

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

	<u>Year ended December 31,</u>		<u>Three months ended December 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues .....	\$ 68,948,969	\$ 57,719,561	\$23,874,878	\$ 17,708,547
Cost of revenues, exclusive of amortization of intangibles.....	50,177,909	39,639,812	16,921,095	11,875,303
Research and development.....	1,657,668	1,877,163	426,138	463,311
Selling and marketing expenses .....	4,699,870	4,164,464	1,409,371	1,165,238
General and administrative expenses .....	13,843,764	13,158,297	3,818,106	3,351,329
Amortization of intangible assets.....	1,735,548	1,381,882	373,297	485,776
Escrow adjustment – credit.....	(1,448,074)	–	–	–
Total operating costs and expenses .....	<u>70,666,685</u>	<u>60,221,618</u>	<u>22,948,007</u>	<u>17,340,957</u>
Operating profit (loss).....	(1,717,716)	(2,502,057)	926,871	367,590
Other income (expenses).....	422,883	617,952	(247,600)	542,500
Financial expenses, net .....	(814,089)	(905,888)	(472,457)	(198,663)
Profit (loss) before minority interest in earnings of subsidiaries, earnings from affiliated company, and income tax expenses.....	(2,108,922)	(2,789,993)	206,814	711,427
Income taxes .....	(1,026,868)	(608,916)	(640,178)	(310,723)
Minority interests in earnings of subsidiaries.....	–	(62,296)	–	(34,894)
Gain (loss) from affiliated company .....	(452,166)	(40,230)	(190,959)	99,495
Net profit (loss).....	<u>\$ (3,587,956)</u>	<u>\$ (3,501,435)</u>	<u>\$ (624,323)</u>	<u>\$ 465,305</u>
Basic and diluted net profit (loss) per share .....	<u>\$ (0.28)</u>	<u>\$ (0.31)</u>	<u>\$ (0.05)</u>	<u>\$ 0.04</u>
Weighted average number of shares outstanding.....	<u>12,605,786</u>	<u>11,274,387</u>	<u>12,634,971</u>	<u>12,299,756</u>

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