

AROTECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	<u>Year ended December 31,</u>		<u>Three months ended December 31,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues.....	\$ 49,044,595	\$ 49,953,846	\$ 15,230,565	\$ 16,570,823
Cost of revenues	34,383,736	34,011,094	10,969,302	11,330,173
Gross profit	14,660,859	15,942,752	4,261,263	5,240,650
Research and development	1,300,429	1,731,379	54,977	428,605
Selling and marketing expenses.....	4,471,590	4,922,217	1,230,411	1,487,034
General and administrative expenses.....	14,862,435	10,656,866	3,988,126	3,084,941
Amortization of intangible assets.....	3,070,748	2,814,835	724,665	1,083,410
Impairment of goodwill and other intangible assets	12,256,756	320,279	1,204,150	-
Total operating costs and expenses.....	35,961,958	20,125,297	7,202,329	6,083,990
Operating loss	(21,301,099)	(4,182,545)	(2,941,066)	(843,340)
Other income	338,900	-	178,248	-
Financial expenses, net	(2,705,689)	(4,228,965)	(649,171)	(2,102,889)
Loss before minority interests in loss (earnings) of subsidiaries and tax expenses	(23,667,888)	(8,411,510)	(3,411,989)	(2,946,229)
Income taxes	(237,672)	(586,109)	77,088	(299,584)
Loss from affiliated company	(75,000)	-	(75,000)	-
Minority interests in loss (earnings) of subsidiaries	57,149	(44,694)	74,436	(9,333)
Loss from continuing operations	(23,923,411)	(9,042,313)	(3,335,465)	(3,255,146)
Income (loss) from discontinued operations	(120,000)	-	80,000	-
Net loss	(24,043,411)	(9,042,313)	(3,255,465)	(3,255,146)
Deemed dividend to certain stockholders	-	(3,328,952)	-	-
Net loss attributable to common stockholders	\$(24,043,411)	\$(12,371,265)	\$ (3,255,465)	\$ (3,255,146)
Basic and diluted net loss per share from continuing operations....	\$ (0.29)	\$ (0.13)	\$ (0.04)	\$ (0.04)
Basic and diluted net earnings (loss) per share from discontinued operations..	\$ (0.00)	\$ 0.00	\$ 0.00	\$ 0.00
Combined basic and diluted net loss per share	\$ (0.29)	\$ (0.18)	\$ (0.04)	\$ (0.04)
Weighted average number of shares outstanding.....	82,209,300	69,933,057	85,446,876	79,075,181

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