



Brush Engineered Materials Inc. Reports Significantly Improved Second Quarter 2004 Earnings Per Share of \$0.38; Sales up 26% Compared to Second Quarter 2003

CLEVELAND, Jul 28, 2004 (BUSINESS WIRE) -- Brush Engineered Materials Inc. (NYSE:BW) today reported second quarter net income of \$6.6 million or \$0.38 per share, diluted. The Company broke even in the second quarter of 2003. Sales for the second quarter of 2004 were up 26% to \$128.6 million compared to second quarter 2003 sales of \$101.8 million. The significant improvement in earnings is due to increased sales volume, improved margins and continued gains in operating efficiency. Gross margin as a percent of sales improved to approximately 23% compared to 19% in the second quarter of 2003.

The strong quarterly sales were driven by strength in the Company's key end-use markets, including telecommunications and computer, automotive electronics and data storage, and continued success with the development and introduction of new products. This is the sixth consecutive quarter in which sales were higher than in the prior year's comparable quarter. Metal prices and exchange rates accounted for \$5.2 million of the \$26.8 million sales improvement.

First half 2004 net income was \$10.3 million or \$0.60 per share diluted. The Company had a net loss of \$3.0 million or \$0.18 per share diluted in the first half of 2003. Gross margin as a percent of sales improved to 23% versus 18% in the first half of 2003. Year-to-date sales of \$254.5 million were 26% higher than 2003 first half sales of \$201.3 million. Metal prices and exchange rates accounted for \$11.6 million of the \$53.2 million sales improvement. First half operating profit improved by \$16.1 million over the comparable period of 2003. Approximately 39% of the sales growth for the first half of the year flowed through to operating profit after considering metal prices and exchange rates.

Subsequent to the end of the second quarter, the Company announced the completion of a common stock offering of approximately 2.1 million newly issued shares. The net proceeds from the offering, after deducting the estimated fees, were approximately \$35.0 million. The majority of the proceeds were used to repay outstanding borrowings under the Company's revolving line of credit and \$5.0 million of the proceeds was used to repay a portion of the Company's long-term subordinated debt. In addition, as part of the public offering, the underwriters have an option to purchase up to an additional 0.3 million shares to cover over-allotments. If exercised, the option could generate up to an additional \$5.7 million in net proceeds.

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 sales of \$77.1 million were 27% higher than second quarter 2003 sales of \$60.7 million. Year-to-date sales of \$153.1 million were 26% higher than the sales of \$121.9 million for the prior year.

The Metal Systems Group had a second quarter operating profit of \$1.8 million compared to an operating loss of \$2.8 million for the second quarter of 2003. The operating profit for the first half of 2004 was \$5.0 million, an improvement of \$11.2 million over the \$6.2 million operating loss for the same period last year.

Alloy Products' second quarter sales of \$54.7 million and first half sales of \$107.2 million were each up approximately 30% compared to the same periods last year. Alloy continues to experience strength across its global major end-use markets including computer and telecommunications, automotive electronics, and industrial components. Alloy strip form products sales were up 37% while bulk products increased 15% compared to the first half of 2003. During the first half of 2004, Alloy Products continued to make progress with manufacturing efficiencies and the development and sales of its new beryllium and non-beryllium alloys. Although the Alloy order entry rate remains strong compared to the prior year, visibility is short and sales for the third quarter 2004 will be affected by the normal domestic and European seasonal factors.

TMI's second quarter sales of \$14.6 million were up 37% over the second quarter of 2003. Sales of \$28.3 million for the first half of 2004 were 26% higher than the first half sales of 2003. The growth has been driven by strong demand from the telecommunications and computer market. Sales to the automotive electronics market were stable. TMI's third quarter sales will also be impacted by the seasonal factors.

Beryllium Products' second quarter sales of \$7.8 million were about flat with 2003 second quarter sales of \$7.9 million while first half sales of \$17.5 million were slightly above 2003 first half sales of \$16.8 million. The outlook for defense and medical applications remains positive.

Microelectronics Group

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

The Microelectronics Group's sales for the second quarter of 2004 of \$51.5 million were 37% above second quarter 2003 sales of \$37.7 million. Sales for the first six months of 2004 of \$101.4 million were 33% above 2003 first half sales of \$76.0 million. Operating profit for the second quarter was \$4.8 million, 37% above the second quarter of 2003. Operating profit year-to-date was \$10.3 million, 72% above the first half 2003 operating profit of \$6.0 million.

WAM's 2004 second quarter sales of \$43.5 million were 46% above second quarter 2003 sales of \$29.8 million. WAM's sales for the first half of \$85.6 million were 42% above the same period last year. The strong growth in the second quarter and first half of 2004 is attributable to the strong demand in the data storage and wireless handset markets.

Electronic Products' second quarter sales of \$8.0 million and first half sales of \$15.8 million were up slightly compared to the second quarter 2003 sales of \$7.9 million and first half 2003 sales of \$15.7 million.

Outlook

The Company's end-use markets continue to reflect positive trends and strong growth rates. Although the third quarter is usually affected by seasonal factors such as holiday periods in Europe and domestic maintenance shutdowns, the Company currently expects the third quarter to grow at rates similar to those experienced the past three quarters. Third quarter sales are currently expected to be at least 20% higher than the prior year's third quarter sales of \$94.2 million.

Chairman's Comments

Commenting on the results, Gordon D. Harnett, Chairman, President and CEO, stated, "I am pleased to report the significant improvement in earnings for the second quarter and first half of 2004. Importantly, we are seeing good earnings leverage from the growth in sales. Our initiatives to lower cost and improve operating efficiencies continue to provide strong year-over-year margin improvement. Our new market and new product initiatives are also adding to the revenue growth. We remain committed to these initiatives and look forward to continued improvement in the second half of 2004."

Forward-Looking Statements

Portions of the content set forth in this document that are not statements of historical or current facts are forward-looking statements. The Company's actual future performance, including performance in the near term, 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 condition of the markets which the Company serves, whether defined geographically or by market, with the major markets being telecommunications and computer, optical media, automotive electronics, industrial components, aerospace and defense and appliance.
- Actual sales, operating rates and margins in the third quarter 2004 and for the full year of 2004.
- Changes in product mix.
- The financial condition of particular customers.
- The Company's success in implementing its strategic plans and the timely and successful completion of any capital expansion projects.
- Other factors, including, interest rates, exchange rates, tax rates, pension costs, energy costs, raw material costs and the cost and availability of insurance.

- Changes in government regulatory requirements and the enactment of any new legislation that impacts the Company's obligations.
- The conclusion of pending litigation matters in accordance with the Company's expectation that there will be no material adverse effects.
- Additional risk factors that may affect the Company's results are identified under the caption "Risk Factors" in the S-3 Registration Statement of the Company filed with the Securities and Exchange Commission on April 2, 2004.

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
July 2, 2004

	2004	2003
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Second Quarter		
Net Sales	\$128,639,000	\$101,805,000
Net Income	\$6,571,000	\$37,000
Share Earnings - Basic	\$0.39	\$0.00
Average Shares - Basic	16,704,568	16,563,098
Share Earnings - Diluted	\$0.38	\$0.00
Average Shares - Diluted	17,127,698	16,639,382
Year-to-date		
Net Sales	\$254,501,000	\$201,323,000
Net Income (Loss)	\$10,324,000	(\$2,979,000)
Share Earnings - Basic	\$0.62	(\$0.18)
Average Shares - Basic	16,661,099	16,562,283
Share Earnings - Diluted	\$0.60	(\$0.18)
Average Shares - Diluted	17,107,295	16,562,283

Consolidated Balance Sheets
(Unaudited)

	July 2, 2004	Dec. 31, 2003
(Dollars in thousands)	-----	-----
Assets		
Current assets		
Cash and cash equivalents	\$10,325	\$5,062

Accounts receivable	67,950	55,102
Inventories	100,030	87,396
Prepaid expenses	5,674	5,454
Deferred income taxes	51	291
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Total current assets	184,030	153,305
Other assets	16,006	18,902
Long-term deferred income taxes	1,393	704
Property, plant and equipment	537,679	535,421
Less allowances for depreciation, depletion and impairment	355,873	344,575
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	181,806	190,846
Goodwill	7,992	7,859
	-----	-----
	\$391,227	\$371,616
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	\$25,516	\$13,387
Accounts payable	16,994	16,038
Other liabilities and accrued items	38,200	37,366
Income taxes	928	1,373
	-----	-----
Total current liabilities	81,638	68,164
Other long-term liabilities	12,219	14,739
Retirement and post-employment benefits	50,439	49,358
Long-term debt	78,581	85,756
Minority interest in subsidiary	-	26
Shareholders' equity	168,350	153,573
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	\$391,227	\$371,616
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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	
	July 2, 2004	June 27, 2003	July 2, 2004	June 27, 2003
Net sales	\$128,639	\$101,805	\$254,501	\$201,323
Cost of sales	99,198	82,941	195,483	165,346
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Gross margin	29,441	18,864	59,018	35,977
Selling, general and administrative expenses	19,161	16,611	38,208	33,909
Research and development expenses	1,098	928	2,366	2,036
Other-net	127	230	3,319	976
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Operating profit (loss)	9,055	1,095	15,125	(944)
Interest expense	2,389	834	4,607	1,606

Income (loss) before income taxes	6,666	261	10,518	(2,550)
Minority interest	-	(22)	-	(22)
Income taxes	95	246	194	451

Net income (loss)	\$6,571	\$37	\$10,324	\$(2,979)
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Per share of common stock:				
basic	\$0.39	\$0.00	\$0.62	\$(0.18)
Weighted average number of common shares outstanding				
	16,704,568	16,563,098	16,661,099	16,562,283
Per share of common stock:				
diluted	\$0.38	\$0.00	\$0.60	\$(0.18)
Weighted average number of common shares outstanding				
	17,127,698	16,639,382	17,107,295	16,562,283

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(Unaudited)

(Dollars in thousands)	First Half Ended	
	July 2, 2004	June 27, 2003

Net income (loss)	\$10,324	\$(2,979)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, depletion and amortization	12,025	10,021
Amortization of deferred financing costs in interest expense	722	163
Derivative financial instrument ineffectiveness	(1)	58
Decrease (increase) in accounts receivable	(13,344)	(10,461)
Decrease (increase) in inventory	(12,923)	5,754
Decrease (increase) in prepaid and other current assets	293	1,666
Increase (decrease) in accounts payable and accrued expenses	4,287	1,870
Increase (decrease) in interest and taxes payable	(1,033)	105
Increase (decrease) in deferred income taxes	(709)	147
Increase (decrease) in other long-term liabilities	(374)	173
Other - net	1,771	653

Net cash provided from operating activities	1,038	7,170
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(2,959)	(3,212)
Payments for mine development	(120)	(101)
Proceeds from other investments	14	-

Proceeds from sale of property, plant and equipment	15	8
Net cash used in investing activities	(3,050)	(3,305)
Cash flows from financing activities:		
Proceeds from issuance/(repayment) of short-term debt	13,557	(4,959)
Proceeds from issuance of long-term debt	24	2,000
Repayment of long-term debt	(8,629)	(4,034)
Issuance of common stock under stock option plans	2,381	-
Net cash provided from (used in) financing activities	7,333	(6,993)
Effects of exchange rate changes	(58)	78
Net change in cash and cash equivalents	5,263	(3,050)
Cash and cash equivalents at beginning of period	5,062	4,357
Cash and cash equivalents at end of period	\$10,325	\$1,307
	=====	=====

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 July 2, 2004 and December 31, 2003 and the results of operations for the three and six month periods ended July 2, 2004 and June 27, 2003. All of the adjustments were of a normal and recurring nature. Certain items in the prior year have been reclassified to conform to the 2004 consolidated financial statement presentation.

Note B - Inventories

(Dollars in thousands)	July 2, 2004	Dec. 31, 2003

Principally average cost:		
Raw materials and supplies	\$23,655	\$24,990
Work in process	74,631	65,212
Finished goods	28,457	20,637
Gross inventories	126,743	110,839
Excess of average cost over LIFO		
Inventory value	26,713	23,443
Net inventories	\$100,030	\$87,396
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Notes to Consolidated Financial Statements
(Unaudited)

Note C - Comprehensive Income (Loss)

The reconciliation between net income (loss) and comprehensive income (loss) for the three and six month periods ended July 2, 2004 and June 27, 2003 is as follows:

(Dollars in thousands)	Second Quarter Ended		First Half Ended	
	July 2, 2004	June 27, 2003	July 2, 2004	June 27, 2003
Net income (loss)	\$6,571	\$37	\$10,324	\$(2,979)
Cumulative translation adjustment	(356)	3	(131)	(70)
Change in the fair value of derivative financial instruments	1,424	(3,065)	2,353	(1,900)
Comprehensive income (loss)	\$7,639	\$(3,025)	\$12,546	\$(4,949)

Note D - Segment Reporting

(Dollars in thousands)	Metal Systems	Micro- Electronics	Total Segments	All Other	Total
Second Quarter 2004					
Revenues from external customers	\$77,129	\$51,510	\$128,639	\$-	\$128,639
Intersegment revenues	856	391	1,247	6,185	7,432
Operating profit	1,795	4,804	6,599	2,456	9,055
Second Quarter 2003					
Revenues from external customers	\$60,670	\$37,650	\$98,320	\$3,485	\$101,805
Intersegment revenues	817	246	1,063	4,081	5,144
Operating profit (loss)	(2,775)	3,473	698	397	1,095
First Half 2004					
Revenues from external customers	\$153,087	\$101,414	\$254,501	\$-	\$254,501
Intersegment revenues	2,070	687	2,757	11,482	14,239
Operating profit (loss)	4,971	10,293	15,264	(139)	15,125

First Half 2003

Revenues from external customers	\$121,877	\$75,961	\$197,838	\$3,485	\$201,323
Intersegment revenues	1,718	518	2,236	7,654	9,890
Operating profit (loss)	(6,199)	6,010	(189)	(755)	(944)

SOURCE: Brush Engineered Materials Inc.

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

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