

Regulatory Announcement

[Go to market news section](#)



Company	Metal-Tech Ltd
TIDM	MTT
Headline	Interim Results
Released	07:02 10-Sep-07
Number	5474D

RNS Number:5474D
Metal-Tech Ltd
10 September 2007

10 September 2007

Metal-Tech Ltd
("METAL-TECH" OR "THE COMPANY")

Metal-Tech Announces Half Year Results

Interim Results for the 6 months ended 30 June 2007

Metal-Tech, a leading specialty metal and metal-based chemicals company focusing on converting low grade metals, mining tailings and waste into higher value metal oxides and other metal powder products, is pleased to announce its results for the six months to 30 June 2007. Metal-Tech 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 from existing operations increased 8.5% to US\$65.1m (2006: US\$60m); total revenues down 4.5% to US\$65.1m (2006: US\$68.2m including Uzmetal)
- Operating cash flow increased significantly 130% to US\$4.8 million (2006: US\$2.1 million).
- Earnings per share (EPS) increased 11% to US\$0.21 (2006: US\$0.19)
- Increased Molybdenum production capacity and quality in Mongolian plant
- Improved profitability and capacity in Tungsten recycling unit
- Israeli Tungsten waste and Czech spent catalysts recycling pilot plants are in operation and under advanced stages of assessment by MTT and customers
- Situation at UzMetal subsidiary continues to be uncertain

Commenting on the results, Ran Maimon, Chief Executive of Metal-Tech, said: "Our efforts in stabilizing and improving the production capacity and quality of Molybdenum in our Mongolian plant as well as our Tungsten recycling units have contributed to a strong first half performance. The Company has continued to devote significant effort towards research and development on new hydro-metallurgy technologies, which we believe will help us to continue improving production and performance.

"Looking ahead, we expect ongoing stability in the specialty metal prices as a result of Chinese export constraints combined with continued high demand from our customers. Metal-Tech also expects one of its major customers to increase its trade with the Company on a long term basis following the approval of a new Tungsten recycling process at the Israeli plant. Metal-Tech expects to see further progress in the next 18 months with the additional improvement of the Mongolian plant including the introduction of the new Ferro Molybdenum production unit, and commercial of its pilot plants in other sites, all contributing to increase in both sales and profit by the end of 2008.

-Ends-

Enquiries:

Metal-Tech

Ran Maimon, Chief Executive Officer ran@metal-tech.co.il
Orit Ofer, Chief Financial Officer orit@metaltech.co.il, +972 8 657 2333

Panmure Gordon & Co

Stuart Gledhill +44 (0) 20 7459 3605
Jonathan Lack

Corfin Communications
Ben Hunt, Harry Chathli +44 207 977 0200

Interim Results

Despite the halt in production at Metal-Tech's plant in Uzbekistan last year, increases in production capacity and quality in our other operations allowed the Company to make good progress in the first half of 2007. Excluding the contribution of Uzbek sales, Metal-Tech improved both its revenues and gross profit margin compared to the same period in 2006.

The Company benefited both from stability in the price of Molybdenum and improvements in the quality and capacity of that metal from our Mongolian plant. The Company's market share in Molybdenum in our key South Korean market increased during the period and has stabilized at a higher level.

Metal Tech's recycling unit in Israel reached full production capacity during H1 2007 which enhanced the profitability of the Tungsten operations, while a pilot test of a new recycling technique for a major customer showed good results and is in the final stage of approval.

In spite of intense competition in the Tungsten market, the Company maintained its market share largely because of the strength of its relationships with existing customers, which were further enhanced by improvements in the technical support offered and the broadening services for the recycling of customers' waste.

Situation in Uzbekistan

On August 8, 2007 the Company announced a Tashkent court's order that liquidation proceedings against Uzmatal Technologies (UTL), the Company's 50 per cent owned Uzbek joint venture, would be scheduled to take place on September 20. This followed a dispute with the Company's local partners, which began in July last year.

The Company believes that indications of impairment exist and as of the date issuance, August 8, of the financial statements the investment in Uzmatal is to be fully impaired, in accordance with IAS 36 "Impairment of Assets". Therefore, MTT would have to write off the net book value investment of about US\$ 7 million as per June 2007.

Financials

Revenues for the six months ending 30 June 2007 were US\$65.1m compared to US\$68.2m for the comparable period in 2006, reflecting a decrease of 4.5%. However, excluding the contribution from the Uzbek plant where production was suspended in July 2006, the Company recorded an increase of sales of 8.5%. Net profit for the six month period to June 2007 was US\$9m compared to US\$9.5m for the comparable period in 2006. Gross profit for the six month period ended 30 June 2007 was US\$13m, representing 20.1% margin, compared with US\$12.5m and an 18.3% margin for the comparable period in 2006, an increase of 9.3%.

Changes in Molybdenum production portfolio in Mongolia resulted in a decrease in sales to Japan which was followed by a dramatic increase in sales to Korea, reflecting deferent products demand from customers in those markets.

During the six month period ended 30 June 2007 cash and cash equivalents increased by US\$3.2m to US\$18.9m. The working capital balance of the Company increased by US\$4m as a result of increased inventory and trade receivables, and increased short term loans and suppliers.

Inventory increased due to growth of recycling activity in the Tungsten plant and production activity in the Mongolian plant. As result of this, short term loans and suppliers liability were increased accordingly.

During this period the general and administrative expenses increased mainly because of the establishment of a new Business development department and enhanced activity in Mongolia.

Outlook

A number of factors have contributed to a strong period of progress for Metal-Tech. During the first half of 2007, the Company has successfully improved both the quality and capacity of its operations.

The Company has benefited from continuing stability in specialty metals prices. As a result of Chinese government constraints on exports by local producers the company has expanded Molybdenum market share in eastern Asia.

During the first half the Company signed a number of new contracts with customers in Europe that it expects to result in sales growth there in the fourth quarter of this financial year and into 2008. In addition, the Company is awaiting final approval in Japan for a process that should result in the production of higher quality Molybdenum will which also contribute to revenues.

Following these positive developments, the Board is confident that the Company will meet its expectations for 2007.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	----- Unaudited six months, ended 30 June, ----- 2007 2006 -----		----- Audited 12 months ended 31 December, ----- 2006 -----
Revenues	65,079	68,241	119,146
Cost of revenues	52,028	55,725	98,053
Gross profit	13,051	12,516	21,093
Research and development expenses, net	721	277	1108
Selling and marketing expenses	370	646	1,049
General and administrative expenses	2,462	1,225	2,045
Total operating expenses	3,553	2,148	4,202
Operating income	9,498	10,368	16,891
Financial expenses, net	256	899	1,854
Other income (expense), net	13		(10)
Share of losses of joint ventures	203		655
Income before taxes on income	9,026	9,469	14,393
Taxes on income	742	1,257	412
Net Income for the period	8,284	8,212	13,981

Attributed to:			
Equity holders of the Parent	7,923	7,115	12,959
Minority interests	361	1,097	1,022
	<u>8,284</u>	<u>8,212</u>	<u>13,981</u>
Basic and diluted earnings per share (\$)	0.21	0.19	0.34
Number of shares used for computing basic and diluted earnings per share	38,376,923	38,376,923	38,376,923

CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	Note	Unaudited 30 June, 2007	Unaudited 30 June, 2006	Audited 31 December, 2006
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents		19,008	13,443	15,755
Short-term deposits		-	95	-
Short-term restricted cash		-	7,650	1,898
Marketable securities		1,569		806
Trade receivables		19,635	24,568	13,320
Other accounts receivable		3,748	2,427	1,115
Inventories		56,789	36,723	41,002
Total current assets		100,749	84,906	73,896
NON-CURRENT ASSETS				
Investment in joint ventures	3	10,803		9,327
Deferred finance costs		755	755	679
Deferred taxes		2,622	1,696	2,421
Long term deposits		13		
Property, plant and equipment, net		23,694	30,334	20,644
Total non-current assets		37,887	32,785	33,071
TOTAL ASSETS		138,636	117,691	106,967

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

	Unaudited 30 June, 2007	Unaudited 30 June, 2006	Audited 31 December, 2006
--	-------------------------------	-------------------------------	---------------------------------

LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank credit	14,240	18,645	10,322
Short-term loans and current maturities	6,799	6,367	7,661
Trade payables	35,827	15,101	14,622
Related parties	366	1,211	1,003
Other accounts payable	11,916	12,983*	11,848*
Total current liabilities	69,148	54,307	45,456
LONG-TERM LIABILITIES:			
Long-term loans	3,331	4,336	4,040
Deferred tax liabilities	401	530	391
Severance pay liability	443	304	422
Total non-current liabilities	4,175	5,170	4,853
EQUITY:			
Ordinary shares	2,399	2,399	2,399
Additional paid-in capital	23,892	23,892	23,892
Capital reserve	(52)		(136)
Capital note	375	375*	375*
Retained earnings (accumulated deficit)	36,593	22,526	28,373
MINORITY INTEREST	63,207	49,192	54,658
	2,106	9,022	1,755
Total Equity	65,313	58,214	56,033
Total Liabilities and Equity	138,636	117,691	106,967

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

	Share capital	Additional paid-in capital	Capital reserve	Capital note	Retained earnings	Total
Balance at 1 January , 2006	2,399	23,892	-	375	16,911	43,577
Foreign currency translation reserve	-	-	(136)	-	-	(136)
Dividend paid	-	-	-	-	(1,497)	(1,497)
Net profit	-	-	-	-	12,959	12,959
Balance at 31 December , 2006	2,399	23,892	(136)	375	28,373	54,903
Balance as of 1 January, 2006 (audited)	2,399	23,892	-	375	16,911	43,577
Final Dividend for 2005	-	-	-	-	(1,500)	(1,500)

Net income	-	-	-	-	7,115	7,115
	-----	-----	-----	-----	-----	-----
Balance at 30 June, 2006 (unaudited)	2,399	23,892	-	375	22,526	49,192
	=====	=====	=====	=====	=====	=====
Balance as of 1 January, 2007 (audited)	2,399	23,892	(136)	375	29,870	56,400
Foreign currency translation reserve	-	-	83	-	-	83
Option grants to employees	-	-	64	-	-	64
Loss from hedging transactions	-	-	(63)	-	-	(63)
Final Dividend for 2006	-	-	-	-	(1,200)	(1,200)
Net profit	-	-	-	-	7,923	7,923
	-----	-----	-----	-----	-----	-----
Balance at 30 June, 2007 (unaudited)	2,399	23,892	(52)	375	36,593	63,207
	=====	=====	=====	=====	=====	=====

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

	----- Unaudited 30 June, ----- 2007 -----	----- Unaudited 30 June, ----- 2006 -----	----- Audited 31 December, ----- 2006 -----
Cash flows from operating activities: -----			
Net income attributed to equity holders of the parent	8,274	8,212	13,981
Adjustments required to reconcile net income to net cash provided by (used in) operating activities (a)	(3,427)	(6,108)	320
	-----	-----	-----
Net cash provided by operating activities	4,847	2,104	14,301
	-----	-----	-----
Cash flows from investing activities: -----			
Purchase of fixed assets	(3,773)	(1,093)	(3,994)
Proceeds from sale of fixed assets	39	20	39
Short-term deposits, net		-	95
Long-term deposits, net	(13)		
Investment in joint ventures	(1,634)		(3,229)
Restricted cash	1,898	(4,738)	1,014
Deconsolidation of a subsidiary (d)			(5,289)
Investment in marketable securities, net	(736)		(806)
	-----	-----	-----
Net cash used in investing activities	(4,219)	(5,811)	(12,170)
	-----	-----	-----

Cash flows from financing activities:

Dividend paid	-	-	(1,497)
Minority investment in a subsidiary	-	-	39
Proceeds from short and long-term loans	6,153	7,652	12,500
Repayment of short and long-term loans	(7,446)		(10,989)
Short-term bank credit, net	3,918	(4,760)	(687)
	-----	-----	-----
Net cash provided by (used in) financing activities	2,625	2,892	(634)
	-----	-----	-----
Increase in cash and cash equivalents	3,253	(815)	1,497
Cash and cash equivalents at the beginning of the year	15,755	14,258	14,258
	-----	-----	-----
Cash and cash equivalents at the end of the year	19,008	13,443	15,755
	=====	=====	=====

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

	----- Unaudited 30 June, ----- 2007 -----	----- Unaudited 30 June, ----- 2006 -----	----- Audited 31 December, ----- 2006 -----
--	--	--	--

(a) Adjustments required to reconcile net income to net cash provided by (used in) operating activities:

Income and expenses not involving cash flows:

Depreciation	906	1,751	2,271
Amortization of deferred finance costs	75	75	151
Share of losses of joint ventures	241		655
Unrealized gains	(210)		(104)
Severance pay liability	21	11	129
Accrued interest and foreign exchange differences on short and long-term liabilities, net	97		442
Capital losses (gains) on sales of fixed assets	(12)	32	
Securities revaluation	(27)		
Option grants to employees	64		
Deferred taxes	(191)	(333)	(787)
	-----	-----	-----
	964	1,536	2,757
	-----	-----	-----

Changes in operating assets and liabilities:

Decrease (increase) in related parties, net	(637)	145	(63)
Increase in trade			

receivables, net	(6,315)	(1,130)	10,118
Decrease (increase) in other accounts receivable	(2,784)	851	905
Decrease (increase) in inventory	(15,787)	938	(5,286)
Increase (decrease) in trade payables	21,205	(6,933)	(7,412)
Increase (decrease) in other accounts payable	(73)	(1,515)	(699)
	-----	-----	-----
	(4,391)	(7,644)	(2,437)
	-----	-----	-----
	(3,427)	(6,108)	320
	=====	=====	=====

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 2007 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 2006 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 2006 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,	
	-----		-----	
	2007	2006	2006	
	-----	-----	-----	
United States	14,234	11,226	24,691	
China	11,386	9,357	17,768	
Japan	3,547	18,187	21,215	
Korea	21,233	10,370	23,317	
Europe	9,615	10,046	18,082	
Israel	901	5,246	8,576	
Others	4,163	3,809	5,497	
	-----	-----	-----	
	65,079	68,241	119,146	
	=====	=====	=====	

NOTE 3 - Investment in joint ventures:

The Company has a 50% interest in Uzmetal, and a 49% in BIT Metals
Uzmetal -

Uzmetal was consolidated in the financial statements of operation until June 30, 2006. For the period commencing July 1, 2006 and ending June 30, 2007, Uzmetal as a jointly controlled entity was accounted for in the consolidated financial statements using the equity method.

	----- Unaudited six months, Ended 30 June, ----- 2007 -----	----- Audited 12 months ended 31 December, ----- 2006 -----
Share of attributable net assets	5,032	6,025
Carrying amount of loans	4,390	2,953
Unrealized gains	(2,647)	(2,812)
	----- 6,776 =====	----- 6,166 =====

BIT Metals -

	----- Unaudited six months, Ended 30 June, ----- 2007 -----	----- Audited 12 months ended 31 December, ----- 2006 -----
Carrying amount of the investment	4,027 =====	3,168 =====

This information is provided by RNS
The company news service from the London Stock Exchange

END

[Close](#)

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

©2007 London Stock Exchange plc. All rights reserved