# BRUSH ENGINEERED MATERIALS INC 

FORM 8-K

(Unscheduled Material Events)

Filed 4/28/2005 For Period Ending 4/28/2005

| Address | 17876 ST. CLAIR AVE. |
| :--- | :--- |
|  | CLEVELAND, Ohio 44110 |
| Telephone | $216-383-4062$ |
| CIK | 0001104657 |
| Industry | Metal Mining |
| Sector | Basic Materials |
| Fiscal Year | $12 / 31$ |

# UNITED STATES <br> SECURITIES AND EXCHANGE COMMISSION <br> WASHINGTON, D.C. 20549 <br> FORM 8-K 

## CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):
April 28, 2005

## Brush Engineered Materials Inc.

| (Exact name of registrant as specified in its charter) |  |  |
| :---: | :---: | :---: |
| Ohio | 001-15885 | 34-1919973 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |
| 17876 St. Clair Avenue, Cleveland, Ohio |  | 44110 |
| (Address of principal executive offices) |  | (Zip Code) |
| Registrant's telephone number, inc | luding area code: | 486-4200 |

Not Applicable
Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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## Item 2.02. Results of Operations and Financial Condition.

On April 28, 2005, Brush Engineered Materials Inc. issued a press release announcing its first quarter 2005 results. The press release is attached hereto as Exhibit 99.1.

The press release issued April 28, 2005 is furnished herewith as Exhibit No. 99.1 to this Report, and shall not be deemed filed for the purposes of Section 18 of the Exchange Act.

## Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

The following exhibit is included herewith:
99.1 Press release, dated April 28, 2005, issued by Brush Engineered Materials Inc.

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## 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 hereunto duly authorized.

Brush Engineered Materials Inc.
By: /s/ Michael C. Hasychak
Name: Michael C. Hasychak
Title: Vice President, Treasurer and Secretary

## Exhibit No.

99.1

Description
Brush Engineered Materials Inc. Press Release dated April 28, 2005

## EXHIBIT 99.1

## BRUSH ENGINEERED MATERIALS INC. REPORTS FIRST QUARTER SALES UP 4\% AND NET INCOME UP 14\% COMPARED TO PRIOR YEAR

Cleveland, Ohio - April 28, 2005 - Brush Engineered Materials Inc. (NYSE-BW) today reported first quarter net income of $\$ 4.3$ million, up $14 \%$ compared to the first quarter 2004 net income of $\$ 3.8$ million. Earnings per share diluted was $\$ 0.22$, unchanged from the first quarter of 2004.

Sales were $\$ 130.4$ million, up $4 \%$ compared to the first quarter 2004 sales of $\$ 125.9$ million. Metal prices and currency accounted for approximately half of the sales increase. First quarter 2005 was the ninth consecutive quarter where sales were higher than the comparable quarter of the prior year.

The improvement in net income from the higher sales volume was partially offset by lower margins from an unfavorable product mix, higher copper prices and lower production levels compared to the prior year. In addition, the Company recorded a charge in the first quarter of 2005 of approximately $\$ 0.6$ million, or $\$ 0.03$ per share, for the unamortized financing costs associated with the prepayment of $\$ 18.6$ million of term loans.

The increase in sales for the first quarter of 2005 was due to strength in the magnetic media, semiconductor and industrial component markets as well as sales of materials for the optical mirrors for NASA's James Webb Space Telescope. In addition, new product sales in the first quarter exceeded expectations. Sales were negatively impacted during the latter part of the quarter from weakness in the Company's largest markets, telecommunications and computer and automotive electronics.

## Business Segment Reporting

## Metal Systems Group:

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

The Metals Systems group now includes Brush Resources Inc., our Utah mine and mill, which previously was classified in Other. This reclassification better reflects how the operations are now managed. Brush Resources produces beryllium hydroxide, a raw material input for our beryllium businesses and for sale to external customers. Prior year results have been adjusted to reflect the change. Brush Resources Inc. did not have any third party sales in the first quarters of 2005 and 2004.

The Metal Systems Group's first quarter sales of $\$ 79.5$ million were $5 \%$ higher than first quarter 2004 sales of $\$ 76.0$ million. The first quarter operating profit of $\$ 2.6$ million was flat with the first quarter of 2004.

Alloy Products' first quarter sales of $\$ 52.6$ million were slightly above first quarter 2004 sales of $\$ 52.5$ million. Alloy experienced strong growth during the quarter in its bulk form products which were up approximately $20 \%$, driven by strength in the oil and gas, aerospace and heavy equipment markets. Much of this growth is from new products. This strength was offset by weakness, especially in the latter part of the quarter, from the telecommunications and computer and automotive electronics markets. Alloy Products' results were negatively impacted by higher copper prices and a weaker product mix as compared to the first quarter of 2004.

TMI's first quarter sales of $\$ 12.7$ million were down $7 \%$ from first quarter 2004 sales of $\$ 13.7$ million. The sales decrease is primarily due to the fall off in the telecommunications and computer and automotive electronics markets.

Beryllium Products' first quarter sales of $\$ 14.2$ million increased $46 \%$ over first quarter 2004 sales of $\$ 9.7$ million. The increase includes sales of material for the optical mirrors for NASA's James Webb Space Telescope, continued strength in defense and strong commercial sales from the Electrofusion Products business. It is anticipated that Beryllium Products' sales will slow in the second half of 2005.

## Microelectronics Group:

The Microelectronics Group includes Williams Advanced Materials Inc. (WAM) and Electronic Products.
The Microelectronics Group's first quarter 2005 sales of $\$ 50.9$ million were $2 \%$ above the first quarter 2004 sales of $\$ 49.9$ million. Operating profit of $\$ 3.7$ million was down $33 \%$ from first quarter 2004 operating profit of $\$ 5.5$ million.

WAM's first quarter sales of $\$ 44.2$ million were 5\% higher than first quarter 2004 sales of $\$ 42.1$ million. The increase in sales was driven by strong demand from the magnetic media and semiconductor markets. This strength was partially offset by weakness in the wireless photonic handset market. The outlook for magnetic media, performance film and semiconductor product applications remains strong for the second quarter.

Electronic Products' first quarter 2005 sales of $\$ 6.7$ million were down $14 \%$ from first quarter 2004 sales of $\$ 7.8$ million. Sales were negatively affected by weakness in the wireless telecommunications market.

Operating profit in the segment, compared to prior year, was negatively affected by market shifts and related changes in mix which led to lower margins. In addition, operating profit was negatively affected by differences in inventory valuation adjustments between the two periods and increases in costs allocated by the corporate office.

## Outlook

The Company began to experience weakness in its two largest markets, telecommunications and computer and automotive electronics, in the latter part of the first quarter. The market weakness has continued into the second quarter. The softness however is being offset in part by continued strength from the magnetic media, semiconductor and industrial component markets. New product growth is also helping to mitigate the weaker telecommunications and computer and automotive electronics market conditions. New product opportunities remain encouraging. Although lead times are short and forecasting in this market environment continues to be difficult, we currently expect the sales growth for the year to be in the 4 to $8 \%$ range. Second quarter 2005 sales are currently expected to be similar to the first quarter 2005 with an upside or downside potential of $5 \%$. While earnings for the year are still expected to be up significantly compared to prior year, we currently expect that it will be below the $\$ 1.30$ earnings per share low end of the previously announced range.

## Chairman's Comments

Commenting on the results, Gordon D. Harnett, President, Chairman and CEO, stated, "While I am pleased with the continued growth in revenue and net income for the first quarter of 2005, results were below my expectations. Although conditions in some of our key markets appear to have weakened, we remain optimistic about conditions in our other markets and our ability to grow our new products which are targeted at broadening and diversifying our base. We remain committed to strong organic growth and continuing to improve our operations, reducing costs and growing shareholder value."

## Forward-looking Statements

Portions of the narrative set forth in this document that are not statements of historical or current facts are forwardlooking 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 the Company serves, whether defined geographically or by segment, with the major market segments being telecommunications and computer, automotive electronic, magnetic and optical data storage, aerospace and defense, industrial components, and appliance;
- Changes in product mix and the financial condition of customers;
- The Company's success in implementing its strategic plans and the timely and successful completion of any capital projects;
- The availability of adequate lines of credit and the associated interest rates;
- Other financial factors, including cost and availability of materials, tax rates, exchange rates, pension costs, energy costs, regulatory compliance costs, and the cost and availability of insurance;
- The uncertainties related to the impact of 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.

Brush Engineered Materials Inc. is headquartered in Cleveland, Ohio. The Company, through its wholly-owned subsidiaries, supplies worldwide markets with beryllium products, alloy products, electronic products, precious metal products, and engineered material systems.

## FOR FURTHER INFORMATION, PLEASE CONTACT:

Investors:
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216/383-6823

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## Consolidated Balance Sheets

(Unaudited)

| (Dollars in thousands) | April 1, 2005 | $\begin{gathered} \text { Dec } 31 \\ 2004 \\ \hline \end{gathered}$ |
| :---: | :---: | :---: |
| Assets |  |  |
| Current assets |  |  |
| Cash and cash equivalents | \$ 9,677 | \$ 49,643 |
| Accounts receivable | 65,863 | 59,229 |
| Inventories | 99,650 | 95,271 |
| Prepaid expenses | 7,617 | 8,348 |
| Deferred income taxes | 24 | 275 |
| Total current assets | 182,831 | 212,766 |


| Other assets | 14,172 | 14,876 |
| :---: | :---: | :---: |
| Long-term deferred income taxes | 925 | 928 |
| Property, plant and equipment | 542,768 | 540,937 |
| Less allowances for depreciation, depletion and impairment | 368,088 | 363,318 |
|  | 174,680 | 177,619 |
| Goodwill | 7,992 | 7,992 |
|  | \$380,600 | \$414,181 |
| Liabilities and Shareholders' Equity |  |  |
| Current liabilities |  |  |
| Short-term debt | \$ 10,948 | \$ 11,692 |
| Current portion of long-term debt | 636 | 19,209 |
| Accounts payable | 16,345 | 13,234 |
| Other liabilities and accrued items | 32,105 | 50,452 |
| Unearned revenue | 2,537 | 7,789 |
| Income taxes | 1,415 | 1,591 |
| Total current liabilities | 63,986 | 103,967 |
| Other long-term liabilities | 9,789 | 10,798 |
| Retirement and post-employment benefits | 50,370 | 49,729 |
| Long-term debt | 41,515 | 41,549 |
| Shareholders' equity | 214,940 | 208,138 |
|  | \$380,600 | \$414,181 |

See notes to consolidated financial statements.

## Consolidated Statements of Income (Unaudited)

First Quarter Ended


