



## **Brush Engineered Materials Inc. Reports Stronger First Quarter Results**

### **Raises Outlook for the Year**

MAYFIELD HEIGHTS, Ohio, Apr 29, 2010 (BUSINESS WIRE) -- Brush Engineered Materials (NYSE:BW) today reported stronger than expected results for the first quarter of 2010 and raised its outlook for the year.

The Company reported net income for the quarter of \$6.7 million, or \$0.33 per share, diluted, on a record quarterly sales level of \$295.1 million. As previously announced, the Company recorded charges in the quarter totaling \$0.12 per share. Excluding these charges, the operating run rate for the quarter was \$0.45 per share.

Due to stronger margins and continuing improvement in order entry trends, the Company is raising its earnings per share outlook for the year to a range of \$1.45 to \$1.75 per share from the previously announced range of \$1.15 to \$1.40 per share.

### **FIRST QUARTER 2010 RESULTS**

Sales for the first quarter of 2010 were up \$159.7 million to a record of \$295.1 million, more than double the first quarter of 2009 sales of \$135.4 million. The improvement in sales is primarily due to increased demand across the Company's key markets including telecommunications and computer (from both the consumer electronics and infrastructure segments), and data storage, automotive electronics and optics. The two recent acquisitions and increased metal prices were also important factors and accounted for approximately 50% of the increase over the same period of the prior year. The acquisitions accounted for approximately \$60.0 million of the increase while the metal price changes increased sales by approximately \$19.0 million. Organic growth was approximately \$81.0 million, an increase of 60% compared to the same period of the prior year.

The reported net income of \$6.7 million, or \$0.33 per share, diluted, for the first quarter compares to a net loss of \$8.1 million, or \$0.40 per share, diluted, for the first quarter of 2009. The increased sales volume, coupled with the cost reductions that were implemented during 2009, has provided substantial leverage, leading to the significantly improved earnings.

### **ACQUISITIONS**

Early in the first quarter, the Company, through its wholly-owned subsidiary Williams Advanced Materials Inc., completed the acquisition of Academy Corporation for approximately \$23.0 million. Academy is a leading provider of precious and non-precious metals and refining services serving the architectural glass, solar energy, electronics, chemicals, medical, industrial and high-value jewelry markets. This recent acquisition, along with the acquisition of Barr Associates, Inc., completed in the fourth quarter of 2009, was accretive to earnings in the first quarter 2010.

### **BUSINESS SEGMENT REPORTING**

#### **Advanced Material Technologies and Services**

The Advanced Material Technologies and Services' segment sales for the first quarter were \$203.0 million, up \$122.9 million compared to sales of \$80.1 million in the first quarter of 2009. The recent acquisitions of Academy and Barr accounted for approximately half, or \$60.0 million, of the sales increase, while higher precious metal prices increased sales by approximately \$15.0 million compared to the same period of the prior year. Stronger demand from the wireless, handset, LED and other microelectronic applications added approximately \$48.0 million to the growth in sales. The stronger demand noted in the first quarter has continued thus far in the second quarter.

Operating profit for the first quarter 2010 was \$8.5 million, an increase of \$7.8 million compared to an operating profit of \$0.7 million for the same period of last year. The improvement in operating profit is due to the growth in margin on the higher sales and the impact of the acquisitions.

#### **Specialty Engineered Alloys**

Specialty Engineered Alloys' sales for the first quarter were \$63.4 million, up \$26.5 million, or 72%, compared to the first quarter 2009 sales of \$36.9 million. Sales have increased sequentially over the last four quarters. The significant increase is due to stronger demand from the telecommunications and computer market, especially from the consumer electronics segment, as well as the automotive electronics, oil and gas and aerospace markets. The order entry rate exceeded sales in the first quarter. Order entry levels in this segment have improved quarter over quarter since the first quarter of 2009, and in the first quarter of 2010, the order entry rate is up approximately 57% sequentially from that of the fourth quarter of 2009. The improvement has continued thus far in the second quarter.

Operating profit was \$3.3 million for the first quarter, up \$14.2 million from the \$10.9 million operating loss reported in the first quarter of 2009. The significant improvement is due to both the higher sales levels and higher margins. The margin improvements are driven by the leverage from the higher volumes as well as increased pricing, lower manufacturing expenses that resulted from the previously implemented cost reduction initiatives and improved plant operating efficiencies.

#### Beryllium and Beryllium Composites

Beryllium and Beryllium Composites' sales for the first quarter of 2010 were \$13.1 million, compared to \$13.0 million for the first quarter of 2009. Sales for defense applications, while slightly below the first quarter of the prior year, strengthened during the quarter from the lower levels of the second half of 2009. Sales for commercial applications improved from the first quarter of 2009. Order entry for defense applications improved in the quarter and has remained strong into the second quarter of 2010.

Operating profit for the first quarter was \$2.2 million as compared to an operating profit of \$1.8 million for the same period of the prior year.

#### Engineered Material Systems

Engineered Material Systems' sales for the first quarter of 2010 were \$15.5 million, up \$10.1 million compared to \$5.4 million for the same period of last year. The significant increase in sales is due to stronger demand from the automotive electronics and telecommunications and computer markets. The order entry rate was higher than shipments in the first quarter of 2010 and has remained strong thus far in the second quarter.

Operating profit for the first quarter was \$1.0 million, an improvement of \$3.6 million compared to an operating loss of \$2.6 million for the same period of last year. The operating profit improvement is due to the higher sales volume and previously implemented cost reduction initiatives.

### **OUTLOOK**

While macro economic conditions created significant weakness and uncertainties across the majority of the Company's markets throughout 2009, the level of overall business activity improved sequentially, quarter over quarter, as the year progressed. This improving trend accelerated in the fourth quarter of 2009 and throughout the first quarter into the second quarter of 2010.

We are encouraged by the momentum that the Company is currently experiencing across its segments and the markets it serves. The Company is seeing strong improvement in its order entry, driven primarily by the consumer electronics and wireless infrastructure oriented markets, and more recently in its defense and industrial markets. While there is still uncertainty in the global economic environment, particularly as to what the second half of 2010 might bring, the Company does expect second half 2010 business levels to be stronger than that of the second half of 2009. Demand levels in the early weeks of the second quarter are currently ahead of the first quarter levels.

The effect of the aforementioned acquisitions is significant to the Company's sales levels in 2010 due to the precious metal content in the sales of Academy Corporation. At this time, assuming current metal prices, which are higher than the average prices for 2009, as well as continued improvement in demand levels, the Company expects sales for the full year 2010 to be in the range of \$1.2 billion to \$1.3 billion.

Given the stronger reported margins and continuing improvement in order entry trends, the Company is raising its earnings outlook for the year to a range of \$1.45 to \$1.75 per share from the previously announced range of \$1.15 to \$1.40 per share. At this time, the Company expects sales for the second quarter to exceed the record level set in the first quarter and be in the range of \$320.0 million to \$340.0 million.

While it currently appears that the first half of 2010 looks very strong, it is important to continue to reiterate that the Company's outlook is subject to significant variability, especially given the uncertainty about the sustainability and quality of the economic recovery. 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 integration 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, "Our employees have done an incredible job of reducing the Company's cost structure while continuing to forge ahead with our transformation strategy which has led to the rapid return to profitability. The transformation of the Company that has taken place over the last several years through targeting the fastest growing segments of rapidly growing markets while diversifying our market breadth, introducing new products and new technologies along with the augmentation provided by key acquisitions has positioned us well to take advantage of the global economic recovery. Although I continue to remain cautious about the second half of the year due to the lack of visibility over the extent of which the first half strength is due to inventory restocking, I am very encouraged by our margin improvements and our strong order book."

## **CONFERENCE CALL**

Brush Engineered Materials will conduct a teleconference in conjunction with today's release. The teleconference begins at 11:00 a.m. Eastern Time, April 29, 2010. The conference call will be available via webcast through the Company's website at [www.beminc.com](http://www.beminc.com) or through [www.InvestorCalendar.com](http://www.InvestorCalendar.com). By phone, please dial (877) 407-9205, callers outside the U.S. can dial (201) 689-8054.

## **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, in particular the outlook provided above. 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 economy, including the uncertainties related to the strength and length of the current recovery;
- 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 second quarter and the year 2010;
- Our success in developing and introducing new products and new product ramp-up rates;
- 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 acquisitions of Barr Associates, Inc. and Academy Corporation;
- The impact of the results of operations of Barr Associates, Inc. and Academy Corporation on our ability to fully achieve the strategic and financial objectives related to these acquisitions, including the acquisitions being accretive to earnings throughout 2010;
- Our success in implementing our strategic plans and the timely and successful completion and start up of any capital projects, including the new beryllium facility;
- The availability of adequate lines of credit and the associated interest rates;
- Other financial factors, including the cost and availability of raw materials (both base and precious metals), tax rates, exchange rates, metal financing fees, pension costs (including required cash contributions), other employee benefit costs (including the impact of the recently created U.S. health care legislation on health care 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 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, 2009.

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**  
**April 2, 2010**

	2010	2009
<b>First Quarter</b>		
Net Sales	\$295,082,000	\$135,359,000
Net Income (Loss)	\$6,721,000	(\$8,144,000)
Share Earnings - Basic	\$0.33	(\$0.40)
Average Shares - Basic	20,257,000	20,133,000
Share Earnings - Diluted	\$0.33	(\$0.40)
Average Shares - Diluted	20,467,000	20,133,000

**Consolidated Balance Sheets**  
(Unaudited)

	Apr. 2, 2010	Dec. 31, 2009
<b>(Dollars in thousands)</b>		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 11,117	\$ 12,253
Accounts receivable	113,407	83,997
Other receivables	5,299	11,056
Inventories	140,469	130,098
Prepaid expenses	28,932	28,020
Deferred income taxes	11,193	14,752
Total current assets	310,417	280,176
Related-party notes receivable	90	90
Long-term deferred income taxes	4,873	4,873
Property, plant and equipment - cost	687,703	665,361
Less allowances for depreciation, depletion and amortization	(443,136)	(437,595)
Property, plant and equipment - net	244,567	227,766
Other assets	43,501	42,014
Goodwill	74,395	67,034
Total assets	\$ 677,843	\$ 621,953
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Short-term debt	\$ 50,456	\$ 56,148
Accounts payable	35,002	36,573
Other liabilities and accrued items	46,113	44,082
Unearned revenue	607	432
Income taxes	1,468	2,459
Total current liabilities	133,646	139,694
Other long-term liabilities	54,331	49,276
Retirement and post-employment benefits	80,135	82,354
Long-term income taxes	2,329	2,329
Deferred income taxes	1,770	136
Long-term debt	58,305	8,305
Shareholders' equity	347,327	339,859
Total liabilities and shareholders' equity	\$ 677,843	\$ 621,953

See notes to consolidated financial statements.

**Consolidated Statements of Income**  
(Unaudited)

(Thousands, except per share amounts)	First Quarter Ended	
	Apr. 2, 2010	Apr. 3, 2009
Net sales	\$ 295,082	\$ 135,359
Cost of sales	245,768	120,757
Gross margin	49,314	14,602
Selling, general and administrative expense	30,340	22,544
Research and development expense	1,685	1,695
Other-net	4,084	1,755
Operating profit (loss)	13,205	(11,392)
Interest expense - net	619	326
Income (loss) before income taxes	12,586	(11,718)
Income tax expense (benefit)	5,865	(3,574)
Net income (loss)	\$ 6,721	\$ (8,144)
Net income (loss) per share of common stock - basic	\$ 0.33	\$ (0.40)
Weighted-average number of common shares outstanding - basic	20,257	20,133
Net income (loss) per share of common stock - diluted	\$ 0.33	\$ (0.40)
Weighted-average number of common shares outstanding - diluted	20,467	20,133

See notes to consolidated financial statements.

**Consolidated Statements of Cash Flows**  
(Unaudited)

(Dollars in thousands)	First Quarter Ended	
	Apr. 2, 2010	Apr. 3, 2009
Net income (loss)	\$ 6,721	\$ (8,144)
<b>Adjustments to reconcile net income (loss) to net cash used in operating activities:</b>		
Depreciation, depletion and amortization	8,521	7,235
Amortization of mine costs	-	559
Amortization of deferred financing costs in interest expense	153	104
Derivative financial instrument ineffectiveness	489	-
Stock-based compensation expense	950	590
<b>Changes in assets and liabilities net of acquired assets and liabilities:</b>		
Decrease (increase) in accounts receivable	(26,311)	13,212
Decrease (increase) in other receivables	5,757	1,411
Decrease (increase) in inventory	(10,084)	5,485
Decrease (increase) in prepaid and other current assets	(821)	2,065
Decrease (increase) in deferred income taxes	3,428	(22)
Increase (decrease) in accounts payable and accrued expenses	(896)	(22,801)
Increase (decrease) in unearned revenue	174	557
Increase (decrease) in interest and taxes payable	(935)	(3,555)
Increase (decrease) in long-term liabilities	(2,809)	(13,471)
Other - net	(162)	2,717
<b>Net cash used in operating activities</b>	<b>(15,825)</b>	<b>(14,058)</b>
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(13,349)	(6,106)
Payments for mine development	(2,477)	(264)
Reimbursements for capital equipment under government contracts	5,360	2,932
Payments for purchase of business net of cash received	(22,332)	-
Proceeds from transfer of acquired inventory to consignment line	3,333	-
Proceeds from sale of property, plant and equipment	76	-
<b>Net cash used in investing activities</b>	<b>(29,389)</b>	<b>(3,438)</b>
Cash flows from financing activities:		

Proceeds from issuance (repayment) of short-term debt	(5,697)	11,103
Proceeds from issuance of long-term debt	50,000	300
Issuance of common stock under stock option plans	27	-
Tax benefit from exercise of stock options	2	-
<b>Net cash provided from financing activities</b>	<b>44,332</b>	<b>11,403</b>
Effects of exchange rate changes	(254)	464
<b>Net change in cash and cash equivalents</b>	<b>(1,136)</b>	<b>(5,629)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>12,253</b>	<b>18,546</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 11,117</b>	<b>\$ 12,917</b>

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 April 2, 2010 and December 31, 2009 and the results of operations for the three month periods ended April 2, 2010 and April 3, 2009. All adjustments were of a normal and recurring nature.

#### Note B - Inventories

(Dollars in thousands)	Apr. 2, 2010	Dec. 31, 2009
Principally average cost:		
Raw materials and supplies	\$ 36,780	\$ 38,740
Work in process	129,862	119,698
Finished goods	41,798	38,950
Gross inventories	208,440	197,388
Excess of average cost over LIFO inventory value	67,971	67,290
Net inventories	\$ 140,469	\$ 130,098

## Notes to Consolidated Financial Statements

### (Unaudited)

#### Note C - Pensions and Other Post-retirement Benefits

The following is a summary of the first quarter 2010 and 2009 net periodic benefit cost for the domestic defined benefit pension plan and the domestic retiree medical plan.

(Dollars in thousands)	Pension Benefits		Other Benefits	
	First Quarter Ended		First Quarter Ended	
	Apr. 2, 2010	Apr. 3, 2009	Apr. 2, 2010	Apr. 3, 2009
<b>Components of net periodic benefit cost</b>				
Service cost	\$ 1,244	\$ 1,115	\$ 68	\$ 72
Interest cost	2,156	1,993	435	482
Expected return on plan assets	(2,536)	(2,172)	-	-
Amortization of prior service cost	(132)	(143)	(9)	(9)
Amortization of net loss	711	434	-	-
Curtailment gain	-	(1,069)	-	-
Net periodic benefit cost	\$ 1,443	\$ 158	\$ 494	\$ 545

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. In accordance with accounting guidelines, the plan assets and liabilities were remeasured as of the curtailment date of February 28, 2009. As part of the remeasurement, management reviewed all of the key valuation assumptions and increased the discount rate from 6.15% to 6.80%.

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 to the domestic defined benefit pension plan of \$2.9 million in the first quarter 2010 as expected.

**Notes to Consolidated Financial Statements  
(Unaudited)**

**Note D - Segment Reporting**

(Dollars in thousands)	Advanced Material Technologies and Services	Specialty Engineered and Alloys	Beryllium and Beryllium Composites	Engineered Material Systems	Subtotal	All Other	Total
<b>First Quarter 2010</b>							
Sales to external customers	\$ 203,010	\$ 63,388	\$ 13,095	\$ 15,462	\$294,955	\$ 127	\$295,082
Intersegment sales	394	3,749	33	392	4,568	-	4,568
Operating profit (loss)	8,464	3,328	2,157	1,041	14,990	(1,785)	13,205
Assets	314,864	205,555	91,947	23,049	635,415	42,428	677,843
<b>First Quarter 2009</b>							
Sales to external customers	\$ 80,071	\$ 36,893	\$ 12,990	\$ 5,405	\$135,359	\$ -	\$135,359
Intersegment sales	125	805	52	358	1,340	-	1,340
Operating profit (loss)	705	(10,913)	1,824	(2,631)	(11,015)	(377)	(11,392)
Assets	215,602	213,898	52,698	18,136	500,334	50,693	551,027

SOURCE: Brush Engineered Materials

Brush Engineered Materials

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