

FOR IMMEDIATE RELEASE

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Ormet reports second quarter and first half 2011 earnings

Ormet announces a \$94.9 million and \$100.5 million net profit for the second quarter of 2011 and first half of 2011, respectively. Net income per common share outstanding was \$5.10 for the quarter and \$5.41 the first half of 2011. These results were significantly influenced by:

- Gain on sale of land and marine terminal assets in Louisiana in the second quarter of 2011 totaling \$22.9 million (before provision for income taxes).
- The non-cash favorable effect of the reversal of tax valuation allowances of \$75.2 million, partially offset by tax provisions of \$7.7 million on income from continuing operations and \$5.9 million on income from discontinued operations, all recorded in the second quarter of 2011.
- Burnside alumina refinery expenses of \$5.8 million in the second quarter of 2011 associated with the restart of the facility.

Excluding these events, the results would have been net income of \$16.2 million (\$0.87 per share) and \$21.8 million (\$1.17 per share) for the quarter and first half, respectively.

Results of Operations for the three months ended June 30, 2011

Net Sales from Continuing Operations- Net sales from continuing operations for the three months ended June 30, 2011 were \$148.1 million compared to \$108.3 million for the same period in 2010. As a result of the completion of the restarting of the two idled potlines in the 2011 first quarter, shipments in the second quarter of 2011 increased to 66,450 metric tons ("tons") from 44,814 tons for the same period in 2010. Toll volume (absent in the 2010 period) was 39,512 tons in 2011. Selling prices associated for non toll shipments increased by \$297 per ton for the second quarter 2011 vs. the second quarter 2010. The monthly average cash settlement price on the LME including the Midwest premium was \$2,785/ton and \$2,238/ton during the second quarters of 2011 and 2010, respectively.

Gross Profit- The gross profit for the three months ended June 30, 2011 was \$20.6 million compared to a gross profit of \$14.1 million for the same period in 2010. The sales increase of \$39.8 million from 2010 was partially offset in 2011 by increased cost of sales associated with the higher production volumes and increased power costs. Cost of sales for the three month period ended June 30, 2011 was \$127.5 million compared to \$94.2 million in 2010. Cost of sales in the 2011 period included \$5.8 million for expenses associated with the restart of the alumina refinery, a \$3.6 million increase over the 2010 alumina refinery carrying costs of \$2.2 million.

See the Company's complete unaudited consolidated financial statements for the six months ended June 30, 2011 in the Investor's section at www.ormet.com

Operating Expenses- Operating expenses for the three months ended June 30, 2011 included general and administrative expenses of \$4.6 million, unchanged from the same period in 2010, and a gain of \$5.8 million on the sale of vacant alumina refinery land (including a nominal purchase option for approximately 490 acres of additional land) included in the marine terminal asset sale.

Operating Income- For the three months ended June 30, 2011, the Company reported a \$21.9 million operating profit compared to an operating profit of \$9.5 million in the same period of 2010.

Non Operating Expense- Non operating expense totaled \$5.7 million and \$4.4 million for the three months ended June 30, 2011 and 2010, respectively, reflecting increased Term Loan interest expense in the 2011 period as a result of the higher loan balance from the financing for the restart of the alumina refinery.

Income Tax Provision- As a result of the Company's estimation that it will now likely be able to fully utilize its deferred tax assets, the remaining valuation allowance was reversed on June 30, 2011 and an income tax benefit of \$67.5 million (net of the current income tax provision from continuing operations) was recorded. As of December 31, 2010 the Company has approximately \$217.5 million of net operating losses ("NOL") to carry-forward and apply to income tax liabilities in future years. Due to the uncertainty of realizing the full benefit of the NOL, the Company had recorded certain valuation reserves of \$117.2 million as of December 31, 2010. Upon reversal of the remaining valuation reserve noted above, the Company has a total net deferred tax asset as of June 30, 2011 of \$137.4 million 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 \$87.1 million were estimated to be subject to an annual Section 382 limitation of \$12.6 million as of June 30, 2011. Unrestricted NOL as of June 30, 2011 were estimated to be approximately \$130.4 million.

Discontinued Operations- The income of \$11.2 million (net of income tax provision of \$5.9 million at 35 percent) for the three months ended June 30, 2011 compared to \$0.1 million cost for the same period in 2010 principally reflects the gain on the sale of the marine terminal assets of \$11.1 million (\$17.1 million before tax provision) on June 2, 2011.

Net Income Per Share- The average number of shares of common stock issued and outstanding during the three months ended June 30, 2011 and 2010 was 18,607,493 and 18,461,952, respectively. The resulting income from continuing operations for the three month period ended June 30, 2011 was \$4.50 per share compared to a net income from continuing operations for the three month period ended June 30, 2010 of \$0.28 per share. Net income per share was \$5.10 during the three month period ended June 30, 2011 compared to net income per share for the three month period ended June 30, 2010 of \$0.27.

EBITDA and Adjusted EBITDA- EBITDA for the three months ended June 30, 2011 and 2010 was \$46.1 million and \$15.5 million, respectively. Adjusted EBITDA was \$23.5 million which excludes the gain on the sale of the assets and \$15.8 million for the three months ended June 30, 2011 and 2010,

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respectively. Below is the reconciliation of EBITDA and Adjusted EBITDA to net income for the three months ended June 30, 2011 and 2010:

(000's omitted)	Unaudited	
	Three months ended	
	<u>6/30/2011</u>	<u>6/30/2010</u>
Consolidated Net Income	\$ 94,919	\$ 5,038
Depreciation	5,034	4,034
Amortization of financing fees	305	186
Amortization of pension actuarial loss	1,765	1,751
Interest expense	5,716	4,519
Taxes	<u>(61,631)</u>	<u>-</u>
EBITDA	46,108	15,528
Gain on asset sales	(22,891)	-
Deferred compensation/ stock option expense	130	259
Additional accretion & imputed interest expense	163	54
Adjusted EBITDA	<u>\$ 23,510</u>	<u>\$ 15,841</u>

The Company's definition of EBITDA (Earnings before interest, taxes, depreciation, and amortization) is consolidated net income plus an add-back for depreciation, interest expense, taxes and amortization of financing fees and pension plan actuarial loss. The Company's definition of Adjusted EBITDA is EBITDA minus the effect of any gains and losses on asset sales, adding back stock compensation expense, and imputed interest expense. EBITDA and Adjusted EBITDA are non-GAAP financial measures. Management believes that these measures are meaningful to investors because EBITDA and Adjusted EBITDA provide additional information with respect to the Company's operating performance and the Company's ability to meet its financial obligations. The EBITDA and Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Capital Expenditures- The Company spent \$7.5 million on capital expenditures during the three months ended June 30, 2011 including \$4.4 million for relining 63 pots at the Hannibal smelter during the period and \$1.7 million associated with the restart of the Burnside alumina refinery. The ABL Facility limits the Company's ability to make capital expenditures at its facilities. The limit for the year 2011 is \$55.0 million.

Results of Operations for the six months ended June 30, 2011

Net Sales from Continuing Operations- Net sales from continuing operations for the six months ended June 30, 2011 were \$272.3 million compared to \$208.5 million for the same period in 2010. As a result of the completion of the restarting of the two idled potlines in the 2011 first quarter, shipments in the

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first half of 2011 increased to 124,529 tons from 89,034 tons for the same period in 2010. Toll volume (absent in the 2010 period) was 72,299 tons in 2011. Selling prices associated for non toll shipments increased by \$305 per ton for the first half 2011 vs. the first half 2010. The monthly average cash settlement price on the LME including the Midwest premium was \$2,713/ton and \$2,266/ton during the first six months of 2011 and 2010, respectively.

Gross Profit- The gross profit for the six months ended June 30, 2011 was \$34.5 million compared to a gross profit of \$23.0 million for the same period in 2010. The sales increase of \$63.8 million from 2010 was partially offset in 2011 by increased cost of sales associated with the higher production volumes and increased power unit costs. Cost of sales for the six month period ended June 30, 2011 was \$237.8 million compared to \$185.5 million in 2010. Cost of sales in the 2011 period included \$7.7 million for expenses associated with the restart of the alumina refinery, a \$3.8 million increase over the 2010 alumina refinery carrying costs of \$2.2 million.

Operating Expenses- Operating expenses for the six months ended June 30, 2011 include general and administrative expenses of \$8.3 million, a decrease of \$1.6 million from the \$9.9 million for the same period in 2010 and a gain of \$5.8 million on the sale of vacant alumina refinery land (including a nominal purchase option for approximately 490 acres of additional land) included in the marine terminal asset sale. The decrease in general and administrative expenses was primarily driven by lower amortization of deferred financing fees and lower legal expenses associated with the refinancing of the Company's long term debt and amended ABL Facility in 2010.

Operating Income- For the six months ended June 30, 2011, the Company reported a \$32.0 million operating profit compared to an operating profit of \$13.6 million in the same period of 2010.

Non Operating Expense- Non operating expense totaled \$10.0 million versus non operating expenses of \$7.5 million for the six months ended June 30, 2011 and 2010, respectively. The increase was due to the absence in 2011 of the 2010 contingent litigation liability reversal of \$3.2 million and interest income from the refunded power security deposit of \$1.2 million that was partially offset in 2010 by the prepayment premium of \$2.7 million for the 2010 refinancing.

Income Tax Provision- As a result of the Company's estimation that it will now likely be able to fully utilize its tax assets, the remaining valuation allowance was reversed on June 30, 2011 and an income tax benefit of \$67.5 million (net of the current income tax provision) was recorded. As of December 31, 2010, the Company had approximately \$217.5 million of NOL to carry-forward and apply to income tax liabilities in future years. Due to the uncertainty of realizing the full benefit of the NOL, the Company had recorded certain valuation reserves of \$117.2 million as of December 31, 2010. Upon reversal of the remaining valuation reserve noted above, the Company has a total net deferred tax asset as of June 30, 2011 of \$137.4 million 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 \$87.1 million were estimated to be subject to an annual Section 382 limitation of \$12.6 million as of June 30, 2011.

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Discontinued Operations- The income of \$11.0 million (net of an income tax provision of \$5.9 million at 35 percent) for the six months ended June 30, 2011 compared to a cost of \$0.8 million for the same period in 2010 principally reflects the gain on the sale of the marine terminal assets of \$11.1 million (\$17.1 million before tax provision) on June 2, 2011.

Net Income Per Share- The average number of shares of common stock issued and outstanding during the six months ended June 30, 2011 and 2010 was 18,558,983 and 18,461,952, respectively. The resulting income from continuing operations for the six month period ended June 30, 2011 was \$4.82 per share compared to a net income from continuing operations for the six month period ended June 30, 2010 of \$0.33 per share. Net income per share was \$5.41 during the six month period ended June 30, 2011 compared to a net income for the six month period ended June 30, 2010 of \$0.28 per share.

EBITDA and Adjusted EBITDA- EBITDA for the six months ended June 30, 2011 and 2010 was \$63.0 million and \$30.2 million, respectively. Adjusted EBITDA was \$40.7 million and \$30.3 million for the six months ended June 30, 2011 and 2010, respectively. Below is the reconciliation of EBITDA and Adjusted EBITDA to net income for the six months ended June 30, 2011 and 2010:

(000's omitted)	Unaudited	
	Six months ended	
	<u>6/30/2011</u>	<u>6/30/2010</u>
Consolidated Net Income	\$ 100,454	\$ 5,249
Depreciation	9,812	7,983
Amortization of financing fees	518	1,463
Amortization of pension actuarial loss	3,529	3,351
Interest expense	10,320	12,108
Taxes	<u>(61,631)</u>	<u>-</u>
EBITDA	63,002	30,154
Gain on asset sales	(22,891)	(478)
Deferred compensation/ stock option expense	363	525
Additional accretion & imputed interest expense	<u>268</u>	<u>113</u>
Adjusted EBITDA	<u>\$ 40,742</u>	<u>\$ 30,314</u>

The Company's definition of EBITDA (Earnings before interest, taxes, depreciation, and amortization) is consolidated net income plus an add-back for depreciation, interest expense, taxes and amortization of financing fees and pension plan actuarial loss. The Company's definition of Adjusted EBITDA is EBITDA minus the effect of any gains and losses on asset sales, adding back stock compensation expense, and imputed interest expense. EBITDA and Adjusted EBITDA are non-GAAP financial measures. Management believes that these measures are meaningful to investors because EBITDA and Adjusted EBITDA provide additional information with respect to the Company's operating

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performance and the Company's ability to meet its financial obligations. The EBITDA and Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Capital Expenditures- The Company spent \$13.7 million on capital expenditures during the six months ended June 30, 2011 including \$9.1 million for relining 129 pots at the Hannibal smelter and \$2.6 million of capital expenditures related to the restart of the Burnside alumina refinery. The ABL Facility limits the Company's ability to make capital expenditures at its facilities. The limit for the year 2011 is \$55.0 million and the limit for 2012 and all succeeding years until the maturity of the Term Loan is \$35.0 million plus up to \$10.0 million of the unused amount from the prior year.

Liquidity and Capital Resources

Sources and Uses of Cash- The net cash provided by operating activities was \$25.9 million for the six months ended June 30, 2011. The source of cash was principally caused by net income reduced by the unrealized income tax benefit of \$61.6 million partially offset by a working capital decrease of \$11.7 million

Net cash provided from investing activities was \$13.2 million due to the net proceeds of \$26.9 million from the sale of the marine terminal less capital expenses primarily from the relining of certain "pots" at the aluminum smelter and capital expenditures related to restarting the Burnside alumina refinery.

Net cash provided from financing activities was \$18.5 million, which were the net proceeds from the new Term B Loan described below.

The Company's cash balance at June 30, 2011 was \$60.7 million, an increase of \$57.6 million from the \$3.1 million balance at December 31, 2010.

Liquidity- The ongoing sources of liquidity for the Company are existing cash balances, cash flows from continuing operations and available borrowings under the new ABL Facility. As of June 30, 2011, there were no outstanding borrowings under ABL Facility; outstanding letters of credit were \$6.1 million with remaining availability at \$41.2 million and an unrestricted cash balance of \$60.7 million. As of July 31, 2011, there was a cash balance of \$59.2 million, no outstanding balance on the ABL Facility, outstanding letters of credit were \$6.1 million, and remaining borrowing availability was \$43.9 million.

Primary uses of cash are for funding the aluminum smelter operations, including raw material purchases, electricity costs increases in working capital, capital expenditures (including the restarting of the alumina smelter), labor costs and funding of the Ormet pension plan and contractual payments to the VEBA Benefit Trusts. For the six months ended June 30, 2011, the restart of the alumina refinery consumed \$7.6 million in restart costs, as well as an additional \$2.1 million and \$1.0 million in associated capital expenditures and asbestos remediation expenditures, respectively.

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On May 6, 2011, the Company entered into Amendment Number 1 of the Term Loan with the lenders of the \$110 million Term Loan ("Term A Loan") and at the same time, amended the current revolving credit facility as described below. The amendment to the Term Loan provided for an additional loan ("Term B Loan") with a face value of \$30 million that matures on March 2, 2014 and was borrowed at a 5 percent original issue discount. The Term B Loan also bears interest at 14 percent per annum, payable in cash quarterly. The Term B Loan is pre-payable at face by the Company after March 1, 2012, with all other terms and conditions (including inter-creditor agreements) remaining substantially the same as the Term Loan described in Note 6. The Term Loan was also amended to allow for the additional debt, revise the capital spending limitations for 2011 and 2012 and thereafter, and allow for the State of Louisiana to take a first mortgage on a parcel of land at Burnside in conjunction with entering into a \$1.5 million Economic Development Loan Program which the Company has been approved to receive by the Louisiana Economic Development Commission.

Concurrently with the amendment of the Term Loan, the Company entered into an amendment of the asset based lending facility. The amendment increased the credit limit to \$60 million from \$50 million. The ABL Facility was amended to allow for the additional debt, revise the capital spending limitations for 2011 and thereafter, and allow for the State of Louisiana to take a first mortgage on two parcels at Burnside in conjunction with entering into the same \$1.5 million Economic Development Loan Program. The Company believes that the proceeds of the new debt and increased ABL Facility availability and support from the State of Louisiana will provide sufficient funds and liquidity to restart and operate the alumina refinery.

Mike Tanchuk, Ormet's President and CEO commented, "I am extremely pleased with our performance for the second quarter and the first half of 2011. We have built upon a very successful restart of two potlines at Hannibal earlier this year that allowed us to reach full run rate capacity and bring the operation up to full employment once again. We completed a five year labor agreement at Hannibal with the United Steelworkers. Progress on the restart of the Burnside, LA alumina refinery is going well with first product expected in the fourth quarter. We also completed the sale of the Burnside bulk marine terminal. This aided in the financing of the restart of the alumina refinery while maintaining a long term material service contract"

The complete Rule 15c2-11 Information and Disclosure Statement for the Six Months Ended June 30, 2011 is 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

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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 three month period ended March 31, 2011, 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 Company's website at www.ormet.com.

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Ormet Corporation
Consolidated Financial Statements

Consolidated Balance Sheet
(Dollars in thousands)

	Unaudited	
	<u>6/30/2011</u>	<u>12/31/2010</u>
ASSETS		
Cash	\$ 60,738	\$ 3,085
Trade accounts receivable, net	12,784	11,422
Inventories	109,995	124,041
Prepaid expense and other current assets	17,338	3,468
Total current assets	<u>200,855</u>	<u>142,016</u>
Property and equipment	56,970	53,433
Goodwill	42,284	42,284
Deferred income tax asset	128,642	34,434
Assets held for sale	-	3,016
Other assets	4,053	2,359
TOTAL ASSETS	<u>\$ 432,804</u>	<u>\$ 277,542</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Accounts payable	35,704	47,748
Bank line of credit	-	-
Accrued compensation	14,155	14,382
Accrued interest	4,202	3,922
Postretirement obligations	9,858	9,544
Other accrued liabilities	21,712	6,872
Total current liabilities	<u>85,631</u>	<u>82,468</u>
Long term debt	123,105	102,919
Other liabilities:		
Pension obligations	113,837	126,261
Postretirement obligations	41,059	44,715
Other liabilities	7,644	8,479
STOCKHOLDERS' EQUITY (DEFICIT)	<u>61,528</u>	<u>(87,300)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 432,804</u>	<u>\$ 277,542</u>

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Ormet Corporation
Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(Amounts in thousands, except per share amounts)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
Net sales from continuing operations	\$ 148,099	\$ 108,301	\$ 272,280	\$ 208,547
Cost of sales				
Production costs	121,641	91,969	230,109	181,702
Alumina refinery costs	5,830	2,233	7,694	3,820
Total cost of sales	<u>127,471</u>	<u>94,202</u>	<u>237,803</u>	<u>185,522</u>
Gross profit	20,628	14,099	34,477	23,025
Operating expenses (income)				
General and administrative expenses	4,568	4,550	8,313	9,906
Gain on sale of assets	<u>(5,827)</u>	<u>-</u>	<u>(5,827)</u>	<u>(478)</u>
Operating income	21,887	9,549	31,991	13,597
Non-operating (expenses) income				
Other income (expense), net	20	117	273	4,601
Interest expense	<u>(5,716)</u>	<u>(4,519)</u>	<u>(10,320)</u>	<u>(12,108)</u>
Total non-operating expenses	<u>(5,696)</u>	<u>(4,402)</u>	<u>(10,047)</u>	<u>(7,507)</u>
Income before income tax	16,191	5,147	21,944	6,090
Income tax benefit	<u>(67,539)</u>	<u>-</u>	<u>(67,539)</u>	<u>-</u>
Income from continuing operations	83,730	5,147	89,483	6,090
Income (loss) from discontinued operations	<u>11,189</u>	<u>(109)</u>	<u>10,971</u>	<u>(841)</u>
Net income	<u>\$ 94,919</u>	<u>\$ 5,038</u>	<u>\$ 100,454</u>	<u>\$ 5,249</u>
Shares outstanding:				
Average during period	18,607	18,462	18,559	18,462
As of June 30, 2011	18,662	18,462	18,662	18,462
Net income per share from continuing operations	<u>\$ 4.50</u>	<u>\$ 0.28</u>	<u>\$ 4.82</u>	<u>\$ 0.33</u>
Net income per share	<u>\$ 5.10</u>	<u>\$ 0.27</u>	<u>\$ 5.41</u>	<u>\$ 0.28</u>

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Ormet Corporation
Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)

Unaudited

Six Months Ended June 30,

	2011	2010
Cash flows from operating activities		
Net income	\$ 100,454	\$ 5,249
Adjustments to reconcile net income to net cash from:		
Depreciation and amortization	9,812	7,983
Bad debt expense	-	11
Non cash interest	2,088	2,841
Amortization of pension plan loss	3,529	3,351
Compensation expense related to options	363	525
Unrealized income tax benefit	(61,631)	-
Amortization of deferred financing costs	518	1,463
Gain on sale of property and equipment	(22,891)	(478)
Net change in:		
Trade accounts receivable	(1,362)	1,794
Inventory	14,046	(3,028)
Prepaid & other current assets	(3,918)	(1,482)
Accounts payable	(12,044)	(5,699)
Accrued liabilities & other assets	12,712	15,631
Pension and postretirement	(15,766)	(36,829)
Net cash provided (used) in operating activities	25,910	(8,668)
Cash flows from investing activities		
Proceeds from asset sales	26,891	516
Capital spending	(13,672)	(3,320)
Net cash provided by (used) in investing activities	13,219	(2,804)
Cash flows from financing activities		
Repayment of long term loan	(10,000)	(54,035)
Proceeds from long term debt	28,500	104,500
Proceeds from exercised stock options	457	-
Repayment on bank line of credit - net	-	(4,061)
Payment of financing fees	(433)	(2,517)
Net cash provided by financing activities	18,524	43,887
Net increase in cash	57,653	32,415
Cash - beginning of period	3,085	4,035
Cash - end of period	\$ 60,738	\$ 36,450

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