



## Quanex Reports Fiscal 2000 Third-Quarter Earnings

August 30, 2000

- Best-ever quarterly sales performance; up 23 percent year-over-year
- Record third-quarter earnings and sales at Nichols Aluminum

HOUSTON, Aug. 30 /PRNewswire/ -- Quanex Corporation (NYSE: NX) today announced fiscal 2000 third-quarter earnings. Including the \$14.3-million loss associated with the July sale of Piper Impact-Europe, net income for the three-month period that ended July 31, 2000, was \$715,000, which represents basic and diluted earnings of 5 cents per share. Excluding that one-time, non-cash loss, Quanex would have reported net income of \$10.0 million with basic earnings of 74 cents per share and diluted earnings of 68 cents per share. This compares with net income of \$12.3 million and basic and diluted earnings per share of 86 cents and 79 cents, respectively, for fiscal 1999's third quarter.

Sales for the third quarter were a best-ever \$254.1 million, a 23 percent increase from \$206.6 million, which was reported for the same period last year.

### Third-Quarter Business Results

Fiscal 2000's third-quarter net sales for the MACSTEEL(R) Group, Quanex's engineered steel bar business, were up 17 percent from a year ago to \$89.9 million. In fiscal 1999's third quarter, net sales were \$76.8 million. Third-quarter operating income was \$14.5 million, compared with operating income of \$16.8 million reported for the same period last year. Operating income for this year's third quarter was affected by higher outside processing costs, which should be alleviated with the completion of Phase VI expansion projects at the end of fiscal 2001.

Nichols Aluminum, the company's aluminum sheet products business, posted best-ever third-quarter operating income of \$6.6 million, up 65 percent from the third-quarter operating income of \$4.0 million reported last year. Net sales were a third-quarter record at \$110.8 million, up 45 percent from \$76.7 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, and Imperial Products) reported operating income of \$4.9 million, compared with operating income of \$5.2 million in the prior year's third quarter. Net sales for the period were \$32.3 million, compared with \$28.7 million for the same period in the previous year.

Piper Impact, whose results have now been separated from the Engineered Products Group, reported an operating loss of \$18.1 million on sales of \$28.2 million for the fiscal 2000 third-quarter period. That includes the one-time loss of \$14.3 million associated with the sale of Piper Impact-Europe. In the same period of the prior year, Piper Impact reported a loss of \$339,000 on sales of \$31.6 million.

Also during fiscal 2000's third quarter, Quanex purchased 94,200 shares of its common stock as part of the company's share buyback program that was announced in December 1999.

### Outlook

"While I'm pleased to see higher sales levels throughout our company -- annual sales for this fiscal year will top \$900 million for the first time in the company's history -- I'm disappointed with the earnings we achieved during the period. I expect better results," said Vernon E. Oechsle, chairman and chief executive officer of Quanex. "Our disposition of Piper Impact's European facility will help improve our near-term profitability, as we focus on our core North American manufacturing operations.

"The MACSTEEL Group reported lower earnings compared to the same period a year ago due to higher costs associated with outside processing and raw material prices that are up from the very low levels of last year," Oechsle said. "Demand among OEMs in our primary transportation markets remains strong. Volumes are at record levels, especially for MACPLUS(R), our premium, cold-finished engineered steel bar product.

"Nichols Aluminum had another outstanding quarter, setting records in volumes, sales, and operating income for the period. Demand remains healthy, especially for Nichols' highest value-added product, wide-width painted aluminum sheet. Nichols Aluminum-Golden, the Fort Lupton, Colorado-based casting and finishing mill acquired in January, continues its smooth transition into the Quanex and Nichols organization. New customer trials are underway to more fully optimize the facility's capabilities.

"In our Engineered Products Group, higher operating costs and a perceptible slowdown in the housing industry contributed to lower earnings compared with results from a year ago. The addition of Imperial Products, the door component company we acquired in April, is already paying some dividends. In cooperation with the group's other businesses, new product introductions and developments are continuing at a significant pace," Oechsle said.

"Piper Impact has made progress toward solving major problems with production and delivery systems, improving the relationship with its major customer, and reducing costs," Oechsle said. "However, much work remains. Particularly, Piper Impact must develop and produce new products and diversify its customer base to return to profitability."

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 September 29, 2000, to shareholders of record on September 15, 2000. This is the 49th 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](http://www.quanex.com).

#### Latest 12 Months Financial Information

Sales: \$914.2 million; EBITDA: \$116.2 million; Operating income: \$52.8 million; Net income: \$27.2 million; Basic earnings per share: \$1.94; Quarterly common dividend rate (per share): \$.16; Book value per common share: \$21.82; Long-term debt to capitalization: 41.9 %; Return on common equity: 9.3%; Actual number of common shares outstanding: 13,464,051; Common stock price range (52-week hi - low): \$27-3/8 - \$14-3/8.

#### QUANEX CORPORATION

#### CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

Three months ended July 31, 2000      1999 (Unaudited)			Nine months ended July 31, 2000      1999 (Unaudited)	
\$ 254,144	\$ 206,619	Net sales	\$ 696,709	\$ 592,601
208,874	161,107	Cost of sales	575,172	469,989
		Selling, general and administrative expense	40,251	39,521
14,113	12,032	Depreciation and amortization	37,381	34,548
12,310	11,571	Loss on sale of Piper Impact Europe	14,280	---
14,280	---	Operating income	29,625	48,543
4,567	21,909	Interest expense	(11,499)	(10,881)
(4,149)	(3,595)	Capitalized interest	1,690	1,204
499	383	Other, net	1,598	1,099
289	274	Income before income taxes and extraordinary gain	21,414	39,965
1,206	18,971	Income tax expense	(7,495)	(13,988)
(491)	(6,640)	Income before extraordinary gain	13,919	25,977
715	12,331	Extraordinary gain on early extinguishment of debt, net of income taxes	358	415
---	---	Net income	\$ 14,277	\$ 26,392
\$ 715	\$ 12,331	Weighted average common shares outstanding:		
13,534	14,258	Basic	13,827	14,243
13,682	16,737	Diluted	13,973	16,799
		Earnings per common share:		
		Basic:		
		Income before extraordinary gain	\$ 1.00	\$ 1.82
\$ 0.05	\$ 0.86	Extraordinary gain	0.03	0.03
---	---	Total basic net earnings	\$ 1.03	\$ 1.85
\$ 0.05	\$ 0.86	Diluted:		
		Income before extraordinary gain	\$ 1.00	\$ 1.71
\$ 0.05	\$ 0.79	Extraordinary gain	0.02	0.03
---	---	Total diluted net earnings	\$ 1.02	\$ 1.74
\$ 0.05	\$ 0.79	Common stock dividends per share	\$ 0.48	\$ 0.48
\$ 0.16	\$ 0.16			

#### QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION

(In thousands)

Three months ended July 31, 2000      1999 (Unaudited)			Nine months ended July 31, 2000      1999 (Unaudited)	
		Engineered Steel Bars:		
\$ 89,938	\$ 76,789	Net sales	\$ 257,885	\$ 216,745
\$ 14,481	\$ 16,829	Operating income	\$ 42,218	\$ 42,446
		Aluminum Mill Sheet Products:		
\$ 110,843	\$ 76,672	Net sales	\$ 302,411	\$ 224,959
\$ 6,591	\$ 4,002	Operating income	\$ 15,376	\$ 9,201
		Engineered Products:		
\$ 32,263	\$ 28,669	Net sales	\$ 73,407	\$ 67,372
\$ 4,863	\$ 5,237	Operating income	\$ 9,184	\$ 8,682
		Piper Impact:		
\$ 28,173	\$ 31,594	Net sales	\$ 81,361	\$ 103,478
\$ (18,136)	\$ (339)	Operating loss	\$ (25,408)	\$ (947)
		Corporate and Other:		
\$ (7,073)	\$ (7,105)	Net sales	\$ (18,355)	\$ (19,953)
\$ (3,232)	\$ (3,820)	Operating loss	\$ (11,745)	\$ (10,839)
		Total:		
\$ 254,144	\$ 206,619	Net sales	\$ 696,709	\$ 592,601
\$ 4,567	\$ 21,909	Operating income	\$ 29,625	\$ 48,543

Note: The results from operations of Piper Impact as well as Piper Impact Europe have been separated into their own reporting segment named "Piper Impact" beginning in the 3rd Quarter of Fiscal 2000. Previous year's information has been restated to reflect this change. The one-time loss from the sale of Piper Impact Europe of \$14.3 million is included in Piper Impact's operating loss for three and nine months ended July 31, 2000.

QUANEX CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(In thousands)

July 31, 2000      1999 (Unaudited)			October 31, 1999      1998 (Audited)	
		Assets		
\$ 32,552	\$ 41,863	Cash and equivalents	\$ 25,874	\$ 26,279
		Accounts and notes		
99,019	78,918	receivable, net	87,204	85,166
96,650	81,824	Inventories	78,463	85,397
12,877	14,365	Other current assets	20,846	12,970
241,098	216,970	Total current assets	212,387	209,812
		Property, plant and		
394,705	400,506	equipment, net	406,841	395,054
47,795	49,644	Goodwill, net	48,990	52,281
22,895	20,362	Other assets	22,228	17,141
\$ 706,493	\$ 687,482	Total assets	\$ 690,446	\$ 674,288
		Liabilities and stockholders' equity		
\$ 79,593	\$ 70,757	Accounts payable	\$ 70,187	\$ 75,160
50,842	54,197	Accrued expenses	54,305	56,125
		Current portion of		
259	8,628	long-term debt	10,545	12,248
3,025	1,648	Income taxes payable	1,103	3,300
133,719	135,230	Total current liabilities	136,140	146,833
211,505	194,428	Long-term debt	179,121	188,302
6,631	7,113	Deferred pension credits	6,691	7,832
		Deferred postretirement		
7,634	7,342	welfare benefits	7,490	7,092
38,862	35,295	Deferred income taxes	43,910	33,412
14,423	16,528	Other liabilities	16,033	18,773
412,774	395,936	Total liabilities	389,385	402,244
293,719	291,546	Total stockholders' equity	301,061	272,044
		Total liabilities and		
\$ 706,493	\$ 687,482	stockholders' equity	\$ 690,446	\$ 674,288

CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands)

Three months ended July 31, 2000      1999 (Unaudited)			Nine months ended July 31, 2000      1999 (Unaudited)	
		Operating activities:		
\$ 715	\$ 12,331	Net income	\$ 14,277	\$ 26,392
---	---	Extraordinary gain on early extinguishment of debt (net of taxes)	(358)	(638)
9,282	---	Loss on sale of Piper Impact Europe (net of taxes of \$4,998)	9,282	---
12,437	11,703	Depreciation and amortization	37,777	34,957
(3,036)	2,504	Deferred income taxes	(2,877)	1,915
(478)	(390)	Deferred pension and postretirement benefits	158	(469)
18,920	26,148		58,259	62,157
13,443	722	(Increase) decrease in accounts and notes receivable	(8,546)	5,691
3,126	(3,104)	(Increase) decrease in inventory	(7,878)	3,190
(1,968)	2,615	Increase (decrease) in accounts payable	7,666	(4,114)
669	(1,829)	Increase (decrease) in accrued expenses	(5,661)	(1,661)
2,663	(3,302)	Other, net (including income tax refund)	10,530	(4,940)
36,853	21,250	Cash provided by operating activities	54,370	60,323
		Investment activities:		
---	---	Acquisition of Golden Aluminum , net of cash acquired	(20,148)	---
---	---	Acquisition of Imperial Fabricated Products, net of cash acquired	(15,303)	---
(8,598)	(13,547)	Capital expenditures, net of retirements	(33,368)	(43,885)
1,158	(89)	Cash provided (used) by other investment activities	(569)	(842)
(7,440)	(13,636)	Cash used by investment activities	(69,388)	(44,727)
		Financing activities:		
(16,280)	3,088	Bank borrowings (repayments), net	53,193	14,196
---	---	Purchase of subordinated debentures	(9,586)	(8,799)
(1,675)	---	Purchases of Quanex common stock	(15,879)	---
(2,190)	(2,281)	Common dividends paid	(6,711)	(6,841)
345	236	Issuance of common stock, net	964	1,519
(301)	(30)	Cash used by other financing activities	(352)	(59)
(20,101)	1,013	Cash provided (used) by financing activities	21,629	16
(100)	13	Effect of exchange rate changes on cash and equivalents	67	(28)
9,212	8,640	Increase in cash	6,678	15,584
23,340	33,223	Beginning of period cash and equivalents	25,874	26,279
\$ 32,552	\$ 41,863	End of period cash and equivalents	\$ 32,552	\$ 41,863

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SOURCE Quanex Corporation

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

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