



## Quanex Fiscal Fourth Quarter and 2005 Annual Results

December 2, 2005

Record Fourth Quarter and Annual Net Sales  
Record Fourth Quarter and Annual Diluted EPS from Continuing Operations  
Record 2005 Cash Provided by Operating Activities  
Eliminated Remaining Revolving Credit Line Balance  
Announced Pending Sale of Temroc Metals Business

HOUSTON, Dec. 2, 2005 (PRIMEZONE) -- Quanex Corporation (NYSE:NX) today reported record fiscal fourth quarter and 2005 net sales and diluted earnings per share from continuing operations. Net sales for the quarter and year were \$483.3 million, up 14%, and \$1,969.0 million, up 37%, respectively, over last year's quarterly and annual results. Diluted earnings per share from continuing operations for the quarter were \$1.75, more than double year-ago results of \$0.78, and for the year were \$6.75 compared to \$2.29 last year. Fourth quarter and annual diluted earnings per share were \$1.18 and \$5.92, respectively. Return on invested capital for 2005 was a best-ever 20.8%, compared to 9.3% for 2004. Total return to shareholders in 2005 was 73%.

### Highlights

- 2005 Vehicular Products and Building Products segment net sales were \$1,017.0 million, up 28%, and \$952.0 million, up 48%, respectively, over 2004, and each are all time bests.
- 2005 operating income for the Vehicular Products and Building Products segments were \$190.7 million, up 158%, and \$131.4 million, up 108%, respectively, both records.
- Income from continuing operations set a fourth quarter record of \$46.7 million, compared to \$19.6 million in the year-ago quarter; and for the year, was up 209% to \$177.2 million.
- Cash provided by operating activities was \$88.4 million in the quarter and \$249.1 million for 2005.
- Quarterly net sales for Mikron Industries, acquired in December 2004, were up 23% from the year-ago quarter; Mikron earnings were \$0.18 per diluted share after interest expense.
- Working capital to sales in 2005 was 6.8% compared to 9.7% in 2004.
- 2005 total debt less cash to capitalization was 10.9% versus 13.8% in 2004.

The Company today announced the pending sale of its Temroc Metals business. The business, which produces aluminum extrusions and fabricated products, was acquired on November 30, 2000. Incidental to the expected sale of the business, Quanex wrote down Temroc's assets to approximate the fair market value for the business. The write down of \$13.1 million (\$0.48 diluted earnings per share) is reflected in discontinued operations in Quanex's financial statements.

### Selected Financial Information

Fourth Quarter and Fiscal Year Financials from Continuing Operations (\$ in millions, except per share data)

	4th qtr 2005	4th qtr 2004	inc/ (dcr)	FY 2005	FY 2004	inc/ (dcr)
	-----	-----	----	-----	-----	----
Net Sales	\$483.3	\$425.7	14%	\$1,969.0	\$1,437.9	37%
Operating Income	70.6	35.2	101%	292.8	99.0	196%

			Income from Continuing			
Ops.	46.7	19.6	138%	177.2	57.4	209%
			EPS: Basic Earnings from			
Continuing Ops.	\$1.84	\$0.79	133%	\$7.04	\$2.33	202%
			EPS: Diluted Earnings from			
Continuing Ops.	\$1.75	\$.78	124%	\$6.75	\$2.29	195%

#### Segment Commentary

#### VEHICULAR PRODUCTS (\$ in millions)

	4th qtr 2005	4th qtr 2004	FY 2005	FY 2004
Net Sales	\$ 230.0	\$ 240.6	\$ 1,017.0	\$ 795.4
Operating Income	\$ 36.7	\$ 26.7	\$ 190.7	\$ 74.0

The Vehicular Products segment is focused on providing customers with engineered steel bar products and value-added services. Key market drivers are light vehicle builds (approx. 65% of segment sales) and heavy duty truck builds (approx. 15% of segment sales).

"Overall segment demand was off in the quarter compared to the very strong demand experienced in the year-ago period, primarily due to inventory adjustments by our Tier 1 and Tier 2 customers early in the quarter. Consequently, engineered steel bar shipments were down from last year's unusually high levels," said Raymond A. Jean, chairman and chief executive officer. "Our customers' inventories have now returned to more normalized levels following heavy buying early in the year. Segment margins remained healthy in the quarter and operating income was up 38% compared to the year-ago quarter, the benefit of an improved spread and richer product mix," continued Jean.

#### BUILDING PRODUCTS (\$ in millions)

	4th qtr 2005	4th qtr 2004	FY 2005	FY 2004
Net Sales	\$ 253.2	\$ 185.1	\$ 952.0	\$ 642.5
Operating Income	\$ 35.2	\$ 27.5	\$ 131.4	\$ 63.2

The Building Products segment is focused on providing window and door OEM customers with engineered products and components, and is also a leading provider of common alloy aluminum sheet. Key market drivers are housing starts (approx. 50% of segment sales) and remodeling activity (approx. 50% of segment sales).

"Overall housing activity remained brisk during the quarter, with annualized housing starts steady at the 2 million mark. Orders from our window and door customers remained firm throughout the quarter, but a significant rise in raw material costs at some of our fenestration business units (Mikron and TruSeal) adversely impacted margins. While our aluminum sheet business saw a 15% drop in volume due to customer destocking compared to the year-ago period, operating margins improved 17%, a result of higher sheet prices and an improved mix of painted sheet sales," said Jean.

#### Cash Flow

"Cash provided by operating activities in the quarter was \$88.4 million, and for the year we generated a record \$249.1 million, compared to \$124.2 million in 2004. During fiscal 2005, we borrowed \$200 million from our revolving credit line to finance the acquisition of Mikron Industries, and I'm pleased to report the entire amount was repaid by the close of the fourth quarter, when we made final repayments of \$30.0 million. Even with having spent some \$450 million to make five strategic acquisitions in the last four years and raising our common stock dividend three times in the last five quarters by some 37%, Quanex is in an enviable financial position with a great balance sheet to fund its growth opportunities," continued Jean.

#### Outlook

For 2006, segment operating margins are expected to return more to the middle of their historic range. Specifically, in 2005, the Company experienced margins at the high end of the range, while in 2004, had margins at the low end of the range. This swing in margins was due, in part, to the lead and lag effect of its steel scrap recovery mechanism.

First-quarter segment margins have historically been lower when compared to the Company's other quarters as there are fewer production days and customers experience holiday shutdowns. Also, in the first quarter last year, Quanex's large process businesses, MACSTEEL and Nichols Aluminum, were both running above rated capacities and had much of their customer base on allocation. Supply chain inventory adjustments will continue to bring the Company's customer inventories back to more normalized levels, which bodes well for MACSTEEL's and Nichols Aluminum's demand going forward. The first-quarter outlook for the Company's door and window components business is positive as housing starts remain at historically high levels along with remodeling activity.

Consistent with an ongoing strong housing and remodeling market, an up-tick in automotive builds at the "Big 3," excellent heavy truck production and the acquisition of Mikron, Quanex expects to report diluted earnings per share from continuing operations for the quarter in a range of \$0.70 to \$0.80.

The Company cautions that its combination of short cycle businesses and volatile raw material costs, particularly for scrap, makes forecasting problematic.

#### Other

Operating income for the quarter increased by \$6.1 million due to a LIFO inventory adjustment.

The Company continues to account for stock options using the current transition provisions of SFAS No. 123. Accordingly, Quanex does not reflect the option expense in its income statement or diluted earnings per share. However, the Company does disclose the impact to net income and diluted earnings per share in footnotes to its SEC financial statements. Expensing stock options in the fourth quarter and the year would have reduced net income by about \$700,000 and \$2.2 million, respectively, and would have reduced diluted earnings per share from continuing operations by \$0.03 and \$0.08, respectively. Quanex will expense its stock options in the fiscal 2006 first quarter.

On January 26, 2005, the Company irrevocably elected, pursuant to the indenture governing its 2.50% convertible senior debentures due 2034, to settle the principal amount of the debentures in cash when they become convertible and are surrendered by the holders thereof. Allowing for this election and using an average stock closing price of \$59.98 for its fiscal fourth quarter, the Company's diluted earnings per share from continuing operations were reduced by \$0.06.

#### Dividend Declared

The Board of Directors declared the Company's quarterly cash dividend of \$0.155 per share on the common stock, payable December 30, 2005, to shareholders of record on December 15, 2005.

#### Corporate Profile

Quanex Corporation is an industry-leading manufacturer of value-added, engineered materials and components serving the vehicular products and building products markets.

#### Financial Statistics as of 10/31/05

Book value per common share: \$25.88; Total debt to capitalization: 17.1%; Return on invested capital: 20.8%; Return on common equity: 26.8%; Actual number of common shares outstanding: 25,378,580

#### Definitions

Book value per common share -- calculated as total stockholders' equity as of balance sheet date divided by actual number of common shares outstanding;

Total debt to capitalization -- calculated as the sum of both the current and long-term portion of debt, as of balance sheet date, divided by the sum of both the current and long-term portion of debt plus total stockholders' equity as of balance sheet date;

Return on invested capital -- calculated as the total of the prior 12 months net income plus prior 12 months after-tax interest expense and capitalized interest, the sum of which is divided by the trailing five quarters average total debt (current and long term) and total stockholders' equity;

Return on common equity -- calculated as the prior 12 months net income, divided by the trailing five quarters average common stockholders' equity.

Statements that use the words "expect," "should," "believe," "will," "might," or similar words reflecting future expectations or beliefs are forward-looking statements. The statements found above 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 (December 21, 2004) under the Securities Exchange Act of 1934, in particular the sections titled, "Private Securities Litigation Reform Act" contained therein.

For additional information, visit the Company's website at [www.quanex.com](http://www.quanex.com).

The Quanex Corporation logo is available at: <http://www.primezone.com/newsroom/prs/?pkgid=1117>

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

Three months ended October 31,			Twelve months ended October 31,	
----- 2005	2004 -----		----- 2005	2004 -----
\$ 483,270	\$ 425,660	Net sales	\$1,969,007	\$ 1,437,897
371,083	359,465	Cost of sales	1,512,980	1,225,784
		Selling, general and		

23,982	19,142	expense	administrative 97,851	64,189
17,557	11,887	and amortization	Depreciation 65,401	49,381
-	-	Gain on sale of land	-	(454)
70,648	35,166	Operating income	292,775	98,997
(1,542)	(1,566)	Interest expense	(9,300)	(5,967)
2,233	(291)	Other, net	151	335
			Income from continuing operations	
71,339	33,309	before taxes	283,626	93,365
(24,659)	(13,747)	expense	Income tax (106,393)	(35,937)
46,680	19,562	operations	Income from continuing operations	57,428
(15,455)	(824)	net of taxes	Gain (loss) from discontinued operations,	(2,961)
\$ 31,225	\$ 18,738	Net income	\$ 155,160	\$ 54,467

Basic earnings per  
common share:

\$ 1.84	\$ 0.79	operations	Earnings from continuing operations	\$ 7.04	\$ 2.33
\$ (0.61)	\$ (0.03)	operations	Gain (loss) from discontinued operations	\$ (0.88)	\$ (0.12)
\$ 1.23	\$ 0.76	per share	Basic earnings	\$ 6.16	\$ 2.21

Diluted earnings per  
common share:

\$ 1.75	\$ 0.78	operations	Earnings from continuing operations	\$ 6.75	\$ 2.29
\$ (0.57)	\$ (0.04)	operations	Gain (loss) from discontinued operations	\$ (0.83)	\$ (0.12)
\$ 1.18	\$ 0.74	per share	Diluted earnings	\$ 5.92	\$ 2.17

Weighted average  
common shares outstanding:

25,322	24,809	Basic	25,181	24,654
26,964	25,187	Diluted	26,539	25,047
\$ 0.1550	\$ 0.1350	per share	Cash dividends \$ 0.5800	\$ 0.4883

QUANEX CORPORATION  
INDUSTRY SEGMENT INFORMATION  
(In thousands)  
(Unaudited)

Three months ended October 31,			Twelve months ended October 31,	
2005	2004		2005	2004
Net sales:				
\$ 230,039	\$ 240,580	Vehicular Products	\$ 1,016,982	\$ 795,367
253,231	185,080	Building Products	952,025	642,530
\$ 483,270	\$ 425,660	Net sales	\$ 1,969,007	\$1,437,897
Operating income:				
\$ 36,724	\$ 26,654	Vehicular Products	\$ 190,667	\$ 73,965
35,165	27,455	Building Products	131,432	63,174
(1,241)	(18,943)	Corporate and Other	(29,324)	(38,142)
\$ 70,648	\$ 35,166	Operating Income	\$ 292,775	\$ 98,997

QUANEX CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(In thousands)  
(Unaudited)

	October 31,	
	2005	2004
Assets		
Cash and equivalents	\$ 49,681	\$ 41,743
Accounts and notes receivable, net	152,072	172,582
Inventories	133,003	112,993
Deferred income taxes	12,864	11,182
Other current assets	4,669	2,387
Current assets of discontinued operations	5,504	16,068
Total current assets	357,793	356,955
Property, plant and equipment	969,962	833,797
Less accumulated depreciation	(546,020)	(488,604)
Property, plant and equipment, net	423,942	345,193
Goodwill, net	196,341	121,174
Cash surrender value insurance policies, net	24,927	24,439
Intangibles, net	82,360	27,556
Other assets	9,002	9,207
Long-term assets of discontinued operations	5,846	45,619
Total assets	\$ 1,100,211	\$ 930,143
Liabilities and stockholders' equity		
Accounts payable	\$ 129,152	\$ 159,379

Accrued liabilities	73,616	45,380
Income taxes payable	14,465	4,323
Current maturities of long-term debt	2,459	246
Current liabilities of discontinued operations	4,208	7,520
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Total current liabilities	223,900	216,848
Long-term debt	133,462	128,680
Deferred pension credits	8,158	8,804
Deferred postretirement welfare benefits	7,519	7,745
Deferred income taxes	58,836	53,514
Non-current environmental reserves	6,732	8,188
Other liabilities	2,742	2,828
Long-term liabilities of discontinued operations	2,120	2,829
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Total liabilities	443,469	429,436
Total stockholders' equity	656,742	500,707
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Total liabilities and stockholders' equity	\$ 1,100,211	\$ 930,143
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QUANEX CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands)  
(Unaudited)

	Twelve months ended October 31,	
	----- 2005	----- 2004
	-----	-----
Operating activities:		
Net income	\$ 155,160	\$ 54,467
Loss from discontinued operations	22,073	2,961
	-----	-----
Net income from continuing operations	177,233	57,428
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	65,987	49,921
Gain on sale of land	--	(454)
Deferred income taxes	(438)	30
Deferred pension and postretirement benefits	1,323	(499)
	-----	-----
	244,105	106,426
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Decrease (Increase) in accounts and notes receivable		
	32,165	(45,932)
Decrease (Increase) in inventory		
	(8,847)	(6,722)
Increase (Decrease) in accounts payable		
	(43,696)	57,160
Increase (Decrease) in accrued liabilities		
	6,473	9,076
Increase (Decrease) in income taxes payable		
	19,624	(5,820)
Other, net	588	1,900
Cash provided by (used for) operating activities from discontinued operations		
	(1,275)	8,149
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Cash provided by operating activities	249,137	124,237
Investment activities:		
Acquisitions , net of cash acquired	(200,550)	(214,618)
Proceeds from sale of discontinued operations	11,710	23,310
Capital expenditures, net of retirements	(50,792)	(18,713)
Proceeds from sale of land	--	637
Other, net	(873)	(877)
Cash used for investment activities from discontinued operations	(1,059)	(2,829)
	-----	-----
Cash used for investment activities	(241,564)	(213,090)
Financing activities:		
Bank borrowings (repayments), net	(180)	(10,000)
Issuance of debentures	--	125,000
Common dividends paid	(14,296)	(11,530)
Issuance of common stock, net	14,212	11,665
Other, net	823	(6,456)
Cash used for financing activities from discontinued operations	(211)	(201)
	-----	-----
Cash provided by financing activities	348	108,478
	-----	-----
Effect of exchange rate changes on cash and equivalents	17	10
Increase (Decrease) in cash	7,938	19,635
Beginning of period cash and equivalents	41,743	22,108
	-----	-----
End of period cash and equivalents	\$ 49,681	\$ 41,743
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