

May 13, 2009



Arotech Corporation Reports Results for the First Quarter, 2009

Revenues of \$20.1 Million Are Arotech's Highest First-Quarter Revenues Ever; Operating Profit of \$644,000 Achieved Versus Loss in 2008

ANN ARBOR, MI -- (MARKET WIRE) -- 05/13/09 -- Arotech Corporation (NASDAQ: ARTX), a provider of quality defense and security products for the military, law enforcement and security markets, today reported results for the quarter ended March 31, 2009.

First Quarter Results

Revenues for the first quarter of 2009 reached \$20.1 million, compared to \$13.3 million for the corresponding period in 2008, an increase of 52%.

Gross profit for the first quarter of 2009 was \$5.3 million, or 26% of revenues, compared to \$3.2 million, or 25% of revenues, for the corresponding period in 2008.

The Company reported an operating profit for the first quarter of 2009 of \$644,000, compared to an operating loss of \$(1.1) million for the corresponding period in 2008.

The Company's net loss for the first quarter of 2009 was \$(476,000), or \$(0.04) per share, compared to \$(971,000), or \$(0.07) per share, for the corresponding period in 2008. Included in the results are \$398,000 in charges for non-cash financial expenses and a \$140,000 charge for a non-cash tax expense.

"We are obviously very pleased by our record revenues for the first quarter, which exceeded our most optimistic internal expectations," noted Arotech's Chairman and CEO Robert S. Ehrlich. "In fact, while historically our second half has been stronger than our first half, our revenues were so high this quarter that these results may not necessarily be indicative of what our results will be for the full year, although it is certainly our goal to follow our historical pattern of a stronger second half," continued Ehrlich. "We are working hard to consolidate the gains we made this quarter and to re-fill our backlog and our pipeline of new business in order to make 2009 Arotech's strongest year ever," concluded Ehrlich.

Backlog

Backlog of orders totaled approximately \$31.8 million as of March 31, 2009, as compared to \$49.7 million at March 31, 2008.

Cash Position at Quarter End

As of March 31, 2009, the Company had \$3.5 million in cash, \$373,000 in restricted collateral securities and restricted held-to-maturity securities due within one year, and \$45,000 in available-for-sale marketable securities, as compared to December 31, 2008,

when the Company had \$4.3 million in cash, \$382,000 in restricted collateral securities and restricted held-to-maturity securities due within one year, and \$49,000 in available-for-sale marketable securities.

Short- and long-term borrowings were \$7.5 million at the end of the first quarter 2009 compared to \$9.3 million at the end of 2008. The Company also had \$ 3.5 million available in unused bank lines of credit at the Company's primary bank in the U.S. at quarter end.

The Company had trade receivables of \$14.3 million as of March 31, 2009, compared to \$19.3 million as of December 31, 2008. The Company had a current ratio (current assets/current liabilities) of 1.87, up from the December 31, 2008 current ratio of 1.70.

Conference Call

The Company will host a conference call tomorrow, Thursday, May 14, 2009 at 9:00 a.m. EDT. Those wishing to access the conference call should dial 1-877-407-9210 (U.S.) or 1-201-689-8049 (international) a few minutes before the 9:00 a.m. EDT start time. A replay of the conference call will be available starting Thursday, May 14, 2009 at 10:30 a.m. EDT until Thursday, May 21, 2009 at 11:59 p.m. The replay telephone number is 1-877-660-6853 (U.S.) and 1-201-612-7415 (international). The replay ID pass code is: 322889 and the account is: 286.

About Arotech Corporation

Arotech Corporation is a leading provider of quality defense and security products for the military, law enforcement and homeland security markets. Arotech provides multimedia interactive simulators/trainers, lightweight armoring and advanced zinc-air and lithium batteries and chargers. Arotech operates through three major business divisions: Armor, Training and Simulation, and Batteries and Power Systems.

Arotech is incorporated in Delaware, with corporate offices in Ann Arbor, Michigan and research, development and production subsidiaries in Alabama, Michigan and Israel.

Except for the historical information herein, the matters discussed in this news release include forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect management's current knowledge, assumptions, judgment and expectations regarding future performance or events. Although management believes that the expectations reflected in such statements are reasonable, readers are cautioned not to place undue reliance on these forward-looking statements, as they are subject to various risks and uncertainties that may cause actual results to vary materially. These risks and uncertainties include, but are not limited to, risks relating to: 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; dilution resulting from issuances of Arotech's common stock upon conversion or payment of its outstanding convertible debt, which would be increasingly dilutive if and to the extent that the market price of Arotech's stock decreases; and other risk factors detailed in Arotech's most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and 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 press release.

AROTECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended March 31,	
	2009	2008
Revenues	\$ 20,092,222	\$ 13,250,576
Cost of revenues, exclusive of amortization of intangibles	14,831,462	10,004,782
Research and development	331,888	607,094
Selling and marketing expenses	1,146,092	1,142,639
General and administrative expenses	2,766,669	3,532,460
Amortization of intangible assets	372,597	492,613
Escrow adjustment - credit	-	(1,448,074)
Total operating costs and expenses	19,448,708	14,331,514
Operating profit (loss)	643,514	(1,080,938)
Other income	49,831	536,372
Financial expenses, net	(973,078)	(190,013)
Loss before minority interest in earnings of a subsidiary, earnings from affiliated company and income tax expenses	(279,733)	(734,579)
Income tax expenses	(196,290)	(119,934)
Minority interest in earnings of subsidiary	-	(116,086)
Net loss	\$ (476,023)	\$ (970,599)
Basic and diluted net loss per share	\$ (0.04)	\$ (0.07)
Weighted average number of shares used in computing basic net loss per share	13,576,885	13,473,443

CONTACT:
Victor Allgeier
TTC Group
(646) 290-6400
[Email Contact](#)