

Regulatory Announcement

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Company Metal-Tech Ltd
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Metal-Tech Announces Half Year Results

Interim Results for the 6 months ended 30 June 2006

Metal-Tech, a leading specialty metal and metal-based chemicals company focusing on the production and upgrading of low grade metals, is pleased to announce its results for the period 1 January 2006 to 30 June 2006. Metal-Tech, which is based in Israel but operates in markets around the world, produces tungsten, molybdenum and other specialty metals, chemicals and metal powders which are used mainly in the stainless steel, petrochemical and cutting tools industries.

Highlights:

- Revenues up by 24% to US\$68.2 million (2005: US\$55.0 million)
- Overall quantities sold improved by 36% compared to the equivalent period in 2005 despite slight disruption in Uzbekistan in the first half of 2006
- Market share increasing across all markets
- Diversified sales geographically to reduce risks and gain sales in Korea and across Europe
- Net profit was marginally down to US\$7.1 million (2005: US\$8.1 million) due to the decline in Molybdenum prices, increasing cost of Tungsten raw materials and supply disruption in Uzbekistan
- Earnings per share (EPS) amounted to US\$0.19 (2005: US\$0.21)

Commenting on the results, Ran Maimon, Chief Executive of Metal-Tech, said: "These results are an endorsement of our strategy to go for a targeted geographical expansion and increase our sales in both existing and new customers which has resulted in results that are ahead of expectations. All this has been achieved against a back drop of the decline in Molybdenum prices, tougher competition and increasing cost of raw materials.

"Looking ahead, the market conditions are encouraging and metal prices remain at high levels as a result of continuing strong demand worldwide. In the second half, Molybdenum prices have increased by an average of 10%. The Company's strong position in Mongolia, its technical expertise in the engineering and production of quality specialty metals, provide a solid platform for further expansion, especially in the geographical areas in which the Company already operates. As a result the Directors are confident that the performance of the Company in the second half of 2006 will match market expectations."

-Ends-

Enquiries:

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Modi Ashkenazy, Chief Financial

Interim Results

Excellent progress has been made during the last six months in both increasing revenues from existing customers and in broadening the Company's customer base. Consequently, Metal-Tech's market share has increased in both Tungsten and Molybdenum. The Company's management remains committed to expanding the Company's activities with the introduction of more technically-advanced products, as well as the additional diversification of supply sources, in order to secure business growth.

The significant growth in sales during the first half of 2006 despite the strong competitive environment was a result of increased marketing activities. Increased production both in Israel and in Mongolia has further supported this growth. Metal-Tech benefited from favorable market conditions in the metals industry combined with an efficient sales and production operation. The Company further diversified its sales geographically to reduce risks and has gained new significant sales in Korea and across Europe.

Whilst Tungsten raw material prices increased during the first few months of 2006, selling prices remained stable. This was as a result of strong competition. Molybdenum prices declined at the beginning of the year by 30-40% compared to 2005 average but since June 30, 2006 prices have recovered by more than 20% from their low at the beginning of the year.

New joint ventures and further expansion

- On 11 November 2005, the Company announced that it was in discussions that may lead to the formation of a new joint venture for the production of Molybdenum based products. Metal-Tech experts and the relevant parties are currently conducting a technical and economical study of this project. The Company will update the market as soon as there is any new material information, hopefully prior to the end of 2006.
- The establishment of the pilot spent Catalyst recycling plant in the Czech Republic is on schedule and production is expected to commence in Q1 2007.
- The Company's R&D team continue with their efforts in developing new efficient and environmentally sound technologies in the production of specialty and other metals.
- As previously announced, the Company is making significant efforts to strengthen its control on its raw materials to give it more flexibility, long term stability and improved margins. Several directions are being examined.

Situation in Uzbekistan

The dispute with the Molybdenum supplier in Uzbekistan which was previously disclosed in the trading update of July 27, 2006 has still not been resolved and the Company has continued to make a significant effort towards resolving the issue. Current management forecasts for 2006 and 2007 do not include revenues generated by the Company's subsidiary in Uzbekistan.

Financials

Revenues for the six month period ended 30 June 2006 were US\$68.2m compared to US\$55m for the comparable period in 2005, reflecting an increase of 24%. Net profit for the six month period to June 2006 was US\$7.1m representing a decrease of 11.8% compared to US\$8.1m for the comparable period in 2005. Gross profit for the six month period ended 30 June 2006 was US\$12.5m, representing an 18.4% margin, compared with US\$14.1m and a 25.6% margin for the comparable period in 2005. The decline in gross margin is (predominantly) a result of higher average costs of Tungsten raw materials.

During the six month period ended 30 June 2006 cash and cash equivalents decreased by US\$815,000 to US\$13.4m. The working capital balance of the Company increased by US\$7.1m as a result of increased sales and increased cash settlements with suppliers, mainly in China.

Long-term debt during the six month period ended 30 June 2006 was reduced from US\$15.5m to US\$10.7m due to the repayment of long-term loans amounting to US\$4.8m, mainly in Uzbekistan.

Outlook

Sales performance of the Company was strong in the first half of 2006 despite fierce competition in the Tungsten business. The Company maintained all of its clients and the Directors therefore remain confident of the Company's prospects for the rest of the financial year. The Directors expect margins to slightly improve during the second half of 2006 and further improve in 2007 as a result of the implementation of the company's strategy of securing its own sources of raw materials.

Market conditions are encouraging and metal prices remain at high levels as a result of continuous strong demand worldwide. Since June 30, Molybdenum prices have increased by an average of 10%. The Company's strong position in Mongolia, its technical expertise in the engineering and production of quality specialty metals, provide a strong platform for further expansion especially in the geographical areas in which the Company already operates. As a result the Directors are confident that the Company is trading in line with the expectations for the second half of 2006.

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, -----
	2006	2005	2005
	-----	-----	-----
Revenues	68,241	55,018	125,875
Cost of revenues	55,725	*40,918	93,592
	-----	-----	-----
Gross profit	12,516	14,100	32,283
	-----	-----	-----
Research and development expenses, net	277	40	310
Selling and marketing expenses	646	*715	833
General and administrative expenses	1,225	948	3,235
	-----	-----	-----
Total operating expenses	2,148	1,703	4,378
	-----	-----	-----
Operating income (loss)	10,368	12,397	27,905
Financial expenses, net	899	311	(993)
Other income (expense), net			(29)
	-----	-----	-----
Income (loss) before taxes on income	9,469	12,086	26,883
Taxes on income	1,257	2,180	5,728

Net Income for the period	8,212	9,906	21,155
Attributed to:			
Equity holders of the Parent	7,115	8,069	15,840
Minority interests	1,097	1,837	5,315
	8,212	9,906	21,155
Basic and diluted earnings (loss) per share (\$)	0.19	0.21	0.45
Number of shares used for computing basic and diluted earnings per share	38,376,923	38,376,923	35,415,385

* Reclassified

CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	Unaudited 30 June, 2006	Unaudited 30 June, 2005	Audited 31 December, 2005
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	13,443	17,234	14,258
Short-term deposits	95	-	95
Short-term restricted cash	7,650	912	2,168
Trade receivables	24,568	16,206	23,438
Other accounts receivable	2,427	2,435	3,278
Inventories	36,723	11,638	37,661
Total current assets	84,906	48,425	80,898
NON-CURRENT ASSETS			
Long-terms restricted cash	-	912	744
Deferred finance costs	755	-	830
Deferred taxes	1,696	500	1,503
Property, plant and equipment, net	30,334	28,223	31,044
Total non-current assets	32,785	29,635	34,121
TOTAL ASSETS	117,691	78,060	115,019

CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except share data)

	Unaudited 30 June, 2006	Unaudited 30 June, 2005	Audited 31 December, 2005
LIABILITIES AND SHAREHOLDERS' EQUITY			

CURRENT LIABILITIES:			
Short-term bank credit	18,645	5,701	10,993
Short-term loans and current maturities	6,367	3,716	8,903
Trade payables	15,101	10,195	22,034
Related parties	1,211	1,184	1,066
Other accounts payable	13,358	9,469	13,373
	-----	-----	-----
Total current liabilities	54,682	30,265	56,369
	-----	-----	-----
LONG-TERM LIABILITIES:			
Long-term loans	4,336	8,614	6,560
Deferred tax liabilities	530		670
Severance pay liability	304	264	293
	-----	-----	-----
Total non-current liabilities	5,170	8,878	7,523
	-----	-----	-----
EQUITY:			
Ordinary shares	2,399	2,399	2,399
Additional paid-in capital	23,892	*23,892	23,892
Accumulated net profit (loss) on cash flow hedges		*174	-
Retained earnings (accumulated deficit)	22,526	9,140	16,911
	-----	-----	-----
	48,817	35,605	43,202
MINORITY INTEREST	9,022	3,312	7,925
	-----	-----	-----
Total Equity	57,839	38,917	51,127
	-----	-----	-----
Total Liabilities and Equity	117,691	78,060	115,019
	=====	=====	=====

* Reclassified

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
U.S. dollars in thousands

	Share capital	Additional paid-in capital	Accumulated net gain (loss) on cash flow hedges	Retained earnings	Total
	-----	-----	-----	-----	-----
Balance as of 1 January, 2006 (audited)	2,399	23,892	-	16,911	43,202
Final Dividend for 2005				(1,500)	(1,500)
Net income	-	-	-	7,115	7,115
	-----	-----	-----	-----	-----
Balance at 30 June, 2006 (unaudited)	2,399	23,892	-	22,526	48,817
	=====	=====	=====	=====	=====
Balance as of 1 January, 2005 (audited)	2,031	7,405	(242)	1,071	10,265
Net profit on cash flow hedges	-	-	416	-	416
Proceeds from issuance of ordinary shares, net of issuance expenses	368	16,487	-	-	16,855

Net income	-	-	-	8,069	8,069
	-----	-----	-----	-----	-----
Balance at 30 June, 2005 (unaudited)	2,399	23,892	174	9,140	35,605
	=====	=====	=====	=====	=====
Balance at 1 January , 2005	2,031	7,405	(242)	1,071	10,265
Proceeds from issuance of ordinary shares, net of issuance expenses	368	16,487	-	-	16,855
Net gain on cash flow hedges	-	-	242	-	242
Net income	-	-	-	15,840	15,840
	-----	-----	-----	-----	-----
Balance at 31 December , 2005	2,399	23,892	-	16,911	43,202
	=====	=====	=====	=====	=====

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	----- Unaudited 30 June, ----- 2006 -----	----- Unaudited 30 June, ----- 2005 -----	----- Audited 31 December, ----- 2005 -----
Cash flows from operating activities:			
Net income attributed to equity holders of the parent	7,115	8,069	15,840
Adjustments required to reconcile net income to net cash provided by (used in) operating activities (a)	(5,011)	(4,093)	(17,918)
	-----	-----	-----
Net cash provided by operating activities	2,104	3,976	(2,078)
	-----	-----	-----
Cash flows from investing activities:			
Purchase of fixed assets	(1,093)	(8,548)	(11,847)
Proceeds from sale of fixed assets	20	35	82
Short-term deposits, net	-	164	69
Restricted cash	(4,738)	419	(669)
	-----	-----	-----
Net cash used in investing activities	(5,811)	(7,930)	(12,365)
	-----	-----	-----
Cash flows from financing activities:			
Net proceeds from issuance of shares	-	16,855	16,855
Minority investment in a subsidiary	-	1,265	78
Proceeds from short and long-term loans	7,652	4,250	9,080
Repayment of short and long-term loans	-	(5,147)	(6,569)
Short-term bank credit, net	(4,760)	1,498	6,790
	-----	-----	-----
Net cash provided by (used in) financing activities	2,892	18,721	26,234
	-----	-----	-----
Increase in cash and cash equivalents	(815)	14,767	11,791
Cash and cash equivalents at the beginning of the year	14,258	2,467	2,467
	-----	-----	-----
Cash and cash equivalents at the end of			

the year	13,443	17,234	14,258
	=====	=====	=====

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	----- Unaudited 30 June, ----- 2006 -----	----- Unaudited 30 June, ----- 2005 -----	----- Audited 31 December, ----- 2005 -----
(a) Adjustments required to reconcile net income to net cash provided by (used in) operating activities:			
Income and expenses not involving cash flows:			
Minority interest	1,097	1,837	5,315
Depreciation	1,751	1,628	3,223
Amortization of deferred finance costs	75	-	151
Severance pay liability	11	76	105
Foreign exchange differences on short and long-term liabilities, net		223	(155)
Capital losses (gains) on sales of fixed assets	32	(7)	29
Deferred taxes	(333)	-	(833)
	-----	-----	-----
	2,633	3,757	7,835
	-----	-----	-----
Changes in operating assets and liabilities:			
Decrease (increase) in related parties, net	145	(371)	(439)
Increase in trade receivables, net	(1,130)	(2,774)	(10,006)
Decrease (increase) in other accounts receivable	851	(1,220)	(1,422)
Decrease (increase) in inventory	938	1,109	(24,914)
Increase (decrease) in trade payables	(6,933)	(9,830)	2,009
Increase (decrease) in other accounts payable	(1,515)	5,236	9,019
	-----	-----	-----
	(7,644)	(7,850)	(25,753)
	-----	-----	-----
	(5,011)	(4,093)	(17,918)
	=====	=====	=====

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 2006 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 2004 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 2004 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, -----
	2006 -----	2005 -----	2005 -----
United States	11,226	11,378	27,809
China	9,357	9,869	18,744
Japan	18,187	20,930	50,523
Korea	10,370	1,192	2,538
Europe	10,046	5,948	15,778
Israel	5,246	1,620	4,188
Others	3,809	4,081	6,295
	-----	-----	-----
	68,241	55,018	125,875
	=====	=====	=====

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