



Quanex Announces Earnings for Fiscal 2001 Third Quarter

August 30, 2001

Company More Than Doubles Second Quarter Basic Earnings Per Share;
Engineered Products Group Reports Best-Ever Quarter

HOUSTON, Aug. 30 /PRNewswire/ -- Quanex Corporation (NYSE: NX) today announced fiscal 2001, third quarter results for the period ending July 31. Earnings per share for the quarter were \$.72 basic and \$.67 diluted. This compares to \$.74 basic and \$.68 diluted earnings per share (excluding the loss on the sale of Piper Europe), for the same period last year. Third quarter net sales were \$240 million compared to \$254 million in 2000; net income for the quarter was \$9.6 million compared to \$10.0 million reported last year (excluding the loss on the sale of Piper Europe).

Fiscal Third Quarter 2001 Versus Fiscal Third Quarter 2000

- MACSTEEL(R) - engineered steel bar group
 - Net sales: \$84.7 million vs. \$89.9 million
 - Operating income: \$12.2 million vs. \$14.5 million

- Nichols Aluminum - aluminum sheet products group
 - Net sales: \$99.0 million vs. \$110.8 million
 - Operating income: \$2.2 million vs. \$6.6 million

- Engineered Products - formed metal products group
 - Net sales: \$44.1 million vs. \$32.3 million
 - Operating income: \$7.3 million vs. \$4.9 million

- Piper Impact - impact extrusion products group
 - Net sales: \$19.8 million vs. \$28.2 million
 - Operating income: \$700 thousand vs. a loss of \$3.9 million (excluding charges)

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, chairman and chief executive officer of Quanex stated, "Quanex again demonstrated its ability to provide solid earnings in this slow business environment. We are encouraged by the ongoing improvements in our bookings, and increased shipments to the vehicular and building products markets. Quanex's operating groups, MACSTEEL, Nichols Aluminum, and Engineered Products, again exceeded their previous quarter results in both sales and operating income. Piper Impact reported another quarter of positive operating income compared to last year's third quarter loss. Overall, we continue to outperform the markets we serve.

"MACSTEEL's aggressive sales efforts helped achieve strong shipments for the quarter at both steel plants. New accounts as well as increasing orders from existing customers have enabled the mill to return to a 6-day schedule and this is expected to continue. Market share improvement at MACSTEEL is coming from the automotive, oil country and defense segments. Cost control initiatives have taken hold and scrap pricing remains in our favor. Fiscal Year 2001 will be a good year for MACSTEEL despite the turmoil being experienced in the steel industry."

Ray Jean added, "In line with MACSTEEL's ongoing strategy to aggressively pursue value-adding capabilities, the Board of Directors has approved a \$5.8 million project to build a bar-cutting facility at MACSTEEL's Michigan plant. This project will reduce the current outsourcing of bar cutting, and meet customers' growing requests for 'one stop shopping'. The project will dovetail nicely into the ongoing work of the Phase VI capital project, i.e. the expansion of MACPLUS bright cold finished bar capacity. Having the financial capability to continue funding attractive incremental investments in a difficult environment bodes well for our longer term outlook.

"Nichols Aluminum reported operating income nearly double last quarter results. Although Nichols' distribution and truck-trailer markets remain weak, they have reduced fixed costs and gained share in the more robust building and construction markets. Nichols' reputation for providing quality products and superior service has served them well in this competitive environment. While overall industry demand for aluminum products has declined versus last year, Nichols volumes and market share have steadily increased throughout the year. Capital investments in recent years are paying off. For instance, not only do they utilize lower priced scrap metal in their mix, they can also produce more value-added products.

"Engineered Products achieved all-time quarterly records for sales and operating income during the third quarter. While housing remains somewhat

softer than this time last year, attractive interest rates continue to draw buyers into the market, and remodeling spending has held up well. Results have benefited from last year's acquisitions and we are seeing the impact of new product development initiatives.

"Piper Impact reported another profitable quarter compared to last year's third quarter operating loss. They have now delivered three consecutive quarters of profitability. Opportunities are currently being explored to use additional MACSTEEL bars in Piper's processes to manufacture lower cost, high performance components for automotive markets. Piper is accelerating deployment of lean manufacturing practices, and remains focused on reaching closure on numerous business development opportunities."

Outlook

Ray Jean concluded, "In a difficult economic environment, we have clearly outperformed our markets and returned our under-performing unit to profitability. This speaks well for our strong market positions, unique processing capabilities and dedicated employees. The Company typically experiences better operating results as the year progresses and we expect that will be the case this year."

For the fourth quarter of fiscal 2001, operating results are expected to lag last year's comparable quarter but show some improvement from third quarter 2001. The Company previously indicated in its July 24, 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 results year-to-date and slow, but steady improvement in the demand for Quanex's vehicular and building products, the Company expects to earn near the top of 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; and by assuring operating units and future investments meet core business success attributes: customer focus, superior manufacturing process technologies, rigorous management practices, engineered-type products or value added services, and significant competitive position within served markets.

Dividend Declared

The Board of Directors declared a quarterly dividend of \$.16 per share on the Company's common stock, payable September 28, 2001 to shareholders of record on September 14, 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 vehicular and building products markets.

Latest 12 Months Financial Information

(from continuing operations, excluding unusual charges)

Sales: \$885.4 million; EBITDA: \$104.5 million; Operating income: \$59.1 million; Net income: \$30.2 million; Basic earnings per share: \$2.25; Quarterly common dividend rate (per share): \$.16; Book value per common share: \$20.43; Long-term debt to capitalization: 46.4 %; Return on common equity: 10.66 %; Actual number of common shares outstanding: 13,384,507; Common stock price range (52-week hi - low): \$27.55 - \$16.38.

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

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

Three months ended			Nine months ended	
July 31,			July 31,	
2001	2000		2001	2000
(Unaudited)			(Unaudited)	
\$240,332	\$254,144	Net sales	\$647,915	\$696,709
197,792	208,874	Cost of sales	540,220	575,172
13,492	14,113	Selling, general and administrative expense	38,188	40,251
10,695	12,310	Depreciation and amortization	33,116	37,381
---	14,280	Loss on sale of Piper Impact Europe	---	14,280
18,353	4,567	Operating income	36,391	29,625
(4,129)	(4,149)	Interest expense	(12,412)	(11,499)
349	499	Capitalized interest	1,095	1,690
208	289	Other, net	1,975	1,598
		Income before income taxes		

14,781	1,206	and extraordinary gain	27,049	21,414
(5,173)	(491)	Income tax expense	(9,467)	(7,495)
9,608	715	Income before extraordinary gain	17,582	13,919
		Extraordinary gain on early extinguishment of debt, net of income taxes	372	358
\$9,608	\$715	Net income	\$17,954	\$14,277
		Weighted average common shares outstanding:		
13,377	13,534	Basic	13,397	13,827
15,428	13,682	Diluted	15,420	13,973
		Earnings per common share:		
		Basic:		
\$0.72	\$0.05	Income before extraordinary gain	\$1.31	\$1.00
---	---	Extraordinary gain	0.03	0.03
\$0.72	\$0.05	Total basic net earnings	\$1.34	\$1.03
		Diluted:		
\$0.67	\$0.05	Income before extraordinary gain	\$1.28	\$1.00
---	---	Extraordinary gain	0.02	0.02
\$0.67	\$0.05	Total diluted net earnings	\$1.30	\$1.02
\$0.16	\$0.16	Common stock dividends per share	\$0.48	\$0.48

QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION
(In thousands)

Three months ended		Nine months ended	
July 31,		July 31,	
2001	2000	2001	2000
(Unaudited)		(Unaudited)	
		Engineered Steel Bars:	
\$84,663	\$89,938	Net sales	\$232,267 \$257,885
\$12,171	\$14,481	Operating income	\$28,171 \$42,218
		Aluminum Mill Sheet Products:	
\$98,963	\$110,843	Net sales	\$267,923 \$302,411
\$2,201	\$6,591	Operating income	\$3,625 \$15,376
		Engineered Products:	
\$44,062	\$32,263	Net sales	\$101,655 \$73,407
\$7,325	\$4,863	Operating income	\$12,325 \$9,184
		Piper Impact:	
\$19,766	\$28,173	Net sales	\$63,788 \$81,361
\$700	\$(18,136)	Operating income / (loss)	\$2,772 \$(25,408)
		Corporate and Other:	
\$(7,122)	\$(7,073)	Net sales	\$(17,718) \$(18,355)
\$(4,044)	\$(3,232)	Operating loss	\$(10,502) \$(11,745)
		Total:	
\$240,332	\$254,144	Net sales	\$647,915 \$696,709
\$18,353	\$4,567	Operating income	\$36,391 \$29,625

Note: The one-time loss from the sale of Piper Impact-Europe of \$14.3 million is included in Piper Impact's operating loss for the three and nine-months ended July 31, 2000.

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

July 31,		Assets	October 31,	
2001	2000		2000	1999
(Unaudited)			(Audited)	
\$31,805	\$32,552	Cash and equivalents	\$22,409	\$25,874
		Accounts and notes		
97,999	99,019	receivable, net	98,465	87,204
91,423	96,650	Inventories	101,274	78,463
18,006	12,877	Other current assets	13,798	20,846
239,233	241,098	Total current assets	235,946	212,387
		Property, plant and		
354,743	394,705	equipment, net	338,248	406,841
60,127	47,795	Goodwill, net	47,539	48,990
44,865	22,895	Other assets	24,126	22,228
\$698,968	\$706,493	Total assets	\$645,859	\$690,446
		Liabilities and stockholders'		
		equity		
\$77,289	\$79,593	Accounts payable	\$77,339	\$70,187
48,222	50,842	Accrued expenses	50,189	54,305
3,740	3,025	Income taxes payable	3,218	1,103
3,582	---	Other current liabilities	---	---
420	259	Current portion of long-term debt	256	10,545
133,253	133,719	Total current liabilities	131,002	136,140
236,487	211,505	Long-term debt	191,657	179,121
5,158	6,631	Deferred pension credits	7,026	6,691
		Deferred postretirement welfare		
7,718	7,634	benefits	7,634	7,490
25,301	38,862	Deferred income taxes	27,620	43,910
17,605	14,423	Other liabilities	14,423	16,033
425,522	412,774	Total liabilities	379,362	389,385
273,446	293,719	Total stockholders' equity	266,497	301,061
\$698,968	\$706,493	Total liabilities and stockholders' equity	\$645,859	\$690,446

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

Three months ended			Nine months ended	
July 31,	July 31,		July 31,	July 31,
2001	2000		2001	2000
(Unaudited)			(Unaudited)	
		Operating activities:		
\$9,608	\$715	Net income	\$17,954	\$14,277
		Extraordinary gain on early		
		extinguishment of debt		
---	---	(net of taxes)	(372)	(358)
		Loss on sale of Piper Impact		

---	9,282	Europe (net of taxes of \$4,998)	---	9,282
10,779	12,437	Depreciation and amortization	33,454	37,777
(795)	(3,036)	Deferred income taxes	(2,596)	(2,877)
(707)	(478)	Deferred pension and postretirement benefits	(1,784)	158
18,885	18,920		46,656	58,259
6,601	13,443	(Increase) decrease in accounts and notes receivable	3,790	(8,546)
7,457	3,126	(Increase) decrease in inventory	12,494	(7,878)
2,518	(1,968)	Increase (decrease) in accounts payable	(2,111)	7,666
2,487	669	Increase (decrease) in accrued expenses	(3,348)	(5,661)
(121)	2,663	Other, net (including income tax refund)	(1,394)	10,530
37,827	36,853	Cash provided by operating activities	56,087	54,370
		Investment activities:		
---	---	Acquisition of Golden Aluminum, net of cash acquired	---	(20,148)
---	---	Acquisition of Temroc Metals, net of cash acquired	(17,922)	---
---	---	Acquisition of Imperial Products, net of cash acquired	---	(15,303)
(16,513)	(8,598)	Capital expenditures, net of retirements	(42,998)	(33,368)
(2,429)	1,158	Cash provided (used) by other investment activities	(3,523)	(569)
(18,942)	(7,440)	Cash used by investment activities	(64,443)	(69,388)
		Financing activities:		
15,000	(16,280)	Bank borrowings (repayments), net	47,000	53,193
(17,273)	---	Repayment of borrowings on insurance policies	(17,273)	---
---	---	Purchase of subordinated debentures	(3,942)	(9,586)
(2,147)	(1,675)	Purchases of Quanex common stock	(1,990)	(15,879)
283	(2,190)	Common dividends paid	(6,469)	(6,711)
	345	Issuance of common stock, net	1,813	964
(275)	(301)	Cash used by other financing activities	(1,387)	(352)
(4,412)	(20,101)	Cash provided (used) by financing activities	17,752	21,629
---	(100)	Effect of exchange rate changes on cash and equivalents	---	67
14,473	9,212	Increase in cash	9,396	6,678
17,332	23,340	Beginning of period cash and equivalents	22,409	25,874
\$31,805	\$32,552	End of period cash and equivalents	\$31,805	\$32,552

SOURCE Quanex Corporation

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

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CAPTION: DATU048 QUANEX CORPORATION RAYMOND JEAN Raymond A. Jean, chairman of the board, chief executive officer, Quanex Corporation. (PRNewsFoto)[TC] HOUSTON, TX USA 05/22/2001

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