# 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): July 28, 2004

BRUSH ENGINEERED MATERIALS INC.
(Exact Name of Registrant as Specified in Charter)

| Ohio <br> (State or Other Juris- <br> diction of Incorporation) | $1-15885$ <br> (Commission <br> File Number) | $34-1919973$ <br> (IRS Employer <br> Identification No.) |
| :--- | :--- | :--- |
| 17876 St. Clair Avenue Cleveland, Ohio 44110 <br> (Address of Principal Executive Offices) (Zip Code)  (2) |  |  |

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

## Item 12. Results of Operations and Financial Condition

On July 28, 2004, Brush Engineered Materials Inc. issued a press release announcing its second 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.

Date: July 28, 2004

By: /s/Michael C. Hasychak
Vice President, Secretary and Treasurer

## BRUSH ENGINEERED MATERIALS INC. REPORTS SIGNIFICANTLY IMPROVED SECOND QUARTER 2004 EARNINGS PER SHARE OF \$0.38

## SALES UP 26\% COMPARED TO SECOND QUARTER 2003

Cleveland, Ohio - July 28, 2004 - Brush Engineered Materials Inc. (NYSE-BW) today reported second quarter net income of $\$ 6.6$ million or $\$ 0.38$ per share, diluted. The Company broke even in the second quarter of 2003. Sales for the second quarter of 2004 were up $26 \%$ to $\$ 128.6$ million compared to second quarter 2003 sales of $\$ 101.8$ million. The significant improvement in earnings is due to increased sales volume, improved margins and continued gains in operating efficiency. Gross margin as a percent of sales improved to approximately $23 \%$ compared to $19 \%$ in the second quarter of 2003.

The strong quarterly sales were driven by strength in the Company's key end-use markets, including telecommunications and computer, automotive electronics and data storage, and continued success with the development and introduction of new products. This is the sixth consecutive quarter in which sales were higher than in the prior year's comparable quarter. Metal prices and exchange rates accounted for $\$ 5.2$ million of the $\$ 26.8$ million sales improvement.

First half 2004 net income was $\$ 10.3$ million or $\$ 0.60$ per share diluted. The Company had a net loss of $\$ 3.0$ million or $\$ 0.18$ per share diluted in the first half of 2003. Gross margin as a percent of sales improved to $23 \%$ versus $18 \%$ in the first half of 2003. Year-to-date sales of $\$ 254.5$ million were $26 \%$ higher than 2003 first half sales of $\$ 201.3$ million. Metal prices and exchange rates accounted for $\$ 11.6$ million of the $\$ 53.2$ million sales improvement. First half operating profit improved by $\$ 16.1$ million over the comparable period of 2003. Approximately $39 \%$ of the sales growth for the first half of the year flowed through to operating profit after considering metal prices and exchange rates.

Subsequent to the end of the second quarter, the Company announced the completion of a common stock offering of approximately 2.1 million newly issued shares. The net proceeds from the offering, after deducting the estimated fees, were approximately $\$ 35.0$ million. The majority of the proceeds were used to repay outstanding borrowings under the Company's revolving line of credit and $\$ 5.0$ million of the proceeds was used to repay a portion of the Company's long-term subordinated debt. In addition, as part of the public offering, the underwriters have an option to purchase up to an additional 0.3 million shares to cover over-allotments. If exercised, the option could generate up to an additional $\$ 5.7$ million in net proceeds.

## 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 second quarter sales of $\$ 77.1$ million were $27 \%$ higher than second quarter 2003 sales of $\$ 60.7$ million. Year-to-date sales of $\$ 153.1$ million were $26 \%$ higher than the sales of $\$ 121.9$ million for the prior year.

The Metal Systems Group had a second quarter operating profit of $\$ 1.8$ million compared to an operating loss of $\$ 2.8$ million for the second quarter of 2003. The operating profit for the first half of 2004 was $\$ 5.0$ million, an improvement of $\$ 11.2$ million over the $\$ 6.2$ million operating loss for the same period last year.

Alloy Products' second quarter sales of $\$ 54.7$ million and first half sales of $\$ 107.2$ million were each up approximately $30 \%$ compared to the same periods last year. Alloy continues to experience strength across its global major end-use markets including computer and telecommunications, automotive electronics, and industrial components. Alloy strip form products sales were up $37 \%$ while bulk products increased $15 \%$ compared to the first half of 2003. During the first half of 2004, Alloy Products continued to make progress with manufacturing efficiencies and the development and sales of its new beryllium and non-beryllium alloys. Although the Alloy order entry rate remains strong compared to the prior year, visibility is short and sales for the third quarter 2004 will be affected by the normal domestic and European seasonal factors.

TMI's second quarter sales of $\$ 14.6$ million were up $37 \%$ over the second quarter of 2003. Sales of $\$ 28.3$ million for the first half of 2004 were $26 \%$ higher than the first half sales of 2003 . The growth has been driven by strong demand from the telecommunications and computer market. Sales to the automotive electronics market were stable. TMI's third quarter sales will also be impacted by the seasonal factors.

Beryllium Products' second quarter sales of $\$ 7.8$ million were about flat with 2003 second quarter sales of $\$ 7.9$ million while first half sales of $\$ 17.5$ million were slightly above 2003 first half sales of $\$ 16.8$ million. The outlook for defense and medical applications remains positive.

## Microelectronics Group

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

The Microelectronics Group's sales for the second quarter of 2004 of $\$ 51.5$ million were $37 \%$ above second quarter 2003 sales of $\$ 37.7$ million. Sales for the first six months of 2004 of $\$ 101.4$ million were $33 \%$ above 2003 first half sales of $\$ 76.0$ million. Operating profit for the second quarter was $\$ 4.8$ million, $37 \%$ above the second quarter of 2003 . Operating profit year-to-date was $\$ 10.3$ million, $72 \%$ above the first half 2003 operating profit of $\$ 6.0$ million.

WAM's 2004 second quarter sales of $\$ 43.5$ million were $46 \%$ above second quarter 2003 sales of $\$ 29.8$ million. WAM's sales for the first half of $\$ 85.6$ million were $42 \%$ above the same period last year. The strong growth in the second quarter and first half of 2004 is attributable to the strong demand in the data storage and wireless handset markets.

Electronic Products' second quarter sales of $\$ 8.0$ million and first half sales of $\$ 15.8$ million were up slightly compared to the second quarter 2003 sales of $\$ 7.9$ million and first half 2003 sales of $\$ 15.7$ million.

## Outlook

The Company's end-use markets continue to reflect positive trends and strong growth rates. Although the third quarter is usually affected by seasonal factors such as holiday periods in Europe and domestic maintenance shutdowns, the Company currently expects the third quarter to grow at rates similar to those experienced the past three quarters. Third quarter sales are currently expected to be at least $20 \%$ higher than the prior year's third quarter sales of $\$ 94.2$ million.

Commenting on the results, Gordon D. Harnett, Chairman, President and CEO, stated, "I am pleased to report the significant improvement in earnings for the second quarter and first half of 2004. Importantly, we are seeing good earnings leverage from the growth in sales. Our initiatives to lower cost and improve operating efficiencies continue to provide strong year-over-year margin improvement. Our new market and new product initiatives are also adding to the revenue growth. We remain committed to these initiatives and look forward to continued improvement in the second half of 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 third 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:

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## Consolidated Statements of Income

(Unaudited)

| (Dollars in thousands except share and per share amounts) | Second Quarter Ended |  |  |  | First Half Ended |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | July 2, 2004 |  | $\begin{gathered} \hline \text { June 27, } \\ 2003 \\ \hline \end{gathered}$ |  | July 2, 2004 |  | $\begin{gathered} \hline \text { June 27, } \\ 2003 \end{gathered}$ |  |
| Net sales | \$ | 128,639 | \$ | 101,805 | \$ | 254,501 | \$ | 201,323 |
| Cost of sales |  | 99,198 |  | 82,941 |  | 195,483 |  | 165,346 |
| Gross margin |  | 29,441 |  | 18,864 |  | 59,018 |  | 35,977 |
| Selling, general and administrative expenses |  | 19,161 |  | 16,611 |  | 38,208 |  | 33,909 |
| Research and development expenses |  | 1,098 |  | 928 |  | 2,366 |  | 2,036 |
| Other-net |  | 127 |  | 230 |  | 3,319 |  | 976 |
| Operating profit (loss) |  | 9,055 |  | 1,095 |  | 15,125 |  | (944) |
| Interest expense |  | 2,389 |  | 834 |  | 4,607 |  | 1,606 |
| Income (loss) before income taxes |  | 6,666 |  | 261 |  | 10,518 |  | $(2,550)$ |
| Minority interest |  | - |  | (22) |  | - |  | (22) |
| Income taxes |  | 95 |  | 246 |  | 194 |  | 451 |
| Net income (loss) | \$ | 6,571 | \$ | 37 | \$ | 10,324 | \$ | $(2,979)$ |
| Per share of common stock: basic | \$ | 0.39 | \$ | 0.00 | \$ | 0.62 | \$ | (0.18) |
| Weighted average number of common shares outstanding |  | ,704,568 |  | ,563,098 |  | 661,099 |  | 6,562,283 |
| Per share of common stock: diluted | \$ | 0.38 | \$ | 0.00 | \$ | 0.60 | \$ | (0.18) |
| Weighted average number of common shares outstanding |  | ,127,698 |  | ,639,382 |  | ,107,295 |  | 6,562,283 |

See notes to consolidated financial statements.

| (Dollars in thousands) | July 2, <br> 2004 | $\begin{gathered} \text { Dec. 31, } \\ 2003 \end{gathered}$ |
| :---: | :---: | :---: |
| Assets |  |  |
| Current assets |  |  |
| Cash and cash equivalents | \$ 10,325 | \$ 5,062 |
| Accounts receivable | 67,950 | 55,102 |
| Inventories | 100,030 | 87,396 |
| Prepaid expenses | 5,674 | 5,454 |
| Deferred income taxes | 51 | 291 |
| Total current assets | 184,030 | 153,305 |
| Other assets | 16,006 | 18,902 |
| Long-term deferred income taxes | 1,393 | 704 |
| Property, plant and equipment | 537,679 | 535,421 |
| Less allowances for depreciation, depletion and impairment | 355,873 | 344,575 |
|  | 181,806 | 190,846 |
| Goodwill | 7,992 | 7,859 |
|  | \$391,227 | \$371,616 |
| Liabilities and Shareholders' Equity |  |  |
| Current liabilities |  |  |
| Short-term debt | \$ 25,516 | \$ 13,387 |
| Accounts payable | 16,994 | 16,038 |
| Other liabilities and accrued items | 38,200 | 37,366 |
| Income taxes | 928 | 1,373 |
| Total current liabilities | 81,638 | 68,164 |
| Other long-term liabilities | 12,219 | 14,739 |
| Retirement and post-employment benefits | 50,439 | 49,358 |
| Long-term debt | 78,581 | 85,756 |
| Minority interest in subsidiary | - | 26 |
| Shareholders' equity | 168,350 | 153,573 |
|  | \$391,227 | \$371,616 |

See notes to consolidated financial statements.

