



Arotech Corporation
1229 Oak Valley Drive
Ann Arbor, MI 48108
Phone: 800-281-0356

Issue:
July 24, 2009
All rights reserved!
ceocfointerviews.com

The Most Powerful Name In Corporate News and Information

From \$4 Million In Revenues In 2002 To \$69 Million In 2008, Arotech Has Been Growing Steadily Both Organically And Through Acquisitions Since The Arrival Of Its Current CEO

**Industrial Goods
Industrial Electrical Equipment
(ARTX-NASDAQ)**

**Robert S. Ehrlich
Chairman, President and CEO**

BIO:

Robert S. Ehrlich has been our Chairman of the Board since January 1993 and our President and Chief Executive Officer since October 2002. From May 1991 until January 1993, Mr. Ehrlich was our Vice Chairman of the Board, and from May 1991 until October 2002 he was our Chief Financial Officer. From 1987 to June 2003, Mr. Ehrlich served as a director of PSC Inc. ("PSCX"), a manufacturer and marketer of laser diode bar code scanners, and, between April 1997 and June 2003, Mr. Ehrlich was the chairman of the board of PSCX. From 1987 until 1993 Mr. Ehrlich was Chairman of the Board of Fresenius Medical Systems ("FMS"-NYSE). Mr. Ehrlich received a B.S. and J.D. from Columbia University in New York, New York.

Company Profile:

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.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Ehrlich: how has Arotech changed under your leadership

Mr. Ehrlich: "When I took over in 2002 we were doing \$4 million in revenue with major losses and in the ensuing 5 years we have grown dramatically. Just last week we reported our 2008 year end results in which we achieved \$69 million in Revenue. We have been growing steadily both internally and by acquisition since I stepped in."

CEOCFO: What is the focus of Arotech today?

Mr. Ehrlich: "We are principally a defense and homeland security products company. We have operate three divisions: Simulation training for the US military, Batteries and Power Systems for soldiers in the field, and Armoring of vehicles and aircraft both fixed wing and rotary for the military."

CEOCFO: Where do you sell your products?

Mr. Ehrlich: "We sell our products to militaries in the US, Israel, and a certain Asian countries."

CEOCFO: What is the competitive landscape for your various divisions?

Mr. Ehrlich: "Fortunately or unfortunately many nations in the world seems to be combating terror and insurgency and we provide them products to counter those forces. Thus, we are selling our products all over the world to assist in

their defensive measures. We sell armored vehicles to places where there are hostilities to protect the soldiers who are trying to defend those areas. We also provide simulation training for use of military vehicles and missile launch systems in order to train soldiers how to do those things without having to spend tremendous amount of money training on expensive equipment in the field. Finally, we are providing a number of militaries with rechargeable batteries and rechargers for their communications and night vision gear. The competitive environment while very aggressive, is going ahead quite well because offer leading edge products.

CEOCFO: Are you selling to the same groups of buyers?

Mr. Ehrlich: "No, the people who buy batteries are entirely different than the people who buy armored vehicles and the people who buy simulation trainers. While we sell across all branches of the military, we sell to different units depending on the particular kind of products that they require."

CEOCFO: Is the fact that you have the three divisions helpful when you are marketing your products?

Mr. Ehrlich: "Except where some of our contacts are senior people in the Department of Defense or the Israel Defense Force, they are usually specialists in their particular branch. Usually, the marketing group in each division knows the particular people that they sell to and their kind of marketplace."

CEOCFO: Why should governments of countries that you sell to choose Arotech?

Mr. Ehrlich: "We have leading-edge technology in our simulation and batter-

ies offerings. We believe that we provide better quality products at competitive prices. We also continue to give very strong service to our customers. By providing leading technology, competitive pricing and on going service we believe we are able to be the provider of choice. We try to lead with technology to stay ahead of the competition as we are not as big as some of our larger competitors.”

CEOFCO: What might your simulation do that others don’t?

Mr. Ehrlich: “We offer innovative product and strong follow on service. In every vehicle that the United States military drives, we provide the simulation training. We are virtually sole source in that category because we have been at it for years and keep improving the offering. In aircraft-to-aircraft missile launch systems, we are the only supplier for every kind of missile that the US military uses on aircraft and in the top gun school. The armor vehicles we provide to the Israeli military have been developed in conjunction with them to address their specific requirements. We seek to develop products that are unique niches. We are not big enough to do giant programs so we focus on niches where we can add value. We provide a better quality product at a reasonable price and customers seem to keep coming back to us.”

CEOFCO: Where do you see the most growth?

Mr. Ehrlich: “The principle growth area has been in the simulation area. We have grown from \$11 million in 2004 when we acquired the unit to \$36 million last year. We are now also growing rapidly in the battery business as well. We have added some very fine people in marketing so that we can begin to penetrate the US military. We are beginning to sell more rechargeable products in the US now and see that growth continuing over the next several years.”

CEOFCO: Are there countries that you would like to gain access to?

Mr. Ehrlich: “We are starting to do things in India. We would like to do more in Singapore, Taiwan, even China. We

have access to some of those markets, but we have only begun to approach those because we first wanted to more deeply penetrate the markets we are in. Therefore, we are now adding more marketing people to begin to address some of those markets.”

CEOFCO: Is that directly through the company or is any of this through third parties?

Mr. Ehrlich: “We do both direct sales and use agents in various countries. Sometimes the agents are better connected to the military than we could be, so we work through them.”

CEOFCO: What is new in the military that might surprise people?

Mr. Ehrlich: “More robotics; we are finding, for example, more on unmanned air vehicles, and also on unmanned-ground vehicles. We are developing bat-

“The principle growth area has been in the simulation area. We have grown from \$11 million in 2004 when we acquired the unit to \$36 million last year. We are now also growing rapidly in the battery business as well. We have added some very fine people in marketing so that we can begin to penetrate the US military.”
- Robert S. Ehrlich

teries for a number of those applications because we see that as a major growth area. We are not yet in the unmanned air vehicle UAV market, but we are getting into the training of UAV operators through simulation.”

CEOFCO: Do you get access to what the governments are planning, allowing you to create products in advance?

Mr. Ehrlich: “We worked with a number of the military units, and they of guide us in the kind of things that they are looking for. This allows us to develop products that we think will meet their requirements. Therefore, we work hand-in-hand with the various purchasing and planning officers in the military as they guide us in the kind of products that they think will be needed going forward.”

CEOFCO: Do you maintain an inventory or are products made to order?

Mr. Ehrlich: “We do not maintain finished inventory. We basically build to

order. However, from time to time we may get an order for a continuous run of products and then we will buy components that will support that. So the inventory is basically components for products that are being built and shipped on a fairly current basis.”

CEOFCO: Would you tell us about your various facilities?

Mr. Ehrlich: “We are based in Ann Arbor Michigan, which is where all of our simulation activities take place. We have two plants in Auburn, Alabama making batteries in one plant and armored vehicles in the other plant. We have three smaller plants here in Israel. One is in the far south in Dimona producing rechargeable batteries, one in the center of the country here in Beit Shemish doing battery development and engineering, and one right near the airport where we design and build armored vehicles..”

CEOFCO: How do you address the challenges of being so wide spread geographically?

Mr. Ehrlich: “We have very good divisional managers. They are really outstanding and experienced people that have been at their businesses for a number of years. In addition, the COO and I travel extensively, visiting the businesses and staying on top of the requirements for their financing needs and planning.”

CEOFCO: What is the financial picture like for Arotech today, and how are you faring under the current economic climate?

Mr. Ehrlich: “We are anticipating a very strong first quarter. We hope to increase our revenues and profitability in 2009 as we did in 2008. We are sitting with a reasonable amount of cash, but we can never have enough. We are currently growing our business internally. Therefore, we are not looking at any acquisitions at the moment, because financial costs are so prohibitive. We anticipate having a strong year and continuing to grow the business in all three units, but principally in simulation and batteries.”

CEOFCO: Why should investors keep Arotech on their radar screen?

Mr. Ehrlich: “Our company is tremendously undervalued. The three operating units could sell for four or five times the parents market cap that we currently have. We think that for someone buying the stock now, they would have a substantial increase in value as the market recognizes the excellent value in the three units. We think that it is a real opportu-

nity. People have been recently buying our stock as it has almost doubled in the last three months. We hope that that continues.”

CEOCFO: Final thoughts, what should people reading about Arotech remember most?

Mr. Ehrlich: “They should see us as a very fine small cap play in the defense and security industry. We have some unique businesses in the simulation and battery markets, both of which are growing dramatically and represent tremendous opportunity to continue to grow over the next several years.”

Arotech Corporation
1229 Oak Valley Drive
Ann Arbor, MI 48108
Phone: 800-281-0356