The additional capacity resulting from the expansion will allow MACSTEEL to supply more value-added products to its Vehicular Products customers."

"Piper Impact came in with another profitable quarter. Sales of aluminum air bag components declined from year ago levels while sales of steel air bag components, ordnance and new programs helped offset that decline. Piper continues to show solid productivity improvements, and as testimony, they earned Mississippi's State Workforce Council Best Practices Award for 2001 for their targeted approach to training and development," said Jean.

BUILDING PRODUCTS	(\$ in millions)	
	1st qtr 2002	1st qtr 2001
Net sales:	\$ 101.8	\$ 100.9
Operating income:	2.4	2.3

The Building Products segment includes Engineered Products and Nichols Aluminum. The main drivers of the segment are residential housing starts and remodeling expenditures. For fiscal year 2002, the Company expects Engineered Products sales and operating income to represent about 25% and 60% of the segment's results, respectively.

"Engineered Products achieved all-time quarterly records for sales and operating income during the first quarter. The combination of improved productivity at the Homeshield facility, mild winter weather and new products all contributed to the outstanding performance. The recently announced acquisition of Colonial Craft, Inc. represents a great opportunity for Quanex to further expand its value-added product lines in support of our door and window customers within the Building Products segment."

"Nichols Aluminum continued to operate in a difficult business environment. Nichols experienced a modest loss in operating income for the first quarter 2002 compared to a small gain a year ago. The first quarter for Nichols is typically their slowest sales period. A somewhat early inventory build-up in anticipation of the spring building season gave them a significant increase in orders for January which added some 60% to their backlog year over year. This backlog strength bodes well for Nichols second quarter."

Outlook

Quanex experienced excellent first quarter operating results. Increased demand was driven by an unusually mild winter season which enhanced building and construction activity; higher than anticipated vehicular products demand as OEM's replenished low inventory levels; and greater than expected market penetration due to emerging steel industry dynamics. New products, coupled with productivity gains, also benefited operating results. The Company expects these current trends to produce fiscal 2002 second quarter diluted earnings per share at least 50% higher than a year ago when the Company reported \$.32.

Quanex does not expect this pace of earnings growth to sustain itself through fiscal 2002, in part because the Company predicts customer restocking activity will slow from current levels. Quanex previously disclosed it expected fiscal 2002 diluted earnings per share to be up about 20% from fiscal 2001 diluted earnings per share of \$2.05. If the economy continues its pace of gradual recovery and consumer confidence holds, Quanex at this time would expect to report fiscal 2002 diluted earnings per share growth well in excess of 20%.

Other

The Company previously reported on February 13, 2002, that it purchased the assets of Colonial Craft Inc., a leading manufacturer of value-added wood products serving the building products industry. Operating results for the acquisition will be included in the Company's Building Products segment. The Company also announced that it had reached a new 5 year contract, effective February 1, 2002, with the United Automotive Workers at its Temroc Metals facility, located in Hamel, Minnesota.

Dividend Declared

The Board of Directors declared a quarterly dividend of \$.16 per share on the Company's common stock, payable April 2, 2002 to shareholders of record on March 15, 2002.

Corporate Profile

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

Latest 12 Months Financial Information (from continuing operations, excluding unusual charges and gains)

Sales: \$928.7 million; EBITDA: \$105.8 million; Operating income: \$59.0 million; Net income: \$30.6 million; Basic earnings per share: \$2.29; Quarterly common dividend rate (per share): \$.16; Book value per common share: \$21.20; Long-term debt to capitalization: 42.8 %; Return on common equity: 11.07 %; Actual number of common shares outstanding: 13,508,750; Common stock price range (52-week hi - low): \$29.65 - \$16.38.

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

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	Three months ended	
	January 31,	
	2002	2001
	(Unaudited)	
Net sales	\$204,243	\$199,942
Cost of sales	171,042	168,784
Selling, general and administrative expense	12,164	11,728
Depreciation and amortization	11,193	11,236
Operating income	9,844	8,194
Interest expense	(3,441)	(4,161)
Capitalized interest	730	314
Other, net	1,398	1,323
Income before income taxes and extraordinary gain	8,531	5,670
Income tax expense	(3,071)	(1,985)
Income before extraordinary gain	5,460	3,685
Extraordinary gain on early extinguishment of debt, net of income taxes	---	372
Net income	\$5,460	\$4,057
Weighted average common shares outstanding:		
Basic	13,455	13,424
Diluted	15,586	13,562
Earnings per common share:		
Basic:		
Income before extraordinary gain	\$0.41	\$0.27
Extraordinary gain	---	0.03
Total basic net earnings	\$0.41	\$0.30
Diluted:		
Income before extraordinary gain	\$0.39	\$0.27
Extraordinary gain	---	0.03
Total diluted net earnings	\$0.39	\$0.30
Common stock dividends per share	\$0.16	\$0.16

QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION
(In thousands)

	Three months ended	
	January 31,	
	2002	2001
	(Unaudited)	
Vehicular Products:		
Net sales	\$102,433	\$99,076
Operating income	\$10,742	\$8,373
Building Products:		
Net sales	\$101,810	\$100,866
Operating income	\$2,374	\$2,319
Corporate and Other:		
Intercompany sales elimination	\$---	\$---
Corporate charges	\$(3,272)	\$(2,498)
Total:		
Net sales	\$204,243	\$199,942
Operating income	\$9,844	\$8,194

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

January 31,			October 31,	
2002	2001		2001	2000
(Unaudited)		Assets	(Audited)	
\$25,178	\$18,879	Cash and equivalents	\$29,573	\$22,409
91,007	94,579	Accounts and notes receivable, net	109,706	98,465
85,560	103,625	Inventories	83,109	101,274
15,381	15,210	Other current assets	14,490	13,798
217,126	232,293	Total current assets	236,878	235,946
357,755	344,362	Property, plant and equipment, net	357,635	338,248
59,226	61,316	Goodwill, net	59,226	47,539
44,258	26,083	Other assets	43,892	24,126
\$678,365	\$664,054	Total assets	\$697,631	\$645,859
		Liabilities and stockholders' equity		
\$64,976	\$68,910	Accounts payable	\$76,831	\$77,339
43,598	41,751	Accrued expenses	50,659	50,189
2,525	5,552	Income taxes payable	1,087	3,218
4,450	688	Other current liabilities	5,593	---
429	427	Current portion of long-term debt	420	256
115,978	117,328	Total current liabilities	134,590	131,002
214,344	222,492	Long-term debt	219,608	191,657
6,389	6,601	Deferred pension credits	7,962	7,026
		Deferred postretirement welfare		
7,797	7,708	benefits	7,777	7,634
30,702	26,232	Deferred income taxes	29,282	27,620
16,718	17,369	Other liabilities	18,435	14,423
391,928	397,730	Total liabilities	417,654	379,362
286,437	266,324	Total stockholders' equity	279,977	266,497
\$678,365	\$664,054	Total liabilities and stockholders' equity	\$697,631	\$645,859

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Three months ended	
	January 31,	
	2002	2001
	(Unaudited)	
Operating activities:		
Net income	\$5,460	\$4,057
Extraordinary gain on early extinguishment of debt (net of taxes)	---	(372)
Depreciation and amortization	11,279	11,362
Deferred income taxes	1,420	(41)
Deferred pension and postretirement benefits	(1,553)	(351)
	16,606	14,655
Decrease in accounts and notes receivable	18,699	7,210
(Increase) decrease in inventory	(2,451)	292
Decrease in accounts payable	(11,855)	(10,490)
Decrease in accrued expenses	(7,061)	(9,819)
Other, net (including income tax refund)	(1,470)	(910)
Cash provided by operating activities	12,468	938
Investment activities:		
Acquisition of Temroc Metals, net of cash acquired	---	(17,922)
Capital expenditures, net of retirements	(11,290)	(11,974)
Cash used by other investment activities	(475)	(1,590)
Cash used by investment activities	(11,765)	(31,486)

Financing activities:		
Bank borrowings (repayments), net	(5,000)	33,000
Purchase of subordinated debentures	---	(3,942)
Purchases of Quanex common stock	---	(364)
Common dividends paid	(2,159)	(2,167)
Issuance of common stock, net	2,360	800
Cash used by other financing activities	(299)	(309)
Cash provided (used) by financing activities	(5,098)	27,018
Decrease in cash	(4,395)	(3,530)
Beginning of period cash and equivalents	29,573	22,409
End of period cash and equivalents	\$25,178	\$18,879

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