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# Arotech Reaches Settlement in Securities Class-Action Litigation

## Settlement Involves No Additional Financial Contribution by the Company

ANN ARBOR, MI -- (MARKET WIRE) -- 01/13/10 -- Arotech Corporation (NASDAQ: ARTX) announced today that it has reached an agreement with lead plaintiffs to settle the consolidated putative securities class-action lawsuit originally filed in March 2007 in the United States District Court for the Eastern District of Michigan.

Under the terms of the proposed settlement, the lawsuit will be dismissed with prejudice, and Arotech and all current and former officers and directors named in the complaint will receive a full and complete release of all claims asserted against them in the litigation, as well as any related claims that could have been asserted. The claims will be settled for \$2.9 million. The monetary payment to be made on behalf of Arotech and the individual defendants will be funded entirely from insurance proceeds. As a result, there will be no additional financial contribution by Arotech. The agreement is subject to court approval.

As stated in the settlement documents, Arotech denies any liability in connection with the litigation and denies the claims asserted by the lead plaintiffs in the complaint.

"The agreement resolves this issue in a way that is in the best interests of our shareholders," said Robert S. Ehrlich, Chairman and CEO of Arotech. "We believe this settlement provides Arotech with certainty on this lawsuit, eliminates the uncertainties and further expense associated with this litigation, and eliminates an unnecessary drain on management time," concluded Ehrlich.

### 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, including the effect of any share repurchases by Arotech. 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.

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