



Materion Corporation Reports First Quarter Earnings

Revises Outlook for the Year

MAYFIELD HEIGHTS, Ohio--(BUSINESS WIRE)-- Materion Corporation (NYSE:MTRN) today reported stronger than expected results for the first quarter 2012 and revised its earnings outlook for the year.

The Company reported net income for the quarter of \$6.1 million, or \$0.30 per share, diluted, on sales of \$353.6 million.

FIRST QUARTER 2012 RESULTS

Sales for the first quarter were \$353.6 million, down \$21.2 million, or approximately 6%, compared to sales of \$374.8 million for the first quarter of 2011. Higher pass-through metal prices increased sales in the first quarter by \$16.3 million compared to the same period last year. Net of pass-through metal prices, sales were down approximately 10% year over year. Weaker demand from consumer electronics, telecom infrastructure and automotive electronics contributed to the decline in sales.

Comparing sequentially to the fourth quarter of 2011, first quarter 2012 sales were up \$19.2 million, or approximately 6%, from \$334.4 million. Coming off a weaker fourth quarter of 2011, order entry gained strength in the first quarter of 2012, reflecting stronger demand from the consumer electronics, industrial components and commercial aerospace, oil and gas, medical and automotive electronics markets. The improvement has continued into the early part of the second quarter.

Net income for the first quarter was \$6.1 million, or \$0.30 per share, diluted, compared to net income of \$11.8 million, or \$0.57 per share, diluted, for the first quarter of the prior year. The reduction in net income is due primarily to the lower sales volume and a weaker product mix.

ACQUISITION

In March 2012, the Company acquired all of the outstanding shares of Aerospace Metal Composites Limited (AMC) located in Farnborough, England, for approximately \$3.3 million net of cash received. AMC is a producer of high performance metal matrix composites that are sold into the automotive, aerospace and defense and other markets. These products and technologies complement the Beryllium and Composites business segment.

BUSINESS SEGMENT REPORTING

Advanced Material Technologies

The Advanced Material Technologies' segment sales for the first quarter of 2012 were \$241.8 million, or 6% lower, compared to sales of \$256.6 million in the first quarter of 2011. Excluding the impact of higher metal prices, sales declined \$33.4 million, or approximately 13%, in the first quarter 2012 compared to the first quarter of 2011. The sales decline is largely due to lower demand from the consumer electronics market for semiconductor and wireless product applications. However, demand from these markets improved in the first quarter of 2012 from the low levels of the fourth quarter of 2011. Sequentially, sales were up in the first quarter compared to the fourth quarter by approximately 4%. In addition, demand for medical applications increased in the first quarter of 2012. During the first quarter, order entry improved by 7% over the fourth quarter of 2011.

Operating profit for the first quarter of 2012 was \$5.3 million, compared to an operating profit of \$10.7 million for the first quarter of 2011. Operating profit was negatively impacted by the lower sales volume, a weaker product mix and the recent acquisition of EIS Optics Limited.

Performance Alloys

Performance Alloys' sales for the first quarter of 2012 were \$75.2 million compared to the first quarter of 2011 sales of \$84.4 million, down 11%. Metal price pass-through accounted for \$2.3 million of the lower sales compared to the first quarter of 2011. The majority of the decline in sales is due to weakness in the consumer electronics market. Our sales in this market segment declined 25% compared to the first quarter of 2011. Sales for the first quarter of 2012 were up \$2.7 million, or approximately

4%, compared to sales in the fourth quarter of 2011 of \$72.5 million. The Company's ToughMet sales to the industrial components and commercial aerospace market continued to grow by double digits during the first quarter of 2012. Order entry has improved over the fourth quarter of 2011 by approximately 36%.

Operating profit for the first quarter was \$6.3 million compared to an operating profit of \$8.8 million in the first quarter of 2011. The decline in operating profit is due to the lower sales volume and unfavorable product mix offset, in part, by improved pricing.

Beryllium and Composites

Beryllium and Composites' sales for the first quarter of 2012 were \$16.1 million, up 16% compared to first quarter 2011 sales of \$14.0 million. The higher sales are attributable to stronger demand from the defense and science markets. Sales for the first quarter were up sequentially by approximately 19% from the fourth quarter 2011 sales of \$13.5 million. Order entry during the first quarter was the highest quarterly total since the fourth quarter of 2010.

The operating loss for the first quarter of 2012 was \$1.3 million, which compares to an operating profit of \$0.1 million for the first quarter of 2011. The reduction in operating profit for the first quarter of 2012 is due to an unfavorable product mix, higher material costs and manufacturing inefficiencies caused by lower production volumes. The first quarter 2012 results included higher operating costs associated with the start-up of the new beryllium pebble plant. The higher operating costs will continue into the second quarter as the pebble plant ramps up production volumes through the second quarter of 2012.

Technical Materials

Technical Materials' sales for the first quarter of 2012 were \$20.4 million, up approximately 4%, compared to \$19.7 million for the same period of last year. The majority of the increase is from stronger demand for disk drive materials. Sales in the first quarter of 2012 were up 35% sequentially from the fourth quarter of 2011.

Operating profit for the first quarter of 2012 was \$1.9 million compared to an operating profit of \$2.2 million for the same period of last year.

OUTLOOK FOR 2012

Order entry increased approximately 12% during the first quarter of 2012 following a significant decline in the second half of 2011. The improvement came from stronger demand in the consumer electronics, industrial components and commercial aerospace, oil and gas, medical and automotive electronics markets. While improving, demand levels have not yet returned to the record levels that were seen in the first half of 2011.

Significant progress has been made in resolving the startup issues of the new beryllium facility, and it is anticipated that the output of the plant will meet production demands through 2012. As expected, the Company will experience additional costs in the second quarter in completing the startup phase of this facility. In addition, the Company will be taking a charge in the second quarter related to a planned shutdown of its Newburyport, Massachusetts facility. The customers served from this facility are located primarily in Asia and will be served in the future from the Company's operation in Singapore. The costs related to the start-up of the beryllium plant, the shutdown of the Newburyport facility, as well as the costs related to the integration of the acquisition of EIS Optics Limited, are expected to negatively impact second quarter 2012 results by up to \$0.10 per share.

The global macroeconomic environment remains mixed with short visibility, and the order rate is not as strong going into the second quarter as the Company had initially anticipated. Therefore the Company is now revising its earnings outlook for 2012 to the range of \$1.95 to \$2.10 per share from the previously announced range of \$2.05 to \$2.25 per share.

CHAIRMAN'S COMMENTS

Richard J. Hipple, Chairman, President and CEO, stated, "After a weaker second half in 2011, we are off to a good start for the first quarter 2012. Although I have been disappointed in the slower than anticipated startup of the new beryllium facility, I am encouraged by the recent progress we have made with the corrective actions taken to get the facility back on track to meet 2012 production levels. While I remain cautious about the global economic environment for the balance of 2012, I am encouraged by the sequential improvement in order entry that we are seeing as well as our new product introductions and do expect sequential improvement in our earnings as the year progresses."

CONFERENCE CALL

Materion Corporation will host a conference call with analysts at 11:00 a.m. Eastern Time, April 26, 2012. The conference call will be available via webcast through the Company's website at www.materion.com or through www.InvestorCalendar.com. By phone, please dial (877) 407-9210, callers outside the U.S. can dial (201) 689-8049. A replay of the call will be available until

May 11, 2012 by dialing (877) 660-6853 or (201) 612-7415; please reference Account Number 286 and Conference ID 388589. The call will also be archived on the Company's website.

FORWARD-LOOKING STATEMENTS

Portions of the narrative set forth in this document that are not statements of historical or current facts are forward-looking statements, in particular the outlook provided above. Our actual future performance may materially differ from that contemplated by the forward-looking statements as a result of a variety of factors. These factors include, in addition to those mentioned elsewhere herein:

- The global economy;
- The condition of the markets which we serve, whether defined geographically or by segment, with the major market segments being: consumer electronics, industrial and commercial aerospace, defense and science, energy, medical, automotive electronics, telecommunications infrastructure and appliance;
- Changes in product mix and the financial condition of customers;
- Actual sales, operating rates and margins for 2012;
- Our success in developing and introducing new products and new product ramp-up rates;
- Our success in passing through the costs of raw materials to customers or otherwise mitigating fluctuating prices for those materials, including the impact of fluctuating prices on inventory values;
- Our success in integrating acquired businesses, including EIS Optics Limited and Aerospace Metal Composites Limited;
- Our success in moving the Newburyport, Massachusetts operations to Singapore;
- Our success in implementing our strategic plans and the timely and successful completion and start-up of any capital projects, including the new primary beryllium facility in Elmore, Ohio;
- The availability of adequate lines of credit and the associated interest rates;
- The impact of the results of acquisitions on our ability to achieve fully the strategic and financial objectives related to these acquisitions;
- Other financial factors, including the cost and availability of raw materials (both base and precious metals), physical inventory valuations, metal financing fees, tax rates, exchange rates, pension costs and required cash contributions and other employee benefit costs, energy costs, regulatory compliance costs, the cost and availability of insurance, and the impact of the Company's stock price on the cost of incentive compensation plans;
- The uncertainties related to the impact of war, terrorist activities and acts of God;
- Changes in government regulatory requirements and the enactment of new legislation that impacts our obligations and operations;
- The conclusion of pending litigation matters in accordance with our expectation that there will be no material adverse effects;
- The timing and ability to achieve further efficiencies and synergies resulting from our name change and product line alignment under the Materion name and Materion brand; and
- The risk factors set forth in Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011.

Materion Corporation is headquartered in Mayfield Heights, Ohio. The Company, through its wholly owned subsidiaries, supplies highly engineered advanced enabling materials to global markets. Products include precious and non-precious specialty metals, inorganic chemicals and powders, specialty coatings, specialty engineered beryllium alloys, beryllium and beryllium composites, and engineered clad and plated metal systems.

Materion Corporation

Digest of Earnings

March 30, 2012

| | <u>2012</u> | <u>2011</u> |
|---------------------------------|----------------------|----------------------|
| First Quarter | | |
| Net Sales | \$353,630,000 | \$374,805,000 |
| Net Income | \$6,118,000 | \$11,818,000 |
| Share Earnings - Basic | \$0.30 | \$0.58 |
| Average Shares - Basic | 20,370,000 | 20,356,000 |
| Share Earnings - Diluted | \$0.30 | \$0.57 |
| Average Shares - Diluted | 20,707,000 | 20,796,000 |

Materion Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

| | First Quarter Ended | |
|---------------------------------------------------------------|----------------------------|-------------------------|
| | Mar. 30, 2012 | Apr. 1, 2011 |
| <i>(Thousands, except per share amounts)</i> | | |
| Net sales | \$ 353,630 | \$ 374,805 |
| Cost of sales | 304,212 | 319,005 |
| Gross margin | 49,418 | 55,800 |
| Selling, general and administrative expense | 32,654 | 31,642 |
| Research and development expense | 3,092 | 2,410 |
| Other-net | 3,788 | 3,671 |
| Operating profit | 9,884 | 18,077 |
| Interest expense-net | 698 | 585 |
| Income before income taxes | 9,186 | 17,492 |
| Income tax expense | 3,068 | 5,674 |
| Net income | \$ 6,118 | \$ 11,818 |
| Basic earnings per share: | | |
| Net income per share of common stock | <u>\$ 0.30</u> | <u>\$ 0.58</u> |
| Diluted earnings per share: | | |
| Net income per share of common stock | <u>\$ 0.30</u> | <u>\$ 0.57</u> |
| Weighted-average number of shares of common stock outstanding | | |
| Basic | 20,370 | 20,356 |
| Diluted | 20,707 | 20,796 |

See Notes to Consolidated Financial Statements.

Materion Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

| <i>(Thousands)</i> | Mar. 30, 2012 | Dec. 31, 2011 |
|--------------------------------------------------------------|--------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 15,146 | \$ 12,255 |
| Accounts receivable | 139,372 | 117,761 |
| Other receivables | 2,129 | 4,602 |
| Inventories | 188,972 | 187,176 |
| Prepaid expenses | 40,680 | 39,739 |
| Deferred income taxes | 9,326 | 9,368 |
| Total current assets | <u>395,625</u> | <u>370,901</u> |
| Related-party notes receivable | 51 | 73 |
| Long-term deferred income taxes | 12,857 | 11,627 |
| Property, plant and equipment - cost | 761,471 | 753,326 |
| Less allowances for depreciation, depletion and amortization | <u>(499,206)</u> | <u>(489,513)</u> |
| Property, plant and equipment - net | 262,265 | 263,813 |
| Intangible assets | 32,923 | 34,580 |
| Other assets | 7,948 | 7,073 |
| Goodwill | 84,641 | 84,036 |
| Total assets | <u>\$ 796,310</u> | <u>\$ 772,103</u> |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Short-term debt | \$ 58,055 | \$ 40,944 |
| Accounts payable | 30,380 | 39,385 |
| Other liabilities and accrued items | 45,827 | 56,309 |
| Unearned revenue | 2,252 | 3,033 |
| Income taxes | 2,117 | - |
| Total current liabilities | <u>138,631</u> | <u>139,671</u> |
| Other long-term liabilities | 15,999 | 16,488 |
| Retirement and post-employment benefits | 103,505 | 105,115 |
| Unearned income | 63,104 | 62,540 |
| Long-term income taxes | 1,793 | 1,793 |
| Deferred income taxes | 855 | 51 |
| Long-term debt | 60,320 | 40,463 |
| Shareholders' equity | 412,103 | 405,982 |
| Total liabilities and shareholders' equity | <u>\$ 796,310</u> | <u>\$ 772,103</u> |

See Notes to Consolidated Financial Statements.

Materion Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended
Mar. 30, Apr. 1,

| <i>(Thousands)</i> | 2012 | 2011 |
|--------------------------------------------------------------------------------------|------------------|------------------|
| Net income | \$ 6,118 | \$ 11,818 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation, depletion and amortization | 11,951 | 11,893 |
| Amortization of deferred financing costs in interest expense | 157 | 117 |
| Stock-based compensation expense | 1,411 | 990 |
| Changes in assets and liabilities net of acquired assets and liabilities: | | |
| Decrease (increase) in accounts receivable | (21,792) | (13,094) |
| Decrease (increase) in other receivables | 2,473 | 942 |
| Decrease (increase) in inventory | (1,381) | (21,198) |
| Decrease (increase) in prepaid and other current assets | (988) | (1,280) |
| Decrease (increase) in deferred income taxes | (1,295) | - |
| Increase (decrease) in accounts payable and accrued expenses | (19,527) | (12,004) |
| Increase (decrease) in unearned revenue | (784) | 651 |
| Increase (decrease) in interest and taxes payable | 2,276 | 2,054 |
| Increase (decrease) in long-term liabilities | (1,079) | (1,623) |
| Other-net | (512) | (20) |
| Net cash used in operating activities | <u>(22,972)</u> | <u>(20,754)</u> |
| Cash flows from investing activities: | | |
| Payments for purchase of property, plant and equipment | (9,282) | (3,869) |
| Payments for mine development | (159) | (127) |
| Reimbursements for capital equipment under government contracts | 563 | 1,112 |
| Payments for purchase of business net of cash received | (3,955) | - |
| Proceeds from sale of property, plant and equipment | - | 31 |
| Other investments-net | 1,742 | - |
| Net cash used in investing activities | <u>(11,091)</u> | <u>(2,853)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of short-term debt | 17,160 | 8,561 |
| Proceeds from issuance of long-term debt | 20,105 | 20,000 |
| Repayment of long-term debt | (247) | (10,000) |
| Principal payments under capital lease obligations | (191) | (257) |
| Issuance of common stock under stock option plans | 128 | 637 |
| Tax benefit from stock compensation realization | 67 | 376 |
| Net cash provided from financing activities | <u>37,022</u> | <u>19,317</u> |
| Effects of exchange rate changes | (68) | 193 |
| Net change in cash and cash equivalents | <u>2,891</u> | <u>(4,097)</u> |
| Cash and cash equivalents at beginning of period | <u>12,255</u> | <u>16,104</u> |
| Cash and cash equivalents at end of period | <u>\$ 15,146</u> | <u>\$ 12,007</u> |

See Notes to Consolidated Financial Statements.

Materion Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

Note A - Accounting Policies

In management's opinion, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial position as of March 30, 2012 and December 31, 2011 and the results of operations for the first quarter ended March 30, 2012 and April 1, 2011. All adjustments were of a normal and recurring nature.

Note B - Inventories

Inventories on the Consolidated Balance Sheets are summarized as follows:

| <i>(Thousands)</i> | Mar. 30, 2012 | Dec. 31, 2011 |
|--------------------------------------------------|------------------|------------------|
| Principally average cost: | | |
| Raw materials and supplies | \$ 43,553 | \$ 42,969 |
| Work in process | 183,323 | 179,445 |
| Finished goods | 54,125 | 57,645 |
| Gross inventories | <u>281,001</u> | <u>280,059</u> |
| Excess of average cost over LIFO inventory value | 92,029 | 92,883 |
| Net inventories | <u>\$188,972</u> | <u>\$187,176</u> |

Note C - Pensions and Other Post-employment Benefits

The following is a summary of the first quarter 2012 and 2011 net periodic benefit cost for the domestic defined benefit pension plan and the domestic retiree medical plan.

| <i>(Thousands)</i> | <u>Pension Benefits</u> | | <u>Other Benefits</u> | |
|--------------------|----------------------------|-----------------|----------------------------|-----------------|
| | <u>First Quarter Ended</u> | | <u>First Quarter Ended</u> | |
| | Mar. 30, 2012 | Apr. 1, 2011 | Mar. 30, 2012 | Apr. 1, 2011 |

Components of net periodic benefit cost

| | | | | |
|------------------------------------|-----------------|-----------------|---------------|---------------|
| Service cost | \$ 1,932 | \$ 1,516 | \$ 71 | \$ 71 |
| Interest cost | 2,336 | 2,309 | 360 | 399 |
| Expected return on plan assets | (2,926) | (2,685) | - | - |
| Amortization of prior service cost | (84) | (118) | 22 | (9) |
| Amortization of net loss | 1,402 | 982 | - | - |
| Net periodic benefit cost | <u>\$ 2,660</u> | <u>\$ 2,004</u> | <u>\$ 453</u> | <u>\$ 461</u> |

The Company made contributions to the domestic defined benefit pension plan of \$2.6 million in the first three months of 2012.

Note D - Segment Reporting

| <i>(Thousands)</i> | Advanced Material Technologies | Performance Alloys | Beryllium and Composites | Technical Materials | Subtotal | All Other | Total |
|-----------------------------|--------------------------------------|-----------------------|-----------------------------|------------------------|-----------|--------------|-----------|
| First Quarter 2012 | | | | | | | |
| Sales to external customers | \$ 241,806 | \$ 75,228 | \$ 16,117 | \$ 20,400 | \$353,551 | \$ 79 | \$353,630 |
| Intersegment sales | 665 | 697 | 200 | 264 | 1,826 | - | 1,826 |

| | | | | | | | |
|-----------------------------|------------|-----------|-----------|-----------|-----------|---------|-----------|
| Operating profit (loss) | 5,285 | 6,260 | (1,291) | 1,893 | 12,147 | (2,263) | 9,884 |
| Assets | 358,933 | 238,471 | 129,033 | 24,560 | 750,997 | 45,313 | 796,310 |
| <u>First Quarter 2011</u> | | | | | | | |
| Sales to external customers | \$ 256,626 | \$ 84,449 | \$ 13,958 | \$ 19,661 | \$374,694 | \$ 111 | \$374,805 |
| Intersegment sales | 681 | 910 | 190 | 318 | 2,099 | - | 2,099 |
| Operating profit (loss) | 10,709 | 8,765 | 86 | 2,157 | 21,717 | (3,640) | 18,077 |
| Assets | 336,190 | 245,569 | 122,154 | 25,651 | 729,564 | 30,279 | 759,843 |

Materion Corporation
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