



Quanex Fiscal Third Quarter 2006 Results

August 24, 2006

Vehicular Products & Building Products Outperform Markets

Vehicular Products Shipped Tons Up 12%

Company Increases Quarterly Cash Dividend by 17%

HOUSTON, Aug. 24, 2006 (PRIMEZONE) -- Quanex Corporation (NYSE:NX) today reported fiscal third quarter results for the period ending July 31, 2006. Net sales in the quarter were \$553.0 million compared to \$492.6 million a year ago, and income from continuing operations was \$44.9 million, equal to the \$44.9 million reported in the year ago quarter. Diluted earnings per share from continuing operations were \$1.14 compared to \$1.14 in the third quarter last year. The Company's mid-quarter guidance was \$1.05 - \$1.09 diluted earnings per share from continuing operations. The latest 12 months return on invested capital was 19.0% compared to 19.7% a year ago. Diluted earnings per share were \$1.14 versus \$1.13 in the year ago quarter.

Fiscal Third Quarter Highlights

- Net sales at the Building Products segment were a best ever \$293.2 million compared to \$258.9 million in the year ago quarter; net sales at the Vehicular Products segment were a third quarter record of \$259.8 million versus \$233.7 million a year ago.
- Building Products operating income was \$41.6 million compared to \$42.8 million in the year ago quarter; Vehicular Products operating income was \$40.3 million versus \$47.9 million a year ago.
- The Board of Directors approved an \$0.08 increase to the annual cash dividend, up 17%.
- 1,042,200 shares of outstanding common stock were repurchased at an average price of \$38.78. The Board authorized the repurchase of an additional 2 million shares of common stock, to be purchased at appropriate times, for a total authorization of approximately 2.7 million shares.
- Total debt less cash to capitalization was 8.5% compared to 19.9% a year ago.
- A \$6.0 million (\$0.09 per diluted share) non-cash LIFO charge was taken. The charge primarily reflects the substantial rise in the price of LME aluminum ingot. Quanex uses the LIFO method of accounting, which requires it to forecast year-end inventory prices and levels and periodically adjust interim inventory balances.

Selected Financial Information

Fiscal Third Quarter Financials

(\$ in millions, except per share data)

	3rd qtr 2006	3rd qtr 2005	inc/(dcr)
Net Sales	\$553.0	\$492.6	12%
Operating Income	69.0	76.2	(9%)
Income from Continuing Ops.	44.9	44.9	n/c

EPS: Basic Earnings from Continuing Ops.	\$1.20	\$1.19	1%
EPS: Diluted Earnings from Continuing Ops.	\$1.14	\$1.14	n/c
EPS: Diluted Earnings	\$1.14	\$1.13	1%

Segment Commentary

VEHICULAR PRODUCTS (\$ in millions)

	3rd qtr 2006	3rd qtr 2005	inc/(dcr)
	-----	-----	-----
Net Sales	\$259.8	\$233.7	11%
Operating Income	\$ 40.3	\$ 47.9	(16%)

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 (approximately 65% of segment sales) and heavy duty truck builds (approximately 15% of segment sales).

"Segment demand improved markedly in the third quarter and, consequently, total steel bar tons shipped were 12% ahead of year ago shipments," said Raymond A. Jean, chairman and chief executive officer. "North American light vehicle production during our third quarter was up about 3% compared to the third quarter 2005. However, based on the strength of new powertrain related programs with both the 'Big 3' and the transplant automotive companies, our light vehicle steel bar tons shipped were up 10%, demonstrating our ability to outperform the market. Our three steel bar mills had a combined capacity utilization rate over 95% in the quarter," said Jean.

"Vehicular Products operating income was down from 2005's third quarter because of unusually high raw material surcharges in effect early in the quarter, but margins this quarter were still very strong at 15.5%. Our third quarter backlog increased 8% over the second quarter, indicating lower inventory levels in the supply chain, the ramp-up of new programs, and continued strength in our secondary markets," continued Jean.

BUILDING PRODUCTS (\$ in millions)

	3rd qtr 2006	3rd qtr 2005	inc/(dcr)
	-----	-----	-----
Net Sales	\$293.2	\$258.9	13%
Operating Income	\$41.6	\$42.8	(3%)

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 rolled products. Key market drivers are housing starts (approximately 50% of segment sales) and remodeling activity (approximately 50% of segment sales).

"Building Products posted a 13% increase in third quarter net sales compared to the year ago quarter, while housing starts for the same period were off 10%. Our window and door components experienced flat sales versus the year ago quarter and operating income was down due to lower operating rates and relatively high labor costs. Net sales at aluminum rolled products were 29% higher than the \$124.8 million a year ago and operating income was up. Pounds shipped in the quarter were best-ever, up 5% compared to the year ago quarter, while spread per pound improved 11% over the same period, the result of higher selling prices and relatively low scrap costs," said Jean.

Cash Flow

"Quanex continued to generate significant cash flow. Cash and equivalents were \$61 million at quarter end, inline with cash balances at the end of the second quarter, after having spent some \$40 million buying back our common stock, having made a \$15 million contribution to the pension fund, and having spent \$18 million on capital expenditures. We expect continued strong cash flow in the fourth quarter based on strong earnings and lower capital expenditures. Year-to-date, cash provided by operating activities was a very healthy \$129 million," Jean said.

Outlook

Quanex sales for the fourth quarter of 2006 are expected to be up some 10% over the fourth quarter of 2005, supported in part by new program opportunities at the operating segments. The 10% fourth quarter growth compares favorably to a light vehicle market where builds are expected to be down 7% from the fourth quarter 2005, and housing starts projected to be down over 15%.

More specifically, in the Vehicular Products segment, business activity is expected to generate favorable comparisons as fourth quarter steel bar ton shipments are estimated to be some 5% higher than the fourth quarter 2005 and about 3% better than the third quarter 2006. New programs with both the 'Big 3' and the Japanese transplant automotive companies should enable the segment to outperform the market in the fourth quarter. The segment is in the process of securing significant new automotive business this calendar year.

And at Building Products, segment net sales are estimated to be up 5% compared to the fourth quarter 2005, and down about 5% compared to the third quarter 2006 as we anticipate that our window and door components net sales will experience a slowing of demand due to declining OEM

production levels, partially offset by new business with existing and new customers.

Aluminum rolled products demand is expected to remain at healthy levels, with fourth quarter volume (pounds) expected to be some 10% higher than the fourth quarter of 2005. With London Metal Exchange aluminum ingot prices at high levels and aluminum scrap cost increases expected to remain relatively more modest, strong material spreads are anticipated to continue in the fourth quarter.

Taken together, the sales and earnings outlook for the balance of 2006 remains favorable. Accordingly, Quanex expects to report diluted earnings per share from continuing operations for the year within a range of \$4.00 - \$4.10, which includes an estimated non-cash LIFO charge of some \$0.13 - \$0.16 per share. Previous guidance had been a range of \$4.00 - \$4.20, which did not include a provision for LIFO.

Other

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 while the premium amount of the debentures may be settled in any combination of cash and common stock when they become convertible and are surrendered by the holders thereof. Allowing for this election and using an average stock closing price of \$39.86 for its third quarter, the Company's diluted earnings per share from continuing operations reflect a reduction of \$0.04.

Dividend Declared

The Board of Directors declared the Company's quarterly cash dividend of \$0.14 per share on the common stock, payable September 29, 2006, to shareholders of record on September 15, 2006.

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 07/31/06

Book value per common share: \$19.51; Total debt to capitalization: 15.6%; Return on invested capital: 19.0%; Return on common equity: 22.4%; Actual number of common shares outstanding: 36,964,588.

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.

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

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, 2005) under the Securities Exchange Act of 1934, in particular the section titled, "Private Securities Litigation Reform Act" contained therein.

For additional information, visit the Company's website at www.quanex.com.

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

Three months ended July 31,			Nine months ended July 31,	
2006	2005		2006	2005
		Net sales:		
\$ 259,836	\$ 233,687	Vehicular Products	\$ 724,006	\$ 786,943
293,211	258,872	Building Products	780,846	698,794
\$ 553,047	\$ 492,559	Net sales	\$1,504,852	\$1,485,737

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Operating income:				
\$ 40,297	\$ 47,932	Vehicular Products	\$ 113,968	\$ 153,943
41,639	42,804	Building Products	103,411	96,267
(12,909)	(14,515)	Corporate and Other	(25,283)	(28,083)
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\$ 69,027	\$ 76,221	Operating Income	\$ 192,096	\$ 222,127
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QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

Three months ended July 31,			Nine months ended July 31,	
2006	2005		2006	2005
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\$ 553,047	\$ 492,559	Net sales	\$1,504,852	\$1,485,737
442,789	373,323	Cost of sales	1,191,414	1,141,897
		Selling, general and administrative expense	68,776	73,869
23,963	26,938	Depreciation and amortization	52,566	47,844
17,268	16,077			
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69,027	76,221	Operating income	192,096	222,127
(1,234)	(2,463)	Interest expense	(3,689)	(7,758)
2,296	(743)	Other, net	2,763	(2,082)
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		Income from continuing operations before taxes	191,170	212,287
70,089	73,015	Income tax expense	(69,986)	(81,734)
(25,186)	(28,110)			
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		Income from continuing operations	121,184	130,553
44,903	44,905	Gain (loss) from discontinued operations, net of taxes	(176)	(6,618)
230	(190)			
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\$ 45,133	\$ 44,715	Net income	\$ 121,008	\$ 123,935
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Basic earnings per
common share:

		Earnings from continuing operations	\$ 3.21	\$ 3.46
\$ 1.20	\$ 1.19	Gain (loss) from discontinued operations	\$ (0.01)	\$ (0.17)
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\$ 1.20	\$ 1.18	Basic earnings per share	\$ 3.20	\$ 3.29
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Diluted earnings

per common share:

		Earnings from continuing operations	\$ 3.05	\$ 3.33
\$ 1.14	\$ 1.14	Gain (loss) from discontinued operations	\$ --	\$ (0.16)
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\$ 1.14	\$ 1.13	Diluted earnings per share	\$ 3.05	\$ 3.17
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Weighted average common shares outstanding:				
37,531	37,857	Basic	37,785	37,700
39,857	39,945	Diluted	40,190	39,591
Cash dividends per share				
\$ 0.1200	\$ 0.0900		\$ 0.3433	\$ 0.2700

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

July 31, 2006		October 31, 2005

Assets		
\$ 61,151	Cash and equivalents	\$ 49,681
184,413	Accounts and notes receivable, net	152,072
156,424	Inventories	133,003
10,212	Deferred income taxes	12,864
6,396	Other current assets	4,669
--	Current assets of discontinued operations	5,504
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418,596	Total current assets	357,793
1,029,271	Property, plant and equipment	969,962
(591,771)	Less accumulated depreciation	(546,020)
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437,500	Property, plant and equipment, net	423,942
196,349	Goodwill	196,341
	Cash surrender value insurance policies, net	24,927
77,053	Intangible assets, net	82,360
9,814	Other assets	9,002
--	Assets of discontinued operations	5,846
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\$1,164,045	Total assets	\$1,100,211
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Liabilities and stockholders' equity		
\$ 164,522	Accounts payable	\$ 129,152
57,657	Accrued liabilities	73,616
9,220	Income taxes payable	14,465
2,727	Current maturities of long-term debt	2,459
--	Current liabilities of discontinued operations	4,208

234,126	Total current liabilities	223,900
130,680	Long-term debt	133,462
--	Deferred pension credits	8,158
7,296	Deferred postretirement welfare benefits	7,519
62,224	Deferred income taxes	58,836
5,911	Non-current environmental reserves	6,732
2,508	Other liabilities	2,742
--	Liabilities of discontinued operations	2,120
442,745	Total liabilities	443,469
721,300	Total stockholders' equity	656,742
\$1,164,045	Total liabilities and stockholders' equity	\$1,100,211
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QUANEX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands)

(Unaudited)

	Nine months ended July 31,	
	2006	2005
Operating activities:		
Net income	\$ 121,008	\$ 123,935
Loss from discontinued operations	176	6,618
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	53,045	48,283
Deferred income taxes	6,040	3,150
Stock-based compensation	3,883	590
	184,152	182,576
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Decrease (Increase) in accounts and notes receivable	(32,335)	16,162
Decrease (Increase) in inventory	(23,396)	(6,040)
Increase (Decrease) in accounts payable	35,370	(40,730)
Increase (Decrease) in accrued liabilities	(12,846)	(847)
Increase (Decrease) in income taxes payable	(5,253)	11,491
Increase (Decrease) in deferred pension and postretirement benefits	(11,942)	1,544
Other, net	(4,024)	(1,275)
Cash provided by (used for) operating activities from continuing operations	129,726	162,881
Cash provided by (used for) operating activities from discontinued operations	(762)	(2,147)
Cash provided by operating activities	128,964	160,734
Investment activities:		
Acquisitions , net of cash acquired	--	(200,519)
Proceeds from sale of discontinued operations	5,683	11,592
Capital expenditures, net of retirements	(60,964)	(35,297)
Retired executive life insurance proceeds	461	--
Other, net	275	674
Cash used for investing activities from continuing operations	(54,545)	(223,550)

Cash used for investment activities from discontinued operations	(14)	(362)
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Cash used for investment activities	(54,559)	(223,912)
Financing activities:		
Bank borrowings (repayments), net	(2,514)	29,865
Purchases of Quanex common stock	(58,326)	--
Common dividends paid	(13,165)	(10,351)
Issuance of common stock from option exercises, including related tax benefits	11,112	10,328
Other, net	--	568
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Cash provided by (used for) financing activities from continuing operations	(62,893)	30,410
Cash used for financing activities from discontinued operations	(56)	(158)
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Cash provided by (used for) financing activities	(62,949)	30,252
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Effect of exchange rate changes on cash and equivalents	14	10
Increase (Decrease) in cash and equivalents	11,470	(32,916)
Beginning of period cash and equivalents	49,681	41,743
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End of period cash and equivalents	\$ 61,151	\$ 8,827
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