

August 11, 2009



Arotech Corporation Reports Results for the Second Quarter and First Six Months, 2009

First Half Revenues Reach Record of \$36 Million -- an Increase of 39.7% Over 2008

ANN ARBOR, MI -- (MARKET WIRE) -- 08/11/09 -- Arotech Corporation (NASDAQ: ARTX), a provider of quality defense and security products for the military, law enforcement and homeland security markets, today reported results for the quarter and six months ended June 30, 2009.

Second Quarter Results

Revenues for the second quarter reached \$16.0 million, compared to \$12.6 million for the corresponding period in 2008, an increase of 27.2% over the same period last year.

Gross profit for the quarter was \$4.3 million, or 26.6% of revenues, compared to \$2.8 million, or 22.5% of revenues, for the corresponding period last year, a 4.1 point increase in the gross margin percentage.

The net loss for the second quarter was \$(1.1) million, or \$(0.08) per share, versus \$(1.9) million, or \$(0.14) per share, for the corresponding period last year.

"As was the case last quarter, Arotech achieved record results in an extremely tough economy," noted Arotech Chairman and CEO Robert S. Ehrlich. "The new 'David' armored vehicle contract and other orders that we recently received have helped us to replenish our backlog, and we are hopeful that our second half will enable 2009 to be Arotech's best year ever," concluded Ehrlich.

First Six Months Results

Revenues for the first six months of 2009 reached \$36.1 million, compared to \$25.9 million for the corresponding period last year, an increase of 39.7% over the same period last year.

Gross profit for the first six months of 2009 was \$9.5 million, or 26.4% of revenues, compared to \$6.1 million, or 23.5% of revenues, for the corresponding period last year, a 2.9 point increase in the gross margin percentage.

The net loss for the first six months of 2009 was \$(1.5) million, or \$(0.11) per share, versus \$(2.9) million, or \$(0.22) per share, for the corresponding period last year.

Backlog

Backlog of orders totaled approximately \$42.9 million as of June 30, 2009, as compared to \$51.6 million at June 30, 2008 and \$31.8 million as of March 31, 2009.

Cash Position at Quarter End

As of June 30, 2009, the Company had \$3.1 million in cash, \$296,000 in restricted collateral securities and restricted held-to-maturity securities due within one year, and \$48,000 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 \$7.7 million at the end of the first six months of 2009 compared to \$9.3 million at the end of 2008. The Company also had \$2.8 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 \$15.4 million as of June 30, 2009, compared to \$19.3 million as of December 31, 2008. The Company had a current ratio (current assets/current liabilities) of 1.9 as of June 30, 2009, up from the December 31, 2008 current ratio of 1.7.

Conference Call

The Company will host a conference call tomorrow, Wednesday, August 12, 2009 at 10:00 am 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 10:00 a.m. EDT start time. A replay of the conference call will be available starting Wednesday, August 12, 2009 at 11:30 am EDT until Wednesday, August 19, 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: 329849 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: Training and Simulation, Armor, and Battery 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)

	Six months ended June 30,		Three months ended June 30,	
	2009	2008	2009	2008
Revenues	\$ 36,127,412	\$ 25,857,582	\$ 16,035,190	\$ 12,607,006
Cost of revenues, exclusive of amortization of intangibles	26,595,444	19,772,500	11,763,982	9,767,718
Research and development	735,575	832,872	403,687	225,778
Selling and marketing expenses	2,317,455	2,286,995	1,171,363	1,144,356
General and administrative expenses	5,548,527	6,825,780	2,781,858	3,293,320
Amortization of intangible assets	746,626	985,021	374,029	492,408
Escrow adjustment - credit	-	(1,448,074)	-	-
Total operating costs and expenses	35,943,627	29,255,094	16,494,919	14,923,580
Operating profit (loss)	183,785	(3,397,512)	(459,729)	(2,316,574)
Other income	51,650	659,149	1,819	122,777
Financial income (expenses), net	(1,306,158)	(52,952)	(333,080)	137,061
Loss before earnings of affiliated company and income tax expenses	(1,070,723)	(2,791,315)	(790,990)	(2,056,736)
Income tax credits (expenses)	(468,644)	(11,828)	(272,354)	108,106
Gain (loss) from				

affiliated company - (116,086) - -

Net loss
attributable to
common
stockholders \$ (1,539,367) \$ (2,919,229) \$ (1,063,344) \$ (1,948,630)

Basic and diluted
net loss per share \$ (0.11) \$ (0.22) \$ (0.08) \$ (0.14)

Weighted average
number of shares
used in computing
basic and diluted
net loss per share 13,802,821 13,503,705 14,028,757 13,533,966

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