

AROTECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	<u>Year ended December 31,</u>		<u>Three months ended December 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues.....	\$ 43,120,739	\$ 49,044,595	\$ 14,087,306	\$ 15,230,565
Cost of revenues	32,522,805	34,383,736	11,097,363	10,969,302
Gross profit	10,597,934	14,660,859	2,989,943	4,261,263
Research and development	1,601,454	1,300,429	366,454	54,977
Selling and marketing expenses.....	3,714,322	4,471,590	1,113,845	1,230,411
General and administrative expenses.....	11,455,545	14,862,435	2,382,949	3,988,126
Amortization of intangible assets.....	1,853,443	3,070,748	449,386	724,665
Impairment of goodwill and other intangible assets	316,024	12,256,756	111,965	1,204,150
Total operating costs and expenses.....	18,940,787	35,961,958	4,424,599	7,202,329
Operating loss	(8,342,853)	(21,301,099)	(1,434,656)	(2,941,066)
Other income	361,560	338,900	193,217	178,248
Financial expenses, net	(7,509,374)	(2,705,689)	(686,160)	(649,171)
Loss before minority interests in earnings of subsidiaries and tax expenses	(15,490,667)	(23,667,888)	(1,927,599)	(3,411,989)
Income taxes	(431,430)	(237,672)	(212,741)	77,088
Gain (loss) from affiliated company	354,898	(75,000)	73,723	(75,000)
Minority interests in loss (earnings) of subsidiaries	-	57,149	-	74,436
Loss from continuing operations	(15,567,199)	(23,923,411)	(2,092,560)	(3,335,465)
Loss from discontinued operations	-	(120,000)	-	80,000
Net loss	(15,567,199)	(24,043,411)	(2,092,560)	(3,255,465)
Deemed dividend to certain stockholders	(434,185)	-	-	-
Net loss attributable to common stockholders	<u>\$(16,001,384)</u>	<u>\$(24,043,411)</u>	<u>\$ (2,092,560)</u>	<u>\$ (3,255,465)</u>
Basic and diluted net loss per share from continuing operations	<u>\$ (1.86)</u>	<u>\$ (4.07)</u>	<u>\$ (0.19)</u>	<u>\$ (0.54)</u>
Basic and diluted net earnings (loss) per share from discontinued operations ..	<u>\$ 0.00</u>	<u>\$ (0.02)</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Combined basic and diluted net loss per share	<u>\$ (1.86)</u>	<u>\$ (4.09)</u>	<u>\$ (0.19)</u>	<u>\$ (0.53)</u>
Weighted average number of shares outstanding.....	<u>8,599,821</u>	<u>5,872,093</u>	<u>10,911,917</u>	<u>6,103,348</u>

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