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Ormet Reports Third Quarter and Year to Date 2010 Financial Results

Ormet had net income of \$2.7 million with EPS of \$0.15 for the third quarter and net income of \$8.0 million and EPS of \$0.43 for the year to date ended September 30, 2010

Hannibal, Ohio – November 4, 2010 – Ormet Corporation, an independent U.S. producer of aluminum, announced its results of operations for the three and nine month periods ended September 30, 2010. Results for the three months ended September 30, 2010 were a net profit of \$2.7 million compared to a net profit of \$28.6 million for the same period of 2009. Net income for the nine months ended September 30, 2010 totaled \$8.0 million compared to \$42.5 million for the same period of 2009. The 2010 nine month results include one-time charges of \$5.0 million associated with the March 2, 2010 refinancing of the long term debt (“Term Loan”) and credit facility (“ABL”) plus non-recurring other income of \$3.2 million associated with a litigation settlement. The 2009 three and nine month results include the \$31.1 million arbitration settlement with Glencore received in August 2009.

Results of Operations for the three months ended September 30, 2010

Net sales from continuing operations for the three months ended September 30, 2010 were \$111.1 million compared to \$87.2 million for the same period in 2009. The increase is primarily attributed to higher average realized selling prices of approximately \$581/tonne for the 2010 period compared to the 2009 period partially attributable to the tolling agreement in 2009. Revenue for 2010 also benefited from the fixed pre priced contracts which were approximately \$182/tonne above the average LME for the three months ended September 30, 2010. The monthly average cash settlement price on the LME including the Midwest premium was \$2,231/tonne and \$1,924/tonne during the third quarters of 2010 and 2009, respectively. Total volume of sow sold was 45,713 tonnes and 47,081 tonnes (which includes 27,307 tonnes tolled) for the three month period ended September 30, 2010 and 2009, respectively. During the third quarter of 2010 the Ormet smelter operated four of six lines while in 2009 the Company reduced its operating level from five lines at the start of the third quarter to 4 lines in August 2009.

The gross profit for the three months ended September 30, 2010 was \$ 12.9 million compared to a gross profit of \$6.2 million for the same period in 2009. Cost of goods sold for the three month period ended September 30, 2010 of \$98.2 million was \$17.2 million higher compared the same period in 2009. Higher alumina costs of \$20.8 million in 2010 (due to the absence of the tolling agreement) were offset by the effect from lower production totaling \$1.3 million. The effect of higher unit costs for anodes contributed an unfavorable \$2.1 million that was offset by the effect of lower power unit costs totaling \$10.1 million

Operating expenses for the three months ended September 30, 2010 totaled \$4.6 million, versus \$5.9 million for the same period in 2009. Lower legal and professional fees in 2010 of \$1.0 million were primarily responsible.

For the three months ended September 30, 2010, the Company reported an \$8.3 million operating profit compared to an operating profit of \$0.4 million in the same period of 2009.

Non operating expense totaled \$4.5 million versus non operating income of \$28.9 million for the three months ended September 30, 2010 and 2009, respectively. The decrease was due to the absence of the arbitration settlement with Glencore of \$31.1 million and increased interest expense of \$1.3 million.

As a result of its net operating loss carry-forward, the Company did not record any tax expense or tax benefit. As of September 30, 2010, the Company had approximately \$182.4 million of net operating losses ("NOL") to carry-forward and apply to income tax liabilities in future years. The Company recorded certain valuation reserves and, as a result, no deferred tax assets or deferred tax liabilities are reflected on the balance sheet. As a result of a change of control, as defined in Section 382 of the Internal Revenue Code, in May 2007 NOL of \$49.0 million were estimated to be subject to an annual Section 382 limitation of \$12.6 million as of September 30, 2010. Unrestricted NOL as of September 30, 2010 was estimated to be approximately \$133.4 million.

The cost for discontinued operations of \$1.1 million for the three months ended September 30, 2010 compared to \$0.6 million for the same period in 2009 principally reflect an increase of long term employee benefit expenses.

The average number of shares of common stock issued and outstanding during the three months ended September 30, 2010 and 2009 was 18,503,154 and 18,461,952, respectively. The resulting income from continuing operations for the three month period ended September 30, 2010 was \$0.20 per share compared to income from continuing operations for the three month period ended September 30, 2009 of \$1.59 per share. Net income per share was \$0.15 during the three month period ended September 30, 2010 compared to a net income for the three month period ended September 30, 2009 of \$1.55 per share.

The Company spent \$1.8 million on capital expenditures during the three months ended September 30, 2010 including \$1.4 million for relining 18 pots during the period. All capital expenditures were incurred at the aluminum smelter in Hannibal, Ohio. The ABL facility limits the Company's ability to make capital expenditures at its facilities. The limit for the year 2010 is \$20.0 million.

Results of Operations for the nine months ended September 30, 2010

Net sales from continuing operations for the nine months ended September 30, 2010 were \$319.6 million related to the sale of 134,747 tonnes compared to \$329.8 million for 173,851 tonnes (136,083 tonnes tolled) for the same period in 2009, a \$10.2 million decrease. The decrease is attributed to the reduction in operations that began in May 2009 due to the contractual dispute with Glencore which had a negative volume impact of \$74.8 million. The volume reduction was offset by the effect of higher average realized selling prices in 2010 of \$64.6 million as we moved from a toll fee based revenue stream to a sale of aluminum on a pre-priced basis.

The gross profit for the nine months ended September 30, 2010 was \$35.9 million compared to a gross profit of \$42.6 million for the same period in 2009. The sales decline of \$10.2 million from 2009 was partially offset by lower cost of goods sold in 2010. Cost of goods sold for the first nine months of 2010 of \$283.7 million was \$3.5 million lower than cost of goods sold of \$287.2 million in the same period of 2009. Raw material costs were impacted by a \$77.2 million increase in alumina costs due to the absence of alumina costs the first seven months of 2009 as Glencore provided the

alumina under the tolling agreement. This was offset by a \$46.3 million decrease from lower unit costs of anodes and power in 2010 from 2009. Reduced operations from 2010 versus 2009 accounted for an additional \$34.3 million lower material and conversion costs.

Operating expenses for the nine months ended September 30, 2010 totaled \$14.0 million versus \$20.0 million from the same period in 2009. The reduction was mainly due to lower legal and professional expenses of \$4.7 million and stock compensation costs of \$0.5 million.

For the nine months ended September 30, 2010, the Company reported a \$21.9 million operating profit compared to an operating profit of \$22.6 million in the same period of 2009.

Non operating expense totaled \$12.1 million versus non operating income of \$22.0 million for the nine months ended September 30, 2010 and 2009, respectively. The \$34.1 million decrease was due to the absence of the arbitration settlement with Glencore of \$31.2 million and increased interest expenses associated with the refinancing of the Company's long term debt of \$6.5 million, partially offset by the reversal of a contingent liability of \$3.2 million associated with a litigation settlement.

As a result of its net operating loss carry-forward, the Company did not record any tax expense or tax benefit. As of September 30, 2010, the Company has approximately \$182.4 million of net operating losses ("NOL") to carry-forward and apply to income tax liabilities in future years. The Company recorded certain valuation reserves and, as a result, no deferred tax assets or deferred tax liabilities are reflected on the balance sheet. As a result of a change of control, as defined in Section 382 of the Internal Revenue Code in May 2007, NOL of \$49.0 million were estimated to be subject to an annual Section 382 limitation of \$12.6 million as of September 30, 2010. Unrestricted NOL as of September 30, 2010 was estimated to be approximately \$133.4 million.

The cost of discontinued operations of \$1.9 million for the nine months ended September 30, 2010 compared to the \$2.1 million cost for the same period in 2009 reflects a decrease in long term employee benefit expense.

The average number of shares of common stock issued and outstanding during the nine months ended September 30, 2010 and 2009 was 18,475,837 and 18,461,952, respectively. The resulting income from continuing operations for the nine month period ended September 30, 2010 was \$0.53 per share compared to income from continuing operations for the nine month period ended September 30, 2009 of \$2.42 per share. Net income per share was \$0.43 and \$2.30 during the nine month periods ended September 30, 2010 and 2009, respectively.

Company spent \$5.1 million on capital expenditures during the nine months ended September 30, 2010 including \$4.3 million for relining 56 pots during the period. All capital expenditures were incurred at the aluminum smelter in Hannibal, Ohio. The ABL facility limits the Company's ability to make capital expenditures at its facilities. The limit for the year 2010 is \$20.0 million.

Liquidity and Capital Resources

The net cash used by operating activities was \$23.0 million for the nine months ended September 30, 2010. The use of cash was principally caused by \$42.9 million in pension and VEBA funding requirements (net of accrued expenses)

which included an additional \$23.8 million pension contribution in connection with the March 2010 debt refinancing. Working capital increases consumed \$26.0 million in cash. Cash from operations was increased by net income adjusted for non-cash expenses of \$45.9 million.

Net cash used in investing activities was \$4.6 million and was directly related to the relining of certain "pots" at the aluminum smelter and other capital expenditures totaling \$4.3 million; partially offset by proceeds from the sale of unused land at the Company's Burnside alumina facility \$0.5 million.

Net cash provided from financing activities was \$43.8 million, which were the excess proceeds from refinancing the Company's long term debt and payoff of the Company's prior revolving credit facility

The Company's cash balance at September 30, 2010 was \$20.2 million, an increase of \$16.2 million from the \$4.0 million balance at December 31, 2009.

The ongoing sources of liquidity for the Company are existing cash balances, cash flows from continuing operations and available borrowings under the ABL facility. As of December 31, 2009, outstanding borrowings under the old revolving credit agreement were \$4.1 million; outstanding letters of credit under the prior revolving credit agreement were \$5.9 million with remaining availability at \$45.0 million and an unrestricted cash balance of \$3.9 million. As of October 31, 2010, there was a cash balance of \$13.1 million, no outstanding loan balance on the ABL facility, outstanding letters of credit were \$6.1 million, and remaining borrowing availability was \$35.1 million.

Primary uses of cash are for funding the aluminum smelter operations, including raw material purchases, electricity costs, increases in working capital, capital expenditures, labor costs and funding of the Ormet pension plan and contractual payments to the VEBA Benefit Trusts.

Total inventory at September 30, 2010 of \$106.2 million was \$22.4 million higher than the \$83.8 million at December 31, 2009. This was principally due to an increase in anode inventory in the first nine months of 2010. The inventory at September 30, 2010 is principally composed of anodes totaling \$46.2 million, alumina of \$29.7 million and operating materials and supplies (bath, molten pad, potlining material, copper bars, stores and other operating supplies) and finished goods totaling \$30.3 million.

Mike Tanchuk, Ormet's President and CEO commented, "Market factors continue to improve and we have seen a significant rise in metal prices. At the same time, we are seeing upward pressure on the cost of alumina. As a result, we are carefully analyzing a potential restart of our Burnside alumina refinery as a possible counter to rising alumina prices."

The complete Ormet third quarter 2010 disclosure and financial statements will be available on the Company's website. In addition, the audio portion of the Company's annual meeting held on August 4, 2010 is also available on the Company's website. Please visit the Investor section of the website at www.ormet.com.

Cautionary Statement

This Statement contains forward-looking statements that can be identified by use of words such as "anticipates," "believes," "estimates," "expects," "hopes," "targets," "should," "forecast," "outlook," "projects" or other words of similar meaning. All statements that address the Company's expectations or projections about the future, including statements

about the Company's strategy for growth, cost reduction goals, expenditures, financial results, liquidity and capital needs, are forward-looking statements. Forward-looking statements are based on the Company's estimates, assumptions and expectations of future events and are subject to a number of risks and uncertainties and may or may not be realized. The Company cannot guarantee its future performance or results of operations. All forward-looking statements in this press release are based on information available to the Company on the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking statements, except as may be required by law. The Company's business is subject to a number of significant risks and uncertainties. Reference is made to the risk factors and other disclosures contained in the Company's Information and Disclosure Statements for the year ended December 31, 2009, which is available on the Company's website at www.ormet.com. Given the significant uncertainties and risks to which the Company is subject (a) the reader should not place undue reliance on forward-looking statements contained in this press release and (b) the Company's future results could differ materially from the Company's current results and from those anticipated in the Company's forward-looking statements.

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Headquartered in Hannibal, Ohio, Ormet Corporation is a major U.S. producer of aluminum. Ormet employs approximately 1,000 people. For more information, visit the website at www.ormet.com.

Ormet Corporation
Consolidated Financial Statements
September 30, 2010

Consolidated Balance Sheet
(000's omitted)

	Unaudited	
	<u>9/30/2010</u>	<u>12/31/2009</u>
ASSETS		
Cash	\$ 20,011	\$ 3,885
Restricted Cash	150	150
Trade accounts receivable, net	7,904	8,614
Inventories	106,229	83,817
Prepaid expense and other current assets	7,140	1,351
Total current assets	<u>141,434</u>	<u>97,817</u>
Property and equipment	47,015	54,131
Goodwill	42,284	42,284
Assets held for sale	3,016	3,016
Other assets	2,527	1,605
TOTAL ASSETS	<u>\$ 236,276</u>	<u>\$ 198,853</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	28,036	26,123
Bank line of credit	-	4,061
Deferred energy discount	15,340	-
Accrued compensation	7,715	8,623
Accrued interest	3,912	2,635
Postretirement obligations	9,168	8,075
Other accrued liabilities	9,940	9,751
Total current liabilities	<u>74,111</u>	<u>59,268</u>
Long term debt	102,376	52,099
Other liabilities:		
Pension obligations	137,551	176,803
Postretirement obligations	46,349	51,107
Other liabilities	3,507	4,324
STOCKHOLDERS' DEFICIT	<u>(127,618)</u>	<u>(144,748)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 236,276</u>	<u>\$ 198,853</u>

Ormet Corporation
Consolidated Financial Statements
September 30, 2010

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(000's omitted except for per share information)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2009</u>
Net sales from continuing operations	\$ 111,056	\$ 87,177	\$ 319,603	\$ 329,754
Total cost of sales	<u>98,155</u>	<u>80,967</u>	<u>283,677</u>	<u>287,135</u>
Gross profit	12,901	6,210	35,926	42,619
Operating expenses (income)				
General and administrative expenses	4,575	5,854	14,481	20,127
Gain on sale of assets	<u>-</u>	<u>-</u>	<u>(478)</u>	<u>(155)</u>
Operating income	8,326	356	21,923	22,647
Non-operating (expenses) income				
Debt extinguishment premium	-	-	(2,702)	-
Income from arbitration award	-	31,096	-	31,096
Other income (expense), net	30	1,133	4,631	1,043
Interest expense	<u>(4,575)</u>	<u>(3,318)</u>	<u>(13,981)</u>	<u>(10,178)</u>
Total non-operating income (expenses)	<u>(4,545)</u>	<u>28,911</u>	<u>(12,052)</u>	<u>21,961</u>
Income before income tax	3,781	29,267	9,871	44,608
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income from continuing operations	3,781	29,267	9,871	44,608
Loss from discontinued operations	<u>(1,052)</u>	<u>(634)</u>	<u>(1,893)</u>	<u>(2,063)</u>
Net income	<u>\$ 2,729</u>	<u>\$ 28,633</u>	<u>\$ 7,978</u>	<u>\$ 42,545</u>
Shares outstanding:				
Average during period	18,503	18,462	18,476	18,462
As of September 30, 2010	18,510	18,462	18,510	18,462
Net income per share from continuing operations	<u>\$ 0.20</u>	<u>\$ 1.59</u>	<u>\$ 0.53</u>	<u>\$ 2.42</u>
Net income per share	<u>\$ 0.15</u>	<u>\$ 1.55</u>	<u>\$ 0.43</u>	<u>\$ 2.30</u>

See the unaudited financial statements which will be available on the Company's website in the Investor's section– www.ormet.com.

Ormet Corporation
Consolidated Financial Statements
September 30, 2010
CONSOLIDATED STATEMENT OF CASH FLOWS

	(000's omitted)	
	Unaudited	
	ine Months Ended September 30,	
	2010	2009
	<u> </u>	<u> </u>
Cash flows from operating activities		
Net income	\$ 7,978	\$ 42,545
Adjustments to reconcile net income to net cash from:		
Depreciation and amortization	12,096	10,818
Bad debt expense	11	19
Non cash interest	3,476	5,744
Deferred energy discount	15,340	-
Amortization of pension plan loss	5,027	2,593
Compensation expense related to options	759	2,263
Amortization of deferred financing costs	1,668	2,472
Gain on sale of property and equipment	(478)	(155)
Net change in:		
Trade accounts receivable	699	6,956
Inventory	(22,412)	18,130
Prepaid & other current assets	(5,789)	4,056
Accounts payable	1,913	(15,637)
Accrued liabilities & other assets	(451)	53
Pension and postretirement	(42,917)	(22,359)
Net cash provided (used) in operating activities	<u>(23,080)</u>	<u>57,498</u>
 Cash flows from investing activities		
Proceeds from asset sales	516	372
Capital spending	(5,096)	(7,162)
Net cash used in investing activities	<u>(4,580)</u>	<u>(6,790)</u>
 Cash flows from financing activities		
Repayment of long term loan	(54,035)	-
Proceeds from –long term debt	104,500	-
Repayment on bank line of credit - net	(4,061)	(44,327)
Payment of financing fees	(2,618)	(1,100)
Net cash provided (used) by financing activities	<u>43,786</u>	<u>(45,427)</u>
Net increase in cash	<u>16,126</u>	<u>5,281</u>
Cash - beginning of period	4,035	2,156
Cash - end of period	<u><u>\$ 20,161</u></u>	<u><u>\$ 7,437</u></u>