



# *A Vision Without Walls*

Seamless Opportunities for Growth  
**2008 Annual Report**

# *An Expansive Future*

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Quanex Building Products has the financial and leadership strength to take advantage of opportunities for growth, both organically and through acquisitions.

In its Annual Report on Form 10-K for the fiscal year ended October 31, 2008, the Company filed as an exhibit the certifications relating to the quality of the Company's public disclosure, as required by Section 302 of the Sarbanes-Oxley Act, and included Management's Report on Internal Control over Financial Reporting, as required by Section 404 of the Sarbanes-Oxley Act.

This annual report to stockholders contains forward-looking statements. These statements involve risks, uncertainties and other important factors that may cause the actual results of Quanex and its operations to be materially different from any future results expressed or implied by such forward-looking statements. Information identifying such risks, uncertainties and other important factors is contained in the section entitled "Risk Factors" in the Quanex Annual Report on Form 10-K for the fiscal year ended October 31, 2008, as filed with the Securities and Exchange Commission and included as part of this annual report to stockholders.

# Limitless Solutions

We continue to outperform the market as a result of working closely with our customers to deliver value-added window and door components.

## Engineered Products

### HOMESHIELD – FABRICATED WINDOW AND DOOR COMPONENTS [www.home-shield.com](http://www.home-shield.com)

#### Description

Seven production facilities that manufacture residential building products for window and door OEMs

#### Key Products

Window and door screens, divided light grilles, door thresholds and astragals, architectural moldings, cladding, and window muntin

#### Manufacturing Capabilities

Roll forming, slitting, laser welding, stamping, coating, Rolltrusion™, wood moldings, and component assembly

### MIKRON – VINYL AND COMPOSITE WINDOW AND DOOR PRODUCTS [www.mikronvinyl.com](http://www.mikronvinyl.com)

#### Description

Three production facilities that comprise one of the largest manufacturers of extruded PVC products and accessories for window and door OEMs in North America

#### Key Products

Customer-specific vinyl and composite profiles, impact resistant window and door components

#### Manufacturing Capabilities

In-house design and testing, precision tooling design and manufacturing, in-house compound development and blending, and 163 highly automated extrusion lines

### TRUSEAL – INSULATING GLASS SEALANT SYSTEMS [www.truseal.com](http://www.truseal.com)

#### Description

Three facilities (two domestic and a startup in China) that manufacture composite spacer products and sealants for fabricating windows, doors and solar panels. Another facility produces and distributes the insulating glass assembly equipment

#### Key Products

Flexible Insulating Glass (IG) spacer systems, insulating glass, window and door accessories, solar panel adhesives, and fully automatic and manual insulating glass fabrication equipment

#### Manufacturing Capabilities

21 extrusion lines, one continuous process mixing system, 10 conventional bulk mixers, state-of-the-art pilot plant facility and expansion capabilities

## Aluminum Sheet Products

### NICHOLS ALUMINUM [www.nicholsal.com](http://www.nicholsal.com)

#### Description

One scrap-based mini-mill casting facility and three finishing facilities that manufacture coated and mill finished aluminum sheet products

#### Key Products

Mill finished aluminum sheet, coated aluminum sheet

#### Manufacturing Capabilities

360 million pounds per year of mill finished capacity, cold rolling to gauge, annealing to temper, leveling, custom coating and slitting

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# At A Glance



## Management Team

(L to R) Paul Hammonds, Jeff Galow, Gus Coppola, David Wemmer, Mark Hermann, Brent Korb, Dave Petratis, Jairaj 'JC' Chetnani, Debbi Gadin, Tom Brackmann, Kevin Delaney

## Corporate Team

**David D. Petratis**  
Chairman, President and  
Chief Executive Officer

**Brent L. Korb**  
Senior Vice President Finance and  
Chief Financial Officer

**Kevin P. Delaney**  
Senior Vice President,  
General Counsel and Secretary

**Paul A. Hammonds**  
Vice President  
Corporate Development

**Jairaj T. Chetnani**  
Vice President  
Treasurer

**Deborah M. Gadin**  
Vice President  
Corporate Controller

**Geoffrey G. Galow**  
Vice President  
Investor Relations

## Division Leaders

**Mark E. Hermann**  
President – Homeshield

**David R. Wemmer**  
President – Mikron

**August J. Coppola**  
President – Truseal

**Thomas A. Brackmann**  
President – Nichols

## Our Company

Quanex Building Products Corporation ("Quanex"), based in Houston, Texas, is a leading manufacturer of value-added engineered materials and components for the building products market.

Quanex's common stock trades on the New York Stock Exchange under the symbol NX. For further information, visit the Company's website at [www.quanex.com](http://www.quanex.com).

## Our Mission

To provide premium quality systems and components that seal, protect and improve the energy efficiency or architectural appeal of building envelopes, while:

- Profitably growing revenue
- Achieving returns on investment above our cost of capital over the business cycle; and
- Creating a safe, productive and fulfilling workplace for our employees.

## Consolidated Financial Highlights

Fiscal Year Ended October 31

\$ In Thousands,  
Except Per Share Data

### For The Year

|                                   | 2008 <sup>(1)</sup> | 2007 <sup>(1)</sup> | 2006 <sup>(1)</sup> | 2005 <sup>(1) (2)</sup> | 2004 <sup>(1)</sup> |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|
| Net Sales                         | \$868,933           | \$963,974           | \$1,043,773         | \$952,025               | \$642,530           |
| Operating Income <sup>(3)</sup>   | 20,981              | 88,169              | 104,764             | 103,229                 | 44,377              |
| Interest Expense                  | 480                 | 591                 | 1,023               | 1,355                   | 1,032               |
| Income From Continuing Operations | 15,904              | 57,131              | 64,956              | 61,456                  | 25,673              |
| Net Income <sup>(3)(4)</sup>      | \$21,579            | \$134,622           | \$160,183           | \$155,160               | \$54,467            |

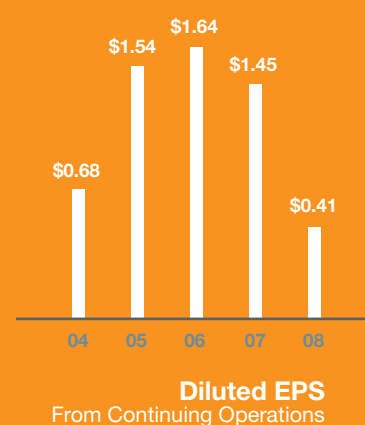
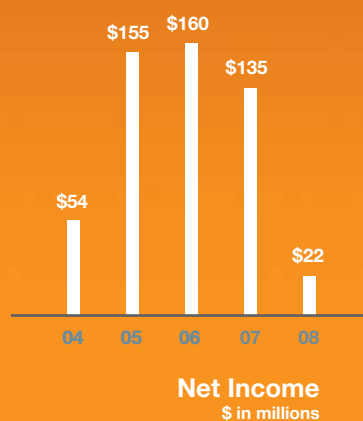
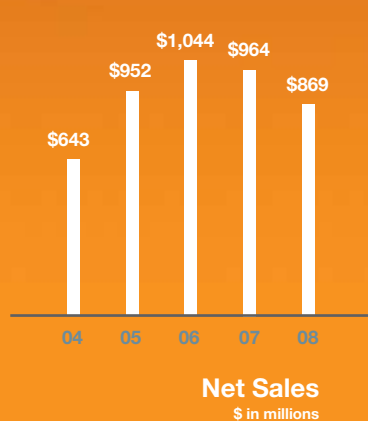
### Diluted Earnings Per Share

|                                   |        |        |        |        |        |
|-----------------------------------|--------|--------|--------|--------|--------|
| Income From Continuing Operations | \$0.41 | \$1.45 | \$1.64 | \$1.54 | \$0.68 |
| Net Income                        | \$0.56 | \$3.41 | \$4.08 | \$3.95 | \$1.45 |

### At Year End

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Working Capital (continuing)                                  | \$131,452 | \$38,438  | \$37,457  | \$34,179  | \$37,601  |
| Total Assets Including Discontinued Operations <sup>(6)</sup> | 680,847   | 1,334,822 | 1,202,152 | 1,114,778 | 940,054   |
| Total Debt  | 2,551     | 4,015     | 6,736     | 9,256     | 2,261     |
| Stockholders' Equity  | \$547,828 | \$883,149 | \$758,515 | \$656,742 | \$500,707 |

(1),(2),(3),(4),(6) Refer to footnotes on page 18.





## Our vision has never been clearer.

The residential housing market is severely depressed and our main driver, housing starts, has experienced its lowest level in decades.

Quanex Building Products has been well managed to generate income, capture new business, launch new products, and maintain a strong cash flow even during this extremely difficult economic environment. Many factors contribute to our ability to consistently outperform our markets, including our strong customer relationships, our product innovation and our people.

# *Infinite Possibilities*

Dear Shareholders


2008 was an eventful year for Quanex. It was a year of change for our corporate structure, our leadership team, and our end markets. First was the spin of our building products division into Quanex Building Products Corporation in April 2008. Next was the merger of Quanex Corporation (MACSTEEL) with Gerdau S.A., a global steel company. These transactions created a new company, and delivered outstanding shareholder value. Our new company, Quanex Building Products ("Quanex"), gives us new paths and possibilities for growth and shareholder wealth creation.

In July, I joined Quanex as CEO, working with Raymond Jean in a planned transition that led to Ray's retirement in December. Throughout 2008 and the challenges of our internal structural business changes, we saw dramatic declines in residential construction for the third year and unprecedented turmoil in the global financial markets. Over the year, the Quanex team performed through sweeping internal and external changes while the Company outperformed in a down market.

As things change, some things remain the same. Quanex is dedicated to helping customers be successful. We achieve this through long-term partnerships, a passion for continuous improvement, and innovation. We collaborate with our customers to ensure that our collective strengths yield cutting edge processes and new products that exceed the demands of residential construction markets. Product innovation and outstanding quality and service have been at the foundation of the Company's success today and will be in the future.

**We are proud to cater to the needs of the largest window and door suppliers on the continent.**

Continuous improvement in everything we do is a requirement for business success. The Quanex team is dedicated to performance improvement in our core activities that we believe will drive long term shareholder value. First is safety and health. We work to be the safest in the industry. Our team strives to improve the health of our work force through health assessments and promoting health education. These efforts continue to help curb rising health costs and keep our employees safe on and off the job. Our lean journey

The background of the page features a series of thin, grey, geometric lines that create a sense of depth and structure. These lines are arranged in a way that suggests architectural elements like rooflines or window frames, though they are abstract and non-representational. They are scattered across the page, with some lines being more prominent than others, creating a layered effect.

continues under the umbrella of continuous improvement. We will continue to sharpen our low cost positions through advancements of lean methodologies and Six Sigma quality initiatives. And finally, we partner with our major customers in improvement activities that drive benefits for everyone involved.

Quanex is in a unique position in the window and door industry. Through our businesses – Nichols, Mikron, Truseal and Homeshield – we serve a \$30 billion market. Quanex historically has served this market individually through our stand-alone business models. Many of our customers want to be served by a single source. Quanex is in an excellent position to optimize its sales channel to market. Our businesses will work collaboratively in the years ahead to increase our sales efficiency, our sales processes and to be sure that our customers have access to all of our products, logistical capabilities and engineering. We believe our combined efforts will help us gain market share.

Construction markets remain in a slump and economists don't see demand returning to normalized levels during 2009. However, we are taking the necessary initiatives to ensure we sharpen our capabilities to prepare for the rebound of our markets. We have consolidated operations and reduced labor, but only where and when it makes sense. Quanex will never compromise product quality or customer service. Our customers are often the leaders in the industry who rely on us to effectively supply their production requirements. We will continue to expand on the value proposition we offer customers and take advantage of opportunities to grow with them through new and better product creation. And finally, we will continue to invest in the technologies, facilities and equipment that will enable us to expand both our capabilities and global presence.

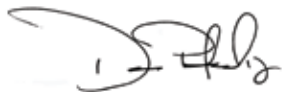
Innovation continues to be a differentiator with our customers. In a world where energy efficiency will be a driving force, we see infinite possibilities to make building envelopes, windows and doors more energy efficient. Quanex introduced several innovations to the window and door industry that helped grow revenues and deliver exciting new products. These innovations include Truseal's Duralite™, the most energy efficient warm edge window spacer on the market. Homeshield's patented door threshold systems seal and protect a home's entry against the harshest blows of Mother Nature. Mikron introduced MikronWood™, one of the most energy efficient replacement window systems on the market. In addition, Quanex is participating in the global growth of the solar industry with the solar edge tape

developed by Truseal that seals glass to protect the very delicate, thin film photovoltaic materials. Quanex's innovation is finding new markets and applications for an energy-starved world.

We end 2008 with a solid balance sheet and have focused the Company to generate cash and continue to invest in the future. Our strategic direction is clear: we will build our business around our leadership position in the window and door industry. We are open to growth through complementary adjacencies that make sense for our business and our shareholders. I am confident that over the next few years, through the execution of our strategy, we will enhance the value of Quanex Building Products for our shareholders.

I would like to thank all our dedicated employees and our Board of Directors for their continued support and contributions. Great opportunities lie ahead and I believe by working together our Company will continue to innovate, grow and add shareholder value.

Sincerely,



**Dave Petratis**

Chairman, President and Chief Executive Officer

## *A Tribute: Raymond A. Jean*



Raymond Jean joined Quanex Corporation as Chief Executive Officer in February 2001 and retired in December 2008. Ray transformed Quanex into a market-driven firm focused

on two distinct markets, and delivered tremendous value for shareholders.

Shortly after his arrival, Ray launched the "Quanex Game Plan" with its imperatives of becoming process based and market driven. Through this customer-centric strategy, Quanex strengthened its alliances and dedicated itself to enhancing its value propositions through product innovations, and supply chain and design solutions.

Ray not only emphasized the development of sound strategies, but also recognized that delivering continuous improvement in performance was about outstanding execution by an aligned, engaged team of individuals. To raise the bar on performance, "Project Breakthrough" was initiated to focus on sharpening leadership skills, putting a premium on developing people, and making lean thinking a part of the Company's DNA.

During Ray's tenure, the price of the common stock appreciated from approximately \$8 to \$54. In the pursuit of delivering shareholder value, Ray and the Quanex team orchestrated several stock splits, stock buybacks and a healthy stream of dividend increases. Finally, the successful merger and spin-off of Quanex Building Products that took place in April 2008, was approved by 98% of shareholders. All the best to Ray and his family on a well-deserved retirement.

# *Boundless Potential*

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## *A Clear Strategy*

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Our vision is to become one of the world's most profitable manufacturers of engineered building components. We will be recognized for leading-edge products and process technologies and best-in-class customer service.



## **Working With A Clear Purpose – Where Are We Going?**

Our purpose is to provide our customers with premium, quality systems and components that seal, protect and improve the energy efficiency or architectural appeal of building envelopes. At the same time we will:

- Profitably grow revenue,
- Achieve returns on our investments above our cost of capital over the business cycle, and
- Create a safe, productive and fulfilling workplace for our employees.

Our objective is to more than double revenue and enterprise value over the next five years through organic growth, acquisitions and continuous improvement.

## **Strategy of Growth – How Will We Get There?**

Our core value discipline centers on organic growth through product innovation and increased participation in the remodeling markets and with new and existing customers. By participating in the organizations that set the energy-efficiency standards, we will translate those standards into innovative solutions and will continue to develop our leadership role in fenestration products that exhibit the best-in-class thermal qualities. Further market penetration will be achieved through co-development programs as we partner with customers to increase the value, design and dependability of their products. We will also continue to expand our footprint to serve more geographic regions, both domestically and internationally. Our businesses will band together and through a consolidated sales effort, offer design, development and components from our broad range of products.

Our acquisition strategy is a global focus that is stratified into three tiers, with the priority being acquisition of fenestration component manufacturers that service our existing set of solid customers and thereby offer both operational and marketing synergies. This would include makers of products that are similar or complementary to the types we currently produce. Second is to expand beyond our current niche as a provider of components to window and door original equipment manufacturers or OEMs. This type of acquisition would produce engineered products or systems that are different from what we currently offer but that nonetheless seal, protect and insulate the residential building envelope. Lastly, we might selectively acquire businesses that employ manufacturing processes that are similar to our own and make engineered products or systems that seal, protect and insulate a building envelope, but that serve the commercial construction markets.

Whether the growth is organic or through acquisition, our intent is to add to the value we bring to our customers and the products they produce by providing superior components and a level of service that differentiates us among our peers. Beyond supplying and servicing our customer, we want to be the partner they look to for expert knowledge, innovative product development and personalized logistics.

## **Key Factors To Our Success**

Communication is a key success factor for superior customer service, both internally and externally, and employees are engaged through active listening, honesty and respect.

It is important that we continue our already successful lean journey. Keeping our facilities clean, safe and running at optimum efficiency reduces costs. We will continue to provide employees with the knowledge and tools they need to be informed, skilled and safety minded. We will be diligent and show our commitment by offering attractive incentives and empowering employees to seek out opportunities at every turn.

## Homeshield

# Fabricated Window and Door Components

**Homeshield manufactures screens, grilles, thresholds, astragals and roll formed products, from a variety of materials, for window and door OEMs.**

Homeshield is an integrated manufacturer with product lines that include window and door screens, roll formed products, wood grilles and architectural moldings. Designed for customers that include the largest window and door producers in the U.S., Homeshield provides custom tailored components that are produced by roll forming, slitting, laser welding, laminating, stamping and coating using automated assembly and proprietary designed tooling. Homeshield also provides design and engineering support, tooling expertise and custom delivery options.

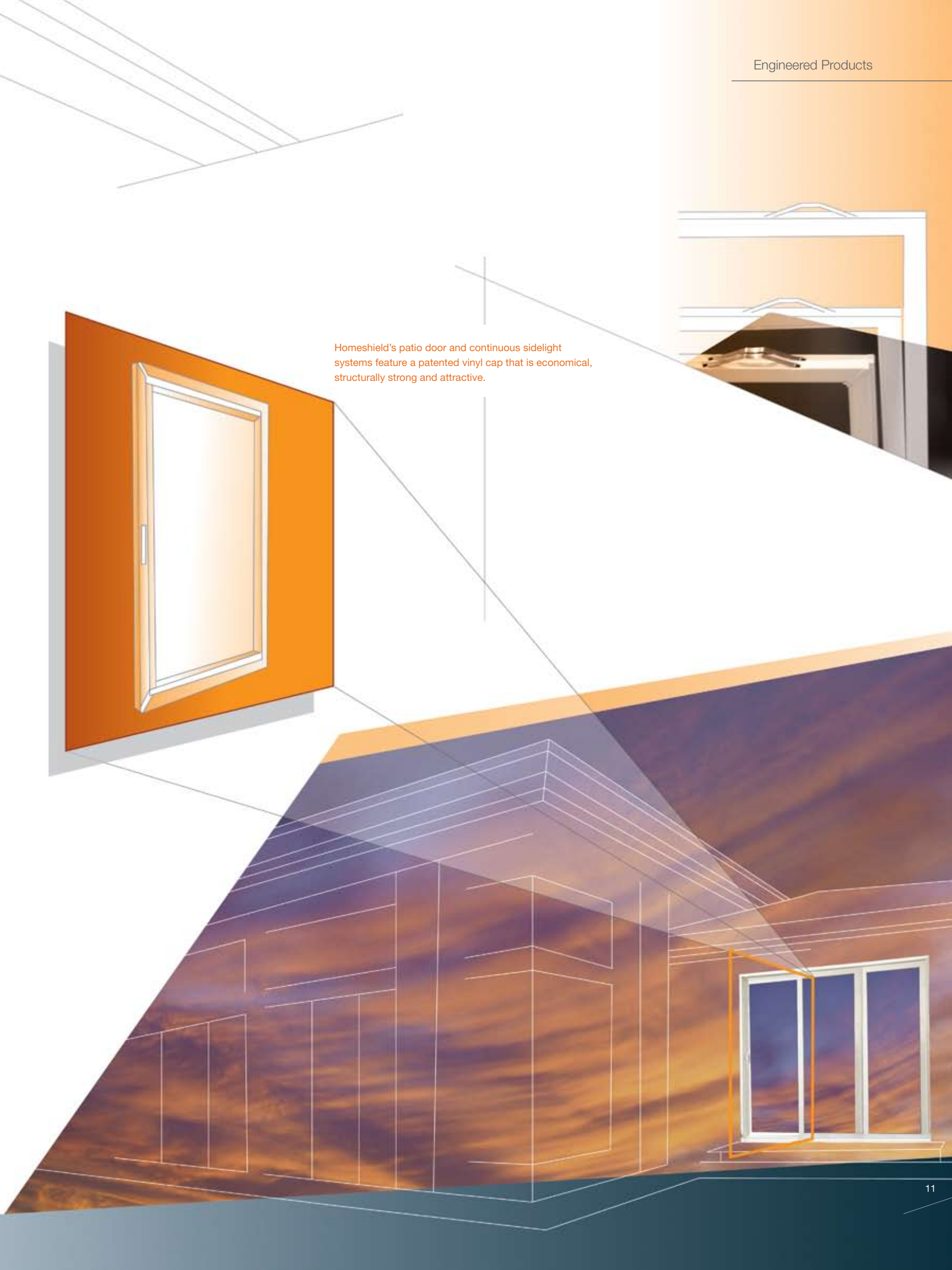
Homeshield is a large supplier to window OEMs and produces screens, wood components and divided light systems. Their products typically garner a relatively high premium because they are backed with in-house engineering and design, logistic systems support and a high degree of customer service. Homeshield is also a leading producer of a host of complementary products such as roll formed components, aluminum and stainless steel glass spacers, muntins (or wood grilles between the glass), window reinforcement bars, cladding and screen frames.

In the door market, Homeshield offers a variety of components, including patio door systems, astragals and thresholds. More recently, they have developed a high performance entry door system that offers best-in-class protection against the outside elements in addition to simplifying installation. Emerging within the industry and from government organizations are new standards and performance criteria for the structural integrity and reliability of fenestration systems. Further developing the dependability of its door systems, Homeshield continues to stay way ahead of these higher performance standards.

Some additional breakthrough products include TruScene screens that do not deter the visibility of a window, retractable and top-hung doors, real wood overlays to replace veneer, rolltrusion drawer slides, and thresholds that withstand 130-mph winds. These products are all examples of the significant benefits from co-development efforts and how they result in new product sales with existing customers.

Homeshield shares the common focus that is present in all Engineered Products businesses – closely collaborating with its customers from the onset of design and throughout production to produce products that enhance the customer's market position. Product manufacturing is frequently scheduled for just-in-time delivery and line-sequenced to the customer's production. In addition, Homeshield's flexible, multi-state manufacturing operations allow it to control costs while offering short lead times to meet its customers' exacting requirements. Providing the customer with value-added processes, support for new product development and personalized logistics has allowed Homeshield to foster strong partnerships with its customers. And in turn, these partnerships continue to provide Homeshield with a loyal and long-lasting customer base.

Homeshield's patio door and continuous sidelight systems feature a patented vinyl cap that is economical, structurally strong and attractive.




## Mikron

# Vinyl and Composite Window and Door Products


**Mikron is one of North America's largest manufacturers of extruded PVC profiles and accessories for window and door OEMs.**

Mikron designs and produces custom, patented components and systems for every window market in North America. These systems are sold through major window and door OEMs. Available in vinyl (PVC) and composite materials, these systems meet the aesthetic, environmental, and physical requirements of their markets. Mikron does this through a world-class design and testing center, a state-of-the-art tooling facility, and three highly automated manufacturing factories blending proprietary thermoplastic resin-based compounds extruded into highly weather-able, customer-specific components.

Considered a pioneer of PVC-based materials for window components, Mikron has been refining and optimizing its proprietary PVC compound for the past twenty years. The MikronBlend™ compounds offer price and superior weathering performance benefits over common PVC, traditional wood and aluminum window and door profiles. Viewed in the market as the premium PVC extrusion supplier, Mikron makes a variety of custom profiles to meet specific customer design requirements as well as turnkey full window and door systems. A more recently developed proprietary material, MikronWood™, is made from a composite blend of specialty resins that is used to produce a superior no-rot, low-maintenance profile that offers the beneficial fabrication and aesthetic characteristics of wood.



Mikron produces its window and door profiles using a material formulation that has been developed, refined, and optimized to deliver superior performance.



At Mikron, the process begins with a design concept that is oftentimes the result of a collaborative effort between the customer and a team of experienced window design engineers. Design requirements and dimensions are created using state-of-the-art 3D CAD software to create a digital model of the full window or door product. Proprietary profile extrusion tooling is then machined to aircraft-grade tolerances using proprietary solid stainless steel and Electronic-Discharge Machining technology. Shape-specific tooling then provides the profile form through which PVC, composite compound and color surface material is extruded to produce a profile lineal that will be cut to specific lengths and used by the customer to fabricate windows or doors. Approximately 30% of all PVC windows installed in the U.S. contain extruded components that have been designed by or produced by Mikron.

**Mikron has over 450 design patents in the United States and over 300 design registrations in Canada.**

Mikron is a unique producer compared to many competitors as it controls every aspect of the process, including blending its own proprietary compound. In addition, Mikron offers its customers extensive research and development capabilities and has partnered to develop unique window and door locking hardware, solar reflective coatings and

SuperCapSR, all new proprietary products. The StyleLock™ locking system is a hardware system produced for certain regional customers in conjunction with exclusive PVC supply and territory rights.

Mikron's Solar Reflective Coatings (SRC™) are expressly formulated for PVC applications that combine special acrylic and polyurethane resins with select, processed pigments to enhance exterior ultraviolet durability, deter solar radiation from the surface, and minimize damaging thermal heat. The engineering behind this technology allows the application of designer colors that typically couldn't handle excessive heat gain.

SuperCapSR™ is a patent-pending new exterior color technology system that provides low heat-absorbing performance and a highly durable, scratch-resistant surface in a range of colors. The color is molecularly fused to the profile during production, making it more durable during fabrication, delivery and installation of the finished window or door product.

Abundant opportunities have emerged as consumers require window and door products that reduce their energy costs and sustain high impact weather. Specifically, regional and local building codes have tightened to require higher energy performance and storm impact resistance. Mikron has developed a high impact, commercially rated door system that can sustain winds up to 130 mph. The door, labeled K2™, was well received at the recent GlassBuild America show and should enjoy market expansion in 2009. Importantly, regional building codes requiring higher energy-efficiency ratings have begun to favor more energy-efficient vinyl framed windows over those made with aluminum frames. Mikron, as a vinyl window component market leader, should continue to benefit from this trend.

Mikron remains at the forefront of its industry with its state-of-the-art tooling and manufacturing capabilities, just-in-time delivery, over 150 custom designed window systems and even more patented customer designs. It is this full integration of materials and process technology development capabilities, architecturally appealing products and premium service that has lead to Mikron's superior reputation in the industry, and in many cases, exclusive supply rights with many of its customers. Mikron's success is also attributable to their continual search for value-added, differentiated products and opportunities to grow income and reduce costs for their customers.

## Truseal Technologies

# Insulating Glass Sealant Systems

**Truseal Technologies provides superior thermal efficiencies with its composite spacer products, sealants and insulating glass equipment used in fabricating windows, doors and solar panels.**

Truseal Technologies is a leading manufacturer and distributor of patented all-in-one insulating glass sealing components, systems and assembly equipment. Truseal has approximately 800 customers in North America and more than 1,000 worldwide.

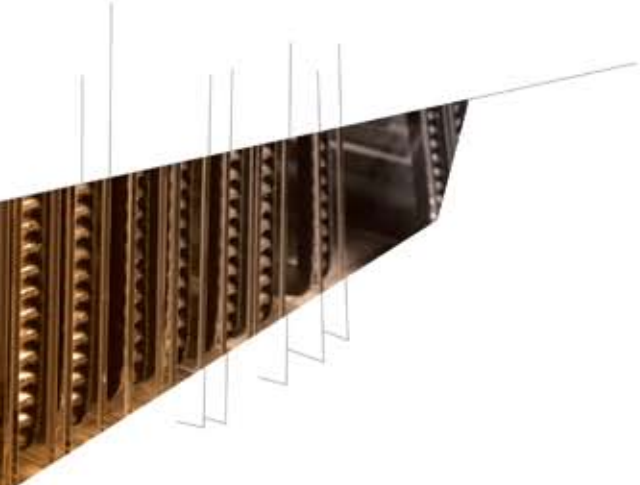
**Truseal supplies North American window and door OEMs and more recently, has been aggressively penetrating foreign markets.**


Their flexible insulating glass (IG) spacer systems are components used in the assembly of double- and triple-pane window units to separate and seal the glass panes within the frame. In addition, Truseal provides a line of glazing sealants and IG accessories for all types of windows. When assembled, the spacers act as thermal barriers to conserve energy, resist the formation of condensation and promote noise reduction. Truseal's systems are marketed under the trade names of Duraseal, Duralite, Edgetherm and Decoseal.

Duraseal™, introduced in 2001, is a versatile and flexible “warm edge” spacer system using composite laminating technology that reduces thermal conductivity and improves surface and corner appearance. Duraseal currently accounts for the majority of sales at Truseal; however, the Company has already begun selling Duralite™, the third generation warm edge spacer. Duralite contains no metal and uses proprietary composite laminating technology. The product combines six components for a structure that is rapidly gaining market share and broad acclaim. Today, Duralite is the lowest conductivity spacer available in the market. The other products developed by Truseal, Decoseal™ and Edgetherm™, are used to support the center of decorative, bent or curved and specialty IG applications.

Truseal has also been selling its thin-film technology to produce products for the thin film photovoltaic solar panel market. Solargain Edge Tape™, or SET, is a unique product that improves the performance and extends the life of solar panels. The product combines the functions of an adhesive, a sealant and a desiccant, all in one tape. SET is sold directly to commercial solar panel module manufacturers. Over the last few years, sales have gained momentum and accounted for more than 15% of Truseal's revenues in 2008, nearly doubling 2007.

To further boost sales in this complementary market and to accommodate a large solar customer, Truseal began work in 2006 to locate a manufacturing facility in China, just west of Shanghai. When finished, the 81,000 square foot facility will include extrusion lines and mixing capabilities. Production is expected to begin in the second half of calendar 2009 and will supply both SET to the solar markets and warm edge spacers to the window and door markets throughout the Asia Pacific region.






As a leading producer of insulating glass spacer systems, Truseal demonstrates its commitment and confidence by offering one of the most comprehensive warranties in the industry.

## Nichols Aluminum

# Aluminum Sheet Products

Nichols Aluminum is a low-cost, scrap-based, mini-mill manufacturer of coated and mill finished aluminum sheet products.





Nichols Aluminum sells sheet products to serve customers in a diverse range of markets including building and construction, transportation, machinery and equipment, consumer durable and electrical.

Nichols Aluminum manufactures mill finished aluminum sheet from recycled scrap using a continuous casting process and in-line hot rolling mills. The sheet is further reduced to specific thicknesses and widths up to 52 inches, depending on a customer's custom order. In addition to mill finished sheet, Nichols provides its customers with value-added services like coating and slitting to precise widths.

### Nichols has the capabilities to process dirty, mixed grade scrap, a factor that enables significant cost reduction and control.

One of Nichols' most significant competitive advantages is its ability to utilize low grades of scrap metal, which reduces raw material costs. Nichols uses cutting-edge scrap processing equipment beginning when the scrap is received. It is inspected, sorted, shredded with heavy duty shredders, delacquered to burn off organics and combustibles and blended to create an alloy with wide range usability. Nichols also maximizes production yield with the use of rotary barrel furnaces to reclaim aluminum from the dross created during the melting process.

Nichols' customer base is primarily residential building products, but also includes other diversified markets such as transportation, machinery and durable goods. These customers use the aluminum sheet to produce a variety of products including residential gutters, trim and soffit, doors and windows, vents, trailer truck and manufactured housing parts, irrigation pipe and pipe jacketing, and electronic parts.

Having been a supplier of aluminum sheet since the 1950s, Nichols has developed well-established relationships with a significant number of customers. The majority of Nichols' customer relationships are over 15 years, with some dating back more than 40 years. Nichols holds a reputation in the industry for consistent high quality and robust customer service.

Another of Nichols' significant competitive advantages is its ability to custom coat the aluminum sheet using a wide range of materials. In addition to water-based coatings in all colors and gloss levels, the finishing lines can also apply polyester, acrylic, vinyl, fluorocarbon and epoxy. Application can be one sided or two sided and in varying thicknesses.

Finally, just-in-time delivery service, at best-in-class rates, is a key differentiator for Nichols compared to imported and other domestic supply alternatives.

Nichols continues to seek out opportunities to lean out its processes to drive further cost advantages. Safety, productivity and efficiency and customer satisfaction are key success factors in the day-to-day operations and a constant focus at all levels of the business.

## Selected Financial Data

|  | Fiscal Year Ended October 31 |                     |                     |                         |                     |
|--|------------------------------|---------------------|---------------------|-------------------------|---------------------|
| \$ In Thousands,<br>Except Per Share Data and Employees                  | 2008 <sup>(1)</sup>          | 2007 <sup>(1)</sup> | 2006 <sup>(1)</sup> | 2005 <sup>(1) (2)</sup> | 2004 <sup>(1)</sup> |
| <b>Selected Operating Results Data</b>                                   |                              |                     |                     |                         |                     |
| Net Sales  | \$868,933                    | \$963,974           | \$1,043,773         | \$952,025               | \$642,530           |
| Operating Income <sup>(3)</sup>  | 20,981                       | 88,169              | 104,764             | 103,229                 | 44,377              |
| Income From Continuing Operations  | 15,904                       | 57,131              | 64,956              | 61,456                  | 25,673              |
| Percent of Net Sales   | 1.8%                         | 5.9%                | 6.2%                | 6.5%                    | 4.0%                |
| Income (loss) From Discontinued Operations,<br>Net of Tax <sup>(4)</sup> | 5,675                        | 77,491              | 95,227              | 93,704                  | 28,794              |
| Net Income <sup>(3)(4)</sup>   | \$21,579                     | \$134,622           | \$160,183           | \$155,160               | \$54,467            |
| <b>Diluted Earnings Per Share Data</b>                                   |                              |                     |                     |                         |                     |
| Income From Continuing Operations  | \$0.41                       | \$1.45              | \$1.64              | \$1.54                  | \$0.68              |
| Net Income   | \$0.56                       | \$3.41              | \$4.08              | \$3.95                  | \$1.45              |
| Cash Dividends Declared <sup>(5)</sup>                                   | \$0.3400                     | \$0.5600            | \$0.4833            | \$0.3733                | \$0.3111            |
| <b>At Year End</b>   |                              |                     |                     |                         |                     |
| Total Assets Including Discontinued Operations <sup>(6)</sup>            | \$680,847                    | \$1,334,822         | \$1,202,152         | \$1,114,778             | \$940,054           |
| Asset Turnover (continuing)  | 1.4                          | 1.6                 | 1.7                 | 1.9                     | 2.0                 |
| Working Capital (continuing)   | 131,452                      | 38,438              | 37,457              | 34,179                  | 37,601              |
| Current Ratio (continuing)   | 2.1 to 1                     | 1.4 to 1            | 1.3 to 1            | 1.3 to 1                | 1.4 to 1            |
| Total Debt   | \$2,551                      | \$4,015             | \$6,736             | \$9,256                 | \$2,261             |
| Stockholders' Equity   | 547,828                      | 883,149             | 758,515             | 656,742                 | 500,707             |
| Total Capitalization   | \$550,379                    | \$887,164           | \$765,251           | \$665,998               | \$502,968           |
| Depreciation and Amortization  | \$35,072                     | \$37,991            | \$36,999            | \$32,701                | \$18,467            |
| Capital Expenditures, Net  | \$15,815                     | \$15,904            | \$27,072            | \$28,087                | \$11,114            |
| <b>Other Data</b>  |                              |                     |                     |                         |                     |
| Continuing Return on Investment–Percent                                  | 2.3%                         | 7.0%                | 9.2%                | 10.7%                   | 5.5%                |
| Continuing Return on Common Stockholders'<br>Equity–Percent              | 2.2%                         | 7.0%                | 9.2%                | 10.6%                   | 5.4%                |
| Average Number of Employees  | 2,373                        | 2,744               | 3,084               | 2,883                   | 1,804               |
| Net Sales Per Average Employee   | \$366                        | \$351               | \$338               | \$330                   | \$356               |
| Backlog For Shipment in Next 3 Months                                    | \$36,000                     | \$49,000            | \$36,000            | \$57,000                | \$70,000            |

(1) During the second quarter of 2008, the Company spun off Quanex Corporation's Building Products business immediately followed by the merger of Quanex Corporation (consisting primarily of the Vehicular Products business and all non-Building Products related corporate accounts) with a wholly-owned subsidiary of Gerdau S.A. During the fourth quarter of 2005, the Company committed to a plan to sell its Temroc business. In the first quarter of 2005, the Company sold its Piper Impact business and in the fourth quarter of 2004 sold its Nichols Aluminum – Golden business. Accordingly, the assets and liabilities of the Vehicular Products business and all non-Building Products related corporate accounts, Temroc, Piper Impact and Nichols Aluminum – Golden are reported as discontinued operations in the Consolidated Balance Sheets for all periods presented, and their operating results are reported as discontinued operations in the Consolidated Statements of Income for all periods presented.

(2) In December 2004, the Company acquired Mikron and accounted for the acquisition under the purchase method of accounting. Accordingly, Mikron's estimated fair value of assets acquired and liabilities assumed in the acquisition and the results of operations are included in the Company's consolidated financial statements as of the effective date of the acquisition.

(3) Included in operating income is a gain on sale of land of \$0.5 million in fiscal 2004.

(4) Includes effects in fiscal 2005 of Temroc's \$13.1 million (pretax and after-tax) asset impairment charge in accordance with SFAS 142 and SFAS 144.

(5) The quarterly common stock cash dividends prior to April 23, 2008 reflect dividends of Quanex Corporation prior to the Separation, while dividends after April 23, 2008 reflect dividends of Quanex Building Products, the accounting successor to Quanex Corporation.

(6) Total assets include assets of discontinued operations of \$742.3 million, \$582.1 million, \$490.9 million and \$556.3 million at October 31, 2007, 2006, 2005 and 2004, respectively.

## Board of Directors

### David D. Petratis (2008)<sup>1</sup>

Chairman, President and  
Chief Executive Officer

### Donald G. Barger, Jr. (2007)<sup>1, 2, 3</sup>

Retired, former Senior Vice President and  
Chief Financial Officer, YRC Worldwide Inc.  
(provider of transportation services  
throughout North America and other  
international markets),  
Overland Park, Kansas

### Susan F. Davis (2007)<sup>3</sup>

Executive Vice President,  
Human Resources,  
Johnson Controls, Inc.  
(international provider of automotive  
systems and building controls),  
Milwaukee, Wisconsin

### Joseph J. Ross (2007)<sup>1, 2, 4</sup>

Retired, former Chairman and  
Chief Executive Officer,  
Federal Signal Corporation  
(manufacturer of safety and communications  
equipment and specialty vehicles),  
Oakbrook, Illinois

### Joseph D. Rupp (2007)<sup>4</sup>

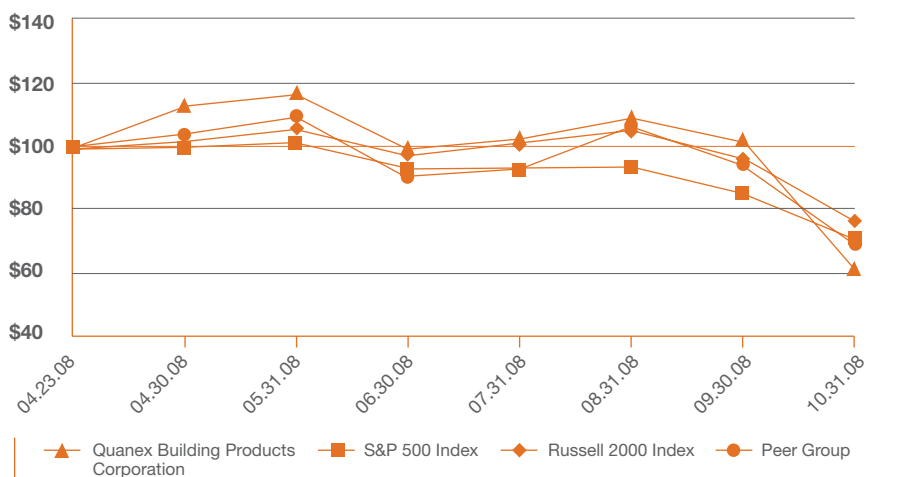
Chairman, President and  
Chief Executive Officer,  
Olin Corporation  
(producer of copper alloys, ammunition  
and chlorine and caustic soda),  
Clayton, Missouri

### Richard L. Wellek (2007)<sup>2, 3, 4</sup>

Retired, former Chairman and  
Chief Executive Officer,  
Varlen Corporation  
(manufacturer of products for railroad,  
light vehicle, and heavy duty truck markets),  
Naperville, Illinois

- 1 Executive Committee
  - 2 Audit Committee
  - 3 Compensation and Management  
Development Committee
  - 4 Nominating and Corporate  
Governance Committee
- (year first served on board)

## Comparison of Cumulative Total Return



| Company Name / Index           | 4.23.08 | 4.30.08 | 5.31.08 | 6.30.08 | 7.31.08 | 8.31.08 | 9.30.08 | 10.31.08 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|----------|
| Quanex Building Products Corp. | 100     | 113.18  | 117.18  | 99.13   | 102.74  | 109.81  | 101.87  | 61.23    |
| S&P 500 Index                  | 100     | 100.41  | 101.71  | 93.14   | 92.35   | 93.69   | 85.34   | 71.01    |
| Russell 2000 Index             | 100     | 101.17  | 105.82  | 97.67   | 101.28  | 104.94  | 96.58   | 76.49    |
| Peer Group                     | 100     | 104.12  | 110.08  | 90.64   | 92.58   | 106.76  | 94.45   | 68.89    |

Notes: Quanex Building Products Corporation was initially listed and began trading on the New York Stock Exchange on April 24, 2008. The graph assumes \$100 invested on April 23, 2008 in Quanex Building Products Corporation common stock, in the S & P 500, Russell 2000 and in the Industry Peer Group. The companies included in the Industry Peer Group are: AMERICAN WOODMARK CORP, APOGEE ENTERPRISES INC, BUILDERS FIRSTSOURCE, BUILDING MATERIALS HLDG CP, DREW INDUSTRIES INC, EAGLE MATERIALS INC, GIBRALTAR INDUSTRIES INC, GRIFFON CORP, LOUISIANA-PACIFIC CORP, NCI BUILDING SYSTEMS INC, SIMPSON MANUFACTURING INC and TREX CO INC.

## Shareholder Information



### Corporate Offices

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1900 West Loop South  
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Houston, Texas 77027

713.961.4600  
800.231.8176  
inquiry@quanex.com

### Company Information on the Web

[www.quanex.com](http://www.quanex.com)  
[www.home-shield.com](http://www.home-shield.com)  
[www.mikronvinyl.com](http://www.mikronvinyl.com)  
[www.truseal.com](http://www.truseal.com)  
[www.besteninc.com](http://www.besteninc.com)  
[www.nicholsal.com](http://www.nicholsal.com)

### Annual Shareholder Meeting

8:00 a.m. C.S.T.  
Thursday, February 26, 2009  
Quanex Corporate Offices

### Transfer Agent, Shareholder Records and Dividend Disbursing Agent

Wells Fargo Bank N.A.  
Shareowner Services  
161 North Concord Exchange  
South St. Paul, MN 55075-1139

Phone: 800.468.9716  
Fax: 651.450.4085  
[www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices)

**Engineered Products**

**www.home-shield.com**

**Homeshield**

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**Homeshield – West Coast**

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**Homeshield – Rice Lake**

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**Mikron Industries, Inc.**

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**Aluminum Sheet Products**

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