



Brush Engineered Materials Inc. Reports Third Quarter 2009 Results

MAYFIELD HTS., Ohio, Oct 29, 2009 (BUSINESS WIRE) -- Brush Engineered Materials Inc. (NYSE: BW) today reported net income for the third quarter of 2009 of \$0.1 million or \$0.01 per share, diluted, on sales of \$190.5 million.

THIRD QUARTER RESULTS

Third quarter sales of \$190.5 million were up 9%, or \$16.4 million compared to the second quarter 2009 sales of \$174.1 million. Sales have improved sequentially in the second and third quarters of 2009. The sales improvement is due primarily to an increase in demand for the Company's materials from the consumer electronics-oriented markets. Metal price inflation was also a factor in the sales increase for the quarter.

The Company recorded net income of \$0.1 million versus a net loss of \$0.8 million in the second quarter of 2009. In addition to the impact of the higher sales volumes, results for the quarter were favorably affected by ongoing cost reductions and discrete tax items, both of which were expected. Results for the quarter were negatively affected by delays in the shipment of higher margin defense orders, the costs of unexpected manufacturing issues and acquisition-related costs.

Sales of \$190.5 million in the third quarter 2009 declined \$50 million, or 21% versus sales of \$240.5 million in the third quarter 2008. For the first nine months of 2009, sales of \$500 million were 30% lower than sales of \$713.4 million for the first nine months of 2008. The third quarter net income of \$0.1 million was a decline of \$9.8 million versus the 2008 third quarter net income of \$9.9 million. For the first nine months of the year, the net loss of \$8.8 million was down \$30.5 million versus net income of \$21.7 million for the same period of last year.

ACQUISITION

On October 23, 2009, the Company announced the acquisition of Barr Associates, Inc. through its wholly-owned subsidiary, Williams Advanced Materials Inc., for approximately \$55.0 million. Barr Associates in Westford, Massachusetts is a leading manufacturer of precision thin film optical filters that enable complex technologies and components throughout the defense, aerospace, medical, energy, semiconductor, telecommunications, lighting and astronomy markets. The acquisition, expected to be accretive to earnings in 2010, was financed through internally generated cash plus proceeds of approximately \$25.0 million from the Company's \$240.0 million revolving line of credit. This acquisition continues the transformation of the Company by further broadening its advanced materials technologies, products and markets.

BUSINESS SEGMENT REPORTING

Advanced Material Technologies and Services

The Advanced Material Technologies and Services' segment sales for the third quarter of 2009 were \$127.9 million compared to \$128.7 million in the third quarter of the prior year. Sales for the first nine months of 2009 were \$320.3 million versus \$381.9 million for the same period last year. While sales were lower in the third quarter of 2009 versus 2008, third quarter sales were up 14% over the second quarter of 2009.

Operating profit for the third quarter was \$8.5 million, up \$0.8 million over the third quarter of 2008. Operating profit year to date was \$17.6 million versus \$18.3 million for the first nine months of last year.

The third quarter sales increase over the second quarter 2009 was due to continued strength in consumer electronics product applications including handsets, semiconductor, photonics and microelectronics packaging. A portion of this increase in demand is related to replenishment of customer inventory levels throughout the supply chain. Sales to the medical market were soft as compared to the first half of 2009 but are anticipated to increase over the remainder of the year.

Sales of ruthenium media targets in the third quarter and first nine months of the year remained weak. However, progress in the re-qualification of materials with key customers has continued and it is anticipated that the Company will have an opportunity to regain some of the market share it lost in 2008.

The operating profit improvement in the third quarter of 2009 versus the third quarter of 2008 is due to the cost savings initiatives earlier in the year. Margins and profitability were negatively affected by approximately \$1.0 million due to manufacturing issues and resulting sales returns.

Specialty Engineered Alloys

Specialty Engineered Alloys' sales for the third quarter were \$42.9 million, compared to the third quarter of 2008 sales of \$77.6 million. Year-to-date sales were \$121.1 million versus \$231.9 million for the first nine months of the prior year. The operating loss for the third quarter was \$6.3 million, which compares to an operating profit of \$2.1 million for the third quarter of 2008. The operating loss for the first nine months of 2009 was \$26.5 million. For the first nine months of 2008, this segment reported an operating profit of \$7.5 million.

The substantial decline in sales for the third quarter and year to date as compared to the same periods last year was primarily due to the effect of the severe global recession on key markets including telecommunications and computer, oil and gas, aerospace and heavy equipment. Strip volumes have improved over the low levels in the first quarter 2009, growing 30% in the third quarter 2009 and 13% in the second quarter over the immediately preceding quarter. Demand increased in the second and third quarters of 2009 for consumer electronics, particularly handset applications. Automotive electronics and oil and gas product applications began to show a slight improvement during the third quarter. A portion of the increased demand is from customer inventory replenishment throughout the supply chain.

The operating loss for the third quarter and first nine months was due primarily to the significantly lower sales volume, related manufacturing inefficiencies and machine utilization rates associated with the lower volumes. Cost reduction initiatives including headcount reductions, reduced work hours and wage reductions helped mitigate a portion of the loss.

Beryllium and Beryllium Composites

Beryllium and Beryllium Composites' sales for the third quarter of 2009 were \$10.2 million compared to third quarter 2008 sales of \$17.6 million. For the first nine months of the year, sales were \$36.3 million in 2009 versus \$45.7 million for the same period last year. There was an operating loss of \$0.5 million for the third quarter of 2009 which compares to an operating profit of \$2.5 million for the same period last year. Operating profit for the first nine months of 2009 was \$2.4 million compared to \$5.1 million for the first nine months of 2008.

Demand for defense-related applications softened during the third quarter 2009 due to government funding delays.

Operating profit for the third quarter and year to date as compared to the same periods last year was affected by the differences in sales volume and product mix.

Engineered Material Systems

Engineered Material Systems' sales for the third quarter of 2009 were \$9.5 million. This compares to \$16.7 million for the third quarter of 2008. Sales for the first nine months of 2009 were \$22.4 million compared to sales of \$53.9 million for the same period last year. Operating profit in the third quarter was \$0.1 million versus an operating profit of \$1.6 million for the third quarter of 2008. The operating loss for the first nine months of 2009 was \$3.4 million. For the same period last year, an operating profit of \$5.0 million was reported for this segment.

The decline in sales for the third quarter and year to date is due to the effect of the severe global recession on key markets including telecommunications and computer, data storage and automotive electronics. Sales for the third quarter were up 27% over the second quarter 2009 sales as a result of increased demand for automotive electronics and other new emerging markets.

The improvement in operating profit in the third quarter versus an operating loss in the second quarter of 2009 is due to cost reduction initiatives and the improvement in sales.

OUTLOOK

While the Company did experience significant widespread weakness and an environment with limited visibility across the majority of its markets earlier in the year, the level of overall business activity began to improve as the first quarter ended and the second quarter began. The improving trend continued throughout the second and third quarters.

Overall, the Company is seeing improvement in its order entry, driven primarily by the consumer electronics-oriented markets. However, certain of its other markets, especially the industrial markets, have not shown any significant signs of improvement and the defense market, which remained strong throughout the first half, weakened in the third quarter.

While it is difficult in this environment to clearly envision future trends, the Company does expect business levels to continue to improve. Traditionally, seasonal factors can affect sales in the fourth quarter. At this time though, due to the improving trends noted earlier and the impact of the Barr Associates acquisition, fourth quarter sales are expected to improve by up to 8% from third quarter levels and be in the range of \$195.0 million to \$205.0 million. Looking beyond the fourth quarter, the Company expects markets to remain unpredictable and is not assuming a robust economic recovery. Thus, we expect to continue to monitor and where possible, maintain our aggressive cost reduction actions and capital control initiatives.

It is important to continue to reiterate that the Company's outlook is subject to significant variability, especially given the current economic environment. Changes in demand levels, metal price changes, metal supply conditions, new product qualification and ramp-up rates, swings in customer inventory levels, changes in the financial health of key customers, acquisition-related costs and other factors can have a significant effect on actual results. The outlook provided above is based on the Company's best estimates at this time and is subject to significant fluctuations due to these as well as other factors.

CHAIRMAN'S COMMENTS

Richard Hipple, Chairman, President and CEO, stated, "I am encouraged with our quarter-to-quarter improvements as we recover from the downturn in business seen earlier in the year. The combination of the tremendous efforts on cost reductions and the market recovery, in some sectors, is laying the foundation for ongoing improvement.

"During these difficult times, we have been able to maintain our strong balance sheet which has now provided the great opportunity for us to acquire Barr Associates, announced last Friday. Barr is a leader in the thin film optical coatings market and the acquisition dramatically extends our technology and market breadth along with our other two coating acquisitions of Thin Film Technology, Inc. and Techni-Met, LLC over the past several years."

CONFERENCE CALL

Brush Engineered Materials' quarterly earnings conference call will be held today at 11:00 a.m. Eastern Time. The conference call will be available via webcast through the Company's website at www.beminc.com or through www.InvestorCalendar.com. By phone, please dial (877) 407-8033, callers outside the U.S. can dial (201) 689-8033.

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. 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 and domestic economies, including the uncertainties related to the impact of the current global financial crisis;
- The condition of the markets in which we serve, whether defined geographically or by segment, with the major market segments being telecommunications and computer, data storage, aerospace and defense, automotive electronics, industrial components, appliance and medical;
- Changes in product mix and the financial condition of customers;
- Actual sales, operating rates and margins for the fourth quarter and the year 2009;
- The successful implementation of cost reduction initiatives;
- Our success in developing and introducing new products and new product ramp- up rates, especially in the media market;
- 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 newly acquired businesses, including the acquisition of Barr Associates, Inc.;
- The impact of the results of operations of Barr Associates, Inc. on our ability to achieve fully the strategic and financial objectives related to the acquisition, including the acquisition being accretive to earnings;
- Our success in implementing our strategic plans and the timely and successful completion of any capital projects;
- The availability of adequate lines of credit and the associated interest rates;
- Other financial factors, including cost and availability of raw materials (both base and precious metals), tax rates, exchange rates, interest rates, metal financing fees, 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 and deferred compensation plans;

- The uncertainties related to the impact of war and terrorist activities;
- 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; and
- The risk factors set forth in Part I, Item 1A of the Company's Form 10-K for the year ended December 31, 2008.

Brush Engineered Materials Inc. 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.

Brush Engineered Materials Inc.
Digest of Earnings
October 2, 2009

	2009	2008
Third Quarter		
Net Sales	\$190,538,000	\$240,494,000
Net Income	\$126,000	\$9,909,000
Share Earnings - Basic	\$0.01	\$0.49
Average Shares - Basic	20,215,000	20,374,000
Share Earnings - Diluted	\$0.01	\$0.48
Average Shares - Diluted	20,421,000	20,612,000
Year-to-date		
Net Sales	\$500,032,000	\$713,425,000
Net (Loss) Income	(\$8,804,000)	\$21,662,000
Share Earnings - Basic	(\$0.44)	\$1.06
Average Shares - Basic	20,178,000	20,387,000
Share Earnings - Diluted	(\$0.44)	\$1.05
Average Shares - Diluted	20,178,000	20,616,000

Consolidated Balance Sheets
(Unaudited)

	Oct. 2, 2009	Dec. 31, 2008
<i>(Dollars in thousands)</i>		
Assets		
Current assets		
Cash and cash equivalents	\$ 26,909	\$ 18,546
Accounts receivable	78,308	87,878
Other receivables	10,091	3,378
Inventories	129,454	156,718
Prepaid expenses	25,874	23,660
Deferred income taxes	9,666	4,199
Total current assets	280,302	294,379
Other assets	30,082	34,444
Related-party notes receivable	98	98
Long-term deferred income taxes	9,945	9,944
Property, plant and equipment	647,253	635,266
Less allowances for depreciation, depletion and amortization	438,083	428,012
	209,170	207,254
Goodwill	35,778	35,778
Total Assets	\$565,375	\$581,897
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	\$ 28,110	\$ 30,622

Current portion of long-term debt	0	600
Accounts payable	20,846	28,014
Other liabilities and accrued items	43,327	45,131
Unearned revenue	135	113
Total current liabilities	92,418	104,480
Other long-term liabilities	33,734	19,356
Retirement and post-employment benefits	80,515	97,168
Long-term income taxes	3,029	3,028
Deferred income taxes	727	163
Long-term debt	10,905	10,605
Shareholders' equity	344,047	347,097
Total Liabilities and Shareholders' Equity	\$565,375	\$581,897

See notes to consolidated financial statements.

Consolidated Statements of Income
(Unaudited)

	Third Quarter Ended		Nine Months Ended	
	Oct. 2, 2009	Sept. 26, 2008	Oct. 2, 2009	Sept. 26, 2008
<i>(Dollars in thousands except share and per share amounts)</i>				
Net sales	\$ 190,538	\$ 240,494	\$ 500,032	\$ 713,425
Cost of sales	165,347	195,321	438,104	586,655
Gross margin	25,191	45,173	61,928	126,770
Selling, general and administrative expense	21,468	26,069	64,707	81,093
Research and development expense	1,720	1,748	4,940	4,889
Other-net	2,554	4,335	5,784	8,185
Operating profit (loss)	(551)	13,021	(13,503)	32,603
Interest expense - net	221	539	819	1,524
Income (loss) before income taxes	(772)	12,482	(14,322)	31,079
Income tax (benefit) expense	(898)	2,573	(5,518)	9,417
Net income (loss)	\$ 126	\$ 9,909	\$ (8,804)	\$ 21,662
Per share of common stock: basic	\$ 0.01	\$ 0.49	\$ (0.44)	\$ 1.06
Weighted average number of common shares outstanding	20,215,000	20,374,000	20,178,000	20,387,000
Per share of common stock: diluted	\$ 0.01	\$ 0.48	\$ (0.44)	\$ 1.05
Weighted average number of common shares outstanding	20,421,000	20,612,000	20,178,000	20,616,000

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
	Oct. 2, 2009	Sept. 26, 2008
<i>(Dollars in thousands)</i>		
Net (loss) income	\$ (8,804)	\$ 21,662
Adjustments to reconcile net (loss) income to net cash provided from operating activities:		
Depreciation, depletion and amortization	21,635	21,903
Amortization of mine costs	2,620	3,600
Amortization of deferred financing costs in interest expense	313	272
Derivative financial instrument ineffectiveness	-	171
Stock-based compensation expense	2,555	3,410
Changes in assets and liabilities net of acquired assets and liabilities:		
Decrease (increase) in accounts receivable	9,115	(6,434)
Decrease (increase) in other receivables	(6,713)	11,263
Decrease (increase) in inventory	27,410	(7,055)
Decrease (increase) in prepaid and other current assets	2,048	(2,425)
Decrease (increase) in deferred income taxes	(4,798)	25

Increase (decrease) in accounts payable and accrued expenses	(8,677)	(12,133)
Increase (decrease) in unearned revenue	19	(1,497)
Increase (decrease) in interest and taxes payable	(637)	423
Increase (decrease) in long-term liabilities	(17,577)	405
Other - net	2,528	1,666
Net cash provided from operating activities	21,037	35,256
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(26,694)	(22,611)
Payments for mine development	(460)	(391)
Reimbursements for capital equipment under government contracts	15,440	6,052
Payments for purchase of business net of cash received	-	(87,462)
Proceeds from sale of acquired inventory to consignment line	-	24,325
Other investments - net	1,321	66
Net cash used in investing activities	(10,393)	(80,021)
Cash flows from financing activities:		
Proceeds from issuance (repayment) of short-term debt	(2,337)	7,116
Proceeds from issuance of long-term debt	7,700	45,900
Repayment of long-term debt	(8,000)	(30,600)
Issuance of common stock under stock option plans	444	243
Tax benefit from exercise of stock options	47	45
Repurchase of common stock	-	(2,086)
Net cash (used in) provided from financing activities	(2,146)	20,618
Effects of exchange rate changes	(135)	(440)
Net change in cash and cash equivalents	8,363	(24,587)
Cash and cash equivalents at beginning of period	18,546	31,730
Cash and cash equivalents at end of period	\$ 26,909	\$ 7,143

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 October 2, 2009 and December 31, 2008 and the results of operations for the third quarter and nine months ended October 2, 2009 and September 26, 2008. Sales and income before income taxes were reduced in the first quarter 2008 by \$2.6 million to correct a billing error that occurred in 2007 that was not material to the 2007 results. All other adjustments were of a normal and recurring nature.

Note B - Inventories

	Oct. 2, 2009	Dec. 31, 2008
<i>(Dollars in thousands)</i>		
Principally average cost:		
Raw materials and supplies	\$ 40,085	\$ 41,468
Work in process	114,305	139,552
Finished goods	42,389	50,579
Gross inventories	196,779	231,599
Excess of average cost over LIFO inventory value	67,325	74,881
Net inventories	\$129,454	\$156,718

Notes to Consolidated Financial Statements (Unaudited)

Note C - Pensions and Other Post-retirement Benefits

As a result of a significant reduction in force, management determined that there was a curtailment of the domestic defined benefit pension plan in the first quarter 2009. The plan assets and liabilities were remeasured as of the curtailment date of February 28, 2009. As part of the remeasurement, management reviewed the key assumptions and determined that the discount rate should be increased to 6.80% from the 6.15% rate assumed at December 31, 2008. The revised rate was determined using the same methodology as was employed at year-end 2008. All other key assumptions, including the

expected rate of return on assets, remained unchanged from December 31, 2008.

The curtailment reduced the annual expense for 2009 on the domestic plan from a previously estimated \$5.3 million to \$4.3 million. In addition, the curtailment resulted in the recording of a \$1.1 million one-time benefit in the first quarter 2009 as a result of applying the percentage reduction in the estimated future working lifetime of the plan participants against the unrecognized prior service cost benefit. Cost of sales was reduced by \$0.8 million and selling, general and administrative expense was reduced by \$0.3 million from the recording of the one-time benefit.

The Company made contributions totaling \$16.2 million to the defined benefit pension plan in the first nine months of 2009 as expected.

The following is a summary of the third quarter and first nine months 2009 and 2008 net periodic benefit cost for the domestic defined benefit pension plan and the domestic retiree medical plan.

<i>(Dollars in thousands)</i>	Pension Benefits		Other Benefits	
	Third Quarter Ended		Third Quarter Ended	
	Oct. 2, 2009	Sept. 26, 2008	Oct. 2, 2009	Sept. 26, 2008
Components of net periodic benefit cost				
Service cost	\$ 1,067	\$ 1,270	\$ 72	\$ 76
Interest cost	2,164	1,976	482	532
Expected return on plan assets	(2,445)	(2,180)	-	-
Amortization of prior service cost	(135)	(161)	(9)	(9)
Amortization of net loss	375	294	-	-
Net periodic benefit cost	<u>\$ 1,026</u>	<u>\$ 1,199</u>	<u>\$ 545</u>	<u>\$ 599</u>

<i>(Dollars in thousands)</i>	Pension Benefits		Other Benefits	
	Nine Months Ended		Nine Months Ended	
	Oct. 2, 2009	Sept. 26, 2008	Oct. 2, 2009	Sept. 26, 2008
Components of net periodic benefit cost				
Service cost	\$ 3,249	\$ 3,811	\$ 217	\$ 228
Interest cost	6,321	5,928	1,446	1,595
Expected return on plan assets	(7,061)	(6,541)	-	-
Amortization of prior service cost	(414)	(483)	(27)	(27)
Amortization of net loss	1,184	883	-	-
Curtailment Gain	(1,069)	-	-	-
Net periodic benefit cost	<u>\$ 2,210</u>	<u>\$ 3,598</u>	<u>\$ 1,636</u>	<u>\$ 1,796</u>

Notes to Consolidated Financial Statements (Unaudited)

Note D - Segment Reporting

Segment information for 2008 has been recast to include Zentrix Technologies Inc. in the Advanced Material Technologies and Services segment. Zentrix's results previously were reported in All Other. Beginning in 2009, Zentrix is being managed by Advanced Material Technologies and Services and is included with that segment's financial results in the Company's internal reporting.

<i>(Dollars in thousands)</i>	Advanced				Subtotal	All Other	Total
	Material Technologies and Services	Specialty Engineered Alloys	Beryllium and Beryllium Composites	Engineered Material Systems			
Third Quarter 2009							
Revenues from external customers	\$ 127,912	\$ 42,931	\$ 10,171	\$ 9,524	\$190,538	\$ -	\$190,538
Intersegment revenues	155	2,621	63	409	3,248	-	3,248
Operating profit (loss)	8,534	(6,308)	(472)	95	1,849	(2,400)	(551)
Third Quarter 2008							
Revenues from external customers	\$ 128,668	\$ 77,586	\$ 17,580	\$ 16,660	\$240,494	\$ -	\$240,494
Intersegment revenues	380	738	36	472	1,626	-	1,626
Operating profit (loss)	7,731	2,074	2,548	1,612	13,965	(944)	13,021
First Nine Months 2009							

Revenues from external customers	\$ 320,256	\$ 121,063	\$ 36,285	\$ 22,428	\$500,032	\$ -	\$500,032
Intersegment revenues	330	3,896	141	952	5,319	-	5,319
Operating profit (loss)	17,629	(26,501)	2,387	(3,355)	(9,840)	(3,663)	(13,503)
Assets	213,961	202,367	66,447	19,892	502,667	62,708	565,375
First Nine Months 2008							
Revenues from external customers	\$ 381,938	\$ 231,912	\$ 45,655	\$ 53,920	\$713,425	\$ -	\$713,425
Intersegment revenues	1,277	3,932	329	1,223	6,761	-	6,761
Operating profit (loss)	18,251	7,528	5,121	4,977	35,877	(3,274)	32,603
Assets	229,727	257,314	49,261	25,294	561,596	31,138	592,734

SOURCE: Brush Engineered Materials Inc.

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