Brush Engineered Materials Inc. Reports Third Quarter Financial Results Consistent With The Previously Announced Estimate

CLEVELAND — October 25, 2001 — Brush Engineered Materials Inc. (NYSE – BW) today reported a third quarter net loss of $7.8 million or $0.47 per share diluted on sales of $106.2 million versus net income of $4.1 million or earnings per share diluted of $0.25 on sales of $143.9 million for the same period last year. These results were in line with the Company’s previously announced third quarter estimates and include one-time severance, closure and extended plant shutdown costs of approximately $0.15 per share. Sales continued to be affected by the steep downturn in the telecommunications equipment and computer markets which historically approached 50% of the Company’s sales. During the quarter the overall global economic slowdown also started to have a negative impact on other markets which the Company serves. For the first three quarters of 2001, the Company had a net loss of $0.3 million or $0.02 per share diluted on sales of $380.2 million versus net income of $10.2 million or $0.62 per share diluted on $416.5 million of sales for the same period last year. In spite of the significant downturn in the quarter the Company’s operating cash flow continued to improve. Debt and current liabilities were reduced by $19 million in the quarter. While the Company expects this trend to continue, it is in the process of obtaining a waiver with respect to certain financial covenants in its bank credit facilities.

Business Segment Reporting

The third quarter and year-to-date operating results for each segment include certain allocated corporate and shared service expenses. This allocation is consistent with the reorganization of the Company’s corporate and capital structure approved by shareholders on May 2, 2000 and completed on January 1, 2001. Financial results for each segment have been adjusted for the same periods in 2000 to reflect these changes.

Metal Systems Group

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

The Metal Systems Group’s third quarter 2001 sales were $61.8 million, down 34% from 2000 third quarter sales of $93.9 million. Year-to-date sales were $243.8 million, down 13% from sales of $280.2 million for the same period last year.

Third quarter operating profit/(loss) for the Metal Systems Group was ($9.4 million) versus $3.6 million for the same period last year. Year-to-date operating profit/(loss) was ($4.4 million) versus $5.8 million for the same period last year.

Alloy third quarter 2001 sales of $47.5 million and year-to-date sales of $181.7 million were down 28% and 9% respectively over the same periods last year. Alloy strip sales, comprising one third of the Company's total sales, continued to be impacted through the third quarter by the softness in the telecommunications equipment and computer markets. In addition, alloy bulk products’ sales experienced softness in the undersea telecommunications, plastic tooling and oil and gas markets. Alloy Products continues to adjust production levels to be more commensurate with sales volume and has taken additional cost reduction actions including workforce reduction, the closing of a service center and extended plant shutdowns. Alloy Products reduced employment by 14% during the third quarter. It is anticipated that further cost reduction actions will be taken during the fourth quarter of 2001.

TMI’s third quarter sales of $8.4 million were down 61% from the third quarter of 2000 and year-to-date sales of $41.5 million were down 34% from the same period last year. TMI sales have been affected throughout the year by softness in the telecommunications, computer/datacom and automotive electronics markets.

Beryllium Products’ third quarter 2001 sales of $5.9 million were down 13% and year-to-date sales of $20.6 million were up 19% versus the same period last year. The sales weakness during the third quarter was a result of defense program delays. It is anticipated that sales will pick up significantly during the fourth quarter as defense programs are released for production.

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 Groups’ sales were $41.7 million for the third quarter and $130.9 million year to date, down 14% and 8% respectively over the same periods last year.

Third quarter operating profit for the Microelectronics Group was $0.2 million versus $3.0 million for the same period last year. Year-to-date operating profit was $3.5 million versus $7.8 million for the same period last year.

WAM’s third quarter sales of $33.9 million were down 10% from the third quarter sales of 2000. Third quarter sales less precious metal prices, which are a pass through to customers, were up 5% over 2000 third quarter sales. Year-to-date sales of $101.9 million were up 2% compared to the same period last year. The third quarter sales were impacted by softness in photonics and traditional microelectronic applications.

Electronic Product sales of $7.8 million were down 29% from the third quarter of 2000 and year-to-date sales of $28.9 million were down 8% from the same period last year. The decrease in sales for the quarter and year to date is due to softness in the wireless and fiber optic telecommunications market. This softness is expected to continue through the balance of 2001. Electronic Products reduced their overall costs during the quarter and has also reduced the workforce by 28% since the beginning of the year.

Outlook

The continuing decline in the telecommunications equipment and computer markets has significantly affected the sales and operating performance of the Alloy Products, Technical Materials and Electronic Products businesses. In addition, the widespread domestic economic slowdown and the more recent slowdown in Europe and Asia has slowed sales in many of the Company’s other markets. Forecasting in this very uncertain economic environment is difficult due to a lack of visibility over customers’ demand. The Company expects that fourth quarter sales will be 5-10% less than third quarter 2001 sales with earnings similar to third quarter levels.

As a result of the continued economic weakness, the Company is completing a cost reduction plan which includes additional employment reductions, extended facility shutdowns and a number of other cost reduction initiatives. These initiatives will be implemented during the fourth quarter and, when combined with the initiatives taken in the third quarter, should lower the Company’s annual cost structure by $30 to $40 million and therefore the Company’s breakeven point by $80 to $100 million annual revenue. Thus, a significant improvement in operating results should be visible as early as the first quarter of 2002.

Chairman’s Comments

Commenting on the results, Gordon D. Harnett, Chairman and CEO, stated, "Although difficult, the actions that we have taken and will continue to take during the fourth quarter will have a significant favorable impact on our profitability and operating cash flow in early 2002 and well into the future."

Forward-looking Statements

Any forward-looking statements in this announcement, including those in the Outlook Section, are based on current expectations. The Company’s performance may differ materially from that contemplated by the forward-looking statements as a result of a variety of factors, including the global and domestic economy, fluctuations in customer demand, manufacturing yields and operating performances at the Company’s various facilities, changes in product mix, financial condition of customers, the timely and successful completion of pending capital expansions, tax rates, exchange rates, energy costs and other matters referred to in the Company’s Securities and Exchange Commission filings. Brush Engineered Materials Inc. is headquartered in Cleveland. The Company, through its wholly-owned subsidiaries, supplies worldwide markets with beryllium products, alloy products, electronic products, precious metal products, and engineered material systems.