



## Quanex Fiscal First Quarter 2006 Results: Building Products Segment Posts Record 1st Qtr Sales and Operating Income

February 23, 2006

HOUSTON, Feb. 23, 2006 (PRIMEZONE) -- Quanex Corporation (NYSE:NX) today reported fiscal first quarter results for the period ending January 31, 2006. Net sales were \$444.6 million compared to \$465.2 million a year ago, and income from continuing operations was \$33.5 million versus \$33.9 million in the year-ago period. Diluted earnings per share from continuing operations were \$1.27 compared to \$1.32 in the first quarter last year. Diluted earnings per share were \$1.25 versus \$1.10 in the year-ago quarter. The latest 12 month return on invested capital was 20.3% compared to 11.5% a year ago.

### First Quarter Highlights

- Net sales at the Building Products segment were a first quarter record \$225.8 million compared to \$195.6 million in the year-ago quarter; the Vehicular Products segment reported \$218.8 million versus \$269.6 million a year ago.
- Building Products operating income was a first quarter record \$26.7 million compared to \$22.1 million in the year-ago quarter; the Vehicular Products segment reported \$33.2 million versus \$44.6 million a year ago.
- Cash provided by operating activities and capital expenditures were \$38.8 million and \$21.4 million, respectively, compared to \$10.4 million and \$8.7 million, respectively, in the year-ago quarter.
- Net sales for the quarter at Mikron Industries were up 34% from the comparable period last year; earnings for Mikron were \$0.07 per diluted share after interest expense.
- MACSTEEL successfully completed its 2006 pricing contracts.
- Total debt less cash to capitalization was 10.0% compared to 33.2% in the year-ago quarter.
- 354,500 shares of common stock were repurchased at an average price of \$50.51.
- Company began expensing stock options which amounted to \$0.02 per diluted share.
- Temroc Metals was sold.

### Selected Financial Information

#### First Quarter Financials

(\$ in millions, except per share data)

	1st qtr 2006	1st qtr 2005	inc/(dcr)
	-----	-----	-----
Net Sales	\$444.6	\$465.2	(4%)
Operating Income	54.2	59.4	(9%)
Income from Continuing Ops.	33.5	33.9	(1%)
EPS: Basic Earnings from Continuing Ops.	\$1.33	\$1.36	(2%)

EPS: Diluted Earnings from Continuing Ops.	\$1.27	\$1.32	(4%)
EPS: Diluted Earnings	\$1.25	\$1.10	14%

#### Segment Commentary

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

	1st qtr 2006 -----	1st qtr 2005 -----	inc/(dcr) -----
Net Sales	\$ 218.8	\$ 269.6	(19%)
Operating Income	\$ 33.2	\$ 44.6	(26%)

The Vehicular Products segment is focused on providing customers with engineered steel bar products and value added services. Key market drivers are light vehicle builds (approx. 65% of segment sales) and heavy duty truck builds (approx. 15% of segment sales).

"Segment demand was off compared to the allocation environment we experienced in the year-ago quarter, and consequently, steel bar tons shipped were down about 12%," said Raymond A. Jean, chairman and chief executive officer. "However, our monthly shipped tons improved throughout the quarter, with January's tons within 7% of January 2005. Our customers' inventories are at relatively normalized levels following very heavy buying this time last year, and light vehicle builds in our first quarter were up 3% from the year-ago period. Lower material costs and a favorable product mix resulted in a slightly higher spread per ton in the segment. The order backlog continues to improve and we expect second quarter bar shipments to be essentially in-line with the year-ago level" continued Jean.

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

	1st qtr 2006 -----	1st qtr 2005 -----	inc/(dcr) -----
Net Sales	\$ 225.8	\$ 195.6	15%
Operating Income	\$ 26.7	\$ 22.1	21%

The Building Products segment is focused on providing window and door OEM customers with engineered products and components, and is also a leading provider of common alloy aluminum sheet. Key market drivers are housing starts (approx. 50% of segment sales) and remodeling activity (approx. 50% of segment sales).

"Overall housing and remodeling activity was seasonally strong during the quarter, in part, due to mild weather conditions across the Midwest and Northeast. Annualized housing starts held firm at the 2 million mark. Customer orders for our window and door components business products remained steady throughout the quarter and exceeded our expectations. Our Nichols Aluminum business had a 19% drop in pounds shipped during the quarter as we continued to experience the effects of customer destocking; however, pounds shipped in January rebounded nicely, to within 8% of last year, and our customer backlog continues to improve. Our spread per pound improved 9% from a year ago, the result of higher sheet prices, relatively low scrap costs, and a better mix of painted sheet sales," said Jean.

#### Cash Flow

"Cash provided by operating activities in the quarter remained excellent at \$38.8 million, a 273% improvement over the year-ago period, while our quarter ended total debt less cash to capitalization was 10%. During the quarter, we repurchased some 354,000 shares of our common stock at an average price of \$50.51, and we will continue to make purchases at appropriate times as a means to return value to our shareholders," continued Jean.

#### Outlook

Overall demand in the Company's two target markets continues to improve compared to the second half of fiscal 2005 and is bolstered by a healthy economy and historically favorable interest rates. In the Vehicular Products segment, business activity is expected to continue to improve, and bar shipments in 2006 are expected to approach 2005 levels, in part, on the strength of new programs. Light vehicle builds in calendar year 2006 are expected to remain strong at an estimated 15.6 million builds, essentially flat to 2005, while heavy truck builds should remain robust at some 340,000 units as producers attempt to sell ahead of new 2007 EPA mandated engine emission requirements. The segment's steel scrap costs are expected to continue to fluctuate during the year and the segment's scrap surcharge mechanism should maintain margin rates over time.

In the Company's Building Products segment, housing starts in 2006 are expected to slow modestly from 2005's record starts, while remodeling and replacement activity are expected to remain very strong. At the segment's window and door components business, overall order activity is seasonally strong, and the outlook for the year remains excellent. It is estimated that their fast growing vinyl window profile demand will drive the business's top line growth by some 15% over last year. At the segment's Nichols Aluminum business, demand continues to rebound. London Metal Exchange (LME) aluminum ingot prices have risen to high levels, while aluminum scrap cost increases have been more modest, improving Nichol's spread.

Taken together, the fiscal 2006 sales and earnings outlook for the Company remains very favorable. Accordingly, for its second quarter and full year, Quanex expects to report diluted earnings per share from continuing operations within a range of \$1.30 to \$1.40 and \$5.40 to \$5.80, respectively.

#### 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 and using an average stock closing price of \$55.92 for its first quarter, the Company's diluted earnings per share from continuing operations were reduced by \$0.03.

## 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 01/31/06

Book value per common share: \$26.76; Total debt to capitalization: 16.8%; Return on invested capital: 20.3%; Return on common equity: 26.1%; Actual number of common shares outstanding: 25,152,307.

## 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 sections titled, "Private Securities Litigation Reform Act" contained therein.

For additional information, visit the Company's website at [www.quanex.com](http://www.quanex.com).

## QUANEX CORPORATION

### CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

	Three months ended January 31,	
	2006	2005
Net sales	\$ 444,569	\$ 465,202
Cost of sales	352,084	368,004
Selling, general and administrative expense	20,873	22,810
Depreciation and amortization	17,388	14,943
Operating income	54,224	59,445
Interest expense	(1,240)	(2,352)
Other, net	111	(1,917)
Income from continuing operations before taxes	53,095	55,176
Income tax expense	(19,645)	(21,245)
Income from continuing operations	33,450	33,931
Gain (loss) from discontinued operations, net of taxes	(425)	(5,696)
Net income	\$ 33,025	\$ 28,235
Basic earnings per common share:		
Earnings from continuing operations	\$ 1.33	\$ 1.36

Gain (loss) from discontinued operations	\$ (0.02)	\$ (0.23)
	-----	-----
Basic earnings per share	\$ 1.31	\$ 1.13
	-----	-----
Diluted earnings per common share:		
Earnings from continuing operations	\$ 1.27	\$ 1.32
Gain (loss) from discontinued operations	\$ (0.02)	\$ (0.22)
	-----	-----
Diluted earnings per share	\$ 1.25	\$ 1.10
	-----	-----
Weighted average common shares outstanding:		
Basic	25,244	24,984
Diluted	26,710	25,770
Cash dividends per share	\$ 0.1550	\$ 0.1350

	Three months ended January 31,	
	2006	2005
Net sales:		
Vehicular Products	\$ 218,773	\$ 269,590
Building Products	225,796	195,612
Net sales	\$ 444,569	\$ 465,202
Operating income:		
Vehicular Products	\$ 33,249	\$ 44,552
Building Products	26,707	22,141
Corporate and Other	(5,732)	(7,248)
Operating Income	\$ 54,224	\$ 59,445

January 31,			October 31,		
2006		2005	2005		2004
Assets					
\$	54,762	\$	28,191	Cash and equivalents	\$ 49,681 \$ 41,743
				Accounts and notes	
	153,465		193,953	receivable, net	152,072 172,582
	149,298		140,776	Inventories	133,003 112,993
				Deferred income	
	11,467		11,181	taxes	12,864 11,182
	8,388		4,804	Other current assets	4,669 2,387
				Current assets of	
				discontinued	
	--		5,093	operations	5,504 16,068
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				Total current	
	377,380		383,998	assets	357,793 356,955

990,907	1,008,954	Property, plant and equipment	969,962	833,797
(561,177)	(582,771)	Less accumulated depreciation	(546,020)	(488,604)
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429,730	426,183	Property, plant and equipment, net	423,942	345,193
196,348	183,593	Goodwill	196,341	121,174
		Cash surrender value insurance policies, net		
24,647	24,122		24,927	24,439
		Intangible assets, net		
80,591	88,463		82,360	27,556
8,290	9,161	Other assets	9,002	9,207
		Assets of discontinued operations		
--	22,050		5,846	45,619
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\$1,116,986	\$1,137,570	Total assets	\$1,100,211	\$ 930,143
=====	=====		=====	=====
		Liabilities and stockholders' equity		
\$ 141,624	\$ 159,888	Accounts payable	\$ 129,152	\$ 159,379
58,550	54,312	Accrued liabilities	73,616	45,380
25,122	9,140	Income taxes payable	14,465	4,323
		Current maturities of long-term debt		
2,440	269		2,459	246
		Current liabilities of discontinued operations		
--	4,093		4,208	7,520
-----	-----		-----	-----
227,736	227,702	Total current liabilities	223,900	216,848
133,450	305,909	Long-term debt	133,462	128,680
		Deferred pension credits		
7,410	6,710		8,158	8,804
		Deferred post-retirement welfare benefits		
7,560	7,710		7,519	7,745
		Deferred income taxes		
59,104	44,813		58,836	53,514
		Non-current environmental reserves		
6,046	8,966		6,732	8,188
2,639	2,950	Other liabilities	2,742	2,828
		Liabilities of discontinued operations		
--	2,729		2,120	2,829
-----	-----		-----	-----
443,945	607,489	Total liabilities	443,469	429,436
		Total stockholders' equity		
673,041	530,081		656,742	500,707
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\$1,116,986	\$1,137,570	Total liabilities and stockholders' equity	\$1,100,211	\$ 930,143
=====	=====		=====	=====

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

Three months ended

	January 31,	
	2006	2005
Operating activities:		
Net income	\$ 33,025	\$ 28,235
Loss from discontinued operations	425	5,696
Net income from continuing operations	33,450	33,931
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	17,554	15,089
Deferred income taxes	1,950	--
Stock-based compensation	886	208
Deferred pension and postretirement benefits	(708)	(2,131)
	53,132	47,097
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Decrease (Increase) in accounts and notes receivable	(1,385)	(10,052)
Decrease (Increase) in inventory	(16,279)	(17,851)
Increase (Decrease) in accounts payable	12,471	(12,411)
Increase (Decrease) in accrued liabilities	(15,076)	(7,860)
Increase (Decrease) in income taxes payable	10,362	12,273
Other, net	(3,677)	(797)
Cash provided by (used for) operating activities from discontinued operations	(761)	16
Cash provided by operating activities	38,787	10,415
Investment activities:		
Acquisitions , net of cash acquired	--	(197,376)
Proceeds from sale of discontinued operations	5,432	11,592
Capital expenditures, net of retirements	(21,405)	(8,734)
Other, net	--	(352)
Cash used for investment activities from discontinued operations	(14)	(262)
Cash used for investment activities	(15,987)	(195,132)
Financing activities:		
Bank borrowings (repayments), net	(30)	170,077
Purchases of Quanex common stock	(17,906)	--
Common dividends paid	(3,964)	(3,473)
Issuance of common stock, net	4,217	4,438
Other, net	--	166
Cash used for financing activities from discontinued operations	(56)	(53)
Cash provided by (used for) financing activities	(17,739)	171,155
Effect of exchange rate changes on cash and equivalents	20	10
Increase (Decrease) in cash and equivalents	5,081	(13,552)
Beginning of period cash and equivalents	49,681	41,743
End of period cash and equivalents	\$ 54,762	\$ 28,191

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