



## Brush Engineered Materials Inc. Reports First Quarter 2003 Sales Up 11% Over First Quarter 2002

CLEVELAND, Apr 24, 2003 (BUSINESS WIRE) --

Brush Engineered Materials Inc. (NYSE:BW) today reported first quarter sales of \$99.5 million, up 11% over the first quarter sales of 2002. The increase in sales was visible in both of the Company's business segments, Metal Systems and Microelectronics. The strongest quarter-over-quarter growth was in the computer, data storage, automotive, optical media and defense markets. International sales were up 14% driven by strength in Asia and domestic sales were up 10%.

Income (Loss) before income taxes improved by 55% or \$3.4 million compared to the first quarter of the prior year. The significant improvement was driven by the higher sales, a favorable mix and improvements in operating efficiencies. Gross margin as a percent of sales improved by approximately 6% compared to the first quarter of 2002. The loss before income taxes in the first quarter of 2003 was \$2.8 million compared to a net loss of \$6.2 million in the first quarter of 2002. Considering that approximately 6 percentage points of the 11% sales growth was due to precious metal prices, precious metal mix and currency, the 55% improvement in the Company's pre-tax loss is even more significant.

The Company's diluted net loss per share comparison to prior year is affected by its accounting for income taxes. The net loss for the first quarter 2003 was \$3.0 million or \$0.18 per share diluted versus a net loss of \$3.8 million or \$0.23 per share diluted for the same period last year. In the fourth quarter of 2002, in accordance with SFAS No. 109 "Accounting for Income Taxes," the Company recorded a \$19.9 million charge as part of income tax expense in 2002 to establish a valuation allowance for substantially all of its net deferred tax assets in recognition of uncertainty regarding full realization. The Company intends to maintain a valuation allowance on the net deferred tax assets until a realization event occurs to support reversal of all or a portion of the reserve. Therefore, the Company's first quarter 2003 results include a tax provision of \$0.2 million for certain foreign, state and local taxes but do not include a federal tax benefit. In the first quarter 2002 an income tax benefit of \$2.4 million was recorded which reduced the net loss in that period. The net result of this \$2.6 million change in taxes was to reduce the quarter-over-quarter after-tax improvement to \$0.8 million.

### 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 first quarter sales of \$61.2 million were 9% above first quarter 2002 sales of \$55.9 million. The first quarter operating loss of \$3.4 million was an improvement of \$5.1 million compared to the 2002 first quarter operating loss of \$8.5 million.

Alloy Products' sales of \$40.4 million were 6% above 2002 first quarter sales of \$38.3 million and 16% above 2002 fourth quarter sales of \$34.8 million. The increase in sales is due to strength in the computer, automotive, appliance and plastic tooling markets. In addition, Alloy benefited from inventory adjustments in the telecommunication supply chain. Alloy is making progress with the introduction of its new products including, Alloy 390, moldMAX XL(R) and ToughMet(R). These new materials are targeted at broadening product breadth and opening up opportunities into other diverse markets. In addition, Alloy continues to make progress in reducing manufacturing operating costs and increasing inventory turns.

TMI first quarter 2003 sales of \$11.9 million were 3% above first quarter 2002 and 25% above the fourth quarter of 2002. The sales increase was driven by strength in the automotive and computer markets. The computer market growth is coming predominately from Southeast Asia.

Beryllium Products' first quarter 2003 sales of \$8.8 million increased 44% compared to first quarter 2002 sales of \$6.1 million and were 24% above fourth quarter 2002 sales. Beryllium Products has continued to experience strong sales fueled by the defense market. It is anticipated that this strength will continue through the second quarter of 2003.

#### Microelectronics Group

The Microelectronics Group includes Williams Advanced Materials Inc. (WAM) and Electronic Products.

The Microelectronics Group's first quarter 2003 sales of \$38.3 million were 14% above first quarter 2002 sales of \$33.5 million. Operating profit of \$2.5 million was 15% above the first quarter of 2002.

WAM first quarter 2003 sales of \$30.5 million were 18% above the same period last year. The majority of the sales increase was due to precious metal prices and mix. WAM's value added (which are sales less the cost of metal) was up 3% from the first quarter of 2002. WAM's strong sales have been driven primarily by optical media, data storage and packaging materials.

Electronic Products' first quarter 2003 sales of \$7.8 million were about flat with first quarter 2002 sales of \$7.7 million. Segments of the wireless market served by Electronic Products are showing some signs of improvement. The reorganization and restructuring of Electronic Products announced earlier this year is already benefiting the profitability of this business unit.

## Outlook

There continues to be a lack of visibility in the telecommunications and computer markets as order entry lead times remain short. In addition, the automotive market is showing some signs of softening. As a result, forecasting sales continues to be a challenge. However, order entry is stronger and the near-term outlook for international sales, particularly in Southeast Asia, remains strong. It is therefore anticipated that revenues for the second quarter of 2003 could improve up to 5% over the first quarter 2003 sales of \$99.5 million.

## Chairman's Comments

Commenting on the results, Gordon D. Harnett, Chairman, President and Chief Executive Officer, stated, "Evidence of progress was apparent in the first quarter results. Sales are up and we have continued to reduce our operating losses. The cost reduction initiatives and new product development efforts launched over the past two years are having an impact on our results and improving the Company's outlook. We continue to maintain our discipline in capital and overhead spending and are striving to achieve profitability in the near future."

## Forward-looking Statements

Portions of the narrative set forth in this press release that are not statements of historical or current facts are forward-looking statements. 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, in addition to those mentioned elsewhere herein:

- 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, pension costs, energy costs and the cost and availability of insurance;
- The uncertainties concerning the impact resulting from war or terrorist activities;
- 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.

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

Brush Engineered Materials Inc.  
Digest of Earnings  
March 28, 2003

	2003	2002
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First Quarter 2003		
Net Sales	\$99,518,000	\$89,582,000
Net Loss	(\$3,016,000)	(\$3,834,000)
Share Earnings - Basic	(\$0.18)	(\$0.23)
Average Shares - Basic	16,561,430	16,554,667
Share Earnings - Diluted	(\$0.18)	(\$0.23)
Average Shares - Diluted	16,561,430	16,554,667

Consolidated Balance Sheets  
(Unaudited)

	Mar 28, 2003	Dec. 31, 2002
(Dollars in thousands)	-----	-----
Assets		
Current Assets		
Cash and cash equivalents	\$3,387	\$4,357
Accounts receivable	58,980	47,543
Inventories	94,805	94,324
Prepaid expenses	8,830	9,766
Deferred income taxes	301	244
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Total Current Assets	166,303	156,234
Other Assets	25,350	25,629
Long-term deferred income taxes	529	472
Property, Plant and Equipment	477,960	476,283
Less allowances for depreciation, depletion and impairment	328,810	323,739
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	149,150	152,544
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	\$341,332	\$334,879
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Liabilities and Shareholders' Equity

Current Liabilities

Short-term debt	\$23,166	\$27,235
Accounts payable	21,966	15,129
Other liabilities and accrued items	31,183	30,439
Income taxes	976	786

Total Current Liabilities	77,291	73,589
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Other Long-Term Liabilities	16,507	17,459
Retirement and Post-employment Benefits	49,102	48,518
Long-term Debt	41,185	36,219

Shareholders' Equity	157,247	159,094
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	\$341,332	\$334,879
	=====	=====

See notes to consolidated financial statements.

Consolidated Statements of Income  
(Unaudited)

(Dollars in thousands except share and per share amounts)	First Quarter Ended	
	March 28, 2003	March 29, 2002
Net sales	\$99,518	\$89,582
Cost of sales	82,405	79,328
Gross Margin	17,113	10,254
Selling, general and administrative expenses	17,298	15,240
Research and development expenses	1,108	1,074
Other-net	829	(559)
Operating Loss	(2,122)	(5,501)
Interest expense	689	733
Loss before income taxes	(2,811)	(6,234)
Income taxes	205	(2,400)
Net Loss	\$(3,016)	\$(3,834)
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Per Share of Common Stock: Basic	\$ (0.18)	\$ (0.23)
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Weighted average number of common shares outstanding	16,561,430	16,554,667
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Per Share of Common Stock: Diluted	\$ (0.18)	\$ (0.23)
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Weighted average number of common shares outstanding	16,561,430	16,554,667
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See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)	Three Months Ended	
	March 28, 2003	March 29, 2002
Net Loss	(\$3,016)	(\$3,834)
Adjustments to Reconcile Net Loss to Net Cash Provided From (Used in) Operating Activities:		
Depreciation, depletion and amortization	5,184	5,119
Decrease (Increase) in accounts receivable	(11,640)	(3,384)
Decrease (Increase) in inventory	(454)	4,074
Decrease (Increase) in prepaid and other current assets	926	867
Increase (Decrease) in accounts payable and accrued expenses	7,476	(1,266)
Increase (Decrease) in interest and taxes payable	282	(715)
Increase (Decrease) in deferred income taxes	(52)	(55)
Increase (Decrease) in other long-term liabilities	(333)	(234)
Other - net	1,445	(139)
Net Cash Provided From (Used in) Operating Activities	(182)	433
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(1,587)	(887)
Payments for mine development	(101)	-
Payments for other investments	(1)	-
Proceeds from sale of property, plant and equipment	9	-
Net Cash Used in Investing Activities	(1,680)	(887)
Cash Flows from Financing Activities:		
Proceeds from issuance/(repayment) of short-term debt	842	(2,077)
Proceeds from issuance of long-term debt	-	6,968
Repayment of long-term debt	(34)	(10,000)
Net Cash Provided From (Used in) Financing Activities	808	(5,109)
Effects of Exchange Rate Changes	84	2
Net Change in Cash and Cash Equivalents	(970)	(5,561)
Cash and Cash Equivalents at Beginning of Period	4,357	7,014
Cash and Cash Equivalents at End of Period	\$3,387	\$1,453

See notes to consolidated financial statements.

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 28, 2003 and December 31, 2002 and the results of operations for the three month periods ended March 28, 2003

and March 29, 2002. All of the adjustments were of a normal and recurring nature.

Note B - Inventories

(Dollars in thousands)	Mar. 28, 2003	Dec. 31, 2002
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Principally average cost:		
Raw materials and supplies	\$22,810	\$22,572
In process	65,899	65,809
Finished goods	30,796	29,522
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Gross inventories	119,505	117,903
Excess of average cost over LIFO		
Inventory value	24,700	23,579
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Net inventories	\$94,805	\$94,324
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Note C - Comprehensive Loss

The reconciliation between Net Loss and Comprehensive Loss for the three month periods ended March 28, 2003 and March 29, 2002 is as follows:

(Dollars in thousands)	First Quarter Ended	
	Mar. 28, 2003	Mar. 29, 2002
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Net Loss	\$(3,016)	\$(3,834)
Cumulative Translation Adjustment	(74)	(88)
Change in the Fair Value of Derivative Financial Instruments	1,164	1,392
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Comprehensive Loss	\$(1,926)	\$(2,530)
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Note D - Segment Reporting

(Dollars in thousands)	Metal Systems	Micro- Electronics	Total Segments	All Other	Total
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First Quarter 2003					
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Revenues from external customers	\$61,207	\$38,311	\$99,518	\$-	\$99,518
Intersegment revenues	901	272	1,173	3,573	4,746
Profit (loss) before interest and taxes	(3,424)	2,537	(887)	(1,235)	(2,122)
First Quarter 2002					

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Revenues from external customers	\$55,917	\$33,545	\$89,462	\$120	\$89,582
Intersegment revenues	599	483	1,082	2,889	3,971
Profit (loss) before interest and taxes	(8,525)	2,202	(6,323)	822	(5,501)

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