# SECURITIES AND EXCHANGE COMMISSION 

## Washington, D.C. 20549

## 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 29, 2004

# BRUSH ENGINEERED MATERIALS INC. 

(Exact Name of Registrant as Specified in Charter)

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Ohio
(State or Other Juris-
diction of Incorporation)
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17876 St. Clair Avenue (Address of Principal Executive Offices)

1-15885
(Commission
File Number)

Cleveland, Ohio

44110
(Zip Code)

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

## Item 12. Results of Operations and Financial Conditions

On April 29, 2004, Brush Engineered Materials Inc. issued a press release announcing its first quarter 2004 results. The press release is attached hereto as Exhibit 99.1.

## 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
Vice President, Secretary and Treasurer

## Exhibit 99.1

## BRUSH ENGINEERED MATERIALS INC. REPORTS STRONGER THAN EXPECTED FIRST QUARTER 2004 EARNINGS PER SHARE OF \$0.22 SALES UP $\mathbf{2 6 \%}$ OVER FIRST QUARTER 2003

Cleveland, Ohio -- April 29, 2004 -- Brush Engineered Materials Inc. (NYSE-BW) today reported first quarter net income of $\$ 3.8$ million or $\$ 0.22$ per share diluted versus a net loss of $\$ 3.0$ million or $\$ 0.18$ per share for the first quarter of 2003 . Sales were up $26.0 \%$ to $\$ 125.9$ million compared to the first quarter 2003 sales of $\$ 99.5$ million.

The significant improvement in earnings is due to increased sales volume, improved product mix and continued improvement in margins and operating efficiencies. Gross margin as a percent of sales improved to $23.5 \%$ compared to $17.2 \%$ in the first quarter of 2003 . Net income was negatively affected by $\$ 1.2$ million due to a non-cash mark-to-market valuation of a stock based compensation plan and a non-cash unrealized loss related to the fair value of an interest rate swap.

First quarter 2004 was the fifth consecutive quarter where sales were higher than the comparable quarter of the prior year. The increase, approximately $\$ 26.4$ million, was driven by strength across almost all of the Company's key end-use markets, including telecommunications and computer, automotive and optical media. In addition to continued strength in Asia and Europe, the domestic economy showed signs of a stronger recovery. Metal prices and exchange rates accounted for approximately $\$ 6.4$ million of the $\$ 26.4$ million increase in sales for the quarter.

## Business Segment Reporting

## Metal Systems Group:

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

The Metal Systems Group's first quarter sales of $\$ 76.0$ million were $24.1 \%$ higher than first quarter 2003 sales of $\$ 61.2$ million. The first quarter operating profit was $\$ 3.2$ million compared to the first quarter 2003 operating loss of $\$ 3.4$ million.

Alloy Products first quarter sales of $\$ 52.5$ million were up $30.0 \%$ over 2003 first quarter sales of $\$ 40.5$ million. Alloy is experiencing global strength across its major markets including telecommunications and computer, automotive and industrial components. In addition to the continued strong demand in Asia, which was up $32.0 \%$, first quarter sales in Europe were up $44.0 \%$ and North American sales were up $24.0 \%$ versus the first quarter of 2003. New products including $\operatorname{Tough} \operatorname{Met}(\mathrm{R})$, a non-beryllium based copper-nickel-tin alloy system for heavy equipment applications, also contributed to the growth in sales. During the first quarter, Alloy Products continued to make progress with its operating improvement programs and achieved a record high in manufacturing productivity.

TMI first quarter sales of $\$ 13.8$ million were $16.0 \%$ higher than the first quarter 2003 sales of $\$ 11.9$ million. The sales increase is primarily due to the increased demand from telecommunications and computer product applications.

Beryllium Products sales in the first quarter of $\$ 9.7$ million were approximately $10.0 \%$ above first quarter 2003 sales of $\$ 8.8$ million. Beryllium Products continues to experience strong demand from the defense market. In addition, record shipments were achieved in the first quarter in the Electrofusion Products business due to strong commercial demand. Also the first shipments for the James Webb Space Telescope application were made in the first quarter.

## Microelectronics Group:

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

The Microelectronics Group first quarter 2004 sales of $\$ 49.9$ million were $30.0 \%$ above the first quarter 2003 sales of $\$ 38.3$ million. Operating profit of $\$ 5.5$ million was more than double the first quarter 2003 operating profit of $\$ 2.5$ million.

WAM's first quarter sales of $\$ 42.1$ million were $37.8 \%$ higher than first quarter 2003 sales of $\$ 30.5$ million. The increase in sales was driven by strong demand from the optical media, performance film, wireless telecommunications handset and semiconductor markets.

Electronic Products first quarter 2004 sales of $\$ 7.8$ million were about flat with the first quarter of 2003. Sales to the telecommunications and computer market remained steady through the first quarter of 2004 with some strength from the electronics packaging sector.

## Outlook

The strengthening that occurred in the Company's key end-use markets during the fourth quarter of 2003 and the first quarter of 2004 is currently expected to continue into the second quarter. Orders received in the first quarter exceeded orders billed in
the quarter by approximately $\$ 12.0$ million. Lead times are short and changes in order rates can quickly translate to higher or lower sales. Assuming the stronger markets continue throughout the second quarter, the Company's revenues would be favorably affected and sales would be up approximately $15.0-25.0 \%$ compared to the second quarter of 2003 sales of $\$ 101.8$ million.

The second quarter earnings may be favorably affected by higher factory operating rates. The mark-to-market valuations that negatively affected the first quarter results could favorably or unfavorably affect the second quarter's results depending upon interest rates and the Company's stock price.

## Chairman's Comments

Commenting on the results, Gordon D. Harnett, President, Chairman and CEO, stated, "I am very pleased to report the significant improvement in sales and earnings for the first quarter of 2004. Our long-term strategic initiatives including operational improvements, overhead reduction, expanded geographic marketing and sales and the introduction of new products have returned us to profitability. We will remain disciplined in the continued implementation of our strategy and look forward to continued improvement throughout 2004."

## Forward-looking Statements

Portions of the content set forth in this document that are not statements of historical or current facts are forward-looking statements. The Company's actual future performance, including performance in the near term, may materially differ from that contemplated by the forwardlooking statements as a result of a variety of factors. These factors include, in addition to those mentioned elsewhere herein:

- The condition of the markets which the Company serves, whether defined geographically or by market, with the major markets being telecommunications and computer, optical media, automotive electronics, industrial components, aerospace and defense and appliance.
- Actual sales, operating rates and margins in the second quarter 2004 and for the full year of 2004.
- Changes in product mix.
- The financial condition of particular customers.
- The Company's success in implementing its strategic plans and the timely and successful completion of any capital expansion projects.
- Other factors, including, interest rates, exchange rates, tax rates, pension costs, energy costs, raw material costs and the cost and availability of insurance.
- Changes in government regulatory requirements and the enactment of any new legislation that impacts the Company's obligations.
- The conclusion of pending litigation matters in accordance with the Company's expectation that there will be no material adverse effects.
- Additional risk factors that may affect the Company's results are identified under the caption "Risk Factors" in the S-3 Registration Statement of the Company filed with the Securities and Exchange Commission on April 2, 2004.

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

## FOR FURTHER INFORMATION, PLEASE CONTACT:

## Investors:

Michael C. Hasychak
216/383-6823

## Media:

Patrick S. Carpenter
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http://www.beminc.com

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

|  | FIRST QUARTER ENDED |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| (DOLLARS IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS) |  | $\begin{aligned} & \text { APRIL 2, } \\ & 2004 \end{aligned}$ | $\begin{gathered} \text { MARCH } 28, \\ 2003 \end{gathered}$ |  |
| NET SALES | \$ | 125,862 | \$ | 99,518 |
| COST OF SALES |  | 96,285 |  | 82,405 |
| GROSS MARGIN |  | 29,577 |  | 17,113 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES |  | 19,048 |  | 17,298 |
| RESEARCH AND DEVELOPMENT EXPENSES |  | 1,268 |  | 1,108 |
| OTHER-NET |  | 3,190 |  | 746 |
| OPERATING PROFIT (LOSS) |  | 6,071 |  | $(2,039)$ |
| INTEREST EXPENSE |  | 2,218 |  | 772 |
| INCOME (LOSS) BEFORE INCOME TAXES |  | 3,853 |  | $(2,811)$ |
| INCOME TAXES |  | 99 |  | 205 |
| NET INCOME (LOSS) | \$ | 3,754 | \$ | $(3,016)$ |
| PER SHARE OF COMMON STOCK: BASIC | \$ | 0.23 | \$ | (0.18) |
| WEIGHTED AVERAGE NUMBER |  |  |  |  |
| OF COMMON SHARES OUTSTANDING |  | 16,618,565 |  | 661,430 |
| PER SHARE OF COMMON STOCK: DILUTED | \$ | 0.22 | \$ | (0.18) |
| WEIGHTED AVERAGE NUMBER |  |  |  |  |
| OF COMMON SHARES OUTSTANDING |  | 16,980,786 |  | 661,430 |

## SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

| (DOLLARS IN THOUSANDS) | $\begin{gathered} \text { APR. } 2, \\ 2004 \end{gathered}$ | $\begin{gathered} \text { DEC. } 31, \\ 2003 \end{gathered}$ |
| :---: | :---: | :---: |
| ASSETS |  |  |
| CURRENT ASSETS |  |  |
| CASH AND CASH EQUIVALENTS | \$ 5,338 | \$ 5,062 |
| ACCOUNTS RECEIVABLE | 67,117 | 55,102 |
| INVENTORIES | 95,085 | 87,396 |
| PREPAID EXPENSES | 6,208 | 5,454 |
| DEFERRED INCOME TAXES | 133 | 291 |
| TOTAL CURRENT ASSETS | 173,881 | 153,305 |
| OTHER ASSETS | 25,835 | 26,761 |
| LONG-TERM DEFERRED INCOME TAXES | 883 | 704 |
| PROPERTY, PLANT AND EQUIPMENT | 536,440 | 535,421 |
| LESS ALLOWANCES FOR DEPRECIATION, DEPLETION AND IMPAIRMENT | 349,534 | 344,575 |
|  | 186,906 | 190,846 |
|  | \$387,505 | \$371,616 |
| LIABILITIES AND SHAREHOLDERS' EQUITY |  |  |
| CURRENT LIABILITIES |  |  |
| SHORT-TERM DEBT | \$ 23,808 | \$ 13,387 |
| ACCOUNTS PAYABLE | 20,350 | 16,038 |
| OTHER LIABILITIES AND ACCRUED ITEMS | 34,184 | 37,366 |
| INCOME TAXES | 812 | 1,373 |
| TOTAL CURRENT LIABILITIES | 79,154 | 68,164 |
| OTHER LONG-TERM LIABILITIES | 13,991 | 14,739 |
| RETIREMENT AND POST-EMPLOYMENT BENEFITS | 49,794 | 49,358 |
| LONG-TERM DEBT | 84,292 | 85,756 |
| MINORITY INTEREST IN SUBSIDIARY | -- | 26 |
| SHAREHOLDERS' EQUITY | 160,274 | 153,573 |
|  | \$387,505 | \$371,616 |

## SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

