

**Contact Info:  
James B. Riley  
740-483-2602**

**Ormet announces \$5.3 million improvement in first quarter 2011 net income of \$5.5 million compared to net income of \$0.2 million in the same period last year.**

**Results of Operations for the three months ended March 31, 2011**

Net sales from continuing operations for the three months ended March 31, 2011 were \$124.2 million compared to \$100.2 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 first quarter of 2011 increased to 58,079 metric tons ("tons") from 44,219 tons for the same period in 2010. Toll volume (absent in the 2010 period) was 32,787 tons in 2011. Selling prices associated for non toll shipments increased by \$187 per ton for the first quarter 2011 vs. the first quarter 2010. The monthly average cash settlement price on the LME including the Midwest premium was \$2,641/ton and \$2,293/ton during the first quarters of 2011 and 2010, respectively.

The gross profit for the three months ended March 31, 2011 was \$13.8 million compared to a gross profit of \$8.3 million for the same period in 2010. The sales increase of \$24.0 million from 2010 was partially offset in 2011 by increased cost of goods sold associated with the higher production volumes and increased power unit costs. Cost of sales for the three month period ended March 31, 2011 was \$110.3 million compared to \$92.0 million in 2010.

Operating expenses for the three months ended March 31, 2011 totaled \$3.7 million, a decrease of \$1.7 million from the \$5.4 million for the same period in 2010 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 the Amended and Restated Loan and Security Agreement (ABL Facility) in 2010.

Operating income for the three months ended March 31, 2011 totaled \$10.1 million compared to \$3.4 million in the same period of 2010.

Non operating expense totaled \$4.4 million versus non operating expenses of \$3.1 million for the three months ended March 31, 2011 and 2010, respectively. The increase was due to the absence in 2011 of the 2010 contingent liability reversal of \$3.2 million and interest income from the refunded power security deposit of \$1.2 million, partially offset in 2010 by the prepayment premium on the Old Notes of \$2.7 million.

As a result of its net operating loss carry-forward, the Company did not record any tax expense or tax benefit. As of March 31, 2011, the Company has approximately \$211.8 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 has recorded certain valuation reserves and, as a result, the Company has a net deferred tax asset as of March 31, 2011 of \$36.5 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 March 31, 2011. Unrestricted NOL as of March 31, 2011 were estimated to be approximately \$124.7 million.

The cost of discontinued operations, principally reflecting the expenses associated with the Burnside, LA marine terminal shutdown in 2008, were \$0.2 million for the three months ended March 31, 2011 compared to \$0.1 million for the same period in 2010.

The average number of shares of common stock issued and outstanding during the three months ended March 31, 2011 and 2010 was 18,509,934 and 18,461,952, respectively. The resulting income from continuing operations for the three month period ended March 31, 2011 was \$0.31 per share compared to a net income from continuing operations for the three month period ended March 31, 2010 of \$0.02 per share. Net income per share was \$0.30 during the three month period ended March 31, 2011 compared to a net profit for the three month period ended March 31, 2010 of \$0.01 per share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the three months ended March 31, 2011 and 2010 was \$16.9 million and \$14.6 million, respectively. Adjusted EBITDA was \$17.2 million and \$14.5 million for the three months ended March 31, 2011 and 2010, respectively. Below is the reconciliation of EBITDA and Adjusted EBITDA to net income for the three months ended March 31, 2011 and 2010:

(000's omitted)	Unaudited	
	Three months ended	
	<u>3/31/2011</u>	<u>3/31/2010</u>
Consolidated Net Income	\$ 5,535	\$ 211
Depreciation	4,778	3,950
Amortization of financing fees	213	1,277
Amortization of pension actuarial loss	1,764	1,602
Interest expense	4,604	7,589
Taxes	-	-
EBITDA	<u>16,894</u>	<u>14,629</u>
Gain on asset sales	-	(478)
Deferred compensation/ stock option expense	234	266
Additional accretion & imputed interest expense	104	57
Adjusted EBITDA	<u>\$ 17,232</u>	<u>\$ 14,474</u>

The Company's definition of EBITDA 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 is a non-GAAP financial measure. 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.

The Company spent \$6.2 million on capital expenditures during the three months ended March 31, 2011 including \$4.7 million for relining 66 pots during the period. All capital expenditures were incurred at the aluminum smelter in Hannibal, Ohio. The ABL Facility and Term Loans limit the Company's ability to make capital expenditures at its facilities. The limit for the year 2011 is \$55.0 million.

### **Liquidity and Capital Resources**

The net cash used by operating activities was \$0.7 million for the three months ended March 31, 2011. The use of cash was principally caused by working capital increases totaling \$16.2 million and pension funding and other operating items consuming \$6.5 million in cash, partially offset by net income adjusted for non-cash expenses of \$22.0 million.

Net cash used in investing activities was \$6.2 million and was directly related to the relining of certain "pots" at the aluminum smelter totaling \$4.7 million.

Net cash provided from financing activities was \$4.8 million, which were the net borrowings from the Company's ABL Facility.

The Company's cash balance at March 31, 2011 was \$1.1 million, a decrease of \$2.0 million from the \$3.1 million balance at December 31, 2010.

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 March 31, 2011, outstanding borrowings under ABL Facility were \$4.8 million; outstanding letters of credit were \$6.1 million with remaining availability at \$31.4 million and an unrestricted cash balance of \$1.1 million. As of April 30, 2011, there was a cash balance of \$1.9 million, a loan balance on the ABL Facility of \$7.4 million, outstanding letters of credit were \$6.1 million, and remaining borrowing availability was \$28.9 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.

### **Amendments to Term Loan and ABL Facility**

On May 6, 2011, the Company entered into Amendment No. 1 of the Loan and Security Agreement ("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 par 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. The Term Loan was also amended to allow for the additional debt, revise the capital spending limitations for 2011 and 2012, 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 applied for.

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 which the Company has applied for. 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, "Our objectives remain clear. We must reduce our raw material costs and grow profitably. The restart of Burnside will be a major step forward in bringing our alumina cost down versus the market. We are also progressing on the evaluation of investment projects for the production of carbon anodes. We continue to look at multiple growth opportunities where we can apply our proven ability to increase productivity, reduce cost, develop strong local relationships and manage metal price risk."

The complete Ormet First Quarter 2011 disclosure and financial statements are available on the Company's website. Please visit the Investor section of the website at [www.ormet.com](http://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 three month period ended March 31, 2011, which is available on the Company's website at [www.ormet.com](http://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](http://www.ormet.com).

# Ormet Corporation

## Consolidated Balance Sheet (000's omitted)

	<b>Unaudited</b>	
	<b><u>3/31/2011</u></b>	<b><u>12/31/2010</u></b>
<b>ASSETS</b>		
Cash	\$ 1,053	\$ 3,085
Trade accounts receivable, net	27,180	11,422
Inventories	113,203	124,041
Prepaid expense and other current assets	6,168	3,468
Total current assets	<u>147,604</u>	<u>142,016</u>
Property and equipment- net	55,293	53,433
Goodwill	42,284	42,284
Deferred tax asset, net	34,434	34,434
Assets held for sale	3,016	3,016
Other assets	2,168	2,359
<b>TOTAL ASSETS</b>	<b><u>\$ 284,799</u></b>	<b><u>\$ 277,542</u></b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Accounts payable	39,131	47,748
Bank line of credit	4,842	-
Deferred Energy discount	8,735	-
Accrued wages and employee benefits	13,771	14,382
Accrued interest	3,779	3,922
Postretirement obligations	9,858	9,544
Other accrued liabilities	8,779	6,872
Total current liabilities	<u>88,895</u>	<u>82,468</u>
Long term debt	103,454	102,919
Other liabilities:		
Pension obligations	121,076	126,261
Postretirement obligations	42,743	44,715
Other liabilities	8,398	8,479
<b>STOCKHOLDERS' DEFICIT</b>	<b><u>(79,767)</u></b>	<b><u>(87,300)</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b><u>\$ 284,799</u></b>	<b><u>\$ 277,542</u></b>

See the Company's complete unaudited consolidated financial statements for the three months ended  
March 31, 2011 in the Investor's section at [www.ormet.com](http://www.ormet.com)

Ormet Corporation

**CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**  
**(000's omitted) except per share amounts**

	<b>Three Months Ended</b>	
	<b><u>3/31/2011</u></b>	<b><u>3/31/2010</u></b>
Net sales from continuing operations	\$ 124,181	\$ 100,246
Cost of sales	<u>110,332</u>	<u>91,961</u>
Gross profit	13,849	8,285
Operating expenses (income)		
General and administrative expenses	3,745	5,356
Gain on sale of assets	<u>-</u>	<u>(478)</u>
Operating income	10,104	3,407
Non-operating (expenses) income		
Other income, net	253	4,484
Interest expense	<u>(4,604)</u>	<u>(7,589)</u>
Total non-operating expenses	<u>(4,351)</u>	<u>(3,105)</u>
Income before income tax	5,753	302
Provision for income taxes	<u>-</u>	<u>-</u>
Income from continuing operations	5,753	302
Loss from discontinued operations	<u>(218)</u>	<u>(91)</u>
Net income	<u><u>\$ 5,535</u></u>	<u><u>\$ 211</u></u>
Shares outstanding:		
Average during period	18,510	18,462
As of March 31	18,510	18,462
Net income per share from continuing operations	<u><u>\$ 0.31</u></u>	<u><u>\$ 0.02</u></u>
Net income per share	<u><u>\$ 0.30</u></u>	<u><u>\$ 0.01</u></u>

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# Ormet Corporation

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(000's omitted)

	Three Months Ended March 31,	
	2011	2010
<b>Cash flows from operating activities</b>		
<b>Net income</b>	<b>\$ 5,535</b>	<b>\$ 211</b>
Adjustments to reconcile net income to net cash from:		
Depreciation and amortization	4,778	3,950
Deferred energy discount	8,735	7,699
Deferred interest expense	743	(8,736)
Amortization of pension loss	1,764	1,602
Compensation expense related to options	234	266
Amortization of deferred financing costs	213	1,277
Gain on sale of property and equipment	-	(478)
Net change in:		
Trade accounts receivable	(15,758)	(4,136)
Inventory	10,838	6,273
Prepaid expenses & other assets	(2,672)	(1,808)
Accounts payable	(8,617)	(2,451)
Accrued liabilities & other	362	(3,277)
Pension and postretirement	(6,844)	(30,915)
Net cash used in operating activities	(689)	(30,523)
<b>Cash flows from investing activities</b>		
Proceeds from asset sales	-	516
Capital spending	(6,185)	(1,439)
Net cash used in investing activities	(6,185)	(923)
<b>Cash flows from financing activities</b>		
Repayment of long term loan	-	(43,064)
Proceeds from –long term debt	-	101,135
Proceeds (Repayment) on bank line of credit - net	4,842	(4,061)
Payment of financing fees	-	(2,486)
Proceeds from issue of stock w warrants/stock options	-	3,365
Proceeds from issuance of equity interests	-	-
Net cash provided (used) by financing activities	4,842	54,889
<b>Net (decrease) increase in cash</b>	(2,032)	23,443
Cash - beginning of period	3,085	4,035
Cash - end of period	<b>\$ 1,053</b>	<b>\$ 27,478</b>

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