



INVESTOR PRESENTATION

WINTER 2015

INTRODUCTION TO AROTECH

NASDAQ GM: ARTX

WWW.AROTECH.COM

AROTECH

SAFE HARBOR STATEMENT



This presentation contains forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended) regarding Arotech Corporation (Arotech) and/or its subsidiaries, (collective "the company"), to the extent such statements do not relate to historical or current fact. Forward-looking statements are based on management's expectations, estimates, projections and assumptions. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results, performance and trends may differ materially from these forward looking statements due to a variety of factors, including, without limitation: product and technology development; the uncertainty of the market for Arotech's products; changing economic conditions; delay, cancellation or non-renewal, in whole or in part, of contracts or of purchase orders (including as a result of budgetary cuts resulting from automatic sequestration under the Budget Control Act of 2011); and other risk factors detailed in Arotech's most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2013, in Exhibit 99.3 to Arotech's Current Report on 8-K filed on April 1, 2014, and Arotech's other filings with the Securities and Exchange Commission. Arotech assumes no obligation to update the information in this release. Reference to the Company's website above does not constitute incorporation of any of the information thereon into this presentation. The factors listed above are not all-inclusive, and further information is contained in Arotech's latest annual report on Form 10-K, which is on file with the U.S. Securities and Exchange Commission. All forward-looking statements speak only as of the date of this release. Arotech does not undertake to update its forward-looking statements.

AROTECH PROVIDES INNOVATIVE ENGINEERING SOLUTIONS

TRAINING & SIMULATION DIVISION **SOLID PROFITABILITY**



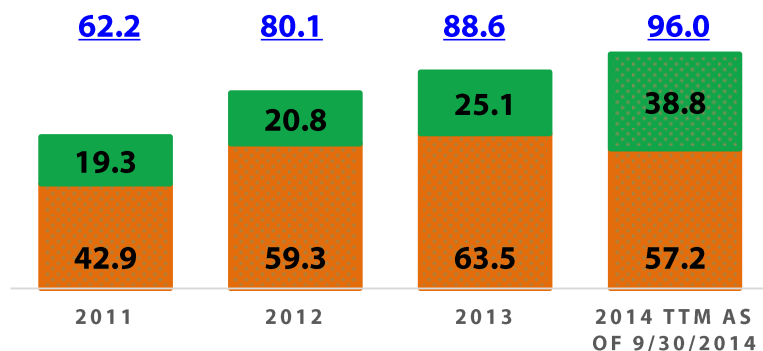
POWER SYSTEMS DIVISION **GROWTH ENGINE**

OUR MISSION: To provide the best power systems and simulation training aids for military, law enforcement & homeland security markets

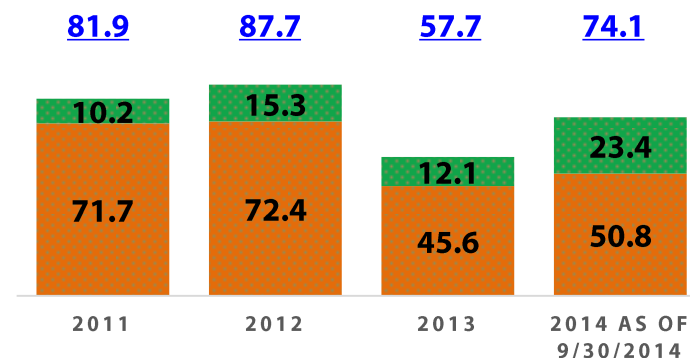
CONSOLIDATED RESULTS (\$MILLIONS)



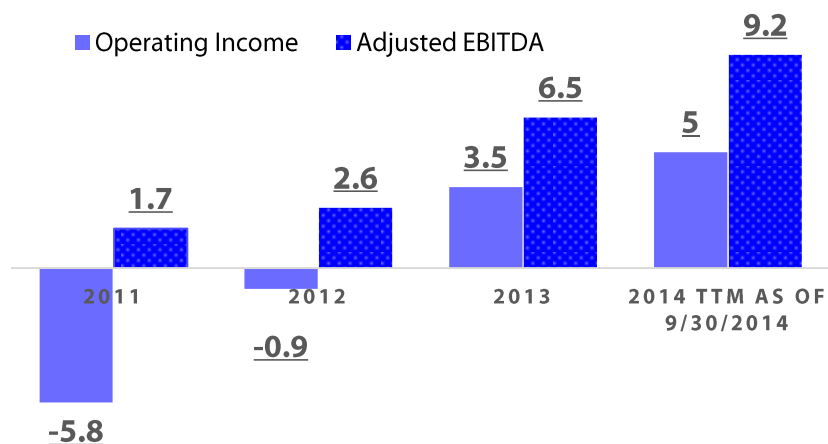
SALES



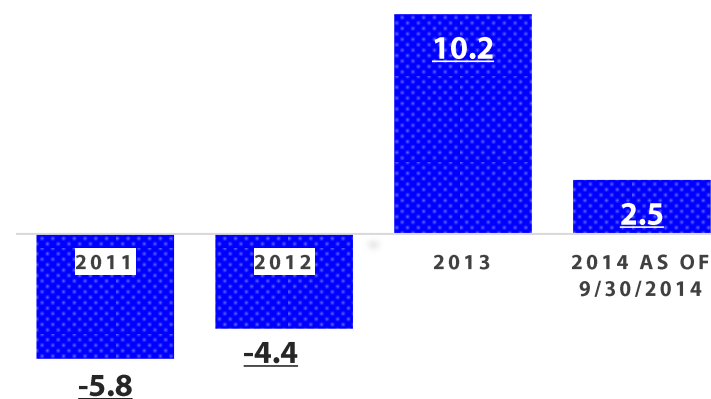
BACKLOG



Operating Income/Adj. EBITDA

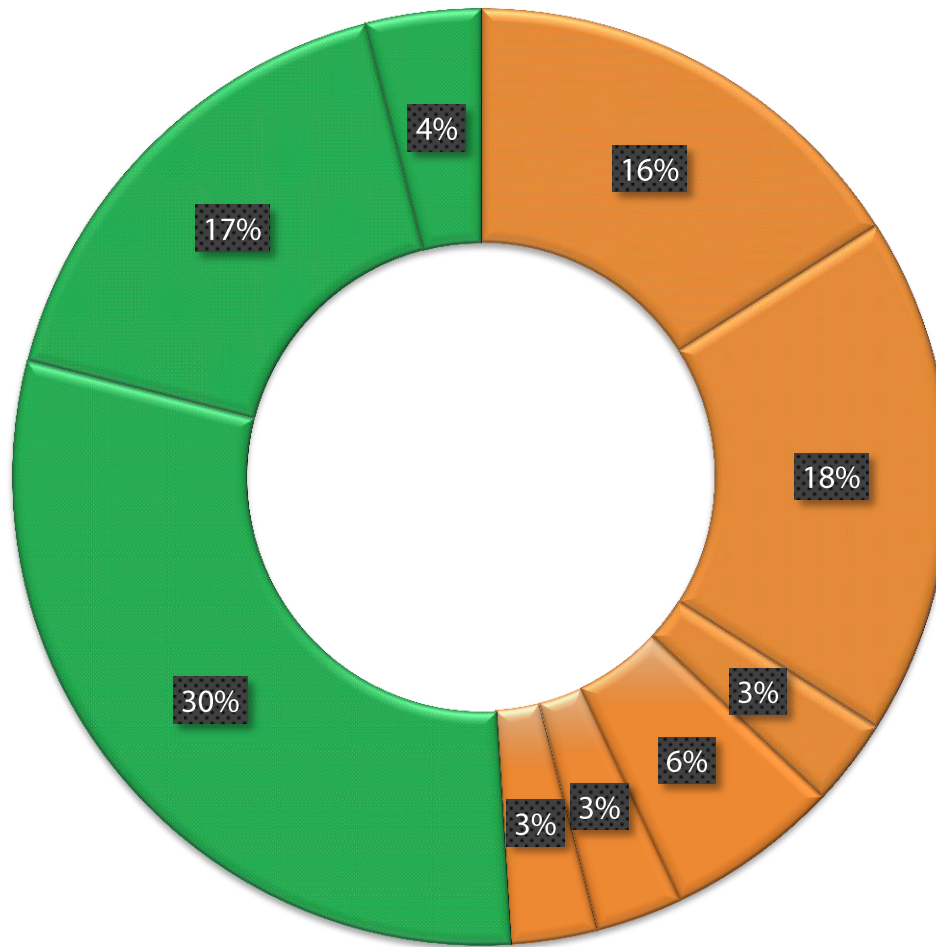


Cash Flow from Operations



Legend: ■ Power Systems Division ■ Training & Simulation Division ■ Overall Combined Numbers

DIVERSITY: SALES % BY SEGMENT



- Air Warfare Simulators - 16%
- Military Vehicle Simulators - 18%
- Commercial Vehicle Simulators - 3%
- Research Simulators - 6%
- Training - 3%
- Service - 3%
- Power Supply - 30%
- Rechargeables - 17%
- WAB - 4%

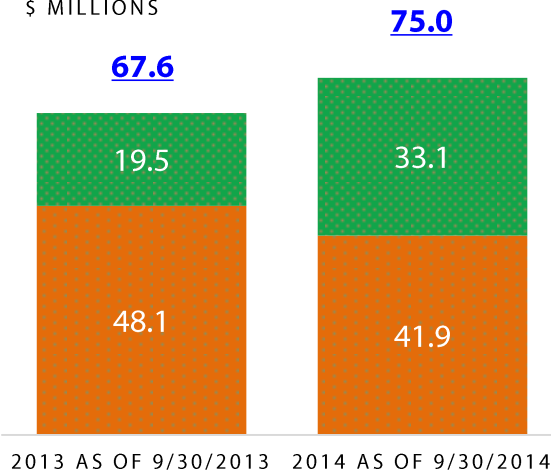
Legend: ■ Power Systems Division ■ Training & Simulation Division

YEAR TO DATE SUMMARY



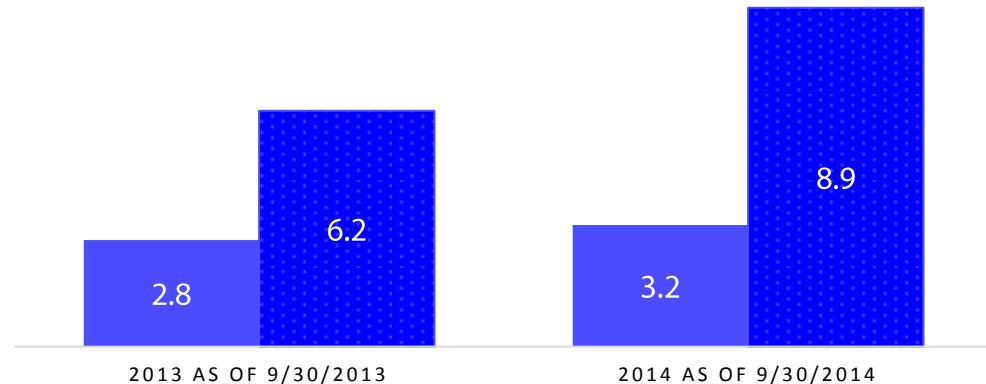
REVENUE

\$ MILLIONS



OPERATING INCOME/ADJ. EBITDA

\$ MILLIONS



- Increase in revenue 11%
- Increase Adjusted EBITDA 44%
- Significant NOL carry forward to offset FIT (\$39.6M). Noncash Tax Expense \$566K annually.

BALANCE SHEET



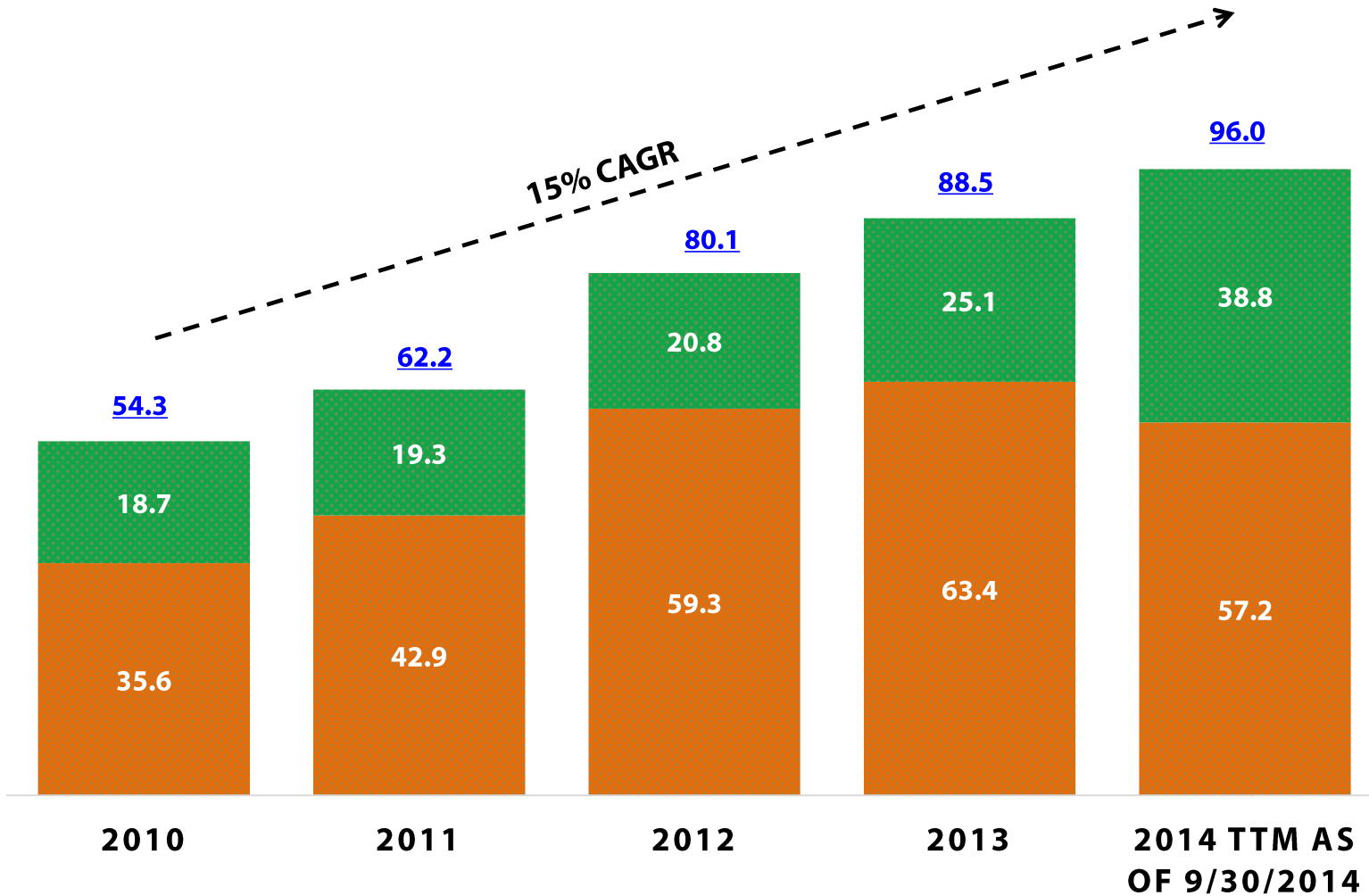
	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,044,256	\$ 6,319,820
Trade receivables	14,911,644	12,362,871
Unbilled receivables	19,036,156	8,463,920
Other accounts receivable and prepaid	1,544,692	1,379,621
Inventories	10,711,913	10,074,766
Total current assets	57,248,661	38,600,998
LONG TERM ASSETS:		
Property and equipment, net	6,114,138	4,926,949
Other long term assets	4,984,775	5,042,790
Intangible assets, net	12,396,306	1,059,151
Goodwill	45,730,986	31,024,754
Total long term assets	69,226,205	42,053,644
Total assets	\$ 126,474,866	\$ 80,654,642
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 4,803,969	\$ 5,107,208
Other accounts payable and accrued expenses	8,532,938	6,012,041
Current portion of long term debt	4,340,729	95,382
Short term bank credit	2,782,213	—
Deferred revenues	6,300,162	7,020,079
Total current liabilities	26,760,011	18,234,710
LONG TERM LIABILITIES:		
Long term portion of debt	18,357,684	1,830,348
Other long-term liabilities	15,546,271	12,612,608
Total long-term liabilities	33,903,955	14,442,956
Total liabilities	60,663,966	32,677,666
STOCKHOLDERS' EQUITY:		
Total stockholders' equity (net)	65,810,900	47,976,976
Total liabilities and stockholders' equity	\$ 126,474,866	\$ 80,654,642

2014 year-end update:

- Cash deposited in main U.S. bank as of 12/31/2014 is \$12.4M
- Line of credit balance zero at year end with \$15.0M availability
- Long term loan balance of \$19.8M (UEC purchase)

LONG-TERM REVENUE GROWTH

\$ MILLIONS



CAPABILITIES AND KEY PROGRAMS

AROTECH POWER SYSTEMS DIVISION



POWER SYSTEMS DIVISION



Performance Summary (\$ MILLIONS)	2013 Actual		2014 TTM as of 9/30/2014	
Sales	\$25.1		\$38.8	
Operating Profit \$ / %	\$0.2	0.8%	\$2.1	5.0%
Adjusted EBITDA \$ / %	\$1.5	5.9%	\$4.8	12.4%
Total Backlog	\$12.1		\$23.4	

Highlights

- Purchased UEC Electronics for \$28.0M +775K shares, Potential \$5.5M Earnout over 2 years. (April 2014)
- Unveiled new Man Portable Hybrid Power Management System to the US Dept. of Defense. Reduces generator run time by up to 70%, enabling reductions in fuel consumption, maintenance burden and better logistical support. (June 2014)
- Awarded over \$6M in orders for battery and related products - military applications (July 2014)
- Awarded \$17M in new orders for batteries and power systems, \$10M for an allied Defense Ministry, \$7M for others (January 2015)
- Announced strategic combination of Power System facilities (November 2014) – relocate Arotech’s Auburn facility, Electric Fuel Battery to its UEC Charleston facility. (Implementation 1st Quarter 2015)



DIVISION:
**POWER
SYSTEMS**



**CUSTOMERS
THAT TRUST
AROTECH
SOLUTIONS
INCLUDE:**

MARKET:
**SECURITY
& DEFENSE
APPLICATIONS**



PRODUCTS AREAS:

- **HYBRID POWER GENERATION**
- **HIGH ENERGY SYSTEMS**
- **SWIPES & RECHARGEABLES**
- **UAV-AIR & UNDERWATER**
- **POWER MANAGEMENT**
- **C4ISR**



Raytheon



THALES





Ground Renewable Expeditionary Energy Network Systems

A man-transportable and renewable energy solution for austere environments

GREENS is a significant opportunity with the US Army over next five years





Distributed Power Control & Management System

Light Armored Vehicles (LAV) and Amphibious Assault Vehicles (AAV) electrical systems modernization

Makes LAV platform viable until 2035 - twenty years beyond its acquisition lifecycle!

Reduces weight of vehicle

DPCMS competitive advantages:

- Modular and Reconfigurable,
- Expandable,
- Supportability,
- Maintainability,
- Survivability,
- Usability, *and*
- Reduced cost



SWIPES™

Soldier Worn Integrated Power Equipment Systems

Efficient energy system for FutureSoldier

- 30% reduction in battery weight
- Modular power distribution system
- Suitable for any power source
- Batteries always charged & ready for use

Product launch 2010 – US Army sales begun '12

Army and OEM requested development in progress

Further growth potential:

- Other branches of the US Armed Forces
- Israeli army (in development)
- Other armies



CAPABILITIES AND KEY PROGRAMS

AROTECH TRAINING & SIMULATION DIVISION

Performance Summary (\$ MILLIONS)		2013 Actual		2014 TTM as of 9/30/2014	
Sales		\$63.4		\$57.2	
Operating Profit \$ / %		\$9.3	14.7%	\$10.2	17.8%
Adjusted EBITDA \$ / %		\$10.3	16.2%	\$11.0	19.2%
Total Backlog		\$45.6		\$50.8	

Highlights

- Received \$36M follow-on order for its Virtual Clearance Training Suite Program VCTS. (June 2014)
- Awarded \$9.1M in orders spanning all training segments, highlighted by ZAP pilot weapons training software, VCTS support, BOSS units and MILO training ranges. (October 2014)
- Awarded \$6.7M in new awards and contract modifications, including \$2.6M for MILO systems to an allied Middle Eastern country and \$2.3mm in continuing logistical support of fielded VCTS systems. (December 2014)
- Introduced new MILO suite of products for medical emergency situational awareness and up to 300° field of view immersive training environment



DIVISION:
**TRAINING &
SIMULATION
SYSTEMS**



**CUSTOMERS
THAT TRUST
AROTECH
SOLUTIONS
INCLUDE:**

MARKET:
**SECURITY
& DEFENSE
APPLICATIONS**

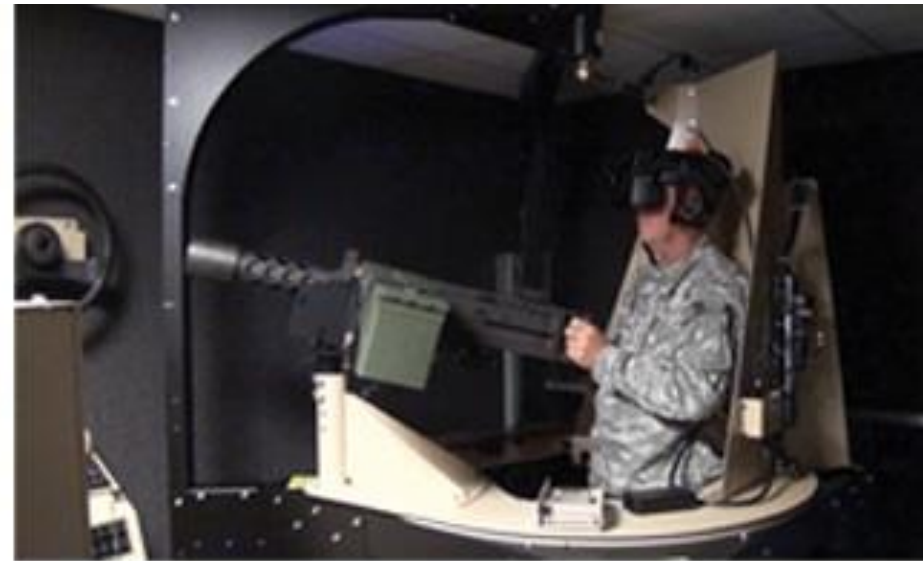


PRODUCT AREAS:

- **HIGH SPEED
WEAPONS
SIMULATIONS**
- **VEHICLE DRIVING
SIMS**
- **PUBLIC SAFETY
SIMS – POLICE,
FIRE, EMS**
- **JUDGMENTAL
USE OF FORCE**
- **MILITARY
TRAINING SIMS**
- **RESEARCH SIMS**



Trains route clearance teams to detect and neutralize improvised explosive devices (IEDs)



Total contract funded value [\$109M - 28 suites]; additional \$32.8M in unfunded options. Awarded in 2011; current contracted efforts extend through 2016.

Received recent modification [\$36M] to reconfigure VCTS to match current route clearance doctrine. Adding equipment and a fifth trailer to provide room for these and future requirements.

Boom Operator Sim Systems

Hi-Fidelity and Immersive: replicates the KC-135R Block 40 Boom Pod

BOSS, for Air National Guard [ANG] squadron level training, is co-located with operational KC-135 air refueling wings

- ANG BOSS contract \$25M over 5 years, funded.
- Options exercised: demonstrator retrofit | 16 production units | initial 12 months Contractor Logistical Support
- Status Q3: Successfully installed 5th of 17 BOSS Simulators



Prepare for the Unanticipated



Hi-Fidelity Simulation Training:

- Life-size video scenario branching software
- Develop/improve field skills while under pressure
- Real-time student review
- Improves decision-making abilities - solo or team

Training events combine human patient simulators and evolving environmental conditions

Train and Practice:

- Observation/situation awareness/scene assessment
- Medical assessment/differential diagnosis
- Communication, cultural, & behavioral sensitivity
- Ethical and emotional response management
- Strategic/positional/safety awareness



Intensified Situational Training





GROWTH ENGINES

AROTECH'S CURRENT R&D INVESTMENTS

AROTECH

Proprietary of Arotech © 2015

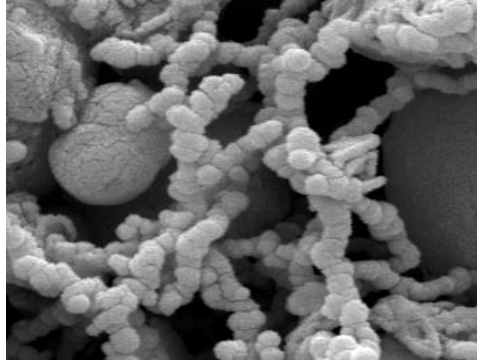


Storage in **I**ron for
Renewable **E**nergy
grid storage battery



IP on highly active
nano-iron networks.
Top-class research and
consulting team

Arotech's Grid Storage
Flow Battery for the
Billion dollar market
of the 21st century



Low cost, readily
available, non-toxic,
safe materials



Concept chemistry
patent pending.
Highly competitive
CAPEX and OPEX



2017: 100kWh pilot.
2020: 1st commercial
MW plant

Grant awarded from
Israeli Office of the
Chief Scientist



Modular, scalable,
geographically flexible

**Research and
Development**

AROTECH

2014 Guidance

- Revenue \$105 Million
- Adjusted EBITDA - \$9.2 - \$9.5 Million