



## Quanex Fiscal Fourth Quarter and 2006 Annual Results

December 6, 2006

**Record 2006 Sales of \$2+ Billion**

Record Vehicular Products Fourth Quarter  
Sales & Operating Income

Best-Ever Aluminum Sheet Products Fourth Quarter  
Sales & Operating Income

HOUSTON, Dec. 6, 2006 (PRIME NEWSWIRE) -- Quanex Corporation (NYSE:NX) today reported fiscal fourth quarter and 2006 annual results for the period ending October 31, 2006. Net sales for the quarter and year were records at \$527.7 million and \$2,032.6 million, respectively, compared to \$483.3 million and \$1,969.0 million, respectively, in the year ago periods. Income from continuing operations was \$39.1 million for the quarter and \$160.3 million for the year, compared to the \$46.7 million and \$177.2 million, respectively, reported a year ago. Diluted earnings per share from continuing operations were \$1.03 for the fourth quarter and \$4.15 for the year, compared to \$1.17 and \$4.50, respectively, last year. Diluted earnings per share were \$1.03 and \$4.15 for the quarter and the year, respectively. Return on invested capital at fiscal year end was 19.4% compared to 20.8% a year ago.

### Highlights

- \* Vehicular Products and Aluminum Sheet Products each reported record sales and operating income for a fourth quarter. Engineered Products reported record net sales for the year. Consolidated 2006 net sales of the Company's three reportable segments were best ever at \$2.0 billion.
- \* Cash provided by operating activities for 2006 was \$190.3 million, a second-best year ever, compared to \$249.1 million for 2005.
- \* Total debt less cash to capitalization stood at 3.1% compared to 10.9% a year ago.
- \* The Company entered into a new, unsecured revolving credit facility in September 2006. The \$350 million facility has a term of five years with no outstanding loan balance.
- \* The Phase 9 capital program at the MACSTEEL Monroe facility was completed in the quarter. The \$38 million project adds extensive value added processes to the facility, including a MACPLUS turning and polishing line, bar straightening and testing.
- \* A \$7.1 million (\$0.12 per diluted share) non-cash LIFO charge was taken in the fourth quarter, and for fiscal 2006, LIFO charges totaled \$13.1 million (\$0.21 per diluted share). The LIFO charges reflect the substantial rise in the price of the London Metal Exchange (LME) aluminum ingot and higher steel scrap costs at MACSTEEL. Quanex uses the LIFO method of accounting, which requires it to forecast year-end inventory prices and levels and periodically adjust interim inventory balances with a true-up in the fourth quarter.
- \* During 2006, the Company purchased a total of 1,573,950 shares of outstanding common stock at an average price of \$37.06 and a 3-for-2 stock split was distributed in March.

\* The 2006 cash dividend was increased 35% on an annualized basis to 56 cents per share.

#### Selected Financial Information

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

	4th qtr 2006	4th qtr 2005	inc/ (dcr)	FY 2006	FY 2005	inc/ (dcr)
Net Sales	\$527.7	\$483.3	9%	\$2,032.6	\$1,969.0	3%
Operating Income	59.3	70.6	(16%)	251.4	292.8	(14%)
Income from Continuing Ops.	39.1	46.7	(16%)	160.3	177.2	(10%)
EPS: Basic Earnings from Continuing Ops.	\$1.06	\$1.23	(14%)	\$4.35	\$4.69	(7%)
EPS: Diluted Earnings from Continuing Ops.	\$1.03	\$1.17	(12%)	\$4.15	\$4.50	(8%)
EPS: Diluted Earnings	\$1.03	\$0.78	32%	\$4.15	\$3.95	5%

#### Segment Commentary

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

	4th qtr 2006	4th qtr 2005	FY 2006	FY 2005
Net Sales	\$264.8	\$230.0	\$988.8	\$1,017.2
Operating Income	\$ 40.6	\$ 36.7	\$154.6	\$ 190.7

Vehicular Products is focused on providing customers with custom engineered steel bar products and value added services. The segment's key market driver is light vehicle builds, which account for 65% of the segment's sales.

"Total steel bar tons shipped at MACSTEEL in the quarter were up 5% over fourth quarter 2005 shipments and up 1% compared to the third quarter 2006, due in part to stronger than expected demand in October," said Raymond A. Jean, chairman and chief executive officer. "MACSTEEL's bar shipments in the quarter were up even though North American light vehicle builds during our fourth quarter were down 11% compared to the fourth quarter 2005, demonstrating our ability to outperform the market. Shipments for fiscal 2006 were flat versus 2005, while light vehicle builds were off 2% overall."

"Vehicular Products operating income was up 10% from last year's fourth quarter due to higher shipments and material spreads. We are realizing the benefits of both additional value added capacity and new programs with the 'Big Three' and transplant automotive companies," continued Jean.

#### BUILDING PRODUCTS

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

	4th qtr 2006	4th qtr 2005	FY 2006	FY 2005
Net Sales	\$132.2	\$150.6	\$524.6	\$487.6
Operating Income	\$ 13.4	\$ 20.9	\$ 52.5	\$ 59.2

Engineered Products is focused on providing window and door OEM customers with engineered products and components. Key market drivers are housing starts (approximately 60% of segment sales) and remodeling activity (approximately 40% of segment sales).

"Engineered Products posted a 12% decrease in fiscal fourth quarter net sales compared to the year ago quarter, while housing starts for the same period were off 22%. Rising new home inventories and mounting cancellations are producing a sharp response from home-builders who continue to reduce builds, and as a result, our window and door components business experienced much slower demand. For 2006, net sales and operating income for the segment were up 8% and down 11%, respectively, over 2005," said Jean.

#### ALUMINUM SHEET PRODUCTS

(\$ in millions)

	4th qtr 2006	4th qtr 2005	FY 2006	FY 2005
	-----	-----	-----	-----
Net Sales	\$135.2	\$107.8	\$539.8	\$484.1
Operating Income	\$ 17.9	\$ 14.3	\$ 82.2	\$ 72.2

Aluminum Sheet Products is a leading-provider of common alloy aluminum sheet products for the building and construction, transportation and other consumer durable markets. Its primary market drivers are housing starts and remodeling activity, which accounts for 60% of segment sales.

"Net sales and operating income were both up 25% in the fourth quarter compared to the year ago period. Nichols Aluminum sheet pounds shipped in the quarter were up 3% compared to the year ago quarter, but off 14% from the third quarter 2006. Shipments for 2006 were down 4% versus 2005. Spread per pound (selling price less raw material costs) for the quarter and year were both up 11% compared to last year as scrap costs have lagged increases in aluminum prices on the LME. Operating income for the year was up 14% to \$82.2 million, a record for Nichols Aluminum," Jean said.

#### Cash Flow

"The Company continued to generate excellent cash flow. Cash provided by operating activities for the year was \$190.3 million. Cash and equivalents were \$105.7 million at year end, after buying back some \$58 million of our common stock, making \$16 million of contributions to the pension funds and investing some \$74 million on capital projects for added productivity and capability. For 2007, we expect continued strong cash flow based on healthy earnings and much lower capital expenditures," said Jean.

#### Outlook

The first quarter is historically the Company's least profitable quarter as there are fewer production days due to the holidays and there is reduced home building activity during the winter period. Net sales for the first fiscal quarter of 2007 are expected to be down some 10% from first quarter 2006 sales, and the Company expects its market drivers to be down appreciably from the year ago period.

#### VEHICULAR PRODUCTS

Vehicular Products fiscal first quarter 2007 steel bar ton shipments are estimated to be down about 10% compared to the first quarter 2006, a result of cutbacks made by the Company's Tier 1 and Tier 2 customers, principally in response to the Big Three's estimated 10% light vehicle build rate reduction. Total light vehicle builds in the fiscal first quarter are projected to be down 5% from the year ago quarter. The Vehicular Products segment is expected to outperform the market for fiscal 2007 with new programs at both the "Big Three" and transplant automotive companies.

#### BUILDING PRODUCTS

At Engineered Products, 2007 fiscal first quarter net sales are expected to be down some 20% compared to the first quarter 2006, as the segment experiences lower demand for its window and door components in the face of declining housing starts and reduced remodeling expenditures. Total housing starts are expected to be down 20% in the quarter.

Aluminum Sheet shipments are expected to be down about 10% compared to year ago first quarter shipments, with momentum expected to return in January. LME aluminum ingot prices are expected to remain high through the first quarter, which should allow for continued healthy material spreads at Nichols Aluminum.

Taken together, the Company expects fiscal first quarter 2007 earnings from continuing operations to be in a range of \$0.35 to \$0.45 per share.

For fiscal 2007, the Company expects to build momentum in all of its businesses as the year progresses. Quanex cautions that it expects its financial performance in the first half of 2007 to lag the first half of 2006. Light vehicle builds and housing starts in the first half of 2007 are forecasted to be down about 6% and 22%, respectively, from the first half of 2006. In the second half of 2007, the Company expects its market drivers to improve over the second half of 2006. Accordingly, fiscal 2007 earnings per share from continuing operations are expected to be in a range of \$3.10 to \$3.60 per share.

#### 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 using a \$25.45 conversion price and an average stock closing price of \$33.19 for the fourth quarter, the Company's fourth quarter diluted earnings from continuing operations reflect a reduction of \$0.02 per share, and with an average stock closing price of \$38.22 for the year, represent a reduction of \$0.13 per share.

#### Dividend Declared

The Board of Directors declared the Company's quarterly cash dividend of \$0.14 per share on the common stock, payable December 31, 2006, to shareholders of record on December 18, 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 10/31/06

Book value per common share: \$20.51; Total debt to capitalization: 15.0%; Return on invested capital: 19.4%; Return on common equity: 22.7%; Actual number of common shares outstanding: 36,989,014.

#### 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, 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](http://www.quanex.com).

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

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

Three months ended October 31,			Twelve months ended October 31,	
2006	2005		2006	2005
		Net sales:		
\$ 264,793	\$ 230,038	Vehicular Products	\$ 988,799	\$1,017,188
		Engineered		
132,157	150,559	Building Products	524,625	487,578
		Aluminum Sheet		
135,192	107,759	Building Products	539,773	484,112
267,349	258,318	Building Products	1,064,398	971,690
(4,422)	(5,086)	Corporate and Other	(20,625)	(19,871)
\$ 527,720	\$ 483,270	Net sales	\$2,032,572	\$1,969,007
=====	=====		=====	=====
		Operating income:		
\$ 40,603	\$ 36,725	Vehicular Products	\$ 154,571	\$ 190,667

13,379	20,850	Engineered Building Products	52,540	59,207
17,927	14,314	Aluminum Sheet Building Products	82,177	72,225
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31,306	35,164	Building Products	134,717	131,432
(12,611)	(1,241)	Corporate and Other	(37,894)	(29,324)
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\$ 59,298	\$ 70,648	Operating Income	\$ 251,394	\$ 292,775
=====	=====		=====	=====

QUANEX CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

Three months ended October 31,			Twelve months ended October 31,	
2006	2005		2006	2005
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\$527,720	\$483,270	Net sales	\$2,032,572	\$1,969,007
425,985	371,083	Cost of sales	1,617,399	1,512,980
23,929	23,982	Selling, general and administrative expense	92,705	97,851
18,508	17,557	Depreciation and amortization	71,074	65,401
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59,298	70,648	Operating income	251,394	292,775
(1,129)	(1,542)	Interest expense	(4,818)	(9,300)
1,477	2,233	Other, net	4,240	151
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59,646	71,339	Income from continuing operations before taxes	250,816	283,626
(20,517)	(24,659)	Income tax expense	(90,503)	(106,393)
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39,129	46,680	Income from continuing operations	160,313	177,233
46	(15,455)	Gain (loss) from discontinued operations, net of taxes	(130)	(22,073)
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\$ 39,175	\$ 31,225	Net income	\$ 160,183	\$ 155,160
=====	=====		=====	=====

Basic earnings per common share:

\$ 1.06	\$ 1.23	Earnings from continuing operations	\$ 4.35	\$ 4.69
\$ --	\$ (0.41)	Gain (loss) from discontinued operations	\$ --	\$ (0.58)
-----	-----		-----	-----
\$ 1.06	\$ 0.82	Basic earnings per share	\$ 4.35	\$ 4.11
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Diluted earnings per common share:

\$ 1.03	\$ 1.17	Earnings from continuing operations	\$ 4.15	\$ 4.50
		Gain (loss) from discontinued operations		

\$	--	\$ (0.39)	discontinued operations	\$	--	\$ (0.55)
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\$	1.03	\$ 0.78	Diluted earnings per share	\$	4.15	\$ 3.95
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			Weighted average common shares outstanding:			
36,847	37,983		Basic	36,859	37,772	
38,494	40,446		Diluted	39,089	39,809	
			Cash dividends			
\$ 0.1400	\$ 0.1033		per share	\$ 0.4833	\$ 0.3733	

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

October 31, 2006		October 31, 2005
-----		-----
	Assets	
\$ 105,708	Cash and equivalents	\$ 49,681
184,311	Accounts and notes receivable, net	152,072
142,788	Inventories	133,003
12,218	Deferred income taxes	12,864
5,584	Other current assets	4,669
--	Current assets of discontinued operations	5,504
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450,609	Total current assets	357,793
432,058	Property, plant and equipment, net	423,942
196,350	Goodwill	196,341
29,108	Cash surrender value insurance policies	28,442
75,285	Intangible assets, net	82,360
18,742	Other assets	20,054
--	Assets of discontinued operations	5,846
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\$1,202,152	Total assets	\$1,114,778
=====	=====	=====
	Liabilities and stockholders' equity	
\$ 137,564	Accounts payable	\$ 129,152
54,943	Accrued liabilities	64,466
13,185	Income taxes payable	14,465
2,721	Current maturities of long-term debt	2,459
--	Current liabilities of discontinued operations	4,208
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208,413	Total current liabilities	214,750
130,680	Long-term debt	133,462
1,115	Deferred pension credits	8,158
7,300	Deferred postretirement welfare benefits	7,519
66,189	Deferred income taxes	58,836
14,186	Non-current environmental reserves	17,784
15,754	Other liabilities	15,407
--	Liabilities of discontinued operations	2,120
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443,637	Total liabilities	458,036
758,515	Total stockholders' equity	656,742
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	Total liabilities and	
\$1,202,152	stockholders' equity	\$1,114,778
=====	=====	=====

QUANEX CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands)  
(Unaudited)

	Twelve months ended October 31,	
	2006	2005
Operating activities:		
Net income	\$160,183	\$155,160
Loss from discontinued operations	130	22,073
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	71,657	65,987
Deferred income taxes	7,084	(438)
Stock-based compensation	5,298	946
	244,352	243,728
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Decrease (Increase) in accounts and notes receivable	(32,229)	32,165
Decrease (Increase) in inventory	(9,753)	(8,847)
Increase (Decrease) in accounts payable	8,326	(43,696)
Increase (Decrease) in accrued liabilities	(8,059)	(419)
Increase (Decrease) in income taxes payable	(736)	19,624
Increase (Decrease) in deferred pension and postretirement benefits	(10,524)	3,015
Other, net	(390)	4,825
Cash provided by (used for) operating activities from continuing operations	190,987	250,395
Cash provided by (used for) operating activities from discontinued operations	(716)	(1,275)
Cash provided by operating activities	190,271	249,120
Investment activities:		
Acquisitions, net of cash acquired	--	(200,550)
Proceeds from sale of discontinued operations	5,683	11,710
Capital expenditures, net of retirements	(72,262)	(50,792)
Retired executive life insurance proceeds	461	--
Other, net	593	(46)
Cash used for investing activities from continuing operations	(65,525)	(239,678)
Cash used for investment activities from discontinued operations	(14)	(1,059)
Cash used for investment activities	(65,539)	(240,737)
Financing activities:		
Bank borrowings (repayments), net	(2,519)	(180)
Purchases of Quanex common stock	(58,326)	--
Common dividends paid	(18,362)	(14,296)
Issuance of common stock from option exercises, including related tax		

benefits	11,094	14,295
Other, net	(547)	(70)
	-----	-----
Cash provided by (used for) financing activities from continuing operations	(68,660)	(251)
Cash used for financing activities from discontinued operations	(56)	(211)
	-----	-----
Cash provided by (used for) financing activities	(68,716)	(462)
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Effect of exchange rate changes on cash and equivalents	11	17
Increase (Decrease) in cash and equivalents	56,027	7,938
Beginning of period cash and equivalents	49,681	41,743
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End of period cash and equivalents	\$105,708	\$ 49,681
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