



Quanex Announces Earnings for Fiscal 2001 Second Quarter; Company Exceeds First Quarter 2001; Engineered Products Group Reports Best-Ever Second Quarter

May 22, 2001

HOUSTON, May 22 /PRNewswire/ -- Quanex Corporation (NYSE: NX) today announced fiscal 2001, second quarter results for the period ending April 30. Basic and diluted earnings per share, on income before extraordinary items, were \$.32 for the second quarter, compared to \$.66 basic and \$.61 diluted earnings per share for the same period last year. Second quarter net sales were \$214 million compared to \$243 million in 2000. Second quarter net income was \$4.3 million, compared to \$9.4 million reported in 2000.

Fiscal Second Quarter 2001 Versus Fiscal Second Quarter 2000

- MACSTEEL(R) -- engineered steel bar group
 - Net sales: \$76.0 million vs. \$88.2 million
 - Operating income: \$8.7 million vs. \$15.9 million

- Nichols Aluminum -- aluminum sheet products group
 - Net sales: \$90.1 million vs. \$111.8 million
 - Operating income: \$1.1 million vs. \$6.6 million

- Engineered Products -- formed metal products group
 - Net sales: \$31.6 million vs. \$22.7 million
 - Operating income: \$3.1 million vs. \$2.5 million

- Piper Impact -- impact extrusion products group
 - Net sales: \$21.2 million vs. \$26.4 million
 - Operating income: \$928 thousand vs. a loss of \$3.8 million

Statements that use the words "expect," "should," "will," "might," or similar words reflecting future expectations or beliefs are forward-looking statements. The following statements 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 (January 5, 2001) under the Securities Exchange Act of 1934, in particular the sections titled, "Private Securities Litigation Reform Act" contained therein.

Commentary

Regarding the Company's results, Raymond A. Jean, president and chief executive officer of Quanex stated, "Quanex continues to outperform the markets we serve. Manufacturing activity continues to be sluggish and our customers remain cautious with new orders and in the management of their inventory. Quanex's operating groups, MACSTEEL, Nichols Aluminum, and Engineered Products, exceeded first quarter results in both sales and operating income. Engineered Products, due in part from the benefit of acquisitions, and Piper Impact, with the benefits of higher productivity and cost cutting efforts, both reported higher operating income compared to last year's second quarter.

"MACSTEEL continues to profitably manage its business while the severity of the distressed conditions in the steel industry are forcing others to restructure. It is a tough business environment for all steel makers, and our primary markets, namely transportation and capital goods, have certainly been impacted. However, we continue to show solid results and have recently returned to a five-day schedule. We enter our third quarter with a stronger backlog and new programs that are starting to kick in. We fully expect MACSTEEL to continue showing operating improvements as the year progresses.

"Nichols Aluminum continues to experience reduced business activity in the building and construction markets but remains profitable. Sheet pricing is extremely competitive at this time and all mills are aggressively seeking available business, resulting in lower margins. However, second quarter operating income was up significantly from the first quarter and bookings and backlog continue to increase. We expect the results for the second half of 2001 to exceed the first half.

"The Engineered Products Group is experiencing sluggish markets, but managed to outperform last year and last quarter with increases in sales and operating income. Results have benefited from the acquisitions of Imperial Fabricated Products and Temroc Metals and we are also seeing the results of new product development initiatives. We anticipate higher operating results for the third quarter versus last year as these benefits and the seasonal factors impact favorably.

"Piper Impact reported another profitable quarter compared to last year's operating loss. Autoliv and ordnance demand remains good given today's economic environment. Productivity and new product development initiatives have gained momentum and are contributing to the improved results."

Outlook

Ray Jean concluded, "Quanex clearly has businesses with unique processes and market positions that enable it to better compete in today's very difficult environment. We expect our operating income to continue to improve in coming quarters as our new programs ramp up, customer activity increases and markets slowly improve."

For the third quarter of fiscal 2001, operating results are expected to lag last year's comparable quarter but to show significant improvement from the second quarter of 2001. The Company previously indicated in its April 19, 2001 quarterly update that the fiscal year 2001 fully diluted earnings per share are expected to be between \$1.75 and \$2.00. Based on actual results for the first half of the year and outlook for the second half, the Company continues to support that range.

Growth Strategy

Our strategy for enhancing long-term shareholder value will be accomplished through sales and earnings growth. We will strive to achieve this by focusing on consistently earning a cash return in excess of our cost of capital; by being the low cost / high quality producers in our industries; and by investing in internal capital projects and acquisitions that will provide growth and high cash returns.

Other

During the second quarter, the Company purchased 61,900 shares of its common stock under the company's common stock repurchase program announced in December 1999. Since the program's inception, Quanex has purchased a total of 942,100 shares at a cost of \$19.2 million.

Dividend Declared

The Board of Directors declared a regular quarterly dividend of \$.16 per share on the company's common stock, payable June 29, 2001 to shareholders of record on June 15, 2001.

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, packaging, homebuilding and remodeling, defense, and other commercial markets.

Latest 12 Months Financial Information

(from continuing operations, excluding unusual charges)

Sales: \$899.2 million; EBITDA: \$106.5 million; Operating income: \$59.6 million; Net income: \$30.6 million; Basic earnings per share: \$2.27; Quarterly common dividend rate (per share): \$.16; Book value per common share: \$19.93; Long-term debt to capitalization: 45.4 %; Return on common equity: 10.88 %; Actual number of common shares outstanding: 13,370,302; Common stock price range (52-week hi - low): \$21.15 - \$14.375.

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

Three months ended			Six months ended	
April 30,			April 30,	
2001	2000		2001	2000
(Unaudited)			(Unaudited)	
\$213,758	\$243,271	Net sales	\$407,583	\$442,565
179,761	200,655	Cost of sales	342,428	366,298
12,968	12,856	Selling, general and administrative expense	24,696	26,138
11,185	12,909	Depreciation and amortization	22,421	25,071
9,844	16,851	Operating income	18,038	25,058
(4,122)	(4,020)	Interest expense	(8,283)	(7,350)
432	647	Capitalized interest	746	1,191
444	307	Other, net	1,767	1,309
		Income before income taxes and extraordinary gain	12,268	20,208
6,598	13,785	Income tax expense	(4,294)	(7,004)
(2,309)	(4,756)	Income before extraordinary gain	7,974	13,204
4,289	9,029	Extraordinary gain on early extinguishment of debt, net of income taxes	372	358
---	358	Net income	\$8,346	\$13,562
\$4,289	\$9,387	Weighted average common shares outstanding:		
		Basic	13,407	13,975

13,481	16,118	Diluted	13,523	16,406
Earnings per common share:				
Basic:				
Income before				
\$0.32	\$0.66	extraordinary gain	\$0.59	\$0.95
---	0.02	Extraordinary gain	0.03	0.02
Total basic net				
\$0.32	\$0.68	earnings	\$0.62	\$0.97
Diluted:				
Income before				
\$0.32	\$0.61	extraordinary gain	\$0.59	\$0.91
---	0.02	Extraordinary gain	0.03	0.02
Total diluted net				
\$0.32	\$0.63	earnings	\$0.62	\$0.93
Common stock dividends				
\$0.16	\$0.16	per share	\$0.32	\$0.32

QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION
(In thousands)

Three months ended		Six months ended	
April 30,		April 30,	
2001	2000	2001	2000
(Unaudited)		(Unaudited)	
Engineered Steel Bars:			
\$76,006	\$88,205	Net sales	\$147,604 \$167,947
\$8,665	\$15,902	Operating income	\$16,000 \$27,737
Aluminum Mill Sheet Products:			
\$90,144	\$111,848	Net sales	\$168,960 \$191,568
\$1,144	\$6,582	Operating income	\$1,424 \$8,785
Engineered Products:			
\$31,630	\$22,726	Net sales	\$57,593 \$41,144
\$3,067	\$2,474	Operating income	\$5,000 \$4,321
Piper Impact:			
\$21,173	\$26,389	Net sales	\$44,022 \$53,188
\$928	\$(3,799)	Operating income / (loss)	\$2,072 \$(7,272)
Corporate and Other:			
\$(5,195)	\$(5,897)	Net sales	\$(10,596) \$(11,282)
\$(3,960)	\$(4,308)	Operating loss	\$(6,458) \$(8,513)
Total:			
\$213,758	\$243,271	Net sales	\$407,583 \$442,565
\$9,844	\$16,851	Operating income	\$18,038 \$25,058

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

April 30,		October 31,	
2001	2000	2000	1999
(Unaudited)		(Audited)	
Assets			
\$17,332	\$23,340	Cash and equivalents	\$22,409 \$25,874
104,600	115,504	Accounts and notes receivable,	
98,880	104,199	net	98,465 87,204
15,012	13,966	Inventories	101,274 78,463
235,824	257,009	Other current assets	13,798 20,846
Total current assets			
348,308	415,984	Property, plant and equipment,	
60,720	57,895	net	338,248 406,841
25,284	25,443	Goodwill, net	47,539 48,990
Other assets			
\$670,136	\$756,331	Total assets	\$645,859 \$690,446

		Liabilities and stockholders' equity		
\$74,771	\$85,085	Accounts payable	\$77,339	\$70,187
45,735	51,948	Accrued expenses	50,189	54,305
1,815	3,783	Income taxes payable	3,218	1,103
2,153	---	Other current liabilities	---	---
		Current portion of long-term		
421	9,131	debt	256	10,545
124,895	149,947	Total current liabilities	131,002	136,140
221,578	236,874	Long-term debt	191,657	179,121
5,882	7,217	Deferred pension credits	7,026	6,691
		Deferred postretirement welfare		
7,701	7,598	benefits	7,634	7,490
26,096	43,540	Deferred income taxes	27,620	43,910
17,544	14,583	Other liabilities	14,423	16,033
403,696	459,759	Total liabilities	379,362	389,385
266,440	296,572	Total stockholders' equity	266,497	301,061
		Total liabilities and		
\$670,136	\$756,331	stockholders' equity	\$645,859	\$690,446

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

Three months ended			Six months ended	
April 30,			April 30,	
2001	2000		2001	2000
(Unaudited)			(Unaudited)	
		Operating activities:		
\$4,289	\$9,387	Net income	\$8,346	\$13,562
---	(358)	Extraordinary gain on early extinguishment of debt (net of taxes)	(372)	(358)
11,313	13,040	Depreciation and amortization	22,675	25,340
(1,760)	129	Deferred income taxes	(1,801)	159
(726)	363	Deferred pension and postretirement benefits	(1,077)	636
13,116	22,561		27,771	39,339
(10,021)	(22,800)	Increase in accounts and notes receivable	(2,811)	(21,989)
4,745	(4,901)	(Increase) decrease in inventory	5,037	(11,004)
5,861	5,484	Increase (decrease) in accounts payable	(4,629)	9,634
3,984	3,312	Increase (decrease) in accrued expenses	(5,835)	(6,330)
(363)	(240)	Other, net (including income tax refund)	(1,273)	7,867
17,322	3,416	Cash provided by operating activities	18,260	17,517
		Investment activities:		
---	(13,742)	Acquisition of Golden Aluminum, net of cash acquired	---	(20,148)
---	---	Acquisition of Temroc Metals, net of cash acquired	(17,922)	---
---	(15,303)	Acquisition of Imperial Products, net of cash acquired	---	(15,303)
(14,511)	(10,312)	Capital expenditures, net of retirements	(26,485)	(24,770)

		Cash used by other		
496	(835)	investment activities	(1,094)	(1,727)
(14,015)	(40,192)	Cash used by investment		
		activities	(45,501)	(61,948)
		Financing activities:		
(1,000)	60,304	Bank borrowings, net	32,000	69,473
---	(9,586)	Purchase of subordinated		
		debentures	(3,942)	(9,586)
(1,626)	(10,419)	Purchases of Quanex		
(2,155)	(2,225)	common stock	(1,990)	(14,204)
		Common dividends paid	(4,322)	(4,521)
730	(1)	Issuance of common stock,		
		net	1,530	619
(803)	(27)	Cash used by other		
		financing activities	(1,112)	(51)
(4,854)	38,046	Cash provided (used) by		
		financing activities	22,164	41,730
---	115	Effect of exchange rate		
		changes on cash and		
		equivalents	---	167
(1,547)	1,385	Increase (decrease) in		
		cash	(5,077)	(2,534)
18,879	21,955	Beginning of period cash		
		and equivalents	22,409	25,874
\$17,332	\$23,340	End of period cash and		
		equivalents	\$17,332	\$23,340

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