

BRUSH ENGINEERED MATERIALS INC

FORM 10-Q (Quarterly Report)

Filed 11/6/2003 For Period Ending 9/26/2003

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CIK	0001104657
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended September 26, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 001-15885

BRUSH ENGINEERED MATERIALS INC.

(Exact name of Registrant as specified in charter)

OHIO
(State or other jurisdiction of incorporation or
organization)

34-1919973
(I.R.S. Employer Identification No.)

17876 ST. CLAIR AVENUE, CLEVELAND, OHIO
(Address of principal executive offices)

44110
(Zip Code)

216-486-4200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

As of October 31, 2003 there were 16,563,698 shares of Common Stock, no par value, outstanding.

PART I FINANCIAL INFORMATION

BRUSH ENGINEERED MATERIALS INC. AND SUBSIDIARIES

ITEM 1. FINANCIAL STATEMENTS

The consolidated financial statements of Brush Engineered Materials Inc. and its subsidiaries for the quarter ended September 26, 2003 are as follows:

Consolidated Statements of Income --
Three and nine months ended September 26,
2003 and September 27, 2002

Consolidated Balance Sheets --
September 26, 2003 and December 31, 2002

Consolidated Statements of Cash Flows --
Three and nine months ended September 26,
2003 and September 27, 2002

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(DOLLARS IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)	THIRD QUARTER ENDED		NINE MONTHS ENDED	
	SEPT. 26, 2003	SEPT. 27, 2002	SEPT. 26, 2003	SEPT. 27, 2002
Net sales.....	\$ 94,156	\$ 93,481	\$ 295,479	\$ 283,812
Cost of sales.....	79,786	81,466	245,132	246,473
Gross Margin.....	14,370	12,015	50,347	37,339
Selling, general and administrative expenses...	14,299	13,986	48,208	46,134
Research and development expenses.....	998	1,003	3,034	3,177
Other-net.....	1,455	952	2,594	20
Operating Loss.....	(2,382)	(3,926)	(3,489)	(11,992)
Interest expense.....	490	776	1,933	2,275
Loss before income taxes.....	(2,872)	(4,702)	(5,422)	(14,267)
Minority Interest.....	(2)	--	(24)	--
Income taxes.....	190	(1,796)	641	(5,479)
Net Loss.....	\$ (3,060)	\$ (2,906)	\$ (6,039)	\$ (8,788)
Per Share of Common Stock: Basic.....	\$ (0.18)	\$ (0.18)	\$ (0.36)	\$ (0.53)
Weighted average number of common shares outstanding...	16,563,098	16,558,417	16,562,559	16,557,026
Per Share of Common Stock: Diluted.....	\$ (0.18)	\$ (0.18)	\$ (0.36)	\$ (0.53)
Weighted average number of common shares outstanding...	16,563,098	16,558,417	16,562,559	16,557,026

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(DOLLARS IN THOUSANDS)	SEPT. 26, 2003	DEC. 31, 2002

ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 4,804	\$ 4,357
Accounts receivable.....	56,922	47,543
Inventories.....	88,034	94,324
Prepaid expenses.....	4,626	9,766
Deferred income taxes.....	757	244
	-----	-----
Total Current Assets.....	155,143	156,234
Other assets.....	25,576	25,629
Long-term deferred income taxes.....	242	472
Property, Plant and Equipment.....	482,053	476,283
Less allowances for depreciation, depletion and impairment.....	339,568	323,739
	-----	-----
	142,485	152,544
	-----	-----
	\$323,446	\$334,879
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt.....	\$ 39,262	\$ 27,235
Accounts payable.....	15,770	15,129
Other liabilities and accrued items.....	35,250	30,439
Income taxes.....	1,046	786
	-----	-----
Total Current Liabilities.....	91,328	73,589
Other Long-Term Liabilities.....	15,831	17,459
Retirement and Post-employment Benefits.....	50,506	48,518
Long-term Debt.....	12,185	36,219
Minority interest in subsidiary.....	48	--
Shareholders' Equity.....	153,548	159,094
	-----	-----
	\$323,446	\$334,879
	=====	=====

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(DOLLARS IN THOUSANDS)	NINE MONTHS ENDED	
	SEPT. 26, 2003	SEPT. 27, 2002
NET LOSS.....	\$ (6,039)	\$ (8,788)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED FROM		
OPERATING ACTIVITIES:		
Depreciation, depletion and amortization.....	15,562	15,484
Decrease (Increase) in accounts receivable.....	(8,919)	(3,936)
Decrease (Increase) in inventory.....	7,142	17,131
Decrease (Increase) in prepaid and other current assets...	5,169	1,434
Increase (Decrease) in accounts payable and accrued		
expenses.....	3,292	(2,070)
Increase (Decrease) in interest and taxes payable.....	230	(2,503)
Increase (Decrease) in deferred income taxes.....	73	(283)
Increase (Decrease) in other long-term liabilities.....	140	(5,667)
Other -- net.....	1,421	1,008
NET CASH PROVIDED FROM OPERATING ACTIVITIES.....	18,071	11,810
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchase of property, plant and equipment....	(4,760)	(3,899)
Payments for mine development.....	(137)	(58)
Proceeds from sale of property, plant and equipment.....	34	140
NET CASH (USED IN) INVESTING ACTIVITIES.....	(4,863)	(3,817)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of short-term debt.....	(10,729)	(10,633)
Proceeds from issuance of long-term debt.....	2,000	12,000
Repayment of long-term debt.....	(4,034)	(13,000)
NET CASH (USED IN) FINANCING ACTIVITIES.....	(12,763)	(11,633)
Effects of Exchange Rate Changes.....	2	(159)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	447	(3,799)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	4,357	7,014
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 4,804	\$ 3,215
	=====	=====

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 September 26, 2003 and December 31, 2002 and the results of operations for the three and nine month periods ended September 26, 2003 and September 27, 2002. All of the adjustments were of a normal and recurring nature.

NOTE B -- INVENTORIES

(DOLLARS IN THOUSANDS)	SEPT. 26, 2003	DEC. 31, 2002
Principally average cost:		
Raw materials and supplies.....	\$ 25,088	\$ 22,572
In process.....	64,525	65,809
Finished goods.....	23,655	29,522
	-----	-----
Gross inventories.....	113,268	117,903
Excess of average cost over LIFO		
Inventory value.....	25,234	23,579
	-----	-----
Net inventories.....	\$ 88,034	\$ 94,324
	=====	=====

NOTE C -- COMPREHENSIVE LOSS

The reconciliation between Net Loss and Comprehensive Loss for the three and nine month periods ended September 26, 2003 and September 27, 2002 is as follows:

(DOLLARS IN THOUSANDS)	THIRD QUARTER ENDED		NINE MONTHS ENDED	
	SEPT. 26, 2003	SEPT. 27, 2002	SEPT. 26, 2003	SEPT. 27, 2002
Net Loss.....	\$ (3,060)	\$ (2,906)	\$ (6,039)	\$ (8,788)
Cumulative Translation Adjustment.....	344	(118)	274	627
Change in the Fair Value of Derivative				
Financial Instruments.....	2,031	(1,790)	131	(4,957)
	-----	-----	-----	-----
Comprehensive Loss.....	\$ (685)	\$ (4,814)	\$ (5,634)	\$ (13,118)
	=====	=====	=====	=====

NOTE D -- SEGMENT REPORTING

(DOLLARS IN THOUSANDS)	METAL SYSTEMS	MICRO- ELECTRONICS	TOTAL SEGMENTS	ALL OTHER	TOTAL
THIRD QUARTER 2003					
Revenues from external					
customers.....	\$ 54,074	\$ 39,355	\$ 93,429	\$ 727	\$ 94,156
Intersegment revenues.....	572	233	805	3,071	3,876
Profit (loss) before interest and					
taxes.....	(8,036)	3,804	(4,232)	1,850	(2,382)
THIRD QUARTER 2002					
Revenues from external					
customers.....	\$ 56,966	\$ 34,269	\$ 91,235	\$ 2,246	\$ 93,481
Intersegment revenues.....	894	444	1,338	3,275	4,613
Profit (loss) before interest and					
taxes.....	(9,975)	1,290	(8,685)	4,759	(3,926)

(DOLLARS IN THOUSANDS)	METAL SYSTEMS	MICRO- ELECTRONICS	TOTAL SEGMENTS	ALL OTHER	TOTAL
FIRST NINE MONTHS 2003					
Revenues from external customers.....	\$175,951	\$115,316	\$291,267	\$ 4,212	\$295,479
Intersegment revenues.....	2,290	751	3,041	10,725	13,766
Profit (loss) before interest and taxes.....	(14,235)	9,814	(4,421)	932	(3,489)
FIRST NINE MONTHS 2002					
Revenues from external customers.....	\$176,420	\$102,295	\$278,715	\$ 5,097	\$283,812
Intersegment revenues.....	2,261	1,401	3,662	9,907	13,569
Profit (loss) before interest and taxes.....	(23,574)	4,959	(18,615)	6,623	(11,992)

NOTE E -- INCOME TAXES

A tax provision/benefit was not applied against the loss before income taxes in the third quarter 2003 or for the first nine months of 2003 for certain domestic and foreign taxes as a result of the deferred tax valuation allowance recorded in the fourth quarter 2002 in accordance with SFAS No. 109, "Accounting for Income Taxes", due to the uncertainty regarding full utilization of the Company's deferred tax assets. The Company intends to maintain a valuation allowance until a realization event occurs to support a reversal of all or a portion of the allowance. Therefore, the \$0.2 million income tax expense recorded in the third quarter 2003 and the \$0.6 million expense recorded in the first nine months of 2003 represent taxes from various state and local jurisdictions and foreign taxes from Japan and Singapore only. The Company recorded a tax benefit of \$1.8 million in the third quarter 2002 and a benefit of \$5.5 million in the first nine months of 2002. A tax rate of 38.2% of the loss before income taxes was used in the third quarter 2002 and a rate of 38.4% was used for the first nine months of 2002.

NOTE F -- DEBT

The Company's Revolving Credit Agreement (the revolver) matures in April 2004 and, therefore, all outstanding borrowings under the revolver are considered current debt as of April 2003. Accordingly, borrowings of \$27.0 million under the revolver previously recorded as long-term were classified as short-term debt on the Consolidated Balance Sheet as of June 27, 2003. Repayments of \$8.0 million were made against this short-term debt in the third quarter 2003.

The revolver allows for both short-term and long-term borrowings. The limitation on outstanding short-term borrowings was revised as part of renegotiating the agreement in the first quarter 2003. As a result, the Company transferred \$5.0 million of short-term borrowings to long-term borrowings under the revolver in the first quarter 2003 in order to comply with the reduced limitation. This non-cash transaction combined with the \$27.0 million of debt becoming current during the second quarter 2003 resulted in a \$22.0 million increase in short-term debt and \$22.0 million decrease in long-term debt during the first nine months of 2003 that did not impact the Consolidated Statement of Cash Flows for the nine month period ended September 26, 2003.

NOTE G -- STOCK-BASED COMPENSATION

The Company has adopted the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and applies the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock incentive plan. In accordance with SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," the following table

presents the effect on net loss and net loss per share had compensation cost for the Company's stock plans been determined consistent with SFAS No. 123.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	THIRD QUARTER ENDED		NINE MONTHS ENDED	
	SEPT. 26 2003	SEPT. 27 2002	SEPT. 26 2003	SEPT. 27 2002
Net loss, as reported.....	\$ (3,060)	\$ (2,906)	\$ (6,039)	\$ (8,788)
Less stock based compensation expense determined under fair value method for all stock options, net of related income tax benefit.....	281	239	899	855
Pro forma net loss.....	\$ (3,341)	\$ (3,145)	\$ (6,938)	\$ (9,643)
	=====	=====	=====	=====
Basic and diluted loss per share, as reported...	(0.18)	\$ (0.18)	\$ (0.36)	\$ (0.53)
Basic and diluted loss per share, pro forma.....	\$ (0.20)	\$ (0.19)	\$ (0.42)	\$ (0.58)

The fair value was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions for options issued:

	THIRD QUARTER ENDED		NINE MONTHS ENDED	
	SEPT. 26 2003	SEPT. 27 2002	SEPT. 26 2003	SEPT. 27 2002
Risk free interest rates.....	3.19%	4.84%	3.63%	4.52%
Dividend yield.....	0%	0%	0%	0%
Volatility.....	39.5%	39.6%	39.5%	39.6%
Expected lives (in years).....	8	8	8	8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

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. 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 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, automotive electronics, industrial components, optical media, 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 and 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.

RESULTS OF OPERATIONS

The Company's sales and operating results in the third quarter 2003, while an improvement over the third quarter 2002, declined from the second quarter 2003 levels as the sales improvements generated earlier in the year did not continue into the third quarter. However, operational efficiencies, cost reduction efforts and a favorable product mix have allowed the Company to increase its margin contribution rate, control its overhead and reduce the operating loss for the quarter and the first nine months compared to the same periods last year. A federal domestic income tax benefit was not recorded against the loss before income taxes in the first three quarters of 2003 in accordance with accounting guidelines (and as previously disclosed), which has a negative impact on the net income and earnings per share comparisons with 2002. Despite the operating loss, the Company continued to generate cash from operations in 2003, which allowed the Company to reduce debt and fund its capital expenditures.

(MILLIONS, EXCEPT PER SHARE DATA)	THIRD QUARTER		FIRST NINE MONTHS	
	2003	2002	2003	2002
Sales.....	\$ 94.2	\$ 93.5	\$295.5	\$283.8
Operating Loss.....	(2.4)	(3.9)	(3.5)	(12.0)
Net Loss.....	(3.1)	(2.9)	(6.0)	(8.8)
Diluted E.P.S.....	\$(0.18)	\$(0.18)	\$(0.36)	\$(0.53)

Sales of \$94.2 million in the third quarter 2003 were less than 1% higher than sales in the third quarter 2002 while year-to-date sales of \$295.5 million were 4% higher than the year ago period. Demand from the computer and telecommunications market, which is still the largest single market for the Company, has not demonstrated any appreciable or sustainable growth throughout 2003, although certain segments have shown modest improvements. The optical media and magnetic head markets have remained strong in 2003. Sales for defense applications declined in the third quarter but this was mainly due to push-outs of existing orders and did not represent a loss of business. Demand from the automotive market improved in the first half of this year but softened in certain sectors during the third quarter. The plastic tooling market remained weak in the second and third quarters 2003 after growing in the first quarter of this year. Higher precious metal pass-through prices accounted for \$4.5 million of the year-to-date sales increase.

Total international sales of \$29.3 million were 31% of sales in the third quarter 2003 compared to \$25.8 million and 28% of sales in the third quarter 2002. For the first nine months of the year, international sales were \$91.6 million (31% of sales) in 2003 and \$78.8 million (28% of sales) in 2002 as international sales have grown \$12.8 million while domestic sales declined \$1.1 million. Approximately \$0.4 million of the third quarter 2003 sales growth and \$4.7 million of the year-to-date sales growth is due to the translation rate effects of the weaker dollar.

The gross margin of \$14.4 million (15% of sales) in the third quarter 2003 was a \$2.4 million improvement over the gross margin of \$12.0 million (13% of sales) in the third quarter 2002. For the first three quarters of the year, the gross margin of \$50.3 million in 2003 is \$13.0 million higher than in 2002 on an \$11.7 million increase in sales. The gross margin as a percent of sales also improved to 17% in 2003 from 13% in 2002. In addition to the impact of changes in volumes, margins increased as a result of a favorable product mix and foreign currency effect, improved plant performance and lower manufacturing overhead expenses.

Selling, general and administrative (SG&A) expenses were \$14.3 million, or 15% of sales, in the third quarter 2003 versus \$14.0 million, also 15% of sales, in the third quarter 2002. For the first three quarters of the year, SG&A expenses totaled \$48.2 million in 2003 and \$46.1 million in 2002. SG&A expenses were 16% of sales in the first nine months of both 2003 and 2002. The third quarter 2002 SG&A expense included a one-time \$2.0 million credit that reduced expense resulting from a favorable court ruling which enabled the Company to increase the recovery portion on insured legal claims that previously were subject to apportionment. Cost savings from the manpower reductions and other initiatives combined with changes in the incentive compensation accruals accounted for the majority of the remaining difference in SG&A expenses between quarters. For the first nine months of the year, the impact of the cost savings initiatives was offset by the financing fees incurred at the

corporate office level in the first quarter 2003 and the impact of the weaker dollar on the translation of foreign currency denominated expenses.

Research and development (R&D) expenses were \$1.0 million in the third quarter 2003, which is unchanged from the third quarter 2002. Third quarter year-to-date R&D expenses were \$3.0 million in 2003 and \$3.2 million in 2002. There has been no significant change in the R&D direction and effort during the course of the current year. Approximately 60% of the R&D effort supports the Metal Systems Group.

Other-net expense was \$1.5 million in the third quarter 2003 compared to \$1.0 million in the third quarter 2002. For the first nine months of the year, other-net expense was \$2.6 million in 2003 and less than \$0.1 million in 2002. The mark-to-market (i.e. unrealized valuation adjustment) of the directors' compensation plan caused \$0.6 million of the difference in the expense between the two quarters and \$1.2 million of the year-to-date difference. Foreign currency exchange gains and losses accounted for \$1.6 million of the year-to-date difference, the majority of which occurred in the first half of the year. Other-net also includes metal financing fees, amortization of intangible assets, bad debt expenses, gain and loss on the disposal of fixed assets and other non-operating items.

The operating loss was \$2.4 million in the third quarter 2003 compared to \$3.9 million in the third quarter 2002. Higher margins as a result of efficiencies, product mix and cost reductions offset in part by an increase in various expenses generated the \$1.5 million improvement. For the first nine months of the year, the operating loss was \$3.5 million in 2003 and \$12.0 million in 2002. The \$8.5 million improvement resulted from higher gross margins offset in part by changes in SG&A expenses and a reduction in currency exchange gains.

Interest expense was \$0.5 million in the third quarter 2003 and \$1.9 million for year-to-date third quarter 2003 compared to \$0.8 million and \$2.3 million in the respective periods of 2002. The main reason for the reduced interest expense in 2003 was that the average outstanding debt balance has been lower in 2003 than in 2002.

The loss before income taxes was \$2.9 million in the third quarter 2003, a \$1.8 million improvement over the loss from the third quarter 2002. For the first nine months of the year, the \$5.4 million loss before income taxes in 2003 was an \$8.8 million improvement over the prior year.

An income tax expense of \$0.2 million was recorded in the third quarter 2003 and \$0.6 million in the first three quarters of 2003 for foreign, state and local taxes in those jurisdictions where the Company did not record a valuation allowance. A tax benefit for domestic losses and a tax expense for income generated by certain foreign operations in the first three quarters of 2003 were offset by changes in the deferred tax valuation allowance. In the fourth quarter 2002, valuation allowances were recorded for domestic and certain foreign deferred tax assets in accordance with SFAS No. 109, "Accounting for Income Taxes", due to the uncertainty regarding full realization of these assets. The Company intends to maintain a valuation allowance until a realization event occurs to support reversal of all or a portion of the allowance. In 2002, a tax rate of 38.2% was applied against the loss before income taxes to calculate a tax benefit of \$1.8 million in the third quarter and a rate of 38.4% was used to calculate a tax benefit of \$5.5 million in the first nine months of that year. The benefits from foreign source income and percentage depletion were the main differences between the effective and statutory rates in the third quarter and first nine months of 2002.

The net loss was \$3.1 million in the third quarter 2003 compared to \$2.9 million in the third quarter 2002. For the first nine months of the year, the net loss was \$6.0 million in 2003 and \$8.8 million in 2002. The year-to-date net loss only improved \$2.8 million on an \$8.8 million decrease in the loss before income taxes due to the differences in income tax provisions.

SEGMENT DISCLOSURES

The Company aggregates its five businesses into two reportable segments -- the Metal Systems Group and the Microelectronics Group (MEG). The "Other" column in the segment disclosures in the Notes to the Consolidated Financial Statements includes the results for: Brush Resources Inc., a wholly owned subsidiary that manages the Company's mining and extraction mill operations and sells beryllium hydroxide to the outside as well as to the Metal Systems Group; BEM Services Inc., a wholly owned subsidiary that provides administrative

services to the other units within the Company on a cost-plus basis; and the parent Company's corporate and administrative expenses. External sales by Brush Resources were \$0.7 million in the third quarter 2003 compared to \$2.2 million in the third quarter 2002 while sales for the first nine months of the year were \$4.2 million in 2003 and \$5.1 million in 2002.

METAL SYSTEMS GROUP

(MILLIONS)	THIRD QUARTER		FIRST NINE MONTHS	
	2003	2002	2003	2002
Sales.....	\$54.1	\$ 57.0	\$176.0	\$176.4
Operating Loss.....	\$(8.0)	\$(10.0)	\$(14.2)	\$(23.6)

The Metal Systems Group consists of Alloy Products, the company's largest unit, Technical Materials, Inc. (TMI), a wholly owned subsidiary, and Beryllium Products. Sales by each of these units were as follows:

(MILLIONS)	THIRD QUARTER		FIRST NINE MONTHS	
	2003	2002	2003	2002
Alloy Products.....	\$36.8	\$37.8	\$119.3	\$117.1
TMI.....	9.1	10.9	31.7	34.8
Beryllium Products.....	8.2	8.3	25.0	24.5

Sales of Alloy Products were \$36.8 million in the third quarter 2003, 3% lower than the third quarter 2002 while sales for the first three quarters of 2003 of \$119.3 million were 2% higher than the first three quarters of last year. Alloy products manufactures two major product families -- strip products and bulk products.

Strip products, which consist of thin gauge strip and thin diameter rod and wire, are sold into the computer and telecommunications, automotive and appliance markets. Sales of strip products were higher in the third quarter 2003 and the first three quarters of 2003 than the comparable periods in 2002. Pounds sold of traditional strip and rod and wire products, which generally are the higher priced, higher beryllium-containing alloys, were up 19% in the third quarter and 18% for the first three quarters of 2003 over the respective periods of 2002. The majority of the growth in strip sales was in South Asia and Europe. A portion of the international sales growth is due to a relocation of business and applications from the U.S. to overseas operations.

Bulk products are copper, nickel and aluminum based alloys manufactured in rod, bar, tube, plate and other customized forms. Sales of bulk products were lower in the third quarter and the first three quarters of 2003 compared to the respective periods in 2002. Bulk product pounds sold decreased 16% in the third quarter 2003 from the third quarter 2002 and 17% for the first three quarters of 2003 from the first three quarters of 2002. Demand from the plastic tooling market softened in the second quarter 2003 and that softening continued through the third quarter 2003 as a result of a slowdown in the domestic market and adjustments to inventory levels by the Company's major distributors. Sales for undersea telecommunications applications, which at one time was the largest market for bulk products, remained severely depressed while aerospace and oil and gas sales improved slightly in the current year over the prior year. During the first quarter 2002, the Company had a one-time, large volume, low priced sale of master alloy that increased sales in that period.

TMI manufactures engineered material systems for connectors, contacts and semi-conductor applications within the computer and telecommunications and automotive electronics markets. TMI sales of \$9.1 million in the third quarter were 16% lower than the third quarter 2002 while year-to-date sales of \$31.7 million were 9% lower than the first three quarters of 2002. After growing in each of the first two quarters of 2003 over the corresponding previous quarters, sales in the third quarter 2003 were 14% lower than the second quarter 2003. Order entry levels from the automotive industry initially softened late in the second quarter 2003 in large part due to seasonal slowdowns as the automotive plants transitioned production to the new model year. However, sales order rates from this market remained soft and only started to improve late in the third quarter and early into the fourth quarter. Demand from the computer and telecommunications market has not shown any sustained growth throughout 2003. Cost reduction and control efforts allowed TMI to be profitable in the quarter and for the year despite the fall-off in sales volume.

Beryllium Products manufactures pure beryllium and beryllium aluminum alloys for applications that require high stiffness and/or low-density materials. Revenues from Beryllium Products were \$8.2 million in the third quarter 2003, down slightly from the \$8.3 million of revenue generated in the third quarter 2002, while third quarter 2003 year-to-date revenues were \$25.0 million, a 2% improvement over the comparable period in 2002. Revenues were lower in the third quarter 2003 as a result of delays and push outs of existing defense-related orders into the next fiscal year for the federal government; orders were not lost but merely delayed due to government budget and spending limitations. The year-over-year increase in sales is due to higher demand from the automotive market.

The gross margin on Metal System Group sales was \$5.6 million (10% of sales) in the third quarter 2003 compared to \$3.9 million (7% of sales) in the third quarter 2002. For the first three quarters of the year, the gross margin was \$25.4 million in 2003 an increase of \$10.2 million over the margin of \$15.2 million generated in 2002. The year-to-date gross margin also improved to 14% of sales in 2003 from 9% of sales in 2002.

A favorable product mix, operational improvements and a favorable translation impact on margins from the weaker dollar combined to increase margins \$2.7 million in the third quarter 2003 and \$7.9 million for the first three quarters of 2003 over the respective periods in 2002. Operational improvements were made at the Elmore, Ohio and Lincoln, Rhode Island facilities in support of Alloy, TMI and Beryllium sales. The lower sales volume reduced the margin contribution by \$1.6 million in the third quarter 2003 compared to the third quarter 2002 while the volume impact on the year-to-date margin was an unfavorable \$1.3 million. Manufacturing overhead was \$0.6 million lower in the third quarter 2003 and \$3.6 million lower for the first nine months of 2003 than the comparable periods in 2002 as a result of cost reduction efforts, primarily in Alloy Products.

Total SG&A, R&D and other-net expenses of \$13.6 million in the third quarter 2003 were \$0.2 million lower than the third quarter 2002 while third quarter year-to-date expenses of \$39.7 million in 2003 were \$0.9 million higher than in 2002. Lower foreign currency exchange gains (and higher currency losses) and the unfavorable impact of the weaker dollar on the translation of foreign currency denominated expenses partially offset by manpower reductions and other cost savings efforts account for the majority of the difference in expenses between years.

The operating loss for the Metal Systems Group was \$8.0 million in the third quarter 2003 compared to \$10.0 million in the third quarter 2002 while the operating loss was \$14.2 million for the first nine months of the 2003, a \$9.4 million improvement over the operating loss in the first nine months of 2002.

MICROELECTRONICS GROUP

(MILLIONS)	THIRD QUARTER		FIRST NINE MONTHS	
	2003	2002	2003	2002
Sales.....	\$39.4	\$34.3	\$115.3	\$102.3
Operating Profit.....	\$ 3.8	\$ 1.3	\$ 9.8	\$ 5.0

The MEG includes Williams Advanced Materials Inc. (WAM), a wholly owned subsidiary, and Electronic Products. Sales by each unit were as follows:

(MILLIONS)	THIRD QUARTER		FIRST NINE MONTHS	
	2003	2002	2003	2002
WAM.....	\$31.9	\$27.1	\$92.1	\$80.1
Electronic Products.....	7.5	7.2	23.2	22.2

WAM sells precious, non-precious and specialty metal products into the optical media, magnetic head, electron tube and the wireless, photonic, semi-conductor and hybrid segments of the microelectronics market. WAM sales of \$31.9 million in the third quarter 2003 were 18% higher than sales of \$27.1 million in the third quarter 2002. For the first three quarters of the year, WAM sales were \$92.1 million in 2003, a 15% increase over sales of \$80.1 million in 2002. Underlying volumes grew 6% in the third quarter 2003 and for the first three quarters of 2003 over the respective periods of 2002. The cost of the precious metal sold by WAM is passed through to the customer; sales grew at a faster rate than the volumes primarily as a result of changes in metal

prices and the mix of metals sold. Volumes from each of WAM's largest product families grew, including vapor deposition targets (for the optical media and magnetic head markets), frame lid assemblies and specialty alloys. Demand for WAM's materials from the wireless segment of the microelectronics market has also strengthened in 2003. Refining revenues were down slightly in the first three quarters of 2003 compared to 2002.

Sales by Electronic Products were \$7.5 million in the third quarter 2003, a 4% improvement over the third quarter 2002, while sales in the first three quarters of the year of \$23.2 million improved 5% over the prior period. Beryllia ceramic sales were higher in the third quarter and first nine months of 2003 than in the comparable periods of 2002. Sales of electronic packages, which are sold into the computer and telecommunications market, were slightly higher in the third quarter after being significantly lower in the first half of the year compared to the same periods of 2002. Sales of thick film circuits, which have defense and commercial applications, were higher in each of the first three quarters of 2003 than 2002, but sales and orders began to slow down during the third quarter and sales are anticipated to continue to soften in the fourth quarter 2003. The slowdown in the third quarter sales was due in part to push outs of existing defense orders.

The gross margin on MEG sales was \$8.0 million in the third quarter 2003 compared to \$6.7 million in the third quarter 2002. For the first nine months of the year, the gross margin was \$23.7 million in 2003 and \$20.0 million in 2002. The gross margin was 20% of sales for the quarter and year-to-date periods in 2003 and 19% for the quarter and year-to-date periods in 2002. The improved sales volumes increased the margin contribution by \$1.5 million in the third quarter 2003 and \$2.6 million for the first three quarters of 2003 over the comparable periods of 2002. The sales mix effect on margins was slightly unfavorable in the quarter but a favorable \$1.1 million for year-to-date 2003 versus year-to-date 2002, mainly due to WAM products. Manufacturing overhead costs were relatively unchanged in the current quarter and year compared to the prior year.

Total SG&A, R&D and other-net expenses were \$4.2 million in the third quarter 2003, a \$1.1 million reduction from the third quarter 2002. For the first nine months of the year, expenses were \$13.9 million in 2003 and \$15.1 million in 2002. Cost reductions associated with the restructuring of Electronic Products initiated beginning in the fourth quarter 2002 and lower incentive compensation accruals were the main causes for the reduced expenses in the current quarter and for the year. The metal financing fee at WAM was also slightly lower in 2003 than in 2002.

Operating profit of \$3.8 million in the third quarter 2003 was a \$2.5 million improvement over the third quarter 2002 while the operating profit for the first three quarters of 2003 of \$9.8 million was a \$4.8 million improvement over the same period last year. The improved margins on the increased sales coupled with the lower expenses generated the higher profits. For the first nine months of the year, operating profit was 9% of sales in 2003 and 5% of sales in 2002.

LEGAL

One of the Company's subsidiaries, Brush Wellman Inc. (BWI), is a defendant in proceedings in various state and federal courts brought by plaintiffs alleging that they have contracted chronic beryllium disease or other lung conditions as a result of exposure to beryllium. Plaintiffs in beryllium cases seek recovery under theories of intentional tort and various other legal theories and seek compensatory and punitive damages, in many cases of an unspecified sum. Spouses, if any, claim loss of consortium.

The following table summarizes the activity associated with beryllium cases. Settlement payment and dismissal for a single case may not occur in the same period.

	QUARTER ENDED	
	SEPT. 26, 2003	JUNE 27, 2003
Total cases pending.....	26	22
Total plaintiffs.....	61	55
Number of claims (plaintiffs) filed during period ended.....	7(12)	2(3)
Number of claims (plaintiffs) settled during period ended.....	2(4)	1(1)
Aggregate cost of settlements during period ended (dollars in thousands).....	\$95	\$254
Number of claims (plaintiffs) otherwise dismissed.....	1(2)	1(1)
Number of claims (plaintiffs) voluntarily withdrawn.....	0(0)	0(0)

Additional beryllium claims may arise. Management believes that the Company has substantial defenses in these cases and intends to contest the suits vigorously. Employee cases, in which plaintiffs have a high burden of proof, have historically involved relatively small losses to the Company. Third party plaintiffs (typically employees of customers or contractors) face a lower burden of proof than do employees or former employees, but these cases are generally covered by varying levels of insurance. A reserve was recorded for beryllium litigation of \$3.6 million at September 26, 2003 and \$4.2 million at December 31, 2002. A receivable was recorded of \$3.9 million at September 26, 2003 and \$4.9 million at December 31, 2002 from the Company's insurance carriers as recoveries for insured claims.

Although it is not possible to predict the outcome of the litigation pending against the Company and its subsidiaries, the Company provides for costs related to these matters when a loss is probable and the amount is reasonably estimable. Litigation is subject to many uncertainties, and it is possible that some of these actions could be decided unfavorably in amounts exceeding the Company's reserves. An unfavorable outcome or settlement of a pending beryllium case or additional adverse media coverage could encourage the commencement of additional similar litigation. The Company is unable to estimate its potential exposure to unasserted claims.

While the Company is unable to predict the outcome of the current or future beryllium proceedings, based upon currently known facts and assuming collectibility of insurance, the Company does not believe that resolution of these proceedings will have a material adverse effect on the financial condition or the cash flow of the Company. However, the Company's results of operations could be materially affected by unfavorable results in one or more of these cases. Currently, two purported class actions are pending.

Standards for exposure to beryllium are under review by the United States Occupational Safety and Health Administration, and by private standard-setting organizations. One result of these reviews might be more stringent worker safety standards. More stringent standards, as well as other factors such as the adoption of beryllium disease compensation programs and publicity related to these reviews may also affect buying decisions by the users of beryllium-containing products. If the standards are made more stringent or the Company's customers decide to reduce their use of beryllium-containing products, the Company's operating results, liquidity and capital resources could be materially adversely affected. The extent of the adverse effect would depend on the nature and extent of the changes to the standards, the cost and ability to meet the new standards, the extent of any reduction in customer use and other factors that cannot be estimated.

FINANCIAL POSITION

Cash flow from operations was \$18.1 million for the first nine months of 2003 as the effects of changes in working capital items and other adjustments more than offset the net loss of \$6.0 million. The cash balance was \$4.8 million at the end of the third quarter 2003, an increase of \$0.4 million for the year, as the majority of the available cash from operations was used to reduce debt and to fund capital expenditures.

The accounts receivable balance of \$56.9 million at the end of the third quarter 2003 was \$9.4 million higher than at December 31, 2002. The days sales outstanding, a measure of the average collection period, was 57 days

as of the end of the third quarter, which was an increase over the prior year end. This increase was due in part to the higher international sales and receivables, which typically take longer to collect than domestic receivables. Accounts written off to bad debts and the increase to the bad debt allowance was \$0.4 million higher in the first nine months of 2003 than the first nine months of 2002.

Inventories of \$88.0 million at the end of the third quarter 2003 were \$6.3 million lower than at year-end 2002. The majority of the inventory reduction is within Alloy Products and TMI due to operating improvements, inventory control efforts and adjustments to balance inventories with current demand. The quantity in Alloy Products inventory was down 11% for the year. Inventory at Brush Resources increased as a result of extracting ore in excess of current production requirements in order to remove the ore from existing pits within the allowable safety time frame. Inventory turns in the third quarter 2003 improved slightly over turns at the end of last year.

The Company collected a federal income tax refund of \$3.8 million during the third quarter 2003. This amount had been recorded as a prepaid expense as of December 31, 2002.

Capital expenditures were \$4.9 million in the first nine months of 2003 as management continued to tightly control capital investments. The Company has maintained its quarterly capital spending at less than \$2.0 million for seven straight quarters. Spending by the MEG totaled \$2.4 million in the first nine months of 2003 with WAM accounting for the majority of that total. WAM's capital expenditures included an acquisition of assets from a former competitor used in the manufacture of coverlids for sale into the microelectronics market. Spending by the Metal Systems Group was \$1.6 million in the first three quarters of 2003.

Other liabilities and accrued items of \$35.3 million at the end of the third quarter 2003 were \$4.9 million higher than at year-end 2002 due to an increased accrual for salaries and wages (timing of the pay cycle versus the end of the period), changes in derivative fair values (increased losses on outstanding hedges from the appreciated value of the euro) and higher fringe benefit accruals.

Total balance sheet debt of \$51.5 million at the end of the third quarter 2003 was \$12.0 million lower than the debt balance of \$63.5 million at December 31, 2002. Short-term debt of \$39.3 million at the end of the third quarter included \$19.0 million of debt borrowed under the Company's revolving credit agreement (the revolver) that previously would have been classified as long-term borrowings. However, the revolver matures in April 2004 and therefore all borrowings under the agreement were considered current debt and were classified accordingly. The remaining \$12.2 million of long-term debt on the September 26, 2003 balance sheet consists of industrial revenue bonds, variable rate demand notes and a promissory note that have maturities beyond 2004. The Company was in compliance with debt covenants as of the end of the third quarter 2003.

The Company is currently in negotiations with potential lenders to refinance the Company's debt on a long-term basis. The Company is evaluating various combinations of refinancing options, including, but not limited to, a new revolving credit agreement, term loan and subordinated debt. One of the options may result in the purchase of assets used in the manufacture of strip products at the Elmore, Ohio facility currently financed by a \$51.8 million off-balance sheet operating lease with the proceeds from a new term loan. As a result, property, plant and equipment on the balance sheet would increase for the purchased assets and the Company's balance sheet debt (but not its over-all obligations or leverage) would also increase by a like amount. The Company is in the process of developing, negotiating and analyzing final terms, covenants, maturities, interest rates and fees for these various options. Management anticipates that a new long-term financing structure will be in place prior to the maturity of the current revolver and perhaps prior to the end of 2003. Depending upon the final renegotiated debt structure, existing deferred financing costs as well as certain derivative losses recorded in other comprehensive income may be written off the balance sheet and charged to expense concurrent with the signing of the new or renegotiated agreements. The on-going amortization of deferred financing costs under a new financing structure may also be higher than the current amortization expense.

The retirement and post-employment benefit liability of \$50.5 million at the end of the third quarter 2003 increased \$2.0 million since year-end 2002 primarily due to the higher pension expense in the current year.

There were no significant changes in the Company's off-balance sheet lease obligations during the first nine months of 2003. Lease payments were made as scheduled which reduced the outstanding lease obligations by

\$4.3 million. The balance outstanding under the off-balance sheet precious metal consigned inventory arrangements declined due to a reduction in the quantities of metal on hand during 2003.

Cash flow from operations was \$11.8 million during the first nine months of 2002 as the effects of depreciation and working capital changes more than offset the net loss. Accounts receivable grew \$4.8 million as a result of an increase in the days sales outstanding in the first nine months of 2002. Inventories were \$15.9 million, or 15%, lower at the end of the third quarter 2002 than at year-end 2001, with the majority of the reduction in Alloy Products as a result of manufacturing improvements and aggressive actions to reduce scrap and other inventories on hand. Capital expenditures totaled \$4.0 million in the first three quarters of 2002. The Company paid \$5.1 million to settle numerous CBD lawsuits in the first three quarters of 2002 and received back \$2.4 million from its insurance carriers as partial recoveries against the insured portion of these claims. Total balance sheet debt of \$64.2 million at the end of the third quarter 2002 was \$10.6 million lower than at December 31, 2001. Cash balances decreased \$3.8 million during the first three quarters of 2002.

Funds from operations and the available borrowing capacity are believed to be adequate to support operating requirements, capital expenditures and environmental remediation projects. The Company's ability to raise additional debt financing above the existing lines may currently be limited due to the current operating losses, available collateral and leverage ratios.

OUTLOOK

With short lead times and without a significant change in the sales order entry patterns for shipments in the fourth quarter, the Company anticipates that sales in the fourth quarter will be similar to the third quarter. However, the Company is optimistic about the potential for sales growth in 2004 and beyond. In the third quarter 2003, Beryllium Products obtained an order to provide material for the WEBB telescope that should generate approximately \$15 million in additional revenue over the 2004 to 2006 time frame. The Company's market research indicates that activity levels are increasing across many of the Company's major markets and that these markets may show improvements early next year. In addition to growth from the underlying markets, management believes that the Company's market and product development efforts also have the potential to increase sales in 2004 and going forward. Alloy Products, in addition to its continued penetration of the strip market, has recently introduced a higher conductivity strip product for the computer and electronics markets and continues to develop applications in the aerospace, heavy equipment and oil and gas industries using the Company's non-beryllium spinodal alloys. TMI is developing products for the emerging fuel cell market and is also attempting to leverage its existing plating technology and capacity to develop additional revenue. Beryllium Products is commercializing new beryllium aluminum applications and platforms across various markets. WAM will continue its development of semi-conductor PVD materials and will also look to expand its market share and product offerings in Asia through its recently created joint venture.

Margins have improved in 2003 and on-going overhead costs have been tightly controlled. Management anticipates that the programs in place, including Lean Six Sigma, will help support these positive trends going forward. However, other factors, including medical benefit and pension costs, may put additional pressures on costs next year.

The Company anticipates that its debt will be refinanced on a long-term basis in the near future, which should help to solidify the Company's capital structure. Working capital investments, particularly inventory, and capital expenditures will continue to be closely managed in order to optimize the Company's cash flows.

CRITICAL ACCOUNTING POLICIES

DEFERRED TAXES: As previously noted, deferred tax benefits related to losses incurred in the first three quarters of 2003 were offset by provisions for deferred tax valuation allowances. During the fourth quarter 2002, a valuation allowance was recorded against domestic and certain foreign deferred tax assets as a result of recent cumulative losses generated by the Company. Despite the valuation allowance, the Company retains the ability to utilize the benefits of its domestic loss carry forwards and other deferred tax assets on future tax returns. A domestic federal tax benefit will not be recorded in subsequent periods should the Company continue to generate

pre-tax losses. Should the Company generate a pre-tax profit in subsequent periods, a federal tax expense will not be recorded either to the extent that the remaining valuation allowance can be used to offset that expense.

PENSIONS: Market interest rates have declined during 2003 and, if this trend continues, the discount rate used to value the pension plan liabilities at year-end 2003 may be lower than the 6.75% rate used at year-end 2002. A lower discount rate coupled with other pension valuation assumptions and actual plan performance may result in an increase in the minimum pension liability and an additional charge to other comprehensive income within shareholders' equity to be recorded at December 31, 2003. The amount of any potential charge cannot be estimated at the present time due to the number and complexity of the variables involved. Management anticipates that the pension expense will be higher in 2004 than in 2003. The Company may also be required to make a cash contribution to its defined benefit pension plan in 2004.

For additional information regarding the Company's critical accounting policies, please refer to pages 21 and 22 of the Company's annual report to shareholders for the period ended December 31, 2002.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For information regarding the Company's market risks, please refer to pages 23 and 24 of the Company's annual report to shareholders for the period ended December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President, Chairman and Chief Executive Officer, and Vice President Finance and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Company's management has concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company and its subsidiaries are subject, from time to time, to a variety of civil and administrative proceedings arising out of their normal operations, including, without limitation, product liability claims, health, safety and environmental claims and employment-related actions. Among such proceedings are the cases described below.

BERYLLIUM CLAIMS

There are claims pending in various state and federal courts against Brush Wellman Inc., one of the Company's subsidiaries, by some of its employees, former employees or their surviving spouses, and by third party individuals (typically employees of customers or of independent contractors) alleging that they contracted, or have been placed at risk of contracting, chronic beryllium disease or other lung conditions as a result of exposure to beryllium. Plaintiffs in beryllium cases seek recovery under theories of intentional tort and various other legal theories and seek compensatory and punitive damages, in many cases of an unspecified sum. Spouses, if any, claim loss of consortium.

During the third quarter of 2003, the number of beryllium cases increased from 22 cases (involving 55 plaintiffs) as of June 27, 2003, to 26 cases (involving 61 plaintiffs) as of September 26, 2003. During the third quarter, six third party cases (involving eight plaintiffs) were filed. One purported class action (involving four named plaintiffs) was filed. One third party case (involving two plaintiffs) was settled and dismissed. One third party case (involving one plaintiff) was settled; however, the Company is awaiting final court dismissal. One third party case (involving two plaintiffs) that was previously reported as having been settled, but in which the Company was awaiting final court dismissal, was dismissed by the court during the third quarter. One third party case (involving two plaintiffs) was voluntarily dismissed by the plaintiffs.

The 26 pending beryllium cases fall into three categories: four "employee cases" involving an aggregate of four Brush Wellman employees, former employees or surviving spouses (in three of these cases, a spouse has also filed claims as part of his or her spouse's case); 20 cases involving third-party individual plaintiffs, with 21 individuals (and 14 spouses who have filed claims as part of their spouse's case, and nine children who have filed claims as part of their parent's case); and two purported class actions involving ten individuals, as discussed more fully below. Employee cases, in which plaintiffs have a higher burden of proof, have historically involved relatively small losses to the Company. Third-party plaintiffs (typically employees of our customers or contractors) face a lower burden of proof than do employees or former employees, but these cases are generally covered by varying levels of insurance.

In one purported class action in which Brush Wellman is seeking review of the appellate court's reversal of the trial court's denial of class certification, the named plaintiffs allege that past exposure to beryllium has increased their risk of contracting chronic beryllium disease and possibly cancer, although they do not claim to have actually contracted any disease. They seek medical monitoring funds to be used to detect medical problems that they believe may develop as a result of their exposure, and seek punitive damages. This purported class action was brought by named plaintiffs on behalf of tradesmen who worked in one of Brush Wellman's facilities as employees of independent contractors.

In the second purported class action that is pending against Brush Wellman, the named plaintiffs allege that they were exposed to beryllium in the course of their employment with a customer of Brush Wellman, and that they are sensitized to beryllium. They seek medical monitoring funds to be used to detect medical problems that they believe may develop as a result of their exposure, and seek punitive damages. This purported class action was brought by named plaintiffs on behalf of employees who worked in the state of California at the facilities of one of Brush Wellman's customers, and the spouses of those workers.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- | | |
|------|---|
| 10 | Amended and Restated Supply Agreement between RWE Nukem, Inc. and Brush Wellman Inc. for the sale and purchase of beryllium products. |
| 11 | Statement re computation of per share earnings (filed as Exhibit 11 to Part I of this report). |
| 31.1 | Rule 13a-14(a) Certifications |
| 31.2 | Rule 13a-14(a) Certifications |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002 |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002 |

(b) Reports on Form 8-K

In a report on Form 8-K filed October 24, 2003, Brush Engineered Materials Inc. incorporated into Item 7 its October 24, 2003 press release, reporting on its earnings for the first quarter of 2003. The press release, with summary financial information, was furnished pursuant to Items 9 and 12.

In a report on Form 8-K filed September 2, 2003, Brush Engineered Materials Inc. issued a press release announcing that the "Current Investor" section of its website had been updated.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED.

Dated: November 6, 2003

BRUSH ENGINEERED MATERIALS INC.

/s/ John D. Grampa

John D. Grampa
Vice President Finance
and Chief Financial Officer

Exhibit 10

SUPPLY AGREEMENT

BETWEEN

RWE NUKEM, INC.

AND

BRUSH WELLMAN INC.,

FOR

THE SALE AND PURCHASE OF

BERYLLIUM PRODUCTS

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SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT (this "Agreement") as made on the 7th day of September, 2000, between RWE NUKEM, Inc., a New York corporation ("Seller") and Brush Wellman, Inc., an Ohio corporation ("Buyer"), and as amended on this Fourth Day of September, 2003.

RECITALS

A. WHEREAS, there exist sources of beryllium ore, beryllium hydroxide, beryllium oxide and beryllium in metal ingot, scrap, powder and alloy form in Kazakhstan and elsewhere in the world;

B. WHEREAS, Buyer has an efficient existing beryllium marketing, sales and service network to sell beryllium products on the world market in a short period of time, and Seller does not have such a network and therefore cannot sell Beryllium Products on the world market in a similar time frame;

C. WHEREAS, Buyer's existing customer base needs large supplies of Beryllium Products in a short period of time;

D. WHEREAS, Buyer has the technology and facilities to process and fabricate beryllium into forms useable by its customers, but is unable to meet the demands of its customers for beryllium products unless it makes substantial capital investments for the extraction of beryllium ore;

E. WHEREAS, Seller desires to sell CuBe Master Alloy and Be-Metal of ULBA Grade B-1, to Buyer, and Buyer desires to purchase certain quantities of Beryllium Products from Seller, upon the terms and subject to the conditions set forth in this Agreement. (Specifications for CuBe Master Alloy are set forth in Exhibit A, and specifications for ULBA Grade B-1 Be-Metal are set forth in Exhibit B, attached to this agreement)

F. WHEREAS, Buyer, Producer, Seller desire to use their complementary capabilities to realize, pursuant to this non-exclusive agreement, business opportunities that none of them reasonably could accomplish alone in a short period of time.

G. WHEREAS, simultaneously with the execution of this Agreement, Seller will execute a contract for the sale of the Beryllium Products purchased under this contract with Producer ("Producer Agreement").

H. WHEREAS, the Parties hereto recognize that this Agreement will provide Seller with a unique opportunity to market and sell beryllium on the world market on a commercially viable scale in a very short period of time;

I. (Intentionally deleted)

AGREEMENT

NOW, THEREFORE, in consideration of the premises, and mutual covenants, obligations and agreements set forth in this Agreement, the Parties hereto hereby agree as follows:

I. DEFINITIONS

- 1.1 "Agreement" shall have the meaning set forth in the Preamble to this Agreement.
- 1.2 "Applicable Delivery Year" shall have the meaning set forth in Section 3.3.
- 1.3 "Base Quantity" for any Delivery Year means the amount of Beryllium set forth in Section 3.1 opposite such Delivery Year under the heading "Base Quantity", subject to adjustment pursuant to Section 3.2, Section 11.1 and/or Section 11.3.
- 1.4 "Be-Metal" shall have the meaning set forth in the Recitals to this Agreement.
- 1.5 "Be Price Variation" shall have the meaning set forth in Section 4.2.
- 1.6 "Beryllium" and "Beryllium Product" mean such beryllium in the form of Be-Metal and such beryllium metal contained in CuBe Master Alloy which has been purchased by Seller from Producer under the Producer Agreement, in each case with the specifications set forth in Exhibit A and Exhibit B to this Agreement.
- 1.7 [intentionally deleted]
- 1.8 "Buyer" shall have the meaning set forth in the Preamble to this Agreement.
- 1.9 "Contract Price (Be-Metal)" shall have the meaning set forth in Section 4.1.
- 1.10 "Contract Price (CuBe Master Alloy)" shall have the meaning set forth in Section 4.1.
- 1.11 "Contract Term" means the period commencing the date of this Agreement through and including December 31, 2012.
- 1.12 "CuBe Master Alloy" means copper-beryllium master alloy having nominally 4.0% Beryllium by weight.
- 1.13 "Delivery" shall mean CIF Elmore pursuant to the terms of this Agreement.
- 1.14 "Delivery Year" means any twelve calendar month period during the Contract Term that begins on January 1 and ends on December 31.
- 1.15 "Draw Down" shall mean physical Delivery pursuant to Section 1.13.
- 1.16 "Elmore Stockpile Facility" means Buyer's beryllium production and fabrication facility located at Elmore, Ohio, USA.
- 1.17 [Intentionally Deleted].
- 1.18 "Kazatomprom" shall have the meaning set forth in Section 1.23.
- 1.19 "Liens" shall have the meaning set forth in Section 7.1.
- 1.20 (Intentionally deleted)

- 1.21 "RWE Nukem" shall have the meaning set forth in the Preamble to this Agreement.
- 1.22 "Party" or "Parties" to this Agreement shall be Seller and/or Buyer.
- 1.23 "Producer" shall mean both, jointly and severally, Kazatomprom, a corporation organized under the laws of the Republic of Kazakhstan ("Kazatomprom") and Ulba Metallurgical Plant, a corporation organized under the laws of the Republic of Kazakhstan ("Ulba").
- 1.24 "Producer Agreement" shall mean the Agreement among NUKEM, Inc. and Kazatomprom and Ulba for the Sale and Purchase of Beryllium Products dated September 7, 2000.
- 1.25 "Seller's On-Site Agent" shall have the meaning set forth in Section 3.7.
- 1.26 [Intentionally Deleted].
- 1.27 "Sample" shall mean in case of Be Metal, approximately 5,000 lbs. of Beryllium contained in Be Metal. The samples shall be Delivered to the Elmore Facility in accordance with Section 3.5.
- 1.28 "Seller" shall have the meaning set forth in the Preamble to this Agreement.
- 1.29 (Intentionally deleted)
- 1.30 "Taxes" shall have the meaning set forth in Article VI.
- 1.31 "Ulba" shall have the meaning set forth in Section 1.23.
- 1.32 (Intentionally deleted).

ARTICLE II (INTENTIONALLY DELETED)

III. SALE AND PURCHASE; TIMING OF DELIVERIES; RISK OF LOSS

3.1 Sale and Purchase. In each Delivery Year of the Contract term, Buyer shall Draw Down and purchase from Seller all of the applicable Minimum Quantity of Beryllium Products subject to

acceptable changes specified for such Delivery Year in Section 3.1, in accordance with the schedule as follows in Table 1.

Table 1 (Be contained in CuBe Master Alloy)

Delivery Year	Minimum Quantity (pounds/kgs Beryllium)	Maximum Quantity (pounds/kgs Beryllium)
2003	10,000/4,535 +/-2%	25,000/11,340 +/-2%
2004	25,000/11,340 +/-2%	150,000/68,040 +/-2%
2005	25,000/11,340 +/-2%	150,000/68,040 +/-2%
2006	25,000/11,340 +/-2%	150,000/68,040 +/-2%
2007	25,000/11,340 +/-2%	150,000/68,040 +/-2%
2008	30,000/15,875 +/-2%	150,000/68,040 +/-2%
2009	35,000/15,875 +/-2%	150,000/68,040 +/-2%
2010	40,000/18,145 +/-2%	150,000/68,040 +/-2%
2011	40,000/18,145 +/-2%	150,000/68,040 +/-2%
2012	40,000/18,145 +/-2%	150,000/68,040 +/-2%

Table 2 (ULBA Grade B-1) Be-Metal

Delivery Year	Minimum Quantity (pounds/kgs Beryllium)	Variation (%)
2003	5,000/2,270	+/-10%
2004	35,000/15,875	+/-10%
2004	35,000/15,875	+/-10%
2006	35,000/15,875	+/-10%
2007	35,000/15,875	+/-10%
2008	35,000/15,875	+/-10%
2009	35,000/15,875	+/-10%
2010	35,000/15,875	+/-10%
2011	35,000/15,875	+/-10%
2012	35,000/15,875	+/-10%

In any Delivery Year, Buyer shall have the obligation to purchase Beryllium Products in the volumes specified as Annual Delivery Quantities in Table 1 and Table 2 above for each Delivery Year, subject to the compensation conditions defined in Article X of this Agreement if lower volumes are purchased.

In partial consideration of the Contract Price negotiated between the Parties, the Buyer undertakes not to use Beryllium Products purchased from the Seller for any use but for internal applications. Internal applications shall refer to the processing of the Beryllium Products by Buyer into higher value products, as opposed to direct sale of Beryllium Products to other customers.

3.2 Adjustment to Base Quantity. Pursuant to the variations allowed in Section 3.1, Buyer will, by advance notice to Seller given not later than October 1st preceding any Delivery Year, provide a binding notice specifying the amount of Beryllium Products to be purchased in the next Delivery Year and the non-binding estimated dates of such Draw Downs including a delivery schedule that plans for a regular Draw-Down in approximately 6 shipments each Delivery Year, such that the whole Annual Quantity of CuBe master alloy and Be-Metal is shipped to the Buyer in any delivery year.

With regard to the Delivery Year 2012 quantity, the Parties shall meet and discuss the Delivery Year 2012 Base Quantity and possible extension of this Agreement and the Producer Agreement.

- 3.3 Reimbursement of Transport Costs. Buyer shall reimburse Seller for any and all delivery costs for the Beryllium Products from St. Petersburg, Russian Federation to the Elmore Stockpile Facility. Seller shall issue an invoice for delivery costs to Buyer within ten (10) days after receipt of each shipment of Beryllium Product at the Elmore Stockpile Facility. Buyer shall pay Seller's invoice within thirty (30) days after receipt. Any late payments will be subject to the interest charge described in Section 5.4.
- 3.4 Purchase Orders. Buyer will provide a Purchase Order to Seller at least 100 days prior to the date of Draw Down. The Purchase Order shall specify the Quantity of Beryllium Products to be Delivered in accordance with Section 3.2 and the date of Delivery.
- 3.5 Qualification of Beryllium Products. Within sixty (60) days after Effectiveness of this Agreement, Seller shall deliver to Buyer, and Buyer shall purchase the Sample. Within sixty (60) days of its receipt of the Sample, Buyer shall determine whether the Sample is qualified by satisfying the specifications set forth in Exhibit B to this Agreement. If Buyer determines that the Sample satisfies Buyer's specifications, Buyer shall confirm this determination to Seller in writing, and Seller shall deliver, commencing in Delivery Year 2004, Beryllium Products consistent with the specifications set forth in Exhibit B.
- If, however, the Sample does not satisfy the specifications in Exhibit B, then Buyer shall provide the Seller with the results of the analyses supporting the rejection of the Sample, and at the Buyer's sole discretion, the Buyer may decide any or all of the following options:
- 3.5.1. To Purchase the Sample quantity against a waiver of specification, without prejudice to any other section of this Agreement or setting any precedent for acceptance of future shipments of Be Metal that fail to meet the Specifications.
- 3.5.2. To request the Seller to supply a replacement Sample quantity of Be Metal to be delivered within 90 days of receipt of the above mentioned results of analyses supporting rejection of the Sample. This may be repeated at the Buyer's reasonable discretion until the Sample meets the Buyer's specifications.
- 3.5.3 To return the Sample to the Seller at Seller's sole cost and expense, and Buyer shall have the option to terminate this Agreement without any further action, obligation or liability of any Party.
- 3.5.4 The Buyer and Seller acknowledge that certain end users of products manufactured from Be Metal require notification and qualification sampling if there has been any process change related to the manufacturer of the Be Metal. In the event that an end user of products manufactured from Be Metal notifies the Buyer that they cannot use the products manufactured by the Buyer from the Be Metal purchased from the Seller until re-qualification is completed, the Buyer, Seller and Producer agree to meet to attempt to resolve the issue. To the extent possible, Buyer shall provide Seller with reasonable documentary evidence of such re-qualification requirement.
- 3.5.5 The Seller agrees to advise the Buyer in advance before any process changes are made that affect the Be Metal.
- 3.6 (Deleted Intentionally)
- 3.6.1 (Deleted Intentionally)
- 3.6.2 (Deleted Intentionally)
- 3.6.3 (Deleted Intentionally)

- 3.6.4 (Deleted Intentionally)
- 3.6.5 (Deleted Intentionally)
- 3.6.6 (Deleted Intentionally)
- 3.6.7 (Deleted Intentionally)
- 3.6.8 (Deleted Intentionally)
- 3.7 Nonconformity. If at any time during the term of this Agreement there is a dispute about the quality of any Beryllium Products delivered by Seller, the Parties shall, in consultation with Producer, appoint a mutually acceptable independent third party expert to (a) test the Beryllium Products in question against the specifications set forth in Exhibit A or Exhibit B, (b) provide an analysis of the chemical and physical characteristics and properties of such products, and (c) accept or reject such products based on such analysis. If the Beryllium Products are rejected by the independent third party expert, Seller shall have ninety (90) days from the date Seller receives notice of such non-conformity to replace such non-conforming Beryllium Products with conforming Beryllium Products, and Seller shall bear all cost of the independent third party expert. If Seller fails to replace such non-conforming Beryllium Products within such ninety (90)-day period with Beryllium Products complying with the specifications, Buyer shall be entitled to the remedies set forth in Section 11.1.
- 3.8 (Deleted in its entirety)
- 3.9 (Deleted in its entirety)
- 3.10 Title and Risk of Loss.
 - 3.10.1 (Deleted in its entirety).
 - 3.10.2 Title to the Beryllium Products in the Base Quantities shall transfer to the Buyer upon Draw Down.
 - 3.10.3 Risk of loss of or damage to any Beryllium Products shall transfer from Seller to Buyer upon delivery to the Elmore Stockpile Facility.
 - 3.10.4 (Deleted intentionally)
- 3.11 Ulba Production Facility Inspection. Seller shall cause Producer to provide Buyer with reasonable access to Producer's Beryllium Products production line at its Ulba facility on no less than a quarterly basis during each Delivery Year, commencing with Delivery Year 2000. Such access shall be for the sole purpose of inspecting Producer's facilities to satisfy Buyer that such facilities can produce Beryllium Products meeting Buyer's specifications.
- 3.12 (Deleted Intentionally)

IV. CONTRACT PRICE

4.1 Contract Price. Buyer agrees to pay Seller the Contract Price as defined below.

Contract Price - CuBe Master Alloy

$$\text{Contract Price (CuBe Master Alloy)} = (\text{Be Price} \times \text{Be Content}) + (\text{Cu Price} \times \text{Cu Content})$$

Where:

Be Price - price for Be contained in CuBe master alloy subject to Price variation in terms of Base Price in this section and subject to Annual Delivery Volume of CuBe master alloy as stated in Table 3 of Section

4.2 "Price Adjustment".

Be Content = The percent of Beryllium by weight contained in the Beryllium Product.

Base Price for Be contained in CuBe master alloy amounts to US\$ 52.98 / lb or US\$ 116.8 / kg.

CuBe Master Alloy Base Price Escalation:

The Be Price applicable to all deliveries hereunder shall be the Base Price (CuBe Master Alloy) adjusted as follows:

The Base Price for CuBe Master Alloy shall be increased by 2% during each of the following Delivery years of the contract such that the Base Price shall be as follows:

2003	=	\$52.98/lb or US\$ 116.80/kg
2004	=	\$54.04/lb or US\$ 119.14/kg
2005	=	\$55.12/lb or US\$ 121.50/kg
2006	=	\$56.22/lb or US\$ 123.94/kg
2007	=	\$57.35/lb or US\$ 126.43/kg

If no notice is given no later than September 30, 2007 by the Seller or Buyer, the Base Price shall remain at \$57.35/lb or US\$ 126.43/kg for the balance of the Term of this Agreement.

Upon written notice given no later than September 30, 2007 by the Seller or Buyer, the Base Price for CuBe Master Alloy for 2008 onwards shall be renegotiated between the Parties.

If the Parties cannot agree on a new Base Price for CuBe Master Alloy by December 31, 2007, then CuBe Master Alloy deliveries shall terminate with the 2008 delivery volumes.

PCu= Cu Price = Cu price shall be the Cu price as calculated by the Producer for each delivery pursuant to Section 3.

Subject to Producer's agreement the price shall be based on the following formula:

PCu= (PLME + \$0.14/kg) x 1.054,

Where:

PLME - the price for 1kg of cathode Copper in US\$ at the London Metals Exchange within the month prior to Purchase

\$0.14 - Copper transportation and rolling costs

1.054 - customs costs

Cu Content = 100% of the CuBe Master Alloy weight minus Be Content

CONTRACT PRICE BE METAL:

Contract Price (Be Metal)	= (Be Metal Price x Be Content)
Be Content	=The percentage by weight of Be in Ulba Grade B-1 vacuum cast billet as provided in the certification by the Seller for each shipment, and verified by the buyer or a mutually acceptable third party analytical facility.

Where:

The Base Price for Be Metal contained in Be Metal of Ulba Grade B-1 vacuum cast billet, shall be US \$84.10 /lb. or US\$185.36/kg.

The Be Price for Be contained in Ulba Grade B-1 vacuum cast billet, shall be the Base Price for Be Metal contained in Be Metal of Ulba Grade B-1 vacuum cast billet, adjusted for:

Be Metal Base Price Escalation:

The Be Price applicable to all deliveries hereunder shall be the Base Price (Be Metal) adjusted as follows:

The Base Price for Be Metal shall be increased by 2% during each of the following Delivery Years of the contract such that the Base Price shall be as follows:

2003	=	\$84.10/lb or US\$ 185.41/kg
2004	=	\$85.80/lb or US\$ 189.16/kg
2005	=	\$87.85/lb or US\$ 193.67/kg
2006	=	\$89.27/lb or US\$ 196.80/kg
2007	=	\$91.05/lb or US\$ 200.73/kg

If no notice is given no later than September 30, 2007 by the Seller or Buyer, the Base Price shall remain at \$91.05 or US\$ 200.79/kg for the balance of the Term of this Agreement.

Upon written notice given no later than September 30, 2007 by the Seller or Buyer, the Base Price for Be Metal for 2008 onwards shall be renegotiated between the Parties.

If the Parties cannot agree on a new Base Price for Be Metal by December 31, 2007, then Be Metal deliveries shall terminate with the 2008 Delivery Volumes.

If, at the request of the Buyer, Seller delivers Be Metal in form of chunks Be-metal a \$5.00/kg fee will be added to the Be Metal Price.

4.2 The price for Be contained in CuBe master alloy shall vary subject to volumes of CuBe master alloy purchased by Buyer as specified in Section 3.2, as follows:

Table 3	
Annual quantity of Be Contained in CuBe master alloy delivery (pounds/kgs)	Price for Be contained in CuBe master alloy
50,000/22,650 and below	Base price +10%
50,000/22,650 to 75,000/33,975	Base price +5%
75,000/33,975 and higher	Base price

If, in any Delivery Year, Buyer requires Beryllium in excess of the Base Quantity amount for such Delivery Year plus the applicable positive variation specified in section 3.1 for such Delivery Year, Buyer may, at Buyer's option, contact Seller for the supply of all or a portion of its additional requirements, and upon Buyer's request therefore, Buyer, Seller and Producer shall negotiate in good faith for the supply to Buyer by Seller, and Producer of such additional quantities.

4.3 (Deleted in its entirety)

4.4 (Deleted in its entirety)

V. PAYMENT

- 5.1 Invoice for CuBe Master Alloy. If Buyer Draws Down CuBe Master Alloy pursuant to Sections 3.4, 3.5 and 3.6, Seller shall issue an invoice based on the Contract Price (CuBe Master Alloy) and one hundred percent of the weight of the CuBe Master Alloy Drawn Down in accordance with Articles III and IV.
- 5.2 Invoice for Be-Metal. If Buyer Draws Down Be-Metal pursuant to Sections 3.4 and 3.5, Seller shall issue an invoice based on the Contract Price (Be-Metal) and one hundred percent of the weight of the Be-Metal Drawn Down in accordance with Articles III and IV.
- 5.3 Payment by Buyer. Subject to verification and confirmation the Beryllium Products to be Drawn Down by Buyer are in accordance with the terms and conditions of this Agreement (including, without limitation, the specifications set forth in Exhibit A or Exhibit B), Buyer shall pay Seller's

invoice within thirty (30) days after the Draw Down by Buyer of the Beryllium Products to which such invoice relates or twenty-five (25) days after receipt of Seller invoice, whichever is later. Subject to compliance with applicable law, payment shall be made to Seller in U.S. dollars to a bank account in the U.S. designated by Seller, which designation may be changed upon fifty (50) days prior notice to Buyer. In no event shall Buyer be required to make any payment in any currency other than U.S. dollars. Subject to Section 5.4, payment by Buyer to Seller in an amount equal to one hundred percent of any invoice issued by Seller for Beryllium Products Drawn Down by Buyer shall constitute full satisfaction of such invoice. Seller shall bear all applicable bank cost and fees.

5.4 Late Payment. Except if payment is prohibited by applicable law or prevented by an event of force majeure, if the full amount of Seller's invoice is not paid on or within the time specified in Section 5.3, such unpaid amount shall be subject to an interest charge from the due date until the actual date of payment at a rate per annum equal to the prime rate of interest published from time to time by Chase Manhattan Bank, N.A., New York, New York.

VI. TAXES, DUTIES, TARIFFS

6.1 Seller shall be responsible for and shall pay all taxes, duties, tariffs or levies imposed by any taxing authority in connection with the production, transportation, export, import, delivery, sale or receipt of Beryllium Products (collectively "Taxes") prior to or coincident with Draw Down.

6.2 Buyer shall be responsible for and shall pay all Taxes after Draw Down. Notwithstanding the foregoing, neither Seller nor Buyer shall be obligated to pay any Taxes based on or measured by the net income of the other.

VII. REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer that:

(a) Seller is a corporation duly organized and validly existing under the laws of the State of New York, and has the legal right and all necessary power and authority to execute and deliver and perform in full all of its obligations under this Agreement. This Agreement has been duly and validly executed by Nukem.

(b) Seller has the legal right and all necessary power and authority to convey, at the time of Draw Down by Buyer hereunder, all rights, title and interest in and to the Beryllium Products to Buyer in accordance with the terms of this Agreement, free and clear of any liens, equities, claims, prior assignments, mortgages, charges, security interests, pledges, adverse claims, restrictions or other encumbrances (collectively, "Liens"), unless such Liens are required for financing the inventory arrangements under this Agreement.

(c) the execution, delivery and performance of this Agreement by Seller and consummation by such Seller of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both:

(i) violate, conflict with or result in a breach or default under any provision of any organizational instrument governing or relating to such Seller,

(ii) violate any statute, ordinance, rule, regulation, order, judgment or decree of any court or of any governmental or regulatory body, instrumentality, agency or authority applicable to Seller or by which any of its properties or assets may be bound

(iii) require any filing by Seller with, or require Seller to obtain any permit, consent or approval of, or require such Seller to give any notice to, any governmental or

regulatory body, agency or authority other than as
specifically set forth in this Agreement, or

(iv) result in the violation or breach by Seller of, conflict with, constitute (with or without due notice or lapse of time or both) a default by Seller (or give rise to any right of termination, cancellation, payment or acceleration) under, or result in the creation of, any Lien upon any of the properties or assets of Seller under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, franchise, permit, agreement, lease, or other instrument or obligation to which Seller is a party or by which it or its properties or assets may be bound.

(d) this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action in respect thereof on the part of Seller and, assuming the due execution of this Agreement by Buyer, constitutes the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with the respective terms, except as the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

(e) Seller will hold all of the governmental and other permits, licenses, consents and authorizations required in connection with its performance of this Agreement and the transactions contemplated hereby.

(f) there is no action, suit, proceeding at law or in equity, arbitration or administrative or other proceeding by or before (or, to the best knowledge of Seller, any investigation by) any governmental or other instrumentality or agency pending, or to the best knowledge of Seller, threatened, against or affecting Seller, its properties or rights which could have an adverse direct effect on the ability of Seller to perform its obligations under this Agreement.

(g) the Beryllium Products delivered to the Elmore Stockpile Facility will meet the quality, quantity and delivery requirements established in Articles III and IV and in Exhibits A and B hereto.

(h) upon Draw Down by Buyer of the Base Quantity amount (plus any applicable variation specified in Section 3.1) for any Delivery Year (or any portion thereof), the Beryllium Products subject to such Draw Down will be free and clear of any and all Liens. Seller shall defend and indemnify Buyer, and hold it harmless, from and against any and all claims, suits, actions, proceedings, debts, accounts, damages, costs, liabilities, penalties, fines, losses, and expenses, including reasonable attorney's fees and disbursements, arising from or in connection with any Liens on any Beryllium Products Drawn Down by Buyer hereunder.

(i) Seller is subject to civil, common and commercial law with respect to its obligations under this Agreement, and the execution, delivery and performance by Seller of this Agreement constitutes and will constitute private and commercial acts rather than public or governmental acts.

THE FOREGOING WARRANTIES ARE SELLER'S ONLY WARRANTIES AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, WHETHER ARISING OUT OF LAW, CUSTOM OR USAGE. SELLER EXPRESSLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

7.2 Representations and Warranties of Buyer. Buyer represents and warrants to Seller that:

(a) Buyer is a corporation duly organized and validly existing under the laws of the State of Ohio, and has the legal right and all necessary power and authority to execute, deliver and perform in full all of its obligations under this Agreement. This Agreement has been duly and validly executed by Buyer.

(b) the execution, delivery and performance of this Agreement by Buyer and consummation by Buyer of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both:

(i) violate, conflict with or result in a breach or default under any provision of any organizational instrument governing or relating to Buyer,

(ii) violate any statute, ordinance, rule, regulation, order, judgment or decree of any court or of any governmental or regulatory body, instrumentality, agency or authority applicable to Buyer or by which any of its properties or assets may be bound,

(iii) require any filing by Buyer with, or require Buyer to obtain any permit, consent or approval of, or require Buyer to give any notice to, any governmental or regulatory body, agency or authority other than as specifically set forth in this Agreement, or

(iv) result in the violation or breach by Buyer of, conflict with, constitute (with or without due notice or lapse of time or both) a default by Buyer (or give rise to any right of termination, cancellation, payment or acceleration) under, or result in the creation of any Lien upon any of the properties or assets of Buyer under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, franchise, permit, agreement, lease, or other instrument or obligation to which Buyer is a party or by which it or its properties or assets may be bound unless required for financing purposes under this Agreement.

(c) this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action in respect thereof on the part of Buyer and, assuming the due execution of this Agreement by Seller, constitutes the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms, except as the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

(d) Buyer holds or will hold all of the governmental and other permits, licenses, consents and authorizations required in connection with its performance of this Agreement and the transactions contemplated hereby

THE FOREGOING WARRANTIES ARE BUYER'S ONLY WARRANTIES AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, WHETHER ARISING OUT OF LAW, CUSTOM OR USAGE.

VIII. TERMINATION

8.1 Termination. Unless earlier terminated pursuant to its terms, this Agreement shall terminate

(i) in 2012 upon the purchase by Buyer of the Base Quantity amount for Delivery Year 2012, or

(ii) in Seller's sole discretion upon termination of the Producer Contract, whichever comes first.

The termination of this Agreement for any reason shall be without prejudice to any other remedies that a Party may have under this Agreement or under applicable law, and any liabilities of any Party to any other Party for a breach of its obligations hereunder prior to termination shall survive termination.

8.2 (Deleted in its entirety)

8.3 If Buyer does not Draw Down Beryllium Products for one year for reasons attributable to Buyer, Seller shall have the right to terminate this Agreement and neither Party shall be liable to the other for any cost or damages incurred due to such termination.

IX. FORCE MAJEURE

9.1 Liability. Seller shall not be liable for any delay in, or suspension of deliveries, or other inability to perform its obligations under this Agreement resulting from any event of force majeure, and Buyer shall not be liable for failure, refusal or inability to perform its obligations under this Agreement resulting from any event of force majeure, provided that the Party hereto subject to the event of force majeure (a) promptly notifies the other Party of such event, its cause, the extent of non-performance resulting therefrom and the means proposed to be adopted to remedy or abate the force majeure event, confirms such notice in writing as soon as possible after such Party has learned of the force majeure event and notifies the other Party in writing every thirty (30) days thereafter (such written notification shall, on the first notification only, give a full and complete explanation of the event, its cause, the extent of non-performance resulting therefrom and the means proposed to be adopted to remedy or abate the force majeure event, and thereafter such notice shall give the status of the force majeure event and the actions such Party is taking and any additional actions such Party proposes to take to remedy or abate the force majeure event); (b) promptly supplies such information about the force majeure event and its causes as may be reasonably requested by the other Party; and (c) exercises due diligence and employs all reasonable means to remove the cause of the force majeure event or lessen its effect as expeditiously as possible. Failure to provide timely written notice of any event of force majeure pursuant to this Section 9.1, unless itself due to an event of force majeure, shall preclude any Party from invoking an event of force majeure in such instance. Any Party who is, by reason of an event of force majeure, unable to perform any obligation or condition required by this Agreement to be performed by it shall, in addition to complying with the provisions set forth in the previous sentences of this Section

9.1 (i) provide written notice to the other Party immediately upon the termination or abatement of the force majeure event and (ii) provide written notice to the other Party as soon as it is known when resumption of performance shall occur. Except as provided in Section 9.3, no event of force majeure shall invalidate this Agreement and, upon termination of the event of force majeure, deliveries of Beryllium Product shall resume pursuant to the terms and conditions of this Agreement as expeditiously as possible after termination or sufficient abatement of the force majeure event. Any deliveries not made or accepted due to any event of force majeure shall be made at the end of a force majeure period upon a schedule mutually agreed upon by the Parties hereto.

9.2 Events of Force Majeure. Events of force majeure shall be events, whether foreseeable or unforeseeable, beyond the reasonable control and without the fault or negligence of the Party claiming such event, including without limitation, floods, fires, accidents, strikes or other labor disputes, acts of God, war, acts of public enemy, riot, civil commotion, sabotage, failure to obtain governmental permits, epidemic, quarantine restrictions, embargo, any act, delay or failure to act

on the part of any governmental authority, unavoidable delays in transportation and, in the case of Seller, prohibition by any government or authority in North America, Western Europe or the Far East of the sale of such Beryllium Product by Seller, or any other Force Majeure claimed by a third party, including, but not limited to Producer. Notwithstanding the foregoing, the settlement of labor disputes shall be entirely at the discretion of the Party affected by such labor dispute.

9.3 Termination Due to Force Majeure.

(a) If the performance of Seller under this Agreement is adversely affected by an event of force majeure that continues uninterrupted for a period of ninety (90) days or more, Buyer shall have the right to terminate this Agreement by providing written notice of termination to the Party the performance of which is so affected, such termination to be effective thirty (30) days after such notice is given.

(b) If the performance of Buyer under this Agreement is adversely affected by an event of force majeure that continues uninterrupted for a period of ninety (90) days or more, Seller shall have the right to terminate this Agreement by providing written notice of termination to the Party the performance of which is so affected, such termination to be effective thirty (30) days after such notice is given

X COMPENSATION

- 10.1 In case of Buyer's refusal or inability to purchase the entire Minimum Quantity of Beryllium Products, or purchase only a partial amount of the Beryllium Products specified for any Delivery Year in Table 1 and Table 2 of Section 3.1, Buyer shall pay Seller compensation to the amount of 10% of the value of the Beryllium Products that the Buyer should have purchased, but failed to do so due to non-force Majeure causes.
- 10.2 In case the Buyer does not use Beryllium Metal for internal purposes only as set forth in Section 3.1, and instead knowingly resells it to a third party without the written consent of Seller and Producer, the Buyer shall pay Seller compensation to the amount of 10% of the value of the Beryllium Products that the Buyer purchased by Buyer from Seller and sold to the third Parties.

XI. REMEDIES; LIMITATIONS OF LIABILITY

- 11.1 Failure to Make Scheduled Delivery. Except as a result of an event of force majeure, if Buyer is unable to make a Draw Down from the Stockpile by the time specified in its related purchase order for reasons not attributable to any fault of Buyer or if the Beryllium Products delivered do not conform to the specifications set forth in Exhibits A or Exhibit B to this Agreement and Seller have failed to cure the default in accordance with Section 3.5, Seller shall be liable to pay damages to Buyer which shall include the difference in the price hereunder and the price paid by Buyer for the purchase of replacement Beryllium Products (if such price is higher than the price payable hereunder) plus all other costs associated with such purchase, and Buyer may, at its option, reduce the aggregate amount of Base Quantity required to be purchased by Buyer under this Agreement in the Delivery Year during which such purchase of replacement Beryllium Products occurs or in the next Delivery Year by the number of pounds of such replacement Beryllium Products.
- 11.2 Termination Due to Failure to Make Delivery. If Buyer is unable to make Draw Downs from the Stockpile pursuant to Section 3.4 by the time specified in its related purchase orders in two consecutive months for reasons not attributable to any fault of Buyer (including, without limitation, an event of force majeure), Buyer may, without prejudice to any other rights or remedies it may have, terminate this Agreement by notice to Seller specifying the date of such termination.

- 11.3 Failure to Purchase Base Quantity. Except as a result of an event of force majeure or a situation where a third party, to whom Buyer may resell Beryllium Products purchased from Seller hereunder, defaults or asserts force majeure under such third party's agreement with Buyer, if Buyer fails to purchase the Base Quantity for any Delivery Year for reasons not attributable to any fault of Seller, Buyer shall pay damages to Seller which shall include the reasonable difference in the price hereunder and the price received by Seller for the sale of such Beryllium Product to third Parties (if such price is lower than the price payable hereunder), plus all other costs associated with such sale or disposal, and the aggregate amount of Base Quantity required to be sold by Seller to Buyer under this Agreement in the next Delivery Year shall be reduced by the number of pounds of Beryllium Product not purchased by Buyer.
- 11.4 Sales to Third Parties. Notwithstanding any provision herein to the contrary, if any third party to whom Buyer may sell Buyer's Products containing Beryllium purchased under this Agreement defaults or asserts an event of force majeure (as defined in Section 9.2) under its agreement with Buyer, Buyer may suspend or cancel any purchases of Beryllium Product under this Agreement that were to be resold to such third Parties pursuant to such agreements. To the extent possible, Buyer shall provide Seller with reasonable documentary evidence of such default or force majeure by such third Parties.
- 11.5 No Consequential Damages. Unless otherwise specifically mentioned herein, neither Party, whether as a result of breach of contract, tort liability (including negligence and strict liability) or otherwise, shall be responsible for any direct or consequential damages suffered by any other Parties, including, without limitation, damage, loss or expense incurred by such other Party as a result of any loss of use of, or loss of production from, any facility, or loss incurred by such other Party of any anticipated profits or special punitive, penal or consequential losses of any kind.

XIII. INDEMNIFICATION.

Subject to Section 10.5 of this Agreement, in addition to the rights and remedies Seller may have under this Agreement or under applicable law, if Buyer breaches its obligation to purchase Beryllium Products under this Agreement Buyer shall indemnify Seller from any and all costs, damages and other liabilities incurred under the Producer Agreement caused by such breach.

XIII. CONFIDENTIALITY

This Agreement, the terms and conditions hereof and any information and data obtained as a result of performance of this Agreement are considered confidential. The Parties hereto agree to refrain from disclosing this Agreement, its terms and conditions and any information acquired hereunder to any third party without the prior written consent of the other Party, except as may be required by a court, governmental agency or proper discovery request or to comply with applicable laws or governmental regulations. If any Party hereto is required to make such disclosure, that Party shall so notify the other Party of its obligations to do so and shall use its best efforts to minimize such disclosure. Notwithstanding the foregoing, Buyer and Seller retain the right to disclose the terms and conditions of this Agreement to any financial institution as may be required for financing purposes, and to Producer.

XIV. LICENSES, PERMITS AND AUTHORIZATIONS

- 14.1 Seller shall obtain any and all licenses, approvals or authorizations, including, but not limited to, registration with MFER, that may be lawfully required by any agency of any government in order that Seller or any party on their behalf can legally sell, export, transport, transfer and Deliver Beryllium Products to Buyer and upon Buyers request, shall furnish to Buyer reasonable proof of such licenses, approvals and authorizations. Buyer shall obtain, before any delivery of Beryllium Products hereunder, any and all licenses, approvals, or authorizations that may be lawfully

required by any agency of any government in order that Buyer, or any party acting on its behalf, can legally take delivery of, title to, or possession of, the Beryllium Products and, upon Seller's request, shall furnish to Seller and Seller's Agent reasonable proof of such licenses, approvals and authorizations.

14.2 Within 30 days after Effectiveness of this Agreement, Buyer shall, with regard to Be-Metal, provide Seller with a legalized original of the End User Certificate, stating that Buyer will use such Be-Metal for its own production purposes, issued by the Buyer for the import of such Be-Metal from the Republic of Kazakhstan.

14.3 Buyer shall provide access to the Kazakhstan Republic authorities to inspect the equipment for processing the beryllium metal into beryllium copper alloy. Buyer shall guarantee that in cases where the Beryllium metal is sold to countries that do not possess nuclear weapons, the Buyer shall provide warranties from those countries' governmental authorities that Beryllium purchased

a) Shall not be used for the production of nuclear weapons or any other military purpose

b) Shall be under IAEA safeguards within the whole time of use

c) Shall be provided with Physical Protection to the extent specified by the IAEA requirements

d) Shall be sold to the countries with no possession of nuclear weapons only on terms as provided in pp a), b) and c).

XV. GOVERNING LAW; JURISDICTION

15.1 Governing Law. This Agreement shall be governed by the laws of the State of New York without regard to its principles of conflicts of laws, except that (a) the delivery term "CIF Elmore, Ohio, USA" shall be construed under the INCOTERMS 1990 and (b) the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement or the obligations hereunder. Each party hereto unconditionally and irrevocably submits to the jurisdiction of the Courts of the State of New York and/or the United States for the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement. A final judgment by such Courts in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each party hereto hereby irrevocably and unconditionally (i) agrees that any and all claims, actions or proceedings in respect of this Agreement may be heard and determined in the Courts of the State of New York and/or the United States for the Southern District of New York; (ii) waives, and agrees not to raise, any objection that it may now or hereafter have to venue in any such court or that such court is an inconvenient forum; (iii) agrees that Buyer shall have the right to bring any legal proceedings (including a proceeding for the enforcement of a judgment entered by any of the aforementioned courts) against such Party in any other court or jurisdiction in accordance with applicable law; (iv) agrees that Seller shall have the right to invoke any judgment, settlement or other binding decision, entered in favor of or against Seller in connection with a dispute with a third party about the Beryllium Products or any right and obligation resulting from the Producer Agreement; such judgment, settlement or other binding decision shall be binding upon Buyer, and Buyer herewith voluntarily, intentionally and knowingly waives its right to defend against any finding of such judgment, settlement or decision, provided that Buyer was granted the reasonable opportunity to participate in such dispute on the Seller's side; and (v) WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OBLIGATIONS HEREUNDER OR THE ENFORCEMENT HEREOF.

Each Party hereto further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such Party at its address set forth in Article XVII of this Agreement (or to such new address as may be notified to the Parties to this Agreement pursuant to Article XVII), such service to become effective thirty (30) days after such mailing. Nothing herein shall affect the right of any party hereto to serve process in any other manner permitted by law.

XVI. ASSIGNMENT

Unless necessary for the financing purposes set forth in Section 2.5, no Party to this Agreement shall sell, assign, transfer, convey, delegate, pledge, mortgage, hypothecate, charge, part with or otherwise dispose of any or all of its rights, title, interest or obligation in, to or under this Agreement without the prior consent in writing of the other Party hereto, which consent shall not be unreasonably withheld. None of the Buyer or Seller may assign or grant a security interest in this Agreement without the prior written consent of the other Party hereto. This Agreement shall inure to the benefit of and shall be binding on the Parties hereto and their respective successors and assigns to the extent such successors and assigns are either permitted hereunder or have become successors or assigns by operation of law. No assignment of this Agreement not permitted hereunder shall relieve the assigning Party of its obligations under this Agreement.

XVII. NOTICES

17. 1 Notices: Any notice or communication required to be given in writing under this Agreement shall be given in the English language by first class mail, telecopy or telegram addressed to a party at its address hereinafter set forth and shall be deemed to have been given when sent:

In the case of Seller, to:

RWE NUKEM, Inc.
39 Old Ridgebury Road

Section B-1, Box #9
Danbury, CT 06810-5100 Telephone: (203) 778-9420 Telecopy: (203) 778-9430 Attention: Director, Special Projects

In the case of Buyer, to:

Brush Wellman Inc.
17876 St. Clair Ave.

Cleveland, OH 44114

Telephone: (216) 383-6850 Telecopy: (216) 383-4005 Attention: President
Brush Wellman Inc.

Any Party to this Agreement may, by written notice to the other Party pursuant to this Article XVII, change the representative or the address to which such notices and communications are to be sent.

17.2 Bank and Shipping details of the Parties:

Seller:

RWE NUKEM, Inc.
Citibank FSB CT
999 High Ridge Road
Stamford, CT 06905

Routing No: 221172610

Account Number: 47527037 Account Name: RWE NUKEM, Inc.

Buyer:

Brush Wellman Inc.

National City Bank

Cleveland, OH 44001, USA Account Number: 2690201 Account Name: Brush Wellman Inc. Swift Code: NATCUS33

Consigner:

Ulba Metallurgical Plant

Open Stock Company

Account No. 101070270

Recipient's Bank: Zao Bank Tutunalem, Almaty Account No: 2690201

Swift Code: ABKZKKX

Correspondent Bank:

American Express Bank

Swift Code: AEIBUS33

Consignee:

Brush Wellman Inc.
14710 W. Portage Road,
Elmore OH, 43416-9502, USA

XVIII. MISCELLANEOUS PROVISIONS

- 18.1 Headings; Interpretation. Article and Section headings set forth in this Agreement are inserted only for convenience and shall have no effect on the construction or interpretation of any provision of this Agreement. All references to Articles, Sections, clauses, Schedules and Exhibits in this Agreement are references to Articles, Sections and clauses of, and Schedules and Exhibits to, this Agreement. Words such as "hereto," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular Article, Section, paragraph, clause or sentence of this Agreement. Unless the context of this Agreement expressly indicates otherwise, the masculine, feminine or neuter gender, and the singular or plural number, will each be deemed to include the others.
- 18.2 Survival. The termination, cancellation or expiration of this Agreement shall not relieve Buyer or Seller of any rights or obligations provided in this Agreement which by their terms survive

termination, cancellation or expiration of this Agreement including, without limitation, all remedial and confidentiality rights and obligations.

- 18.3 Rounding of Figures. Whenever pursuant to this Agreement a numerical figure is to be rounded or calculated to fewer digits than the number of digits available, then unless otherwise specified herein, the following procedures shall be applied:
- (a) if the first digit discarded is less than five (5), the last digit retained shall not be changed;
 - (b) if the first digit discarded is greater than five (5) or if such first digit is five (5) and is followed by at least one (1) digit other than zero (0), the last digit retained shall be increased by one (1); and
 - (c) if the first digit discarded is five (5) and if such first digit is followed by zero (0) or by no other digit, the last digit

retained shall:

(i) if it is an odd number, be increased by one; or

(ii) if it is an even number, be unchanged.

- 18.4 Severability. If any provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any Party hereto. Upon such determination that any provision is invalid, illegal or incapable of being enforced, the Parties to this Agreement shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled.
- 18.5 Good Faith Dealings. The Parties to this Agreement shall execute and do all acts and things necessary or desirable in order to implement and give full effect to the provisions and purposes of this Agreement. The Parties hereby agree to act in good faith at all times to reflect the purposes of this Agreement and to act in good faith in all activities and dealings arising out of this Agreement.
- 18.6 Amendment. Except as otherwise expressly provided in this Agreement, this Agreement may be amended or modified only by an agreement in writing that is signed by all of the Parties to this Agreement.
- 18.7 Language. This Agreement shall be executed in the English language. This Agreement may also be executed in the Russian language. Notwithstanding that a Russian language version of this Agreement has been executed, the English language text of this Agreement executed by the Parties hereto shall be the only authentic text governing the rights and obligations of the Parties and shall be the only text used in any legal action or proceeding relating to this Agreement.
- 18.8 Waiver. No default or delay on the part of any Party to this Agreement in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof or of any right under this Agreement, nor shall a single or partial exercise thereof preclude any other or subsequent exercise thereof or the exercise of any other right, power or privilege in the future.
- 18.9 Obligation to Make Payments in Dollars. The obligation of any Party hereto to make payment hereunder or in connection with this Agreement shall be an obligation to make payment in U.S. dollars and shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, which is expressed in or converted into any currency other than U.S. dollars, except to the extent such tender or recovery shall result in the actual receipt by the non-paying Party

entitled to receive such payment of the full amount of U.S. dollars expressed to be payable in respect of such obligation. The obligation of any Party hereto to make payments in U.S. dollars as aforesaid shall be enforceable as an alternative or additional cause of action for the purpose of recovery in U.S. dollars of the amount, if any, by which such actual receipt shall fall short of the full amount of U.S. dollars payable in respect of such obligation, and shall not be affected by judgment being obtained for any other sums due under this Agreement.

- 18.10 Counterparts. This Agreement may be executed in any number of counterparts and by the Parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.
- 18.11 Expenses. Except as otherwise expressly provided herein, each Party hereto shall pay its own expenses incidental to this Agreement and the transactions contemplated hereby, including, without limitation, all legal and accounting fees and disbursements, and the fees and expenses of other advisors retained by it.

XIX. ENTIRE AGREEMENT

This Agreement constitutes and contains the entire and only agreement between the Parties hereto relative to the subject matter hereof and supersedes and cancels any and all pre-existing agreements, letters of intent and understandings between the Parties hereto. This Agreement supersedes and cancels (a) the Contract for the Sale and Purchase of Beryllium Products, dated April 30, 1998, among Nukem, Inc., Nukem Nuklear GmbH and Brush Wellman Inc.; (b) the Protocol of Cooperation, dated April 29, 1998, between Nukem, Inc., Nukem Nuklear GmbH, Brush Wellman Inc., Kazatomprom and Ulba Metallurgical Plant, (c) Agreement Among Kazatomprom, Ulba Metallurgical Plant, NUKEM, Inc. and Brush Wellman Inc. for the Sale and Purchase of Beryllium Products dated December 21, 1999, (d) The Supply Agreement Between NUKEM, INC. and Brush Wellman Inc. for the Sale and Purchase of Beryllium Products dated September 7, 2000 as First Amended on December 1, 2000, Second Amended on January 30, 2001, Third Amended on January 30, 2001, Fourth Amended on September 6, 2001 and Fifth Amended on December 17, 2002 and (e) Memorandum of Understanding dated June 10, 2000 between Kazatomprom, Ulba Metallurgical Plant, NUKEM, Inc. and Brush Wellman Inc. and each of the foregoing agreements or contracts identified in clauses (a), (b) and (c) of this Article XIX shall no longer have any force nor effect. It is the Parties' understanding that by executing the Producer Agreement, containing a corresponding clause, Ulba Metallurgical Plant and Kazatomprom each agree to such cancellation. It is the Parties further understanding, that Seller acts insofar on behalf of Nukem Nuklear GmbH. Any and all prior and contemporaneous negotiations, agreements, letters of intent, memoranda of understanding and preliminary drafts and prior versions of this Agreement, whether signed or unsigned, between one or more of the Parties hereto leading up to the execution hereof shall not be used by any Party to construe the terms or affect the validity of this Agreement.

XX. EFFECTIVENESS

Simultaneously with the execution of this Agreement, Seller intends to execute the Producer Agreement. Notwithstanding the execution of this Agreement, this Agreement shall not become valid and enforceable unless and until the Producer Agreement and the Arc Furnace Agreement have been executed and become valid and enforceable.

IN WITNESS WHEREOF, the undersigned have caused their duly authorized representatives to execute this Agreement to be effective as of the date first above written.

BRUSH WELLMAN INC.

BY:

NAME: Stephen Freeman

TITLE: President, Brush Wellman International

DATE: September 4, 2003

RWE NUKEM, INC.

BY:

NAME: James C. Cornell

TITLE: President

DATE: September 4, 2003

EXHIBIT 11

BRUSH ENGINEERED MATERIALS INC. AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS

	THIRD QUARTER ENDED		NINE MONTHS ENDED	
	SEPT 26 2003	SEPT 27 2002	SEPT 26 2003	SEPT 27 2002
Basic:				
Average shares outstanding.....	16,563,098	16,558,417	16,562,559	16,557,026
	=====	=====	=====	=====
Net loss.....	\$(3,016,000)	\$(2,906,000)	\$(6,039,000)	\$(8,788,000)
Per share amount.....	\$ (0.18)	\$ (0.18)	\$ (0.36)	\$ (0.53)
	=====	=====	=====	=====
Diluted:				
Average shares outstanding.....	16,563,098	16,558,417	16,562,559	16,557,026
Dilutive stock options based on the treasury stock method using average market price.....	--	--	--	--
	-----	-----	-----	-----
Totals.....	16,563,098	16,558,417	16,562,559	16,557,026
	=====	=====	=====	=====
Net loss.....	\$(3,016,000)	\$(2,906,000)	\$(6,039,000)	\$(8,788,000)
Per share amount.....	\$ (0.18)	\$ (0.18)	\$ (0.36)	\$ (0.53)
	=====	=====	=====	=====

Exhibit 31.1

CERTIFICATIONS

I, Gordon D. Harnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brush Engineered Materials Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: November 6, 2003

*/s/ Gordon D. Harnett
Gordon D. Harnett
Chairman, President and Chief Executive Officer*

CERTIFICATIONS

I, John D. Grampa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brush Engineered Materials Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: November 6, 2003

*/s/ John D. Grampa
John D. Grampa
Vice President Finance and CFO*

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

I, Gordon D. Harnett, President, Chairman of the Board and Chief Executive Officer of Brush Engineered Materials Inc. (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge,

1. The Quarterly Report on Form 10-Q of the Company for the period ending September 26, 2003 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2003

/s/ Gordon D. Harnett

*Gordon D. Harnett
President, Chairman of the Board and Chief
Executive Officer*

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

I, John D. Grampa, Vice President Finance and Chief Financial Officer of Brush Engineered Materials Inc. (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge,

1. The Quarterly Report on Form 10-Q of the Company for the period ending September 26, 2003 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)), and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2003

/s/ John D. Grampa

John D. Grampa
Vice President Finance and Chief Financial
Officer

End of Filing

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