

**AROTECH CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	<u>Year ended December 31,</u>		<u>Three months ended December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues .....	\$ 57,719,561	\$ 43,120,739	\$ 17,708,547	\$ 14,087,306
Cost of revenues, exclusive of amortization of intangibles .....	39,639,812	32,493,646	11,875,303	11,097,363
Research and development .....	1,877,163	1,601,454	463,311	366,454
Selling and marketing expenses .....	4,164,464	3,714,322	1,165,238	1,113,845
General and administrative expenses .....	13,114,043	11,692,816	3,455,011	2,568,058
Amortization of intangible assets .....	1,381,882	1,853,442	337,840	449,386
Impairment of goodwill and other intangible assets .....	—	316,024	—	111,965
Total operating costs and expenses .....	<u>60,177,364</u>	<u>51,671,704</u>	<u>17,296,703</u>	<u>15,707,071</u>
Operating profit (loss) .....	(2,457,803)	(8,550,965)	411,844	(1,619,765)
Other income .....	617,952	361,560	542,500	378,326
Financial expenses, net .....	(950,142)	(7,519,900)	(242,917)	(686,160)
Profit (loss) before minority interest in earnings of subsidiaries, earnings from affiliated company, and income tax expenses .....	(2,789,993)	(15,709,305)	711,427	(1,927,599)
Income taxes .....	(43,916)	(232,159)	254,277	(212,741)
Gain (loss) from affiliated company .....	(40,230)	354,898	99,495	75,723
Minority interests in loss (earnings) of subsidiaries .....	(62,296)	17,407	(34,894)	(8,536)
Net profit (loss) .....	(2,936,435)	(15,569,159)	1,030,305	(2,075,153)
Deemed dividend to certain stockholders .....	—	(434,185)	—	—
Net profit (loss) attributable to common stockholders .....	<u>\$ (2,936,435)</u>	<u>\$ (16,003,344)</u>	<u>\$ 1,030,305</u>	<u>\$ (2,075,153)</u>
Basic and diluted net profit (loss) per share .....	<u>\$ (0.26)</u>	<u>\$ (1.87)</u>	<u>\$ 0.08</u>	<u>\$ (0.19)</u>
Weighted average number of shares outstanding .....	<u>11,274,387</u>	<u>8,569,191</u>	<u>12,299,756</u>	<u>10,787,695</u>

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