

18 September 2009

METAL-TECH ANNOUNCES HALF YEAR RESULTS

Interim Results for the six months ended 30 June 2009

Metal-Tech Ltd., the metal-based hydrometallurgy and chemical company, which focuses on the recycling and production of specialty metals powders such as Tungsten and Molybdenum, is pleased to announce its results for the six months ended 30 June 2009.

Financial Highlights:

- As expected, revenues decreased by 76% to US\$20.4m (H1 2008: US\$85.2m).
- Operating loss: US\$6.9m (H1 2008: US\$7.2 profit), as a direct result of an unprecedented reduction of demand in end-use markets, lower metal prices and the suspension of Molybdenum production in Mongolia
- Decrease in R&D expenses by 63% to US\$0.3m (H1 2008: US\$0.8m)
- Loss after tax US\$7.7m (H1 2008: US\$3.8m profit)
- Strong focus on cash management
- Continuation of inventory level reduction
- Reduction of level of bank debt since December 2008 by US\$2m to US\$28.3m at 30 June 2009

Operating Highlights:

- Low global market demand and price erosion
- The Company is actively engaged in cost reduction and measures to improve efficiency at the plant in Israel
- Total management restructuring is now complete. This has increased activity in developing sales while at the same time reduced operating costs
- Good progress is being maintained in R&D in strategic areas
- Significant technology development

Commenting on the results, Ariel Rosenberg, Chairman and Chief Executive Officer of Metal-Tech, said:

As anticipated, Metal-Tech continues to be affected by the difficult global economic climate and end markets in which its products are used.

Whilst the Company has taken a disciplined approach to cost control, there has been an important shift towards investment in marketing systems, notably in our Tungsten operations. We are making good progress in R&D, with efforts focused towards supporting new business development initiatives, with an emphasis on high return opportunities. We believe that Metal-Tech is responding appropriately to the challenges it faces, and the steps taken by management will put the Company in a good position to take advantage of market opportunities both during the current conditions and the cyclical upturn in the future.”

-Ends-

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Operational review

Further to the announcement of the full year results on 28 April 2009, the Company experienced low demand during the first half of 2009, due to the impact of the slowdown in global economic conditions on the end markets in which its products are used. This resulted in revenues decreasing by 76% to US\$20.4m in the first half of 2009 (H1 2008: US\$85.2m).

In American and European economies, demand from customers has all but ceased. The Company also saw a reduction in metal prices during the period, with the prices of both Tungsten and Molybdenum being affected. Additionally, Metal-Tech's Mongolian plant is still not in operation and shall remain so until a more favourable financial climate and conditions arise. The Company is in negotiations with its Mongolian partner to secure suitable terms for the resumption of supply in raw materials to the Company's Mongolian operations.

Against the backdrop of the economic climate, Metal-Tech has taken important steps in managing its operational costs. The Company continues to be actively engaged in cost reduction and measures to improve efficiency at the plant in Israel while seeking to capture new business opportunities that arise as a result of the continued turmoil in the sector. Management has prioritized budget savings in all areas of the business, including through headcount reductions and it has decreased investments in non-core business development and strategically redirected controlled resources into marketing. Through this shift in focus, the Company has notably improved the Tungsten marketing system.

While R&D expense was below the first half of 2008, the Company intends to increase its investment in this area in the coming periods, as part of its focused drive to develop, and leverage, additional proprietary technologies and "know-how." R&D is being directed to support new business development initiatives, with an emphasis on high return opportunities. This focus has led to an important increase in R&D investment in current South American projects during H1 2009 and this will continue into the coming period. For example, investment in the Codelco Project and the development of new hydrometallurgy technologies for recovering Molybdenum and Tungsten from lower grade raw materials.

During the second half of 2009, the Company will implement new technologies in the expansion of its recycling capability and efficiency improvements in production. This will enable Metal-Tech to increase its competitive edge and financial strength.

Financial review

Revenues for the six months ending 30 June 2009 were US\$20.4m, down from US\$85.2m during the same period of 2008, a decrease of 76%. Net loss was US\$7.7m, down from a profit of US\$3.8m, a decrease of 55%. Gross loss was US\$3.5m, 17.1% of sales, vs. Gross profit of US\$12.3m, 14.4% of sales respectively.

During the period, cash and cash equivalents decreased from US\$15.2m to US\$13.2m. Overall, working capital has decreased by 36% compared to 31 December 2008. Inventory decreased by US\$11.6m from US\$47.9m at 31 December 2008 reflecting an effort to reduce existing inventory levels. Receivables decreased from US\$11.2m to US\$4.6m, due to lower sales. The Company deems

the existing working capital invested in the business to be higher than necessary and expects to reduce this level over the coming periods, freeing up cash for other purposes. If sales return to previous levels then the Company will revisit this issue and adjust the working capital requirements accordingly.

Metal-Tech continues to have constructive discussions with its bank who remains supportive of the business. The Company has already reduced its debts by US\$2m since December 2008 to US\$28.3m. .

General and Administrative expenses decreased from \$3.7m in the six month period ended 30 June 2008 to \$2.4m in the six month period ended 30 June 2009. This decrease was the result of several factors, including decreased investment in new business development activity, streamlining, and a decrease in headcount.

Outlook

The Company expects to make operational improvements over the coming periods, which are intended to increase capacity and improve the quality of its products. Through this and by increasing R&D expenditure the Company continues to invest in its future.

During the second half of 2009, the Company will implement new technologies in the expansion of its recycling capability and efficiency improvements in production at its Israeli plant. This will enable Metal-Tech to increase its competitive edge and financial strength. The Company has seen some recent stabilization in the markets in which it operates yet it is too early to predict how this may develop. In the meantime, the Company is responding appropriately to the challenges it faces, and the steps taken by management will put the Company in a good position to take advantage of market opportunities both during the current conditions and the cyclical upturn in the future.

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except shares and per share amounts)

	Unaudited six months, ended 30 June,		Audited 12 months ended 31 December,
	2009	2008	2008
Revenues	20,434	85,151	138,333
Cost of revenues	23,986	72,833	135,019
Gross profit (Loss)	(3,552)	12,318	3,314
Research and development expenses, net	317	851	1,497
Selling and marketing expenses	634	535	1,454
General and administrative expenses	2,423	3,749	7,914
Total operating expenses	3,374	5,135	10,865
Operating income (Loss)	(6,926)	7,183	(7,551)
Financial expenses, net	515	2,617	3,110
Other income (expense), net	292	(79)	545
Share of income (losses) of joint ventures including impairment loss		499	1,593
Profit (Loss) before tax	(7,149)	4,986	(8,523)
Income tax expenses	557	1,211	41
Profit (loss) for the period	(7,706)	3,775	(8,564)
Attributable to:			
Equity holders of the Company	(6,925)	2,669	(9,125)
Minority interest	(781)	1,106	561
	(7,706)	3,775	(8,564)
Basic and diluted earnings (loss) per share attributable to Ordinary equity holders of the Company Basic and diluted earnings per share	(0.20)	0.1	(0.24)
Weighted average number of shares used in computing basic and diluted net earnings (loss) per share attributable to Ordinary equity holders of the Company	38,376,923	38,376,923	38,376,923

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	Unaudited 30 June,		Audited 31 December,
		2009	2008	2008
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents		8,982	9,177	12,012
Restricted cash		4,211	6,561	3,150
Available for sale marketable securities		38	82	28
Trade receivables		4,571	22,373	11,153
Other accounts receivable		2,230	4,502	5,343
Inventories		36,347	57,644	47,902
Total current assets		<u>56,379</u>	<u>100,339</u>	<u>79,588</u>
NON-CURRENT ASSETS				
Investment in joint ventures			4,842	0
Deferred finance costs		413	453	377
Deferred taxes		374	375	
Long term deposits				
Property, plant and equipment, net		<u>29,307</u>	<u>28,170</u>	<u>29,616</u>
Total non-current assets		<u>30,094</u>	<u>33,840</u>	<u>29,993</u>
TOTAL ASSETS		<u><u>86,473</u></u>	<u><u>134,179</u></u>	<u><u>109,581</u></u>

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share data)

	Unaudited 30 June,		Audited 31 December,
	2009	2008	2008
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank credit	6,765	11,337	10,562
Short-term loans and current maturities	13,515	19,608	16,923
Trade payables	7,614	23,616	17,435
Income taxes payable	5,972	7,695	6,317
Other accounts payable	4,853	6,144	5,834
Total current liabilities	38,719	68,400	57,071
LONG-TERM LIABILITIES:			
Long-term loans	8,041	6,488	6,220
Deferred tax liabilities	1,070	461	79
Severance pay liability	211	213	241
Total non-current liabilities	9,322	7,162	6,540
EQUITY:			
Ordinary shares	2,399	2,399	2,399
Share premium	23,892	23,892	23,892
Capital reserve	789	339	624
Capital note			
Retained earnings (accumulated deficit)	9,117	27,845	16,051
MINORITY INTEREST	36,197	54,473	42,966
	2,235	4,144	3,004
Total Equity	38,432	58,617	45,970
Total Liabilities and Equity	86,473	134,179	109,581

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands

	Share capital	Share premium	Capital reserve	Capital note	Retained earnings	Total
Balance at 1 January , 2008 (audited)	2,399	23,892	425	-	25,176	51,892
Cost of share based payment			114			114
Net gain on cash flow hedges			85			85
Loss	-	-	-	-	(9,125)	(9,125)
Balance at 31 December , 2008 (audited)	<u>2,399</u>	<u>23,892</u>	<u>624</u>		<u>16,051</u>	<u>42,966</u>
Balance as of 1 January, 2008 (audited)	2,399	23,892	425	-	25,176	51,892
Cost of share based payment	-	-	129	-	-	129
Net loss on cash flow hedges	-	-	(215)	-	-	(215)
Loss	-	-	-	-	2,669	2,669
Balance at 30 June, 2008 (unaudited)	<u>2,399</u>	<u>23,892</u>	<u>339</u>		<u>27,845</u>	<u>54,473</u>
Balance as of 1 January, 2009 (audited)	2,399	23,892	624		16,051	42,966
Cost of share based payment			165			165
Loss					(6,925)	(6,925)
Balance at 30 June, 2009 (unaudited)	<u>2,399</u>	<u>23,892</u>	<u>789</u>	-	<u>9,117</u>	<u>36,197</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Unaudited six months ended 30 June,		Audited 12 months ended 31 December,
	2009	2008	2008
<u>Cash flows from operating activities:</u>			
Profit (loss) for the year	(7,706)	3,775	(8,564)
Adjustments required to reconcile net income to net cash provided by (used in) operating activities (a)	12,250	719	14,176
Net cash flow provided by (used in) operating activities	4,544	4,494	5,612
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment	(1,017)	(3,609)	(6,116)
Proceeds from sale of property, plant and equipment		70	411
Decrease (increase) in restricted cash	(1,061)		3,411
Proceeds from disposal of JV			5,737
Net cash used in investing activities	(2,078)	(3,539)	3,443
<u>Cash flows from financing activities:</u>			
Dividend paid	(112)		(731)
Dividend paid to minority interest			(584)
Proceeds from short and long-term loans		3,159	10,267
Repayment of short and long-term loans	(4,950)	(832)	(11,116)
Decrease (increase) in short-term bank credit, net	(434)	(44)	(818)
Net cash provided by financing activities	(5,496)	2,283	(2,982)
Increase (decrease) in cash and cash equivalents	(3,030)	3,238	6,073
Cash and cash equivalents at the beginning of the year	12,012	5,939	5,939
Cash and cash equivalents at the end of the period	8,982	9,177	12,012

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Unaudited 30 June,		Audited 31 December,
	2009	2008	2008
(a) <u>Adjustments required to reconcile net income to net cash provided by (used in) operating activities:</u>			
Income and expenses not involving cash flows:			
Depreciation	1,284	1,304	2,306
Amortization of deferred finance costs	76	152	151
Share of (income) losses of joint ventures including impairment		(564)	(1,593)
Gain on sale of equity interest			(604)
Unrealized gains			67
Severance pay liability	(30)	(264)	(236)
Accrued interest and foreign exchange differences on short and long-term liabilities, net		203	426
Capital losses (gains) on sales of fixed assets	41	87	(195)
Cost of share based payments	165	(129)	114
Securities revaluation	(10)	13	
Deferred taxes	619	48	41
Other		11	(94)
	<u>2,145</u>	<u>861</u>	<u>383</u>
Changes in operating assets and liabilities:			
Decrease in related parties, net			7
Decrease (increase) in trade receivables, net	6,581	(11,830)	(610)
Decrease (increase) in other accounts receivable	1,644	5,299	4,646
Decrease (increase) in inventory	11,555	11,883	21,625
Increase (decrease) in trade payables	(9,821)	(6,380)	(8,609)
Increase (decrease) in other accounts payable	146	886	(3,266)
	<u>10,105</u>	<u>(142)</u>	<u>13,793</u>
	<u>12,250</u>	<u>719</u>	<u>14,176</u>

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

The interim financial statement as of 30 June 2009 and for the six month period then ended (hereafter – the interim statements) were prepared in condensed form in accordance with IAS 34 – “Interim Financial Reporting”.

The accounting policies applied in preparation of the interim financial statements are consistent with those used in the 2008 annual financial statements but have not been audited by the auditors. Nevertheless, the interim statements do not include all the information and explanations required for annual financial statements, and should be read in conjunction with the 2008 annual financial statements.

Costs incurred unevenly during the year are brought forward or deferred, for interim reporting purposes if, and only if, such costs may be brought forward or deferred in the annual reporting.

Taxes on income for the interim periods are included based on the best estimate of the anticipated average annual tax expense for the entire year; changes in said estimate, as well as changes in the amount of the tax saving to be utilized in the following years, are included as an expense for the current quarter.

NOTE 2 – REVENUES BY GEOGRAPHICAL SECTOR

Revenues classified by geographical destinations based on the customer location:

	Unaudited six months, Ended 30 June,		Audited 12 months ended 31 December,
	2009	2008	2008
	USD'000	USD'000	USD'000
United States	6,583	18,548	33,386
China	1,189	2,432	4,768
Japan	1,445	15,937	26,525
Korea	1,030	18,986	26,253
Europe	5,881	20,961	34,255
South Africa	1,914		5,015
India			5,970
Israel	37	274	454
Others	2,355	8,013	1,707
	<u>20,434</u>	<u>85,151</u>	<u>138,333</u>

NOTE 3 – Investment in joint ventures:

BIT Metals –

On August 1, 2008, the company sold its investment in an associated company BIT Metals, to a third party for consideration. As a result, BIT Metals repaid its obligations to the Company, in the amount of \$3,000,000, in addition to accrued interest. The final sale price will be determined based on the audited financial statements of BIT Metals for the period ending December 31, 2008.

	Unaudited six months, Ended 30 June, 2008	Audited 12 months ended 31 December, 2007
	USD'000	USD'000
Carrying amount of the investment	4,842	4,027