



Quanex Fiscal Second Quarter 2006 Results: Building Products Segment Posts Record 2nd Quarter Net Sales and Operating Income

June 1, 2006

Order Backlog Continues to Build

HOUSTON, June 1, 2006 (PRIMEZONE) -- Quanex Corporation (NYSE:NX) today reported fiscal second quarter results for the period ending April 30, 2006. Net sales were \$507.2 million compared to \$528.0 million a year ago, and income from continuing operations was \$68.8 million versus \$86.5 million in the year ago period. Diluted earnings per share from continuing operations were \$1.07 compared to \$1.31 in the second quarter last year. Diluted earnings per share were \$1.07 versus \$1.29 in the year ago quarter. The latest 12 month return on invested capital was 19.1% compared to 16.6% a year ago.

Second Quarter Highlights

- Net sales at the Building Products segment were a second quarter record \$261.8 million compared to \$244.3 million in the year ago quarter; net sales at the Vehicular Products segment were \$245.4 million versus \$283.7 million a year ago.
- Building Products operating income was a second quarter record \$35.1 million compared to \$31.3 million in the year ago quarter; Vehicular Products operating income was \$40.4 million versus \$61.5 million a year ago.
- Order backlogs in the quarter were up 22% and 31% for MACSTEEL and Nichols Aluminum, respectively, compared to the first quarter.
- Cash provided by operating activities and capital expenditures for the first half of 2006 were \$67.5 million and \$42.9 million, respectively, compared to \$72.9 million and \$21.9 million, respectively, in the same period last year.
- Total debt less cash (net debt) to capitalization was 8.4% compared to 27.7% a year ago.
- Stock option expenses were \$0.02 per diluted share for the quarter.

Selected Financial Information

Second Quarter Financials (\$ in millions, except per share data)

	2nd qtr 2006	2nd qtr 2005	inc/(dcr)
Net Sales	\$507.2	\$528.0	(4%)
Operating Income	68.8	86.5	(20%)
Income from Continuing Ops.	42.8	51.7	(17%)
EPS: Basic Earnings from Continuing Ops.	\$1.14	\$1.37	(17%)
EPS: Diluted Earnings from Continuing Ops.	\$1.07	\$1.31	(18%)
EPS: Diluted Earnings	\$1.07	\$1.29	(17%)

Segment Commentary

VEHICULAR PRODUCTS (\$ in millions)

	2nd qtr 2006	2nd qtr 2005	inc/(dcr)
Net Sales	\$245.4	\$283.7	(13%)
Operating Income	\$ 40.4	\$ 61.5	(34%)

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 improved markedly through the quarter and, consequently, our steel bar tons shipped came within 1% of year ago shipments, a period in which the segment had been in an oversold position," said Raymond A. Jean, Chairman and Chief Executive Officer. "North American light vehicle builds in our second quarter were off about 1% compared to the second quarter 2005. Operating income was down from last year's difficult benchmark due to very high raw material surcharges at the time, but our margins this quarter were still very strong at some 16.5%. Our second quarter backlog increased 22% over the first quarter, indicating lower inventory levels in the supply chain, the ramp-up of new programs, and further strengthening in our secondary markets," said Jean.

BUILDING PRODUCTS (\$ in millions)

	2nd qtr 2006	2nd qtr 2005	inc/(dcr)
Net Sales	\$261.8	\$244.3	7%
Operating Income	\$ 35.1	\$ 31.3	12%

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).

"New home construction and remodeling activity was seasonally strong during the quarter, with annualized housing starts of approximately two million. Customer demand at our engineered window and door components business was excellent in the quarter and we continue to build momentum. Aluminum sheet shipments at Nichols Aluminum were off 6% compared to the year ago quarter, a period when we had many of our customers on allocation. The backlog continued to improve throughout the quarter. Net sales at Nichols were \$139.5 million and our spread per pound improved 11% compared to a year ago, the result of higher selling prices and relatively low scrap costs," said Jean.

Outlook

Overall demand in the second half of 2006 is expected to be up appreciably compared to the second half of 2005, supported by a healthy economy, historically low interest rates and new programs at both operating segments.

In the Vehicular Products segment, business activity is expected to continue to improve, with second half 2006 steel bar ton shipments now expected to be much stronger than the second half of 2005, based on the strength of new powertrain related programs. Light vehicle builds are expected to remain on a 15.5 million annualized units pace while heavy truck production should remain robust at some 360,000 annualized builds as manufacturers attempt to sell ahead of 2007 EPA mandated diesel engine emission requirements. Steel scrap costs have experienced a modest upward swing recently, but the scrap surcharge mechanism will continue to maintain margin rates over time.

In the Building Products segment, housing starts in the second half of 2006 are expected to slow modestly from this time last year, while remodeling and replacement activities are expected to remain strong. At the segment's engineered window and door components business, overall order activity is excellent. Through a combination of organic growth and recent acquisitions, the 2006 revenue growth in the window and door components business is expected to be some 15% over 2005. At the segment's Nichols Aluminum sheet business, demand continues to rebound and the business now expects second half 2006 aluminum sheet shipments to be much stronger than second half 2005 shipments. With London Metal Exchange (LME) aluminum ingot prices at high levels and aluminum scrap cost increases expected to remain relatively more modest, Nichols expects to continue experiencing strong material spreads in the second half of 2006.

Cash provided by operating activities is expected to be stronger in the second half of 2006 on rising earnings compared to the first half of the year. Taken together, the 2006 sales and earnings outlook for Quanex is very favorable. Accordingly, for its third quarter and full year, Quanex expects to report diluted earnings per share from continuing operations within a range of \$1.10 to \$1.16 and \$4.00 to \$4.20, respectively.

Note that the substantial rise in LME aluminum ingot prices associated with the Nichols Aluminum business could require Quanex to book a non-cash LIFO charge for 2006.

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 \$42.82 for its second quarter, the Company's diluted earnings per share from continuing operations were reduced by \$0.04.

Dividend Declared

The Board of Directors declared the Company's quarterly cash dividend of \$0.12 per share on the common stock, payable June 30, 2006, to shareholders of record on June 15, 2006.

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 04/30/06

Book value per common share: \$18.94; Total debt to capitalization: 15.7%; Return on invested capital: 19.1%; Return on common equity: 23.3%;

Actual number of common shares outstanding: 37,999,276.

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.

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

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 section titled "Private Securities Litigation Reform Act" contained therein.

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

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

Three months ended April 30,				Six months ended April 30,			
2006		2005		2006		2005	
\$507,236	\$527,976	Net sales		\$951,805	\$993,178		
396,541	400,570	Cost of sales		748,625	768,574		
		Selling, general and administrative expense				44,813	46,931
23,940	24,121	Depreciation and amortization				35,298	31,767
17,910	16,824	Operating income				123,069	145,906
(1,215)	(2,943)	Interest expense				(2,455)	(5,295)
356	578	Other, net				467	(1,339)
		Income from continuing operations before taxes				121,081	139,272
67,986	84,096	Income tax expense				(44,800)	(53,624)
(25,155)	(32,379)						
		Income from continuing operations				76,281	85,648
42,831	51,717	Gain (loss) from discontinued operations, net of taxes				(406)	(6,428)
19	(732)						
		Net income				\$ 75,875	\$ 79,220
\$ 42,850	\$ 50,985						
=====	=====	Basic earnings per common share:					
\$ 1.14	\$ 1.37	Earnings from continuing operations				\$ 2.02	\$ 2.28
\$ --	\$ (0.02)	Gain (loss) from discontinued operations				\$ (0.01)	\$ (0.17)
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\$ 1.14	\$ 1.35	Basic earnings per share	\$ 2.01	\$ 2.11
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		Diluted earnings per common share:		
		Earnings from continuing operations	\$ 1.93	\$ 2.20
\$ 1.07	\$ 1.31	Gain (loss) from discontinued operations	\$ (0.01)	\$ (0.16)
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\$ 1.07	\$ 1.29	Diluted earnings per share	\$ 1.92	\$ 2.04
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		Weighted average common shares outstanding:		
37,677	37,767	Basic	37,677	37,620
40,327	39,936	Diluted	40,131	39,353
\$ 0.1200	\$ 0.0900	Cash dividends per share	\$ 0.2233	\$ 0.1800

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

Three months ended April 30,		Six months ended April 30,	
2006	2005	2006	2005
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		Net sales:	
\$245,397	\$283,666	Vehicular Products	\$464,170
261,839	244,310	Building Products	487,635
<hr/>		Net sales	\$951,805
\$507,236	\$527,976		\$993,178
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		Operating income:	
\$ 40,422	\$ 61,459	Vehicular Products	\$ 73,671
35,066	31,322	Building Products	61,772
(6,643)	(6,320)	Corporate and Other	(12,374)
<hr/>		Operating Income	\$123,069
\$ 68,845	\$ 86,461		\$145,906
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QUANEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

April 30, 2006	October 31, 2005
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Assets	
\$ 62,306	Cash and equivalents
194,590	Accounts and notes receivable, net
155,911	Inventories
11,468	Deferred income taxes
7,455	Other current assets
	Current assets of discontinued operations
--	
431,730	Total current assets
1,012,125	Property, plant and equipment
(577,125)	Less accumulated depreciation
	(546,020)

435,000	Property, plant and equipment, net	423,942
196,351	Goodwill	196,341
24,129	Cash surrender value insurance policies, net	24,927
78,822	Intangible assets, net	82,360
8,509	Other assets	9,002
--	Assets of discontinued operations	5,846
\$1,174,541	Total assets	\$1,100,211
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Liabilities and stockholders' equity		
\$ 162,821	Accounts payable	\$ 129,152
61,944	Accrued liabilities	73,616
12,890	Income taxes payable	14,465
2,734	Current maturities of long-term debt	2,459
--	Current liabilities of discontinued operations	4,208
240,389	Total current liabilities	223,900
130,880	Long-term debt	133,462
8,861	Deferred pension credits	8,158
7,448	Deferred postretirement welfare benefits	7,519
58,633	Deferred income taxes	58,836
5,999	Non-current environmental reserves	6,732
2,626	Other liabilities	2,742
--	Liabilities of discontinued operations	2,120
454,836	Total liabilities	443,469
719,705	Total stockholders' equity	656,742
\$1,174,541	Total liabilities and stockholders' equity	\$1,100,211
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QUANEX CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOW
 (In thousands)
 (Unaudited)

	Six months ended April 30,	
	2006	2005
Operating activities:		
Net income	\$ 75,875	\$ 79,220
Loss from discontinued operations	406	6,428
Net income from continuing operations	76,281	85,648
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	35,612	32,059
Deferred income taxes	1,180	750
Stock-based compensation	2,797	263
Deferred pension and postretirement benefits	632	(975)
	116,502	117,745
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Decrease (Increase) in accounts and notes receivable	(42,506)	(23,814)
Decrease (Increase) in inventory	(22,874)	(12,303)

Increase (Decrease) in accounts payable	33,669	(22,487)
Increase (Decrease) in accrued liabilities	(11,686)	2,189
Increase (Decrease) in income taxes payable	(1,575)	13,633
Other, net	(3,327)	(326)
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Cash provided by (used for) operating activities from continuing operations	68,203	74,637
Cash provided by (used for) operating activities from discontinued operations	(742)	(1,745)
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Cash provided by operating activities	67,461	72,892
Investment activities:		
Acquisitions, net of cash acquired	--	(200,009)
Proceeds from sale of discontinued operations	5,432	11,592
Capital expenditures, net of retirements	(42,915)	(21,894)
Retired executive life insurance proceeds	461	--
Other, net	320	(128)
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Cash used for investing activities from continuing operations	(36,702)	(210,439)
Cash used for investment activities from discontinued operations	(14)	(362)
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Cash used for investment activities	(36,716)	(210,801)
Financing activities:		
Bank borrowings (repayments), net	(2,307)	110,076
Purchases of Quanex common stock	(17,906)	--
Common dividends paid	(8,588)	(6,870)
Issuance of common stock from option exercises, including related tax benefits	10,724	9,623
Other, net	--	260
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Cash provided by (used for) financing activities from continuing operations	(18,077)	113,089
Cash used for financing activities from discontinued operations	(56)	(105)
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Cash provided by (used for) financing activities	(18,133)	112,984
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Effect of exchange rate changes on cash and equivalents	13	12
Increase (Decrease) in cash and equivalents	12,625	(24,913)
Beginning of period cash and equivalents	49,681	41,743
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End of period cash and equivalents	\$ 62,306	\$ 16,830
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