

### **Ormet Reports 2010 Financial Results**

Ormet had net income of \$39.8 million with earnings per share of \$2.15 for the year ended December 31, 2010. These results included a \$36.5 million (\$1.97 per share) non-cash income tax benefit associated with reversal of a portion of Ormet's fully reserved accumulated deferred income tax assets

**Hannibal, Ohio – March 21, 2011** – Ormet Corporation, an independent U.S. producer of aluminum, announced its results of operations for 2010. Net income for the year ended December 31, 2010 totaled \$39.8 million compared to \$32.8 million for the same period of 2009. The 2010 results include a non-cash income tax benefit of \$36.5 million plus non-recurring other income of \$3.2 million associated with a litigation settlement, partially offset by one-time charges of \$5.0 million associated with the March 2, 2010 refinancing of the long term debt and credit facility ("ABL"). The 2009 results include the \$31.1 million arbitration settlement with Glencore, Ltd. received in August 2009. Exclusive of these one-time effects, Ormet's results reflected a profit of \$5.1 million in 2010 versus \$1.7 million in 2009. The 2010 results compared favorably to 2009 taking into account that molten production in 2010 was 17% below that of 2009.

#### **Results of Operations for the year ended December 31, 2010**

Net sales from continuing operations for the year ended December 31, 2010 were \$432.7 million related to the sale of 180,868 metric tons of sow, while operating four of Ormet's six lines, versus net sales of \$419.3 million for 218,423 metric tons for the year 2009 when we averaged operating 4.9 lines. The effect of lower volume from the reduced operations in 2010 was overcome by an increase of \$476 per ton in realized selling prices, driven by a \$24.0 million favorable effect from prepricing approximately 121,000 metric tons above the weighted average 2010 LME price. The average cash settlement price including the Midwest premium on the LME was \$2,311 per ton for the calendar year 2010 compared to \$1,769 per ton for the year 2009.

The gross profit for the year ended December 31, 2010 was \$40.4 million compared to \$42.8 million for the year 2009. The revenue increase and savings from the lower power rates, anode costs and reduced operations were offset by increased alumina costs due to the absence of the tolling agreement, which had removed the cost of alumina. The Company also recorded a remediation liability for the alumina refinery of \$3.2 million.

Operating expenses for the year ended December 31, 2010 totaled \$18.3 million, a decrease of \$7.9 million from 2009 which was primarily due to the absence in 2010 of the incremental legal and professional fees from the arbitration with Glencore, Ltd. in 2009.

For the year ended December 31, 2010, the operating profit was \$22.2 million versus \$16.7 million for the year 2009.

Non operating expenses for the year ended December 31, 2010 were \$16.6 million versus non operating income of \$19.0 million in 2009. The decrease is attributable to the absence of the \$31.1 million net arbitration award, increased interest expense from the refinancing of the Company's debt of \$8.4 million offset by the reversal of a contingent liability associated with an alumina contract dispute of

\$3.2 million in 2010.

Based on the criteria outlined in ASC 740, the Company recorded an income tax benefit of \$36.5 million for the year ended December 31, 2010, reflecting management's belief that the Company will more likely than not be able to realize a portion of its previously fully reserved accumulated deferred income tax assets. For the year ended December 31, 2009, the Company recorded a tax expense of \$0.1 million. As of December 31, 2010, the Company had approximately \$136.2 million net operating losses ("NOL") to carry forward and use against income tax liabilities in future years. As a result of a change of control as defined by Section 382 of the Internal Revenue Code ("IRC"), which took place in May 2007, \$87.1 million of the NOL is subject to an annual limitation of \$12.6 million, as of December 31, 2010. Unrestricted NOL as of December 31, 2010 is estimated to be approximately \$49.1 million.

The expense for discontinued operations for the year ended December 31, 2010 was \$2.3 million compared to an expense of \$2.8 million in 2009. The \$0.5 million reduction is primarily due to the settlement of a worker's compensation claim for less than its accrued liability.

The average number of shares of common stock issued and outstanding during the year ended December 31, 2010 was 18,486,140. The resulting net income from continuing operations for the year ended December 31, 2010 was \$2.28 per share compared to net income from continuing operations for the year ended December 31, 2009 of \$1.93 per share with an average of 18,461,952 shares outstanding during the year 2009. Net income per share was \$2.15 for 2010 compared to net income per share of \$1.78 for 2009.

## **Liquidity and Capital Resources**

The net cash used by operating activities was \$47.3 million for the year ended December 31, 2010. Net cash was increased by net income and non cash expenses of \$21.4 million and reduced by a net increase in working capital of \$21.3 million (primarily due to increases in anode and alumina inventories partially offset by an increase in trade payables) and a \$48.8 use of cash for pension and VEBA funding requirements (net of accrued expenses). Net cash used in investing activities was \$8.3 million and was primarily related to the relining of 95 "pots" at the aluminum smelter in Ohio. Net cash generated from financing activities was \$54.7 million, due to the repayment of the of the Company's long term debt and revolving credit facility of \$47.1 million plus financing fees of \$2.7 million offset by the Term Note and warrant proceeds of \$104.5 million.

The cash balance of the Company at December 31, 2010 decreased by \$0.9 million from the balance at December 31, 2009 to a total of \$3.1 million.

**Liquidity-** 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, 2010, there were no outstanding borrowings under the ABL facility; outstanding letters of credit under the revolving credit agreement were \$6.1 million with remaining availability at \$37.6 million and an unrestricted cash balance of \$3.1 million. As of March 18, 2011 borrowings on the ABL totaled \$5.1 million, there were letters of credit outstanding of \$6.1 million with remaining availability of \$31.2 million and total cash on hand of \$1.3 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 Company pension plan and contractual payments to the VEBA Benefit Trusts.

Mike Tanchuk, Ormet's President and CEO commented, "During 2010, we refinanced the company, started the return to full capacity, produced value through our fixed pricing contracts and significantly reduced pension liabilities. Most importantly, we brought over 150 jobs back to the Ohio Valley with two-thirds being new employees. We are now focusing on the restart of our alumina operation in Burnside, LA, continuing to gain in operating efficiencies at Hannibal, addressing carbon costs and finding profitable ways to grow Ormet."

The complete Ormet 2010 disclosure and financial statements will be 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 the year ended December 31, 2009, 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)

	<u>12/31/2010</u>	<u>12/31/2009</u>
<b>ASSETS</b>		
Cash	\$ 3,085	\$ 4,035
Trade accounts receivable, net	11,422	8,614
Inventories	124,041	83,817
Prepaid expense and other current assets	3,468	1,351
Total current assets	<u>142,016</u>	<u>97,817</u>
Property and equipment	53,433	54,131
Goodwill	42,284	42,284
Deferred tax asset, net	34,434	-
Assets held for sale	3,016	3,016
Other assets	2,359	1,605
	<u>277,542</u>	<u>198,853</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Accounts payable	\$ 47,748	\$ 26,123
Bank line of credit	-	4,061
Accrued wages and employee benefits	14,382	16,369
Accrued interest	3,922	2,635
Postretirement obligations	9,544	8,075
Other accrued liabilities	6,872	2,005
Total current liabilities	<u>82,468</u>	<u>59,268</u>
Long term debt	102,919	52,099
Other liabilities:		
Pension obligations	126,261	176,803
Postretirement obligations	44,715	51,107
Other liabilities	8,479	4,324
	<u>(87,300)</u>	<u>(144,748)</u>
<b>STOCKHOLDERS' DEFICIT</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u>\$ 277,542</u>	<u>\$ 198,853</u>

See the complete audited financial statements on the Company's website in the investors section - [www.ormet.com](http://www.ormet.com).

**Ormet Corporation**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
(000's omitted)

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net sales from continuing operations	\$ 432,665	\$ 419,284	\$ 549,626
Cost of sales	392,223	376,444	522,085
Gross profit	40,442	42,840	27,541
Operating expenses (income)			
General and administrative expenses	18,761	26,336	24,401
Gain on sale of assets	(478)	(153)	(8,270)
Operating income	22,159	16,657	11,410
Non-operating (expenses) income			
Income from arbitration award	-	31,096	-
Other income (expense), net	4,689	844	(502)
Interest expense	(21,257)	(12,961)	(14,571)
Total non-operating income (expenses)	(16,568)	18,979	(15,073)
Income (loss) before income tax	5,591	35,636	(3,663)
Income tax expense (benefit)	(36,500)	80	-
Income (loss) from continuing operations	42,091	35,556	(3,663)
Loss from discontinued operations	(2,339)	(2,782)	(1,422)
Net income (loss)	\$ 39,752	\$ 32,774	\$ (5,085)
Shares outstanding:			
Average during period	18,486	18,462	18,300
As December 31	18,510	18,462	18,462
Net income (loss) per share from continuing operations	\$ 2.28	\$ 1.93	\$ (0.20)
Net income (loss) per share	\$ 2.15	\$ 1.78	\$ (0.28)

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**Ormet Corporation**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(000's omitted)

	Year Ended December 31,		
	2010	2009	2008
<b>Cash flows from operating activities</b>			
<b>Net income (loss)</b>	\$ 39,752	\$ 32,774	\$ (5,085)
Adjustments to reconcile net income (loss) to net cash from:			
Depreciation and amortization	16,296	14,618	11,573
Bad debt expense (recovery)	11	19	(41)
Deferred interest	(7,250)	8,225	7,602
Amortization of pension loss	6,702	3,456	80
Impairment of fixed assets	-	-	144
Compensation expense related to options	993	2,784	2,828
Unrealized income tax benefit	(36,500)	-	-
Amortization of deferred financing costs	1,879	3,254	5,880
Gain on sale of property and equipment	(478)	(153)	(8,270)
<b>Net change in:</b>			
Trade accounts receivable	(2,819)	4,675	3,186
Inventory	(40,224)	(3,026)	17,142
Prepaid expenses & other assets	122	16,581	20,381
Accounts payable	21,625	3,368	9,548
Accrued liabilities & other assets	1,447	849	(4,950)
Pension and postretirement	(48,830)	(30,215)	(34,126)
<b>Net cash provided (used) in operating activities</b>	<u>(47,274)</u>	<u>57,209</u>	<u>25,892</u>
<b>Cash flows from investing activities</b>			
Proceeds from asset sales	516	353	9,011
Cash paid for intangible assets	-	-	(36)
Capital spending	(8,862)	(10,460)	(21,065)
<b>Net cash used in investing activities</b>	<u>(8,346)</u>	<u>(10,107)</u>	<u>(12,090)</u>
<b>Cash flows from financing activities</b>			
Repayment of long term loan	(43,064)	-	(13,166)
Proceeds from -long term debt	101,135	-	9,722
Repayment on bank line of credit - net	(4,061)	(44,018)	(7,962)
Payment of financing fees	(2,705)	(1,205)	(2,978)
Proceeds from issue of stock warrants/stock options	3,365	-	278
Proceeds from issuance of equity interests	-	-	-
<b>Net cash provided (used) by financing activities</b>	<u>54,670</u>	<u>(45,223)</u>	<u>(14,106)</u>
<b>Net (decrease) increase in cash</b>	(950)	1,879	(304)
Cash - beginning of period	4,035	2,156	2,460
<b>Cash - end of period</b>	<u>\$ 3,085</u>	<u>\$ 4,035</u>	<u>\$ 2,156</u>

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