



Quanex Reports Fiscal 2000 Second-Quarter Earnings; - Best-Ever Quarterly Sales Performance; up 20 Percent Year-Over-Year; - EPS (Before One-Time Gains) of 66 Cents Basic/61 Cents Diluted Down From 69 Cents Basic/64 Cents Diluted A Year Ago; - Loss at Pip

May 25, 2000

HOUSTON, May 25 /PRNewswire/ -- Quanex Corporation (NYSE: NX) today announced fiscal 2000 second-quarter earnings. Net income before extraordinary gains for the three-month period that ended April 30, 2000 was \$9.0 million, which represents basic earnings of 66 cents per share and diluted earnings of 61 cents per share. This compares with net income of \$9.8 million and basic and diluted earnings per share of 69 cents and 64 cents, respectively, for fiscal 1999's second quarter. Sales for the second quarter were a best-ever \$243.3 million, a 20 percent increase from \$202.9 million, which was reported for the same period last year.

During fiscal 2000's second quarter, the company accepted unsolicited block offers to buy back \$10.4 million (principal amount) of convertible subordinated debentures. Quanex also purchased 511,800 shares of its common stock during fiscal 2000's second quarter as part of the company's share buyback program that was announced in December 1999.

Second-Quarter Business Results

The MACSTEEL(R) Group, Quanex's engineered steel bar business, earned second-quarter operating income of \$15.9 million, an 11 percent increase compared with operating income of \$14.3 million reported for the same period last year. Fiscal 2000's second-quarter net sales were up 18 percent from a year ago to \$88.2 million. In fiscal 1999's second quarter, net sales were \$74.9 million.

Nichols Aluminum, the company's aluminum sheet products business, posted best-ever second-quarter operating income of \$6.6 million, up 117 percent from the second-quarter operating income of \$3.0 million reported last year. Net sales were an all-time quarterly record at \$112 million, up 46 percent from \$76.9 million for the same period last year. Current year results include contributions by Nichols Aluminum-Golden, which was acquired in January 2000.

The Engineered Products Group (AMSCO, Homeshield, Imperial Products, Piper Impact(TM), and Piper Impact-Europe) reported an operating loss of \$1.3 million, compared with operating income of \$3.1 million in the prior year's second quarter. Net sales for the period were \$49 million, compared with \$57.9 million for the same period in the previous year.

Outlook

"The improved sales and operating income at Quanex's engineered steel bar and aluminum sheet businesses during the second quarter were offset by poor results from Piper Impact in our engineered products group," said Vernon E. Oechsle, chairman and chief executive officer of Quanex.

"Despite that setback, Quanex still achieved strong EBITDA levels for the period and significant top-line growth, with revenues increasing 20 percent to \$243 million, an all-time record for a three-month period.

"In our Engineered Products Group, Piper Impact-U.S. incurred higher costs due to the development and tooling of new products, implementing cellular manufacturing processes, and the decline in aluminum air bag components. The business outlook at our Netherlands-based facility has deteriorated as customer forecasted volumes for new products haven't materialized," Oechsle said. "These losses exceeded gains from the Fabricated Products Division, which realized strong results for this time of year. Progress on new aluminum products to replace declining sales of air bag parts continues slowly. Several new applications appear viable. We continue to monitor the progress at Piper Impact, and we should have better visibility on the prospects of these new products by year-end."

"The MACSTEEL Group's operating and financial results for the period were excellent," Oechsle said. "Bookings continue to be strong, with backlogs filled into July. Expansion at our MACSTEEL Heat Treating Division in Huntington, Indiana, is complete, and product trials have begun on its newly installed third line. MACSTEEL NitroSteel continues its improvement, and we're seeing stronger order backlogs for its products. Work continues at our two engineered bar mills on Phase V expansion projects, which are on schedule for completion by the end of the calendar year."

"Nichols Aluminum had an outstanding second quarter, setting records in volumes, sales, and operating income for the period. Even excluding the contribution from Nichols Aluminum Golden, the Colorado-based sheet manufacturing facility acquired in January from Alcoa (NYSE: AA), Nichols achieved best-ever second-quarter results," Oechsle said. "Backlogs remain solid, and we expect this division to be sold out through the fiscal year. Markets are strong, especially for painted aluminum sheet, Nichols' highest value-added product. At Nichols Aluminum-Golden we are focused on extending the customer base that eroded in the past few years when its ownership was uncertain."

Portions of the statements above are based on current expectations. Statements that use the word "expect", "should", "will" or similar words reflecting future expectation or belief are forward-looking statements, and actual results or events may differ materially. For a more complete discussion of factors that may affect the Company's future performance, please refer to the Company's most recent filings under the Securities Exchange Act of 1934, in particular, the sections titled "Private Securities Litigation Reform Act" contained therein.

Dividend Declared

The Board of Directors declared a regular quarterly dividend of 16 cents per share on the Company's common stock, payable June 30, 2000, to shareholders of record on June 15, 2000. This is the 48th consecutive quarter Quanex has paid a dividend to shareholders of its common stock.

Corporate Profile

Quanex is a technological leader in the production of value-added, engineered steel bars; aluminum flat-rolled products; and engineered, formed-metal products for customers in the transportation, capital equipment, homebuilding and remodeling, packaging, defense, and other commercial markets. For more information, visit the company's web site at www.quanex.com.

Latest 12 Months Financial Information

Sales: \$866.7 million; EBITDA: \$118.4 million; Operating income: \$70.2 million; Net income: \$38.9 million; Basic earnings per share: \$2.75; Quarterly common dividend rate (per share): \$.16; Book value per common share: \$21.91; Long-term debt to capitalization: 44.4 %; Return on common equity: 13.45 %; Actual number of common shares outstanding: 13,536,090; Common stock price range (52-week hi - low): \$29 - \$16-1/8.

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

Three months ended April 30, 2000 (Unaudited)			Six months ended April 30, 2000 (Unaudited)		
\$243,271	\$202,879	Net sales	\$442,565	\$385,982	
200,655	160,147	Cost of sales	366,298	308,882	
12,856	13,187	Selling, general and administrative expense	26,138	27,489	
12,909	11,405	Depreciation and amortization	25,071	22,977	
16,851	18,140	Operating income	25,058	26,634	
(4,020)	(3,605)	Interest expense	(7,350)	(7,286)	
647	475	Capitalized interest	1,191	821	
307	31	Other, net	1,309	825	
13,785	15,041	Income before income taxes and extraordinary gain	20,208	20,994	
(4,756)	(5,264)	Income tax expense	(7,004)	(7,348)	
9,029	9,777	Income before extraordinary gain	13,204	13,646	
358	415	Extraordinary gain on early extinguishment of debt, net of income taxes	358	415	
\$9,387	\$10,192	Net income	\$13,562	\$14,061	
Weighted average common shares outstanding:					
13,774	14,249	Basic	13,975	14,236	
16,118	16,818	Diluted	16,406	16,846	
Earnings per common share:					
Basic:					
\$ 0.66	\$ 0.69	Income before extraordinary gain	\$ 0.95	\$ 0.96	
0.02	0.03	Extraordinary gain	0.02	0.03	
\$ 0.68	\$ 0.72	Total basic net earnings	\$ 0.97	\$ 0.99	
Diluted:					
\$ 0.61	\$ 0.64	Income before extraordinary gain	\$ 0.91	\$ 0.93	
\$ 0.02	0.02	Extraordinary gain	0.02	0.02	
\$ 0.63	\$ 0.66	Total diluted net earnings	\$ 0.93	\$ 0.95	
\$ 0.16	\$ 0.16	Common stock dividends per share	\$ 0.32	\$ 0.32	

QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION
(In thousands)

Three months ended	Six months ended
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April 30, 2000		April 30, 1999	
(Unaudited)		(Unaudited)	
Engineered Steel Bars:			
\$ 88,205	\$ 74,859	Net sales	\$167,947
\$ 15,902	\$ 14,314	Operating income	\$ 27,737
Aluminum Mill Sheet Products:			
\$111,848	\$ 76,867	Net sales	\$191,568
\$ 6,582	\$ 3,034	Operating income	\$ 8,785
Engineered Products:			
\$ 49,115	\$ 57,923	Net sales	\$ 94,332
\$ (1,325)	\$ 3,059	Operating income	\$ (2,951)
Corporate and Other:			
\$ (5,897)	\$ (6,770)	Net sales	\$ (11,282)
\$ (4,308)	\$ (2,267)	Operating income	\$ (8,513)
Total:			
\$243,271	\$202,879	Net sales	\$442,565
\$ 16,851	\$ 18,140	Operating income	\$ 25,058

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

April 30, 2000		October 31, 1999	
(Unaudited)		(Audited)	
Assets			
\$ 23,340	\$ 33,223	Cash and equivalents	\$ 25,874
115,504	79,586	Accounts and notes receivable, net	87,204
104,199	78,669	Inventories	78,463
13,966	14,108	Other current assets	20,846
257,009	205,586	Total current assets	212,387
415,984	400,978	Property, plant and equipment, net	406,841
57,895	49,961	Goodwill, net	48,990
25,443	17,229	Other assets	22,228
\$756,331	\$673,754	Total assets	\$690,446
Liabilities and stockholders' equity			
\$ 85,085	\$ 68,082	Accounts payable	\$ 70,187
51,948	56,003	Accrued expenses	54,305
9,131	7,994	Current portion of long-term debt	10,545
3,783	3,827	Income taxes payable	1,103
149,947	135,906	Total current liabilities	136,140
236,874	191,611	Long-term debt	179,121
7,217	7,595	Deferred pension credits	6,691
7,598	7,250	Deferred postretirement welfare benefits	7,490
43,540	32,785	Deferred income taxes	43,910
14,583	17,529	Other liabilities	16,033
459,759	392,676	Total liabilities	389,385
296,572	281,078	Total stockholders' equity	301,061
\$756,331	\$673,754	Total liabilities and stockholders' equity	\$674,288

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands)

Three months ended April 30, 2000 (Unaudited)		Six months ended April 30, 2000 (Unaudited)	
Operating activities:			
\$ 9,387	\$10,192	Net income	\$13,562
(551)	(638)	Extraordinary gain on early extinguishment of debt	(551) (638)
13,040	11,542	Depreciation and amortization	25,340 23,254
129	14	Deferred income taxes	159 (589)
363	(533)	Deferred pension and postretirement benefits	636 (79)
22,368	20,577		39,146 36,009
(22,800)	(1,184)	(Increase) decrease in accounts and notes receivable	(21,989) 4,969
(4,901)	1,679	(Increase) decrease in inventory	(11,004) 6,294
5,484	2,907	Increase (decrease) in accounts payable	9,634 (6,729)
3,312	8,854	Increase (decrease) in accrued expenses	(6,330) 168
(47)	(1,407)	Other, net (including income tax refund)	8,060 (1,638)
3,416	31,426	Cash provided by operating activities	17,517 39,073
Investment activities:			
(13,742)	---	Acquisition of Golden Aluminum, net of cash acquired	(20,148) ---
(15,303)	---	Acquisition of Imperial Fabricated Products, net of cash acquired	(15,303) ---
(10,312)	(15,808)	Capital expenditures, net of retirements	(24,770) (30,338)
(835)	(514)	Cash used by other investment activities	(1,727) (753)
(40,192)	(16,322)	Cash used by investment activities	(61,948) (31,091)
Financing activities:			
60,304	7,414	Bank borrowings, net	69,473
(9,586)	(8,399)	Purchase of subordinated debentures	(9,586) (8,799)
(10,419)	---	Purchases of Quanex common stock	(14,204) ---
(2,225)	(2,280)	Common dividends paid	(4,521) (4,560)
(1)	7	Issuance of common stock, net	619 1,283
(27)	(3)	Cash used by other financing activities	(51) (29)
38,046	(3,261)	Cash provided by financing activities	41,730 (997)
115	(25)	Effect of exchange rate changes on cash and equivalents	167 (41)
1,385	11,818	Decrease in cash	(2,534) 6,944
21,955	21,405	Beginning of period cash and equivalents	25,874 26,279
\$23,340	\$33,223	End of period cash and	\$23,340 \$33,223

equivalents

Media contact: Patrick Cassidy of Quanex Corporation, 713/877-5389.

SOURCE Quanex Corporation

Web site: <http://www.quanex.com>

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CONTACT: financial, Jeff Galow, 713-877-5327, or media, Patrick Cassidy, 713-877-5389, both of Quanex Corporation

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