



## Quanex Fiscal Third Quarter 2007 Results

August 28, 2007

MACSTEEL Continued to Experience Product Mix Improvement  
Engineered Products Operating Income up 11% from a Year Ago  
Cash Provided by Operating Activities Strong at \$134 million YTD

HOUSTON, Aug. 28, 2007 (PRIMENEWSWIRE) -- Quanex Corporation (NYSE:NX) today reported fiscal third quarter 2007 results for the period ending July 31, 2007. Net sales were \$554.1 million compared to \$553.0 million a year ago, and income from continuing operations was \$40.2 million versus \$44.9 million in the year ago period. Diluted earnings per share from continuing operations were \$1.02 compared to \$1.14 in the third quarter last year. Diluted earnings per share in the quarter were \$1.02. The latest 12 months return on invested capital was 14.8% compared to 19.0% a year ago.

### Fiscal Third Quarter 2007 Highlights

- \* Vehicular Products net sales were \$284.6 million versus \$259.8 million a year ago; net sales at Building Products were \$275.1 million compared to \$299.9 million in the year ago quarter.
- \* Vehicular Products reported operating income of \$31.3 million versus \$40.3 million a year ago; operating income at Building Products was \$37.6 million compared to \$41.6 million in the year ago period.
- \* Cash plus short-term investments at quarter-end totaled \$143.7 million.
- \* For the nine months ended July 31, 2007, cash provided by operating activities was \$134.3 million, compared to \$129.0 million in the same period a year ago, and capital expenditures were \$25.0 million versus \$61.0 million in the first nine months of 2006, primarily the result of reduced spending at MACSTEEL now that the Phase 8 and Phase 9 capital projects are complete.

### Selected Financial Information

#### Fiscal Third Quarter 2007 Financials (\$ in millions, except per share data)

	3rd qtr 2007	3rd qtr 2006	inc/(dcr)
Net Sales	\$ 554.1	\$ 553.0	n/c
Operating Income	59.2	69.0	(14%)
Income from Continuing Ops	40.2	44.9	(10%)
EPS: Basic Earnings from Continuing Ops	\$ 1.09	\$ 1.20	(9%)
EPS: Diluted Earnings from Continuing Ops	\$ 1.02	\$ 1.14	(11%)

### Fiscal Third Quarter 2007 Commentary

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

3rd qtr 2007	3rd qtr 2006	inc/(dcr)
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Net Sales	\$284.6	\$259.8	10%
Operating Income	31.3	40.3	(22%)

Vehicular Products is focused on providing its customers with engineered steel bars and extensive value added services. About 80% of its products are used in light vehicle, heavy truck and off-road powertrain applications.

"Total steel bar tons shipped by MACSTEEL were essentially even to year ago levels, but the mix of automotive bar shipments and value added products continued to improve as a percent of all bar shipments," said Raymond A. Jean, chairman and chief executive officer. "MACSTEEL's overall demand remained strong throughout the third quarter and our growing automotive backlog gives us optimism going forward. North American light vehicle builds in our third quarter were up 2% compared to a year ago, and the outlook calls for another 8% uptick in builds during our fourth quarter. As expected, operating income was down primarily due to volatile raw material costs, including a spike in metal alloy costs during the quarter. The higher alloy costs will be recovered through MACSTEEL's surcharges during our fourth quarter," Jean said.

#### BUILDING PRODUCTS

Engineered Products (\$ in millions)

	3rd qtr 2007	3rd qtr 2006	inc/(dcr)
	-----	-----	-----
Net Sales	\$131.4	\$138.8	(5%)
Operating Income	17.7	15.9	11%

Engineered Products is focused on providing window and door customers with value added fenestration products and components. Key market drivers are housing starts (approximately 60% of sales) and remodeling activity (approximately 40% of sales).

"The housing market remains very challenging. Housing starts in our third quarter were off 22% compared to the third quarter last year, while our sales for the same period were down only 5%, a testimony to our ability to generate robust organic growth through new programs and product initiatives. We are optimistic that we will hold this sales momentum through the fourth quarter. Operating income is up due to relatively strong operating performance at each of our business units, especially at Mikron. The aggressive restructuring efforts we undertook at Mikron late last year are paying off for us now, and our employees' focus on lean implementation across our businesses continue to bolster results," said Jean.

Aluminum Sheet Building Products (\$ in millions)

	3rd qtr 2007	3rd qtr 2006	inc/(dcr)
	-----	-----	-----
Net Sales	\$143.7	\$161.1	(11%)
Operating Income	20.0	25.8	(22%)

Aluminum Sheet Products is a leading provider of common alloy aluminum sheet products for the building and construction, transportation and other consumer durable markets. Key market drivers are housing starts and remodeling activity (approximately 60% of sales).

"Third quarter shipped pounds by Nichols Aluminum were off 11% from the year ago quarter when the business was in a sold-out position. Customer demand continued to be weak in our traditional building and construction markets during the third quarter, and we experienced ongoing softness in our secondary markets as well. Operating income was off from a year ago primarily due to the reduced shipments, but material spreads remained strong," Jean said.

#### Cash Flow

"Cash plus short-term investments were \$144 million at the end of our third quarter, and total debt, less cash and investments, to capitalization was essentially zero. We diligently manage our working capital, and for the quarter end, our conversion cycle was 33 days, down from 34 days at the end of the second quarter. Cash provided by operating activities remained excellent at \$50 million and \$134 million for the three months ended and nine months ended July 2007, respectively," said Jean.

#### Fiscal 2007 Outlook

Quanex continues to experience soft demand in its building products markets, while demand in its vehicular products markets has improved throughout the year.

For Building Products, housing starts in calendar 2007 are expected to lag 2006 by some 22%. Customer demand in the fourth quarter at Engineered Products is expected to marginally improve over both the year ago and sequential third quarter as new programs with existing and new customers bolster results. At Nichols Aluminum, fourth quarter aluminum sheet shipments are expected to approximate both the year ago and sequential third quarter shipments. Material spreads at Nichols, while anticipated to come down from the third quarter, are expected to remain strong.

At Vehicular Products, demand is expected to continue to improve as light vehicle build rates are anticipated to increase during the fiscal fourth quarter. MACSTEEL's fourth quarter bar shipments are expected to exceed the year ago quarter by some 4%, based in part on the strength of new programs with both the Big Three and transplant automotive customers. Material spreads are expected to improve sequentially as the cost of raw

materials, particularly for alloys, moderates. Light vehicle builds of 15.3 million in calendar 2007 are expected to be about even with 2006.

Taken together, the sales and earnings outlook for the balance of fiscal 2007 remains favorable. Accordingly, Quanex expects to report diluted earnings per share from continuing operations for the fiscal year within a range of \$3.38 to \$3.46, which includes an estimated \$0.13 per share LIFO charge. Previous 2007 guidance was \$3.35 to \$3.60 and included a \$0.10 per share LIFO charge. Quanex raised the low end of its guidance as a result of an improving outlook at MACSTEEL and ongoing benefits from the Company's lean initiatives; it lowered the high end of the guidance due to the more severe decline in the housing market.

#### Other

On May 16, 2007, the Company announced that its Board of Directors had initiated a review of strategic alternatives with respect to its Building Products Group. The Group consists of Engineered Products and Aluminum Sheet Products. Strategic alternatives to be considered include, but are not limited to, a tax-free spin-off to Quanex shareholders, a sale or a joint venture. At this time, there can be no assurance that this strategic review will result in any type of transaction and the Company does not intend to provide an update to this process.

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 \$48.45 for its third quarter, the Company's diluted earnings per share from continuing operations were reduced by \$0.05.

Quanex uses the Last In First Out (LIFO) method of accounting, which requires it to forecast year-end inventory prices and levels and periodically adjust interim inventory balances. For the third quarter, the Company booked a \$3.0 million (\$0.05 per diluted share) non-cash LIFO charge that primarily reflects the rise in the cost of steel scrap at the Company's Vehicular Products Group. Year-to-date, Quanex has booked \$6.0 million (\$0.10 per diluted share) in LIFO charges.

#### Dividend Declared

The Board of Directors declared the Company's quarterly cash dividend of \$0.14 per share on the common stock, payable September 28, 2007 to shareholders of record on September 14, 2007.

#### 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 7/31/07

Book value per common share: \$22.74; Total debt to capitalization: 13.4%; Return on invested capital: 14.8%; Return on common equity: 16.9%; Actual number of common shares outstanding: 37,187,012.

#### 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;

Material spreads -- calculated as the difference between average raw material costs and average selling prices.

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 15, 2006) 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](http://www.quanex.com).

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

Three months ended  
July 31,  
-----  
2007      2006

Nine months ended  
July 31,  
-----  
2007      2006

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		Net sales:		
\$284,578	\$259,836	Vehicular Products	\$ 782,715	\$ 724,006
		Engineered Building		
131,445	138,827	Products	333,897	392,468
		Aluminum Sheet		
143,667	161,071	Building Products	388,092	404,581
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275,112	299,898	Building Products	721,989	797,049
		Corporate and Other		
(5,606)	(6,687)		(13,541)	(16,203)
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\$554,084	\$553,047	Net sales	\$1,491,163	\$1,504,852
=====	=====		=====	=====
		Operating income:		
\$ 31,329	\$ 40,297	Vehicular Products	\$ 91,613	\$ 113,968
		Engineered Building		
17,657	15,886	Products	30,595	39,161
		Aluminum Sheet		
19,985	25,753	Building Products	47,401	64,250
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37,642	41,639	Building Products	77,996	103,411
		Corporate and Other		
(9,809)	(12,909)		(29,524)	(25,283)
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\$ 59,162	\$ 69,027	Operating Income	\$ 140,085	\$ 192,096
=====	=====		=====	=====

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

Three months ended July 31,			Nine months ended July 31,	
-----	-----		-----	-----
2007	2006		2007	2006
-----	-----		-----	-----
\$554,084	\$553,047	Net sales	\$1,491,163	\$1,504,852
		Cost of sales		
		(exclusive of items		
452,167	442,789	shown separately below)	1,219,189	1,191,414
		Selling, general and		
24,623	23,963	administrative expense	75,194	68,776
		Depreciation and		
18,132	17,268	amortization	56,695	52,566
-----	-----		-----	-----
59,162	69,027	Operating income	140,085	192,096
(1,012)	(1,234)	Interest expense	(3,071)	(3,689)
1,679	2,296	Other, net	5,386	2,763
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		Income from continuing		
59,829	70,089	operations before taxes	142,400	191,170
(19,610)	(25,186)	Income tax expense	(49,336)	(69,986)
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40,219	44,903	Income from continuing		
		operations	93,064	121,184
		Income (loss) from		
		discontinued operations,		

--	230	net of taxes	--	(176)
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\$ 40,219	\$ 45,133	Net income	\$ 93,064	\$ 121,008
=====	=====		=====	=====
Basic earnings per common share:				
\$ 1.09	\$ 1.20	Earnings from continuing operations	\$ 2.52	\$ 3.21
\$ --	\$ --	Income (loss) from discontinued operations	\$ --	\$ (0.01)
-----	-----		-----	-----
\$ 1.09	\$ 1.20	Basic earnings per share	\$ 2.52	\$ 3.20
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Diluted earnings per common share:				
\$ 1.02	\$ 1.14	Earnings from continuing operations	\$ 2.40	\$ 3.05
\$ --	\$ --	Income (loss) from discontinued operations	\$ --	\$ --
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\$ 1.02	\$ 1.14	Diluted earnings per share	\$ 2.40	\$ 3.05
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Weighted average common shares outstanding:				
37,012	37,531	Basic	36,951	37,785
39,992	39,857	Diluted	39,449	40,190
Cash dividends declared per share				
\$ 0.1400	\$ 0.1200		\$ 0.4200	\$ 0.3433

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

July 31, 2007		October 31, 2006
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Assets		
\$ 103,672	Cash and equivalents	\$ 105,708
40,000	Short-term investments	--
204,149	Accounts and notes receivable, net	184,311
152,184	Inventories	142,788
11,783	Deferred income taxes	12,218
7,626	Other current assets	5,584
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519,414	Total current assets	450,609
435,198	Property, plant and equipment, net	432,058
203,040	Goodwill	196,350
29,801	Cash surrender value insurance policies	29,108
87,501	Intangible assets, net	75,285
14,699	Other assets	18,742
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\$1,289,653	Total assets	\$1,202,152
=====	=====	=====
Liabilities and stockholders' equity		
\$ 155,866	Accounts payable	\$ 137,564
52,428	Accrued liabilities	54,943
6,193	Income taxes payable	13,185

3,129	Current maturities of long-term debt	2,721
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217,616	Total current liabilities	208,413
127,551	Long-term debt	130,680
2,310	Deferred pension credits	1,115
7,397	Deferred postretirement welfare benefits	7,300
59,128	Deferred income taxes	66,189
13,251	Non-current environmental reserves	14,186
16,901	Other liabilities	15,754
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444,154	Total liabilities	443,637
845,499	Total stockholders' equity	758,515
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\$1,289,653	Total liabilities and stockholders' equity	\$1,202,152
=====	=====	=====

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

	Nine months ended July 31,	
	2007	2006
-----	-----	-----
Operating activities:		
Net income	\$ 93,064	\$ 121,008
Loss from discontinued operations	--	176
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	56,896	53,045
Deferred income taxes	(6,636)	6,040
Stock-based compensation	4,724	3,883
	-----	-----
	148,048	184,152
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Decrease (Increase) in accounts and notes receivable	(15,167)	(32,335)
Decrease (Increase) in inventory	(7,890)	(23,396)
Increase (Decrease) in accounts payable	17,054	35,370
Increase (Decrease) in accrued liabilities	(3,420)	(12,846)
Increase (Decrease) in income taxes payable	(6,803)	(5,253)
Increase (Decrease) in deferred pension and postretirement benefits	5,087	(11,942)
Other, net	(2,566)	(4,024)
	-----	-----
Cash provided by (used for) operating activities from continuing operations	134,343	129,726
Cash provided by (used for) operating activities from discontinued operations	--	(762)
	-----	-----
Cash provided by (used for) operating activities	134,343	128,964
Investment activities:		
Purchases of short-term investments	(46,150)	--
Proceeds from sales of short-term investments	6,150	--
Acquisitions, net of cash acquired	(58,493)	--
Capital expenditures, net of retirements	(24,986)	(60,964)
Proceeds from sale of discontinued operations	--	5,683
Retired executive life insurance proceeds	--	461
Other, net	286	275

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Cash provided by (used for) investing activities from continuing operations	(123,193)	(54,545)
Cash used for investment activities from discontinued operations	--	(14)
	-----	-----
Cash provided by (used for) investment activities	(123,193)	(54,559)
Financing activities:		
Repayments of long-term debt	(2,721)	(2,514)
Common dividends paid	(15,570)	(13,165)
Issuance of common stock from option exercises, including related tax benefits	5,073	11,112
Purchases of treasury stock	--	(58,326)
Other, net	(11)	--
	-----	-----
Cash provided by (used for) financing activities from continuing operations	(13,229)	(62,893)
Cash used for financing activities from discontinued operations	--	(56)
	-----	-----
Cash provided by (used for) financing activities	(13,229)	(62,949)
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Effect of exchange rate changes on cash and equivalents	43	14
Increase (Decrease) in cash and equivalents	(2,036)	11,470
Beginning of period cash and equivalents	105,708	49,681
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End of period cash and equivalents	\$ 103,672	\$ 61,151
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SOURCE: Quanex Corporation

Quanex Corporation

Financial Contact:

Jeff Galow

713/877-5327

Media Contact:

Valerie Calvert

713/877-5305