

AROTECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	<u>Year ended December 31,</u>		<u>Three months ended December 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues	\$ 74,534,451	\$ 68,948,969	\$20,859,453	\$ 23,874,878
Cost of revenues, exclusive of amortization of intangibles.....	54,414,921	50,177,909	15,120,695	16,921,095
Research and development.....	1,326,755	1,657,668	13,392	426,138
Selling and marketing expenses	4,868,498	4,699,870	1,333,225	1,409,371
General and administrative expenses	12,298,595	14,093,764	3,618,367	4,068,106
Amortization of intangible assets.....	1,458,802	1,735,548	353,845	373,297
Escrow adjustment – credit	–	(1,448,074)	–	–
Total operating costs and expenses	<u>74,367,571</u>	<u>70,916,685</u>	<u>20,439,524</u>	<u>23,198,007</u>
Operating profit (loss).....	166,880	(1,967,716)	419,929	676,871
Other income (expenses).....	85,662	422,883	15,080	(247,600)
Allowance for settlements.....	(1,250,000)	–	(750,000)	–
Financial expenses, net	<u>(1,251,385)</u>	<u>(814,089)</u>	<u>(92,013)</u>	<u>(472,457)</u>
Loss before, loss from affiliated company, and income tax ex- penses	(2,248,843)	(2,358,922)	(407,004)	(43,186)
Loss from affiliated company	–	(452,166)	–	(190,959)
Income Taxes	<u>(804,966)</u>	<u>(1,026,868)</u>	<u>(82,486)</u>	<u>(640,178)</u>
Net loss	<u>\$ (3,053,809)</u>	<u>\$ (3,837,956)</u>	<u>\$ (489,490)</u>	<u>\$ (874,323)</u>
Basic and diluted net loss per share	<u>\$ (0.22)</u>	<u>\$ (0.28)</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding.....	<u>14,033,420</u>	<u>13,520,277</u>	<u>14,298,789</u>	<u>13,538,993</u>

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