



Quanex Reports Annual and Fourth Quarter Earnings for Fiscal 2000

December 7, 2000

- Annual Sales Increased 15% to a Record \$934 Million
 - MACSTEEL(R) Records Best-Ever Sales
- Nichols Aluminum Posts Record Annual Sales and Operating Income
- Company Records a \$56.3 Million Impairment Charge at Piper Impact

HOUSTON, Dec. 7 /PRNewswire/ -- Quanex Corporation (NYSE: NX) today announced record sales of \$237.5 million for the fourth quarter of fiscal 2000, up 9 percent from fourth quarter a year ago, and annual sales of \$934 million, up 15 percent from \$810 million in 1999. Net loss for fiscal 2000 was \$9.7 million, or \$.70 basic and diluted earnings per share, which includes a \$14.3 million (pre-tax) loss associated with the sale of Piper Impact-Europe, reported in the third quarter, and an asset impairment charge of \$56.3 million (pre-tax) associated with Piper Impact -- US, reported in the fourth quarter. Excluding these charges, Quanex would have reported fiscal 2000 net income of \$36.2 million or \$2.64 basic and \$2.46 diluted earnings per share, compared to net income of \$39.7 million or \$2.79 basic and \$2.59 diluted earnings per share reported for fiscal 1999.

For the fourth quarter ending October 31, 2000, Quanex recorded a net loss of \$23.9 million or \$1.78 per share, which includes the asset impairment charge. Without this charge, the company would have reported net income of \$12.7 million, representing basic and diluted earnings per share of \$.94 and \$.86 respectively. This compares with net income of \$13.3 million, or basic and diluted earnings per share of \$.94 and \$.85 respectively, reported for fiscal 1999.

The asset impairment charge relates to the company's Piper Impact operations and results from the application of SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of."

Fiscal 2000 Segment Results

Quanex posted fiscal 2000 operating income of \$66.6 million (before unusual charges) compared to \$71.8 million in the prior year. Net sales were \$934 million, up 15 percent from \$810 million posted in the previous year.

MACSTEEL, Quanex's engineered steel bar business, reported operating income of \$57.7 million compared with \$60.4 million reported last year. The group's annual sales were a record \$344.2 million, an increase of 16 percent from last year's sales of \$297.4 million.

Nichols Aluminum, the company's aluminum sheet products business, inclusive of Nichols Aluminum Golden acquired in January 2000, posted best-ever operating income of \$21.5 million for the year, a 41 percent increase from 1999 operating income of \$15.3 million. Net sales of \$404.4 million were also the highest reported, up 30 percent from last year.

Engineered Products (AMSCO, Homeshield, and Imperial Products acquired in April 2000) earned operating income of \$14.3 million, up from \$13.0 million posted in 1999. Net sales were also up to \$104.9 million from \$92.7 million, a 13 percent year-over-year increase.

Piper Impact reported an operating loss of \$11.9 million (before unusual charges) for fiscal 2000, versus a loss of \$853 thousand posted in 1999. Fiscal 2000 net sales were \$105.6 million compared to \$134.7 million reported in fiscal 1999.

Fourth Quarter Segment Results

MACSTEEL earned fourth quarter operating income of \$15.5 million, compared with operating income of \$18 million reported for the same period last year. Fiscal 2000's fourth quarter net sales were \$86.4 million, an increase of 7 percent from fourth quarter 1999 sales of \$80.6 million.

Nichols Aluminum reported fourth quarter operating income of \$6.2 million, compared with \$6.1 million reported for the same period last year. Net sales were \$101.9 million, a fourth quarter record, compared to \$86.8 million last year.

Engineered Products earned record fourth quarter operating income of \$5.1 million, up 18 percent from the \$4.3 million reported for the same period last year. Fourth quarter net sales were a quarterly record at \$31.5 million versus 1999 fourth quarter sales of \$25.3 million, a 25 percent increase year to year.

Piper Impact reported a fourth quarter operating loss of \$762 thousand (before unusual charges) on sales of \$24.3 million. In the same period of last year, Piper reported operating income of \$94 thousand on sales of \$31.2 million.

Portions of these statements 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.

Commentary

"Quanex's annual sales increased for all groups except Piper Impact," said Vernon E. Oechsle, chairman and chief executive officer of Quanex. "Quanex posted record 2000 sales, with company revenues increasing 15 percent to \$934 million."

"MACSTEEL posted record sales while nearing completion of its Phase V capital expansion program. However, operating income was down due to

higher depreciation charges and higher material and other costs." Mr. Oechsle added, "Pricing is a continuing concern as pressure from OEM's, weak domestic competitors, and globalization of the industry have affected some of our product lines. Phase V, which is being completed this month, will raise the annual shipping capacity to 700,000 tons at MACSTEEL and 35,000 tons at the Heat Treat facility, an increase of 13 percent and 40 percent, respectively. Also, work has begun at both bar mills for Phase VI, which will increase MACPLUS capacity, MACSTEEL's highest value-added product line."

"Nichols Aluminum had a record year in both sales and operating income," Oechsle said, "resulting from the acquisition of Nichols Aluminum Golden, operational improvements throughout the division, and healthy margins. A 41% increase in operating income from 1999 is a result of combined efforts of their new rotary furnaces, business acquisitions, penetration into more value-added markets and the improvements that Nichols accomplished in quality and delivery performance."

"The Engineered Products Group increased net sales in fiscal 2000 by 13% to \$104.9 million and increased operating income by 10% to \$14.3 million," Oechsle continued. "With the addition of Imperial Fabricated Products, we were able to add new customers and new markets while enjoying productivity improvements. The acquisition of Temroc Metals, Inc. provides us with extrusion capabilities in such diverse markets as outdoor recreation, medical, and energy."

"Piper Impact results have been adversely impacted all year by declining aluminum air bag product sales and higher manufacturing costs. Piper made good progress in the second half of the year reducing its costs and we look for those efforts to continue." Oechsle said, "The impairment charge in the fourth quarter, represents another step in our process of evaluating strategic alternatives for this business, including its possible sale."

Outlook

The company's first fiscal quarter (November, December, and January) is historically its least profitable of each year as there are fewer production days and the company's customers experience holiday shutdowns. Additionally, the business outlook for Quanex's first fiscal quarter 2001 finds the company's transportation and housing markets continuing to slow from fiscal 2000 levels.

However, because of recent acquisitions, the company expects net sales to be relatively flat when compared to fiscal first quarter 2000 net sales, which had no benefit from the operating results of Nichols Aluminum Golden, Imperial Products, and Temroc Metals acquisitions. Further, earnings are expected to be slightly better than first quarter 2000 earnings per share of \$.29 as the company expects results from its Piper Impact segment to approach breakeven versus a \$3.5 million loss a year ago. Based on these assumptions, the company currently anticipates that fiscal 2001 fully diluted earnings per share will be higher than the \$2.46 reported in fiscal 2000, excluding the charges related to Piper Impact-US and Piper Impact-Europe.

Other

The Board of Directors declared a regular quarterly dividend of 16 cents per share on the company's common stock, payable December 29, 2000, to shareholders of record on December 22, 2000. This is the 50th consecutive quarter Quanex has paid a dividend to shareholders of its common stock.

Also during the fiscal 2000 fourth quarter, Quanex purchased 71,600 shares of its common stock as part of the company's share buyback program that was announced in December 1999. For the 2000 fiscal year the company purchased a total of 834,300 shares under this program. Also during the year the company purchased \$10.4 million, principal amount, of the Quanex Corporation 6.88% convertible subordinated debentures.

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 from continuing operations (excluding unusual charges)

Sales: \$934.2 million; EBITDA: \$115.5 million; Operating income: \$66.6 million; Net income: \$35.9 million; Basic earnings per share: \$2.61; Quarterly common dividend rate (per share): \$.16; Book value per common share: \$19.90; Long-term debt to capitalization: 41.8%; Return on common equity: 12.63%; Actual number of common shares outstanding: 13,395,451; Common stock price range (52-week hi - low): \$26.56 - \$14.38.

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

Three months ended			Twelve months ended	
October 31,			October 31,	
2000	1999		2000	1999
(Unaudited)			(Audited)	
\$237,494	\$217,493	Net sales	\$934,203	\$810,094
190,947	169,922	Cost of sales	766,119	639,911
13,294	13,583	Selling, general and administrative expense	53,545	53,104
10,540	10,774	Depreciation and amortization	47,921	45,322
22,713	23,214	Operating income before unusual charges	66,618	71,757
56,300	---	Piper Impact impairment	56,300	---

		charge		
---	---	Loss on sale of Piper	14,280	---
		Impact Europe		
(33,587)	23,214	Operating income/(loss)	(3,962)	71,757
(3,756)	(3,521)	Interest expense	(15,255)	(14,402)
251	407	Capitalized interest	1,941	1,611
272	284	Other, net	1,870	1,383
(36,820)	20,384	Income/(loss) before	(15,406)	60,349
		income taxes and		
		extraordinary gain		
12,878	(7,060)	Income tax (expense)	5,383	(21,048)
		/benefit		
(23,942)	13,324	Income/(loss) before	(10,023)	39,301
		extraordinary gain		
---	---	Extraordinary gain on	358	415
		early extinguishment of		
		debt, net of income taxes		
\$(23,942)	\$13,324	Net income/(loss)	\$ (9,665)	\$ 39,716
		Weighted average common		
		shares outstanding:		
13,428	14,206	Basic	13,727	14,234
13,428	16,705	Diluted	13,727	16,776
		Earnings per common share:		
		Basic:		
\$ (1.78)	\$ 0.94	Income/(loss) before	\$ (0.73)	\$ 2.76
		extraordinary gain		
---	---	Extraordinary gain	0.03	0.03
\$ (1.78)	\$ 0.94	Total basic net	\$ (0.70)	\$ 2.79
		earnings		
		Diluted:		
\$ (1.78)	\$ 0.85	Income/(loss) before	\$ (0.73)	\$ 2.56
		extraordinary gain		
\$ ---	---	Extraordinary gain	0.03	0.03
\$ (1.78)	\$ 0.85	Total diluted net	\$ (0.70)	\$ 2.59
		earnings		
\$ 0.16	\$ 0.16	Common stock dividends	\$ 0.64	\$ 0.64
		per share		

QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION
(In thousands)

Three months ended		Twelve months ended	
October 31,		October 31,	
2000	1999	2000	1999
(Unaudited)		(Audited)	
		Engineered Steel Bars:	
\$ 86,360	\$ 80,624	Net sales	\$344,245 \$297,369
\$ 15,484	\$ 18,000	Operating income	\$ 57,702 \$ 60,446
		Aluminum Mill Sheet	
		Products:	
\$101,944	\$ 86,804	Net sales	\$404,355 \$311,763
\$ 6,153	\$ 6,105	Operating income	\$ 21,529 \$ 15,306
		Engineered Products:	
\$ 31,541	\$ 25,296	Net sales	\$104,948 \$ 92,668
\$ 5,117	\$ 4,324	Operating income	\$ 14,301 \$ 13,006
		Piper Impact:	
\$ 24,271	\$ 31,216	Net sales	\$105,632 \$134,694
\$(57,062)	\$ 94	Operating income/(loss)	\$(82,470) \$ (853)
		Corporate and Other:	
\$ (6,622)	\$ (6,447)	Net sales	\$(24,977) \$(26,400)
\$ (3,279)	\$ (5,309)	Operating loss	\$(15,024) \$(16,148)
		Total:	
\$237,494	\$217,493	Net sales	\$934,203 \$810,094

\$(33,587) \$ 23,214 Operating income/(loss) \$ (3,962) \$ 71,757

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 as well as the asset impairment charge of \$56.3 million is included in Piper Impact's operating loss for three and twelve months ended October 31, 2000.

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

Assets	October 31,	
	2000	1999
	(Audited)	
Cash and equivalents	\$ 22,409	\$ 25,874
Accounts and notes receivable, net	98,465	87,204
Inventories	101,274	78,463
Other current assets	13,798	20,846
Total current assets	235,946	212,387
Property, plant and equipment, net	338,248	406,841
Goodwill, net	47,539	48,990
Other assets	24,126	22,228
Total assets	\$645,859	\$690,446
Liabilities and stockholders' equity		
Accounts payable	\$ 77,339	\$ 70,187
Accrued expenses	50,189	54,305
Current portion of long-term debt	256	10,545
Income taxes payable	3,218	1,103
Total current liabilities	131,002	136,140
Long-term debt	191,657	179,121
Deferred pension credits	7,026	6,691
Deferred postretirement welfare benefits	7,634	7,490
Deferred income taxes	27,620	43,910
Other liabilities	14,423	16,033
Total liabilities	379,362	389,385
Total stockholders' equity	266,497	301,061
Total liabilities and stockholders' equity	\$645,859	\$690,446

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

Three months ended		Twelve months ended	
October 31,		October 31,	
2000	1999	2000	1999
(Unaudited)		(Audited)	
		Operating activities:	
\$ (23,942)	\$ 13,324	Net income/(loss)	\$ (9,665) \$ 39,716
---	---	Extraordinary gain on early extinguishment of debt (net of taxes of \$193 and \$223, respectively for 2000 and 1999)	(358) (415)
---	---	Loss on sale of Piper Impact Europe (net of taxes of \$4,998)	9,282 ---

36,595	---	Piper Impact Impairment charge (net of taxes of \$19,705)	36,595	---
10,668	10,926	Depreciation and amortization	48,445	45,883
8,360	8,235	Deferred income taxes	5,483	10,150
501	40	Deferred pension and postretirement benefits	659	(429)
32,182	32,525		90,441	94,905
(603)	(8,356)	Increase in accounts and notes receivable	(9,149)	(2,665)
(4,596)	3,295	(Increase) decrease in inventory	(12,474)	6,485
(2,254)	(534)	Increase (decrease) in accounts payable	5,412	(4,648)
(653)	151	Increase (decrease) in accrued expenses	(6,314)	(1,510)
(575)	(9,716)	Other, net (including income tax refund)	9,954	(14,879)
23,501	17,365	Cash provided by operating activities	77,870	77,688
		Investment activities:		
---	---	Acquisition of Golden Aluminum, net of cash acquired	(20,148)	---
---	---	Acquisition of Imperial Fabricated Products, net of cash acquired	(15,303)	---
(8,959)	(16,963)	Capital expenditures, net of retirements	(42,327)	(60,848)
(1,240)	(990)	Cash used by other investment activities	(1,809)	(1,832)
(10,199)	(17,953)	Cash used by investment activities	(79,587)	(62,680)
		Financing activities:		
(20,000)	(13,161)	Bank borrowings (repayments), net	33,394	1,035
---	---	Purchase of subordinated debentures	(9,586)	(8,799)
(1,306)	---	Purchases of Quanex common stock	(17,185)	---
(2,173)	(2,283)	Common dividends paid	(8,884)	(9,124)
29	48	Issuance of common stock, net	1,002	1,567
5	(1)	Cash provided (used) by other financing activities	(556)	(60)
(23,445)	(15,397)	Cash used by financing activities	(1,815)	(15,381)
0	(4)	Effect of exchange rate changes on cash and equivalents	67	(32)
(10,143)	(15,989)	Decrease in cash	(3,465)	(405)
32,552	41,863	Beginning of period cash and equivalents	25,874	26,279
\$ 22,409	\$ 25,874	End of period cash and equivalents	\$ 22,409	\$ 25,874

SOURCE Quanex Corporation

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

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