



Brush Engineered Materials Reports Second Quarter Results Ahead of Expectations

CLEVELAND--(BUSINESS WIRE)--July 25, 2002--Brush Engineered Materials Inc. (NYSE:[BW](#) - [News](#)) today reported second quarter sales of \$100.7 million, down 22% from 2001 second quarter sales of \$128.5 million. Sales for the second quarter 2002 were, however, up 12% over first quarter 2002 sales of \$89.6 million. After taking into consideration the impact of the substitution of non-precious metals for precious metals in products sold by the Company's William Advanced Materials Inc. business, quarterly sales have increased in the first two quarters of 2002 over the fourth quarter of 2001, reversing a trend of declining quarterly sales throughout 2001. Sales in the most recent quarter were adversely affected by the continued weakness in telecommunications, the Company's largest market.

Sales for the first half of \$190.3 million were down 31% as compared to 2001 first half sales of \$274.0 million.

The net loss for the second quarter 2002 was \$2.0 million, or \$0.12 per share diluted versus net income of \$1.3 million, or \$0.08 per share diluted for the same period last year. However, the second quarter loss represents an improvement of \$1.8 million, or \$0.11 per share diluted over the first quarter loss as a result of increased sales volume and the continued benefits of the cost reduction initiatives implemented during the second half of 2001. The net loss for the first half of 2002 was \$5.9 million, or \$0.36 per share diluted versus net income of \$7.5 million, or \$0.45 per share diluted for the same period last year.

The Company's cash flow and debt continue to improve. Cash flow from operations was \$5.6 million in the first half of 2002. Balance sheet debt at the end of the second quarter of 2002 was down \$5.3 million from December 31, 2001. Capital expenditures have been held to \$2.3 million year to date versus \$15.6 million for the same period last year.

BUSINESS SEGMENT REPORTING

Metal Systems Group

The Metal Systems Group consists of Alloy Products, Technical Materials, Inc. (TMI) and Beryllium Products.

The Metal Systems Group's second quarter 2002 sales were \$63.5 million, down 24% from 2001 second quarter sales of \$83.4 million. Year-to-date sales were \$119.5 million versus \$182.0 million for the first half of 2001. Compared to the first quarter of 2002, sales in the second quarter for this group were up by approximately 14%.

Second quarter 2002 operating profit/(loss) for the Metal Systems Group was (\$5.1 million) versus (\$1.6 million) for the same period last year. Year-to-date 2002 operating profit was (\$13.6 million) versus \$4.9 million for the first half of 2001.

Alloy Products' 2002 second quarter sales of \$41.0 million were down 35% from 2001 second quarter sales of \$63.0 million. However, second quarter sales were up 7% over the first quarter 2002 sales of \$38.3 million, marking the second consecutive quarterly increase since the sales decline occurred during 2001. Alloy Products' sales for the first six months of \$79.3 million were 41% lower than the same period last year. Alloy continues to experience weakness in the telecommunications market. The increase in sales for each of the first two quarters of 2002 as compared to the fourth quarter of 2001 is due to stronger automotive electronics and a slow recovery of computer and consumer electronics product applications. Alloy sales may be adversely affected in the third quarter depending upon the impact of customer manufacturing maintenance shutdowns occurring both domestically and overseas. Alloy Products continues to make progress in lowering working capital requirements and in reducing manufacturing and overhead costs.

TMI's 2002 second quarter sales of \$12.4 million were approximately flat with second quarter sales of 2001. Year-to-date 2002 sales of \$23.9 million were down 27% from the same period last year. TMI has been experiencing strong sales from the automotive electronics market and after bottoming out during the third quarter of 2001 has had three consecutive quarterly increases in sales. Second quarter 2002 sales were up approximately 8% over first quarter 2002 sales.

Beryllium Products' second quarter sales of \$10.1 million and year-to-date sales of \$16.2 million were up 30% and 11% respectively over the same period last year. This growth, which should remain strong through the remainder of the year, is driven primarily by government releases for defense applications.

Microelectronics Group

The Microelectronics Group includes Williams Advanced Materials Inc. (WAM) and Electronic Products (Electronic Products includes Zentrix Technologies Inc. and Brush Ceramic Products Inc.).

The Microelectronics Group's sales for the second quarter were \$34.5 million, down 18% as compared to 2001 second quarter sales of \$42.3 million. Year-to-date 2002 sales of \$68.0 million were 24% lower than the year-to-date 2001 sales of \$89.2 million. Operating profit was \$1.5 million for the second quarter and \$3.7 million year to date up 59% and 10% respectively over the same periods last year.

WAM's sales were \$27.1 million and \$53.0 million for the second quarter 2002 and year to date versus \$32.7 million and \$68.0 million for the same periods last year. WAM's value-added sales (which are sales less the cost of metal) have continued to remain strong through the first half of this year. WAM has been experiencing the substitution of their non-precious metal products for their precious metal products. Since precious metal prices are a pass through to the customer, value-added sales are not affected. It is anticipated that WAM's value-added sales should remain strong for the remainder of the year driven primarily by optical media and magnetic head product applications.

Electronic Products' 2002 second quarter sales were \$7.3 million and year-to-date sales were \$15.0 million versus 2001 second quarter sales of \$9.6 million and year-to-date sales of \$21.2 million. Electronic Products' sales have continued to be negatively impacted by the weak wireless telecommunications market.

Outlook

While the demand for the telecommunications and computer markets bottomed for the Company in the fourth quarter of 2001, growth in these markets in 2002 at best remains sluggish and visibility regarding lead times for orders still remains very short. It also appears that the economic recovery in the manufacturing sector continues to be pushed out, affecting other markets including semiconductors, oil and gas, aerospace and electronic appliances. Therefore, it is a difficult environment to forecast sales and earnings growth over any extended period of time. Assuming a continued sluggish recovery through the remainder of the third quarter coupled with customer plant maintenance shutdowns it is currently anticipated that sales for the third quarter of 2002 will be flat to down 5% from second quarter 2002 sales with an upside or downside in the 5% range. The Company will continue to control costs and focus on improving manufacturing performance. Additional cost savings measures may be considered to mitigate any anticipated fall off in sales growth.

Chairman's Comments

Chairman, President and Chief Executive Officer, Gordon D. Harnett, stated " I am encouraged with the sales growth we experienced during the second quarter. Our cost and manufacturing initiatives implemented last year are beginning to improve our bottom line even at these lower sales volumes.

"We will continue to execute our manufacturing initiatives, reduce costs where appropriate and focus our marketing efforts to grow sales.

Forward-looking Statements

Any forward-looking statements in this announcement, including those in the Outlook Section, are based on current expectations. The Company's 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: the global and domestic economy, the condition of the markets which the Company serves, whether defined geographically or by segment, with the major market segments being telecommunications and computer, optical media, automotive electronics, industrial components, aerospace and defense, and appliance; changes in product mix and the financial condition of particular customers; the Company's success in implementing its strategic plans and the timely and successful completion of pending capital expansion projects; the availability of adequate lines of credit and the associated interest rates; other financial factors, including tax rates, exchange rates, energy costs and the cost and availability of insurance; changes in government regulatory requirements and the enactment of new legislation that impacts the Company's obligations; and, the conclusion of pending litigation matters in accordance with the Company's expectation that there will be no material adverse effects and other matters referred to in the Company's Securities and Exchange Commission filings.

Brush Engineered Materials Inc., is headquartered in Cleveland, Ohio. The Company and its subsidiaries supply worldwide markets with beryllium products, alloy products, electronic products, precious metal products, and engineered material systems.

Brush Engineered Materials Inc.

Digest of Earnings

June 28, 2002

	2002	2001
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Second Quarter 2002		
Net Sales	\$100,749,000	\$128,457,000
Net (Loss) Income	(\$2,049,000)	\$1,275,000
Share Earnings - Basic	(\$0.12)	\$0.08
Average Shares - Basic	16,556,439	16,508,248
Share Earnings - Diluted	(\$0.12)	\$0.08
Average Shares - Diluted	16,556,439	16,690,938
Year-to-date		
Net Sales	\$190,331,000	\$273,980,000
Net (Loss) Income	(\$5,883,000)	\$7,481,000
Share Earnings - Basic	(\$0.36)	\$0.45
Average Shares - Basic	16,555,553	16,487,575
Share Earnings - Diluted	(\$0.36)	\$0.45
Average Shares - Diluted	16,555,553	16,683,572

Consolidated Balance Sheets

(Dollars in thousands)	June 28, 2002	Dec. 31, 2001
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Assets		
Current Assets		
Cash and cash equivalents	\$3,917	\$7,014
Accounts receivable	61,682	54,616
Inventories	102,671	109,110
Prepaid expenses	6,428	9,910
Deferred income taxes	41,722	38,672
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Total Current Assets	216,420	219,322
Other Assets	30,089	33,224
Property, Plant and Equipment	473,058	469,663
Less allowances for depreciation, depletion and impairment	309,270	298,367
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	163,788	171,296

\$410,297	\$423,842
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Liabilities and Shareholders' Equity

Current Liabilities		
Short-term debt	\$20,301	\$27,582
Accounts payable	21,110	13,869
Other liabilities and accrued items	32,513	34,211
Dividends payable	0	0
Income taxes	3,930	3,917
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Total Current Liabilities	77,854	79,578
Other Long-Term Liabilities	18,774	22,921
Retirement and Post-employment Benefits	39,180	39,552
Long-term Debt	49,219	47,251
Deferred Income Taxes	20,555	20,189
Shareholders' Equity	204,715	214,350
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	\$410,297	\$423,842
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See notes to consolidated financial statements.

Consolidated Statements of Income
(Unaudited)

(Dollars in thousands except share and per share amounts)	Second Quarter Ended		First Half Ended	
	June 28,	June 29,	June 28,	June 29,
	2002	2001	2002	2001

Net sales	\$ 100,749	\$ 128,457	\$ 190,331	\$ 273,980
Cost of sales	85,679	104,881	165,007	216,369

Gross Margin	15,070	23,576	25,324	57,611
Selling, general and administrative expenses	16,907	18,770	32,147	40,276
Research and development expenses	1,101	1,867	2,175	3,559
Other-net	(373)	226	(932)	1,028

Operating Profit (Loss)	(2,565)	2,713	(8,066)	12,748
Interest expense	767	852	1,500	1,827

Income (Loss) before income taxes	(3,332)	1,861	(9,566)	10,921
Income taxes	(1,283)	586	(3,683)	3,440

Net Income (Loss)	\$ (2,049)	\$ 1,275	\$ (5,883)	\$ 7,481
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Per Share of Common Stock: Basic	\$ (0.12)	\$ 0.08	\$ (0.36)	\$ 0.45
Weighted average number of common shares outstanding	16,556,439	16,508,248	16,555,553	16,487,575
Per Share of Common Stock: Diluted	\$ (0.12)	\$ 0.08	\$ (0.36)	\$ 0.45
Weighted average number of common shares outstanding	16,556,439	16,690,938	16,555,553	16,683,572
Cash dividends per common share	\$ -	\$ 0.12	\$ -	\$ 0.24

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	First Half Ended	
	June 28, 2002	June 29, 2001
(Dollars in thousands)		

Net (Loss) Income	(\$5,883)	\$7,481
Adjustments to Reconcile Net Income to Net Cash Provided From Operating Activities:		
Depreciation, depletion and amortization	10,415	11,018
Decrease (Increase) in accounts receivable	(5,946)	1,984
Decrease (Increase) in inventory	7,897	(14,959)
Decrease (Increase) in prepaid and other current assets	1,082	(116)
Increase (Decrease) in accounts payable and accrued expenses	2,297	(9,987)
Increase (Decrease) in interest and taxes payable	(826)	3,078
Increase (Decrease) in deferred income taxes	(227)	(135)
Increase (Decrease) in other long-term liabilities	(4,660)	2,691
Other - net	1,444	746
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Net Cash Provided From (Used in) Operating Activities	5,593	1,801
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(2,299)	(15,559)
Payments for mine development	-	(281)
Proceeds from sale of property, plant and equipment	140	-
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Net Cash Provided From (Used in) Investing Activities	(2,159)	(15,840)

Cash Flows from Financing Activities:

Proceeds from issuance/ (repayment of) short-term debt	(8,307)	8,437
Proceeds from issuance of long-term debt	12,000	15,500
Repayment of long-term debt	(10,000)	(7,500)
Issuance of Common Stock under stock option plans	-	1,753
Purchase of Common Stock for treasury	-	-
Payments of dividends	-	(3,974)
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Net Cash Provided From (Used in) Financing Activities	(6,307)	14,216
Effects of Exchange Rate Changes	(224)	71
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Net Change in Cash and Cash Equivalents	(3,097)	248
Cash and Cash Equivalents at Beginning of Period	7,014	4,314
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Cash and Cash Equivalents at End of Period	3,917	4,562
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See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(Unaudited)

Note D - Segment Reporting

(Dollars in thousands)	Metal Systems	Micro-Electronics	Total Segments	All Other	Total
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Second Quarter 2002					
Revenues from external customers	\$ 63,537	\$ 34,481	\$ 98,018	\$ 2,731	\$ 100,749
Intersegment revenues	768	474	1,242	3,743	4,985
Profit (loss) before interest and taxes	(5,074)	1,467	(3,607)	1,042	(2,565)
Second Quarter 2001					
Revenues from external customers	\$ 83,401	\$ 42,301	\$ 125,702	\$ 2,755	\$ 128,457
Intersegment					

revenues	352	472	824	5,539	6,363
Profit (loss) before interest and taxes	(1,614)	921	(693)	3,406	2,713
First Six Months 2002 -----					
Revenues from external customers	\$ 119,454	\$ 68,026	\$ 187,480	\$ 2,851	\$ 190,331
Intersegment revenues	1,367	957	2,324	6,632	8,956
Profit (loss) before interest and taxes	(13,599)	3,669	(9,930)	1,864	(8,066)
First Six Months 2001 -----					
Revenues from external customers	\$ 182,030	\$ 89,196	\$ 271,226	\$ 2,754	\$ 273,980
Intersegment revenues	1,938	1,301	3,239	10,386	13,625
Profit (loss) before interest and taxes	4,946	3,340	8,286	4,462	12,748

Contact:

Brush Engineered Materials Inc.
Investors: Michael C. Hasychak, 216/383-6823
Media: Patrick S. Carpenter, 216/383-6835
<http://www.BEMinc.com>