

November 11, 2008



Arotech Corporation Reports Results for the Third Quarter and First Nine Months, 2008

Company Has Break Even Results for the Third Quarter, as Revenues Increase 24% Over the Same Period Last Year

ANN ARBOR, MI -- (MARKET WIRE) -- 11/11/08 -- 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 and nine months ending September 30, 2008.

Third Quarter Results

Revenues for the third quarter reached \$19.2 million, compared to \$15.5 million for the corresponding period in 2007, an increase of 24.4% over the same period last year.

Gross profit for the quarter was \$5.7 million, or 29.8% of revenues, compared to \$4.4 million, or 28.3% of revenues, for the corresponding period in 2007.

The net loss for the third quarter was \$(44,000), or \$(0.00) per share, versus a loss of \$(783,000), or \$(0.06) per share, for the corresponding period last year.

"During the third quarter our Armor and Battery Divisions were able to get back on track with their production and deliveries, while our Simulation Division continued its strong performance in what is shaping up to be a record year for that division, enabling us to break even in the third quarter," noted Arotech's Chairman and CEO Robert S. Ehrlich. "We hope to continue this positive performance during the remainder of 2008," concluded Ehrlich.

First Nine Months Results

Revenues for the first nine months reached \$45.1 million, compared to \$40.0 million for the corresponding period in 2007, an increase of 12.7% over the same period last year.

Gross profit for the nine months was \$11.8 million, or 26.2% of revenues, compared to \$12.2 million, or 30.6% of revenues, for the corresponding period in 2007.

The net loss for the first nine months was \$(3.0) million, or \$(0.24) per share, versus \$(4.0) million, or \$(0.35) per share, for the corresponding period last year.

Backlog

Backlog of orders totaled approximately \$41.7 million as of September 30, 2008, as compared to \$50.9 million at September 30, 2007.

Cash Position at Quarter End

As of September 30, 2008, the Company had \$1.6 million in cash, \$163,000 in restricted collateral securities and restricted held-to-maturity securities due within one year, and \$54,000 in available-for-sale marketable securities, as compared to December 31, 2007, when the Company had \$3.4 million in cash, \$320,000 in restricted collateral deposits, \$1.5 million in an escrow receivable, and \$47,000 in available-for-sale marketable securities. Cash was invested in the Company's Armor Division and a pay down of its working capital bank line.

Short term bank borrowings were \$2.8 million at the end of the third quarter 2008 compared to \$4.6 million at the end of 2007.

The Company had trade receivables of \$13.9 million as of September 30, 2008, compared to \$14.6 million as of December 31, 2007. The Company had a current ratio (current assets/current liabilities) of 1.98, up from the December 31, 2007 current ratio of 1.93.

Conference Call

Those wishing to access the conference call should dial 1-888-300-2335 (U.S.) or 1-719-325-2280 (international) a few minutes before the 9:00 a.m. ET start time. The confirmation code is 2182343. A replay of the conference call will be available starting Wednesday, November 12, 2008 at 11:00 a.m. until Friday, November 14, 2008 at 12:00 p.m. The replay telephone number is 1-888-203-1112 (U.S) and 1-719-457-0820 (international). The replay passcode is: 2182343

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, 2007, as amended, 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.

TABLE TO FOLLOW

AROTECH CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Nine months ended September 30,		Three months ended September 30,	
	2008	2007	2008	2007
Revenues	\$ 45,074,091	\$ 40,011,014	\$ 19,216,509	\$ 15,453,124
Cost of revenues, exclusive of amortization of intangibles	33,256,814	27,764,509	13,484,314	11,079,269
Research and development	1,231,530	1,413,852	398,658	491,597
Selling and marketing expenses	3,290,499	2,999,226	1,003,504	905,725
General and administrative expenses	10,025,658	9,221,310	3,199,878	3,309,628
Amortization of intangible assets	1,362,251	1,481,764	377,230	307,871
Escrow adjustment - credit	(1,448,074)	-	-	-
Total operating costs and expenses	47,718,678	42,880,661	18,463,584	16,094,090
Operating income (loss)	(2,644,587)	(2,869,647)	752,925	(640,966)
Other income	670,483	75,452	11,334	6,333
Financial expenses, net	(341,632)	(707,225)	(288,680)	(80,412)
Income (loss) before minority interest in earnings of a subsidiary, earnings from affiliated company and income tax expenses	(2,315,736)	(3,501,420)	475,579	(715,045)
Income tax expenses	(386,690)	(298,193)	(374,862)	(123,287)

Loss from affiliated company	(261,207)	(139,725)	(145,121)	(27,546)
Minority interest in loss (earnings) of subsidiaries	-	(27,402)	-	82,929
Net loss	\$ (2,963,633)	\$ (3,966,740)	\$ (44,404)	\$ (782,949)
Basic and diluted net loss per share \$	(0.24)	\$ (0.35)	\$ (0.00)	\$ (0.06)
Weighted average number of shares used in computing basic net loss per share	12,595,987	11,315,676	12,604,715	12,161,564

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