



Quanex Fiscal First Quarter 2005 Results

February 24, 2005

Best-Ever Net Sales and Income from Continuing Operations
Record Diluted Earnings per Share from Continuing Operations
FY2005 EPS Expected to be a Record \$5.00 to \$5.40 versus FY2004 of \$2.30

HOUSTON, Feb. 24, 2005 (PRIMEZONE) -- Quanex Corporation (NYSE:NX) today reported record net sales and income from continuing operations for its fiscal first quarter. Diluted earnings per share from continuing operations of \$1.31 also established a new record, over four times the year ago quarter of \$0.27. Diluted earnings per share were \$1.10 after taking into account the impact of the first quarter operating loss of Piper Impact and the associated loss on the sale of the business. The Company's return on invested capital was 11.6%, a 47% improvement from the year ago period.

Quarterly Highlights

- Record first quarter net sales were \$470.2 million, up 87% over the year ago quarter.
- Combined net sales from the Company's December 31, 2003, acquisitions of MACSTEEL Monroe and TruSeal Technologies were \$123.7 million in the quarter.
- Record income from continuing operations for the quarter was \$33.7 million compared to \$6.6 million in the year ago quarter.
- Combined first quarter earnings of MACSTEEL Monroe and TruSeal Technologies contributed \$0.36 (after interest expense) to diluted earnings per share versus \$0.04 per share reported for one month's combined results in last year's first quarter.
- Total debt to capitalization was 36.8%; cash and equivalents at quarter end were \$28.2 million.
- The Company completed the acquisition of Mikron Industries, a leading supplier of vinyl and composite window profiles serving the North American market, on December 9, 2004.
- Piper Impact was sold on January 25, 2005.

| | 1st qtr 2005 | 1st qtr 2004 | inc/(dcr) |
|--|--------------|--------------|-----------|
| Net Sales | \$470.2 | \$252.0 | 87% |
| Operating Income | 59.1 | 11.0 | 437% |
| Income from Continuing Ops. | 33.7 | 6.6 | 411% |
| EPS: Basic Earnings from Continuing Ops. | \$1.35 | \$0.27 | 400% |
| EPS: Diluted Earnings from Continuing Ops. | 1.31 | 0.27 | 385% |

Segment Commentary

Vehicular Products

| | 1st qtr 2005 | 1st qtr 2004 | inc/(dcr) |
|------------------|--------------|--------------|-----------|
| Net Sales | \$274.6 | \$131.0 | 110% |
| Operating Income | 44.2 | 9.6 | 360% |

The Vehicular Products segment is focused on providing customers with value-added, engineered steel bar and extrusion products. Key market drivers are light vehicle and heavy duty truck builds.

"North American light vehicle builds were up about 3% during our first quarter compared to the year ago quarter, and demand from heavy duty truck customers continued to grow, with overall production up some 60% over last year's first quarter. We ran all three of our engineered steel bar operations at very high utilization rates," said Raymond A. Jean, chairman and chief executive officer. "Segment operating income for the quarter compared to the year ago quarter benefited from new customer programs, cost improvements, higher selling prices, falling scrap costs and the acquisition of MACSTEEL Monroe. The Monroe facility is now demonstrating its strong earnings potential," continued Jean.

Building Products

| | 1st qtr 2005 | 1st qtr 2004 | inc/(dcr) | |
|------------------|--------------|--------------|-----------|------|
| Net Sales | \$195.6 | \$121.0 | 62% | |
| Operating Income | 22.1 | 5.0 | | 342% |

The Building Products segment is focused on providing window and door OEM customers with engineered products and components, and is a large producer of common alloy aluminum sheet. Key market drivers are housing starts and remodeling activity.

"Housing starts and remodeling activity during our first quarter remained at surprisingly good levels considering the adverse impact winter weather always brings. Order rates at our window and door components business remained healthy," continued Jean. "Additionally, our aluminum sheet business had an especially strong first quarter. Shipments to our traditional building and construction customers remained excellent, while sales to our capital equipment, service center, and transportation customers remained above year ago levels. This strong demand allowed for higher selling prices during the quarter," Jean said.

Working Capital

"Last year, both our Vehicular Products and Building Products segments made outstanding progress in improving their respective working capital positions and this favorable trend continued into the first quarter. We measure our progress by the improvement in our conversion cycle, which is the sum of inventory days, plus trade receivable days, less payable days, all based on average daily sales. For the first quarter, our conversion cycle improved to 43 days from 57 days in the year ago quarter," said Jean.

Acquisitions

On December 9, 2004, the Company announced the purchase of Mikron Industries. Mikron is an industry-leading manufacturer of engineered vinyl and thermoplastic alloy composite window components, window coverings and door components. "The addition of Mikron is consistent with our strategy of growing our core Engineered Products business," Jean said. "Mikron will allow Quanex to further expand customer offerings into the rapidly growing vinyl and composite window markets and we expect it to be accretive to earnings in the first year," continued Jean.

Fiscal 2005 Outlook

Overall customer demand in the Company's two target markets, vehicular products and building products, is expected to remain robust through fiscal 2005.

Vehicular Products segment - Light vehicle build rates for the second fiscal quarter are expected to remain at healthy levels, albeit down from a year ago, particularly for the domestic producers. However, new programs, ongoing excellent heavy truck demand and the strength in secondary markets including farm and construction equipment, capital goods and defense will keep the segment at high operating rates throughout the second quarter.

Building Products segment - The drivers within the segment remain positive, supported by favorable interest rates and an improving job outlook. The segment will also benefit from very strong organic growth, a more balanced supply/demand aluminum marketplace and the Mikron acquisition.

Taken together, Quanex expects to report record fiscal 2005 diluted earnings per share from continuing operations in the range of \$5.00 to \$5.40, a significant improvement over fiscal 2004's \$2.30. For the second quarter, the Company expects diluted earnings per share from continuing operations to be in the range of \$1.40 to \$1.50, up from the \$0.43 reported in the second quarter 2004. Quanex cautions that the combination of short cycle businesses and volatile raw material input costs makes forecasting problematic.

Other

The Company continues to account for stock options using the current transition provisions of SFAS No. 123. Accordingly, Quanex does not reflect the option expense in its income statement or diluted earnings per share. However, the Company does disclose the impact on net income and diluted earnings per share in the footnotes to its SEC financial statements. Expensing stock options in the first quarter would have reduced net income by about \$0.5 million, and would have reduced diluted earnings per share by \$0.02.

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 when they become convertible and are surrendered by the holders thereof. Allowing for this election and using an average stock price of \$42.55 for its first fiscal quarter, the Company's diluted earnings per share were reduced by \$0.04. The Company estimates that for each \$3.00 increase in its stock price, diluted earnings per share will be reduced by \$0.01 per quarter. For the second fiscal quarter, the Company expects diluted earnings per share to be reduced by about \$0.05, which is reflected in the second quarter guidance.

Dividend Declared

The Board of Directors declared the Company's quarterly cash dividend of \$0.135 per share on the common stock, payable March 31, 2005, to shareholders of record on March 15, 2005.

Corporate Profile

Quanex Corporation, with 2004 sales of \$1.5 billion, is an industry-leading manufacturer of value-added, engineered materials and components serving the vehicular products and building products markets.

Financial Statistics as of 01/31/05

Book value per common share: \$21.13; Total debt to capitalization: 36.76%; Return on invested capital: 11.50%; Return on common equity: 15.67%; Actual number of common shares outstanding: 25,082,452

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, 2004) under the Securities Exchange Act of 1934, in particular the sections titled, "Private Securities Litigation Reform Act" contained therein.

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

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

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

| | Three months ended | |
|---|--------------------|------------|
| | January 31, | |
| | 2005 | 2004 |
| Net sales | \$ 470,183 | \$ 252,007 |
| Cost of sales | 373,812 | 217,814 |
| Selling, general and administrative expense | 22,134 | 12,013 |
| Depreciation and amortization | 15,119 | 11,587 |
| Gain on sale of land | -- | (454) |
| Operating income | 59,118 | 11,047 |
| Interest expense | (2,383) | (925) |
| Retired executive life insurance benefit | -- | -- |
| Other, net | (1,920) | 440 |
| Income from continuing operations before taxes | 54,815 | 10,562 |
| Income tax expense | (21,104) | (3,915) |
| Income from continuing operations | 33,711 | 6,647 |
| Gain (loss) from discontinued operations, net of taxes | (5,476) | (220) |
| Net income | \$ 28,235 | \$ 6,427 |
| Basic earnings per common share: | | |
| Earnings from continuing operations | \$ 1.35 | \$ 0.27 |
| Gain (loss) from discontinued operations | \$ (0.22) | \$ (0.01) |
| Basic earnings per share | \$ 1.13 | \$ 0.26 |
| Diluted earnings per common share: | | |
| Earnings from continuing operations | \$ 1.31 | \$ 0.27 |
| Gain (loss) from discontinued operations | \$ (0.21) | \$ (0.01) |
| Diluted earnings per share | \$ 1.10 | \$ 0.26 |

| | | |
|---|-----------|-----------|
| Weighted average common shares outstanding: | | |
| Basic | 24,984 | 24,477 |
| Diluted | 25,770 | 24,884 |
| | | |
| Cash dividends per share | \$ 0.1350 | \$ 0.1133 |

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

| | Three months ended January 31, | |
|---------------------|-----------------------------------|------------|
| | 2005 | 2004 |
| Net sales: | | |
| Vehicular Products | \$ 274,576 | \$ 131,046 |
| Building Products | 195,607 | 120,961 |
| Net sales | \$ 470,183 | \$ 252,007 |
| | | |
| Operating income: | | |
| Vehicular Products | \$ 44,219 | \$ 9,592 |
| Building Products | 22,147 | 4,960 |
| Corporate and Other | (7,248) | (3,505) |
| Operating Income | \$ 59,118 | \$ 11,047 |

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

| January 31, | | October 31, | |
|-------------|-----------|-------------|-----------|
| 2005 | 2004 | 2004 | 2003 |
| Assets | | | |
| \$ 28,191 | \$ 10,182 | \$ 41,743 | \$ 22,108 |
| | | | |
| 196,600 | 133,308 | 176,358 | 104,009 |
| 143,075 | 113,579 | 115,367 | 68,626 |
| 10,742 | 8,987 | 10,744 | 5,320 |
| 4,840 | 6,528 | 2,363 | 1,499 |
| -- | 29,734 | 9,759 | 31,886 |
| 383,448 | 302,318 | 356,334 | 233,448 |
| 1,017,387 | 842,887 | 842,147 | 742,602 |
| (585,510) | (455,158) | (491,165) | (443,869) |
| 431,877 | 387,729 | 350,982 | 298,733 |
| 197,088 | 137,730 | 134,670 | 66,436 |
| 24,122 | 25,061 | 24,439 | 24,536 |
| 88,463 | 29,283 | 27,556 | 2,755 |

| | | | | |
|--------------------------------------|------------|--|------------|------------|
| 9,350 | 5,808 | Other assets | 9,391 | 3,517 |
| | | Long-term assets of discontinued operations | | |
| 2,678 | 53,100 | | 26,150 | 53,689 |
| ----- | | | | |
| \$1,137,026 | \$ 941,029 | Total assets | \$ 929,522 | \$ 683,114 |
| ===== | | | | |
| Liabilities and stockholders' equity | | | | |
| \$ 161,924 | \$ 109,281 | Accounts payable | \$ 161,674 | \$ 80,791 |
| 54,579 | 43,587 | Accrued liabilities | 45,844 | 33,764 |
| 8,997 | 7,186 | Income taxes payable | 4,127 | 7,641 |
| | | Current maturities of long-term debt | | |
| 483 | 3,727 | | 456 | 3,877 |
| | | Current liabilities of discontinued operations | | |
| 1,166 | 12,720 | | 4,102 | 14,592 |
| ----- | | | | |
| | | Total current liabilities | | |
| 227,149 | 176,501 | | 216,203 | 140,665 |
| 307,669 | 225,902 | Long-term debt | 130,496 | 15,893 |
| 6,709 | 262 | Deferred pension credits | 8,804 | 7,781 |
| | | Deferred postretirement welfare benefits | | |
| 7,709 | 7,824 | | 7,745 | 7,845 |
| 45,284 | 56,842 | Deferred income taxes | 53,983 | 49,938 |
| | | Non-current environmental reserves | | |
| 8,966 | 13,488 | | 8,188 | 13,517 |
| 3,076 | 2,474 | Other liabilities | 2,973 | 283 |
| | | Long-term liabilities of discontinued operations | | |
| 383 | 2,174 | | 423 | 2,033 |
| ----- | | | | |
| 606,945 | 485,467 | Total liabilities | 428,815 | 237,955 |
| | | Total stockholders' equity | | |
| 530,081 | 455,562 | | 500,707 | 445,159 |
| ----- | | | | |
| \$1,137,026 | \$ 941,029 | Total liabilities and stockholders' equity | \$ 929,522 | \$ 683,114 |
| ===== | | | | |

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

| | Three months ended January 31, | |
|---|-----------------------------------|----------|
| | 2005 | 2004 |
| | ----- | ----- |
| Operating activities: | | |
| Net income | \$ 28,235 | \$ 6,427 |
| Loss from discontinued operations | 5,476 | 220 |
| Net income from continuing operations | | |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Gain on sale of land | -- | (454) |
| Depreciation and amortization | 15,269 | 11,695 |
| Deferred income taxes | 2 | 1,501 |
| Deferred pension and postretirement benefits | (2,131) | (7,540) |
| | ----- | ----- |
| Changes in assets and liabilities, | 46,851 | 11,849 |

| | | |
|---|-----------|-----------|
| net of effects from acquisitions and dispositions: | | |
| Decrease (Increase) in accounts and notes receivable | (8,922) | (4,507) |
| Decrease (Increase) in inventory | (17,778) | (5,255) |
| Increase (Decrease) in accounts payable | (12,669) | 6,567 |
| Increase (Decrease) in accrued liabilities | (8,057) | 3,765 |
| Increase (Decrease) in income taxes payable | 12,327 | (767) |
| Other, net | (673) | (2,210) |
| Operating cash flow from discontinued operations | (664) | 1,479 |
| | ----- | ----- |
| Cash provided by operating activities | 10,415 | 10,921 |
| Investment activities: | | |
| Acquisitions , net of cash acquired | (197,376) | (231,913) |
| Proceeds from sale of land | -- | 637 |
| Proceeds from sale of discontinued operations | 11,592 | -- |
| Capital expenditures, net of retirements | (8,816) | (3,950) |
| Other, net | (353) | (617) |
| Cash used for investment activities from discontinued operations | (179) | (201) |
| | ----- | ----- |
| Cash used for investment activities | (195,132) | (236,044) |
| Financing activities: | | |
| Bank borrowings (repayments), net | 170,025 | 210,000 |
| Issuance of debentures | -- | -- |
| Purchases of Quanex common stock | -- | -- |
| Common dividends paid | (3,473) | (2,789) |
| Issuance of common stock, net | 4,438 | 6,715 |
| Other, net | 165 | (738) |
| | ----- | ----- |
| Cash provided by financing activities | 171,155 | 213,188 |
| | ----- | ----- |
| Effect of exchange rate changes on cash and equivalents | 10 | 9 |
| Decrease in cash | (13,552) | (11,926) |
| Beginning of period cash and equivalents | 41,743 | 22,108 |
| | ----- | ----- |
| End of period cash and equivalents | \$ 28,191 | \$ 10,182 |
| | ===== | ===== |

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