

UNITED STATES  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington D.C. 20549

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report .....

Commission file number: 0-16050

**TAT TECHNOLOGIES LTD.**

(Exact name of Registrant as specified in its charter  
and translation of Registrant's name into English)

**Israel**

(Jurisdiction of incorporation or organization)

**Hamelacha 5, Netanya 4250540, Israel**  
(Address of principal executive offices)

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**Hamelacha 5 St,**  
**Natanya 4250540, Israel**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
<b>Ordinary Shares, no par value per share</b>	<b>TATT</b>	<b>NASDAQ Global Market</b>

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or Common stock as of the close of the period covered by the annual report:

**10,940,358 Ordinary Shares, no par value**  
(as of December 31, 2024)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## **INTRODUCTION**

TAT Technologies Ltd. ("TAT") is a leading provider of solutions and services to the aerospace and defense industries, focused mainly on three product areas and services: Thermal Management, Power and Actuation and Maintenance, Repair and Overhaul. The Company operates four operational units: (i) original equipment manufacturing ("OEM") of heat transfer solutions and aviation accessories through its Kiryat Gat facility (TAT Israel); (ii) maintenance repair and overhaul ("MRO") services for heat transfer components and OEM of heat transfer solutions through its Limco subsidiary; (iii) MRO services for aviation components through its Piedmont subsidiary (mainly APU and LG); and (iv) overhaul and coating of jet engine components through its Turbochrome subsidiary.

TAT targets the commercial aerospace (serving a wide range of types and sizes of commercial and business jets), military aerospace and ground defense sectors. TAT has a global presence with hundreds of customers worldwide, including OEMs and tier one players in their respective markets such as Boeing, Embraer, Lockheed Martin Corporation ("Lockheed Martin"), Collins, Liebherr, Parker, the U.S. Armed Forces, and airlines such as American Airlines, Lufthansa and others. TAT enjoys a strong reputation among its customers for quality and service-oriented approach.

TAT has earned a strong reputation for its quality and service-oriented approach, reflected in its long-standing customer relationships. The Company's operations are backed by a wide range of certifications from the American, European, British and Chinese civil aviation authorities

TAT employed, as of December 31, 2024, 634 employees and operates in three locations: its facility in Kiryat Gat, Israel ("TAT Israel" and "Turbochrome"); Limco Airepair Inc. ("Limco") in Tulsa, Oklahoma; and Piedmont Aviation Component Services LLC ("Piedmont") in Greensboro, North Carolina; the Company's headquarters are located in Netanya, Israel and a strategic sales office in Charlotte, North Carolina.

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Through TAT Israel, TAT is an OEM of a broad range of heat transfer solutions, air conditioning systems and other cooling systems used in mechanical and electronic systems on board military and commercial aircraft as well as in ground systems. TAT Israel is also an OEM for a wide range of aviation accessories and provides limited MRO services for military and commercial customers, mainly for aviation accessories. TAT Israel is a repair station certified by the Federal Aviation Administration (“FAA”).

Through its Limco subsidiary, TAT provides MRO services for airlines, air cargo carriers, maintenance service centers and the military, primarily for heat transfer components. Limco is a repair station certified by the FAA and the European Aviation Safety Agency (“EASA”). Limco is also an OEM of heat transfer solutions for some of the largest OEMs in the commercial and military industry.

Through its Piedmont subsidiary, TAT provides MRO services for aviation components in the area of landing gears, Auxiliary Power Units (“APUs”) and Machining and Plating services (“MPG”). Piedmont has a growing Trading and Leasing group that leases APUs (Boeing: 757, 767, 777, 737 and Airbus: A320) and purchases and sells parts for the repair of APUs globally. Piedmont is an FAA-certified repair station and provides its services to airlines, air cargo carriers, maintenance service centers and to the military.

Through its Turbochrome subsidiary, TAT provides MRO services in the area of jet engine overhaul, which includes the overhaul and coating of jet engine components such as turbine vanes and blades, fan blades, variable inlet guide vanes and afterburner flaps. Turbochrome is certified by the FAA, the EASA and the US Military.

In addition, TAT, through its Piedmont subsidiary, holds less than 5% of the equity securities of First Aviation Services Inc. (“FAvS”).

Further to the actions taken by TAT’s management to reduce its expenses, including a reduction in its headcount as well as other cost savings measures due to the effect of COVID-19 on the TAT’s industry, TAT announced a restructuring plan in March 2021, which included the transfer of the Company’s activity from its leased facility in Gadera to a facility in Kiryat Gat which is leased by the Company’s wholly-owned subsidiary Turbochrome from the Israel Land Authority (“ILA”) pursuant to a long-term lease agreement expiring in 2045 (with no rental payments due to the ILA in respect of such lease), and to our partially owned facility in Tulsa, Oklahoma. These actions enable TAT to concentrate its heat exchanges cores activity in the United States allowing for better operational flow, getting closer to the Company’s customer base, and cutting fixed costs.

Macroeconomic conditions, including inflation, rising interest rates and recessionary concerns, as well as ongoing labor cost pressures, transportation and shipping cost pressures have had, and may continue to have, a negative impact on our business, financial condition, profitability, and cash flows. For instance, we were negatively impacted in fiscal 2023 and 2024 by persistent cost pressures, including supply chain and labor costs. We expect inflationary cost pressures to continue in 2025 and we continue to closely monitor macroeconomic conditions, including customer behavior, and the impact of these factors on customer demand. Continuing or worsening inflation, recessionary concerns and/or supply chain and labor challenges may negatively impact our business, financial condition, profitability, and/or cash flows.

Geopolitical events, including the ongoing conflict between Russia and Ukraine, the related economic sanctions by Western governments on Russia, and the war and hostilities between Israel and Hamaas, Hezbollah, the Huthi Movement and Iran, as well as other conflicts, has caused greater uncertainty in the global economy and the inflation situation.

TAT's ordinary shares are publicly traded on the NASDAQ Global Market ("NASDAQ") under the symbol "TATT" and on the Tel Aviv Stock Exchange ("TASE") under the symbol "TAT Tech". As used in this annual report, the terms "TAT", the "Company", "we," "us," and "our" mean TAT Technologies Ltd. and its consolidated subsidiaries, unless otherwise indicated.

TAT consolidated financial statements appearing in this annual report are prepared in U.S. dollars and in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). All references in this annual report to "dollars" or "\$" are to U.S. dollars and all references in this annual report to "NIS" are to Israeli New Shekels.

Statements made in this annual report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this annual report or to any previous filing with the Securities and Exchange Commission ("SEC"), you may read the document itself for a complete recitation of its terms.

Except for the historical information contained in this annual report, the statements contained in this annual report may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended, with respect to our business, financial condition and results of operations. Such forward-looking statements reflect our current view with respect to future events and financial results. Statements which use the terms "believe," "expect," "plan," "intend," "estimate," "anticipate," "predict" and similar expressions are intended to identify forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, our achievements, or industry results, to be materially different from any future results, performance, levels of activity, our achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly release any update or revision to any forward-looking statements to reflect new information, future events or circumstances, or otherwise after the date hereof. We have attempted to identify significant uncertainties and other factors affecting forward-looking statements in the Risk Factors that appear in Item 3D. "Key Information - Risk Factors."

PART I

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**A. Reserved**

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

Investing in our ordinary shares involves certain risks and uncertainties. You should carefully consider the risks and uncertainties described below before investing in our ordinary shares. Our business, prospects, financial condition and results of operations could be adversely affected due to any of the following risks. In that case, the value of our ordinary shares could decline, and you could lose all or part of your investment.

**Risks Related to Our Business and Our Industry**

- *The aerospace industry is subject to significant regulation and oversight, and TAT and its subsidiaries may incur significant fines, penalties and costs if TAT and its subsidiaries do not comply with these regulations.*
- *TAT competes with a number of established companies in all aspects of TAT's business, many of which have significantly greater resources or capabilities than TAT.*



- *TAT derives a material share of its revenues from few major customers. If TAT loses any of these customers or they reduce the amount of business they do with TAT, TAT's revenues may be seriously affected.*
- *A part of the revenues of TAT and its subsidiaries are from contracts with the U.S. and Israeli governments and are subject to special risks. A loss of all, or a major portion, of these revenues from government contracts could have a material adverse effect on TAT's operations.*
- *If TAT and its subsidiaries do not receive the governmental approvals necessary for the export of their products, TAT's revenues may decrease. Similarly, if TAT's suppliers and partners do not receive their government approvals necessary to export their products or designs to TAT, TAT's revenues may decrease.*
- *TAT depends on a limited number of suppliers of components for certain of its products and if TAT or any of its subsidiaries are unable to obtain these components when needed, they would experience delays in manufacturing their products and TAT's financial results could be adversely affected.*
- *TAT may face increased labor and raw materials costs. TAT may not be able to recoup future increases in the cost of wages and raw materials required for its operations through price increases for its products.*
- *TAT's future success depends on its ability to develop new offerings and technologies.*
- *TAT may face significant risks in the management of its inventory, while failure to effectively manage its inventory levels may result in supply imbalances that could harm its business.*
- *TAT's backlog of projects under contract is subject to unexpected adjustments, delays in payments and cancellations.*
- *TAT faces special risks from international sales operations which may have a material adverse effect on TAT's business, operating results and financial condition.*
- *TAT may engage in future acquisitions that could dilute TAT's shareholders' equity and harm TAT's business, results of operations and financial condition.*
- *Our strategic partnerships and relationships carry inherent business risks.*
- *Rapid technological changes may adversely affect the market acceptance of TAT's products.*
- *TAT has fixed-price contracts with some of its customers and TAT bears the risk of costs in excess of its estimates. In addition, TAT may not be able to pass on increased costs to its customers.*

- *TAT depends on its key executives; it may not be able to hire and retain additional key employees or successfully integrate new members of its team; the loss of key employees could have a material adverse effect on TAT's business.*
- *TAT depends on its manufacturing and MRO facilities and any material damage to these facilities may adversely impact TAT's operations.*
- *TAT uses equipment that is not easily repaired or replaced, and therefore material equipment failures could cause TAT or its subsidiaries to be unable to meet quality or delivery expectations of its customers.*
- *TAT may fail to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.*
- *TAT has potential exposure to liabilities arising under environmental laws and regulations.*
- *TAT is exposed to potential liabilities arising from product liability and warranty claims.*
- *Significant disruptions of TAT's information technology systems or breaches of its data security could adversely affect TAT's business.*
- *TAT's activity in Israel may be adversely affected by a change in the exchange rate of the NIS against the U.S Dollars. As exchange rates between the NIS and the dollar fluctuate continuously, exchange rate fluctuations, particularly larger periodic devaluations, may have an impact on TAT's profitability and period to period comparisons of TAT's results.*

#### **Risk Factors Related to Our Ordinary Shares**

- *TAT's share price has been volatile in the past and may decline in the future.*
- *Substantial future sales of TAT's ordinary shares by TAT's principal shareholders may depress TAT's share price.*

#### **Risks Relating to Our Location in Israel**

- *Because TAT has significant operations in Israel, TAT may be subject to political, economic and other conditions affecting Israel that could increase TAT's operating expenses and disrupt TAT's business.*
- *The war in Israel and other conditions in Israel could materially affect TAT's business.*

- *TAT's results of operations may be negatively affected by the obligation of its personnel to perform military service.*
- *Your rights and responsibilities as a shareholder are governed by the Israeli law and may differ in some respects from the rights and responsibilities of shareholders under U.S. law.*
- *Israeli law may delay, prevent or make difficult an acquisition of TAT, which could prevent a change of control and, therefore, depresses the price of TAT's shares.*
- *Investors and TAT's shareholders generally may have difficulties enforcing a U.S. judgment against TAT, TAT's executive officers and directors in Israel or the United States, or asserting U.S. securities laws claims in Israel.*
- *As a foreign private issuer whose shares are listed on the NASDAQ, TAT may follow certain home country corporate governance practices instead of certain NASDAQ requirements.*

*The aerospace industry is subject to significant regulation and oversight, and TAT and its subsidiaries may incur significant fines, penalties and costs if TAT and its subsidiaries do not comply with these regulations.*

The aerospace industry is highly regulated in the United States and elsewhere. To manufacture, sell and service parts used in aircrafts, TAT and its subsidiaries must be certified, accepted by the FAA, EASA, the United States Department of Defense, comparable agencies in other countries and/or by the original equipment manufacturers ("OEMs"). If any of our material certifications, authorizations or approvals are revoked or suspended, the operations of TAT or its subsidiaries, could be subjected to significant fines and penalties. In the future, new and more demanding government regulations may be adopted or industry oversight may be increased. TAT and its subsidiaries may have to incur significant additional costs to achieve compliance with new regulations or to reacquire a revoked or suspended license or approval, which could materially reduce profitability.

TAT faces competition from several well-established companies, many of which possess greater resources and capabilities than TAT's major competitors in the area of OEM heat transfer solutions and aviation accessories, are other OEMs who manufacture heat transfer solutions. These include:

- (i) Manufacturers based in the United States, such as the Hughes-Treitler division of Ametek Inc., Boyd Corporation, Collins Aerospace, Honeywell International, and Triumph Thermal Systems;

- (ii) Manufacturers based in Europe such as HS Marston Aerospace Ltd., a subsidiary of Collins Aerospace, Secan and Liebherr-Aerospace Toulouse S.A.; and
- (iii) Manufacturers based in Asia such as Sumitomo Precision Products from Japan.

Many of TAT's competitors are larger and possess considerably greater resources, including market recognition. These advantages can allow them to achieve greater economies of scale and make them less susceptible to price competition compared to TAT. Additionally, some of these companies are recognized as tier one suppliers, offering the customers a broader range of systems and products, alongside heat transfer solutions, as a complete package. TAT may struggle to provide its products as part of integrated systems to the same degree as its competitors. Failing to meet these challenges could negatively impact TAT's business, financial health, and operational results in the long term.

TAT's major competitors in the area of MRO services for heat transfer components are the MRO Divisions of OEMs, including Honeywell, Honeywell Secan, Honeywell Singapore, Collins Aerospace Malaysia, Collins Aerospace Maastricht, and Liebherr Aerospace Saline, in addition to the in-house maintenance services of various commercial airlines and other independent service providers, including AAR, Drake Air – Ametek, American Cooler Service – Aviation Technical Services, Lufthansa Technik and Parker Hannifin.

TAT's major competitors in the area of MRO services for aviation components, landing gears and APUs, are the service divisions of OEMs, the in-house maintenance services of various commercial airlines and other independent service providers, including Standard Aero Group Inc., Aerotech International Inc., Honeywell International, AAR Corp., Safran, Liebherr, Turbine Aero, Hawker Pacific and APRO.

TAT's major competitors in the area of overhaul and coating of jet engine components are the service divisions of OEMs, the in-house maintenance services of various commercial airlines and other independent service providers, including Safran, General Electric, GKN, PAS MCT Japan and others. With respect to masking materials, TAT's major competitors are APV Coatings, Praxair, Saint-Gobain and others.

Competition in the MRO market is based on turn-around-time, price, capacity, quality, engineering solutions, and breadth of services. A number of our competitors have inherent competitive advantages. For example, we compete with the service divisions of large OEMs which are able to derive significant brand recognition from their OEM manufacturing activities. We also compete with the in-house service divisions of large commercial airlines where there is a strong incentive for an airline to fully-utilize the services of its maintenance employees and facilities.

Further, TAT's competitors may have additional competitive advantages, such as:

- The ability to adapt faster to changes in customer requirements and industry conditions or trends;
- Greater access to capital;
- Stronger relationships with customers and suppliers;
- Greater name recognition;
- Access to superior technology and greater marketing resources;
- The ability to offer complete systems in addition to components; and
- The ability to bundle heat transfer components and solutions and other aircraft components.

If TAT is unable to overcome these competitive disadvantages, then TAT's business, financial condition and results of operations would be adversely affected.

***TAT derives a material share of its revenues from few major customers. If TAT loses any of these customers or they reduce the amount of business they do with TAT, TAT's revenues may be seriously affected.***

Five customers accounted for approximately 29.9%, 28.46% and 26.4% of TAT's revenues for the years ended December 31, 2024, 2023 and 2022, respectively. TAT has a single customer of MRO that accounted for approximately 12.8%, 12.6% and 8.4% of TAT's revenues for the years ended December 31, 2024, 2023 and 2022, respectively. TAT's major customers may not maintain the same volume of business with TAT in the future. If TAT loses any of these customers or they reduce the amount of business they do with TAT, TAT's revenues may be seriously affected.

*A part of the revenues of TAT and its subsidiaries are from contracts with the U.S. and Israeli governments and are subject to special risks. A loss of all, or a major portion, of these revenues from government contracts could have a material adverse effect on TAT's operations.*

A portion of the revenues of TAT and its subsidiaries are from contracts with the U.S. and Israeli governments. Sales to the U.S. and Israeli governments accounted for approximately 12.4%, 8.3% and 6.3% of TAT's revenues on a consolidated basis for the years ended December 31, 2024, 2023 and 2022, respectively.

Business with the U.S. and Israeli governments, as well as with the governments of other countries, is subject to unique risks which do not exist when doing business with other private parties. These risks include the ability of the governmental authorities to unilaterally:

- Suspend TAT or any of its subsidiaries from receiving new contracts pending resolution of alleged violations of procurement laws or regulations;
- Terminate existing contracts, with or without cause, at any time;
- Condition the receipt of new contracts on conditions which are beyond the control of TAT;
- Reduce the value of existing contracts;
- Audit the contract-related costs and fees of TAT and its subsidiaries, including allocated indirect costs; and
- Control or prohibit the export of products of TAT and its subsidiaries.

Also, military and defense budget cuts may result in reduced demand for the products and manufacturing services of TAT and its subsidiaries. Smaller budgets could result in reduction in the business revenues of TAT and its subsidiaries.

*If TAT and its subsidiaries do not receive the governmental approvals necessary for the export of their products, TAT's revenues may decrease. Similarly, if TAT's suppliers and partners do not receive their government approvals necessary to export their products or designs to TAT, TAT's revenues may decrease.*

Under Israeli law, the export of certain products and know-how of TAT and its subsidiaries is subject to approval by the Israeli Ministry of Defense. Prior to initiating sales proposals for the export of these products and know-how and to the actual shipment of such products or know-how, TAT and its subsidiaries must obtain permits from the Israeli Ministry of Defense. TAT and its subsidiaries may not be able to receive in a timely manner, or at all, all the required permits for which they may apply in the future.

Similarly, many countries have laws according to which the export of certain military products, technical designs and spare parts require the prior approval of, or export license from, their governments. This process also applies to our partners and suppliers. If TAT and its subsidiaries or its partners and suppliers are unable to receive all the required permits and/or licenses in a timely manner, or at all, TAT's revenues may decrease.

*TAT depends on a limited number of suppliers of components for certain of its products and if TAT or any of its subsidiaries are unable to obtain these components when needed, they would experience delays in manufacturing their products and TAT's financial results could be adversely affected.*

TAT relies on a limited number of key suppliers for parts for certain of its OEM activities and MRO services. Some of these suppliers are currently the sole source of one or more components upon which TAT is dependent. For example, Honeywell International Inc. is a key supplier to TAT of APU spare parts and of certain other components used by TAT and its subsidiaries for OEM activities and in the provision of MRO services. TAT's subsidiary, Piedmont, is a Honeywell licensed Authorized Repair Center for APUs under two separate agreements, for military and commercial applications. In September 2020, Piedmont entered into a ten-year agreement with Honeywell for the commercial application. Under this agreement, Piedmont is designated as an authorized MRO station under Honeywell's license.

Suppliers of some of these components require TAT to place orders with significant lead time to assure supply in accordance with TAT's requirements. A delay in the supply of these components can significantly delay the delivery of our products and services. If TAT were to engage in a commercial dispute with or be unable to obtain adequate supplies of parts from these suppliers at commercially reasonable prices or required lead time, TAT could experience delays in manufacturing and its financial results could be adversely affected. Increased costs associated with supplied materials or components could increase TAT's costs and reduce TAT's profitability if TAT is unable to pass these cost increases on to its customers.

*TAT may be affected by changes in government trade policies and international trade disputes that result in tariffs and other protectionist measures could adversely affect our business in the future.*

The U.S. government and the current administration have made public statements and taken certain actions indicating significant changes in U.S. trade policy, including imposing new or increased tariffs on certain goods imported into the United States from Canada, Mexico and China. In response, a number of other countries have announced an intention to impose additional duties on imports from the United States. To date, our business has not been affected by such actions. However, changes in government trade policies and international trade disputes that result in tariffs and other protectionist measures could adversely affect our business in the future.

*TAT may face increased labor and raw materials costs. TAT may not be able to recoup future increases in the cost of wages and raw materials required for its operations through price increases for its products.*

We are impacted by inflationary increases in wages and cost of raw materials. In all countries in which we operate, wage and benefit inflation, whether driven by competition for talent, or ordinary course pay increases and other inflationary pressure, may increase our cost of providing services and reduce our profitability. Decreases in the availability of supplies, increases in the cost of supplies, and delivery issues have caused shortages and delays, as well as increased costs for the procurement of raw materials, components and other supplies required for our performance. TAT may not be able to recoup future increases in the cost of labor and raw materials through price increases for its products and services. Our operating profits and margins under our contracts could be adversely affected by these factors, particularly if the current inflationary pressures are prolonged. If TAT is unable to obtain the raw materials required for its operation, TAT could experience delays or disruptions in the provision of its services and its financial results could be adversely affected.

*TAT's future success depends on its ability to develop new offerings and technologies.*

The markets we serve are characterized by rapid changes in technologies and evolving industry standards. In addition, some of our products are installed on, and some of our services are provided in connection with, platforms that may have a limited life or become obsolete. Unless we develop new offerings or enhance our existing offerings, we may be susceptible to loss of market share resulting from the introduction of new or enhanced offerings by competitors.



***TAT may face significant risks in the management of its inventory, while failure to effectively manage its inventory levels may result in supply imbalances that could harm its business***

We maintain an inventory of exchangeable units of heat transfer solutions, aviation accessories, aviation components, APUs, landing gears, engine blades and coating materials and other spare parts related to our products and services in various locations, including with third party logistics providers. Due to the long lead time of our suppliers and manufacturing cycles, we need to forecast demand and commit significant resources towards these inventories. As such, we are subject to significant risks in managing the inventory needs of our business, including estimates of the appropriate demand across our products. Should actual market conditions differ from our estimates, our future results of operations could be materially adversely affected. In the future, we may be required to record write-downs of finished products and materials on-hand as a result of future changes in our sales forecasts.

***TAT's backlog of projects under contract is subject to unexpected adjustments, delays in payments and cancellations.***

Our backlog includes purchase orders received from our customers for our products or services and our estimation of the maximum potential revenues that are expected to be derived from frame agreements with our customers over the life of the contract or 10 years – the lower of the two. There is no legal obligation from the customer to purchase our products or services under those frame agreements. In addition, we use estimations to evaluate the potential revenue from these agreements. From time to time, for reasons beyond our control, projects are delayed, scaled back, suspended or cancelled, or the customer delays making payments, which may adversely affect the revenue, profit and cash flow that we ultimately receive from contracts reflected in our backlog.

***TAT faces special risks from international sales operations which may have a material adverse effect on TAT's business, operating results and financial condition.***

In the years ending December 31, 2024, 2023 and 2022, approximately 94%, 93% and 92% of TAT's sales, respectively, resulted from TAT's international sales (i.e., excluding Israel). This revenue concentration is subject to various risks, including:

- Governmental embargoes or foreign trade restrictions;

- Changes in U.S. and foreign governmental regulations;
- Changes in foreign exchange rates;
- Tariffs;
- Other trade barriers;
- Political, economic and social instability; and
- Difficulties collecting accounts receivable.

Accordingly, TAT and its subsidiaries may encounter significant difficulties in connection with the sale of their products in international markets.

As a result of the Russia's invasion to the Ukraine, governments of the United States, EU, Japan and other jurisdictions have announced the imposition of sanctions on specific industry sectors and entities in Russia and certain affected regions, as well as enhanced export controls on certain products and industries. Due to such sanctions, our subsidiary Limco, has ceased selling its products to customers in Russia. Although our business in Russia is limited in scope, these restrictions may lead to a reduction of our sales and adversely impact our financial results.

***TAT may engage in future acquisitions that could dilute TAT's shareholders' equity and harm TAT's business, results of operations and financial condition.***

TAT has pursued, and will continue to pursue, growth opportunities through organic growth as well as acquisition of businesses, products and technologies.

TAT is unable to predict whether or when any prospective acquisition will be completed. TAT may not be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate the acquired businesses into its operations, or expand into new markets. The process of integrating an acquired business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of TAT's resources, including management attention. Furthermore, once integrated, acquisitions may not achieve comparable levels of revenues, profitability or productivity as TAT's existing business or otherwise perform as expected. The occurrence of any of these events could harm TAT's business, financial condition or results of operations. Future acquisitions may require substantial capital resources, which may require TAT to seek additional debt or equity financing.

Future acquisitions by TAT could result in the following, any of which could materially harm TAT's results of operations or the price of TAT's ordinary shares:

- Issuance of equity securities that would dilute TAT's shareholders' percentages of ownership;
- Large one-time write-offs;
- The incurrence of debt and contingent liabilities;
- Difficulties in the assimilation and integration of operations, personnel, technologies, products and information systems of the acquired companies;
- Diversion of management's attention from other business activities and concerns;
- Contractual disputes;
- Risks of entering geographic and business markets in which TAT has no or only limited prior experience; and
- Potential loss of key employees of acquired organizations.

***Our strategic partnerships and relationships carry inherent business risks.***

We may participate in strategic partnerships and joint ventures in a various countries. For example, we have signed a joint venture agreement with the Russian-based company engineering, to establish a new facility for the provision of MRO services for heat transfer components in Russia and the Commonwealth of Independent States ("CIS").

Our actions with respect to these affiliated companies may be partially restricted by shareholders agreements entered into with our strategic partners. Our business, financial condition, results of operations and prospects may be materially harmed if disagreements arise with our partners. Additionally, our ability to withdraw funds and dividends from these entities may depend on the consent of such partners. If one of our strategic partners becomes subject to investigation, sanctions or liability, TAT might be adversely affected. Furthermore, strategic partnerships in emerging markets are accompanied by risks inherent to those markets, such as an increased probability of a partner defaulting on obligations or losing a partner with important insights in that region. Strategic partnerships in emerging markets are subject to greater risks than strategic partnerships in more developed markets, including significant political, legal and economic risks and risks related to fluctuations in currencies. As a result of Russia's invasion to the Ukraine, governments in the United States, EU, Japan and other jurisdictions have announced the imposition of sanctions on specific industry sectors and entities in Russia and certain affected regions, as well as enhanced export controls on certain products and industries. Due to such sanctions, during 2024, 2023 and 2022 our joint venture in Russia ceased to purchase heat-exchange cores from Limco, our US subsidiary, and therefore the joint venture had to materially limit the extent of the MRO services it provides to its customers.

***Rapid technological changes may adversely affect the market acceptance of TAT's products.***

The aerospace and defense markets in which TAT competes are subject to technological changes, introduction of new products, changes in customer demands and evolving industry standards. For example, new materials, new structures and 3D printing – a technology based on the principle of joining thin layers of materials, in horizontal cross-section, to build up a real, three-dimensional object from a digital model – may enable the manufacturing of high-quality and new characterization heat exchangers in serial production with a better return of value. The future success of TAT will depend upon its ability to keep pace with technological developments and to timely address the increasingly sophisticated needs of its customers by supporting existing and new technologies and by developing enhancements to its current products and by introducing new ones.

***TAT has fixed-price contracts with some of its customers and TAT bears the risk of costs in excess of its estimates. In addition, TAT may not be able to pass on increased costs to its customers.***

TAT has entered into multi-year, fixed-price contracts with some of its MRO and OEM customers. Pursuant to these contracts, TAT realizes all the benefits or costs resulting from any increases or decreases in the cost of providing services and products to these customers. Several of TAT's contracts do not allow TAT to recover for increases in raw material prices, taxes or labor costs, while other contracts may permit, to a limited extent, periodic price adjustments. Any increase in these costs could increase the cost of operating our business and reduce our profitability. Factors such as inaccurate pricing and increases in the cost of labor, materials or overhead may result in cost over-runs and losses on those agreements. TAT may not succeed in obtaining customer approval to re-price a particular product and may not be able to recoup previous losses resulting from incomplete or inaccurate engineering data. In addition, as costs increase, TAT may not be able to pass on such increased costs to other customers. This could materially impact TAT's profitability.

***TAT depends on its key executives; it may not be able to hire and retain additional key employees or successfully integrate new members of its team; the loss of key employees could have a material adverse effect on TAT's business.***

TAT's success depends to a large extent on the experience and expertise of its senior management. Any member of TAT's senior management may choose to end his or her employment with TAT and seek employment with others for any reason. The loss of the expertise of TAT's senior management through death, disability or an employee's decision to end his or her employment could have a material and adverse effect on our business, financial condition and results of operations. TAT is not the beneficiary of life or disability insurance covering any of its senior management, key employees or other personnel.

***TAT depends on its manufacturing and MRO facilities and any material damage to these facilities may adversely impact TAT's operations.***

TAT's results of operations depend in large part on its ability to provide prompt and efficient service to its customers upon receipt of orders, either the manufacture and delivery of OEM products or the provision of MRO services. As a result, any material disruption of TAT's day-to-day operations could have a material adverse effect on its business, customer relations and profitability. TAT relies on its facilities in Kiryat Gat, Israel, Kernersville and Greensboro, North Carolina and Tulsa, Oklahoma for the manufacture of its OEM products and provision of its MRO services. A war or terrorist act, fire, flood, earthquake or other disaster or condition that significantly damaged or destroyed any of these facilities would have a material adverse effect on the operations of TAT.

***TAT uses equipment that is not easily repaired or replaced, and therefore material equipment failures could cause TAT or its subsidiaries to be unable to meet quality or delivery expectations of its customers.***

Many of TAT's service and manufacturing processes are dependent on equipment that is not easily repaired or replaced. As a result, unexpected equipment failures could result in production delays or the manufacture of defective products. TAT's ability to meet its customers' expectations with respect to on-time delivery of repaired components or quality OEM products is critical. Failure by TAT to meet the quality or delivery expectations of its customers could lead to the loss of one or more of its significant customers.

***TAT may fail to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.***

The Sarbanes-Oxley Act of 2002 (“SOX”) imposes certain duties on TAT and its executives and directors. TAT’s efforts to comply with the requirements of Section 404 of the SOX, governing internal controls and procedures for financial reporting, have led to increased general and administrative expenses and a diversion of management time and attention. TAT expects these compliance efforts will continue to require commitment of significant resources. As part of these efforts, TAT may identify material weaknesses or significant deficiencies in its assessments of its internal controls over financial reporting. Failure to maintain effective internal controls over financial reporting could result in investigation or sanctions by regulatory authorities and could have a material adverse effect on TAT’s operating results, investor confidence in TAT’s reported financial information and the market price of TAT’s ordinary shares. Our independent registered public accounting firm is not required to perform an audit of our internal controls over financial reporting as of December 31, 2024.

***TAT has potential exposure to liabilities arising under environmental laws and regulations.***

TAT’s business operations and facilities are subject to various federal, state, and local laws and regulations related to the environment, including, but not limited to, regulations that govern the discharge of pollutants and hazardous substances into the air and water, as well as the handling, storage and disposal of such materials. Compliance with such laws as they relate to the handling, storage and disposal of hazardous substances is a significant obligation for TAT across all of its facilities. If it fails to comply with these and other environmental-related laws and regulations, TAT would be subject to serious consequences, including fines and other sanctions, and limitations on its operations due to changes to, or revocations of, the environmental permits applicable to its facilities. The adoption of new laws and regulations, stricter enforcement of existing laws and regulations, discovery of previously unknown contamination or the imposition of new cleanup requirements could require TAT to incur costs and become subject to new or increased liabilities that could increase TAT’s operating costs and adversely affect the manner in which we conduct our business.

Under certain environmental laws, liability associated with an investigation or remediation of hazardous substances can arise from a broad range of properties, including properties currently or formerly operated by TAT or any of its predecessors, as well as properties to which TAT sent hazardous substances or wastes for treatment, storage, or disposal. Costs and other obligations can arise from claims for toxic torts, natural resource and other damages, as well as the investigation and clean-up of contamination at such properties. Under certain environmental laws, such liability may be imposed jointly and severally, meaning that TAT could be held responsible for more than its proportionate share of liability, and, in some cases, may even be responsible for the entire liability at issue. The extent of any such liability is often difficult to predict, creating uncertainty regarding the potential financial and operational impacts on TAT.

*TAT is exposed to potential liabilities arising from product liability and warranty claims.*

TAT is exposed to potential liabilities for personal injury or death as a result of the failure of an aircraft component that was designed, manufactured, serviced or supplied by TAT. TAT believes that, in an effort to improve operating margins, some customers have delayed the replacement of parts beyond their recommended lifetime, which may undermine aircraft safety and increase the risk of liability of TAT and its subsidiaries.

If any of our products are defective, we could be required to redesign or recall those products or pay substantial damages or warranty claims. Such an event could result in significant expenses, disrupt sales, and damage both TAT's reputation and that of its products and services. There can be no assurance that TAT will not experience material product liability losses in the future or incur significant costs to defend such claims. In addition, although TAT maintains product liability insurance, there can be no assurance that its insurance coverage will be adequate if claims arise or that it would be able to maintain insurance coverage in the future at an acceptable cost. A successful claim brought against TAT or its subsidiaries in excess of its available insurance coverage may have a material adverse effect on TAT's business.

Furthermore, contractual disputes over warranties can occur during ordinary course of business. TAT may be subject to requests from customers for cost sharing or pricing adjustments as a part of their commercial relationships, even though the customers had previously agreed to bear these risks.

***Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business.***

Our operations depend on the continued and secure functioning of our computer and communications systems and the protection of information stored in computer databases maintained by us, and in certain circumstances, by third parties. Such systems and databases are subject to breach, damage, disruption or failure from, among other things, cyber-attacks and other unauthorized intrusions. In particular, we may be targeted by experienced computer hackers who may attempt to penetrate our computer systems and misappropriate or compromise our confidential information or that of our customers. A significant invasion, interruption, destruction or breakdown of our information technology, or IT, systems and/or infrastructure by persons with authorized or unauthorized access could negatively impact our business and operations. We could also experience business interruption, information theft and/or reputational damage from cyber-attacks, which may compromise our systems and lead to data leakage either internally or at our third-party providers. Both data that has been inputted into our main IT platform, which covers records of transactions, financial data and other data reflected in our results of operations, as well as data related to our proprietary rights (such as research and development, and other intellectual property-related data), are subject to material cyber security risks. To date, we are not aware that we have experienced any loss of, or disruption to, material information as a result of any such malware or cyber-attack.

***TAT's activity in Israel may be adversely affected by a change in the exchange rate of the NIS against the U.S dollar. Because exchange rates between the NIS and the U.S dollar fluctuate continuously, exchange rate fluctuations, particularly larger periodic devaluations, may have an impact on TAT's profitability and period to period comparisons of TAT's results.***

TAT's financial statements are stated in dollars, while a portion of TAT's expenses in Israel, primarily labor expenses, are incurred in NIS and a portion of our revenues are quoted in NIS and in Euro. Additionally, certain assets, as well as a portion of TAT's liabilities, are denominated in NIS. As exchange rates between the NIS and the U.S dollar fluctuate continuously, such fluctuations, particularly larger periodic devaluations, may have an impact on TAT's profitability and period-to-period comparisons of TAT's results. TAT's results may be adversely affected by the devaluation of the NIS in relation to the U.S dollar (or if such devaluation is on a lagging basis), particularly if TAT's revenues in NIS are higher than TAT's expenses in NIS and/or if the value of TAT's assets in NIS is higher than TAT's liabilities in NIS. Alternatively, TAT's results may be adversely affected by an appreciation of the NIS in relation to the dollar (or if such appreciation is on a lagging basis), if TAT's expenses in NIS are higher than TAT's revenues in NIS and/or TAT's liabilities in NIS are higher than TAT's assets in NIS. From time to time, we enter into hedging transactions to attempt to limit the impact of foreign currency fluctuations. However, the protection provided by such hedging transactions may be partial and leave certain exchange rate-related losses and risks uncovered. Therefore, our business and profitability may still be harmed by such exchange rate fluctuations.



## Risk Factors Related to Our Ordinary Shares

*TAT's share price has been volatile in the past and may decline in the future.*

TAT's ordinary shares have experienced significant market price and volume fluctuations in the past and may experience significant market price and volume fluctuations in the future, in response to factors such as the following, some of which are beyond TAT's control:

- Quarterly variations in TAT's operating results;
- Operating results that vary from the expectations of securities analysts and investors;
- Changes in expectations as to TAT's future financial performance, including financial estimates by securities analysts and investors;
- Announcements of technological innovations or new products by TAT or TAT's competitors;
- Announcements by TAT or TAT's competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- Announcements by third parties of significant claims or proceedings against us;
- Additions or departures of key personnel;
- Future sales of TAT's ordinary shares by the Company (such as the issuance and sale in December 2023) or by our controlling shareholders or others;
- The effects of the war and hostilities between Israel and Hamas, Hezbollah and Iran;
- De-listing of TAT's shares from NASDAQ and/or from the TASE;
- Stock market price and volume fluctuation;
- Legal proceedings against TAT or its controlling shareholders; and

- Regulatory actions by securities authorities which impacts TAT's interaction with securities analysts and institutional investors.

Equity stock markets can undergo extreme price and volume fluctuations. Market fluctuations, as well as political and economic conditions, such as a recession, interest rate or currency rate fluctuations and political events or hostilities in or surrounding Israel, could adversely affect the market price of TAT's ordinary shares.

In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. TAT may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources both of which could have a material adverse effect on TAT's business and results of operations.

*Substantial future sales of TAT's ordinary shares by TAT's principal shareholders may depress TAT's share price.*

TAT's principal shareholders, FIMI Israel Opportunity FIVE, Limited Partnership and FIMI Opportunity V, L.P. ("FIMI" or the "FIMI Funds"), beneficially own together approximately 26.6% of TAT's issued and outstanding shares. If FIMI sells a substantial number of TAT's ordinary shares or if there is a perception that FIMI may sell a substantial number of TAT's ordinary shares, the market price of TAT's ordinary shares may decline. Any substantial sales of TAT's shares in the public market may also impede our ability to sell equity or equity-related securities in the future at a time, in a place and on terms TAT deems appropriate.

#### **Risks Relating to Our Location in Israel**

*Because TAT has significant operations in Israel, TAT may be subject to political, economic and other conditions affecting Israel (including the ongoing war and hostilities with Hamas, Hezbollah, the Houthi Movement and Iran) that could increase TAT's operating expenses and disrupt TAT's business. TAT is incorporated under the laws of the State of Israel. TAT's executive offices, its research and development facilities and manufacturing plant are also located in Israel. As a result, political, economic and military conditions affecting Israel directly influence TAT. Any major hostilities involving Israel, a full or partial mobilization of reserve forces of the Israeli army, the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel could have a material adverse effect on TAT's business, financial condition and results of operations.*

Since its establishment in 1948, Israel and its Arab neighbors have engaged in a number of armed conflicts. A state of hostility, varying from time to time in intensity and degree, has led to security and economic challenges for Israel. Major hostilities between Israel and its neighbors may hinder Israel's international trade and lead to economic downturn. This, in turn, could have a material adverse effect on TAT's operations and business.

In October 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on Israeli population and industrial centers located along Israel's border with the Gaza Strip and in other areas within the State of Israel. These attacks resulted in extensive deaths, injuries and kidnapping of civilians and soldiers. Following the attacks, Israel's security cabinet declared war against Hamas and a military campaign against these terrorist organizations commenced in parallel to their continued rocket and terror attacks.

Following the attack by Hamas on Israel's southern border, Hezbollah in Lebanon has also launched missile, rocket, and shooting attacks against Israeli military sites, troops, and Israeli towns in northern Israel. In response to these attacks, the Israeli army has carried strikes on sites belonging to Hezbollah in Lebanon.

In addition, Israel faces threats from more distant neighbors, in particular, Iran which attacked Israel, may be developing nuclear weapons and has targeted cyber-attacks against Israeli entities, and terrorist groups in Yemen, which attacked Israel and limited the movement of marine shipments to Israel through the Red Sea.

Currently TAT's continues its business and operations but the intensity and duration of Israel's current war is difficult to predict, as are such war's economic implications on our business and operations and on Israel's economy in general.

Furthermore, there are a number of countries, primarily Arab and Muslim countries, that restrict or frown upon business with Israel or Israeli companies, and TAT is precluded from marketing its products to these countries. Restrictive laws or policies directed towards Israel or Israeli companies may have an adverse impact on TAT's operations, TAT's financial results or the expansion of TAT's business. These events may be intertwined with wider macroeconomic indications of a deterioration of Israel's economic standing, that may involve an additional downgrade in Israel's credit rating by rating agencies (such as the downgrade by Moody's of its credit rating of Israel from A1 to A2, as well as the downgrade of its outlook rating from "stable" to "negative"), which may have a material adverse effect on our company and its ability to effectively conduct its operations.

Finally, prior to October 2023, the current elected government in Israel was pursuing extensive reforms to Israel's judicial system and has recently renewed its efforts to effect such changes. Certain financial, legal and commercial organizations and entities have claimed that such changes, if adopted, could adversely affect the macroeconomic condition in which we operate. At this stage, the proposed legislation has not become effective, and its scope has not been fully determined; we cannot assess the potential impacts of these changes and their likelihood on our business, prospects, financial condition, and results of operation.

*TAT's results of operations may be negatively affected by the obligation of its personnel to perform military service.*

Many of TAT's employees and some of TAT's directors and senior management based in Israel are obligated to perform annual reserve duty in the Israel Defense Forces ("IDF") and may be called for active duty under emergency circumstances at any time. If a military conflict or war arises, these individuals could be required to serve in the military for extended periods of time. TAT's operations could be disrupted by the absence of one or more of its senior management, key employees or a significant number of other employees for a significant period due to military service. Any such disruption in TAT's operations could adversely affect TAT's business. Since October 7, 2023, the IDF has called up more than 350,000 of its reserve forces to serve. A significant number of our management and non-management employees are currently subject to military service in the IDF and many of them have been called to serve. In addition, the family members of many of our Israeli team members are currently serving in the IDF. Such disruption could materially and adversely affect our business, prospects, financial condition, and results of operations.

*Your rights and responsibilities as a shareholder are governed by Israeli law and may differ in some respects from the rights and responsibilities of shareholders under U.S. law.*

TAT is incorporated under Israeli law. The rights and responsibilities of holders of TAT's ordinary shares are governed by TAT's articles of association and by the Israeli Companies Law (as defined below). These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, each shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising his or her rights and fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters. The Companies Law provides that these duties are applicable in shareholder votes on, among other things, amendments to a company's articles of association, increases in a company's authorized share capital, mergers and interested party transactions requiring shareholder approval. In addition, a controlling shareholder of an Israeli company, or a shareholder who knows that he or she possesses the power to determine the outcome of a shareholder vote or who has the power to appoint or prevent the appointment of a director or officer in the company, has a duty of fairness toward the company. However, Israeli law currently does not define the substance of this duty of fairness. Because Israeli corporate law has undergone extensive revision in recent years, there is relatively little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

*Israeli law may delay, prevent or make difficult an acquisition of TAT, which could prevent a change of control and, therefore, depresses the price of TAT's shares.*

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. Furthermore, Israeli tax considerations may make potential transactions unappealing to TAT or to some of TAT's shareholders. These provisions of Israeli law may delay, prevent or make difficult an acquisition of TAT, which could prevent a change of control and therefore depress the price of TAT's shares.

*Investors and TAT's shareholders generally may have difficulties enforcing a U.S. judgment against TAT, TAT's executive officers and directors or asserting U.S. securities laws claims in Israel.*

TAT is incorporated in Israel and the majority of TAT's executive officers and directors reside outside the United States. Service of process upon them may be difficult to effect within the United States. Furthermore, many of TAT's assets and most of the assets of TAT's executive officers and directors are located outside the United States. Therefore, a judgment obtained against TAT or certain of its executive officers and directors in the United States, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It also may be difficult for you to assert U.S. securities law claims in original actions instituted in Israel. Moreover, among other reasons, including but not limited to, fraud or absence of due process, or the existence of a judgment which is at variance with another judgment that was given in the same matter or if a suit in the same matter between the same parties was pending before a court or tribunal in Israel, an Israeli court will not enforce a non-Israeli judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if the enforcement is likely to prejudice the sovereignty or security of the State of Israel.

*As a foreign private issuer whose shares are listed on NASDAQ, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements which may not afford shareholders with the same protections that shareholders of domestic companies have.*

As a foreign private issuer whose shares are listed on the NASDAQ Capital Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of The NASDAQ Marketplace Rules. We follow Israeli law and practice instead of The NASDAQ Marketplace Rules with respect to the director nominations process and the requirement to obtain shareholder approval for the establishment or material amendment of certain equity-based compensation plans and arrangements. As a foreign private issuer listed on the NASDAQ Capital Market, we may also follow home country practice with regard to, among other things, the requirement to obtain shareholder approval for certain dilutive events (such as for an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). A foreign private issuer that elects to follow a home country practice instead of NASDAQ requirements must submit to NASDAQ in advance a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. In addition, a foreign private issuer must disclose in its annual reports filed with the SEC each such requirement that it does not follow and describe the home country practice followed by the issuer instead of any such requirement. Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ's corporate governance rules.

#### **Item 4. Information on the Company**

##### **History and Development of TAT**

###### **A. Business Overview**

TAT was incorporated under the laws of the State of Israel in April 1985 under the name Galaxy Graphics Ltd. TAT underwent several name changes, becoming Galagraph Ltd. in August 1986 and TAT Technologies Ltd. in May 1992. TAT is a public limited liability company under the Israeli Companies Law 1999-5759, (“Israeli Companies Law”), and operates under this law and associated legislation. TAT’s registered offices and principal place of business are located at 5 Hamelacha St., Netanya 4250540 Israel, and its telephone number is +972-8-862-8500. TAT’s website is [www.tat-technologies.com](http://www.tat-technologies.com). The information on TAT’S website, or that can be accessed through the website, is not incorporated by reference into this annual report. The Company’s agent for service of process in the United States is the Company’s subsidiary, Limco-Piedmont, Inc., 5304 S. Lawton Avenue, Tulsa, Oklahoma 74107.

TAT was founded in 1985 to develop the computerized systems business of its then parent company, TAT Industries Ltd. (“TAT Industries”), a publicly-held Israeli corporation then engaged in the manufacture and sale of aeronautical equipment. In December 1991, TAT acquired the heat exchange operations of TAT Industries and in 2000, TAT purchased the remaining operations of TAT Industries relating to the manufacture and maintenance of aviation accessories and leased certain of its properties.

In March 1987, TAT completed the initial public offering of its securities in the United States. TAT was listed on the NASDAQ Global Market (then known as the NASDAQ National Market) from its initial public offering until July 1998 when the listing of TAT’s ordinary shares was transferred to the NASDAQ Capital Market. On June 24, 2009, TAT’s ordinary shares resumed trading on the NASDAQ Global Market. Since August 2005 TAT’s shares have been traded also on the TASE.

In 1993, TAT acquired Limco Airepair, Inc. ("Limco"), which is located in Tulsa, Oklahoma. Limco's FAA-certified repair station provides MRO services for airlines, air cargo carriers, maintenance service centers and the military, especially for heat transfer components. In addition to its MRO services, Limco is an OEM of heat transfer solutions for aircraft and system manufacturers and other selected related products.

In 2005, Limco acquired Piedmont, a company located in Greensboro, North Carolina, AND certified by the FAA to perform MRO services of APUs and landing gears. Piedmont's FAA-certified repair station provides MRO services for airlines, air cargo carriers, maintenance service centers and the military, especially for landing gears and APUs.

In July 2007, Limco-Piedmont completed an initial public offering of its common stock and Limco-Piedmont's shares were listed on the NASDAQ Global Market (symbol: LIMC) until July 2, 2009, when TAT acquired all of the publicly held shares of Limco-Piedmont in a stock-for-stock merger. As a result of such merger, Limco-Piedmont again became a wholly-owned subsidiary of TAT.

On December 4, 2009, TAT, through its subsidiary Piedmont, signed an investment agreement with FAvS. According to the agreement, Piedmont was issued 288,334 shares of Class B common stock of FAvS, representing 37% of FAvS' then share capital (total number of shares acquired was subsequently adjusted as result of a 1 for 20 reverse stock split) and \$750,000 of FAvS preferred shares (entitled to cash dividends at an annual rate of 12% payable quarterly or to additional preferred shares at an annual rate of 15%) in return for Piedmont's propeller and parts businesses.

On March 11, 2015, Piedmont sold 237,932 shares of Class B common stock of FAvS representing 23.18% of FAvS' share capital and its entire holdings in FAvS' Series A preferred stock for an insignificant amount. As of December 31, 2024, TAT owns less than 5% of FAvS' issued and outstanding share capital.

In October 2015, TAT acquired Turbochrome, a company certified by the FAA and EASA to perform overhaul and coating of jet engine components, including turbine vanes and blades and fan blades.

In November 2015, TAT entered into an agreement with Engineering to establish a new MRO facility in Russia. The company, TAT-Engineering LLC, is based in Novosibirsk's Tolmachevo airport and is provides services of minor repair, overhaul and recore for heat transfer components in Russia and the CIS. According to the joint venture agreement, TAT owns 51% of TAT-Engineering's shares and the remaining 49% are held by Engineering.



In 2020 and 2021, TAT (through Piedmont) signed multiple strategic contracts with the Fortune 100 multinational aerospace company Honeywell. Under these contracts, TAT was awarded a 10-year license for repair and overhaul of APUs for Boeing and Airbus's key platforms, including B737, B777, B767/757 and A320 aircraft as well as the C17 which is used for military purposes. In addition, during these years, Piedmont has completed its facility upgrades required to commence MRO operations for the GTCP331-500 (B777) and GTCP131-9 (A320/B737). In February 2023, TAT announced a contract expansion with a global air carrier, pursuant to which TAT provides MRO services to the airline's GTCP331 model APUs.

In December 2023, TAT completed the issuance and sale of 1,158,600 ordinary shares in a private placement to Israeli institutional and accredited investors, for a purchase price of NIS 31.70 per share, resulting in the net proceeds to TAT, after deduction offering expenses, of approximately NIS 36.2 million. The sale of ordinary shares was being made in Israel only and not to U.S. persons, as defined in Rule 902 of the U.S. Securities Act of 1933, as amended (the "Securities Act"), pursuant to a registration exemption afforded by Regulation S promulgated under the Securities Act, and the ordinary shares will be subject to certain transfer restrictions. The ordinary shares will not be registered under the Securities Act and will not be offered or sold in the United States without registration or applicable exemption from the registration requirements according to the Securities Act.

In September 1, 2024, TAT received and accepted commitments from Israeli institutional and accredited investors (as defined under the Israeli Securities Law) to participate in a private placement (the "Private Placement") of the Company's ordinary shares.

In September 6, 2024, TAT completed the issuance and sale of 673,340 ordinary shares in a private placement to Israeli institutional and accredited Investors, for a purchase price of NIS 54.95 per share, resulting in the net proceeds to TAT, after deduction offering expenses, of approximately NIS 36.5 million.

## Recent Developments

In August 15, 2024, the Company's general meeting of the shareholders, approved the cancellation of the par value of the Company's ordinary shares and the amendment of the Company's Articles of Association to reflect such change.

In December 2024, TAT entered into a five-year agreement with a major North American cargo carrier. Under the terms of the agreement, TAT will provide repair and overhaul services under an MRO agreement for APUs in the Carrier's Boeing 757 and 767 aircrafts. The total contract value over the duration of the agreement is estimated at approximately \$17 million.

In March 2025, the Company's general meeting of the shareholders, approved, among other things, the following issues: (i) renewal and amendment of the Company's compensation policy for an additional three years; (ii) amendment of the Company's 2022 Stock Option Plan; and (iii) an increase in the authorized share capital of the Company and the amendment of the Company's Articles of Association to reflect such change.

## Business Overview

TAT Technologies Ltd. is a leading provider of solutions and services to the commercial and military aerospace and ground defense industries focused mainly on three product areas and services: Thermal Management, Power and Actuation and Maintenance, Repair and Overhaul. TAT operates under four business unit: (i) OEM of heat transfer solutions and aviation accessories through its Kiryat Gat facility (TAT Israel); (ii) MRO services for heat transfer components and OEM of heat transfer solutions through its Limco subsidiary; (iii) MRO services for aviation components through its Piedmont subsidiary; and (iv) overhaul and coating of jet engine components through its Turbochrome subsidiary.

TAT's activities in the area of OEM of heat transfer solutions and aviation accessories through TAT Israel primarily include the design, development and manufacture of (i) a broad range of heat transfer solutions, such as pre-coolers heat exchangers and oil/fuel hydraulic heat exchangers, used in mechanical and electronic systems on board commercial, military and business aircraft; (ii) environmental control and power electronics cooling systems installed on board aircraft and ground applications; and (iii) a variety of other mechanical aircraft accessories and systems such as pumps, valves, and turbine power units.

TAT's activities in the area of MRO and OEM of heat transfer solutions include the MRO of heat transfer components and to a lesser extent, the manufacturing of certain heat transfer solutions. TAT's Limco subsidiary operates an FAA-certified repair station, which provides heat transfer MRO services for airlines, air cargo carriers, maintenance service centers and the military.

TAT's activities in the area of MRO services for aviation components include the MRO of APUs, landing gears and other aircraft components. TAT's Piedmont subsidiary operates an FAA-certified repair station, which provides aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military.

TAT's activities in the area of jet engine overhaul through its Turbochrome facility includes the overhaul and coating of jet engine components, including turbine vanes and blades, fan blades, variable inlet guide vanes and afterburner flaps.

***OEM of Heat Transfer Solutions and Aviation Accessories (TAT Israel)***

TAT is an OEM of heat transfer solutions and aviation accessories to the commercial and military aerospace and ground defense industries, primarily through its TAT Israel. The main OEM activity at TAT Israel is the design and manufacture of a comprehensive line of heat exchangers and cold plates. Heat transfer solutions facilitate removal and dissipation of heat generated during the operation of mechanical and electronic systems. TAT Israel's heat transfer solutions are generally integrated into complete cooling systems. Using proprietary technological expertise, we design each heat transfer product to meet the specific space, power, performance and other needs of our customers. TAT Israel's heat transfer solutions are marketed worldwide for applications in commercial and military aircraft and electronic systems, the primary users of such equipment. TAT Israel's customers include, Liebherr-Aerospace Toulouse S.A. ("Liebherr"), Boeing Aircraft Company ("Boeing"), Israel Aerospace Industries, ("IAI"), Textron Aviation ("Cessna"), Pilatus Aircraft Ltd ("Pilatus"), Embraer Empresa Brasileira de Aeronáutica S.A. ("Embraer"), Eaton Aerospace LLC ("Eaton"), Parker Hannifin Corporation ("Parker"), Bell Helicopter, as well as the U.S. Air Force, U.S. Army, and U.S. Navy and other air forces from around the world. Such supply contracts are generally long-term engagements that may have terms of ten years or more.

As part of its OEM activities, TAT Israel is also engaged in the design, development and manufacture of complete cooling systems. This product line principally includes cooling systems for electronic systems (used in airborne military platforms) and ground cooling systems (used in military facilities, tents, vehicles and other military applications).

In addition, TAT Israel designs, develops and manufactures aviation flow control accessories. These accessories include components, such as valves and pumps. Customers for TAT Israel aviation accessories include Lockheed Martin Corporation, Boeing, Continental Motors, the Israel Air Force ("IAF"), IAI, Elbit Systems ("Elbit"), Rafael Advanced Defense Systems ("Rafael"), as well as the U.S. Air Force and U.S. Navy and other air forces from around the world.

TAT Israel's also provides limited MRO services to military customers, mainly for aviation accessories as well as for certain heat transfer solutions. TAT Israel's currently overhauls emergency power units, hydrazine tanks, jet fuel starters, cooling turbines and various valves for the F-16 fighter aircraft. The customers for TAT Israel MRO services include the IAF, IAI, various NATO countries, as well as the U.S. Air Force, U.S. Army and U.S. Navy.

TAT Israel relies on highly qualified personnel and strong engineering, development and manufacturing capabilities that enable it to support its customers from the early program development phase to prototype delivery.

TAT estimates the size of the markets in which TAT Israel operates to be significant based on the scope of development projects and purchasing processes of its customers. Many of the projects TAT Israel is engaged in are lengthy and complex, which account for its long-term supplier relationships and the customer loyalty it enjoys. TAT plans to expand its TAT Israel operations in the OEM segment, among other things, by increasing the scope of work with its existing strategic customers, establishing relationships with new customers, increasing its capabilities in complete systems/subsystems manufacturing, and by targeting strategic territories with high commercial potential.

*MRO Services for Heat Transfer Components and OEM of Heat Transfer Solutions (Limco)*

Through its Limco subsidiary TAT provides MRO services and OEM services to the aerospace and ground defense industries in the field of heat transfer. Limco's FAA-certified repair station provides aircraft component MRO services for airlines, OEMs, air cargo carriers, maintenance service centers and the military. Limco is also certified by the EASA, and the Civil Aviation Administration of China. Limco has NADCAP certification for dye penetrant testing, welding and heat treating. Limco specializes in MRO services for components of aircraft, such as heat transfer components and ozone converters. Generally, manufacturer specifications, government regulations and military maintenance regimens require that aircraft components undergo MRO servicing at regular intervals or as necessary. Aircraft heat transfer components typically require MRO services, including repairs and installation of replacement units, after two to five years of service or sooner if required. Aircraft manufacturers typically provide warranties on new aircraft and their components and subsystems, which may range from one to five years. Warranty claims are generally the responsibility of the OEM during the warranty period. Limco's business opportunity usually begins upon the conclusion of the warranty period for these components and subsystems. Limco's customers include major U.S. domestic and international airlines, air cargo carriers, maintenance service centers, OEMs such as commercial and military aircraft manufacturers and defense contractors, and the U.S. Armed Forces (Army, Air Force, Navy and Coast Guard). MRO contracts with these types of customers are generally long-term engagements and may have terms of one to five years or more.

Limco enjoys a strong reputation among customers for its competitive pricing and fast turnaround time. It is recognized by leading OEMs of aerospace products to provide MRO services for their heat transfer solutions. For example, Limco is a well-recognized Collins Aerospace Authorized repair center, providing MRO services for many of its heat transfer solutions.

In addition to its MRO services, Limco also manufactures, on an OEM basis, heat transfer solutions used in commercial, regional, business and military aviation platforms. Customers for Limco's heat transfer solutions include Boeing, the Defense Supply Center, Parker Hannifin, Raytheon Company ("Raytheon"), BAE Systems, Bell Helicopter, Triumph Aerostructures, Northrop Grumman Corporation and Gulfstream Aerospace Corporation.

TAT estimates the size of the markets in which Limco operates to be significant based on the number of aircraft requiring MRO services provided by Limco along with the customer loyalty Limco enjoys. TAT plans to expand its Limco operations, among other things, by developing OEM and MRO capabilities for additional types of heat transfer products with significant commercial potential.

### *MRO Services for Aviation Components (Piedmont)*

Through its subsidiary Piedmont, TAT provides MRO services for aviation components to the aerospace industry. Piedmont's FAA- and EASA-certified repair station provides aircraft component MRO services for commercial airlines, business jets, air cargo carriers, maintenance service providers as well as governments and military forces worldwide. Piedmont specializes in MRO services for aircraft components, including APUs, landing gears and MPG. Generally, manufacturer specifications, government regulations and military maintenance regimens require that aircraft components undergo MRO servicing at regular intervals or as necessary. Aircraft components typically require MRO services, including repairs and installation of replacement units, after three to ten years of service or sooner if required. Aircraft manufacturers typically provide warranties on new aircraft and their components and subsystems, which may range from one to five years. Warranty claims are generally the responsibility of the OEM during the warranty period. Piedmont's business opportunity usually begins upon the conclusion of the warranty period for these components and subsystems. Piedmont's customers include U.S. domestic and international airlines, air cargo carriers and maintenance service providers. MRO contracts with these types of customers are generally long-term engagements that may have terms of one to ten years or more.

Piedmont is licensed by Honeywell as an authorized repair center to provide MRO services for several types of its APU models. Piedmont has licensing agreements in place with the major landing gear manufacturers Safran Landing Gear Systems and Liebherr Aerospace as well.

In 2021 Piedmont began providing its customers with APU engine leasing services with respect to the APU 331-250 and 331-500 models.

TAT estimates the size of the markets in which Piedmont operates to be significant based on the number of aircraft requiring MRO services provided by Piedmont. TAT plans to expand its Piedmont operations in the MRO segment by using Piedmont's experience and reputation to develop MRO capabilities for additional types of APU and landing gears applications as well as other aircraft systems/components with significant commercial potential and by offering additional supplementary services such as MPG.

In this instance, Piedmont signed several strategic agreements with Honeywell (aerospace division). Under these transactions, Honeywell granted a 10-year license to MRO with respect to the following APU lines: 331-200/250, 331-500 that serves the Boeing 777 platform and 131 that serves the Boeing 737 platform and Airbus 319-320-321 platform. During 2021, Piedmont entered into the APU leasing activity with a purchase of eighteen 331-500APU engines from Honeywell, under which Honeywell is the main customer for leasing these engines (pursuant to this agreement Piedmont is Honeywell's sole source for engines for lease purposes). In 2022 Piedmont increased the lease pool by adding six 131-9A/B APU's and five 331-200/250 APU's.

Piedmont's extensive experience in the repair and overhaul of APUs and landing systems includes a comprehensive involvement in the industry supply chain. In addition to its MRO services, Piedmont is active worldwide in the exchange, lease and individual component parts supply of its APU and landing gear products. Through a network of industry partners and well-known aerospace parts distributors, Piedmont's activity in the sale of parts is a robust element of its business. Piedmont's quality systems are AS9110 and NADCAP for non-destructive testing.

#### **Overhaul and Coating of Jet Engine Components (Turbochrome)**

Through its subsidiary Turbochrome, TAT provides MRO services for jet engine components to the aerospace industry. Turbochrome's FAA- and EASA-certified repair station provides its services mainly to maintenance service centers, airlines and the military. Turbochrome specializes in MRO services for engine components such as turbine vanes and blades, compressor vanes and blades, fan blades and after burner flaps. Generally, manufacturer specifications, government regulations and military maintenance regimens require that engine components undergo MRO servicing at regular intervals or as necessary. Commercial engine components typically require MRO services after three to five years of service or sooner if required. Engine manufacturers typically provide warranties on new engines and their components and subsystems, which may range from one to five years depending on the bargaining power of the purchaser. Warranty claims are generally the responsibility of the OEM during the warranty period. Turbochrome's business opportunity usually begins upon the conclusion of the warranty period for these components. Turbochrome's customers include domestic and international airlines, maintenance service centers and the military.

Turbochrome also specializes in the manufacturing of coating powders (for pack cementation aluminide coatings) and masking materials (for the prevention of coating in defined areas) used in the aviation industry. Turbochrome provides these materials to OEMs and to maintenance service centers.

TAT estimates the size of the markets in which Turbochrome operates to be significant based on the number of jet engines requiring MRO services. Turbochrome plans to expand its operations in the MRO segment by using Turbochrome's experience and reputation to develop MRO capabilities for additional types of jet engine components with significant commercial potential.

Turbochrome's quality system complies with ISO 9001 and AS9100, and with EASA part 145 and FAA FAR 145 for the civil parts.

In June 2020, the Company's management decided to discontinue the JT8D engine blades reconditioning activity as part of a strategic change in Turbochrome's business to focus on new capabilities to provide services to newer types of engines. This discontinued operation constitutes a material portion of Turbochrome's revenues. In 2022, the Company continued with the fade out plan of the JT8D engine blade reconditioning activity and as of 2023 and 2024 this activity is immaterial for TAT's financial statements reporting.

#### **TAT-Engineering LLC**

In November 2015, TAT signed an agreement with Russian-based Engineering Holdings Ltd, of Moscow ("Engineering"), to establish a new facility for the provision of MRO services for heat transfer components. The company, TAT-Engineering LLC, is based in Novosibirsk's Tolmachevo airport. The entity was established in January 2016 and is currently operating under FAA certifications and obtained FAA high-level repair approvals. Current efforts are focused on marketing initiatives targeting the major Russian and CIS airlines and maintenance stations. However, due to sanctions imposed by the United States, EU, Japan and other jurisdictions on certain industry sectors and entities in Russia and certain impacted regions, as well as enhanced export controls on certain products and industries, during the years of 2022, 2023 and 2024, our joint venture in Russia ceased to purchase heat-exchange cores from Limco, our US subsidiary, and therefore the joint venture had to materially limit the extent of the MRO services it provides to its customers.

#### **Business Strategy**

TAT aims to be the trusted partner to its strategic customers, delivering differentiated products and services in selected, high barrier-to-entry, markets. This will enable TAT to develop the long-term high-value relationships it strives to have with its customers to effectively complete and continue grow business and improve profitability. Currently, TAT's focus is on two main markets: thermal management solutions and services and Power and Actuation solutions and services.



Execution of TAT's strategy is based on the following principles:

- **Enhancing OEM capabilities** - capitalizing on our technical expertise, experience and reputation in the market of heat transfer solutions to expand the scope of our OEM offerings to new aircrafts or to new platforms in the existing aircrafts.
- **Expand the scope of MRO services** - leveraging our technical expertise, engineering resources and facilities to broaden MRO services to additional types of aircraft and additional aircraft systems, subsystems and components while developing the required technical expertise to provide these additional MRO services.
- **Increasing market share** - continuing aggressive marketing efforts to win new customers as well as to expand activities with existing customers, partly by focusing on cross selling opportunities between our different businesses. As part of our efforts, we also intend to expand our marketing presence in existing territories, like the United States and Western Europe as well as new territories, where TAT currently has a smaller presence and fewer customers, such as Eastern Europe, Latin America and Asia.
- **Effective synergy among group members** - enhancing the synergies between our various businesses. For example, by supplying TAT Israel with heat transfer components manufactured in Limco for the sale of heat exchangers.
- **Organic growth and M&A** - in addition to growing our existing businesses organically as detailed above, we intend to evaluate complementary acquisition opportunities.

## **Products and Services**

### ***OEM of Heat Transfer Solutions and Aviation Accessories***

TAT Israel manufactures a wide range of heat transfer solutions used on board aircraft, air conditioning systems, environmental control systems and cooling systems for electronics for military use. These solutions are manufactured in compliance with all of the stringent quality assurance standards that apply to the manufacture of aircraft parts. TAT Israel's quality system complies with ISO 9001, AS9100, Boeing quality systems approval D6-82479 and FAR 21.303 (the FAA standard for Parts Manufacturer Approval) and NADCAP for non-destructive testing and welding.

TAT Israel specializes in the design and manufacture of highly efficient, compact and reliable heat transfer solutions that are designed to meet stringent constraints such as size, weight and environmental conditions. Heat transfer solutions, such as heat exchangers and cold plates, are integral components of a wide variety of environmental control, mechanical and engine systems, as well as a wide range of electronic systems. These systems generate heat during operation that must be removed and dissipated. Heat transfer solutions facilitate the exchange of heat created through the operation of these systems by transmitting the heat from a hot medium (air, oil or other fluids) to a cold medium for disposal.

In the aerospace industry, there is a constant need for improvements in performance, weight, cost and reliability. In addition, as electronic systems become smaller and more densely packed, the need for sophisticated and efficient heat transfer components used to provide the cooling functions becomes more critical. Using TAT Israel's technological expertise, TAT believes it is well positioned to respond to these industry demands through continued new product development and product improvements.

TAT Israel's principal heat transfer solutions include heat exchangers and cold plates. Typically, air-to-air heat exchangers cool a jet engine's bleed air which, when cooled, is then used in the aircraft's air conditioning, pressurization and pneumatic systems. The liquid-to-air heat exchangers cool liquids such as engine oil, hydraulic oil and others used in other systems.

TAT Israel provides a one-stop-shop for all types of heat transfer solutions. A significant portion of TAT Israel's heat transfer solutions is sold to customers in connection with the original manufacture or retrofitting of particular aircraft equipment. TAT Israel generally enters into long-term supply contracts with its customers, which require TAT Israel to supply heat transfer products as part of a larger project.

TAT Israel also manufactures other heat transfer solutions, such as cooling chassis, heat sinks and cold plates (which may be air-to-air, liquid-to-air or liquid-to-liquid), to control and dispose heat emitted by the operation of various electronic systems. Such products are currently utilized mainly in radar systems, avionics, electronic warfare systems and various pods for targeting, navigation and night vision.

As a result of the specialized nature of the systems in which TAT Israel's parts are included, spare and replacement parts for the original heat transfer solutions are also usually provided by TAT Israel.

During 2021, as part of a strategic plan by TAT's management, TAT started transferring the heat exchangers activity from its Gadera facility to Limco in the US. The transfer was accomplished according to TAT's management strategic plan in 2022. Such transfer created a unified independent MRO/OEM center for heat exchangers, and as part of such transfer TAT built its strategic R&D center for heat exchangers in the US.

*Aviation Flow Control Accessories*

TAT Israel is also engaged in the design, development, manufacture and MRO services for aviation flow control accessories. These accessories include components such as valves and pumps.

*Cooling and Air Conditioning Systems*

TAT Israel is also engaged in the design, development and manufacture of complete environmental control systems and cooling systems. This product line includes ground cooling systems mainly for military applications such as mobile command and control units, command and control vehicles, armored vehicles, mobile broadcast units, mobile hospitals, etc. In addition, TAT Israel designs, develops and manufactures power electronics cooling systems based on customer specifications, while providing a complete engineering solution in compliance with strict civil aviation standards. TAT Israel's systems are used globally and are tested under strict standards.

***MRO Services for Heat Transfer Components and OEM of Heat Transfer Solutions***

*MRO Services for Heat Transfer Components*

Through its Limco subsidiary in the U.S., TAT provides MRO services for heat transfer components. The demand for MRO services is driven by the size and age of the aircraft fleet (including new aircrafts entering into service), aircraft utilization and regulations set OR promulgated by the FAA and other governmental authorities.

Due to the increased maintenance costs of their aging fleets many carriers are seeking ways to reduce costs, minimize down-time, increase aircraft reliability and extend time between overhauls. One way to accomplish this goal is through the outsourcing of more of their maintenance and support functions to reliable third parties. Furthermore, we believe that commercial carriers making the decision to outsource their MRO requirements are searching for MRO service providers with a wide-range of service capabilities. Such MRO service providers allow the carriers to concentrate their outsourcing of MRO services to a select group of third-party providers. The global military aircraft fleet also presents similar opportunities for MRO service providers. We believe that an aging military fleet and the increased use of upgrade programs aimed at extending the useful life of military aircraft will provide continued MRO growth opportunities.

Limco specializes in the repair and overhaul of heat transfer components. These components include heat exchangers, oil coolers, pre-coolers, reheaters, condensers, water separators, fuel heaters, evaporators and ozone converters.

Limco is continually expanding its MRO capabilities based on market need and/or customer request. Limco's capabilities include heat transfer components used in aircraft and systems manufactured by Airbus, Boeing, Bombardier, Cessna, Embraer, Lockheed Martin, Fokker, Liebherr-Aerospace, Collins Aerospace, Honeywell Aerospace and others.

As part of the TAT's strategic plan announced in March 2021, the Company will enhance Limco's Heat exchange cores manufacturing capabilities by, among other things, strengthening Limco's employees' engineering knowledge, recruitment and training of employees and investment in new machines and infrastructures.

Limco performs MRO services at its repair station in Tulsa, Oklahoma which has ISO9001, AS9110 and AS9100 certification, NADCAP certification for dye penetrant testing, welding and heat treating, and is licensed to provide MRO services by the FAA and EASA, as well as by the civil aviation Administration of China.

Limco offers different or various MRO services for heat transfer components. If the damage is significant, Limco will remanufacture the unit, which generally entails replacing the core matrix of the damaged or old heat transfer component in lieu of replacing the entire unit with a new one. Limco designs and develops these customized remanufactured units as a cost-effective alternative to new part replacement. In the event of less severe damage, Limco will either overhaul or repair the unit as necessary. Re-manufactured units carry warranties which are often equal or better than those provided to new units.

#### *OEM Authorizations and Licenses*

Limco believes that establishing and maintaining relationships with OEMs of aircraft systems and components is an important factor in achieving sustainable success as an independent MRO service provider. OEMs grant independent MRO service providers authorization to perform repair and overhaul services on their behalf. OEMs generally grant very few authorizations and maintain tight controls over their authorized MRO service providers in order to maintain high quality of service to their customers. Obtaining OEM authorization requires sophisticated technological capabilities, experience-based industry knowledge and substantial capital investment. Furthermore, Limco believes that service providers that have OEM authorization gain a competitive advantage as they typically receive discounts on parts, technical information and OEM warranty support. Limco is an independent MRO service provider that is a well-recognized repair center of Collins Aerospace (Hamilton Sundstrand), one of the largest heat transfer solutions manufacturers in North America or in the United States.

#### *OEM of Heat Transfer Solutions*

In addition to its MRO services, Limco also acts as an OEM manufacturer of heat transfer solutions used mainly in military aircraft and other ground applications and to a lesser extent, in commercial, regional and business aircraft. Limco specializes in the design and manufacture of highly efficient heat transfer solutions, which are designed to meet stringent constraints such as size, weight and applicable environmental conditions. These units include heat exchangers, oil coolers, precoolers, reheaters, condensers, fuel heaters and evaporators.

Limco also manufactures demineralizer systems for U.S. Navy vessels, including ships and nuclear submarines. Limco currently offers tens of OEM parts to the aerospace and ground defense industries. These parts are manufactured in compliance with the stringent quality assurance standards that apply to the manufacture of aircraft and military parts.

Limco's quality systems are ISO9001, AS9110, AS9100 and NADCAP for non-destructive testing, welding and heat treating and FAR 21.303 (the FAA standard for Parts Manufacturer Approval).

#### *MRO Services for Aviation Components*

Through its Piedmont subsidiary, TAT provides MRO services for aviation components, including APUs and landing gear. As previously mentioned, the demand for MRO services is driven by the size and age of the aircraft fleet, aircraft utilization and regulations by the FAA and other governmental authorities.

Due to increased maintenance costs of their aging fleets many carriers are seeking ways to reduce costs, minimize down-time, increase aircraft reliability and extend time between overhauls. One way to accomplish this goal is through the outsourcing of more of their maintenance and support functions to reliable third parties. Furthermore, we also believe that commercial carriers making the decision to outsource their MRO requirements are searching for MRO service providers that offer a wide-range of service capabilities. These MRO service providers allow the carriers to concentrate their outsourcing of MRO services to a select group of third-party providers. The global military aircraft fleet also presents similar opportunities for MRO service providers. We believe that an aging military fleet and the increased use of upgrade programs aimed at extending the useful life of aircrafts will provide continued MRO growth opportunities.

Piedmont specializes in the repair and overhaul of APUs and landing gears. APUs are relatively small, self-contained generators used to start jet engines, usually with compressed air, and to provide electricity, hydraulic pressure and air conditioning while an aircraft is on the ground. In many aircraft, an APU can also provide electrical power during in-flight emergency situations. Landing gears are the structure that support an aircraft on the ground and allow it to taxi, takeoff and land.

Piedmont performs MRO services at its repair station in Greensboro, North Carolina, which is licensed by the FAA and EASA. Piedmont specializes in providing comprehensive repair and overhaul services for APU models manufactured by Honeywell, the leading OEM in the United States. In addition, Piedmont provides full repair, overhaul, machining, plating and grinding services for landing gear systems for commercial and military aircraft. Piedmont has a long history in providing landing gear MRO services for regional airliners, including aircraft manufactured by the French-Italian ATR (42/72), Gulfstream (G4), Lockheed Martin (P3/C130) and the Brazilian Embraer (E170). At the end of 2020 Piedmont signed a new exclusive contract with Honeywell as Honeywell's exclusive rental bank provider for the APU 331-500 (used in the Boeing 777 platform). By signing this agreement with Honeywell and purchasing 18 APU331-500 engines Piedmont entered a new segment of APU leasing. Piedmont also signed a contract to be an authorized repair station for the 331-500 APU (serving the Boeing 777 platform) as well as the APU 131 serving the Boeing 737 platform and Airbus 319-320-321 platform.

#### *OEM Authorizations and Licenses*

Piedmont believes that establishing and maintaining relationships with OEMs of aircraft systems and components is an important factor in achieving sustainable success as an independent MRO service provider. OEMs grant independent MRO service providers authorizations or licenses to perform repair and overhaul services on the equipment they manufacture. OEMs generally grant few authorizations or licenses and maintain tight controls over their authorized and licensed MRO service providers, in order to maintain high quality of service to their customers. Obtaining OEM authorizations requires sophisticated technological capabilities, experience-based industry knowledge and substantial capital investment. Piedmont believes that service providers that have OEM authorizations and licenses gain a competitive advantage as they typically receive discounts on parts, technical information, OEM warranty support and use of the OEM name in marketing. Piedmont is an authorized repair station licensed by Honeywell, the largest manufacturer of APUs, for several of its APU models.

*Machining, Plating and Grinding, or MPG Services*

Piedmont has extended its services to include the provision of MPG services, either as supplementary to its traditional MRO services or as stand-alone services. We believe that establishing and maintaining customer relationships with our MPG shop is an important factor in achieving sustainable success as an independent MRO service provider and creates a competitive advantage.

*Overhaul and Coating of Jet Engine Components*

Through its subsidiary, Turbochrome, TAT provides MRO services for jet engine components to the aerospace industry. Turbochrome's FAA- and EASA-certified repair station provides its services mainly to maintenance service centers, airlines and the military. Turbochrome specializes in MRO services for engine components such as turbine vanes and blades, compressor vanes and blades, fan blades and after burner flaps. Generally, manufacturer specifications, government regulations and military maintenance regimens require that engine components undergo MRO servicing at regular intervals or as necessary. Commercial engine components typically require MRO services after three to five years of service or sooner if required. Engine manufacturers typically provide warranties on new engines and their components and subsystems, which may range from one to five years depending on the bargaining power of the purchaser. Engine manufacturers may also offer extended warranty agreements for 10 to 15 years for the engines. Warranty claims are generally the responsibility of the OEM during the warranty period. Turbochrome's business opportunity usually begins upon the conclusion of the warranty period for these components. Turbochrome offers its customers DER (Designated Engineering Representatives) and DOA (Design Organization Approval) repairs approved by the FAA and EASA. Turbochrome's customers include U.S. domestic and international airlines, maintenance service centers and the military.

TAT estimates the size of the markets in which Turbochrome operates to be significant based on the number of jet engines requiring MRO services provided by Turbochrome. Turbochrome plans to expand its operations in the MRO segment by using Turbochrome's experience and reputation to develop MRO capabilities for additional types of jet engine components with significant commercial potential.

Turbochrome's quality system complies with ISO 9001 and AS9100, and with EASA part 145, FAA FAR 145 for the civil parts, the Israel Laboratory Accreditation Authority under ISO/IEC 17025:20 and NADCAP for 3 manufacturing procedures.

#### *Manufacturing of masking and coating materials*

Through its Turbochrome facility, TAT manufactures a wide range of masking and coating materials for the aviation industry. These products are manufactured in compliance with all of the stringent quality assurance standards that apply to the maintenance of aircraft engine components.

### **Customers**

#### *General*

TAT targets a broad range of customers within the commercial and military aerospace and ground defense industries. Our customers include commercial manufacturers of military equipment, commercial airlines, aircraft manufacturers, military forces, the defense industry, and other manufacturers of electronic systems, aviation units and machinery in the United States, Europe, CIS, Asia, Latin America and Israel. During 2024, TAT had revenues generated by more than 500 customers worldwide.

#### *Major Customers*

#### *OEM Customers*

TAT, primarily through TAT Israel, sells its OEM solutions and systems to commercial and military aircraft manufacturers and defense contractors and to the U.S. and Israeli governments.



Partial lists of OEM customers are set in the following table:

Aircraft manufacturers	Boeing, Textron, Pilatus, Embraer, Lockheed Martin, Honda Aircraft, Cirrus, Gulfstream, Raytheon-Collins
System manufacturers/integrators and defense contractors	Liebherr, Rafael, Elbit, IAI, Parker, Eaton Aerospace, Safran.

The development projects and purchasing processes of many of TAT's OEM customers are lengthy and complex and accordingly, with some customers, TAT enters into frame agreements that determine certain legal conditions, but under which the customer is not obligated to purchase any quantity of products. Typically, customers issue purchase orders with the required supply quantity, price, lead times and other related terms.

*MRO Customers*

TAT services MRO customers primarily through Limco, Piedmont and Turbochrome, including major U.S. domestic and international airlines, air cargo carriers, maintenance service centers, the U.S. Armed Forces and other air forces from around the world.

TAT's partial list of MRO customers is set forth in the following table:

U.S. Domestic and international airlines and air cargo carriers	Air France-KLM, Lufthansa, FedEx, UPS, American Airlines, Delta Airlines, United Airlines, Air Canada Jazz, Republic Airways, DHL, Austrian Airlines, TAM, Thai, Korean Air, Air India, Swiftair, Allegiant Air, Empire Airlines, Mountain Air Cargo, Alliance Airlines,
Maintenance service centers	Fokker, Honeywell International, Kellstrom Commercial, Aero Kool, Lufthansa Technik, RTX through Collins, SR Technics, Embraer, Turkish Technic, Delta Tech Ops, ST Aerospace Engineering, Gulfstream, IAI, Haeco Americas, Air New-Zeeland, AAR.
Governments and military air forces	U.S. Army, U.S. Air Force and U.S. Navy; Israeli Ministry of Defense, Israeli Air Force; Belgium Air Force, Polish Air Force, Portuguese Air Force, Japan Air Force.

### *Military Contracts*

Direct sales to the U.S. government, our largest government customer, accounted for approximately 9.3% of TAT's revenues for the year ended December 31, 2024, approximately 6.6% of our revenues for the year ended December 31, 2023 and approximately 5.2% of our revenues for the year ended December 31, 2022.

Many of TAT's military contracts are awarded on a competitive basis based on technical merit, personnel qualifications, experience and price. TAT also receives some contract awards involving special technical capabilities on a negotiated, noncompetitive basis due to TAT's technical capabilities.

TAT provides products under government contracts that usually require performance over a period of several months to several years. Long-term contracts for the U.S. military may be conditioned upon continued availability of congressional appropriations. Variances between anticipated budget and congressional appropriations may result in a delay, modification of scope or termination of these contracts.

The vast majority of the governmental contracts to which TAT is party to are fixed-price contracts, some of which contain fixed-price escalation mechanism. Under these contracts, TAT agrees to perform specific work for a fixed price and, accordingly, realizes the benefit or detriment to the extent that the actual cost of performing the work differs from the contract price. The allowable government contract costs and fees of TAT are subject to audit and may result in non-reimbursement of some contract costs and fees. While governments reserve the right to conduct further audits, audits conducted for periods through fiscal year 2023 and 2024 have resulted in no material cost recovery disallowances for TAT.

TAT's eligibility to perform under its government contracts requires us to maintain adequate security measures. TAT has implemented security procedures that it believes adequately satisfies the requirements of its current government contracts.

**Backlog and Long-Term Agreements**

Our backlog includes the following: (i) actual purchase orders, and (ii) the estimated sales we expect to generate from long-term agreements during the life of the contract or 10 years the lower of the two, for which we do not have actual purchase orders. It should be noted that under these long-term agreements there is no legal obligation from the customer to purchase our products or services, yet typically our customers would not sign such an agreement unless there is a specific business opportunity. As such, backlog information may not necessarily be indicative of future sales.

As of December 31, 2024, our backlog included: (i) outstanding purchase orders representing an aggregate amount of \$42 million, and (ii) sales that we expect to generate from long-term agreements (the longest of which is until 2035) for which we have not yet received actual purchase orders in an aggregate amount of \$429 million.

**Product and Service Warranties**

TAT provides warranties for its products and services ranging from one to three years, depending on the nature of the specific product. To date, TAT's warranty costs have not been substantial. As of December 31, 2024, the combined warranty reserve for TAT was \$0.3 million.

**Competitive Environment*****OEM of Heat Transfer Solutions and Aviation Accessories***

The aerospace and defense OEM industries in general and specifically, the commercial and military aviation markets, are characterized by intense competition and the need to constantly be in the forefront of technological innovations in order to be able to offer technologically-advanced and attractive products. Competition in these OEM markets is also based on price, quality and on time delivery. TAT estimates the market size of heat transfer solutions to be significant based on the scope of development projects and purchasing processes of the potential customers. TAT estimates that there is a small number of competing suppliers in the aerospace and defense OEM markets due to the high barriers to entry to these markets, which include the need for highly qualified and trained personnel, technologically advanced facilities and the need to obtain appropriate governmental approvals. The nature of the projects in the commercial and military aviation OEM industry, which are often time consuming and complex, also require long-term supplier relationships and customer loyalty in order to succeed.

TAT's competitors in the global OEM aerospace and defense industries can be divided into two main groups:

- Complete system manufacturers that either independently or through subcontractors, design, develop and manufacture complete systems (such as a manufacturer of aircraft hydraulic systems) directly for the platform manufacturer (i.e., for business jets). These companies will typically compete on bids for complete systems and/or projects where the components/products TAT develops are part of the complete system. In such cases, it is very likely that these companies will subcontract to companies such as TAT the design and manufacturing of one or a few components in the system. Although some of these companies have the capabilities to design and manufacture each standalone component in a complete system (i.e., a heat exchanger integrated in hydraulic systems) they usually do not compete with TAT in projects where there is a specific requirement for a stand-alone component.
- Component manufacturers, such as TAT, for which the design and manufacture of components (such as heat exchangers or other types of heat transfer solutions) is the main business (and which are normally situated in the "value chain" one tier below the system manufacturers, such as a manufacturer of an aircraft's hydraulic system and two tiers below the platform manufacturer, such as a manufacturer of a new aircraft). These companies typically compete in projects where there is a specific requirement for a standalone aviation component (such as a heat exchanger or other types of heat transfer solutions) and in tenders by manufacturers of complete systems or products for sub-contractors. Although some of the component manufacturers have the capabilities to design, develop and manufacture a complete system (i.e., environmental control system for a business jet) for a certain platform, these companies usually do not compete on projects for complete systems in which their manufactured component constitutes a small part of the complete system, mainly due to the high barriers to entry and to the difficulty to move up the "value chain" from a component supplier to a whole system manufacturer.

The major competitors of TAT in the area of OEM of heat transfer solutions and aviation accessories include manufacturers in the United States such as the Hughes-Treitler division of Ametek, Lytron, Niagara Thermal, Collins Aerospace, Honeywell International and AAR Corp; manufacturers based in Europe such as I.M.I. Marston, a subsidiary of Collins Aerospace, Safran and Liebherr; and manufacturers based in Asia such as Sumitomo Precision Products from Japan. These competitors may enjoy competitive advantages over TAT , such as:

- The ability to adapt faster to changes in customer requirements and industry conditions or trends;
- Greater access to capital;
- Stronger relationships with customers and suppliers;
- Greater name recognition;
- Access to superior technology and greater marketing resources;
- Ability to offer complete systems in addition to components; and
- The ability to bundle heat transfer solutions and other aircraft components.

### *MRO Services for Heat Transfer Components*

The market for MRO services in the field of heat transfer components is highly competitive. Competition in this market is based on price, turnaround time, quality and breadth of services. TAT's global competitors in the field of servicing heat transfer components can be divided into two main groups:

- Service divisions of OEMs – generally, each OEM of products in the heat transfer solutions segment has the necessary capabilities to provide MRO services for products it designs and manufactures throughout its lifetime, commencing with the initial warranty period and through the after-market period. Service divisions of OEMs may also acquire capabilities to service products of other OEMs to further expand their MRO services.
- Service centers – which often provide MRO services for a broad range of components and systems. These service centers can be either the in-house maintenance services of commercial airlines or other independent service providers, such as TAT Israel and TAT Limco.

For heat transfer MRO services, TAT's major competitors are AAR Corp, Honeywell, Drake Air – Ametek, Liebherr-Aerospace, American Cooler Service, Collins Aerospace Malaysia, Lufthansa Technik, Parker Hannifin and others.

As an independent MRO service provider, Limco's competitors have inherent competitive advantages. For example, Limco competes with the service divisions of large OEMs which in some cases have design authority with respect to their OEM solutions and are able to derive significant pricing advantages from their OEM manufacturing activities. Limco also competes with the in-house service divisions of large commercial airlines where there is a strong incentive for an airline to fully utilize the services of its maintenance employees and facilities. Further, Limco's competitors may have additional competitive advantages, such as:

- Ability to bundle heat transfer and other aircraft components;
- Access to greater marketing resources;
- Access to superior technology; and
- Greater resources which allow for better turnaround time.

### *MRO Services for Aviation Components*

The market for MRO services in which Piedmont operates is highly competitive. Competition in this market is based on quality, price, turnaround time and breadth of services. Piedmont's primary MRO services competitors are the service divisions of OEMs, the in-house maintenance services of various commercial airlines and other independent service providers, such as TAT or Piedmont. For APU and landing gear MRO services Piedmont's major competitors are Standard Aero Group, Aerotech International, Honeywell International, Chase Aerospace, Professional Aviation, Messier-Dowty Aerospace (MD), AAR, Hawker Pacific, APRO, TAG Aero and Turbine Aero and others.

A number of Piedmont's competitors have inherent competitive advantages. For example, Piedmont competes with the service divisions of large OEMs which in some cases have design authority with respect to their OEM products and are able to derive significant brand recognition from their OEM manufacturing activities. Piedmont also competes with the in-house service divisions of large commercial airlines where there is a strong incentive for an airline to fully utilize the services of its maintenance employees and facilities. Further, Piedmont's competitors may have additional competitive advantages, such as:

- Better name recognition;
- Ability to bundle aviation and other aircraft components;
- Stronger relationships with customers and suppliers;
- Lower cost structure;
- Regional support near customers' location;
- Access to greater marketing resources;
- Access to superior technology
- Greater access to capital; and
- Greater resources which allow for better turnaround time.

### ***Overhaul and Coating of Jet Engine Components***

The market for MRO services in which Turbochrome operates is highly competitive. Competition in this market is based on quality, price, level of service and turnaround time. Turbochrome's primary MRO services competitors are the service divisions of OEMs, the in-house maintenance services of various commercial airlines and other independent service providers, including Safran (Snecma), General Electric, GKN, PAS, Chromalloy Southwest, MCT Japan and others. With respect to coating and masking materials, Turbochrome's competitor is APV Coatings.

A number of Turbochrome's competitors have inherent competitive advantages. For example, Turbochrome competes with the service divisions of large OEMs which may have design authority with respect to their OEM products and are able to derive significant brand recognition from their OEM manufacturing activities. Turbochrome also competes with the in-house service divisions of large commercial airlines and there is a strong incentive for an airline to fully utilize the services of its maintenance employees and facilities. Further, Turbochrome's competitors may have additional competitive advantages, such as:

- The ability to adapt faster to changes in customer requirements and industry conditions or trends;
- Better name recognition;
- Ability to bundle jet engine and other aircraft components;
- Stronger relationships with customers, OEMs and suppliers;
- Lower cost structure;
- Regional support near customers' location;
- Access to greater marketing resources;
- Access to superior technology;
- Greater access to capital; and
- Greater resources which allow for better turnaround time

### **Competitive Strengths**

We believe that TAT's success can be attributed to several critical factors, including the following:

- Engaging in Pro-active Account Management efforts to preserve its customer base in existing projects, while working to broaden and increase its involvement with such clients.



- Conducting marketing activities aimed at penetrating new geographical markets and winning new customers, while taking advantage of the unique knowledge and expertise that TAT and its subsidiaries have gained in various areas.
- Entering into additional related operating segments that will enable TAT and its subsidiaries to fulfill their growth potential.
- Providing customers with the best value, including competitive prices, by tailoring comprehensive service packages that combine the design and planning of an OEM component, the manufacture of such component, and the provision of maintenance services.
- Extending MRO capabilities in order to establish a 'one-stop-shop' center for comprehensive MRO services for the types of aircraft Limco and/or Piedmont and/or Turbochrome target.
- Enhancing our engineering capabilities in order to support customer needs related to new projects and in order to certify MRO services that differ from processes previously approved by the FAA, EASA or other regulatory authorities. This allows shortening the long and complex approval process, streamlining the design and certification process and reducing costs.
- Leveraging operational efficiencies to achieve shorter delivery times and reduce costs.
- Investing in new technologies and manufacturing techniques in the heat transfer solutions product line.
- Investing in innovations and improvements aimed at enhancing the quality and performance of our existing solutions and services as well as the development of new products in an effort to strengthen our market position and enter into more advanced platforms.

## Engineering

We believe that our engineering capabilities is a strategic core competency and key competitive advantage, which allows us to effectively compete in the market with companies which, in many cases, have better name recognition and greater resources than we do. Our strong engineering capabilities enable us to meet our customers' increasingly complex demands to deliver high-quality and cost-effective solutions while maintaining efficient development cycles. These capabilities are based on proprietary technological expertise and know-how developed by highly-experienced multi-disciplinary teams over the years. We believe that this proprietary knowledge coupled with our innovative and problem-solving approach allows us to provide our customers with an overall superior solution – in both manufacturing and MRO services – in terms of quality, cost and turnaround time. Our strong engineering capabilities are a key factor in preserving customer loyalty as well as supporting our efforts to expand our services to new areas of growth.

TAT Israel's engineering staff has extensive knowledge and experience in designing heat transfer solutions. In general, TAT Israel has manufacturing capabilities for most heat transfer solutions. TAT Israel manufactures the necessary tools, fixtures, test equipment and special jigs which are required to manufacture, assemble and test these products. TAT Israel developed proprietary design and analysis techniques which assist in the mechanical and thermal design of its products. All of TAT Israel's products are inspected and tested by trained inspectors using highly sophisticated test equipment in accordance with its customer requirements.

Limco's engineering department enhances its ability to provide its customers with high-end top-quality MRO services, supports the development of MRO services for new products with commercial potential and supports its OEM activity. Limco's engineering department employs certified mechanical and aerospace engineers. Limco's multi-disciplinary team of engineers specializes in, among others, heat transfer solutions and components and supports all processes of thermal and structural analysis, mechanical and metallurgical research and development for manufacturing design. Limco's engineers have direct experience with aerospace component repair and with obtaining supplemental type certificates from the FAA. Limco's engineering department supports the development of new repairs capabilities that extend beyond the limits of the component maintenance manual and utilizes DER to obtain the necessary FAA approvals.

Piedmont's engineering department employs experienced mechanical and aerospace engineers with repair station and manufacturing experience in both engineering and quality. Piedmont also has an FAA-certified DER on staff with delegations in Auxiliary Power Units (APUs) & Mechanical Systems and with special delegation to manage and approve repair specifications. In addition to developing quality major repairs, Piedmont's engineers have experience in obtaining supplemental type certificates and parts manufacturer approvals while working directly with the FAA Aircraft Certification Office.

Turbochrome's engineering department enhances its ability to provide its customers with high-end top-quality MRO services. Turbochrome's engineering department employs several certified mechanical and metallurgical engineers. Turbochrome's multi-disciplinary team of engineers specializes in, among other things, turbine components and supports all processes of thermal and structural analysis and mechanical and metallurgical research and development. Turbochrome's engineers have substantial experience with aerospace component repair and with obtaining DER and DOA certificates from the FAA and EASA.

## **Research and Development**

### ***State-of-the-Art R&D Testing Lab for Thermal Management Systems***

In response to the rapidly evolving technological landscape and the transformative shift driven by electric Vertical Takeoff and Landing (eVTOL) aircraft, TAT recognizes the increasing complexity and demand for advanced thermal management systems. The rise of sophisticated electrical flying vehicles has introduced unprecedented challenges, particularly in cooling performance, weight reduction, and compact design. To address these challenges, TAT is establishing a state-of-the-art R&D testing laboratory specifically dedicated to developing and validating innovative thermal management solutions.

This advanced facility will serve as a vital enabler of TAT's strategic commitment to research and development, focusing on:

- **Performance Optimization:** Achieving superior heat transfer efficiency while meeting stringent cooling requirements for modern aviation systems.
- **Physical Characteristics Enhancement:** Reducing system size and weight to align with eVTOL and electric aircraft operational constraints.
- **Reliability and Durability:** Extending product lifespan by leveraging advanced materials, manufacturing techniques, and rigorous testing protocols.

The laboratory is equipped with cutting-edge testing and simulation infrastructure that allows for comprehensive analysis and validation across a wide spectrum of thermal management applications. Key features include:

- High-fidelity heat exchanger testing platforms capable of simulating real-world thermal conditions, including dynamic temperature, pressure, and multi-phase flow.
- Integrated predictive modeling and simulation tools to accelerate the design and validation process.
- Real-time data acquisition and performance measurement systems for precise evaluation of thermal efficiency and reliability.

- Scalable platforms for testing traditional and advanced technologies, including next-generation 3D-printed heat exchangers and custom thermal solutions.

#### ***Commitment to Innovation through Collaboration***

TAT's strategic approach underscores the dynamic nature of customer requirements and the ever-changing competitive landscape. Recognizing that technological innovation is both imperative and continuous, TAT actively fosters collaborative partnerships with customers and industry stakeholders. These partnerships serve as catalysts for:

- Identifying emerging market needs and technological challenges.
- Co-developing tailored solutions that meet specific operational and environmental constraints.
- Accelerating product development timelines through iterative testing, feedback, and refinement.

This collaboration enables TAT to not only enhance its existing product offerings but also pioneer new solutions that deliver unmatched performance, efficiency, and reliability in the thermal management sector.

#### ***Strategic Vision and Market Leadership***

Through its state-of-the-art R&D lab and unwavering commitment to innovation, TAT positions itself at the forefront of the thermal management industry. By investing in advanced technologies, rigorous testing capabilities, and customer-centric solutions, TAT is well-prepared to meet the increasingly complex demands of modern aviation and eVTOL platforms.

This forward-looking strategy ensures TAT's ability to:

- Deliver cutting-edge solutions that set new industry benchmarks.
- Adapt and respond to market potential with agility and precision.
- Exceed customer expectations by providing future-ready thermal management systems.

By staying ahead of technological advancements and embracing a proactive, collaborative approach, TAT strengthens its leadership in the dynamic aerospace market, delivering superior value and innovation for customers worldwide.

## Source and Availability of Raw Materials and Spare Parts

TAT and its subsidiaries acquire most of the components for the manufacture of their products and provision of their services from a limited number of suppliers and subcontractors, the majority located in Israel and the United States. Some of these suppliers are currently the sole source of one or more components upon which TAT and its subsidiaries are dependent. Since many of TAT's and its subsidiaries' purchases require long lead times, a delay in the supply of an item can significantly delay the delivery of a product. Generally, TAT and its subsidiaries have not experienced significant difficulty in obtaining timely deliveries of necessary components; however, if they are unable to obtain these components when needed, they would experience delays in manufacturing their products and their financial results could be adversely affected.

The raw materials used in manufacturing programs are generally readily available metals and alloys. TAT and its subsidiaries have not had any significant difficulty in obtaining such materials in the past.

TAT and its subsidiaries select their suppliers primarily based on their ability to ensure that their parts are serviceable and traceable to OEM-approved sources, their delivery performance and their ability to help reduce the total cost of procuring those parts. For quality control, cost and efficiency reasons, TAT and its subsidiaries generally purchase supplies only from vendors with whom they have ongoing relationships or who their customers have previously approved.

Authorizations from OEMs often require that TAT purchase component parts that are needed for its MRO services from the OEM or its designated distributors.

Wherever possible, TAT and its subsidiaries have made and continue to make an effort to qualify second sources or have identified alternate sources for many of their parts needs.

## Proprietary Rights

To date, TAT and its subsidiaries do not own any patents. TAT and its subsidiaries rely, among others, on trade secrets protection laws. However, we believe that our success is less dependent on the ownership of proprietary rights and more reliant on our innovative skills, technical competence, marketing proficiency and engineering abilities. TAT and its subsidiaries do not possess any material registered trademarks.

## Regulation

### B. Government Regulations

#### *Israeli Export Policy*

Export of military-related products is subject to the military export policy of the State of Israel. Currently, the Israeli government approves exports to approved customers, provided such exports align with the Israeli policy and do not conflict with national security considerations. TAT Israel is required to obtain a permit prior to initiating a sales proposal, and an export license is ultimately necessary for the completion of the transaction. Israeli law also governs the export of "dual use" items - items that are typically intended for civilian purposes but may also serve military purposes.

While we have been successful in obtaining export permits in the past, there is no insurance that we will be able to obtain the necessary export permits or licenses in the future. In addition, governmental policy with respect to military exports (or dual use items) may be altered.

#### *U.S. Export Regulations*

Export of defense products, military technical data and technical services by our U.S. subsidiaries to Israel and other countries is subject to applicable approvals by the U.S. government under the U.S. International Traffic in Arms Regulations ("ITAR"). Such approvals are typically in the form of an export license or a technical assistance agreement ("TAA"). Other U.S. companies wishing to export defense products or military-related services and technology to our Israeli and other non-U.S. entities are also required to obtain such export licenses and TAAs. An application for an export license or a TAA requires disclosure of the intended end user and the use of the technology. Pursuant to recent export control reform initiatives in the United States, a greater part of our U.S. subsidiaries' and our U.S. suppliers' activities are becoming subject to control under the Export Administration Act "dual use" regulations. The U.S. government may deny an export authorization if it determines that a transaction is counter to U.S. policy or national security.

#### *Aerospace and Safety Regulations*

The commercial aerospace industry is subject to extensive regulation by the authorities such as the FAA in the United States, EASA in Europe, and other governmental authorities worldwide. The military aerospace industry is governed by military quality specifications established by the U.S. Department of Defense and ISO-9000 standards. TAT and its subsidiaries are required to obtain certifications from one or more of these entities and, in some cases, by individual OEMs. Additionally, TAT must meet the requirements of its customers, including OEMs and airlines that are subject to FAA regulations and evolving industry standards, by providing these customers with products that comply with the regulatory requirements applicable to commercial flight operations.

TAT believes it currently meets or exceeds FAA maintenance standards in its repair and overhaul activities. Our active or operating repair stations in Israel and the United States are approved by the FAA. TAT also believes it currently complies with all applicable industry standards in its facilities.

TAT's operations are further subject to a variety of worker and community safety regulations, including the Occupational Safety and Health Act of 1970 ("OSHA"). OSHA mandates general requirements for safe workplaces across the U.S., and provides special procedures and measures for handling certain hazardous and toxic substances. TAT believes that its operations are in compliance with OSHA's requirements.

TAT also believes that it is in material compliance with applicable U.S., European and other governmental regulations affecting the aerospace and defense industries.

#### *Israeli Regulations*

TAT's operations in Israel are subject to supervision by the Israeli Ministry of Defense and the Civil Aviation Administration of Israel ("CAAI"). TAT Israel is certified by the IAF and the Israeli Ministry of Defense for both manufacturing and maintenance. In addition, TAT Israel is also licensed as a repair station for certain components by the CAAI. Furthermore, the export of certain products and/or know-how by TAT Israel is subject to approval by the Defense Export Controls Agency ("DECA") of the Israeli Ministry of Defense. DECA permits are required prior to submitting sales proposals involving such exports, as well as for the actual export of such products.

#### **Environmental Matters**

TAT's operations are subject to certain stringent environmental laws and regulations at the federal, state and local levels in the United States and Israel, as well as to requirements established by government agencies, including the U.S. Environmental Protection Agency. These regulatory authorities govern, among other matters, the emission, discharge, generation, management, transportation and disposal of pollutants and hazardous substances. Regulatory authorities may also require TAT to initiate actions to remediate the effects of hazardous substances that are or have been released into the environment, and to obtain and maintain permits in connection with TAT's operations. This extensive regulatory framework imposes significant compliance burdens and risks.

During the years 2020-2021, the Israeli Water Authority requested that TAT conduct sampling of certain groundwater wells in its facility in Gedera. In March 2022, TAT terminated its lease agreement for the Gedera facility and has not received further requests from the Israeli Water Authority.

Although TAT seeks to maintain its operations and facilities in compliance with applicable environmental laws, there can be no assurance that violations do not exist or that future change to such laws, regulations or their interpretations will not require TAT to make significant additional expenditures to ensure compliance.

#### *Legal Proceedings*

As to date, we are party to ongoing litigation in the ordinary course of business and other legal proceedings.

#### **C. Organizational Proceedings**

The legal name of our company is TAT Technologies Ltd., and we are organized under the laws of the State of Israel. We have two (2) wholly-owned subsidiaries: Limco-Piedmont Inc., which is incorporated under the laws of Delaware, and Turbochrome Ltd., which is incorporated under the laws of the State of Israel.

#### **D. Property, Plants and Equipment**

During 2022 TAT completed the strategic plan announced in March 2021, which includes transferring TAT's activity from the leased facility in Gedera to a facility in Tulsa, Oklahoma (see information regarding such facility below) and to a facility in Kiryat Gat, Israel which is leased by our wholly owned subsidiary Turbochrome. The facility in Kiryat Gat is approximately 138,000 square feet, and the land on which the facility is located is leased from the ILA. The leasehold rights are for a period ending in 2045 and are recorded in Turbochrome's name. Turbochrome paid the entire lease payments due until 2045 in a one-time payment (discounted to present value).

During 2023 TAT signed a lease agreement for approximately 6,505 rentable square feet facility in Harris Corners Parkway, Charlotte, USA, which will expire in April, 2029. Due to the new agreement, the Company recognized an operating right-of-use assets and related operating lease liability of approximately \$1 million. In 2024 and 2023, the rental expense for this property was \$200 and \$200 thousand, respectively.



Limco owns and operates a 55,000 square foot manufacturing plant in Tulsa, Oklahoma which has historically supported all its business, including its aftermarket heat transfer component repair station. This facility also has housed Limco's administration, engineering, quality control and support services.

Limco also leases building #2, building #3, building #4, building #5, and building #6. The lease on building #2 expires on November 30, 2026. The lessee or lessor may terminate the lease by giving lessee or lessor six months advance written notice. The rent for building #2 is \$4,367 per month plus the annual percentage increase in the CPI-W. Building #3 lease expired on January 31, 2014, however, the lease has renewed automatically from year to year since that date. Either party has the right to cancel the lease with 30 days' advance notice prior to the annual expiration of the term. The rent for building #3 is \$1,505 per month plus the annual percentage increase in the CPI-W. The lease on building #4 expires on March 31, 2029. The lessee or lessor may terminate the lease by giving the lessee or lessor 6 months advance written notice. The rent for building #4 is \$2,800 per month plus the annual percentage increase in the CPI-W. The lease on building #5 expires on March 31, 2025. The lessee or lessor may terminate the lease by giving the lessee or lessor 6 months advance written notice. The rent for building #5 is \$4,100 per month plus the annual percentage increase in the CPI-W. The lease on building #6 expires on March 31, 2032. The lessee or lessor may terminate the lease by giving the lessee or lessor 6 months advance written notice. The rent for building #6 is \$9,364 per month plus the annual percentage increase in the CPI-W.

In 2024, 2023 and 2022, the rental expense for this property was \$247 thousand, \$253 thousand and \$271 thousand, respectively.

In the second half of 2015, Piedmont leased approximately 82,000 square feet in Greensboro, North Carolina, for its new landing gear component and overhaul repair station as well as the MPG operation. The lease expires on June 30, 2025. In 2024, 2023 and 2022 the rental expense was \$372, \$357, and \$357 thousand, respectively, for each of these years. In addition, Piedmont leases approximately 56,000 square feet space for its facility in Kernersville, North Carolina to support its APU component and overhaul repair station. During 2018, Piedmont vacated the first floor of the facility while continuing to lease the second-floor space, approximately 28,000 square feet. In 2023 and 2022, the rental expense for this property was \$48 thousand for each year. The lease has been terminated in 2024.

In December 2023, Piedmont signed an additional lease agreement for a facility in Kernersville, North Carolina, USA. The term of this lease is 3 years and will expire on December 31, 2026. Piedmont has two options to extend the lease for additional successive terms of 1 year each. The rentable facility is approximately 49,203 square feet and the rent expense will be \$180 thousand for each year.

**Item 4A. Unresolved Staff Comments**

Not applicable.

**Item 5. Operating and Financial Review and Prospects**

The following discussion of our results of operations should be read together with our consolidated financial statements and the related notes, which appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our current plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report.

**Company Overview**

TAT is reliant on the robustness of the commercial and military aerospace and ground defense industries. Any downturn in these industries could weaken demand for its solutions and services and negatively impact its financial results. The commercial airline industry is cyclical and has historically been subject to fluctuations due to general economic and political conditions, such as fuel and labor costs, price competition, downturns in the global economy and national and international events.

TAT's cost of revenues for OEM operations and MRO services consists of component and material costs, direct labor costs, quality assurance costs, shipping expenses, royalties, overhead related to manufacturing and depreciation of manufacturing equipment. TAT's gross margin is affected by the proportion of its revenues generated from each of its operational segments.

The principal factors that affect the operating income of TAT's four segments, in addition to their gross profit, is the expenditure on selling and marketing expenses and general and administrative expenses. While TAT closely monitors its operating expenses to prevent unnecessary spending, we believe that these operating expenses may increase in the future in accordance with our plans to grow the business.

TAT's research and development expenses are related to new products and technologies or significant improvement of existing products and technologies.

TAT's selling and marketing expenses are related to commission payments, compensation and related expenses of TAT's sales teams, participation in trade shows, travel expenses, advertising expenses and related costs for facilities and equipment.

TAT's general and administrative expenses are related to compensation and related expenses for executive, finance and administrative personnel, professional fees such as legal, audit, SOX, internal audit, insurance premiums and general corporate expenses and related costs for facilities and equipment.

#### **Sources of Revenues**

TAT, directly and through its subsidiaries, provides a variety of solutions and services to the commercial and military aerospace and ground defense industries, including:

- (i) OEM of heat transfer solutions and aviation components, such as heat exchangers, pre-coolers and oil/fuel hydraulic coolers (through TAT Israel);
- (ii) MRO services for heat transfer components and OEM of heat transfer solutions (through our Limco subsidiary);
- (iii) MRO services for aviation components (through our Piedmont subsidiary); and
- (iv) Overhaul and coating of jet engine components (through our Turbochrome subsidiary).

TAT's revenues from its four operational segments for the three years ended December 31, 2024 were as follows:

	Year Ended December 31,					
	2024		2023		2022	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
<b>Revenues</b>						
OEM of heat transfer solutions and aviation accessories	36,466	24%	27,555	24.2%	21,844	25.8%
MRO services for heat transfer components and OEM of heat transfer solutions	43,863	28.8%	32,995	29%	24,796	29.3%
MRO services for aviation components	67,475	44.3%	50,760	44.5%	35,879	42.4%
Overhaul and coating of jet engine components	7,392	4.9%	6,854	6%	5,770	6.8%
Eliminations	(3,080)	(2)%	(4,370)	(3.7)%	(3,733)	(4.3)%
<b>Total Revenues</b>	<b>\$ 152,116</b>	<b>100%</b>	<b>\$ 113,794</b>	<b>100%</b>	<b>\$ 84,556</b>	<b>100%</b>

The following table reflects the geographic breakdown of TAT's revenues for each of the three years ended December 31, 2024:

	Years Ended December 31,					
	2024		2023		2022	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
United States	104,326	68.6%	\$ 81,999	72%	\$ 56,570	66.9%
Israel	7,868	5.2%	7,697	7%	7,162	8.5%
Other	39,922	26.2%	24,098	21%	20,824	24.6%
<b>Total</b>	<b>\$ 152,116</b>	<b>100%</b>	<b>\$ 113,794</b>	<b>100%</b>	<b>\$ 84,556</b>	<b>100.0%</b>

## Costs and Expenses

**Cost of revenues.** TAT's cost of revenues for OEM operations and MRO services consists of component and material costs, direct labor costs, quality assurance costs, royalties, shipping expenses, overhead related to manufacturing and depreciation of manufacturing equipment.

TAT's gross margin was affected by the proportion of TAT's revenues generated from OEM operations and MRO services in each of the reported years.

**Research and development expenses, net.** Research and development expenses, net are related to new products and technologies or to a significant improvement of products and technologies, net of grants and participations received.

**Selling and marketing expenses.** Selling and marketing expenses consist primarily of commission payments, compensation and related expenses of TAT's sales teams, participation in trade shows, travel expenses, advertising expenses and related costs for facilities and equipment.

**General and administrative expenses.** General and administrative expenses consist of compensation and related expenses for executive, finance and administrative personnel, professional fees such as legal, audit, SOX, internal audit, other general corporate expenses and related costs for facilities and equipment.

**Other income (expense).** Other income (expense) results from capital gain on sale of property and equipment and onetime expenses.

**Financial income (expense), net.** Financial income (expense), net consists of exchange rate and interest income or expense. Interest income or expense relates to the interest received from or paid to banks and changes in the rate of the NIS or other currencies against the U.S. dollar.

**Tax expense (income).** Tax expense consists of Israeli and U.S. federal and state taxes on the income of TAT's business and changes in deferred tax assets or liabilities.

## Critical Accounting Policies and Estimates

TAT's consolidated financial statements are prepared in accordance with U.S. GAAP. These accounting principles require management to make certain estimates, judgments and assumptions based upon information available at the time that they are made, historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. While all the accounting policies impact the financial statements, certain policies may be viewed to be critical. These policies are those that are both most important to the portrayal of TAT's financial condition and results of operations and require management's most difficult, subjective and complex judgments and estimates. Actual results could differ from those estimates.

In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. Management has reviewed these critical accounting policies and related disclosures with TAT's audit committee.

TAT's management believes the significant accounting policies which affect management's more significant judgments and estimates used in the preparation of TAT's consolidated financial statements and which are the most critical to aid in fully understanding and evaluating the reported financial results include the following:

- Inventory valuation;
- Income taxes; and
- Allowance for current expected credit losses (CECL).

#### **Inventory Valuation**

Inventories are stated at the lower of cost and net realizable value. Cost of raw material and parts is determined using the moving average basis. Cost of work in progress and finished products is calculated based on actual costs and the capitalized production costs, mainly labor and overhead and is determined based on the average basis. TAT's policy for valuation of inventory and commitments to purchase inventory, including the determination of obsolete or excess inventory, requires it to perform a detailed assessment of inventory at each balance sheet date which includes a review of, among other factors, an estimate of future demand for products within specific time frames, valuation of existing inventory, as well as product lifecycle and product development plans. The business environment in which TAT operates, the wide range of products that TAT offers and the relatively short sales cycles TAT experiences, all contribute to the exercise of judgment relating to maintaining and writing-off of inventory levels. The estimates of future demand that TAT uses in the valuation of inventory are the basis for its revenue forecast, which is also consistent with its short-term manufacturing plan. Inventory reserves are also provided to cover risks arising from slow-moving items. Inventory management remains an area of management focus as TAT balances the need to maintain strategic inventory levels to ensure competitive lead times against the risk of inventory obsolescence due to changing technology and customer requirements. TAT writes down obsolete or slow-moving inventory in an amount equal to the difference between the cost of inventory and the net realizable value based upon assumptions about future demand, market conditions and sale forecasts.

If actual market conditions are less favorable than TAT anticipates, additional inventory write-downs may be required.

#### **Income Taxes**

TAT operates within multiple tax jurisdictions and is subject to audits in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. In management's opinion, adequate provisions for income taxes have been made for all years. Although management believes that its estimates are reasonable, no assurance can be given that the final tax outcome of these issues will not be different than those reflected in its historical income tax provisions.

TAT uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax bases of assets and liabilities and net operating loss and credit carry forwards using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when it is more likely than not that some portion of the deferred tax assets will not be realized. To the extent that TAT's decisions and assumptions and historical reporting are determined not to be compliant with applicable tax laws, TAT may be subject to adjustments in its reported income for tax purposes as well as interest and penalties.

According to an acceptable interpretation that prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The interpretation also provides guidance on de-recognition of tax positions, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. In addition, the interpretation requires significant judgment with respect to determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and consequently, affect our operating results.

Losses generated prior to January 1, 2018 will still be subject to the 20-year carryforward limitation. Other potential impacts due to the Act include the repeal of the domestic manufacturing deduction, modification of taxation of controlled foreign corporations, a base erosion anti-abuse tax, modification of interest expense limitation rules, modification of limitation on deductibility of excessive executive compensation, and taxation of global intangible low-taxed income.

#### **Allowances for Current Expected Credit Losses**

TAT performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary. Accounts receivable have been reduced by an allowance for current expected losses. The Company maintains the allowance for estimated losses resulting from the inability of the Company's customers to make required payments. In judging the adequacy of the allowance for doubtful accounts, TAT considers multiple factors including the aging of receivables, historical bad debt experience and the general economic environment. Management applies considerable judgment in assessing the realization of receivables, including assessing the probability of collection and the current credit worthiness of each customer. If the financial condition of TAT's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

#### **Key Indicators**

TAT's management evaluates its performance by focusing on key performance indicators, which are revenues, sources of revenues, gross profit and operating income. These key performance indicators are primarily affected by the competitive landscape in which TAT operates and its ability to meet the challenges posed.



The following table presents, for the periods indicated, information concerning TAT's results of operations:

	Year Ended December 31		
	2024	2023	2022
	(in thousands)		
<b>Revenues</b>			
OEM of heat transfer solutions and aviation accessories	\$ 36,466	\$ 27,555	21,844
MRO services for heat transfer components and OEM of heat transfer solutions	43,863	32,995	24,796
MRO services for aviation components	67,475	50,760	35,879
Overhaul and coating of jet engine components	7,392	6,854	5,770
Eliminations	(3,080)	(4,370)	(3,733)
<b>Total revenues</b>	<b>152,116</b>	<b>113,794</b>	<b>84,556</b>
<b>Cost of revenues</b>			
OEM of heat transfer solutions and aviation accessories	24,965	20,193	18,778
MRO services for heat transfer components and OEM of heat transfer solutions	35,978	30,176	20,750
MRO services for aviation components	56,798	41,788	28,890
Overhaul and coating of jet engine components	4,823	4,110	3,495
Eliminations	(3,462)	(4,941)	(3,285)
<b>Total cost of revenues</b>	<b>119,102</b>	<b>91,326</b>	<b>68,628</b>
<b>Gross profit</b>	<b>33,014</b>	<b>22,468</b>	<b>15,928</b>
Research and development costs, net	1,248	715	479
Selling and marketing	7,746	5,523	5,629
General and administrative	11,901	10,558	9,970
Other expenses (income)	(383)	(433)	(90)
Restructuring expenses, net	-	-	1,715
<b>Operating income (loss)</b>	<b>12,502</b>	<b>6,075</b>	<b>(1,775)</b>
Financial income (expense), net	(1,949)	(1,330)	127
<b>Income (loss) before taxes on income (tax benefit)</b>	<b>10,553</b>	<b>4,745</b>	<b>(1,648)</b>
Taxes on income (tax benefit)	195	576	98
<b>income (loss) before equity investment</b>	<b>10,358</b>	<b>4,169</b>	<b>(1,746)</b>
Share in results of affiliated company and impairment of share in affiliated companies	809	503	184
<b>Net income (loss)</b>	<b>\$ 11,167</b>	<b>\$ 4,672</b>	<b>\$ (1,562)</b>

The following table presents, for the periods indicated, information concerning TAT's results of operations as a percentage of revenues:

	Year Ended December 31,		
	2024	2023	2022
<b>Revenues</b>			
OEM of heat transfer solutions and aviation components	24.0%	24.2%	25.8%
MRO services for heat transfer components and OEM of heat transfer solutions	28.8	29	29.3
MRO services for aviation components	44.3	44.5	42.4
Overhaul and coating of jet engine components	4.9	6	6.8
Eliminations	(2.0)	(3.7)	(4.4)
<b>Total revenues</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Cost of revenues</b>			
OEM of heat transfer solutions and aviation components	16.4	17.4	22.2
MRO services for heat transfer components and OEM of heat transfer solutions	23.7	26.5	24.5
MRO services for aviation components	37.3	36.7	34.2
Overhaul and coating of jet engine components	3.2	3.6	4.1
Eliminations	(2.3)	(4)	(3.9)
<b>Cost of revenues</b>	<b>78.3</b>	<b>80.2</b>	<b>81.2</b>
<b>Gross profit</b>	<b>21.7</b>	<b>19.7</b>	<b>18.8</b>
Research and development costs, net	0.8	0.6	0.6
Selling and marketing	5.1	4.8	6.7
General and administrative	7.8	9.3	11.8
Other expenses (income)	(0.3)	(0.4)	(0.1)
Restructuring expenses, net	0	0	2
	13.4	14.3	21
<b>Operating income (loss)</b>	<b>8.2</b>	<b>5.3</b>	<b>(2.1)</b>
Financial income (expense), net	(1.3)	(1.2)	0.2
<b>Income (loss) before taxes on income (tax benefit)</b>	<b>6.9</b>	<b>4.2</b>	<b>(1.9)</b>
Taxes on income (tax benefit)	0.1	0.5	0.1
<b>income (loss) before equity investment</b>	<b>6.8</b>	<b>3.7</b>	<b>(2.1)</b>
Share in results of affiliated company and impairment of share in affiliated companies	0.5	0.4	0.2
<b>Net income (loss)</b>	<b>7.3%</b>	<b>4.1%</b>	<b>(1.8)%</b>

\* Less than 0.1 percent

*Year ended December 31, 2024 compared with Year ended December 31, 2023*

*Revenues.*

Total revenues were \$152.1 million for the twelve months ended December 31, 2024, compared to \$113.8 million for the twelve months ended December 31, 2023, an increase of 33.7%. This reflects (i) the increase in revenues in the OEM of heat transfer solutions and aviation accessories segment; (ii) the increase in revenues in the MRO services for heat transfer components and OEM of heat transfer solutions segment; (iii) the increase in revenues in the MRO services for aviation components segment; and (iv) the increase in revenue in the overhaul and coating of jet engine components segment.

*Revenues from OEM of heat transfer solutions and aviation components.*

Revenues from this operating segment increased to \$36.5 million for the year ended December 31, 2024, from \$27.6 million for the year ended December 31, 2023, an increase of 32.3%.

*Revenues from MRO services for heat transfer components and OEM of heat transfer solutions.*

Revenues from the MRO services for heat transfer components and OEM of heat transfer solutions operating segment increased to \$43.9 million for the year ended December 31, 2024, from \$33 million for the year ended December 31, 2023, an increase of 32.9%.

*Revenues from MRO services for aviation components.*

Revenues from MRO services for aviation components operating segment increased to \$67.5 million for the year ended December 31, 2024, from \$50.7 million for the year ended December 31, 2023, an increase of 32.9%.

*Revenues from overhaul and coating of jet engine components.*

Revenues from overhaul and coating of jet engine components segment increased to \$7.4 million for the year ended December 31, 2024, from \$6.8 million for the year ended December 31, 2023, an increase of 7.8%.

*Cost of revenues.*

Cost of revenues was \$119.1 million for the twelve months ended December 31, 2024, compared to \$91.3 million for the twelve months ended December 31, 2023, an increase of 30.4%. Cost of revenues as a percentage of revenues decreased to 78.3% for the twelve months ended December 31, 2024, from 80.2% for the twelve months ended December 31, 2023. The decrease is primarily due to the increase in revenue in a higher percentage compared to the increase in our fixed costs.

*Cost of revenues for OEM of heat transfer solutions and aviation accessories.*

Cost of revenues for this operating segment was \$25 million for the year ended December 31, 2024, compared to \$20.2 million for the year ended December 31, 2023, an increase of 23.6%. Cost of revenues as a percentage of revenues in this segment decreased to 68.5% in the year ended December 31, 2024, from 71.9% for the year ended December 31, 2023. The decrease is primarily due to the increase in revenue in a higher percentage compared to the increase in our fixed costs.

*Cost of revenues for MRO services for heat transfer components and OEM of heat transfer solutions.*

Cost of revenues for the MRO services for heat transfer components and OEM of heat transfer solutions operating segment increased to \$35.9 million for the year ended December 31, 2024 from \$30.1 million for the year ended December 31, 2023, an increase of 19.2%. Cost of revenues as a percentage of revenues in this segment decreased to 82% in the year ended December 31, 2024 from 91.4% for the year ended December 31, 2023. The decrease is primarily due to the increase in revenue in a higher percentage compared to the increase in our fixed costs.

*Cost of revenues for MRO services for aviation components.*

Cost of revenues for MRO services for aviation components operating segment increased to \$56.8 million for the year ended December 31, 2024 from \$41.8 million for the year ended December 31, 2023, an increase of 35.9%. Cost of revenues as a percentage of revenues in this segment increased to 84.2% in the year ended December 31, 2024 from 82.5% for the year ended December 31, 2023. The increase is mainly due to the increase in the cost of components which increased at a higher rate compared to the increase in selling prices.

*Cost of revenues for overhaul and coating of jet engine components.*

Cost of revenues for the overhaul and coating of jet engine components segment increased to \$4.8 million for the year ended December 31, 2024 from \$4.1 million for the year ended December 31, 2023, an increase of 17.3%. Cost of revenues as a percentage of revenues in this segment increase to 65.2 % in the year ended December 31, 2024 from 60 % in the year ended December 31, 2023.

*Research and development, net.*

Research and development expenses increased to \$1.2 million for the twelve months ended December 31, 2024, from \$0.7 million for the twelve months ended December 31, 2023, an increase of 74.5%. Research and development expenses as a percentage of revenues were 0.8% for the twelve months ended December 31, 2024 compared to 0.6% for the twelve months ended December 31, 2023.

*Selling and marketing.*

Selling and marketing expenses were \$7.7 million for the twelve months ended December 31, 2024, compared to \$5.5 million for the twelve months ended December 31, 2023. Selling and marketing expenses as a percentage of revenues were 5.1% for the twelve months ended December 31, 2024, compared to 4.8% for the twelve months ended December 31, 2023, an increase of 0.3 %.

*General and administrative.*

General and administrative expenses were \$119. million for the twelve months ended December 31, 2024, compared to \$10.6 million for the twelve months ended December 31, 2023, an increase of 12.7%. General and administrative expenses as a percentage of revenues were 7.8% for the twelve months ended December 31, 2024, compared to 9.3% for the twelve months ended December 31, 2023.

*Other expenses (income).*

Other expenses (income) were (\$0.4) million for the twelve months ended December 31, 2024, compared to (\$0.4) million for the twelve months ended December 31, 2023. Other income as a percentage of revenues were 0.3% for the twelve months ended December 31, 2024, compared to 0.4% for the twelve months ended December 31, 2023.

*Financial expenses, net.*

Financial income, net for the twelve months ended December 31, 2024 were \$1.9 million, compared to \$1.3 million of financial expenses for the twelve months ended December 31, 2023. The increase was mainly due to unfavorable changes in exchange rates USD / ILS.

*Taxes on income (tax benefit).*

Taxes on income for the twelve months ended December 31, 2024, amounted to \$0.2 million, compared to \$0.5 million tax benefits for the twelve months ended December 31, 2023.

*Share in results of equity investment of affiliated companies.*

Share in results of equity investment of affiliated companies for the twelve months ended December 31, 2024, amounted to a gain of \$0.8 million compared to a gain of \$0.5 million for the twelve months ended December 31, 2023.

***Year ended December 31, 2023 compared with Year ended December 31, 2022***

Please see Item 5 on Form 20-F for the Year ended December 31, 2023 filed on March 6, 2024 for this comparison.

**Conditions in Israel**

TAT is incorporated under the laws of the State of Israel, and its principal executive offices and manufacturing and research and development facilities are located in Israel. Please refer to “*Item 3D – Risk Factors*” for a description of governmental, economic, fiscal, monetary, or political policies or factors (including the ongoing war and hostilities with Hamas, Hezbollah and Iran) that have materially affected or could materially affect TAT’s operations.

**Trade Relations**

Israel is a member of the United Nations, the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Finance Corporation. Additionally, Israel is a member of the World Trade Organization and is a signatory to the General Agreement on Tariffs and Trade. In addition, Israel benefits from preferences under the Generalized System of Preferences from countries including the United States, Australia, Canada and Japan, enabling Israel to export the products covered by such programs either duty-free or at reduced tariffs.

In July 1975, Israel and the European Union Community (the "European Union") concluded a Free Trade Agreement, granting certain advantages for Israeli exports to most European countries while requiring Israel to gradually reduce its tariffs on imports from these countries. In 1985, Israel and the United States entered into an agreement to establish a Free Trade Area. The Free Trade Area has eliminated all tariff and some non-tariff barriers on most trade between the two countries.

In January 1993, Israel entered into a free trade agreement with the European Free Trade Association ("EFTA") established a free-trade zone between Israel and the EFTA nations. In November 1995, Israel entered into a new agreement with the European Union, which includes a redefinition of rules of origin and additional benefits, such as allowing Israel to become a member of the Research and Technology programs of the European Union. During the recent years, Israel has expended its commercial and trade relations to include additional nations, such as Russia, China, India, Turkey and other nations in Eastern Europe and the Asia-Pacific region.

#### **Impact of Currency Fluctuation and of Inflation**

TAT reports its financial results in US dollars and receives payment primarily in dollars or dollar-linked to NIS for all of its sales. However, a portion of its expenses, principally salaries and related personnel expenses in Israel, in NIS. Additionally, certain assets, as well as a portion of its liabilities, are denominated in NIS. Therefore, the dollar cost of TAT's operations is influenced by the extent to which inflation in Israel is offset, either partially or fully, on a lagging basis or is not offset by the devaluation of the NIS in relation to the U.S. dollar. When the rate of inflation in Israel exceeds the rate of devaluation of the NIS against the U.S. dollar, the dollar cost of operations in Israel increases. If the dollar cost of operations in Israel increases, its dollar-measured results of operations will be adversely affected. It is uncertain whether TAT will be materially and adversely affected in the future if inflation in Israel exceeds the devaluation of the NIS against the dollar or if the timing of the devaluation lags behind inflation in Israel.

Because exchange rates between the NIS and the dollar fluctuate continuously, exchange rate fluctuations and especially larger periodic devaluations will have an impact on TAT's profitability and period-to-period comparisons of its results. The effects of foreign currency re-measurements are reported in TAT's consolidated financial statements in current operations. Although TAT hedges a portion of its exchange rate risk through the use of forward contracts and other derivative instruments, there is no certainty that future results of operations may not be materially adversely affected by currency fluctuations.

## Corporate Tax Rate

Israeli companies are generally subject to corporate tax on their taxable income (including capital gains). The regular corporate tax rate for Israel was 23% for the year ended December 31, 2022, December 31, 2023 and December 31, 2024.

However, the rate is effectively reduced for income derived from Approved and Beneficiary Enterprises, as defined by the Law for the Encouragement of Capital Investments, 1959, as amended.

For additional information, please see Item 10.E below "*Taxation - Israeli Tax Considerations - Tax Benefits under the Law for the Encouragement of Capital Investments, 1959*".

Certain investment income derived by TAT from investments may not be regarded by the Israeli tax authorities as income from TAT's Preferred Enterprise and consequently may be taxed at the regular statutory rate in Israel.

Certain of TAT's subsidiaries operate in and are subject to the tax laws of various other jurisdictions, primarily the United States. TAT's U.S. subsidiaries are taxed based on federal and state tax laws. The U.S. federal statutory flat tax rate for tax years 2023 and 2024 is 21%.

## Recently Issued Accounting Standards

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amended guidance enhances income tax disclosures primarily related to the effective tax rate reconciliation and income taxes paid information. This guidance requires disclosure of specific categories in the effective tax rate reconciliation and further information on reconciling items meeting a quantitative threshold. In addition, the amended guidance requires disaggregating income taxes paid (net of refunds received) by federal, state, and foreign taxes. It also requires disaggregating individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The amended guidance is effective for fiscal years beginning after December 15, 2024. The guidance can be applied either prospectively or retrospectively. We are evaluating the impact this amended guidance may have on the footnotes to our consolidated financial statements.



In November 2024, the FASB issued ASU No. 2024-03 Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40). The ASU improves the disclosures about a public business entity's expenses and provides more detailed information about the types of expenses in commonly presented expense captions. The amendments require that at each interim and annual reporting period an entity will, inter alia, disclose amounts of purchases of inventory, employee compensation, depreciation and amortization included in each relevant expense caption (such as cost of sales, SG&A and research and development). The ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures

**Recently adopted accounting pronouncements:**

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amended guidance requires incremental reportable segment disclosures, primarily about significant segment expenses. The amendments also require entities with a single reportable segment to provide all disclosures required by these amendments, and all existing segment disclosures. The amendments will be applied retrospectively to all prior periods presented in the financial statements and are effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024.

**Liquidity and Capital Resources**

In December 21, 2023, TAT completed the issuance and sale of 1,158,600 ordinary shares of the Company in a private placement to Israeli institutional and accredited investors (as defined under Israel's Securities Law, 5728-1968) (the "Investors" and the "Israeli Securities Law", respectively), for a purchase price of NIS 31.70 per share (which equaled \$8.77 per share based on the exchange rate published by the Bank of Israel at such time), resulting in net proceeds to the Company, after deducting offering expenses, of approximately NIS 36.2 million (or approximately \$10.0 million). The newly issued shares represented approximately 11.5% of the Company's issued and outstanding ordinary shares after the consummation of such sale.

In September 1, 2024, TAT received and accepted commitments from Israeli institutional and accredited investors (as defined under the Israeli Securities Law) to participate in a private placement (the "Private Placement") of the Company's ordinary shares.

In September 6, 2024, TAT completed the issuance and sale of 673,340 ordinary shares in a private placement to Israeli institutional and accredited Investors, for a purchase price of NIS 54.95 per share, resulting in the net proceeds to TAT, after deduction offering expenses, of approximately NIS 36.5 million.

In addition, the FIMI Funds, the Company's largest shareholder, notified the Company that it received and accepted commitments from Israeli institutional and accredited investors to purchase from the FIMI Funds an aggregate of 2,349,706 of the Company's ordinary shares, for a purchase price of NIS 54.95 per ordinary share, or an aggregate of NIS 129.1 million. The Company did not receive any proceeds from the sale of the ordinary shares by the FIMI Funds. Following the consummation of the Private Placement and the private sale by the FIMI Funds, the FIMI Funds beneficially own approximately 26.6% of the Company's issued and outstanding ordinary shares. The Private Placement and the sale of ordinary shares by the FIMI Funds were being made in Israel only and not to U.S. persons, as defined in Rule 902 of the "Securities Act", pursuant to a registration exemption afforded by Regulation S promulgated under the Securities Act, and the ordinary shares will be subject to certain transfer restrictions. The ordinary shares will not be registered under the Securities Act and will not be offered or sold in the United States without registration or applicable exemption from the registration requirements according to the Securities Act.

As of December 31, 2024, TAT had cash and cash equivalents of \$7.4 million compared to \$ 16.9 million as of December 31, 2023, a decrease of \$9.5 million primarily due to an increase in working capital needs (mainly an increase of inventory by \$17.1 million and an increase of account receivables by \$9.6 million).

During 2024, TAT decreased its loans and lines of credit from commercial banks by \$7.6 million and repaid loans in the amount of \$2 million.

**Total long term loans and credit  
line balance amount as of the  
year ended December 31**

	2024	2023	2022	Rate	Duration
<b>Israel</b>					
Gov guaranteed loans (see a)	3,990	4,707	5,517	(*) 7.75%	5-10
Commercial loans (see b)	2,171	2,601	3,116	(*) 7.15%	7
<b>USA</b>					
Commercial loans (see c)	6,285	7,076	7,651	3.75% - 4.2%	5-10
Line of Credit (see d)	4,350	12,137	11,101	(*) 7.25%-8.6%	Revolving
Machinery finance loans (see e)	575	712	-	6.65%	5
	17,371	27,224	27,385		

(\*) As of December 31, 2024

- a. TAT received several loans from Israeli banks (with a guaranty from the Israeli government) during 2020 and 2021 in an aggregate amount of \$6.3 million. The loans bear annual interest (Prime Rate +1.5%) which are paid in equal monthly installments as of April 2021 through February 2031. The aforementioned loans were received in NIS.

- b. In March 2022, TAT received a loan from a commercial bank in the amount of \$3.7 million. The loan bears annual interest (Prime Rate +0.9%) and paid in equal monthly installment as of April 2022 through March 2029.
- c. In May 2022, a TAT US subsidiary received a loan from a commercial bank in the US in the amount of \$3 million. The loan is secured with a first-degree lien on the US subsidiary's equipment. The loan bears an annual interest which is paid in equal monthly installments until 2029. In August 2022, another TAT US subsidiary received a long-term loan of \$5 million from a commercial bank in the US. The loan bears an annual interest which is paid in equal monthly installments until August 2032. The loan is secured with a first-degree lien on the US subsidiary's equipment.
- d. In February 2022, a TAT US subsidiary received a credit line from a US commercial bank in the amount of \$7 million with a maturity date of February 2024 carrying an interest of WSJP+0.1%. In February 2024, the US subsidiary signed a new loan contract extending the existing line of credit by 2 years and securing an additional credit in the amount of \$7 million (total line of credit of \$14 million). As of December 31, 2024, \$2.85 million of this credit line was utilized. In March 2022, another TAT US subsidiary received a credit line of \$5 million from a commercial bank. This credit line bears an initial annual fixed interest of 2.9%. In April 2024, the US subsidiary signed a contract extending the existing line of credit by 2 years. This credit line bears annual fixed interest of 7.25%. As of December 31, 2024, \$1.5 million of this credit line was utilized.
- e. In 2023 a TAT US subsidiary received loans from Machinery Finance in the total amount of \$0.7 million. The loans bear annual interest which are paid in equal monthly installments until 2028.
- f. In June 2023, TAT secured another short-term line of credit from an Israeli bank for \$4.5 million. The Company's building and land in Kiryat Gat serve as collateral for this loan. As of December 31, 2024, the Company has not utilized this credit line

In respect of the credit lines and the loans in a, c and d above, the Company and its subsidiaries are required to meet certain financial covenants. As of December 31, 2024 the Company and its subsidiaries met all its covenants.

Capital expenditures for the years ended December 31, 2024, 2023 and 2022 were approximately \$3.9 million, \$3.6 million and \$16.1 million, respectively. TAT funded these expenditures mainly from its own cash resources and cash flows from operations. TAT expects that its available cash and cash equivalents and cash flow generated from operations will be sufficient to fund its capital expenditures.

TAT's management believes that anticipated cash flow from operations and its current cash balances will be sufficient to meet its cash requirements for at least 12 months from the financial statement issuance date. TAT's future capital requirements will depend on many factors, including its rate of revenue growth, the expansion of its selling and marketing activities, costs associated with expansion into new markets and the timing of the introduction of new products and services.

#### Cash Flows

The following table summarizes TAT's cash flows for the periods presented:

	Year Ended December 31,		
	(in thousands)		
	2024	2023	2022
Net cash provided by (used in) operating activities	\$ (5,818)	\$ 2,255	\$ (4,867)
Net cash used in investing activities	(3,851)	(3,579)	(16,120)
Net cash provided by financing activities	161	10,240	15,798
Net increase (decrease) in cash and cash equivalents	(9,508)	8,916	(5,189)
Cash and cash equivalents at beginning of the year	16,942	8,026	13,215
Cash and cash equivalents at end of the year	<u>\$ 7,434</u>	<u>\$ 16,942</u>	<u>\$ 8,026</u>

Net cash used in operating activities for the year ended December 31, 2024, amounted to approximately \$(5.8) million, compared to net cash provided in operating activities of \$2.2 million for the year ended December 31, 2023 and net cash used in by operating activities of \$(4.9) million for the year ended December 31, 2022.

Net cash used in operating activities for the year ended December 31, 2024 was impacted by the Company's growing working capital needs.

Net cash used in operating activities for the year ended December 31, 2024 was principally derived from the following adjustments of non-cash line items: an upward adjustment of \$5.5 million for depreciation and amortization; an upward adjustment of \$4.7 million for an increase in trade accrued expenses other; an offset adjustment of \$17.1 million for inventory; and a downward adjustment of \$9.7 million for increase in trade accounts receivable.

Net cash used in operating activities for the year ended December 31, 2023 was principally derived from the following adjustments of non-cash line items: an upward adjustment of \$4.7 million for depreciation and amortization; an upward adjustment of \$4.2 million for an increase in trade accrued expenses other; an offset adjustment of \$5.4 million for inventory; and a downward adjustment of \$4.2 million for increase in trade accounts receivable.

Net cash used in operating activities for the year ended December 31, 2022 was impacted by the Company's restructuring plan costs with an amount of \$1.7 million.

Net cash used in operating activities for the year ended December 31, 2022 was principally derived from the following adjustments of non-cash line items: an upward adjustment of \$3.7 million for depreciation and amortization; an upward adjustment of \$1.1 million for an increase in trade accounts payable; an upward adjustment of \$2.7 million for accrued expenses. This was offset by a loss of \$1.5 million; a downward adjustment of \$5 million for increase in inventory; a downward adjustment of \$2.6 million for increase in trade accounts receivable; and a downward adjustment of \$1.8 million for increase in other current assets and prepaid expenses.

In the year ended December 31, 2024, net cash used by investing activities was \$3.9 million, out of which approximately \$5.1 million was attributed to investment mainly in new machinery and equipment and \$1 million from sale of machinery and equipment.

In the year ended December 31, 2023, net cash used by investing activities was \$3.6 million, out of which approximately \$5.1 million was attributed to investment mainly in new machinery and buildings and \$2 million from sale of machinery and equipment.

In the year ended December 31, 2022, net cash used by investing activities was \$16.1 million, out of which approximately \$12.3 million was attributed to investment in new machinery and buildings due to the Company's restructuring plan.

In the year ended December 31, 2024, net cash used by financing activities was \$0.1 million. In the year ended December 31, 2024, net cash provided by financing activities was primarily attributable to an amount of \$9.8 million from issuance of ordinary shares during 2024 net of \$9.6 million repayment of short term credit line and repayment of long term loans.

In the year ended December 31, 2023, net cash provided by financing activities was primarily attributable to an amount of \$10.2 million from issuance of ordinary shares during 2023.

In the year ended December 31, 2022, net cash provided by financing activities was primarily attributable to an amount of \$16.7 million in commercial loans and lines of credit extended to the Company during 2022. For more information on the Company's cash flow, see Note 8 in the Company's financial statements.

**A. Research and Development, Patents and Licenses**

Not applicable.

**B. Trend Information**

In recent years, the aerospace industry in which we operate has been impacted by the increase in number of commercial and defense aircraft, increase in commercial passenger traffic and a corresponding increase in airlines' revenue. The Covid-19 pandemic did, however, result in a slow-down in commercial aviation markets during the years 2019-2022. Commercial carriers remain committed to their efforts to reduce cost of MRO activities and increase efficiencies.

**C. Off-Balance Sheet Arrangements**

We are not a party to any material off-balance sheet arrangements. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

**D. Tabular Disclosure of Contractual Obligations**

The following table summarizes our minimum contractual obligations and commercial commitments as of December 31, 2024, and the effect we expect them to have on our liquidity and cash flow in future periods:

Contractual Obligations	Payments due by Period (Amounts in Thousands of US\$)				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Operating lease obligations	2,285	939	916	276	154
Purchase commitments	38,219	33,578	4,241	400	-
Total	<u>\$ 40,504</u>	<u>34,517</u>	<u>5,157</u>	<u>676</u>	<u>154</u>

In addition, with respect to certain employees we have long-term liabilities for severance pay that are calculated pursuant to Israeli severance pay law generally based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or a portion thereof. As of December 31, 2024, our severance pay liability, net was \$ 332 thousand.

TAT expects to pay \$656 thousand in future benefits to their employees during 2025 through 2033 upon their normal retirement age. The amount was determined based on the employee's current salary rates and the number of service years that will be accumulated upon the retirement date. These amounts do not include amounts that might be paid to employees that will cease working for the Israeli company before their normal retirement age.

TAT also has the following guarantees as of December 31, 2024:

In order to secure TAT's liability to the Israeli customs, TAT provided bank guarantees in the amount of \$28.6 thousand. The guarantees are linked to the consumer price index and will expire on 2025.



**Item 6. Directors, Senior Management and Employees**

**A. Directors and Senior Management**

Set forth below are the name, age, principal position and a biographical description of each of our directors and executive officers, as of the date hereof:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Amos Malka	73	Chairman of the Board of Directors
Igal Zamir	60	Chief Executive Officer and President
Ehud Ben – Yair	62	Chief Financial Officer
Liron Topaz	44	General Manager of TAT Israel
Marty Carvellione	47	General Manager of Piedmont
Jason Lewandowski	51	Chief Operational Officer
Paul Maness	41	General Manager of Limco
Lars Hesbjerg	59	Vice President Sales
Gillon Beck	64	Director
Moti Glick (1)(2)(3)(4)	73	External Director
Ronnie Meninger (1)(3)(4)	69	Independent Director
Aviram Halevi (1)(2)(3)(4)	68	External Director

(1) “Independent Director” under SEC requirements and NASDAQ Marketplace Rules

(2) “External Director” as required by the Israeli Companies Law

(3) Member of the Company’s Audit Committee

(4) Member of the Company’s Compensation Committee

## Management

**Mr. Igal Zamir** was appointed as TAT's Chief Executive Officer and President in April 2016. Prior to joining TAT, from 2009 until 2013, Mr. Zamir served as President at Mapco Express, a wholly-owned subsidiary of Delek US Holdings Inc., a NYSE-listed company which owns and operates 370 convenient stores and gas stations in the southeastern region of the United States. Prior to Mapco Express, from 2006 until 2009, Mr. Zamir served as CEO of Metrolight, a provider of proprietary energy saving solutions in High Intensity Discharge (HID) lighting systems. From 1998 until 2004, Mr. Zamir served as CEO of Rostam, a leading provider of private label feminine hygiene products. Mr. Zamir holds a B.Sc. in Industrial Engineering from Tel Aviv University and an MBA from Bar-Ilan University.

**Mr. Ehud Ben-Yair** was appointed as TAT's Chief Financial Officer in May 2018. Prior to joining TAT, Mr. Ben-Yair served as the Chief Financial Officer of SHL Telemedicine, a public company traded on the Swiss stock exchange (SIX: SHLTN) engaging in the field of digital health. Between 2012-2016, Mr. Ben-Yair has served as the Chief Financial Officer of Opgal Optronics, a subsidiary of Elbit Systems (NASDAQ: ESLT), a company developing and manufacturing thermal imaging cameras for military and civilian aerospace markets. Prior to that, Mr. Ben-Yair has served for 8 years as the Chief Financial Officer of Orad Hi-Tech Systems, a public company traded on the AIM and German stock exchange (OHT), a company developing, manufacturing and selling proprietary hardware to TV stations and broadcasters. Mr. Ben-Yair is a Certified Public Accountant and holds a B.A. in Economics and Accounting from the Ben-Gurion University in Israel.

**Mr. Jason Lewandowski** was appointed as TAT's COO in December 2022. Mr. Lewandowski began his professional career as a Surface Warfare Officer in the United States Navy in May of 1997. After 7 years of service on 3 different warships, and US commendations for his role in Operation Enduring Freedom, he left the US Navy and began his career in corporate America within Honeywell's Aerospace business. From 2005 to 2017, he led varying leadership roles within Honeywell Aerospace's operations and integrated supply chain teams at over 8 different manufacturing locations. In his final position with Honeywell he was a multi-site Sr. Director of Operations overseeing 2 OEM facilities that manufactured brake pads and air foils, and 3 R&O facilities that repaired and tested aircraft engines and APU's. In 2017 Mr. Lewandowski left Honeywell to help scale operations for North America's leading transit producer of purpose-built electric buses and batteries, Proterra Inc. Over the next 5 years he served as GM of Proterra's largest electric bus facility, VP of Supply Chain, and VP of Manufacturing, playing an integral role in helping the company become publicly traded. Mr. Lewandowski holds a Bachelor of Science in Electrical Engineering from Marquette University (1997) and an MBA from Carnegie Mellon's Tepper School of Business (2005).

**Mr. Liron Topaz** has been with TAT since 2017 and prior to his current role as General Manager of TAT Israel, he served as TAT's Sales and Marketing Executive Vice President. Prior to joining TAT, Mr. Topaz served as Vice President at A.L. GROUP and has managed and lead the business development and marketing strategy of the entire group including four manufacturing facilities, five trading companies around the globe and 1500 employees. Mr. Topaz holds a B.A. in Management and Economics from the Open University-Israel, and M.B.A in Business administration from the Peres Academic Center, Israel.

**Mr. Marty Cervellione** was appointed as General Manager of Piedmont in January 2023. Marty began his career as a Ground Combat Officer in the United States Marine Corps serving from 2000-2006. In 2006, Marty was hired by Sikorsky Aircraft where he held managerial roles of increasing responsibility in Materials, Programs, Logistics and Distribution. In 2014, after 8 years with Sikorsky, Marty transitioned to Honeywell Aerospace where he led all Material Operations for the OEM and Repair and Overhaul Facilities. In January of 2018 Marty left Honeywell and joined Proterra as the Director of Supply Chain and Materials for the Proterra Transit Business. After 5 years with Proterra, Marty was appointed General Manager of Piedmont in 2023. Mr. Cervellione brings with him over 20 years of operational and supply chain experience in the Aerospace and Electric Vehicle Industries. Mr. Cervellione holds a Bachelor's Degree from Fordham University and a Master's Degree in Finance from Hofstra University.

**Mr. Paul Maness** was appointed as General Manager of Limco in March 2024. Mr. Manes brings years of experience in operations leadership as well as military leadership as an Army Ranger. Prior to joining Limco, Mr. Manes worked as a Global Health and Safety Leader for Baker Hughes and prior to that, as a Plant Manager for the same company in Claremore, Oklahoma. Before that, Paul served as the Plant Manager in a machine assembly shop and an operations manager in a steel galvanizing facility. Mr. Manes has served in the United States Army for 24 years. Mr. Manes holds a Master's Degree from Webster University and a B.S from Oklahoma State University.

*Mr. Lars Hesbjerg* was appointed as Vice President of Sales in April 2021. Prior joining TAT, Mr. Lars served 18 years with the Donaldson Company, Inc. in various leadership roles. From 2019 to 2021 he served as Global Business Unit Director of Aerospace, and between 2016-2019 as the Global Sales Director of Aerospace and Defense. Between 2011- 2016 he led the Off-Road OEM sales organization as the Sales Director which included large OEMs such as Caterpillar, Bobcat. Between 2010 and 2011 he was the Director of Sales, Global On-Road OEM. Between 2006 -2011 he was the Sales Director of the Gas Turbine Group of Donaldson Company. Mr. Hesbjerg holds an economics degree from Niels Brock College, a B.A. degree in International Business and an Executive Management Diploma degree from the University of Minnesota.

#### **Directors**

*Mr. Amos Malka was elected as Chairman of* our Board of Directors *in June 2016*. Mr. Malka is the founder and chairman of Spire Security Solutions Ltd., a security, intelligence and cyber security provider. From 2018 Mr. Malka is the Chairman of the Board of Directors of Aitech Rugged Group Inc. From 2007 until 2015, Mr. Malka served as the chairman and CEO of Logic Industries Ltd. From 2007 until 2010, he also served as chairman of Plasan Sasa LTD., an armored vehicle manufacturer. From 2005 until 2007, he served as the chairman of Albar, a leading company in the Israeli automobile sector. From 2002 until 2005, Mr. Malka served as the CEO of Elul Technologies Ltd., Israel's largest aerospace and defense business development and consulting company. Mr. Malka also serves on the boards of directors of Imagesat International and Delek Automotive System. Mr. Malka retired from the IDF in 2002 at the rank of Major General, after 31 years of service. He served as commander of the IDF Ground Forces Command, and later as Head of the Israeli Defense Intelligence, a post he held until his retirement in 2002. Mr. Malka holds B.A. in History from Tel Aviv University, Israel. He also graduated from the IDF Staff & Command College and its National Defense Academy.

*Mr. Gillon Beck joined* TAT's Board of Directors in November, 2022. Mr. Beck has been a Senior Partner at FIMI Opportunity Funds, the controlling shareholder of TAT, as well as a Director of the FIMI Opportunity Funds' General Partners and SPV companies. In addition, Mr. Beck currently serves as Chairman of the Board of ImageSat Ltd(TASE), Emet Computing Ltd. (TASE), Hiper Global TASE), Gal-Shvav Ltd, Bet Shemesh Engines Ltd. (TASE), Inrom Industries Ltd., Senstar Technologies Ltd. (NASDAQ) Bird Aerosystems Ltd, and is a director of Rafa Laboratories Ltd., Simplivia Ltd., Orbit Technologies Ltd (TASE) , Carmel Forge Ltd., AITECH Ltd, Stern Engineering Ltd., Utron Ltd. ( TASE) and Unitronics (1989) (RG) Ltd (TASE). During the past five years, Mr. Beck had served as a member of the Board of Directors of the following public companies: Ham-Let Ltd., Inrom Construction Ltd. From 1999 to 2003, Mr. Beck served as Chief Executive Officer and President of Arad Ltd. (TASE). Mr. Beck received a Bachelor of Science degree (Cum Laude) in Industrial Engineering in 1990 from the Technion – Israel Institute of Technology, and a Master of Business Administration in Finance in 1992 from Bar-Ilan University.

*Mr. Moti Glick* joined TAT's Board of Directors as an external director in November 2021. From 1991 until 2021 Mr. Glick served as the CEO of Overseas Commerce, a public company traded on the Tel Aviv Stock Exchange. Prior to that Mr. Glick was CFO of Clal Trading, a public company as well. Mr.Glick is a CPA (ISR) and holds a B.A. in Economics from Bar-Elan University.

*Mrs. Ronnie Meninger* joined TAT's Board of Directors as an independent director in November 2021. Mrs. Meninger brings vast experience in industrial companies, having served as CEO of Chemada Fine Chemicals Ltd. and Algatechnologies Ltd. She also served in other managerial positions in various companies. Mrs. Meninger serves on the Board of Directors of Kafrit, Albaad and Maytronics and OSG Group. For the last 9 years she acts as a business consultant for companies and startups. Mrs. Meninger holds a BSc in Life Sciences and an MBA from the Hebrew University of Jerusalem.

*Mr. Aviram Halevi joined* TAT's Board of Directors as an external director in November 2013. Mr. Halevi is one of the founders and former managing partner of Imprint Social, a technology-based engagement platform that guarantees clients connect with the target audience in the most effective and tailored manner. Prior to that, from 2007 until 2010, Mr. Halevi served as the CEO of Terrogece Ltd., a producer of intelligence data for commercial markets. Mr. Halevi holds a B.Sc. in Geology from Queens College, CUNY, and an MBA from Tel Aviv University.

## **B. Compensation of Directors and Executive Officers**

The following table sets forth all compensation TAT paid to all of its directors and executive officers as a group for the year ended December 31, 2024.

	<b>Salaries, fees, Commissions and bonuses (Amounts in Thousands US\$)</b>	<b>Other benefits (Amounts in Thousands US\$)</b>
All directors and executive officers as a group (12 executives)	\$ 3,467	\$ 108

During the year ended December 31, 2024, TAT paid its directors (except for its active chairman of the Board of Directors, Mr. Amos Malka), the fixed medium amounts permitted by law to an external director (within the meaning of the Israeli Companies Law) which was a per meeting attendance fee of NIS 2,862 (approximately \$774), plus an annual fee of NIS 76,860 (approximately \$20,772). Pursuant to its agreement with Mr. Amos Malka, TAT's active chairman of the Board of Directors, TAT paid Mr. Malka a monthly fee of NIS 50,000 plus VAT. In March 2025, the Company's annual shareholders meeting approved the grant of 50,000 options to purchase 50,000 of the Company's ordinary shares to Mr. Malka (replacing his previous option grant on 2016). Additionally, the shareholders meeting approved the amendment to the compensation terms of Mr. Igal Zamir, the Company's Chief Executive Officer, as follows: Mr. Zamir's base salary, has changed to a fixed compensation of \$470,000 per year, due to his relocation to the United States. It was also approved to grant Mr. Zamir 200,000 options to purchase ordinary shares of the Company, and the grant of a one-time special bonus equivalent to two monthly salaries to both Mr. Zamir and Mr. Ehud Ben Yair, the Company's Chief Financial Officer.

The table below sets forth the compensation paid to our five most highly compensated senior office holders (as defined in the Israeli Companies Law) during or with respect to the year ended December 31, 2024, in the disclosure format of Regulation 21 of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives."

For purposes of the table and the summary below, and in accordance with the above-mentioned securities regulations, "compensation" includes base salary, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation.

<b>Information Regarding Covered Executives (1)</b> <b>(Amounts in Thousands US\$)</b>					
Name and Principal Position(2)	Base Salary	Benefits and Perquisites(3)	Variable Compensation(4)	Equity-Based Compensation(5)	Total
<b>Igal Zamir, CEO and President</b>	339	130	346	20	835
<b>Ehud Ben- Yair, CFO</b>	324	57	225	96	702
<b>Jason Lewandowski, COO</b>	267	22	152	31	472
<b>Liron Topaz, GM TAT Israel</b>	156	71	68	37	328
<b>Lars Hebjerg, VP Sales</b>	221	23	62	37	323

(1) All amounts reported in the table are in terms of cost to TAT, as recorded in our financial statements.

(2) Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at the average conversion rate for the year ended December 31, 2024.

(3) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to each executive, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurance and benefits, risk insurance (e.g., life, disability, accident), convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with our guidelines.

(4) Amounts reported in this column refer to variable compensation mainly bonus payments according to the company's incentive plan as recorded in our financial statements for the year ended December 31, 2024 and were paid during 2024 in respect of performance related to fiscal year 2023 and 2022 results and special bonus for the private placements was paid in 2024.

(5) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2024 in connection with equity-based compensation granted to the Covered Executive.

## **C. Board Practices**

### **Introduction**

Under the Israeli Companies Law and our articles of association, the management of our business is vested in our board of directors. The board of directors may exercise all powers and may take all actions that are not specifically granted to another organ in the Company (including our shareholders). Our executive officers are responsible for our day-to-day management. Our executive officers have individual responsibilities established by our Chief Executive Officer and board of directors.

### **Election of Directors**

Our articles of association provide for a board of directors consisting of such number of directors as may be determined from time to time at a general meeting of shareholders, provided that it shall be no less than two or more than eleven. Our board of directors is currently composed of five directors, including three independent directors, two of whom also qualify as external directors within the meaning of the Israeli Companies Law.

Pursuant to our articles of association and in accordance with the Israeli Companies Law, our directors (except for the external directors) are elected at our annual general meeting of shareholders by a vote of the holders of a majority of the voting power represented and voting at such meeting; in addition, directors (except for external directors) may be appointed by a vote of a majority of directors then in office. All our directors (except for external directors) hold office until the annual general meeting of shareholders succeeding their election (provided that if no directors are elected at the annual general meeting, the directors in office at the time such meeting was convened shall continue to hold their office) or until their earlier death, resignation, removal or other circumstances as set forth in the Israeli law. All the members of our board of directors (except for external directors) may be re-elected upon completion of their term of office.

The Israeli Companies Law requires the board of directors of a public company to determine a minimum number of directors with "accounting and financial expertise". Our board of directors determined, accordingly, that at least two directors must have "accounting and financial expertise" as such term is defined by regulations promulgated under the Israeli Companies Law.

We are exempt from the requirements of the NASDAQ Marketplace Rules with regard to the nomination process of directors since we are a controlled company within the meaning of NASDAQ Marketplace Rule 5615(c)(2).



## External and Independent Directors

*External Directors.* Under the Israeli Companies Law, Israeli companies whose shares have been offered to the public or whose shares are listed in an authorized stock exchange (accordingly, such shares are considered as held by “the public”) are required to appoint at least two external directors who meet the independence criteria set by the Israeli Companies Law. A person is qualified to serve as an external director only if he or she has “accounting and financial expertise” or “professional qualifications,” as such terms are defined by the Israeli Companies Regulations (Conditions and Criteria for a Director Who Possesses Accounting Expertise and a Director Who Possesses Professional Competence), 2005. At least one of the external directors must have “accounting and financial expertise.” Each of our external directors has “accounting and financial expertise.”

External directors are elected by a majority vote at a shareholders’ meeting. In addition to the majority vote, the shareholder approval of the election of an external director must satisfy either of two additional tests:

- The majority includes at least a majority of the shares voted by shareholders other than controlling shareholders or shareholders who have a personal interest in the election of the external directors (excluding a personal interest that is not related to a relationship with the controlling shareholders); or
- The total number of shares held by non-controlling shareholders and disinterested shareholders that voted against the election of the external director does not exceed 2% of the aggregate voting rights of the company.

In general, external directors serve for a three-year term and may be re-elected to two additional three-year terms by one of the following mechanisms: (1) the board of directors proposes the re-election of the nominee and the re-election is approved by the majority required for appointment of external directors for their initial term; or (2) a shareholder holding 1% or more of the company’s voting rights proposes the re-election of the nominee, and the re-election is approved by a majority of the votes cast by the shareholders of the company, excluding the votes of controlling shareholders or those who have a personal interest in the nomination, provided that the aggregate votes cast in favor of the re-election by shareholders who are not controlling shareholders and do not have a personal interest in the nomination constitute more than 2% of the company’s voting rights. Israeli companies listed on certain stock exchanges outside Israel, including NASDAQ, such as our Company, may appoint an external director for additional terms of not more than three years subject to certain conditions. Such conditions include the determination by the audit committee and board of directors, that in view of the director’s professional expertise and special contribution to the company’s board of directors and its committees, the appointment of the external director for an additional term is in the best interest of the company.

An external director may be removed from office at the initiative of the board of directors at a special general meeting of shareholders, if the board resolves that the statutory requirements for that person's appointment as external director no longer exist, or that the external director has violated his or her duty of loyalty to the company. The resolution of the special general meeting of shareholders regarding the termination of office of an external director requires the same majority that is required for the election of an external director. The court may order the termination of the office of an external director on the same grounds, following a motion filed by a director or a shareholder. If an external directorship becomes vacant and as a result there are fewer than two directors who serve as external directors in the company, the board of directors is required under the Israeli Companies law to convene a shareholder meeting immediately to appoint a new external director.

Each committee of the board of directors that is authorized to exercise powers vested in the board of directors must include at least one external director and the audit committee must include all of the external directors. An external director is entitled to compensation as provided in regulations adopted under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with such service.

Until the lapse of two years from termination of office, we may not engage an external director or his spouse or child, to serve as an office holder and cannot employ or receive services from these persons, either directly or indirectly, including through a corporation controlled by that person; and with regards to a related person (to a such external director) as defined in the Israeli Companies law which is not a spouse or child – until the lapse of one year from termination of office.

*Independent Directors.* As a controlled company, within the meaning of NASDAQ Marketplace Rule 5615(c)(2), we are exempt from the NASDAQ Marketplace Rule which requires that a majority of our board of directors qualify as independent directors, within the meaning of the NASDAQ Marketplace Rules.

## Audit Committee

Under the Israeli Companies Law, the board of directors of any public company must establish an audit committee. In general, the audit committee must consist of at least three directors and must include all of the external directors; furthermore, a majority of the audit committee members must comply with the director independence requirements prescribed by the Israeli Companies Law. The audit committee may not include (i) the chairman of the board of directors, (ii) any director employed by the Company or by a controlling shareholder of the company (including a company which is controlled by the controlling shareholder), (iii) any director providing services to the company or to a controlling shareholder of the company (including to a company which is controlled by the controlling shareholder) on an ongoing basis, or (iv) a controlling shareholder or any of the controlling shareholder's relatives.

In addition, the NASDAQ Marketplace Rules require us to establish an audit committee comprised of at least three members, all of whom must be independent directors, each of whom is financially literate and satisfies the respective "independence" requirements of the SEC and NASDAQ and one of whom has accounting or related financial management expertise at senior levels within a company.

Our audit committee acts also as a committee for the review and the approval of our financial statements, and as such, assists our board of directors in overseeing the accounting and financial reporting processes of our company and audits of our financial statements, including the integrity of our financial statements, compliance with legal and regulatory requirements, our independent registered public accountants' qualifications and independence, the performance of our internal audit function and independent registered public accountants, finding any defects in the business management of our company and proposing to our board of directors ways to correct such defects, approving related-party (officers, directors, controlling shareholder, etc.) transactions with the company as required by Israeli law, examining the scope of work and the payment to our independent auditors and such other duties as may be directed by our board of directors. The audit committee may consult from time to time with our independent auditors and internal auditor with respect to matters involving financial reporting and internal accounting controls.

Our audit committee consists of three members of our board of directors (including two external directors and one independent director) who satisfy the respective "independence" requirements of the SEC, NASDAQ and Israeli law for audit committee members. Our board of directors has determined that each member of our audit committee qualifies as an audit committee financial expert, as defined by rules of the SEC. The audit committee meets at least once each quarter.

## **Compensation Committee**

Under the Israeli Companies Law, the board of directors of any public company must establish a compensation committee. The compensation committee must consist of at least three directors, include all of the external directors (including one external director serving as the chair of the compensation committee), and a majority of the committee members must comply with the director independence requirements prescribed by the Israeli Companies Law. Similar to the rules that apply to the audit committee, the compensation committee may not include the chairman of the board, or any director employed by us, by a controlling shareholder or by any entity controlled by a controlling shareholder, or any director providing services to us, to a controlling shareholder or to any entity controlled by a controlling shareholder on a regular basis, or any director whose primary income is dependent on a controlling shareholder, and may not include a controlling shareholder or any of its relatives. Individuals who are not permitted to be compensation committee members may not participate in the committee's meetings other than to present a particular issue; provided, however, that an employee that is not a controlling shareholder or relative may participate in the committee's discussions but not in any vote; other than the company's legal counsel and corporate secretary who may participate in the committee's discussions and votes if requested by the committee.

The compensation committee's duties include recommending to the board of directors a compensation policy for executives and monitor its implementation, approve compensation terms of executive officers, directors and employees affiliated with controlling shareholders, make recommendations to the board of directors regarding the issuance of equity incentive awards under our equity incentive plan and exempt certain compensation arrangements from the requirement to obtain shareholder approval under the Israeli Companies Law. The compensation committee meets at least twice a year, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the committee or its chairperson.

Our compensation committee consists of our two external directors and an independent director under the respective requirements of the SEC and NASDAQ and complies with the Israeli Companies Law criteria for compensation committee members.

## **Internal Audit**

The Israeli Companies Law requires the board of directors of a public company to appoint an internal auditor following a recommendation by the audit committee. The role of the internal auditor is to examine, among other things, the company's compliance with applicable law and orderly business practice. The internal auditor must meet certain statutory requirements of independence. Mr. Doron Cohen has served as our internal auditor since December 24, 2008.

#### **Directors' Service Contracts**

There are no arrangements or understandings between us and any of our subsidiaries, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our company or any of our subsidiaries.

#### **Chairman of the Board**

Under the Israeli Companies Law, the general manager of a company (or a relative of the general manager) may not serve as the chairman of the board of directors, and the chairman of the board of directors (or a relative of the chairman of the board of directors) may not serve as the general manager, unless approved by the shareholders by a special majority vote prescribed by the Israeli Companies Law. The shareholder vote cannot authorize the appointment for a period of longer than three years, which period may be extended from time to time by the shareholders with a similar special majority vote. The chairman of the board of directors shall not hold any other position with the company (except as general manager if approved in accordance with the above procedure) or in any entity controlled by the company, other than as chairman of the board of directors of a controlled entity, and the company shall not delegate to the chairman duties that, directly or indirectly, make him or her subordinate to the general manager.

#### **Approval of Related Party Transactions under Israeli Law**

##### *Fiduciary Duties of Office Holders*

The Israeli Companies Law codifies the fiduciary duties that "office holders," including directors and executive officers, owe to a company. An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act at a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to utilize reasonable means to obtain (i) information regarding the business feasibility of a given action brought for his approval or performed by him by virtue of his position and (ii) all other information of importance pertaining to the foregoing actions. The duty of loyalty requires that an office holder acts in good faith and for the benefit of the company, including (i) avoiding any conflict of interest between the office holder's position in the company and any other position he holds or his personal affairs, (ii) avoiding any competition with the company's business, (iii) avoiding exploiting any business opportunity of the company in order to receive personal gain for the office holder or others, and (iv) disclosing to the company any information or documents relating to the company's affairs that the office holder has received by virtue of his position as an office holder.

The Israeli Companies Law requires that an office holder promptly, and no later than the first board meeting at which such transaction is considered, disclose any personal interest that he or she may have and all related material information known to him or her and any documents in their position, in connection with any existing or proposed transaction by us. An office holder who did not disclose his or her personal interests will be deemed as breaching his or her fiduciary duties. In addition, if the transaction is an extraordinary transaction, that is, a transaction other than in the ordinary course of business or other than in accordance with market terms, or likely to have a material impact on the company's profitability, assets or liabilities, the office holder must also disclose any personal interest held by the office holder's spouse, sibling, parent, grandparent, child as well as sibling or parent of such person's spouse or the spouse of any of the above, or by any corporation in which the office holder or his relative (as defined in the Israeli Companies Law) is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager.

Under the Israeli Companies Law, in general, all arrangements as to compensation of office holders who are not directors (other than the Chief Executive Officer) require the approval of the compensation committee and the board of directors, including exculpation, insurance and indemnification of, or an undertaking to, indemnify an office holder who is not a director. The compensation of office holders who are directors and compensation of the Chief Executive Officer must be approved by the compensation committee, board of directors and the general meeting of shareholders.

Some transactions, actions and arrangements involving an office holder (or a third party in which an office holder has an interest) must be approved by the board of directors or as otherwise provided for in a company's articles of association. If the transaction is an extraordinary transaction (which is defined as a transaction not in the ordinary course of business and for a material value) such a transaction must be approved by the audit committee and by the board of directors itself, and under certain circumstances shareholder approval may be required. A director who has a personal interest in a transaction that is considered at a meeting of the board of directors or the audit committee may not be present during the board of directors or audit committee discussions and may not vote on the transaction, unless the transaction is not an extraordinary transaction or the majority of the members of the board or the audit committee have a personal interest, as the case may be. In the event the majority of the members of the board of directors or the audit committee have a personal interest, then the approval of the general meeting of shareholders is also required.

The disclosure requirements that apply to an office holder also apply to a transaction in which a controlling shareholder of the company has a personal interest. The Israeli Companies Law provides that an extraordinary transaction with a controlling shareholder or an extraordinary transaction with another person in whom the controlling shareholder has a personal interest or a transaction with a controlling shareholder or his relative regarding terms of service and employment, must be approved by the audit committee (or the compensation committee, as the case may be), the board of directors and the shareholders by a special majority, as follows. The shareholders' approval must include the majority of shares voted at the meeting. In addition to the majority vote, the shareholder approval must satisfy either of two additional tests:

- The majority includes at least a majority of the shares voted by shareholders who have no personal interest in the transaction; or
- The total number of shares held by disinterested shareholders that voted against the approval of the transaction does not exceed 2% of the aggregate voting rights of our company.

According to regulations promulgated under the Israeli Companies Law, certain extraordinary transactions between a public company and its controlling shareholder(s) do not require shareholder approval. In addition, under such regulations, directors' compensation and employment arrangements in a public company do not require the approval of the shareholders if both the audit committee and the board of directors agree that such arrangements are solely for the benefit of the company or if the directors' compensation does not exceed the maximum amount of compensation for external directors determined by applicable regulations. Also, employment and compensation arrangements for an office holder that is a controlling shareholder of a public company do not require shareholder approval if certain criteria are met. The foregoing exemptions from shareholder approval will not apply if one or more shareholders holding at least 1% of the issued and outstanding share capital of the company or of the company's voting rights, objects to the use of these exemptions provided that such objection is submitted to the company in writing not later than fourteen days from the date of the filing of a report regarding the adoption of such resolution by the company. If such objection is duly and timely submitted, then the transaction or compensation arrangement of the directors will require shareholders' approval as detailed above.

In addition, a private placement of securities that will (i) cause a person to become a controlling shareholder or (ii) increase the relative holdings of a shareholder that holds 5% or more of the company's outstanding share capital, or (iii) will cause any person to become, as a result of the issuance, a holder of more than 5% of the company's outstanding share capital in a private placement in which 20% or more of the company's outstanding share capital prior to the placement are offered, the payment for which (in whole or in part) is not in cash or not under market terms, requires approval by the board of directors and the shareholders of the company.

#### **Compensation of Executive Officers and Directors**

In accordance with the Israeli Companies Law, we have adopted a compensation policy for our executive officers and directors. The purpose of the policy is to describe our overall compensation strategy for our executive officers and directors and to provide guidelines for setting their compensation, as prescribed by the Israeli Companies Law. In accordance with the Israeli Companies Law, the policy must be reviewed and readopted at least once every three years. On March 2025, the Company's annual shareholders meeting, approved the renewal and amendment of the Company's compensation policy for an additional three years. A copy of the Company's Amended Compensation Policy is attached as an exhibit to this Annual Report.

Approval of the compensation committee, the board of directors and our shareholders, in that order, is required for the adoption of the compensation policy. The shareholders' approval must include the majority of shares voted at the meeting. In addition to the majority vote, the shareholder approval must satisfy either of two additional tests:

- The majority includes at least a majority of the shares voted by shareholders other than our controlling shareholders or shareholders who have a personal interest in the adoption of the compensation policies; or



- The total number of shares held by non-controlling shareholders and disinterested shareholders that voted against the adoption of the compensation policies does not exceed 2% of the aggregate voting rights of our company.

Under the Israeli Companies Law, the compensation arrangements for officers (other than the Chief Executive Officer) who are not directors require the approval of the compensation committee and the board of directors; provided, however, that if the compensation arrangement is not in compliance with our executive compensation policy, the arrangement may only be approved by the compensation committee and the board of directors for special reasons to be noted, and the compensation arrangement shall also require a special shareholder approval. If the compensation arrangement is an immaterial amendment to an existing compensation arrangement of an officer who is not a director and is in compliance with our executive compensation policy, the approval of the compensation committee is sufficient.

Arrangements regarding the compensation of the Chief Executive Officer and directors require the approval of the compensation committee, the board of directors and our shareholders, in that order. In certain limited cases, the compensation of a new Chief Executive Officer who is not a director may be approved without approval of the shareholders.

*Variable Cash Incentive*

The compensation committee and board of directors may adopt, from time to time, a cash incentive plan, which will set forth for each executive certain targets which form such executives on target cash payment (the "On Target Cash Plan") and the rules or formula for calculation of the On Target Cash Plan payment once actual achievements are known.

The compensation committee and board of directors may include in the On Target Cash Plan predetermined thresholds and caps to correlate an executive's On Target Cash Plan payments with actual achievements.

The actual payment of the annual On Target Cash Plan for the active chairman of the board of directors (the "Active Chairman"), the CEO and other executives in a given year shall be capped as determined by our board of directors, but in no event shall exceed the ratio set forth in the table below.

The On Target Cash Plans may be composed based on a mix of (i) the company target; (ii) personal targets (KPIs); and (iii) personal evaluation. The weight to be assigned to each of the components per each of the executives shall be as set forth in the table below.

	<b>Active Chairman</b>	<b>CEO</b>	<b>Other Executives</b>
Company Target	100%	75% - 100%	50%-100%
Personal KPIs	NONE	NONE	0%-30%
Personal Evaluation	NONE	0%-25%	0%-30%

The company target shall be determined in accordance with all or part of pre-determined targets of the sales budget, gross profit, operating profit, EBITDA, net income and net cash from operating activities, all in accordance with TAT's annual budget. If a company target shall apply to a Chief Executive Officer or a President of a subsidiary, such target may be applied up to 100% with respect to the financial results of the relevant subsidiary, and the remaining cash incentive with respect to the financial results of TAT and its subsidiaries on a consolidated basis.

The board of directors may determine to exclude certain profits or loss items from the company target including, but not limited to, certain expenses related to acquisition of a new company, certain expenses related to distribution of dividend, certain items of revenue or any other items per the board of directors' sole discretion.

With regard to each one of the measurable targets, reference points shall be determined in terms of numerical values, so that compliance with the precise numerical target as determined in the On Target Cash Plan shall constitute compliance with 100% of the target, and also, numerical values shall be determined which will constitute the lower threshold for compliance with the target. The actual rate of compliance with the targets shall be calculated in accordance with the said reference points. Failure to comply with the minimum threshold of at least 75% of a specific target shall not entitle the executive to an On Target Cash Plan payment in respect of the said target. In the event of compliance at a rate of 75% or more with a specific target, the annual On Target Cash Plan shall be calculated in accordance with a key (i.e. linear, steps, etc.) which shall determine – in relation to the point of compliance with the target – the amount of the payment in terms of a percentage of the executive annual base salary, all as shall be set forth in the On Target Cash Plan. In this respect, the compensation committee and the board of directors shall have the right to determine a higher (but not lower) entitlement threshold.

#### *Clawback Policy*

In January 2024, we adopted a Clawback Policy in compliance with the SEC rules and Nasdaq listing standards to recover any excess incentive-based compensation from current and former executive officers after an accounting restatement. A copy of the Clawback Policy is filed as Exhibit 97 to this Annual Report.

## **Indemnification and Insurance of Directors and Officers**

### *Insurance of Office Holders*

The Israeli Companies Law provides that a company may, if permitted by its articles of association, enter into a contract to insure an office holder for acts or omissions performed by the office holder in such capacity for:

- Breach of his or her duty of care to the company or to another person;
- Breach of his or her duty of loyalty to the company, provided that the office holder acted in good faith and had reasonable cause to assume that his act would not prejudice the company's interests;
- Monetary liability imposed upon the office holder in favor of another person;
- A monetary obligation imposed on the office holder in favor of another person who was injured by a violation, as this term is defined in section 52(54)(a)(1)(a) of the Israeli Securities Law, 1968 ("Israeli Securities Law"); and
- Expenses expended by the office holder, including reasonable litigation expenses, and including attorney's fees, in respect of any proceeding under chapters 8-C, 8-D or 9-A of the Israeli Securities Law or in respect to any monetary sanction.

### *Indemnification of Office Holders*

The Israeli Companies Law provides that a company may, if permitted by its articles of association, indemnify an office holder for acts or omissions performed by the office holder in such capacity for:

- Monetary liability imposed on the office holder in favor of another person by any judgment, including a settlement or an arbitrator's award approved by a court;
- Reasonable litigation expenses, including attorney's fees, actually incurred by the office holder as a result of an investigation or proceeding instituted against him or her by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against the office holder or the imposition of any monetary liability in lieu of criminal proceedings, or concluded without the filing of an indictment against the office holder and a monetary liability was imposed on the officer holder in lieu of criminal proceedings with respect to a criminal offense that does not require proof of criminal intent;
- A monetary obligation imposed on the office holder in favor of another person who was injured by a violation, as this term is defined in section 52(54)(a)(1)(a) of the Israeli Securities Law;
- Expenses expended by the office holder, including reasonable litigation expenses, and including attorney's fees, in respect of any proceeding under chapters 8-C, 8-D or 9-A of the Israeli Securities Law or in respect to any monetary sanction;

- Reasonable litigation expenses, including attorneys' fees, incurred by such office holder or which were imposed on him by a court, in proceedings the company instituted against the office holder or that were instituted on the company's behalf or by another person, or in a criminal charge from which the office holder was acquitted, or in a criminal proceeding in which the office holder was convicted of a crime which does not require proof of criminal intent; or
- Any other liability, payment or expense which the company may indemnify its office holders under the Israeli Company Law, the Israeli Securities Law or other Israeli law.

In accordance with the Israeli Companies Law, a company's articles of association may permit the company to:

- Undertake in advance to indemnify an office holder, except that with respect to a financial liability imposed on the office holder by any judgment, settlement or court-approved arbitration award, the undertaking must be limited to types of occurrences, which, in the opinion of the company's board of directors, are, at the time of the undertaking, foreseeable due to the company's activities and to an amount or standard that the board of directors has determined is reasonable under the circumstances; and
- Undertake in advance to indemnify an office holder for reasonable litigation expenses, including attorney's fees, actually incurred by the office holder as a result of an investigation or proceeding instituted against him or her by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against the office holder or the imposition of any monetary liability in lieu of criminal proceedings, or concluded without the filing of an indictment against the office holder and a monetary liability was imposed on the officer holder in lieu of criminal proceedings with respect to a criminal offense that does not require proof of criminal intent.
- Undertake in advance to indemnify an office holder for reasonable litigation expenses, including attorneys' fees, incurred by such office holder or which were imposed on him by a court, in proceedings the company instituted against the office holder or that were instituted on the company's behalf or by another person, or in a criminal charge from which the office holder was acquitted, or in a criminal proceeding in which the office holder was convicted of a crime which does not require proof of criminal intent.
- Retroactively indemnify an office holder of the company.

#### *Limitations on Exculpation, Insurance and Indemnification*

The Israeli Companies Law provides that neither a provision of the articles of association permitting the company to enter into a contract to insure the liability of an office holder, nor a provision in the articles of association or a resolution of the board of directors permitting the indemnification of an office holder, nor a provision in the articles of association exempting an office holder from duty to the company shall be valid, where such insurance, indemnification or exemption relates to any of the following:

- Breach by the office holder of his duty of loyalty, except with respect to insurance coverage or indemnification if the office holder acted in good faith and had reasonable grounds to assume that the act would not prejudice the company;
- Breach by the office holder of his duty of care if such breach was committed intentionally or recklessly, unless the breach was committed only negligently;
- Any act or omission committed with intent to derive an unlawful personal gain; and
- Any fine or forfeiture imposed on the office holder.

Pursuant to our articles of association, the total amount of indemnification that we will pay (in addition to amounts received from an insurance company, if any) to all officers of the company, in aggregate, shall not exceed, in all circumstances, more than 25% of the company's shareholders equity as set forth in the company's recent consolidated financial statements prior to the date that the indemnity is paid. Our articles of association include provisions which allow us to insure, indemnify and exempt our office holders, subject to the provisions of the Israeli Companies Law.

We maintain a directors' and officers' liability insurance policy with a-per claim and aggregate coverage limit of \$10 million, including legal costs incurred in Israel. In addition, our audit committee, board of directors and shareholders resolved to indemnify our office holders, pursuant to a standard indemnification agreement that provides for indemnification of an office holder in an aggregate amount not to exceed 25% of our equity capital (net worth). To date, we have provided letters of indemnification to all of our officers and directors.

#### *Clawback Policy*

In 2023, we adopted a Clawback Policy in compliance with the SEC rules and NASDAQ listing standards to recover any excess incentive-based compensation from current and former executive officers after an accounting restatement.

#### **D. Employees**

As of December 31, 2024, TAT and its subsidiaries employed 634 employees, of whom 516 were employed in manufacturing and quality control, 37 were employed in engineering and research and development and 81 were employed in general & administration, sales and marketing. Of such employees, 194 were located in Israel and 440 were employed by Limco and Piedmont located in the United States.

Employees in Israel are employed under collective or individual employment agreements. Senior employees in special positions and members of management are employed under individual agreements. Collective bargaining agreements are signed for specified terms and are renewed from time to time. During 2022, TAT's management and the union of TAT Israel agreed to enter into a collective bargaining agreement with respect to employees of TAT Israel. The agreement was signed on September 7, 2022 and will be in effect until April 30, 2025. On February 20, 2025, a new agreement was signed that will be in effect until March 31, 2028.

In Turbochrom, a collective bargaining agreement was signed with Turbochrome's union on September 18, 2022, and will be in effect until April 30, 2025. On February 25, 2025, a new agreement was signed that will be in effect until March 31, 2028.

Certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordinating Bureau of Economic Organizations (including the Manufacturers Association of Israel) are applicable to our Israeli employees by order of the Israeli Ministry of Economy and Industry. These provisions concern mainly the length of the workday, minimum daily wages for professional workers, pension contributions, insurance for work-related accidents, procedures for terminating employees, determination of severance pay and other employment terms. We generally provide our employees with benefits and working conditions exceeding the required minimums. Furthermore, under the collective bargaining agreements, the wages of most of our employees are linked to the CPI in Israel, although the extent of the linkage is limited.

In addition, Israeli law generally requires severance pay upon the retirement or death of an employee or termination of employment without due cause. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute which is similar to the United States Social Security Administration. These payments amount to approximately 12% of wages, with the employee contributing approximately 43% and the employer approximately 56%.

We currently also generally grant senior employees based in Israel participation in a particular insurance product called "management insurance". Management insurance provides a combination of savings plan, insurance and severance pay benefits to the employee, giving the employee a lump sum payment upon retirement (rather than receiving annuity payments) and securing his or her right to receive severance pay, if legally entitled, upon termination of employment. In general, the employee contributes an amount equal to approximately 5% to 6% of his or her wage and the employer contributes an additional amount of approximately 13-1/3% to 16% of such wage. Management insurance is not a legally mandated by Israeli law.

Limco-Piedmont sponsors a 401(K) QACA safe harbor profit sharing plan covering substantially all of its employees in the United States. The plan requires the employer to contribute a match which is currently done on a payroll period basis, matching 100% of the first 2% and 50% of the next 3%. In addition, the plan allows for a discretionary qualified non-elective contribution for the plan year.

#### **E. Share Ownership**

##### **Beneficial Ownership of Executive Officers and Directors**

Except as set forth under 'Stock Option Plans' and in Item 7A below, none of our directors and executive officers beneficially owns more than 1% of our outstanding shares.

##### **Stock Option Plans**

In November 2011, our audit committee and board of directors approved a stock option plan (the "2012 Plan"), which was subsequently approved by TAT's shareholders, on June 28, 2012. According to the 2012 Plan an aggregate of 980,000 options exercisable into up to 980,000 ordinary shares, 0.9 NIS par value, of TAT may be granted to certain members of our board of directors and certain senior executives at an exercise price not less than the fair market value of the shares covered by the option on the date of grant.

On August 30, 2018 the Company's compensation committee, followed by the Board of Directors, approved the amended and restated company's 2012 Plan (the "2012 Plan"). On October 4, 2018 the Company's amended and restated 2012 Plan was approved at the annual general meeting of shareholders. As part of the Company's 2012 Plan's amendments it was determined that if the Company declares a cash dividend to its shareholders, and the distribution date of such dividend will precede the exercise date of an option, including for the avoidance of doubt, options that have yet to become vested and options which have been granted prior to the adoption of such amendment to the 2012 Plan, the exercise price of the option shall be reduced in the amount equal to the cash dividend per share distributed by the Company.

Following the approval of TAT's audit committee and board of directors, on November 8, 2022 the Company's shareholders approved the Company's 2022 stock option plan (the "2022 Plan", and together with the 2012 Plan, and the Amended and Restated Company's 2022 Stock Option Plan (as defined below), "Plans"). According to the 2022 Plan an aggregate of 550,000 options exercisable into up to 550,000 ordinary shares, 0.9 NIS par value, of TAT may be granted to certain members of our board of directors and certain senior executives at an exercise price not less than the fair market value of the shares covered by the option on the date of grant.

In March 2025, following the approval of TAT's audit committee and board of directors, the Company's shareholders annual meeting, approved the amended and restated Company's 2022 Stock Plan (the "Amended and Restated Company's 2022 Stock Option Plan"). The main amendment in the Amended and Restated Company's 2022 Stock Option Plan is the increase in the maximum number of ordinary shares of the Company that may be issued under the Amended and Restated Company's 2022 Stock Option Plan by an additional 200,000 ordinary shares, such that after the increase, the original option pool after the additional ordinary shares will equal a total of 750,000 ordinary shares. A copy of the Amended and Restated Company's 2022 Stock Option Plan is attached as an exhibit to this Annual Report.

In general, the options under the Plans vest over a period of 4 years as follows: 25% of the options vest upon the lapse of 12 months following the date of grant and the remaining 75% vest on a quarterly basis over the remaining 3-year period. Pursuant to the Plans, any options that are cancelled or not exercised within the option period determined in the relevant option agreement will become available for future grants.

The grant of options to Israeli employees under the Plans is subject to the terms stipulated by Sections 102 and 102A of the Israeli Income Tax Ordinance. Each option grant is subject to the track chosen by the Company, either Section 102 or Section 102A of the Israeli Income Tax Ordinance, and pursuant to the terms thereof, the Company is not allowed to claim as an expense for tax purposes the amounts credited to employees as benefits, including amounts recorded as salary benefits in the Company's accounts, in respect of options granted to employees under the Plans, with the exception of the work income benefit component, if any, determined on grant date. For nonemployees and for non-Israeli employees, the share option plan is subject to Section 3(i) of the Israeli Income Tax Ordinance.



As of December 31, 2024, under the 2012 Plan there are 491,755 options (of which 200,625 options are outstanding and 291,130 options are unallocated), and under the 2022 Plan there are 485,625 options (of which 285,000 options are outstanding and 200,625 options are unallocated).

**F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation**

Not applicable.

**Item 7. Major Shareholders and Related Party Transactions**

**A. Major Shareholders**

The following table sets forth certain information as of December 31, 2024, regarding the beneficial ownership by all shareholders known to us to own beneficially 5% or more of our ordinary shares:

Name	Number of Ordinary Shares Beneficially Owned(1)	Percentage of Ownership(2)
FIMI Funds (3)	2,905,202	26.6%
MEITAV INVESTMENT HOUSE LTD. (4)	1,536,936	14.0%
Y.D. More Investments Ltd. (5)	1,213,859	11.1%

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary shares relating to options and warrants currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.
- (2) The percentages shown are based on 10,940,358 ordinary shares issued and outstanding as of December 31, 2024 (net of 274,473 dormant shares).
- (3) Based on Schedule 13D filed on August 14, 2013, on Schedule 13D/A filed on December 12, 2016 and on Schedule 13D/A filed on September 3, 2024, FIMI Opportunity V, L.P. ("FIMI Opportunity V"), FIMI Israel Opportunity Five, Limited Partnership ("FIMI Israel Opportunity V" and together with FIMI Opportunity V, the "FIMI Funds"), FIMI FIVE 2012 Ltd., Shira and Ishay Davidi Management Ltd. and Mr. Ishay Davidi (collectively, the "**Reporting Persons**") share voting and dispositive power with respect to the 2,905,202 ordinary shares held by the Reporting Persons. FIMI FIVE 2012 Ltd. is the managing general partner of the FIMI Funds. Shira and Ishay Davidi Management Ltd. controls FIMI FIVE 2012 Ltd. Mr. Ishay Davidi controls the Shira and Ishay Davidi Management Ltd. and is the Chief Executive Officer of all the entities listed above. The principal business address of each of the above entities and of Mr. Davidi is c/o FIMI FIVE 2012 Ltd., Alon Towers 2, 94 Yigal Alon St., Tel-Aviv 6789141, Israel.
- (4) Based on a letter sent to the Company dated January 2, 2025, As of December 31, 2024, Meitav Portfolio Management Ltd, Meitav Provident Funds & Pension Ltd. share voting and dispositive power with respect to the 1,536,938 ordinary shares held by Meitav Investment House Ltd. The principal business address of each of the above entities and persons is 1 Jabotinsky St, Bnie Brak, Israel.

- (5) Based on a Schedule 13G/A filed on January 23, 2025, Y.D. More Investments Ltd, More Provident Funds & Pension Ltd., More Mutual Funds Management (2013) Ltd., BYM More Investments Ltd., Eli Levy, Yosef Levy, Benjamin Meirov, Yosef Meirov, Michael Meirov, and Dotan Meirov share voting and dispositive power with respect to the ordinary shares held by Y.D. More Investments Ltd, More Provident Funds & Pension Ltd. and More Mutual Funds Management (2013) Ltd. The principal business address of each of the above entities and persons is 2 Ben-Gurion Street, Ramat Gan, Israel. The securities reported herein are held by More Provident for the benefit of beneficiaries of various provident and pension funds, More Mutual for the benefit of various mutual funds, and More Investment for the benefit of various portfolio management clients.

#### Significant Changes in the Ownership of Major Shareholders

On December 21, 2023, TAT completed the issuance and sale of 1,158,600 Ordinary Shares of the Company in a private placement to Israeli institutional and accredited investors (as defined under Israel's Securities Law, 5728-1968), for a purchase price of NIS 31.70 per share (representing approximately \$8.77 per share based on the exchange rate issued by the Bank of Israel at such time), resulting in net proceeds to the Company, after deducting offering expenses, of approximately NIS 36.2 million (or approximately \$10.0 million). The newly issued shares represented approximately 11.5% of the Company's issued and outstanding Ordinary Shares after the consummation of such sale.

In September 1, 2024, TAT received and accepted commitments from Israeli institutional and accredited investors (as defined under the Israel's Securities Law, 5728-1968 (the "Investors" and the "Israeli Securities Law", respectively) to participate in a private placement (the "Private Placement") of the Company's ordinary shares.

In September 6, 2024, TAT completed the issuance and sale of 673,340 ordinary shares in a private placement to Israeli institutional and accredited Investors, for a purchase price of NIS 54.95 per share, resulting in the net proceeds to TAT, after deduction offering expenses, of approximately NIS 36.5 million.

In addition, FIMI Israel Opportunity FIVE, Limited Partnership and FIMI Opportunity V, L.P (the "Fimi Funds"), the Company's largest shareholder, notified the Company that it received and accepted commitments from Israeli institutional and accredited investors to purchase from the FIMI Funds an aggregate of 2,349,706 of the Company's ordinary shares, for a purchase price of NIS 54.95 per ordinary share, or an aggregate of NIS 129.1 million. The Company did not receive any proceeds from the sale of the ordinary shares by the FIMI Funds. Following the consummation of the Private Placement and the private sale by the FIMI Funds, the FIMI Funds beneficially own approximately 26.6% of the Company's issued and outstanding ordinary shares. The Private Placement and the sale of ordinary shares by the FIMI Funds were being made in Israel only and not to U.S. persons, as defined in Rule 902 of the "Securities Act", pursuant to a registration exemption afforded by Regulation S promulgated under the Securities Act, and the ordinary shares will be subject to certain transfer restrictions. The ordinary shares will not be registered under the Securities Act and will not be offered or sold in the United States without registration or applicable exemption from the registration requirements according to the Securities Act.

**Major Shareholders Voting Rights**

Our major shareholders do not have different voting rights.

**Record Holders**

Based on a review of the information provided to us by our transfer agent, as of December 31, 2024, there were 23 holders of record of our ordinary shares, of which 17 record holders holding less than 1.0% of our ordinary shares had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor is it representative of where such beneficial holders reside since many of these ordinary shares were held by brokers or other nominees including CEDE & Co., the nominee for the Depository Trust Company (the central depository for the U.S. brokerage community), which held approximately 74 % of our outstanding ordinary shares as of such date.

**B. Related Party Transactions**

In March 2025, the Company's annual shareholders meeting approved the grant of 50,000 options to purchase 50,000 of the Company's ordinary shares to Mr. Malka (replacing his previous option grant on 2016). Additionally, the shareholders meeting approved the amendment to the compensation terms of Mr. Igal Zamir, the Company's Chief Executive Officer, as follows: Mr. Zamir's base salary, has changed to fixed compensation of \$470,000 per year, due to his relocation to the United States. It was also approved to grant Mr. Zamir 200,000 options to purchase ordinary shares of the Company, and the grant of and a one-time special bonus equivalent to two monthly salaries to both Mr. Zamir and Mr. Ehud Ben Yair, the Company's Chief Financial Officer.

**C. Interests of Experts and Counsel**

Not applicable.

**Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

See the consolidated financial statements, including the notes thereto, included in Item 18.

**Legal Proceedings**

We are party to ongoing litigation in the ordinary course of business and other legal proceedings. For a discussion of these matters, see Note 11 to our consolidated financial statements included elsewhere in this annual report.

**Dividend Distribution Policy**

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Israeli Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our Articles do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Israeli Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited financial statements (less the amount of previously distributed dividends, if not reduced from the earnings), provided that the end of the period to which the financial statements relate is not more than six months prior to the date of the distribution. If we do not meet such criteria, then we may distribute dividends only with court approval. In each case, we are only permitted to distribute a dividend if our board of directors and, if applicable, the court determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings.

**B. Significant Changes**

Not applicable.

**Item 9. The Offer and Listing**

**A. Offer and Listing Details**

**Item 10.** Our ordinary shares are traded on NASDAQ under the symbol "TATT". On August 16, 2005, we listed our shares for trade on the TASE as a dual listed company.

**A. Plan of Distribution**

Not applicable.

**B. Markets**

Our ordinary shares are traded on NASDAQ under the symbol "TATT". On August 16, 2005, we listed our shares for trade on the TASE as a dual listed company.

**C. Selling Shareholders**

Not applicable.

**D. Dilution**

Not applicable.

**E. Expense of the Issue**

Not applicable.

**Item 11. Additional Information**

**A. Share Capital**

On March 2025, the Company's shareholders annual meeting approved to increase the authorized share capital by an additional 2,000,000 ordinary shares, bringing the total authorized share capital to 15,000,000 ordinary shares.

**B. Memorandum and Articles of Association**

Set out below is a description of certain provisions of our memorandum of association, articles of association and of the Israeli Companies Law related to such provisions. This description is only a summary and does not purport to be complete and is qualified by reference to the full text of the memorandum of association and articles of association, which are incorporated by reference as exhibits to this annual report, and to Israeli law. On March 2025, the Company's articles of association was amended. A copy of our amended articles of association is filed as an exhibit to this Annual Report.

**Purposes and Objects of the Company**

We are a public company registered with the Israeli Companies Registry and have been assigned company number 52-0035791. Section 2 of our memorandum of association provides that we were established for the purpose of engaging in the business of providing services of planning, development, consultation and instruction in the electronics field. In addition, the purpose of our company is to perform various corporate activities permissible under Israeli law.

**Powers of the Directors**

Under the provisions of the Israeli Companies Law which prevails over our articles of association in certain issues, a director cannot participate in a meeting nor vote on a proposal, arrangement or contract in which he or she is materially interested except in cases where a majority of the directors are materially interested in the same transaction. In addition, our directors cannot vote on compensation to themselves without the approval of our compensation committee and our shareholders at a general meeting, except for certain cases in which there is no need for the approval of the general meeting in accordance with the regulations promulgated under the Israeli Companies Law. See Item 6. “*Directors, Senior Management and Employees – Board Practices – Approval of Related Party Transactions under Israeli Law.*”

The authority of our directors to enter into borrowing arrangements on our behalf is not limited, except in the same manner as any other transaction by us.

Our articles of association do not impose any mandatory retirement or age-limit requirements on our directors and our directors are not required to own shares in our company in order to qualify to serve as directors.

**Rights Attached to Shares**

Our authorized share capital consists of 15,000,000 ordinary shares no par value. All outstanding ordinary shares are validly issued, fully paid and non-assessable.

Please refer to Exhibit 2.1 for Items 10.B.3, B.4, B.5, B.6, B.7, B.8, B.9 and B.10.

**C. Material Contracts**

Summaries of the following material contracts and amendments to these contracts are included in this annual report in the places indicated.



Material Contract	Location in This Annual Report
2012 Stock Option Plan	<i>"ITEM 6.D Directors, Senior Management and Employees – Share Ownership – 2012 Stock Option Plan."</i>
Amended and Restated 2022 Stock Option Plan	<i>"ITEM 6.D Directors, Senior Management and Employees – Share Ownership – 2022 Stock Option Plan."</i>
Amended Compensation Policy for Directors and Executives	<i>"ITEM 6.C Directors, Senior Management and Employees – Board Practices – Compensation of Executive Officers and Directors."</i>
Indemnification Agreement of Directors and Officers	<i>"ITEM 6.C – Directors, Senior Management and Employees – Board Practices – Indemnification and Insurance of Directors and Officers."</i>

**D. Exchange Controls**

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our ordinary shares. In May 1998, a new "general permit" was issued under the Israeli Currency Control Law, 1978, which removed most of the restrictions that previously existed under such law, and enabled Israeli citizens to freely invest outside of Israel and freely convert Israeli currency into non-Israeli currencies.

Non-residents of Israel who purchase our ordinary shares will be able to convert dividends, if any, thereon, and any amounts payable upon our dissolution, liquidation or winding up, as well as the proceeds of any sale in Israel of our ordinary shares to an Israeli resident, into freely-repatriable dollars, at the exchange rate prevailing at the time of conversion, provided that the Israeli income tax has been withheld (or paid) with respect to such amounts or an exemption has been obtained.

## **E. Taxation**

The following is a discussion of Israeli and United States tax consequences material to our shareholders. To the extent that the discussion is based on new tax legislation which has not been subject to judicial or administrative interpretation, the views expressed in the discussion might not be accepted by the tax authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice and does not exhaust all possible tax considerations.

You are urged to consult your own tax advisor as to the Israeli, United States and other tax consequences of the purchase, ownership and disposition of our ordinary shares, including, in particular, the effect of any non-Israeli, state or local taxes.

### *Israeli Tax Considerations*

The following is a summary of the principal Israeli tax laws applicable to us, and certain Israeli Government programs from which we benefit. This section also contains a discussion of material Israeli tax consequences to our shareholders who are not residents or citizens of Israel. This summary does not discuss all aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances, or to some types of investors subject to special treatment under Israeli law. Examples of investors subject to special treatment under Israeli law include residents of Israel, traders in securities, or persons who own, directly or indirectly, 10% or more of our outstanding voting capital, all of whom are subject to special tax regimes not covered in this discussion. Some parts of this discussion are based on new tax legislation that has not been subject to judicial or administrative interpretation. The discussion should not be construed as legal or professional tax advice and does not cover all possible tax consequences.

### *General Corporate Tax Structure in Israel*

Israeli companies are generally subject to corporate tax on their taxable income at the rate of 23% in 2018 and thereafter. However, the effective tax rate payable by a company that derives income from an Approved Enterprise, a Benefited Enterprise, a Preferred Enterprise or a Technology Enterprise may be considerably less. Capital Gain derived by an Israeli resident company and / or royalties for which no tax clearance has been obtained from the ITA are subject to tax at the regular corporate tax rate (23% in 2018 and thereafter).

Tax Benefits under the Law for the Encouragement of Capital Investments, 1959

The Law for the Encouragement of Capital Investments, 5719-1959 (the "Investment Law") provides certain incentives for capital investments in production facilities (or other eligible assets). The Investment Law was significantly amended effective as of April 1, 2005 (the "2005 Amendment"), as of January 1, 2011 (the "2011 Amendment") and as of January 1, 2017 (the "2017 Amendment").

As to date, we have one capital investment program that has been granted "Approved Enterprise" status under the Investment Law, and one program that qualify as a "Benefited Enterprise" pursuant to the 2005 amendment. These programs were waived as part of the "Preferred Enterprise" which is part of the 2011 Amendment.

Prior to the 2005 Amendment, the Investment Law provided that capital investments in a production facility (or other eligible assets), may be designated as an Approved Enterprise upon prior approval from the Investment Center of the Israel Ministry of Industry, Trade and Labor (the "Investment Center").

The 2005 Amendment revised the criteria for investments qualified to receive tax benefits. An eligible investment program under the 2005 Amendment provided for benefits as a Benefited Enterprise (rather than the previous terminology of Approved Enterprise). Among other things, the 2005 Amendment provided tax benefits to both local and foreign investors. Companies that meet the specified criteria received the tax benefits without need for prior approval and instead, a company was to claim the tax benefits offered by the Investment Law directly in its tax

The period of tax benefits for the then new beneficiary enterprise commences in the year that is the later of: (i) the year in which taxable income is first generated by a company, or (ii) a year selected by the company for commencement, on the condition that the company meets certain provisions provided by the Investment Law.

The amendment does not apply to investment programs approved prior to December 31, 2004 and applies only to new investment programs. We began to generate income under the provision of the 2005 Amendment as of the beginning of 2006.

After expiration of the initial tax exemption period, the company is eligible for what was considered then a reduced corporate tax rate of 10% to 25%, depending on the extent of foreign investment in the company, for the following five to eight years, depending on the geographic location of the Benefited Enterprise within Israel. The benefits period was limited to 12 years from completion of the investment under the approved plan or 14 years from the date of the approval, whichever is earlier. A company in which more than 25% of the shareholders are non-residents of Israel, defined under the Investment Law as a Foreign Investors Company, may be eligible for benefits for an extended period of up to ten years.

In addition, pursuant to an amendment of the Investment Law, any distribution of dividend as of August 15, 2021 will be prorated between exempt income and taxable income. As such, upon dividend distribution, in case the company has accumulated exempt income, the company will be obligated to pay the corporate income tax it was exempted from with respect to the exempt profits portion. Distribution of dividends derived from Approved Enterprise and Benefited Enterprise income that was taxed at reduced rates, but not tax exempt, does not result in additional tax consequences to the company. Shareholders who receive dividends derived from approved enterprise and Benefited Enterprise income were generally taxed at a rate of 15% which was withheld and paid by the company paying the dividend if the dividend was distributed during the benefits period or within the following 12 years.

The benefits available to an Approved Enterprise and Benefited Enterprise were conditioned upon terms stipulated in the Investment Law and the related regulations (which include making specified investments in property and equipment, and financing a percentage of these investments with share capital), and, for an Approved Enterprise, the conditions contained in the certificate of approval from the Investment Center. If we do not fulfill these conditions, in whole or in part, the benefits can be cancelled and we may be required to refund the amount of the benefits, linked to the CPI in Israel plus interest. We believe that our Approved Enterprise and Benefited Enterprise programs were operated in compliance with all applicable conditions and criteria.

We had derived a material portion of our operating income from our Approved Enterprise and Benefited Enterprise facilities. We were therefore eligible for a tax exemption for a limited period on undistributed Approved Enterprise and Benefited Enterprise income.

Pursuant to the Investment Law, the income derived from those enterprises was exempted from Israeli corporate tax for a specified benefit period (except to the extent that dividends are distributed during the tax-exemption period other than upon liquidation) and subject to reduced corporate tax rates for an additional period.

#### Tax Benefits under the 2011 Amendment

Under the transitional provisions of the 2011 Amendment, TAT elected to irrevocably implement the 2011 Amendment with respect to its existing Approved and Beneficiary Enterprises while waiving benefits provided under the legislation prior to the 2011 Amendment.

Dividends paid out of income attributed to a Preferred Enterprise will be subject to a withholding tax at the source at the rate of 20%, or such lower rate as may be provided in an applicable tax treaty. However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if the funds are subsequently distributed to individuals or to non-Israeli residents (individuals and corporations), the withholding tax would apply).

As of January 1, 2014, a Preferred Company is entitled to a reduced corporate tax rate of 16% with respect to its income derived from its Preferred Enterprise, unless the Preferred Enterprise is located in development area A, in which case the tax rate as of January 1, 2017 was 7.5% (our operations are currently not located in development area A). Income which is not derived from Preferred Enterprise is subject to the regular corporate tax rate (23% in tax year 2018 and thereafter).

Until 2021 TAT was located in an area in Israel that is designated as elsewhere and as such is entitled to reduce tax rates of 16%. Starting 2022 TAT facilities moved to an area in Israel that is designated as Zone A and as such entitled to reduce tax rates of 7.5%

Turbochrome is located in an area in Israel that is designated as Zone A and as such entitled to reduce tax rates of 7.5% (as of 2017).

#### Tax Benefits under the 2017 Amendment

An amendment to the Investment Law, which became effective as of January 1, 2017, provides new tax benefit to preferred companies for two types of "Technology Enterprise", as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The new incentives regime will apply to "Preferred Technological Enterprises" that meet certain conditions, as detailed in the 2017 Amendment. Preferred Technological Enterprises will be subject to a corporate tax rate of 12% unless the Preferred Technological Enterprise is located in development zone A, in which case the rate will be 7.5% with respect to the portion of income derived from intellectual property developed in Israel. The withholding tax on dividends from income derived from intellectual property of the Preferred Technological Enterprises will be 4% for dividends paid to a foreign parent company holding at least 90% of the shares of the distributing company. For other dividend distributions, the withholding tax rate will be 20% (or a lower rate under a tax treaty, if applicable).

We cannot assure you that we will continue to qualify as an Industrial Company or that the benefits described above will be available to us in the future.

#### Tax Benefits and Grants for Research and Development

Israeli tax law allows, under specific conditions, a tax deduction in the year incurred for expenditures, including capital expenditures, relating to scientific research and development projects, if the expenditures are approved by the relevant Israeli government ministry, determined by the field of research, and the research and development is for the promotion of the company and is carried out by or on behalf of the company seeking such deduction. Expenditures not so approved are deductible over a three-year period. However, expenditures from proceeds made available to us through government grants are not deductible according to Israeli law.

#### Tax Benefits under the Law for the Encouragement of Industry (Taxes), 1969

According to the Law for the Encouragement of Industry (Taxes), 1969 (the "Industry Encouragement Law"), an 'Industrial Company' is an Israeli resident company, with at least 90% of the income of which, in a given tax year, (exclusive of income from some government loans) is derived from an Industrial Enterprise owned by it and located in Israel or in the "Area", in accordance with the definition in the section 3a of the Ordinance. An 'Industrial Companies' defined as an enterprise whose major activity in a given tax year is industrial production activity.

Under the Industry Encouragement Law, Industrial Companies are entitled to the following tax benefits:

- Amortization of purchases of acquired technology and patents over an eight-year period for tax purposes;
- Amortization of specified expenses incurred in connection with a public issuance of securities over a three-year period for tax purposes;
- Right to elect, under specified conditions, to file a consolidated tax return with additional related Israeli Industrial Companies; and
- Accelerated depreciation rates on equipment and buildings.

Eligibility for benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority.

*Special Provisions Relating to Taxation under Inflationary Conditions*

The Income Tax Law (Inflationary Adjustments), 1985, referred to as the Inflationary Adjustments Law, attempts to overcome the problems presented to a traditional tax system by an economy undergoing rapid inflation. The Inflationary Adjustments Law is highly complex.

On February 26, 2008, the Israeli Parliament (the Knesset) enacted the Income Tax Law (Inflationary Adjustments) (Amendment No. 20) (Restriction of Effective Period), 2008 (the "Inflationary Adjustments Amendment"). In accordance with the Inflationary Adjustments Amendment, as of the 2008 tax year the provisions of the law are no longer apply, other than the transitional provisions intended at preventing distortions in the tax calculations. In accordance with the Inflationary Adjustments Amendment, commencing the 2008 tax year, income for tax purposes is no longer be adjusted to a real (net of inflation) measurement basis. Furthermore, the depreciation of inflation immune assets and carried forward tax losses are no longer linked to the CPI in Israel.

## **Taxation of Dividends Paid on our Ordinary Shares**

### *Taxation of Israeli Shareholders*

A distribution of dividends from income, which is not attributed to an Approved Enterprise/ Benefited Enterprise/ Preferred Enterprise to an Israeli resident individual, will generally be subject to Israeli income tax, at the rate of 25%, or 30% for a recipient that is a "Controlling Shareholder" (within the meaning of the Israeli Income Tax Ordinance) at the time of distribution or at any time during the 12-month period preceding such distribution.

However, dividends distributed from taxable income accrued during the benefits period of a Benefited Enterprise, subject to certain time limitations, are generally subject to Israeli income tax at the reduced rate of 15%. Dividends paid out of income attributed to a Preferred Enterprise are generally subject to Israeli income tax at the source at the rate of 20%.

Generally, Israeli resident corporations are exempt from Israeli corporate tax on the receipt of dividends paid on shares of Israeli resident corporations and that the dividends were fully taxed at the corporate tax rate in Israel, unless the dividends are distributed from taxable income that has accrued during the benefits period of Approved Enterprise of Benefited Enterprise, in which case they are taxable at the rate of 15%.

It should be noted that we cannot assure you that we will designate the profits that are being distributed in a way that will reduce shareholders' tax liability to those tax rates.

### *Taxation of Non-Israeli Shareholders*

The Ordinance generally provides that a non-Israeli resident (either individual or corporation) is subject to, an Israeli income tax at the rate of 25%, or 30% if the recipient is a "Controlling Shareholder" at the time of distribution or at any time during the 12-month period preceding such distribution, unless a different rate is provided in a treaty between Israel and the shareholder's country of residence.

As aforesaid, dividends derived from any of our income generated by an Approved Enterprise or Benefited Enterprise, are subject to withholding tax at a rate of 15% (or less based on applicable tax treaty), and dividends derived from any of our income generated by a Preferred Enterprise are subject to withholding tax at a rate of 20% (or less based on applicable tax treaty).



Subject to the provisions of an applicable tax treaty, individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at a rate of 3% on annual income (including, but not limited to, dividends, interest, and capital gain) exceeding ILS 721,000 for 2024, which amount is linked to the annual change in the Israeli consumer price index. Additionally, effective from January 1, 2025, a further surtax of 2% will apply exclusively to capital income exceeding ILS 721,560.

Under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ordinary shares who is a U.S. resident (for purposes of the United States-Israel Tax Treaty) is 25%. However, generally the maximum rate of withholding tax on dividends, not generated by Approved / Benefited / Preferred Enterprises, that are paid to a U.S. corporation holding at least 10% or more of our outstanding voting capital from the start of the tax year preceding the distribution of the dividend through (and including) the distribution of the dividends, is 12.5%, provided that no more than 25% of our gross income of such preceding year consists of certain types of dividends and interest if a certificate for a reduced withholding tax rate is obtained in advance from the Israeli Tax Authority. Notwithstanding the foregoing, dividends distributed from income attributed to an Approved Enterprise, Benefited Enterprise or a Preferred Enterprise are subject to withholding tax rate of 15% for such a U.S. corporation shareholder, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met.

The aforementioned rates under the United States-Israel Tax Treaty will not apply if the dividend income was derived through a permanent establishment of the U.S. resident in Israel.

When the amount of tax due is not fully withheld at source, such non-Israeli resident is obligated to file a tax return, report his or her Israeli income and pay the balance of the amount of tax due.

Capital gains taxes applicable to non-Israeli shareholders

Capital gains from the sale of our ordinary shares by non-Israeli shareholders are exempt from Israeli taxation, provided that the capital gain is not derived from a permanent establishment in Israel according to section 97(b2) to the Israeli income tax ordinance. In addition, the U.S.-Israel Tax Treaty exempts U.S. residents who hold less than 10% of our voting rights, and who held less than 10% of our voting rights during the 12 months prior to a sale of their shares, from Israeli capital gains tax in connection with such sale.

## United States Federal Income Tax Consequences

*The following discussion summarizes the material U.S. federal income tax considerations generally applicable to the purchase, ownership and disposition of our ordinary shares. Unless otherwise stated, this summary deals only with shareholders that are U.S. Holders (as defined below) who hold their ordinary shares as capital assets.*

As used in this section, the term "U.S. Holder" means a beneficial owner of an ordinary share who is:

- An individual citizen or resident of the United States or an individual treated as a U.S. citizen or resident for U.S. federal income tax purposes;
- A corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any State or the District of Columbia;
- An estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- Any trust if (A)(i) a court within the United States is able to exercise primary supervision over the administration of the trust and (ii) one or more United States persons have the authority to control all substantial decisions of the trust, or (B) such trust validly elects to be treated as a United States person.

The term "Non-U.S. Holder" means a beneficial owner of an ordinary share that is an individual, corporation, estate or trust and is not a U.S. Holder. The tax consequences to a Non-U.S. Holder may differ substantially from the tax consequences to a U.S. Holder. Certain aspects of U.S. federal income tax relevant to a Non-U.S. Holder are discussed below.

This description is based on provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed U.S. Treasury regulations promulgated thereunder, administrative and judicial interpretations thereof, and the U.S.-Israel Tax Treaty, each as in effect as of the date of this annual report. In addition, this description also relates to the Tax Cuts and Jobs Act ("TCJA") signed into law on December 22, 2017. These sources may change, possibly with retroactive effect, and are open to differing interpretations. This description does not discuss all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under U.S. federal income tax law, including:

- Insurance companies;

- Dealers in stocks, securities or currencies;
- Financial institutions and financial services entities;
- Real estate investment trusts;
- Regulated investment companies;
- Persons that receive ordinary shares in connection with the performance of services;
- Tax-exempt organizations;
- Persons that hold ordinary shares as part of a straddle or appreciated financial position or as part of a hedging, conversion or other integrated instrument;
- Persons who hold the ordinary shares through partnerships or other pass-through entities;
- Individual retirement and other tax-deferred accounts;
- Expatriates of the United States and certain former long-term residents of the United States;
- Persons liable for the alternative minimum tax;
- Persons having a “functional currency” other than the U.S. dollar; and
- Direct, indirect or constructive owners of 10% or more, by voting power or value, of our company.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes owns ordinary shares, the U.S. federal income tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership that owns ordinary shares and the partners in such partnership should consult their own tax advisors about the U.S. federal income tax consequences of holding and disposing of ordinary shares.

This discussion does not consider the possible application of U.S. federal gift or estate tax or alternative minimum tax.

All investors are urged to consult their own tax advisors as to the particular tax consequences to them of an investment in our ordinary shares, including the effect and applicability of United States federal, state, local and foreign income and other tax laws (including estate and gift tax laws) and tax treaties.

## Distributions Paid on the Ordinary Shares

Subject to the discussion below under “Passive Foreign Investment Company Considerations,” a U.S. Holder generally will be required to include in his or her gross income as ordinary dividend income the amount of any distributions paid on the ordinary shares, including the amount of any Israeli taxes withheld, to the extent that those distributions are paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Subject to the discussion below under “Passive Foreign Investment Company Considerations,” distributions in excess of our earnings and profits will be applied against and will reduce the U.S. Holder’s tax basis in its ordinary shares and, to the extent they exceed that tax basis, will be treated as gain from a sale or exchange of those ordinary shares. In some cases, our dividends will not qualify for the dividends-received deduction applicable to U.S. corporations.

Dividends that we pay in NIS, including the amount of any Israeli taxes withheld therefrom, will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such dividends are received, regardless of whether the payment is in fact converted into U.S. dollars. A U.S. Holder who receives payment in NIS and converts NIS into U.S. dollars at an exchange rate other than the rate in effect on such day will have a foreign currency exchange gain or loss that would be treated as ordinary income or loss. U.S. Holders should consult their own tax advisors concerning the U.S. tax consequences of acquiring, holding and disposing of NIS.

Subject to certain limitations, “qualified dividend income” received by a non-corporate U.S. Holder will generally be subject to taxation in the U.S. at a lower rate than ordinary income. Distributions taxable as dividends paid on the ordinary shares should qualify for lower tax rate provided that we are not a passive foreign investment company (as described below) for U.S. tax purposes and that either: (i) we are entitled to benefits under the “U.S.-Israel Tax Treaty” or (ii) the ordinary shares are readily tradable on an established securities market in the United States and certain other requirements are met. We believe that we are entitled to benefits under the U.S.-Israel Tax Treaty and that the ordinary shares currently will be readily tradable on an established securities market in the United States. However, no assurance can be given that the ordinary shares will remain readily tradable. The rate reduction does not apply unless certain holding period requirements are satisfied. With respect to the ordinary shares, the U.S. Holder must have held such shares for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. The rate reduction also does not apply to dividends received from passive foreign investment companies, see discussion below, or in respect of certain hedged positions or in certain other situations. The legislation enacting the reduced tax rate contains special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to the reduced tax rate. U.S. Holders of ordinary shares should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Subject to the discussion below under “Information Reporting and Back-up Withholding,” a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received on ordinary shares unless that income is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States, in which case a corporate Non-U.S. Holder may also be subject to the U.S. branch profits tax.

## Foreign Tax Credit

Any dividend income resulting from distributions we pay to a U.S. Holder with respect to the ordinary shares generally may be treated as foreign source income for U.S. foreign tax credit limitation purposes. For all taxable years ended until December 31, 2017, and subject to certain conditions and limitations, Israeli tax withheld on dividends may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, in general, any dividend that we distribute should constitute "passive category income," or, in the case of certain U.S. Holders, "general category income."

Starting January 1, 2018, and with respect to our corporate U.S. Holders, the TCJA provides a 100% deduction for the foreign-source portion of dividends received after January 1, 2018 from "specified 10-percent owned foreign corporations" by U.S. corporate holders, subject to a one-year holding period. No foreign tax credit, including Israeli withholding tax (or deduction for foreign taxes paid with respect to qualifying dividends) would be permitted for foreign taxes paid or accrued with respect to a qualifying dividend. Deduction would be unavailable for "hybrid dividends." The dividend received deduction enacted under the TCJA may not apply to dividends from a passive foreign investment company.

The rules relating to the determination of foreign source income and the foreign tax credit are complex, and the availability of a foreign tax credit depends on numerous factors. Each investor who is a U.S. Holder should consult with its own tax advisor to determine whether its income with respect to the ordinary shares would be foreign source income and whether and to what extent that investor would be entitled to a foreign tax credit.

### **Disposition of Ordinary Shares**

Upon the sale or other disposition of ordinary shares, subject to the discussion below under “Passive Foreign Investment Company Considerations,” a U.S. Holder generally should recognize capital gain or loss equal to the difference between the amount realized on the disposition and the holder’s adjusted tax basis in the ordinary shares. U.S. Holders should consult their own tax advisors with respect to the tax consequences of the receipt of a currency other than U.S. dollars upon such sale or other disposition.

Gain or loss upon the disposition of the ordinary shares will be treated as long-term if, at the time of the sale or disposition, the ordinary shares were held for more than one year. The deductibility of capital losses by a U.S. Holder is subject to limitations. In general, any gain or loss recognized by a U.S. Holder on the sale or other disposition of ordinary shares will be U.S. source income or loss for U.S. foreign tax credit purposes. U.S. Holders should consult their own tax advisors concerning the source of income for U.S. foreign tax credit purposes and the effect of the U.S.-Israel Tax Treaty on the source of income.

Subject to the discussion below under “Information Reporting and Back-up Withholding,” a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of ordinary shares unless:

- that gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States, and, if a tax treaty applies, is attributable to a permanent establishment or fixed base of the Non-U.S. Holder in the United States; or
- in the case of any gain realized by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale or exchange, and other conditions are met.

### **Passive Foreign Investment Company Considerations**

Special U.S. federal income tax rules apply to U.S. Holders owning shares of a passive foreign investment company. A non-U.S. corporation will be considered a passive foreign investment company for any taxable year in which, after applying certain look-through rules, 75% or more of its gross income consists of specified types of passive income, or 50% or more of the average value of its assets consists of assets that produce, or are held for the production of, passive income. For this purpose, passive income may include dividends, interest, royalties, rents, annuities and the excess of gains over losses from the disposition of assets which produce passive income.

If we were classified as a passive foreign investment company, a U.S. Holder could be subject to increased tax liability upon the sale or other disposition of ordinary shares or upon the receipt of amounts treated as “excess distributions.” Under these rules, the excess distribution and any gain would be allocated ratably over the U.S. Holder’s holding period for the ordinary shares, and the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a passive foreign investment company would be taxed as ordinary income. The amount allocated to each of the other taxable years would be subject to tax at the highest marginal tax rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax allocated to such other taxable years. The tax liability with respect to the amount allocated to years prior to the year of the disposition, or “excess distribution,” cannot be offset by any net operating losses. In addition, holders of shares in a passive foreign investment company may not receive a “step-up” in basis on shares acquired from a decedent. If we are a passive foreign investment company in any year, a U.S. Holder would be required to file an annual return on IRS Form 8621 regarding distributions received with respect to ordinary shares and any gain realized on the disposition of ordinary shares.

Based on our current and projected income, assets and activities, we do not believe that we will be a passive foreign investment company for our current taxable year. However, because the determination of whether we are a passive foreign investment company is based upon the composition of our income and assets from time to time, we cannot be certain that we will not be considered a passive foreign investment company for the current taxable year or any future taxable year.

The passive foreign investment company tax consequences described above will not apply to a U.S. Holder if the U.S. Holder makes a timely election to treat us as a qualified electing fund (“QEF”). If a U.S. Holder makes a timely QEF election, the U.S. Holder would be required to include in income for each taxable year its pro rata share of our ordinary earnings as ordinary income and its pro rata share of our net capital gain as long-term capital gain, whether or not such amounts are actually distributed to the U.S. Holder. However, a U.S. Holder would not be eligible to make a QEF election unless we comply with certain applicable information reporting requirements. We will provide U.S. Holders with the information needed to report income and gain under a QEF election should we become a passive foreign investment company.

As an alternative to making a QEF election, a U.S. Holder of passive foreign investment company stock which is publicly traded may in certain circumstances avoid certain of the tax consequences generally applicable to holders of a passive foreign investment company by electing to mark the stock to market annually and recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the passive foreign investment company stock and the U.S. Holder's adjusted tax basis in the passive foreign investment company stock. Losses would be allowed only to the extent of net mark-to-market gain previously included by the U.S. Holder under the election for prior taxable years. Income recognized and deductions allowed under the mark-to-market provisions, as well as any gain or loss on the disposition of ordinary shares with respect to which the mark-to-market election is made, are generally treated as ordinary income or loss (except that loss is treated as capital loss to the extent the loss exceeds the net mark-to-market gains, if any, that a U.S. Holder included in its income with respect to such ordinary shares in prior years). However, gain or loss from the disposition of ordinary shares (as to which a "mark-to-market" election was made) in a year in which we are no longer a passive foreign investment company, will be capital gain or loss. The mark-to-market election is available for so long as our ordinary shares constitute "marketable stock," which includes stock of a passive foreign investment company that is "regularly traded" on a "qualified exchange or other market." Generally, a "qualified exchange or other market" includes a national securities exchange that is registered with the SEC or the national market system established pursuant to Section 11A of the Securities Exchange Act of 1934. A class of stock that is traded on one or more qualified exchanges or other markets is "regularly traded" on an exchange or market for any calendar year during which that class of stock is traded, other than in the minimized quantities, on at least 15 days during each calendar quarter. We believe that NASDAQ will constitute a qualified exchange or other market for this purpose. However, we cannot be certain that our ordinary shares will continue to trade on NASDAQ or that the ordinary shares will be regularly traded for this purpose.

The rules applicable to owning shares of a passive foreign investment company are complex, and each holder who is a U.S. Holder should consult with its own tax advisor regarding the consequences of investing in a passive foreign investment company.

#### ***Medicare Tax***

Certain U.S. Holders that are individuals, estates or trusts may be subject to a 3.8% Net Investment Income tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of ordinary shares and warrants. Each U.S. Holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Net Investment Income tax to its income and gains in respect of its investment in our ordinary shares and warrants, including with respect to the eligibility to claim foreign tax credit against such tax.



### **Information Reporting and Backup Withholding**

Payments in respect of ordinary shares may be subject to information reporting to the U.S. Internal Revenue Service (the "IRS") and to U.S. backup withholding tax at a rate equal to the fourth lowest income tax rate applicable to individuals (which, under current law, is 24%). Backup withholding will not apply, however, if you (i) are a corporation or come within certain exempt categories, and demonstrate the fact when so required, or (ii) furnish a correct taxpayer identification number and make any other required certification. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS.

Any U.S. holder who holds 10% or more in vote or value of our ordinary shares will be subject to certain additional United States information reporting requirements.

### **U.S. Gift and Estate Tax**

An individual U.S. Holder of ordinary shares will generally be subject to U.S. gift and estate taxes with respect to ordinary shares in the same manner and to the same extent as with respect to other types of personal property.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

## **H. Documents on Display**

We are subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended, as applicable to “foreign private issuers” as defined in Rule 3b-4 under the Exchange Act, and in accordance therewith, we file annual and interim reports and other information with the SEC.

As a foreign private issuer, we are exempt from certain provisions of the Exchange Act. Accordingly, our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act and transactions in our equity securities by our officers and directors are exempt from reporting and the “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, we make available on our website [www.tat-technologies.com](http://www.tat-technologies.com), our annual audited financial statements, which have been examined and reported on, with an opinion expressed by an independent public accounting firm, and we intend to file reports with the SEC on Form 6-K containing unaudited financial information for the first three quarters of each fiscal year.

This annual report on Form 20-F and the exhibits thereto and any other document we file pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the following SEC public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549; and on the SEC website (<http://www.sec.gov>) and on our website [www.tat-technologies.com](http://www.tat-technologies.com). You may obtain information on the operation of the SEC’s public reference room in Washington, D.C. by calling the SEC at 1-800-SEC-0330. The Exchange Act file number for our SEC filings is 0-16050.

In addition, since August 16, 2005, we are also listed on the TASE. From such date we submit copies of all our filings with the SEC to the ISA and TASE. Such copies can be retrieved electronically through the TASE internet messaging system ([www.maya.tase.co.il](http://www.maya.tase.co.il)) and, in addition, through the MAGNA distribution site of the ISA ([www.magna.isa.gov.il](http://www.magna.isa.gov.il)).

The documents concerning our company which are referred to in this annual report may also be inspected at our offices located at Re'em Industrial Park Neta, Boulevard Bnei Ayish, Gedera, Israel.

## **I. Subsidiary Information**

Not applicable.

**J. Annual Report to Security Holders**

Not applicable.

**Item 12. Quantitative and Qualitative Disclosures about Market Risk**

We do not own and have not issued any market risk sensitive instruments about which disclosure is required to be provided pursuant to this Item.

**Effects of Currency Exchange Fluctuations**

Our financial statements are stated in dollars, while a portion of our expenses, primarily labor expenses, is incurred in NIS and a part of our revenues are quoted in NIS. Additionally, certain assets, as well as a portion of our liabilities, are denominated in NIS. As a result, our operations may be affected by fluctuations of the U.S. dollar/NIS exchange rate. We are hedging a portion of our exchange rate risk through forward transactions and the use of other derivative instruments.

**Item 13. Description of Securities Other than Equity Securities**

Not Applicable.

**PART II**

**Item 14. Defaults, Dividend Arrearages and Delinquencies**

None.

**Item 15. Material Modifications to the Rights of Security Holders**

None.

## Item 16. Controls and Procedures

### (a) Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our chief executive officer and chief financial officer to allow timely decisions regarding required disclosure. Our management, including our chief executive officer and chief financial officer, conducted an evaluation of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e), as of the end of the period covered by this annual report on Form 20-F. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of such date, our disclosure controls and procedures were effective.

### (b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2024. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on that assessment, our management concluded that as of December 31, 2024, our internal control over financial reporting is effective.

**(c) Attestation report of independent registered public accounting firm**

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial report. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this annual report.

**(d) Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 17. Reserved****Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that each member of our audit committee qualifies as an audit committee financial expert, as defined by rules of the SEC. For a brief listing of the relevant experience of the member of our audit committee, see Item 6.A. “*Directors, Senior Management and Employees — Directors and Senior Management.*”

**Item 16B. Code of Ethics**

We have adopted a code of ethics that applies to our chief executive officer and all senior financial officers of our company, including the chief financial officer, chief accounting officer or controller, or persons performing similar functions. The code of ethics is publicly available on our website at [www.tat-technologies.com](http://www.tat-technologies.com). Written copies are available upon request. If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of the codes of ethics, we will disclose the nature of such amendment or waiver on our website.

**Item 16C. Principal Accountant Fees and Services****Fees Paid to Independent Public Accountant**

The following table sets forth, for each of the years indicated, the fees paid to our principal independent registered public accounting firm. All of such fees were pre-approved by our audit committee.

Services Rendered	Year Ended December 31,	
	2024	2023
Audit (1)	\$ 323,321	\$ 396,873
Tax (2)	16,000	19,571
Total	<u>\$ 339,321</u>	<u>\$ 413,444</u>

- (1) Audit fees are for audit services for each of the years shown in the table, including fees associated with the annual audit and reviews of our quarterly financial results, consultations on various accounting issues and audit services provided in connection with other statutory or regulatory filings.
- (2) Tax fees relate to professional services rendered for tax compliance and tax advice. These services include assistance regarding international and Israeli taxation.

## **Pre-Approval Policies and Procedures**

Our audit committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm Kesselman & Kesselman, a member of PricewaterhouseCoopers International Ltd. Pre-approval of an audit or non-audit service may be given as a general pre-approval, as part of the audit committee's approval of the scope of the engagement of our independent auditor, or on an individual basis. Any proposed services exceeding general pre-approved levels also require specific pre-approval by our audit committee. The policy prohibits retention of the independent public accountants to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act or the rules of the SEC, and also requires the audit committee to consider whether proposed services are compatible with the independence of the public accountants.

### **Item 16D. Exemptions from the Listing Standards for Audit Committee**

Not Applicable.

### **Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

Not Applicable.

### **Item 16F. Change in Registrant's Certifying Accountant.**

Not Applicable.

### **Item 16G. Corporate Governance**

The following are the significant ways in which our corporate governance practices differ from those followed by United States companies under NASDAQ rules:

*Shareholder Approval.* Although NASDAQ rules generally require shareholder approval of equity compensation plans and material amendments thereto, we follow Israeli Companies Law, which is to have such plans and amendments approved only by the board of directors, unless such arrangements are for the compensation of directors, Chief Executive Officer or a transaction with the controlling shareholder, in which case they also require the approval of the compensation committee and the shareholders.

In addition, rather than follow Nasdaq rules requiring shareholder approval for the issuance of securities in certain circumstances, we follow Israeli law, under which a private placement of securities requires approval by our board of directors and shareholders if it will cause a person to become a controlling shareholder (generally presumed at 25% ownership) or if:

- o The securities issued amount to 20% or more of our outstanding voting rights before the issuance;
- o Some or all of the consideration is other than cash or listed securities or the transaction is not in accordance with market terms; and
- o The transaction will increase the relative holdings of a shareholder that holds 5% or more of our outstanding share capital or voting rights or that it will cause any person to become, as a result of the issuance, a holder of more than 5% of our outstanding share capital or voting rights.

*Annual Reports.* While NASDAQ rules generally require that companies send an annual report to shareholders prior to the annual general meeting, we follow the generally accepted business practice for companies in Israel. Specifically, we file annual reports on Form 20-F, which contain financial statements audited by an independent registered public accounting firm, electronically with the SEC and post a copy on our website.

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.



**ITEM 16J. Insider Trading Policies**

We have adopted a written insider trading policy governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to us. A copy of the Insider Trading Policy is filed as an exhibit to this Annual Report.

**Item 16K. Cybersecurity**

The Board recognizes the critical importance of maintaining the availability and completion of our data and systems, the trust and confidence of our business partners and employees. The Audit Committee is responsible for reviewing our policies with respect to cybersecurity risks and relevant contingent liabilities and risks that may be material to the Company, including risks from third parties and business partners.

We generally seek to address cybersecurity risks by implementing security measures on our internal computer systems. These security measures include firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated by our IT managers and improved through vulnerability assessments and cybersecurity threat intelligence.

Our Chief Operating Officer is responsible for implementing protection measures for our information systems from cybersecurity threats and promptly responding to any cybersecurity incidents.

To date, we have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition.

**PART III**

**Item 17. Financial Statements**

We have elected to furnish financial statements and related information specified in Item 18.

**Item 18. Financial Statements**

**Consolidated Financial Statements of the Company**

**Item 19. Exhibits**

The following exhibits are filed as a part of this Annual Report:

- 1.1 Memorandum of Association of the Registrant (1)
- [1.2 Amended and Restated Articles of Association of the Registrant](#)
- [2.1 Description of the rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934 \(2\)](#)
- [4.1 2012 Stock Option Plan \(3\)](#)
- [4.2 Amended 2022 Stock Option Plan](#)
- [4.3 Amended Executive and Directors Compensation Policy](#)
- [4.4 Form of Officers Indemnification Undertaking \(4\)](#)
- [4.5 Insider Trading Policy](#)
- 8 [List of Subsidiaries of the Registrant](#)
- [12.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended](#)
- [12.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended](#)
- [13.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- [13.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- [14.1 Consent of independent registered public accounting firm](#)
- 97 [Nasdaq Clawback Policy](#)

101.INS Inline XBRL Instance Document.  
101.SCH Inline XBRL Taxonomy Extension Schema Document.  
101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.  
101.DEF Inline XBRL Taxonomy Definition Linkbase Document.  
101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.  
101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document  
104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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- (1) Filed as an exhibit to the Registrant's Annual Report on Form 20-F for the year ended December 31, 1992, and incorporated herein by reference.
  - (2) Filed as Exhibit 2.1 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2022, and incorporated herein by reference.
  - (3) Filed as an exhibit to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2012, and incorporated herein by reference.
  - (4) Filed as an exhibit to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2013, and incorporated herein by reference.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TAT TECHNOLOGIES LTD.

By: /s/ Ehud Ben-Yair  
Ehud Ben-Yair  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Date: March 26, 2025

TAT TECHNOLOGIES LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2024

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TAT TECHNOLOGIES LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2024  
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**A. Report of Independent Registered Public Accounting Firm**

To the shareholders and board of directors of TAT Technologies Ltd.

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of TAT Technologies Ltd. and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations, of comprehensive income (loss), of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2024 including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

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P.O Box 7187 Tel-Aviv 6107120, Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, [www.pwc.com/il](http://www.pwc.com/il)

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Inventory - Write down of obsolete and unmarketable inventory*

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated inventory balance was \$68,540 thousand as of December 31, 2024. The Company writes down its inventory for estimated obsolescence and unmarketable inventory equal to the difference between the cost of inventory and net realizable value based upon assumptions for future demand and market conditions. Changes in these assumptions could have a significant impact on the inventory's valuation.

The principal considerations for our determination that performing procedures relating to the write down of obsolete and unmarketable inventory is a critical audit matter were based on the significant judgement used by management when determining the assumptions relating to the future demand, market conditions, and sales forecasts. This in turn led to a high degree of auditor judgement, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to future demand and market conditions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others: (i) utilizing historical inventory usage data to analyze the relationship between the inventory impairment calculated, the inventory on hand, and the sales over time; (ii) evaluating management's ability to accurately estimate future demand by comparing actual inventory usage to estimates made in prior years; (iii) comparison of management's assumptions related to market conditions to available external market data for a sample of inventory items; (iv) evaluating the accuracy of the impairment by selecting a sample of inventory items and evaluating supporting documentation regarding current and historical sales patterns; (v) assessing whether management's assumptions related to future demand and market conditions were consistent with evidence obtained in other areas of the audit.

Tel-Aviv, Israel  
March 26, 2025

/s/ Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

We have served as the Company's auditor since 2009.



## CONSOLIDATED BALANCE SHEETS

U.S dollars in thousands

	December 31,	
	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 7,129	\$ 15,979
Accounts receivable, net of allowance for credit losses of \$400 and \$345 thousand as of December 31, 2024 and 2023 respectively	29,697	20,009
Restricted deposit	-	661
Other current assets and prepaid expenses	7,848	6,397
Inventory	68,540	51,280
Total current assets	<u>113,214</u>	<u>94,326</u>
<b>NON-CURRENT ASSETS:</b>		
Restricted deposit	305	302
Investment in affiliates	2,901	2,168
Funds in respect of employee rights upon retirement	654	664
Deferred income taxes	877	994
Property, plant and equipment, net	41,576	42,554
Operating lease right of use assets	2,282	2,746
Intangible assets, net	1,553	1,823
Total non-current assets	<u>50,148</u>	<u>51,251</u>
Total assets	<u><u>163,362</u></u>	<u><u>145,577</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED BALANCE SHEETS

U.S dollars in thousands

	December 31,	
	2024	2023
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term loans	\$ 2,083	\$ 2,200
Short term loans	4,350	12,138
Accounts payable	12,158	9,988
Accrued expenses and other	18,594	13,952
Current maturities of operating lease liabilities	939	1,033
<b>Total current liabilities</b>	<b>38,124</b>	<b>39,311</b>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term loans	10,938	12,886
Liability in respect of employee rights upon retirement	986	1,000
Operating lease liabilities	1,345	1,697
<b>Total non-current liabilities</b>	<b>13,269</b>	<b>15,583</b>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 11)</b>		
<b>Total liabilities</b>	<b>51,393</b>	<b>54,894</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Ordinary shares of NIS 0 par value and NIS 0.9 par value at December 31, 2024 and at December 31, 2023 respectively: Authorized: 13,000,000 shares at December 31, 2024 and at December 31, 2023; Issued: 11,214,831 and 10,377,085 shares at December 31, 2024 and at December 31, 2023 respectively; Outstanding: 10,940,358 and 10,102,612 shares at December 31, 2024 and at December 31, 2023 respectively	-	3,140
Additional paid-in capital	89,697	76,335
Treasury shares, at cost, 274,473 shares at December 31, 2024 and 2023	(2,088)	(2,088)
Accumulated other comprehensive income	(76)	27
Retained earnings	24,436	13,269
<b>Total shareholders' equity</b>	<b>111,969</b>	<b>90,683</b>
<b>Total liabilities and shareholders' equity</b>	<b>163,362</b>	<b>145,577</b>

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

U.S dollars in thousands

	Year ended December 31,		
	2024	2023	2022
Revenue:			
Products	\$ 47,710	\$ 35,241	\$ 25,460
Services	104,406	78,553	59,096
	<u>152,116</u>	<u>113,794</u>	<u>84,556</u>
Cost of revenue, net:			
Products	33,986	30,517	21,631
Services	85,116	60,809	46,997
	<u>119,102</u>	<u>91,326</u>	<u>68,628</u>
Gross profit	<u>33,014</u>	<u>22,468</u>	<u>15,928</u>
Operating expenses:			
Research and development, net	1,248	715	479
Selling and marketing, net	7,746	5,523	5,629
General and administrative, net	11,901	10,588	9,970
Other income	(383)	(433)	(90)
Restructuring expenses, net	-	-	1,715
	<u>20,512</u>	<u>16,393</u>	<u>17,703</u>
Operating income (loss)	12,502	6,075	(1,775)
Interest expenses	(1,472)	(1,683)	(902)
Other financial income (expenses), net	<u>(477)</u>	<u>353</u>	<u>1,029</u>
Income profit (loss) before taxes on income	10,553	4,745	(1,648)
Taxes on income	<u>195</u>	<u>576</u>	<u>98</u>
Profit (Loss) before share of equity investment	10,358	4,169	(1,746)
Share in profit of equity investment of affiliated companies	<u>809</u>	<u>503</u>	<u>184</u>
Net income (loss)	<u>\$ 11,167</u>	<u>\$ 4,672</u>	<u>\$ (1,562)</u>

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

U.S dollars in thousands, except share and per share data

	Year ended December 31,		
	2024	2023	2022
Net income (loss)	\$ 11,167	\$ 4,672	\$ (1,562)
Net income (loss) per share basic	\$ 1.08	\$ 0.52	\$ (0.175)
Net income (loss) per share diluted	\$ 1.00	\$ 0.51	\$ (0.175)
Weighted average number of shares outstanding:			
Basic	10,363,978	8,961,689	8,911,546
Diluted	11,215,827	9,084,022	8,911,546

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

U.S dollars in thousands

	Year ended December 31,		
	2024	2023	2022
Net income (loss)	\$ 11,167	\$ 4,672	\$ (1,562)
Other comprehensive income (loss), net			
Net unrealized gains (losses) from derivatives	(27)	53	(89)
Change in foreign currency translation Adjustments	(76)	-	-
Reclassification adjustments for loss from derivatives included in net income	-	-	30
Total other comprehensive income (loss)	(103)	53	(59)
Total comprehensive income (loss)	\$ 11,064	\$ 4,725	\$ (1,621)

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

U.S dollars in thousands, except share data

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Treasury shares	Retained earnings	Total equity
	Number of shares issued	Amount					
<b>BALANCE AT DECEMBER 31, 2021</b>	9,149,169	\$ 2,809	\$ 65,871	\$ 33	\$ (2,088)	\$ 10,159	\$ 76,784
<b>CHANGES DURING THE YEAR ENDED DECEMBER 31, 2022:</b>							
Comprehensive income				(59)	-	(1,562)	(1,621)
Exercise of Options	36,850	33	156				189
Share based compensation			218				218
<b>BALANCE AT DECEMBER 31, 2022</b>	9,186,019	\$ 2,842	\$ 66,245	\$ (26)	\$ (2,088)	\$ 8,597	\$ 75,570
<b>CHANGES DURING THE YEAR ENDED DECEMBER 31, 2023:</b>							
Comprehensive income	-	-	-	53	-	4,672	4,725
Exercise of Options	32,466	8	157		-	-	165
Issuance of common shares net of issuance costs of \$141 thousands	1,158,600	290	9,774		-	-	10,064
Share based compensation			159		-	-	159
<b>BALANCE AT DECEMBER 31, 2023</b>	10,377,085	\$ 3,140	\$ 76,335	\$ 27	\$ (2,088)	\$ 13,269	\$ 90,683
<b>CHANGES DURING THE YEAR ENDED DECEMBER 31, 2024:</b>							
Comprehensive income(loss)	-	-	-	(103)	-	11,167	11,064
Exercise of Options	164,406	12	(12)		-	-	-
Cancel of shares par value (see note 12a)		(3,152)	3,152		-	-	-
Issuance of common shares net of issuance costs of \$162 thousands	673,340	-	9,827		-	-	9,827
Share based compensation			395		-	-	395
<b>BALANCE AT DECEMBER 31, 2024</b>	11,214,831	\$ -	\$ 89,697	\$ (76)	\$ (2,088)	\$ 24,436	\$ 111,969

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2024	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 11,167	\$ 4,672	\$ (1,562)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,455	4,710	3,706
Loss (gain) from change in fair value of derivatives	22	(9)	8
Change in funds in respect of employee rights upon retirement	10	116	377
Net change in operating right of use asset and operating lease liability	18	22	(82)
Non cash financial expenses	(187)	(172)	(902)
Decrease in restructuring plan provision	(63)	(126)	(467)
Change in allowance for credit losses	55	(182)	138
Share in results of affiliated companies	(809)	(503)	(184)
Share based compensation	395	159	218
Liability in respect of employee rights upon retirement	(14)	(148)	(356)
Capital gain from sale of property, plant and equipment	(478)	(530)	(90)
Deferred income taxes, net	117	235	23
Changes in operating assets and liabilities:			
Increase in trade accounts receivable	(9,743)	(4,205)	(2,659)
Increase in other current assets and prepaid expenses	(1,473)	(341)	(1,836)
Increase in inventory	(17,165)	(5,400)	(5,069)
Increase (decrease) in trade accounts payable	2,170	(245)	1,143
Increase in accrued expenses and other	4,705	4,202	2,727
Net cash provided by (used in) operating activities from continued operation	\$ (5,818)	\$ 2,255	\$ (4,867)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of property and equipment	1,275	2,002	93
Purchase of property and equipment	(5,126)	(5,102)	(16,213)
Purchase of intangible assets	-	(479)	-
Net cash used in investing activities from continued operations	\$ (3,851)	\$ (3,579)	\$ (16,120)

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2024	2023	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayments of long-term loans	(2,016)	(1,701)	(1,071)
Net change in short term credit from banks	(7,650)	1,000	-
Proceeds from long-term loans received	-	712	16,680
Proceeds from issuance of common shares, net	9,827	10,064	-
Exercise of options	-	165	189
Net cash provided by financing activities from continued operations	\$ 161	\$ 10,240	\$ 15,798
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	<b>(9,508)</b>	<b>8,916</b>	<b>(5,189)</b>
<b>Cash and cash equivalents and restricted cash at beginning of period</b>	<b>16,942</b>	<b>8,026</b>	<b>13,215</b>
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>7,434</b>	<b>16,942</b>	<b>8,026</b>
<b>SUPPLEMENTARY INFORMATION ON INVESTING ACTIVITIES NOT INVOLVING CASH FLOW:</b>			
Purchase of property, plant and equipment on credit	-	-	196
Additions of operating lease right-of-use assets and operating lease liabilities	983	1,345	318
Reclassification of inventory to property, plant and equipment	155	68	284
Capital contribution to equity method investee	-	-	787
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid	(1,400)	(1,438)	(796)
Income taxes received (paid), net	\$ (39)	\$ -	\$ -

The accompanying notes are an integral part of the consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## U.S. dollars in thousands

## NOTE 1 - GENERAL

- a. TAT Technologies Ltd., (“TAT” or the “Company”) an Israeli corporation, incorporated in 1985, is a leading provider of solutions and services to the aerospace and defense industries, focused on the following four segments: (i) original equipment manufacturing (“OEM”) of heat transfer solutions and aviation accessories mainly through our Kiryat Gat facility ; (ii) MRO (“Maintenance Repair and Overhaul”) services for heat transfer components and OEM of heat transfer solutions through Limco Airepair Inc our wholly-owned subsidiary; (iii) MRO services for aviation components (mainly Auxiliary Power Unit “APU” and Landing Gear “LG”) through Piedmont Aviation Component Services LLC our wholly-owned subsidiary; and (iv) overhaul and coating of jet engine components through Turbochrome our wholly-owned subsidiary. TAT targets the commercial aerospace (serving a wide range of types and sizes of commercial and business jets), military aerospace and ground defense sectors. TAT’s shares are listed on both the NASDAQ (TATT) and Tel-Aviv Stock Exchange.
- b. During 2024, global conflicts continue to create volatility in global financial and energy markets and contribute to supply chain shortages adding to the inflationary pressures in the global economy. This capabilities lead to higher material and labor costs, and as a result the company made a decision to remain in higher inventory levels . The company actively collaborate with its suppliers to minimize impacts of supply shortages on manufacturing and MRO services.
- c. In October 2023, Hamas terrorists infiltrated Israel’s southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Following the attack, Israel’s security cabinet declared war against Hamas and commenced a military campaign against Hamas. In addition, since the commencement of these events, there have been continued hostilities along Israel’s northern border with Lebanon (with the Hezbollah terror organization; ), Israel’s southern border with the Gaza Strip (with the Hamas terrorist organization) and on other fronts from various extremist groups in region, such as the Houthis in Yemen and various rebel militia groups in Syria and Iraq. Further, on April 13, 2024, and on October 1, 2024, Iran launched a series of drone and missile strikes against Israel. As of December 31, 2024 a ceasefire agreement has been reached between Israel and Lebanon. To date the Company’s operations and financial results have not been materially affected. The Company expects that the current conflict in the Gaza Strip, Lebanon and the security escalation in Israel will not have a material impact on its business results in the short term. However, since this is an event beyond the Company’s control and may impact our Israeli activity, its continuation or cessation may affect our expectations. The Company continues to monitor its ongoing activities and will make any needed adjustments to ensure continuity of its business, while supporting the safety and well-being of its employees. In the year ended on December 31, 2024 the Group’s activity in Israel contributed \$43.8 million out of total revenue of \$152 million.

The intensity and duration of Israel’s current war is difficult to predict, as are such war’s economic implications on our business and operations and on Israel’s economy in general.

- d. TAT has the following wholly owned subsidiaries: Limco-Piedmont Inc. (“Limco-Piedmont”), and Turbochrome Ltd. (“Turbochrome”). Additionally, the Company holds 51% of TAT-Engineering LLC (“TAT-Engineering”) as a joint venture, hereinafter collectively referred to as the “Group”.

51% of TAT-Engineering LLC’s shares are held by TAT and the remaining 49% are held by others. The accounting treatment of the joint venture is based on the equity method due to variable participating rights granted to Engineering. The entity was established in January 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

**a. Basis of Presentation**

The Group's financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

**b. Use of estimates in the preparation of financial statement**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose the nature of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

As applicable to these financial statements, the most significant estimates and assumptions relate to: recoverability of inventory, provision for current expected credit loss, and income taxes.

**c. Functional currency**

The majority revenues of the company and subsidiaries are generated in U.S. dollars ("dollars") and a substantial portion of the costs of the company and each subsidiary in the Group are incurred in dollars. Accordingly, the dollar is the currency of the primary economic environment in which the Group operates and accordingly its functional and reporting currency is the dollar.

Transactions and balances originally denominated in dollars are presented at their original amounts. Balances in currencies other than the U.S. dollar are translated into dollars using historical and current exchange rates for non-monetary and monetary balances, respectively. For non-dollar transactions and other items in the statements of income (indicated below), the following exchange rates are used: (i) for transactions – exchange rates at transaction dates or average rates; and (ii) for other items (derived from non-monetary balance sheet items such as depreciation and amortization, etc.) – historical exchange rates. Currency transaction gains and losses are carried to other financial income (expenses), net, as appropriate.

The financial statements of TAT-Engineering are included in the consolidated financial statements, based on translation into U.S. dollars. Balance of the Investment is translated at year-end exchange rates, while share in profit is translated at average exchange rates during the year. The remeasurement adjustments of foreign currencies translation are included in the Company's shareholders' equity as a component of accumulated other comprehensive income.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

## d. Principles of consolidation

The consolidated financial statements include the accounts of TAT and its subsidiaries.

Intercompany balances and transactions, including profits from intercompany sales not yet realized outside the Group, have been eliminated upon consolidation.

## e. Cash and Cash equivalents

All highly liquid investments, which include short-term bank deposits, that are not restricted as to withdrawal or use. The period to maturity of which do not exceed three months at the time of investment, are considered to be cash equivalents.

## Restricted Deposits

Restricted deposit consists primarily of bank deposits to secure obligations under our state loan and a letter of credit to a supplier. Restricted deposit is presented at cost, including accrued interest, and is classified based on the duration of the restriction. The following table provides a reconciliation of cash and cash equivalents and restricted deposit reported on the balance sheets that sum to the total of the same amounts shown on the statement of cash flows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 7,129	\$ 15,979
Restricted deposit short term	-	661
Restricted deposit long term	305	302
Total cash and cash equivalents and restricted cash equivalents	<u>\$ 7,434</u>	<u>\$ 16,942</u>

## f. Accounts receivable, net

The Group's accounts receivable balances are due from customers primarily in the airline and defense industries. Credit is extended based on evaluation of a customer's financial condition credit insurance limits and generally, collateral is not required. Trade accounts receivable from sales of services and products are typically due from customers within 30 - 90 days. Trade accounts receivable balances are stated at amounts due from customers net of a provision for current expected losses.

Accounts receivable have been reduced by an allowance for current expected losses. The Company maintains the allowance for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance represents the current estimate of lifetime expected credit losses over the remaining duration of existing accounts receivable considering current market conditions and supportable forecasts when appropriate. The estimate is a result of the Company's ongoing evaluation of collectability, customer creditworthiness, historical levels of credit losses, and future expectations.

Write-off activity and recoveries for the periods presented were not material (see note 17).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

## g. Inventory

Inventory is measured at the lower of cost and net realizable value.

Inventories include raw materials and components, work in progress and finished products.

Cost of raw material and components is determined using the "moving average" basis. Cost of work in progress and finished products is calculated based on actual costs. Capitalized production costs components, mainly labor and overhead, are determined on average basis over the production period.

Since the Group sells products and services related to airplane accessories for airplanes that can be in service for 20 to 50 years, it must keep a supply of such products and parts on hand while the airplanes are in use. The Group writes down its inventory for estimated obsolescence and unmarketable inventory equal to the difference between the cost of inventory and net realizable value, which includes costs to sell based upon assumptions for future demand and market conditions.

If actual market prices are less favorable than those projected by management, inventory write-downs may be required. When inventory is written down, a new lower cost basis for that inventory is established.

## h. Property, plant and equipment

Property, plant and equipment are stated at cost, after deduction of the related investment grants, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Buildings	25 - 39
Leasehold improvements	3 - 5
Machinery and equipment	3 - 20
Motor vehicles	7
Office furniture and equipment	3 - 5
Internal use software	7-15

Leasehold improvements are amortized using the straight-line method over the period of the lease contract, or the estimated useful life of the asset, whichever is shorter

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**h. Property, plant and equipment (cont.)****Capitalized Software Costs**

The Company accounts for its costs to develop software for internal use accordance with Accounting Standards ("ASC") 350-40, Internal use Software. These costs are directly attributable to the development and implementation of a new ERP and supply chain software. The Company capitalizes the costs incurred during the development stage. Capitalized costs include software design, configuration, interfaces, coding, installation and testing, payroll, payroll-related expenses and external direct costs, which are directly associated with creating and enhancing internal use software Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose.

Capitalized software costs are amortized on a straight-line basis over their estimated useful life.

We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. Refer to Note 5 for further information.

Capitalized software costs are included in property, plant and equipment, net in the consolidated balance sheet.

**i. Government grants:**

Grants received from the Israel Invitation Authority ("IIA") for approved research and development projects are recognized at the time the Company is reasonably assured that it will be entitled to such grants, on the basis of the costs incurred and included as a deduction from research and development expenses. Due to the fact that the Company is defined as a "Traditional Industry Company", under the IIA regulations, committed to pay royalties to IIA, at the rate of 3% of sales of products developed.

Government grants relating to the purchase of property, plant and equipment are presented in the statement of financial position as a deduction to the carrying amount of the asset and they are credited to profit or loss on a straight-line basis over the estimated useful lives of the related assets.

Grants received according to the European Research Council ("ERC") and PPP plan launched by the US Government are recognized at the time the Company is reasonably assured that it will be entitled to such grants, on the basis of the costs incurred and included as a deduction from cost of revenues and operational expenses, as applicable.

**j. Investment in affiliates and share in results of equity investment of affiliated companies**

Investment in which the Group exercises significant influence and which is not considered a subsidiary ("affiliate") is accounted for using the equity method, whereby the Group recognizes its proportionate share of the affiliated Company's net income or loss after the date of investment. See Note 4.

The Group reviews those investments for impairment whenever events indicate the carrying amount may not be recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**j. Investment in affiliates and share in results of equity investment of affiliated companies (cont.)**

On consolidation, transactions between the Group and the affiliate are eliminated in the amount which related to the Group's proportionate share of the affiliate.

**k. Leases****The Company as a lessee**

Under Topic 842, the Company determines if an arrangement is a lease at inception. Upon initial recognition, the Company recognized a liability at the present value of the lease payments to be made over the lease term, and concurrently recognized a right of use ("ROU") asset at the same amount of the liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets are recognized as the lease liability, adjusted for lease incentives received and prepayments made. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. On the commencement date, lease payments that include variable lease payments dependent on an index or a rate (such as the Consumer Price Index or a market interest rate), are initially measured using the index or rate at the commencement date. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The discount rate for the lease is the rate implicit in the lease unless that rate cannot be readily determined. As the Company's leases do not provide an implicit rate, the Company's uses its estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

*Income from Leasing Transactions under ASC 842*

The Company accounts for certain leasing revenues in accordance with ASC 842, which qualify for operating lease treatment. For operating leases in which the Company is the lessor, lease payments are recognized as leasing revenue over the lease term on a straight-line basis. APUs engines subject to operating leases are classified as property, plant, and equipment and depreciated over the useful life, based on the lesser of 1,000 leasing days or 5,000 LLP (life Limited Parts).

**l. Identified intangible assets**

Identifiable intangible assets are comprised of definite lived intangible assets – commercial license which are amortized over 10 years respectively, using the straight-line method over their estimated period of useful life as determined by identifying the period in which substantially all of the cash flows are expected to be generated. The amortization of the commercial license is recorded in the cost of sales.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**m. Impairment of long-lived assets**

Long-lived assets, including property, plant and equipment, operating lease right of use assets and definite life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets (or asset group) may not be recoverable. In the event that the sum of the expected future cash flows (undiscounted and without interest charges) of the long-lived assets (or asset group) is less than the carrying amount of such assets, an impairment charge would be recognized and the assets (or asset group) would be written down to their estimated fair values (see also Notes 5,6 and 7).

**n. Treasury Shares**

Company shares held by the Company are presented as a reduction of equity at their cost to the Company. The treasury shares have no rights.

**o. Revenue Recognition**

The Group generates its revenues from the sale of OEM products and systems, providing MRO services (remanufacture, maintenance, repair and overhaul services and long - term service contracts) and parts sales.

A contract with a customer exists only when: the parties to the contract have approved it and are committed to perform their respective obligations, the Company can identify each party's rights regarding the distinct goods or services to be transferred ("performance obligations"), the Company can determine the transaction price for the goods or services to be transferred, the contract has commercial substance and it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenues are recorded in the amount of consideration to which the Company expects to be entitled in exchange for performance obligations upon transfer of control to the customer, excluding amounts collected on behalf of other third parties and sales taxes.

To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the performance obligation is satisfied.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**o. Revenue recognition (cont.)**

The Company has adopted the following exemptions and accounting policies:

- a. The Company has chosen to account for shipping as a fulfillment costs, in cases in which the shipping occurs after the customer has obtained control of a good.
- b. The Company has chosen not to adjust the promised amount of consideration for the effects of a significant financing component, in cases in which the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less.
- c. Revenues from the sale of OEM products are recognized at a point in time when the customer obtains control of the product, typically upon shipment. Invoices are issued based on the customer's approved PO and payment terms are due net 30 to net 90 from invoice date.
- d. Revenues from the sale of MRO services is recognized at a point in time, which involve receiving customers' purchase orders, completing the service, and fulfilling inspection quality assurance obligations at the company's production site. Payment are due upon net 30 to net 60 from invoice date.

**Contract liabilities**

Contract liabilities are mainly comprised of deferred revenues which are included under accrued expenses and other.

**p. Warranty costs**

The Group provides warranties for its products and services ranging from one to three years, which vary with respect to each contract and in accordance with the nature of each specific product. According to Company's experience, most of the warranty costs incur during the first year of the contract.

The Group estimates the costs that may be incurred under its warranty and records a liability in the amount of such costs at the time revenue is recognized under accrued expenses on the Company's balance sheet. The Group periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

**q. Research and development**

Research and development costs, net of grants, are charged to expenses as incurred and consist primarily of personnel and related expenses for research and development activities.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**r. Fair value measurement**

The Group measures fair value and discloses fair value measurements for financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data or active market data for similar but not identical assets or liabilities.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Group utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers credit risk in its assessment of fair value.

The company's financial liabilities measured at fair value on recurring basis in 2023 are \$22 thousand dollars (liability level 2).

During 2024 the Company ceased its hedging activity

Non-recurring Fair Value Measurements-The Company's financial instruments consist mainly of cash and cash equivalents, restricted deposits, accounts receivable, accounts payable, accrued expenses and other liabilities. The fair value of these financial instruments approximates their carrying value.

**s. Concentrations of credit risk**

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and deposits, derivatives and accounts receivable.

Cash and cash equivalents are deposited with several major banks in Israel and the United States. Such deposits in the United States and Israel may be in excess of insured limits and are not insured in other jurisdictions. Management believes that the financial institutions that hold the Group's cash and cash equivalents are financially sound, and that the Group has not been effected by certain banking institutions in the United States. Accordingly, minimal credit risk exists with respect to these financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**s. Concentrations of credit risk (cont.)**

The Group's accounts receivable are derived mainly from sales to customers in the United States, Israel and Europe. The Group generally does not require collateral; however, in certain circumstances the Group may require letters of credit. Management believes that credit risks relating to accounts receivable are minimal since the majority of the Group's customers are world-leading manufacturers of aviation systems and aircrafts, international airlines, governments and air-forces, and world-leading manufacturers and integrators of defense and ground systems. In addition, the Group has relatively a large number of customers with wide geographic spread which mitigates the credit risk. The Group performs ongoing credit evaluation of its customers' financial condition. As part of the risk management, the Company purchased a credit insurance policy from a well-known insurance Company. As of December 31, 2024 and 2023 the Company has a single customer which represents 24% and 17.5% of the Company's accounts receivable, respectively.

**t. Income taxes**

Income taxes are accounted for in accordance with ASC 740 "Income Taxes". This statement prescribes the use of the asset and liability method, whereby deferred tax assets and liabilities account balances are determined based on temporary differences between financial reporting and tax basis of assets and liabilities and for tax loss carry-forwards. Deferred taxes are measured using the enacted laws and tax rates that will be in effect when the differences are expected to reverse. The Group provides a valuation allowance, if it is more likely than not that a portion of the deferred income tax assets will not be realized, see Note 14(h).

Taxes which would apply in the event of disposal of investments in domestic and foreign subsidiaries have not been taken into account in computing the deferred taxes, when the Group's intention is to hold, and not to realize the investments.

The Group did not provide for deferred taxes attributable to dividend distribution out of retained tax-exempt earnings from "Approved/Benefited Enterprise" plans (see Note 14(a)), since it intends to permanently reinvest them and has no intention to declare dividends out of such tax-exempt income in the foreseeable future. Management considers such retained earnings to be essentially permanent in duration.

Results for tax purposes for TAT's Israeli subsidiaries are measured and reflected in NIS.

As explained in (c) above, the consolidated financial statements are measured and presented in U.S. dollars. In accordance with ASC 740, TAT has not provided deferred income taxes on the differences resulting from changes in exchange rate and indexation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**t. Income taxes (cont.)**

The Group follows a two -step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate resolution. The Group's policy is to include interest and penalties related to unrecognized tax benefits within financial income (expense). Such liabilities are classified as long-term, unless the liability is expected to be resolved within twelve months from the balance sheet date.

**u. Earnings per share**

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares of the Company's Ordinary Shares, for each period, net of treasury shares.

Diluted earnings (loss) per share are calculated by dividing the net income by the fully-diluted weighted-average number of ordinary shares outstanding during each period. Potentially dilutive shares include outstanding options granted to employees and directors, using the treasury stock method.

**v. Share-based compensation**

The Group applies ASC 718 "Stock Based Compensation" with respect to employees and directors' options, which requires awards classified as equity awards to be accounted for using the grant-date fair value method. The fair value of share-based awards is estimated using the Black-Scholes valuation model, the payment transaction is recognized as expense over the requisite service period, net of estimated forfeitures.

The Group recognizes compensation cost for an award with only service conditions that has a graded vesting schedule using the accelerated method over the requisite service period.

**w. Comprehensive income (loss)**

Comprehensive income in 2024, 2023 and 2022 includes, in addition to net income or loss, gains and losses of derivatives designated for cash flow hedge accounting and translation adjustments (net of related taxes where applicable).

Reclassification adjustments for gain or loss of derivatives are included in the relevant line item in the statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**x. Contingencies**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Group but which will only be resolved when one or more future events occur or fail to occur. The Group's management assesses such contingent liabilities and estimated legal fees. Such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Group or unasserted claims that may result in such proceedings, the Group's management evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

Management applies the guidance in ASC 450-20-25 when assessing losses resulting from contingencies. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability is recorded as accrued expenses in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material are disclosed.

Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

**y. Derivatives and hedging**

The Company carries out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge the Company's exposure in currencies other than the U.S. dollar. Derivatives are recognized at fair value as either assets or liabilities in the consolidated balance sheets in accordance with ASC Topic 815, "Derivatives and Hedging".

For derivative instruments that are designated and qualify as a cash-flow hedge, the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the anticipated transaction in the same period or periods during which the hedged transaction affects earnings.

For derivative instruments that qualify for hedge accounting, the cash flows associated with these derivatives are reported in the consolidated statements of cash flows consistently with the classification of the cash flows from the underlying hedged items that these derivatives are hedging.

The effective portion and the ineffective portion of the gain or loss on the hedging instrument is recognized as other comprehensive income (loss).

The effective portion is determined by looking into changes in spot exchange rate.

The change in fair value attributable to changes other than those due to fluctuations in the spot exchange rate are excluded from the assessment of hedge effectiveness and are recognized in the statement of income under financial expenses-net.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

**z. Recently Issued Accounting Principles:***New accounting pronouncements effective in future periods:*

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amended guidance enhances income tax disclosures primarily related to the effective tax rate reconciliation and income taxes paid information. This guidance requires disclosure of specific categories in the effective tax rate reconciliation and further information on reconciling items meeting a quantitative threshold. In addition, the amended guidance requires disaggregating income taxes paid (net of refunds received) by federal, state, and foreign taxes. It also requires disaggregating individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The amended guidance is effective for fiscal years beginning after December 15, 2024. The guidance can be applied either prospectively or retrospectively. We are evaluating the impact this amended guidance may have on the footnotes to our consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40). The ASU improves the disclosures about a public business entity's expenses and provides more detailed information about the types of expenses in commonly presented expense captions. The amendments require that at each interim and annual reporting period an entity will, inter alia, disclose amounts of purchases of inventory, employee compensation, depreciation and amortization included in each relevant expense caption (such as cost of sales, SG&A and research and development). The ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures

**aa. Recently adopted accounting pronouncements:**

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amended guidance requires incremental reportable segment disclosures, primarily about significant segment expenses. The amendments also require entities with a single reportable segment to provide all disclosures required by these amendments, and all existing segment disclosures. The amendments will be applied retrospectively to all prior periods presented in the financial statements and is effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024. The amendments were applied retrospectively to all prior periods presented in the financial statements. The Company adopted this standard in the current period retrospectively to all prior periods presented in an entity's financial statements, refer to note 15.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 3 - INVENTORY

Inventory is composed of the following:

	December 31,	
	2024	2023
Raw materials and components	\$ 50,197	\$ 36,934
Work in progress	17,382	13,493
Finished goods	961	853
<b>Total inventory</b>	<b>\$ 68,540</b>	<b>\$ 51,280</b>

Inventories write down expenses due to slow inventory amounted to \$547, \$187 and \$1,284 for the years ended December 31, 2024, 2023 and 2022, respectively.

The Company maintains a wide range of exchangeable units and other spare parts related to its products and services in various locations. Due to the long lead time of its suppliers and manufacturing cycles, the Company needs to forecast demand and commit significant resources towards these inventories. As such, the Company is subject to risks including excess inventory no longer relevant.

## NOTE 4 - INVESTMENT IN AFFILIATES

On November 25, 2015, the Company signed an agreement with Russian-based Engineering Holding of Moscow ("Engineering"), to establish a new facility for the provision of services for heat transfer products. The new Company, TAT-Engineering LLC, is based in Novosibirsk's Tolmachevo airport. TAT-Engineering, LLC shall provide services for heat transfer products. 51% of TAT-Engineering LLC's shares are held by TAT and the remaining 49% are held by Engineering. The accounting treatment of the joint venture is based on the equity method due to variable participating rights granted to Engineering. The new entity was established in January 2016.

Summarized financial information of TAT-Engineering LLC:

	December 31,	
	2024	2023
<b>Balance sheets:</b>		
Current assets	\$ 3,512	\$ 2,048
Non-current assets	1,093	922
Current liabilities	1,721	1,395

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 4 - INVESTMENT IN AFFILIATES (CONT)

	Year ended December 31,		
	2024	2023	2022
Statements of operation:			
Revenues	\$ 3,366	\$ 2,702	\$ 1,277
Gross profit (loss)	2,095	1,739	605
Net income (loss)	1,414	987	365
Net income (losses) attributable to the Company	809	503	184

## NOTE 5 - PROPERTY, PLANT AND EQUIPMENT, NET

Composition of assets, grouped by major classifications, is as follows:

	December 31,	
	2024	2023
Cost:		
Land and buildings	\$ 10,879	\$ 10,739
Leasehold improvements	9,408	9,164
Machinery and equipment	79,512	76,664
Motor vehicles	259	273
Office furniture and equipment	1,628	1,378
Internal use software	4,204	3,768
	105,890	101,986
Less: Accumulated depreciation and amortization	64,314	59,432
Depreciated cost	\$ 41,576	\$ 42,554

Depreciation and amortization expenses amounted to \$5,187, \$4,430 and \$3,500 for the years ended December 31, 2024, 2023 and 2022, respectively.

## NOTE 6 - LEASES

The company provides its customers leasing services of APU engines. The results are reported as part of the Company's activity in MRO services for aviation components. The net revenues from the lease services amounted to \$5.1, \$5.5 and \$4.8 million for the years ended December 31, 2024, 2023 and 2022 respectively.

Limco-Piedmont leases some of its operating and office facilities for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2029, certain leases contain renewal options as defined in the agreements. Certain agreements include an automatic renewal clause, allowing termination with a six-months advance notice. The company has excluded agreement where management expects the early termination option to be exercised in 2025.

In January 2024, Piedmont has a lease agreement for a building worth approximately \$0.5 million, which will last until December 2026. TAT has a new lease agreement for 15 vehicles during 2024 for 3 years, totaling approximately \$0.5 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 6 - LEASES (CONT)

During 2023 TAT sign a lease agreement for a facility in Charlotte, USA, which will expire on April 30, 2029. Due to the new agreement, the Company recognized an operating ROU assets and related operating lease liability of approximately \$1 million.

The lease cost was as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Operating lease expenses	<u>1,329</u>	<u>1,173</u>

Supplemental cash flow information related to leases was as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Operating cash flows from operating leases	<u>1,447</u>	<u>1,640</u>
Right-of-use assets obtained in exchange for lease obligations (non-cash)	<u>983</u>	<u>1,345</u>

Supplemental balance sheet information related to operating leases is as follows:

	December 31, 2024	December 31, 2023
<b>Operating Leases</b>		
Operating lease right-of-use assets	<u>2,282</u>	<u>2,746</u>
Current operating lease liabilities	939	1,033
Non-current operating lease liabilities	<u>1,345</u>	<u>1,697</u>
Total operating lease liabilities	<u>2,284</u>	<u>2,730</u>
<b>Weighted Average Remaining Lease Term</b>		
Operating leases - Israel	<u>3.47</u>	<u>5 years</u>
Operating leases – United States	<u>2.44</u>	<u>3 years</u>
<b>Weighted Average discount rate</b>		
Operating leases - Israel	<u>4.52%</u>	<u>5%</u>
Operating leases – United States	<u>6.27%</u>	<u>4.84%</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 6 - LEASES (CONT)

As of December 31, 2024, the maturities of lease liabilities were as follows:

<u>Year</u>	<u>Amount</u>
2025	1,038
2026	679
2027	328
2028	233
2029 and after	214
Total lease payments	\$ 2,492
Less imputed interest	(208)
Total	<u>\$ 2,284</u>

## NOTE 7 - INTANGIBLE ASSETS

Intangible assets:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Commercial license		
Cost	\$ 2,509	\$ 2,509
Accumulated amortization	(956)	(686)
Amortized cost	<u>\$ 1,553</u>	<u>\$ 1,823</u>

In September 2020, Piedmont signed a 10-year agreement for the commercial MRO services for aviation components. Under this contract Honeywell licensed Piedmont as an authorized MRO station of APU 331-20X.

Estimated amortization expenses for the five succeeding years are \$279 thousand per year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 8 - LONG-TERM LOANS AND CREDIT LINES

	Total balance amount as of year ended December 31		Rate	Duration
	2024	2023		
<b>Israel</b>				
Gov guaranteed loans (see a)	\$ 3,990	\$ 4,707	7.75%(*)	5-10
Commercial loans (see b)	2,171	2,601	7.15%(*)	7
<b>USA</b>				
Commercial loans (see c)	6,285	7,076	3.75% - 4.2%	5-10
Line of Credit (see d)	4,350	12,137	7.25%-8.6%(*)	Revolving
Machinery finance loans (see e)	575	712	6.65%	5
	<u>\$ 17,371</u>	<u>\$ 27,224</u>		

(\*) As of December 31, 2024

- a. TAT received several loans from the Israeli banks (with a guaranty from the Israeli government) during 2020 and 2021 in an aggregate amount of \$6.3 million. The loans bear annual interest (Prime Rate +1.5%) which are paid in equal monthly installments as of April 2021 through February 2031. The aforementioned loans were received in NIS.
- b. In March 2022, TAT received a loan from a commercial bank in the amount of \$3.7 million. The loan bears annual interest (Prime Rate +0.9%) and paid in equal monthly installment as of April 2022 through March 2029.
- c. In May 2022 TAT a US subsidiary received a loan from a commercial bank in the US in the amount of \$3 million. The loan is secured with a first-degree lien on the US subsidiary's equipment. The loan bears an annual interest which is paid in equal monthly installments until 2029. In August 2022, another TAT US subsidiary received a long-term loan of \$5 million from a commercial bank in the US. The loan bears an annual interest which is paid in equal monthly installments until August 2032. The loan is secured with a first-degree lien on the US subsidiary's equipment.
- d. In February 2022 TAT a US subsidiary received a credit line from a US commercial bank in the amount of \$7 million with a maturity date of February 2024 carry an interest of WSJP+0.1%. In February 2024, the US subsidiary signed a new loan contract extending the existing line of credit by 2 years and securing an additional credit in the amount of \$7 million (total line of credit of \$14 million). As of December 31, 2024, the Company utilized \$2.85 million from this credit line.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 8 - LONG-TERM LOANS AND CREDIT LINES (CONT)

In March 2022, another TAT subsidiary received a credit line of \$5 million from a commercial bank in the US. This credit line bears an initial annual fixed interest of 2.9%. In April 2024, the US subsidiary signed a contract extending the existing line of credit by 2 years. This credit line bears annual fixed interest of 7.25%. As of December 31, 2024, the Company utilized \$1.5 million from this credit line.

- e. TAT subsidiary received loans from Machinery Finance in the total amount of \$0.7 million. The loans bear annual interest which are paid in equal monthly installments until 2028.
- f. By June 2023 TAT secured another short-term line of credit from an Israeli bank for \$4.5 million. The company's building and land in Kiryat Gat serve as collateral for this loan. As of December 31, 2024, the Company has not utilized this credit line.

In respect of the credit lines and the loans in a, c and d above, the Company and its subsidiaries are required to meet certain financial covenants. As of December 31, 2024 the Company and its subsidiaries met all its covenants

Maturities on long-term loans are as follows:

Year	Amount
2025	2,083
2026	2,065
2027	3,263
2028	1,863
2029 and after	3,747
	\$ 13,021

The Carrying value of the Company's long-term debt approximates its fair value, except for the following:

	Fair value		Carrying Amount	
	2024	2023	2024	2023
The TAT subsidiary loan at c above	\$ 1,953	\$ 2,473	\$ 2,224	\$ 2,447
The other TAT subsidiary loan at c above	\$ 3,566	\$ 4,486	\$ 4,061	\$ 4,412

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 9 - ACCRUED EXPENSES AND OTHER

	December 31,	
	2024	2023
Employees and payroll accruals	\$ 6,292	\$ 5,179
Accrued expenses	1,288	1,072
Authorities	156	116
*Contract liabilities	6,928	5,239
Warranty provision	353	325
Accrued royalties	3,097	1,736
Provision for restructuring plan	-	63
Other	480	222
	<u>\$ 18,594</u>	<u>\$ 13,952</u>

\*Contract liabilities

	December 31,	
	2024	2023
Opening balance	5,239	2,778
Additions	7,012	4,541
Revenue recognized	<u>(5,323)</u>	<u>(2,080)</u>
Closing balance	<u>6,928</u>	<u>5,239</u>

## NOTE 10 - LONG-TERM EMPLOYEE-RELATED OBLIGATIONS

Severance pay:

With regards to Employees who are employed in Israel, the Company is required to make severance payments upon dismissal of an employee or upon termination of employment in certain circumstances. The severance payment liability to the employees (based upon length of service and the latest monthly salary - one month's salary for each year employed) is recorded on the Company's balance sheet under "Liability in respect of employees rights upon retirement." The liability is recorded as if it were payable at each balance sheet date on an undiscounted basis.

According to Section 14 of the Israeli Severance Pay Law, the Israeli Company's liability for certain employees, according to their employment agreements, make regular deposits with certain insurance companies for accounts controlled by each applicable employee in order to secure the employee's retirement benefit obligation. The Company and its Israeli subsidiary are fully relieved from any severance pay liability with respect to each such employee after it makes the payments on behalf of the employee. The liability accrued in respect of these employees and the amounts funded, as of the respective agreement dates, are not reflected in the Company balance sheet, as the amounts funded are not under the control and management of the Company and the pension or severance pay risks have been irrevocably transferred to the applicable insurance companies (the "Contribution Plan").

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 10 - LONG-TERM EMPLOYEE-RELATED OBLIGATIONS (CONT)

With regard to employees that are not under the "Contribution Plan", the liability is funded in part from the purchase of insurance policies or by the establishment of pension funds with dedicated deposits in the funds. The amounts used to fund these liabilities are included in the balance sheets under "Funds in respect of employee rights upon retirement." These policies are the Company's assets.

In the years ended December 31, 2024, 2023 and 2022 the Company expense \$582, \$610 and \$825 respectively, with pension funds and insurance companies in connection with its severance payment obligations.

Limco-Piedmont sponsors a 401(K) safe harbor profit sharing plan covering substantially all of its employees. The plan requires the employer to contribute a match which is currently done on a payroll period basis, matching 100% of the first 2% and 50% of all salary deferrals made up to the next 3%. In addition, the plan allows for a discretionary qualified non-elective contribution for the plan year. Contributions to the plan by Limco-Piedmont were \$645, \$569 and \$454 for the years ended December 31, 2024, 2023 and 2022, respectively.

The Group expects to contribute approximately \$1,598 in 2025 to the pension funds and insurance companies in respect of their severance and pension pay obligations.

The amounts of severance payments, actually paid to retired employees, by TAT were \$31, \$116 and \$274 for the years ended December 31, 2024, 2023 and 2022.

TAT expects to pay \$656 in future benefits to their employees during 2025 through 2033 upon their normal retirement age. The amount was determined based on the employee's current salary rates and the number of service years that will be accumulated upon the retirement date.

These amounts do not include amounts that might be paid to employees that will cease working for the Israeli Company before their normal retirement age.

Year	Amount
2025	\$ 47
2026	107
2027	138
2028	61
2029	4
Thereafter (through 2033)	299
Total	<u>\$ 656</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 11 - COMMITMENTS AND CONTINGENCIES

## a. Commissions arrangements:

The Group is committed to pay marketing commissions ranging 1% to 10% to sale agents and employees of total sales contracts. Commission expenses were \$778, \$361 and \$412 for the years ended December 31, 2024, 2023 and 2022, respectively. The commissions were recorded as part of the selling and marketing expenses.

## b. Royalty commitments:

The company is committed to paying royalties as percentage of revenue or as a percentage of purchase in the amount range from 5-25% to certain OEM as part of the Company's licenses agreements.

Royalties expenses were 4,983\$, 3,298\$ and 1,794\$ for the years 2024, 2023 and 2022 respectively.

## c. Guarantees:

(1) In order to secure TAT's liability to the Israeli customs, the Company provided bank guarantees in amounts of 103 thousands NIS (approximately 28.6 thousands dollar). The guarantees are linked to the consumer price index and will expire from December 2024 through December 2025.

(2) TAT has provided bank guarantee to office lessor in amounts of 50 thousands NIS (approximately 13.9 thousands dollar).

(3) Turbochrome has provided a bank guarantee to the local planning and building committee in amounts of 28.6 thousands dollar.

## d. Litigation:

On July 12, 2022 TAT filed a suit against TAT Industries Ltd. In the District Court of Tel Aviv. TAT had leased the Gedera facility from TAT Industries Ltd. until the termination of the lease agreement in 2022. TAT asserts that TAT Industries Ltd. has unlawfully forfeited a bank guarantee that was granted for the benefit TAT Industries Ltd. in connection with the lease in Gedera in the amount of \$750 thousands. On December 28, 2022, TAT Industries Ltd. filed a counterclaim against TAT asserting damages caused by TAT in connection with the lease in Gedera. TAT intends to vigorously defend the counterclaim by TAT Industries Ltd. which is in a preliminary stage, and TAT cannot estimate at this stage what impact, if any, the litigation may have on its results of operations, financial condition, or cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 12 - SHAREHOLDERS' EQUITY

- a. TAT's Ordinary shares confer upon their holders' voting rights, the right to receive dividends, if declared, and any amounts payable upon the dissolution, liquidation or winding up of the affairs of TAT.

TAT's treasury shares have no rights.

On September 1, 2024, TAT completed the issuance and sale of 673,340 Ordinary Shares of the Company in a private placement to Israeli institutional and accredited investors (as defined under Israel's Securities Law, 5728-1968), for a purchase price of NIS 54.95 per share (which equaled \$15.03 per share based on the exchange rate published by the Bank of Israel at such time), resulting in net proceeds to the Company, after a deduction of offering expenses, of approximately NIS 36.5 million (or approximately \$10.0 million). The newly issued shares represent approximately 6.2% of the Company's issued and outstanding Ordinary Shares after the consummation of such sale. The private offering expenses totaled to \$163 thousands.

Pursuant to the resolution of the shareholders' meeting held on August 15, 2024, the Company's articles of association were amended. This amendment cancels the par value of the Company's Ordinary Shares.

As a result of the change \$3,152 was reclassified from ordinary shares to additional paid-in capital.

On December 21, 2023, TAT completed the issuance and sale of 1,158,600 Ordinary Shares of the Company in a private placement to Israeli institutional and accredited investors (as defined under Israel's Securities Law, 5728-1968), for a purchase price of NIS 31.70 per share (which equaled \$8.77 per share based on the exchange rate published by the Bank of Israel at such time), resulting in net proceeds to the Company, after deducting offering expenses, of approximately NIS 36.2 million (or approximately \$10.0 million). The newly issued shares represent approximately 11.5% of the Company's issued and outstanding Ordinary Shares after the consummation of such a sale. The private offering expenses totaled to \$141 thousands.

- b. **Stock option plans:**

In November 2011, our audit committee and board of directors approved a stock option plan (the "2012 Plan"), which was subsequently approved by TAT's shareholders, on June 28, 2012. According to the 2012 Plan an aggregate of 980,000 options exercisable into up to 980,000 ordinary shares, 0.9 NIS par value, of TAT may be granted to certain members of our board of directors and certain senior executives at an exercise price not less than the fair market value of the shares covered by the option on the date of grant.

On August 30, 2018 the Company's compensation committee, followed by the Board of Directors, approved the amended and restated Company's 2012 Plan. On October 4, 2018 the Company's amended and restated 2012 Plan was approved at the annual general meeting of shareholders. As part of the Company's 2012 Plan's amendments it was determined that if the Company declares a cash dividend to its shareholders, and the distribution date of such dividend will precede the exercise date of an Option, including for the avoidance of doubt, Options that have yet to become vested and Options which have been granted prior to the adoption of such amendment to the Plan, the exercise price of the option shall be reduced in the amount equal to the cash dividend per share distributed by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 12 - SHAREHOLDERS' EQUITY (CONT)

**b. Stock option plans (cont.):**

Following the approval of TAT's audit committee and board of directors, on November 8, 2022 the Company's shareholders approved the 2022 stock option plan at the same condition like 2012 plan (the "2022 Plan", and together with the 2012 Plan, the "Plans"). According to the 2022 Plan an aggregate of 550,000 options exercisable into up to 550,000 ordinary shares, 0.9 NIS par value, of TAT may be granted to certain members of our board of directors and certain senior executives at an exercise price not less than the fair market value of the shares covered by the option on the date of grant. The total aggregate option pool under the Plans is 1,530,000 ordinary shares of the Company.

In general, the options under the Plans vest over a period of 4 years as follows: 25% of the options vest upon the lapse of 12 months following the date of grant and the remaining 75% vest on a quarterly basis over the remaining 3-year period. The options expired within 7 years from the date of grant. Pursuant to the Plans, any options that are cancelled or not exercised within the option period determined in the relevant option agreement will become available for future grants.

The grant of options to Israeli employees under the Plans is subject to the terms stipulated by Sections 102 and 102A of the Israeli Income Tax Ordinance. Each option grant is subject to the track chosen by the Company, either Section 102 or Section 102A of the Israeli Income Tax Ordinance, and pursuant to the terms thereof, the Company is not allowed to claim as an expense for tax purposes the amounts credited to employees as benefits, including amounts recorded as salary benefits in the Company's accounts, in respect of options granted to employees under the Plans, with the exception of the work income benefit component, if any, determined on grant date. For nonemployees and for non-Israeli employees, the share option plan is subject to Section 3(i) of the Israeli Income Tax Ordinance.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 12 - SHAREHOLDERS' EQUITY (CONT)

## b. Stock option plans (cont.):

As of December 31, 2024, options to purchase 485,625 ordinary shares were outstanding under the Plans, exercisable at an average exercise price of \$9.43 per share.

Grant date	Description	Number of options	Exercise price
March 22, 2022	2012 Plan	50,000	\$6.59
May, 2022	2012 Plan	70,000	\$6.42-\$6.56
December 1, 2022	2022 Plan	50,000	\$6.42
January 9, 2023	2022 Plan	50,000	6.31
February 10, 2023	2022 Plan	35,000	6.31
March 29, 2023	2012 Plan	35,000	6.07
May 30, 2023	2022 Plan	30,000	6.45
August 28, 2023	2022 Plan	40,000	8.00
March 6, 2024	2022 Plan to senior executive	175,000	\$14.16

The fair value of the Company's stock options granted under the 2012 and 2022 plan for the years ended December 31, 2024, 2023 and 2022 was estimated using the following assumptions:

	2024	2023	2022
Expected stock price volatility	49.10%	48% - 54.8%	48.4% - 54.48%
Expected option life (in years)	4.6	4.6	1-5
Risk free interest rate	4.18%	3.71% - 4.54%	0.63% - 4.04%
Dividend yield	0%	0%	0%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 12 - SHAREHOLDERS' EQUITY (CONT)

## b. Stock option plans (cont.):

The Company uses the Black-Scholes option pricing model to determine the weighted average fair value of options. The volatility factor used in the Black-Scholes option pricing model is based on historical stock price fluctuations. The expected term of options is based on the simplified method. The Company is able to use the simplified method as the options qualify as "plain vanilla" options as defined by ASC 718-10-S99 and since the Company does not have sufficient historical exercise data to provide a reasonable basis to estimate expected term. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the stock options granted. Following the Company's amended and restated 2012 stock plan and 2022 stock plan related to the adjustment of the exercise price in respect of dividend distribution, the dividend yield was amended to 0%.

The following table is a summary of the activity of TAT's Stock Option plan:

	Year ended December 31, 2024		Year ended December 31, 2023		Year ended December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	625,000	\$ 7.31	675,000	\$ 7.17	720,000	\$ 6.8
Granted	175,000	14.16	190,000	6.63	170,000	6.56
Forfeited			(196,614)	6.52	(178,150)	5.63
Exercised*	(314,375)	7.85	(43,386)	5.68	(36,850)	5.25
Outstanding at the end of the year	<u>485,625</u>	<u>9.43</u>	<u>625,000</u>	<u>7.31</u>	<u>675,000</u>	<u>7.17</u>
Exercisable at the end of the year	<u>171,561</u>	<u>7.05</u>	<u>373,438</u>	<u>7.91</u>	<u>412,813</u>	<u>\$ 7.54</u>

The weighted-average grant-date fair value of options granted was \$6.00 in 2024, \$2.45 in 2023 and \$2.33 in 2022. The aggregate intrinsic value for the options outstanding as of December 31, 2024, 2023 and 2022 was \$7.89 million, \$1.78 and \$0, respectively.

As of December 31, 2024, total unrecognized compensation cost was \$1,062 and is expected to be recognized over a weighted-average period of 1.47 years.

\* The Company allows its employees to exercise stock options either by paying cash or through the cashless exercise mechanism.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 12 - SHAREHOLDERS' EQUITY (CONT)

The following table summarizes information concerning outstanding and exercisable awards as of December 31, 2024:

Exercise price	awards outstanding		awards exercisable		
		Number of awards outstanding at the end of the year	Weighted average remaining contractual life (years)	Number of awards exercisable at the end of year	Weighted average remaining contractual life (years)
5.91	\$	18,750	3.24	17,187	3.24
6.07		35,000	5.24	15,312	5.24
6.23		35,000	5.11	15,312	5.11
6.31		28,125	5.02		
6.42		20,000	4.33	12,500	4.33
6.45		18,750	5.41		
6.59		25,000	4.92		
7.00		100,000	3.66	81,250	3.66
8.90		10,000	1.17	10,000	1.17
9.12		20,000	0.36	20,000	0.36
14.16		175,000	6.18		

Share-based compensation expenses:

	Year ended December 31,		
	2024	2023	2022
Cost of revenue	144	-	-
Research and development	22	-	-
Sales and marketing	36	-	-
General and administrative	193	190	226
Total stock-based compensation	395	190	226

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 13 - EARNINGS PER SHARE ("EPS")

Basic earnings per share are based on the weighted average number of ordinary shares outstanding, net of treasury shares. Diluted EPS is based on those shares used in basic EPS plus shares that would have been outstanding assuming issuance of ordinary shares for all dilutive potential ordinary shares outstanding.

	Year ended December 31,		
	2024	2023	2022
<b>Numerator for EPS:</b>			
Net Income (loss)	\$ 11,167	\$ 4,672	\$ (1,562)
<b>Denominator for EPS:</b>			
Weighted average shares outstanding – basic	10,363,978	8,961,689	8,911,546
Dilutive shares	851,849	122,333	-
Weighted average shares outstanding – diluted	<u>11,215,827</u>	<u>9,084,022</u>	<u>8,911,546</u>
<b>EPS:</b>			
Basic	\$ 1.08	\$ 0.52	\$ (0.175)
Diluted	\$ 1.00	\$ 0.51	\$ (0.175)

For the year 2022, diluted loss per share does not include 675,000 options.

## NOTE 14 - TAXES ON INCOME

## a. Tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959 ("the Law"):

Until December 31, 2010, TAT and Turbochrome has elected to participate in the alternative package of tax benefits for its approved and benefited enterprise under the law.

Pursuant to such Law, the income derived from those enterprises will be exempt from Israeli corporate tax for a specified benefit period (except to the extent that dividends are distributed during the tax-exemption period other than upon liquidation) and subject to reduced corporate tax rates for an additional period.

In addition pursuant to a recent amendment of the Law, any distribution of dividend as of August 15, 2021 will be prorated between exempt income and taxable income. As such, upon dividend distribution, in case the company has accumulated exempt income, the company will be obligated to pay the corporate income tax it was exempted from with respect to the exempt profits portion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 14 - TAXES ON INCOME (CONT)

**a. Tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959 ("the Law") (cont.):**Preferred Enterprises

Additional amendments to the Law became effective in January 2011 (the "2011 Amendment"). Under the 2011 Amendment, income derived by 'Preferred Companies' from 'Preferred Enterprises' (both as defined in the 2011 Amendment) would be subject to a uniform rate of corporate tax as opposed to the incentives that are limited to income from Approved or Benefiting Enterprises during their benefits period. According to the 2011 Amendment, the uniform tax rate on such income, referred to as 'Preferred Income', would be 6% in areas in Israel that are designated as Development Zone A and 12% elsewhere in Israel. Dividends distributed from taxable income derived from Preferred Enterprise would be subject to a 15% tax (or lower, if so provided under an applicable tax treaty), which would generally be withheld by the distributing Company. While the Company may incur additional tax liability in the event of distribution of dividends from tax exempt income generated from its Approved and Benefiting Enterprises, no additional tax liability will be incurred by the Company in the event of distribution of dividends from income taxed in accordance with the 2011 Amendment.

Under the transitional provisions of the 2011 Amendment, the Company elected to irrevocably implement the 2011 Amendment, commencing 2011 and thereafter, and be regarded as a "Preferred Enterprise" with respect to its existing Approved and Benefited Enterprises while waiving benefits provided under the legislation prior to the 2011 Amendment.

Under a recent amendment, announced in August 2013, beginning in 2014, dividends paid out of income attributed to a Preferred Enterprise will be subject to a withholding tax rate of 20% (instead of 15%). In addition, tax rates under the Preferred Enterprise were also raised effective as of January 1, 2014 to 9% in Zone A and 16%.

The uniform tax rate for Development Zone A, as of January 1, 2017, is 7.5% (as part of changes enacted in Amendment 73).

TAT and Turbochrome are located in an area in Israel that is designated as Zone A and as such entitled to reduce tax rates of 7.5%.

**b. Corporate tax rate in Israel**

The taxable income of TAT, not subject to benefits as detailed above, is taxed at corporate tax rate, which was 23% for all years included in these financial statements.

Capital gain is subject to capital gain tax according to corporate tax rate in the year which the assets are sold.

As of December 31, 2024, the Company has an accumulated tax loss carryforward from Israeli subsidiary of approximately \$752 million (as of December 31, 2023, \$2,927 million). Such carry forward loss has no expiration date

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 14 - TAXES ON INCOME (CONT)

## c. U.S. subsidiaries

U.S. subsidiaries are taxed based on federal and state tax laws. The Federal statutory tax rate for 2024, 2023 and 2022 was 21% plus 2.5%-4% for state taxes.

As of December 31, 2024, the Company has a federal accumulated tax loss carryforward of approximately \$7,860 (as of December 31, 2023, \$12,991). Under U.S. tax laws, subject to certain limitations, carryforward tax losses originating in tax years beginning after January 1, 2018, have no expiration date, but are limited as a deduction to 80% of taxable income in any given year.

## d. Tax assessments

TAT's income tax assessments are considered final through 2018.  
Turbochrome income tax assessments are considered final through 2018.  
Limco-Piedmont income tax assessments are considered final through 2019.

## e. Income tax reconciliation:

A reconciliation of the theoretical tax expense assuming all income is taxed at the statutory rate to taxes on income (tax benefit) as reported in the statements of income:

	Year ended December 31,		
	2024	2023	2022
Income (loss) before taxes on income (tax benefit) from continued operations reported in the statements of income	\$ 10,553	\$ 4,745	\$ (1,648)
Statutory tax rate in Israel	23%	23%	23%
Theoretical taxes on income (tax benefit)	\$ 2,427	\$ 1,091	\$ (379)
Decrease in taxes on income resulting from:			
Tax adjustment for foreign subsidiaries subject to a different tax rate	(56)	(36)	(13)
Reduced tax rate on income derived from "Preferred Enterprises" plans	(121)	(484)	(48)
Release of valuation allowance	(2,338)	-	238
Reduced deferred tax asset from expecting utilization of carryforward losses	-	183	-
Tax in respect of prior years	-	-	59
Permanent differences	31	-	77
Other adjustments	252	(178)	164
Taxes on income as reported in the statements of income	<u>\$ 195</u>	<u>\$ 576</u>	<u>\$ 98</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 14 - TAXES ON INCOME (CONT)

f. Income (loss) before taxes on income (tax benefit) is comprised as follows:

	Year ended December 31,		
	2024	2023	2022
Domestic (Israel)	\$ 7,761	\$ 4,639	\$ (1,201)
Foreign (United States)	2,792	106	(447)
	<u>\$ 10,553</u>	<u>\$ 4,745</u>	<u>\$ (1,648)</u>

g. Taxes on income (tax benefit) included in the statements of income:

	Year ended December 31,		
	2024	2023	2022
Current:			
Domestic (Israel)	\$ -	\$ -	\$ -
Foreign (United States)	86	49	-
	<u>86</u>	<u>49</u>	<u>-</u>
Deferred:			
Domestic (Israel)	(426)	358	268
Foreign (United States)	535	169	(170)
	<u>109</u>	<u>527</u>	<u>98</u>
	<u>\$ 195</u>	<u>\$ 576</u>	<u>\$ 98</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 14 - TAXES ON INCOME (CONT)

## h. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of TAT's deferred tax liabilities and assets are as follows:

	December 31,	
	2024	2023
Deferred tax assets:		
Provisions for employee benefits	\$ 1,007	\$ 657
Inventory	926	1,337
Capital tax losses carryforward	876	956
Net operating losses carryforward	2,519	2,368
R&D expenses	222	121
Other	912	417
Deferred tax assets, before valuation allowance	\$ 6,462	\$ 5,856
Valuation allowance	(876)	(3,214)
Deferred tax assets, net	5,586	2,642
Deferred tax liabilities:		
Property, plant and equipment	(4,526)	(1,348)
Intangible assets	(150)	(300)
Other temporary differences deferred tax liabilities	(33)	-
Deferred tax liabilities	\$ (4,709)	\$ (1,648)
Net	877	994

The following table summarizes the changes in the valuation allowance for deferred tax assets:

Balance, December 31, 2021	\$ 5,484
Deductions during the year	(282)
Balance, December 31, 2022	\$ 5,202
Deductions during the year	(1,988)
Balance, December 31, 2023	\$ 3,214
VA Release during the year	(1,114)
Deductions during the year	(1,224)
Balance, December 31, 2024	\$ 876



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 14 - TAXES ON INCOME (CONT)

**h. Deferred income taxes (cont.):**

Valuation allowances

Deferred taxes as of December 31, 2023 were reduced by a valuation allowance relating to net operating losses and capital loss in TAT. In assessing the likelihood of realizing deferred tax assets, management considers factors such as prior earnings history, expected future earnings and the reversal of existing taxable temporary differences. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Deferred taxes are determined utilizing the asset and liability method based on the estimated future tax effects of differences between the financial accounting and tax bases of assets and liabilities under the applicable tax laws. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the determination of the appropriate valuation allowances, the Company has considered the most recent projections of future business results and taxable income by jurisdiction. Actual results may vary in comparison to current projections. After consideration of the evidence described above, management believes it is more likely than not that deferred tax assets will be realized. Therefore, during the year ended December 31, 2024, the Company recorded a release of \$1,114 in respect of the valuation allowance applied on deferred tax assets recorded in Israel. As at December 31, 2024, the Company maintained a full valuation allowance relating to carry forward capital losses in Israel since management believes it is more likely than not that the deferred tax assets will not be realized.

## NOTE 15 - SEGMENT INFORMATION

**a. Segment Activities Disclosure:**

TAT operates under four segments: (i) Original equipment manufacturing (“OEM”) of heat transfer solutions and aviation accessories mainly through our Gedera facility ; (ii) MRO services for heat transfer components and OEM of heat transfer solutions through its Limco subsidiary; (iii) MRO services for aviation components (mainly APU and LG) through its Piedmont subsidiary; and (iv) Overhaul and coating of jet engine components through its Turbochrome subsidiary.

- OEM of heat transfer solutions and aviation accessories primarily include the design, development and manufacture of (i) broad range of heat transfer solutions, such as pre-coolers heat exchangers and oil/fuel hydraulic heat exchangers, used in mechanical and electronic systems on board of commercial, military and business aircraft; (ii) environmental control and power electronics cooling systems installed on board aircraft in and ground applications; and (iii) a variety of other mechanical aircraft accessories and systems such as pumps, valves, and turbine power units.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands

## NOTE 15 - SEGMENT INFORMATION (CONT)

**a. Segment Activities Disclosure (cont):**

- MRO Services for heat transfer components and OEM of heat transfer solutions primarily include the MRO of heat transfer components and to a lesser extent, the manufacturing of certain heat transfer solutions. TAT's Limco subsidiary operates an FAA-certified repair station, which provides heat transfer MRO services for airlines, air cargo carriers, maintenance service centers and the military.
- MRO services for aviation components include the MRO of APUs, landing gears and other aircraft components, as well as APU lease activity. TAT's Piedmont subsidiary operates an FAA-certified repair station, which provides aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military.
- TAT's activities in the area of overhaul and coating of jet engine components includes the overhaul and coating of jet engine components, including turbine vanes and blades, fan blades, variable inlet guide vanes and afterburner flaps.

The Group's chief operating decision-maker ("CODM") is the CEO of the Company. The CODM evaluate segment performance and allocate the Company's resources, the CODM uses segment measures of revenue, gross profit, operating income and total assets. The CODM reviews budget-to-actual variances of both profit measures on a monthly basis when making decisions about allocation of the Company's resources to the segments.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 15 - SEGMENT INFORMATION (CONT)

## b. Segments statement operations disclosure:

The following financial information is the information that CODM uses for analyzing the segment results.

The following financial information is a summary of the operating income of each operational segment:

	Year ended December 31, 2024					
	OEM of Heat Transfer Solutions and Aviation Accessories	MRO Services for heat transfer components and OEM of heat transfer solutions	MRO services for Aviation Components and Lease	Overhaul and coating of jet engine components	Elimination of inter- Company sales	Consolidated
Revenues external	\$ 36,466	\$ 40,783	\$ 67,475	\$ 7,392	-	\$ 152,116
Revenues internal	-	3,080	-	-	(3,080)	-
Cost of revenues	24,965	35,978	56,798	4,823	(3,462)	119,102
Gross profit	11,501	7,885	10,677	2,569	382	33,014
Research and development	481	582	-	185	-	1,248
Selling and marketing	2,300	2,039	2,968	439	-	7,746
General and administrative	3,291	3,271	4,880	459	-	11,901
Other segment expenses (income)*	-	5	*(388)	(415)	415	(383)
Operating income	\$ 5,429	\$ 1,988	\$ 3,217	\$ 1,901	\$ (33)	\$ 12,502
Financial expenses, net						(1,949)
Profit before tax benefits						\$ 10,553

\*Gain profit from fixed asset sales

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 15 - SEGMENT INFORMATION (CONT)

## b. Segments statement operations disclosure (cont.)

	Year ended December 31, 2023					
	OEM of Heat Transfer Solutions and Aviation Accessories	MRO Services for heat transfer components and OEM of heat transfer solutions	MRO services for Aviation Components and Lease	Overhaul and coating of jet engine components	Elimination of inter- Company sales	Consolidated
Revenues external	\$ 27,555	\$ 28,625	\$ 50,760	\$ 6,854	-	\$ 113,794
Revenues internal	-	4,370	-	-	(4,370)	-
Cost of revenues	20,193	30,176	41,788	4,110	(4,941)	91,326
Gross profit	7,362	2,819	8,972	2,744	571	22,468
Research and development	159	177	268	111	-	715
Selling and marketing	1,618	1,539	2,040	326	-	5,523
General and administrative	2,772	3,436	3,555	825	-	10,588
Other segment expenses (income)	9	(3)	*(439)	(423)	423	(433)
Operating income	\$ 2,804	\$ (2,330)	\$ 3,548	\$ 1,905	\$ 148	\$ 6,075
Financial expenses, net						(1,330)
Profit before tax benefits						\$ 4,745

\*Gain profit from fixed asset sales

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 15 - SEGMENT INFORMATION (CONT)

## b. Segments statement operations disclosure (cont.)

	Year ended December 31, 2022					
	OEM of Heat Transfer Solutions and Aviation Accessories	MRO Services for heat transfer components and OEM of heat transfer solutions	MRO services for Aviation Components and lease	Overhaul and coating of jet engine components	Elimination of inter- Company sales	Consolidated
Revenues external	\$ 21,844	\$ 21,063	\$ 35,879	\$ 5,770	-	\$ 84,556
Revenues internal	-	3,733	-	-	(3,733)	-
Cost of revenues	18,778	20,750	28,890	3,495	(3,285)	68,628
Gross profit (loss)	3,066	4,046	6,989	2,275	(448)	15,928
Research and development	193	54	286	19	(74)	479
Selling and marketing	1,936	926	2,383	330	54	5,629
General and administrative	3,226	2,462	3,686	594	2	9,970
Other segment expenses (income)	(1,566)	(52)	(18)	-	1,547	(90)
Restructuring expenses, net	975	618	-	122	-	1,715
Operating income (loss)	\$ (1,698)	\$ 38	\$ 652	\$ 1,210	\$ (1,977)	\$ (1,775)
Financial expenses, net						127
Profit (loss) before taxes on income						\$ (1,648)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 15 - SEGMENT INFORMATION (CONT)

- c. The following financial information identifies the assets, depreciation and amortization, and capital expenditures to segments:

	Year ended December 31, 2024					Consolidated
	OEM of Heat Transfer Solutions and Aviation Accessories	MRO Services for heat transfer components and OEM of heat transfer solutions	MRO services for Aviation Components and Lease	Overhaul and coating of jet engine components	Amounts not allocated to segments	
Total assets	33,726	40,698	80,014	10,182	(1,258)	163,362
Depreciation and amortization	642	1,040	3,412	388	(27)	5,455
Expenditure for segment assets	1,972	1,124	1,347	683		5,126

	Year ended December 31, 2023					Consolidated
	OEM of Heat Transfer Solutions and Aviation Accessories	MRO Services for heat transfer components and OEM of heat transfer solutions	MRO services for Aviation Components and Lease	Overhaul and coating of jet engine components	Amounts not allocated to segments	
Total assets	39,131	42,491	58,023	9,400	(3,468)	145,577
Depreciation and amortization	557	878	3,078	268	(71)	4,710
Expenditure for segment assets	1,352	252	3,519	458		5,581

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 16 - ENTITY-WIDE DISCLOSURE

- a. Total revenues - by geographical location were attributed according to customer residential country as follows:

	Year ended December 31,		
	2024	2023	2022
	Total revenues	Total revenues	Total revenues
<b>Sale of products</b>			
Israel	\$ 3,146	\$ 3,527	\$ 3,249
United States	29,678	23,937	15,616
Other	14,886	7,777	6,595
	<u>\$ 47,710</u>	<u>\$ 35,241</u>	<u>\$ 25,460</u>

	Year ended December 31,		
	2024	2023	2022
	Total revenues	Total revenues	Total revenues
<b>Sale of Services</b>			
Israel	\$ 4,722	\$ 4,170	\$ 3,913
United States	74,648	58,062	40,954
Other	25,036	16,321	14,229
	<u>\$ 104,406</u>	<u>\$ 78,553</u>	<u>\$ 59,096</u>

- b. Total long-lived assets - by geographical location were as follows:

	December 31,		
	2024	2023	2022
Israel	\$ 13,773	\$ 11,569	\$ 10,231
United States	34,822	35,002	41,270
Total	<u>\$ 48,595</u>	<u>\$ 46,571</u>	<u>\$ 51,501</u>

- c. Major Customers

The Company has a single customer of MRO services for Aviation Components and lease( which his annual sales in 2024 constitute 12.8% from the total group sales. The Company has a single customer which his annual sales in 2023 constitute 12.6% from the total group sales. The company has a single customer which his annual sales in 2022 constitutes 8.4% from the total group sales.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 17 - SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS INFORMATION

	<u>Warranty provision</u>	<u>Provision for current expected credit losses</u>
Balance, as of December 31, 2021	\$ 243	\$ 389
Additions	-	200
Deductions	-	(62)
Balance, as of December 31, 2022	\$ 243	\$ 527
Additions	82	90
Deductions	-	(272)
Balance, as of December 31, 2023	\$ 325	\$ 345
Additions	28	150
Deductions	-	(95)
Balance as of December 31, 2024	<u>\$ 353</u>	<u>\$ 400</u>



THE COMPANIES ORDINANCE  
COMPANY LIMITED BY SHARES  
ARTICLES OF ASSOCIATION  
Of  
TAT TECHNOLOGIES LTD

(These Articles of Association have been adopted by a Special Resolution on March 20, 2025 and they replace the former Articles of Association).

INTERPRETATION

1. [Amended 1998, 2013] In these Articles the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite them respectively in the second column thereof, if not inconsistent with the subject or context:

<u>Words</u>	<u>Meanings</u>
The Company	The above-named Company.
Companies Ordinance	The Companies Ordinance (new version) 1983 ("The Companies Ordinance ") as amended and as amended from time to time including any law or statute replacing it.
The Companies Law or The Israeli Companies Law	The Israeli Companies Law 5759-1999 ("The Companies Law") as amended and as amended from time to time including any law or statute replacing it.
The Statutes	The Companies Ordinance and/or The Companies Law and/or The Securities Law and/or every other Law for the time being in force and affecting the Company.
These Articles	These Articles of Association or as shall be altered from time to time by the General Meeting of the shareholders of the Company.
The Office	The registered office for the time being of the Company.
The Seal	The rubber stamp of the Company.
The Securities Law	The Israeli Securities Law 5728-1968 ("The Securities Law") as amended from time to time including any law or statute replacing it.
Month	Gregorian month.
The Record Date	The record date as determined pursuant to the provision of Article 55(a) of these Articles
Writing	Printing, lithography, photography, and any other mode or modes of representing or reproducing words in a visible form.
Special Resolution	In accordance with the Companies Ordinance, decision of 75% of the General Meeting of the shareholders of the Company.

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Words importing the singular only shall include the plural, and vice versa.

Words importing the masculine gender shall include the feminine gender; and words importing person shall include corporations.

Subject as aforesaid, any words or expressions defined in the Statutes shall, except where the subject or context forbids, bear the same meanings in these Articles.

The Regulations in Table "A" in Schedule II to the Companies Ordinance shall not apply to the Company

#### **THE PURPOSE OF THE COMPANY**

2. *[Amended 2013]* The Company may engage in any lawful occupation.

#### **THE LIABILITY OF SHAREHOLDERS**

3. *[Amended 2013]* The liability of the shareholders is limited, as determined in the Companies Law. For this purpose, each shareholder is responsible for repayment of the nominal value of shares. In the event that the Company issued shares in exchange for lower nominal value, the responsibility of each shareholder will be limited to the repayment of the amortized amount of the consideration for each share assigned to him as aforesaid.

#### **NON-PRIVATE COMPANY**

4. The Company is a non-private company; consequently:
- (a) No limitations will apply to the transfer of its shares;
  - (b) The number of shareholders is unlimited;
  - (c) The company may issue to the public shares, debentures or any other securities.
5. *[Amended 1993, 1998, 2005, 2018, 2024, 2025]* The share capital of the company shall consist of 15,000,000 (Fifteen Million) Ordinary Shares of no per value of each, all ranking pari-passu.

#### **SHARES**

6. Subject to these Articles or to the terms of any resolution creating new shares, the unissued shares from time to time shall be under the control of the Board of Directors, who shall have the power to allot shares or otherwise dispose of them to such persons, on such terms and conditions, and either at par or at a premium, or, subject to the provisions of the Statutes, at a discount, and at such times, as the Board of Directors may think fit, and the power to give to any person the option to acquire from the Company any shares, either at par or at a premium, or, subject as aforesaid, at a discount, during such time and for such consideration as the Board of Directors may think fit.
7. If two or more persons are registered as joint holders of any share, any one of such persons may give effectual receipts for any dividends or other moneys in respect of such share.
8. No person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or required to recognize any equitable, contingent, future, or partial interest in any share or any right whatsoever in respect of any share other than an absolute right to the entirety thereof in the registered holder.
9. *[Amended 2013]* Every member shall be entitled without payment to receive after allotment or registration of transfer (unless the conditions of issue provide for a longer interval) one certificate under the Seal for all the shares registered in his name, specifying the number and denoting numbers of the shares in respect of which it is issued and the amount paid up thereon. Provided that in the case of joint holders the Company shall not be bound to issue more than one certificate to all the joint holders, and delivery of such certificate to one of them shall be sufficient delivery to all. Every certificate shall be signed by one Director and countersigned by the Secretary or some other person nominated by the Directors for the purpose.

10. If any share certificate shall be defaced, worn out, destroyed or lost, it may be renewed on such evidence being produced, and such indemnity (if any) being given as the Directors shall require and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding NIS 5 (Five New Israeli Shekels) as the Directors may from time to time require.
11. *[Deleted 2013]*
12. *[Deleted 2013]*
13. *[Deleted 2013]*

#### CALLS ON SHARES

14. *[Amended 2013]* No member shall be entitled to receive any dividend or to exercise any privileges as a member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any). The shareholders who are entitled to a dividend shall be the holders of shares on the date of the resolution regarding the dividend or on a later date if a later date is prescribed in such resolution.
15.
  - (a) If under the conditions of the issuance of shares there is no fixed date for the payments due therefor, the Directors may from time to time make such calls upon the members in respect of all moneys then unpaid on shares possessed by them and every member will pay the sum demanded of him at the place and time appointed by the Directors, provided that fourteen days notice as to the place and date of payment was served on him. The Directors may revoke or postpone any call.
  - (b) A call shall be deemed to have been made at the time when the Resolution of the Directors authorizing such call was passed.
  - (c) The joint holders of a share shall be jointly and severally liable for the payment of all calls and installments in respect thereof.
  - (d) If before or on the day appointed for payment thereof, a call or installment payable in respect of a share is not paid, the holder or allottee of the share shall pay interest on the amount of the call or installment at such rate not exceeding the debitory rate prevailing at the largest Israeli commercial bank on the day appointed for the payment referred to, as the Directors shall fix, from the day appointed for payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part.
16.
  - (a) Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, whether on account of the amount of the share or by way of premium, shall for all purposes of these Articles be deemed to be a call duly made, and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all other relevant provisions of these Articles shall apply as if such sum were a call duly made and notified as hereby provided;
  - (b) The Directors may at the time of allotment of shares make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such call.
17. The Directors may, if they think fit, receive from any member willing to advance the same, all or any part of the monies due upon his shares beyond the sums actually called up thereon; and upon the moneys so paid in advance, or so much thereof as exceeds the amount for the time being called up on the shares in respect of which such advance has been made, the Directors may pay or allow such interest as may be agreed by them and the Company.

#### **TRANSFER OF SHARES**

18. No transfer of shares shall be registered unless a proper writing or instrument of transfer (in any customary form or any other form satisfactory to the Board of Directors) has been submitted to the Company (or its transfer agent), together with the share certificate(s) and such other evidence of title as the Board of Directors may reasonably require. Until the transferee has been registered in the Register of Members in respect of the shares so transferred, the Company may continue to regard the transferor as the owner thereof.
19. The Directors may refuse, without giving any reasons therefor, to register any transfer of shares where the Company has a lien on the share, constituting the subject matter of the transfer, but fully paid-up shares may be transferred freely and such transfers do not require the approval of the Directors.

All instruments of transfer shall remain in the custody of the Company but any such instrument which the Directors refused to register shall be returned to the person from whom it was received, if such request be made by him.

20. *[Amended 1998]* The Transfer Records and the Register of Members and Debenture Holders (if any) and Debenture Stock Holders (if any) and other securities (if any) of the Company may be closed during such time as the Directors may deem fit, not exceeding in the aggregate, thirty days in each year. To avoid any doubts, the determination of a Record Date shall not constitute nor be deemed as a closing of the above records or registers.

#### **TRANSMISSION OF SHARES**

21. In the case of the death of a member, or a holder of a debenture, the survivor or survivors, where the deceased was a joint holder, and the executors and/or administrators and/or the legal heirs of the deceased where he was a sole or only surviving holder, shall be the only persons recognized by the Company as having any title to his shares or his debentures, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share or any debenture jointly held by him.
22. Any person who becomes entitled to a share or a debenture in consequence of the death or bankruptcy of any member, may, upon producing such evidence of title as the Directors shall require, with the consent of the Directors, be registered himself as holder of the share or the debenture or, subject to the provisions as to transfers herein contained, transfer the same to some other person.
23. A person entitled to a share or a debenture by transmission shall be entitled to receive, and may give a discharge for, any dividends or interest or other moneys payable in respect of the share or debenture, but he shall not be entitled in respect of it to receive notices of, or to attend or vote at meetings of the Company, or, save as aforesaid, to exercise any of the rights or privileges of a member or a holder of a debenture unless and until he shall become a member in respect of the share or a holder of the debenture.

#### **FORFEITURE OF SHARES**

24. If any member fails to pay the whole or any part of any call or installment of a call on or before the day appointed for the payment thereof, the Directors may at any time thereafter, during such time as the call or installment or any part thereof remains unpaid, serve a notice on him, or on the person entitled to the share by transmission requiring him to pay such call or installment, or such part thereof as remains unpaid, together with any expenses incurred by the company by reason of such non-payment.
25. The notice shall name a further day (not earlier than the expiration of thirty days from the date of the notice) on or before which such call or installment, or such part as aforesaid, and all interest and expenses that have accrued by reason of such non-payment, is to be made, and shall state that In the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made will be liable to be forfeited.

26. If the requisitions of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture, notwithstanding that they shall have been declared.
27. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture upon the terms of payment of all call and interest due upon and expenses incurred in respect of the shares and upon such further terms (if any) as they shall see fit.
28. Every share which shall be forfeited shall thereupon become the property of the Company and may be either cancelled or sold or re-allotted or otherwise disposed of either to the person who was before forfeiture the holder thereof, or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit. *[Amended 2013]* Each Forfeited share that hasn't been sold or canceled, will become dormant Share, as defined in the Israeli Companies law, and will not confer any rights, so long that such shares is owned by the Company.
29. A member whose shares have been forfeited shall, notwithstanding, be liable to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest thereon to the date of payment, in the same manner in all respects as if the shares had not been forfeited and to satisfy all (if any) the claims and demands which the Company might have enforced in respect of the shares at the time of forfeiture, without any deduction or allowance for the value of the shares at the time of forfeiture.
30. The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the member whose share is forfeited and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Statutes given or imposed in the case of past members.
31. A sworn declaration in writing that the declarant is a Director of the Company, and that a share has been duly forfeited in pursuance of these Articles and stating the date upon which it was forfeited, shall, as against all persons claiming to be entitled to the share adversely to the forfeiture thereof, be conclusive evidence of the facts therein stated, and such declaration, together with the receipt of the Company for the consideration (if any) given for the share on the sale or disposition thereof, and a certificate of proprietorship of the share under the Seal delivered to the person to whom the same is sold or disposed of, shall constitute a good title to the share, and such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition, and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share.

#### LIEN

32. The Company shall have a first and paramount lien upon all shares (which are not fully paid up) registered in the name of any member, either alone or jointly with any other person, for his debts, liabilities and engagements, whether solely or jointly with any other person, to or with the Company, whether the period for the payment, fulfillment or discharge thereof shall have actually arrived or not, and such lien shall extend to all dividends from time to time declared in respect of such shares; but the Directors may at any time declare any share to be exempt wholly or partially from the provisions of this Article.
33. The Directors may sell the shares subject to any such lien at such time or times and in such manner as they shall think fit, but no sale shall be made until such time as the moneys in respect of which such lien exists, or some part thereof, are or is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, and until a demand and notice in writing stating the amount due or specifying the liability or engagement and demanding payment or fulfillment or discharge thereof and giving notice of intention to sell in default shall have been served on such member, or the persons (if any) entitled by transmission to the shares, and default in payment, fulfillment or discharge shall have been made by him or them for fourteen days after such notice.

34. The net proceeds of such sale shall be applied in or towards satisfaction of the amount due to the Company, or of the liability or engagement, as the case may be, and the balance (if any) shall be paid to the member or the person (if any) entitled by transmission to the shares so sold.
35. Upon any such sale (i.e., following forfeiture or foreclosing on a lien for and the bona fide use of the powers granted with respect thereto) the Directors may enter the purchaser's name in the Register as holder of the shares and the purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

**SHARE WARRANTS TO BEARER**

36.

- (a) The Company may, subject to the provisions of the Statutes, with respect to fully paid up shares, issue warrants (hereinafter called "share warrants"), stating that the bearer is entitled to the shares therein specified and may provide by coupons or otherwise for the payment of dividends on the shares included in such warrants. The Directors may determine and from time to time vary, the conditions upon which share warrants shall be issued, and in particular the conditions upon which a new share warrant or coupon will be issued in the place of one worn out, defaced, lost or destroyed, or upon which a share warrant may be surrendered, and the name of the bearer entered in the Register in respect of the shares therein specified. The bearer of a share warrant shall be subject to the conditions for the time being in force, whether made before or after the issue of such share warrant.

No new share warrant or coupon shall be issued in the place of one which has been lost or destroyed unless it shall have been established to the satisfaction of the Directors that the same has been lost or destroyed.

- (b) A share warrant shall entitle the bearer to the shares included in it, and such shares shall be transferred by the delivery of the share warrant and the provisions of these Articles with respect to transfer and transmission of shares shall not apply thereto.
- (c) The bearer of a share warrant may at any time deposit the warrant at the Office or at any other place, if any, indicated by the Directors, and after the expiration of two clear days from the time of deposit, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting and exercising the other privileges of a member at any meeting held, as if his name was inserted in the Register as the Holder of the shares included in the deposited warrant. Not more than one person shall be recognized as depositor of a share warrant.

Upon prior notice in writing of two days the Company shall return to the depositor the share warrant deposited by him.

- (d) Subject as otherwise expressly provided herein, no person shall, as bearer of a share warrant, sign a requisition for calling a Meeting of the Company, or attend, or vote, or exercise any other privilege of a member at a Meeting of the Company and said person shall not be entitled to receive any notices from the Company.

But the bearer of a share warrant shall be a member of the Company and entitled in all other respects to the same privileges and advantages as if he were named in the Register as the holder of the shares included in the warrant.

*[Deleted 2013]*

**ALTERATIONS OF CAPITAL**

37. The General Meeting of the shareholders of the Company may from time to time:
- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or
  - (b) Cancel any shares not taken or agreed to be taken by any person; or
  - (c) Divide its share capital or any part thereof into shares of smaller amount than is fixed by its Articles of Association by sub-division of its existing shares or any of them, subject, nevertheless, to the provisions of the Statutes, and so that as between the resulting shares, one or more of such shares may by the Resolution by which such sub-division is effected be given any preference or advantage as regards dividend, capital, voting or otherwise over the others or any other shares; or
  - (d) Reduce its share capital and any capital redemption reserve fund in any way that may be considered expedient and, in particular exercise all or any of the powers conferred by Section 151 of the Companies Ordinance, or any statutory modification thereof.
38. The Company may, subject to applicable law, issue redeemable shares and redeem the same

**INCREASE OF CAPITAL**

39. The General Meeting of the shareholders of the Company may from time to time , whether all the shares for the time being authorized shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its share capital by the creation of new shares; such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special rights for the time being attached to any existing class of shares) to carry such preferential, deferred or other special rights (if any) or to be subject to such conditions or restrictions (if any) in regard to dividend, return of capital, voting or otherwise as the General Meeting deciding upon such increase directs.
40. *[Amended 2013]* Except so far as otherwise provided by or pursuant to these Articles or by the conditions of issue, any new share capital shall be considered as part of the original ordinary share capital of the Company, and shall be subject to the same provisions of these Articles with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

*[Deleted 2013]*

**BORROWING POWERS**

41. The Board of Directors may from time to time, in its discretion, cause the Company to borrow or secure the payment of any sum or sums of money for the purposes of the Company, and may secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions in all respects as it thinks fit, and, in particular, by the issuance of bonds, perpetual or redeemable debentures, debenture stock, or any mortgages, charges, or other securities on the undertaking, or, the whole or any part of the property of the Company, both present and future, including units uncalled or called but unpaid capital for the time being.

**GENERAL MEETINGS**

42. *[Amended 2013]* An Annual General Meetings shall be held at least once in every calendar year at such time, not being more than fifteen months after the holding of the last preceding Annual General Meeting and at such place as may be determined by the Directors. Such Annual General Meetings shall be called "Ordinary Meetings" and all other General Meetings of the Company shall be called "Extraordinary Meetings". The Annual General Meeting shall receive and consider the Directors' Report, the Profit and Loss Account and Balance Sheet, shall elect Directors, appoint Auditors and transact any other business which under these Articles or by the Statutes are to be transacted at a General Meeting of the Company.

43. *[Amended 1998, 2013]* In accordance with the Israeli Companies Law and subject to the provisions of the Statutes, as may be from time to time in effect, the Directors may, whenever they think fit, and upon a demand of two directors or one quarter of the directors in office at that time or upon demand of one or more shareholders, holding at least five percent (5%) of the issued shares and one percent (1%) of the voting rights or holding five percent (5%) of the voting rights in the Company (hereinafter: "**the Requisitionists**"), shall convene an Extraordinary Meeting, in the manner hereinafter mentioned, to such members as are, under the provisions of these Articles, and particularly under the provisions of article 53(a), entitled to receive notice from the company. Any such requisition must state the objects for which the meeting is to be called, be signed by the Requisitionists, and must be deposited at the office. Such requisition may consist of several documents in like form, each signed by one or more requisitionists. If the Directors do not, within twenty-one days from the date of the deposit of such requisition, proceed to convene a Meeting, the party demanding the convening of the meeting, and, in the case of shareholders, that portion of them that has more than half of their voting rights, may convene the meeting themselves, provided that the meeting shall not take place more than three months after the said demand is submitted, and in accordance with the Companies Law.

*[Amended 2013]* Subject to the provisions of the Statutes as may be from time to time in effect, the agenda of the General Meeting will be determined by the Board and it will include also topics which are required to be converted at an Extraordinary Meetings as mentioned above. Also, one or more shareholder, holding one percent (1%) of the voting rights in a General Meeting, may request that the Board include topics on the agenda of a General Meeting, provided that such topics are suitable to be discussed at a General Meeting.

44.

- (a) *[Amended 1998, 2001, 2013]* Subject to the provisions of the Statutes as may be from time to time in effect, and the provisions herein, the Company will publish a notice regarding the General Meeting specifying the place, the day and the hour of meeting and in the case of special business the general nature of such business, shall be given in the manner hereinafter mentioned, to such members as are, under the provisions of these Articles, entitled to receive notices from the Company.
- (b) Subject to the provisions of the Statutes as may be from time to time in effect, whenever the Board of Directors is required to convene an Extraordinary Meeting it shall convene such meeting within twenty-one days' on the date designated in the notice provided that the meeting date will be no later than thirty-five days from the date of publication of the notice. Notices shall be given by post or by personal delivery to every registered shareholder of the Company, entitled to receive notice from the Company under the provisions of these Articles, and particularly under the provisions of article 53(a), to his address as described in the Register of Members of the Company or such other address as designated by him in writing for this purpose. Provided that the accidental omission to give such notice to or the non-receipt of such notice by any such member shall not invalidate any resolution passed or proceeding had at any such meeting. And, with the consent of all the members for the time being entitled to receive notices of meetings, a meeting may be convened upon a shorter notice or without notice and generally in such manner as such members may approve. Such consent may be given at the meeting or retrospectively after the meeting.
- (c) Notice with respect to any General Meeting shall be regarded proper and sufficient if it specifies in a general manner the general nature of the matter to be transacted at the General Meeting, or, without making the procedure hereinafter set forth mandatory, if it specifies that the draft of the resolution to be proposed to the General Meeting is available for inspection at a designated place during a designated time period.



#### PROCEEDINGS AT GENERAL MEETINGS

45. *[Amended 1998, 2013]* No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business. The quorum at any shareholders Meeting shall be two members present in person or by proxy, holding or representing at least one third of the total voting rights in the Company on the Record Date.
46. If within half an hour from the time appointed for the holding of a General Meeting a quorum is not present, the meeting, shall stand adjourned to the same day in the next week at the same time and place or any time and hour as the Directors shall designate and state in a notice to the members, and if, at such adjourned meeting, a quorum is not present within half an hour from the time appointed for holding the meeting, two members present in person or by proxy shall be a quorum.
47. The Chairman (if any), chosen as such among the Directors, shall preside at every General Meeting, but if there shall be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the members present shall choose a Director, or, If no Director be present, or if all the Directors present decline to take the Chair, they shall choose a member present to be Chairman of the meeting.
48. *[Amended 1998]* The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned pursuant to the provisions of this Article for seven days or more, notice of the adjourned meeting shall be given to the members entitled to receive notice from the Company under the provisions of these Articles, and particularly under the provisions of article 55(a), in the same manner as in the case of an original meeting. Save as aforesaid, no member shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

#### VOTES OF MEMBERS

49. *[Amended 1998, replaced 2004, amended 2013]* Subject to the provisions of Statutes as may be from time to time in effect, all resolution by any General Meeting of the company, , including but not limited to amendment of the Memorandum of Association of the Company or these Articles, shall be deemed adopted if approved by the holders (in aggregate) of the majority votes represented at such general meeting and participating in the vote (excluding any abstaining votes) in person or by proxy.
50. *[Amended 1998, 2013]* At all General Meetings, a resolution put to a vote at the meeting shall be decided on a show of hands, and a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried unanimously or by a particular majority, or lost, or not carried by a particular majority, shall be conclusive, and an entry to that effect in the Minute Book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favor of or against such resolution. As mentioned below, votes may be given also by proxy.
51. *[Deleted 2013]*
52. *[Deleted 2013].*
53. *[Replaced 1998, Amended 2013]* Subject to the provisions of the Statutes, as may be from time to time in effect:
  - (a) The Board of Directors may fix a Record Date to determine the shareholders entitled to notice of and/or to vote at any meeting of shareholders or any adjournment thereof (the "**Meeting**"), which Record Date shall not precede the date upon which the resolution fixing the Record Date is adopted by the Board of Directors, and which Record Date shall not be more than twenty one (21) nor less than four (4) days before the date of the Meeting. Notwithstanding the above, in a Meeting that the agenda includes also topics listed in Section 87(a) to the Israeli Companies Law, the Record Date shall not be more than forty days (40) nor less than twenty eight (28) days before the Meeting unless allowed otherwise by the Statutes.. The Record Date for determining shareholders entitled to notice of or to vote at the meeting shall be at the close of business on the day next preceding the day on which such board meeting is held. A determination of shareholders of record entitled to notice or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; providing, however that the Board of Directors may fix a new Record Date to the adjournment meeting.

- (b) Every member shall have one vote for each share of which he is the holder.
54. If any member be a lunatic, idiot, or non compos mentis, he may vote by his committee, receiver, curator bonis or other legal curator and such last mentioned persons may give their votes either personally or by proxy.
55. If two or more persons are jointly entitled to a share, then in voting upon any question the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders of the share, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
56. *[Amended 2013]* Votes may be given either personally or by proxy. A proxy does not need to be a member of the Company.
- 57.
- (a) The instrument appointing a proxy shall be in writing in the usual common form, or such form as may be approved by the Directors, and shall be signed by the appointor or by his attorney duly authorized in writing, or, if the appointor is a corporation, the corporation shall vote by its representative, appointed by an instrument duly signed by the corporation.
- (b) *[Deleted 2013]*
58. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given unless an intimation in writing of the death, revocation or transfer shall have been received at the Office before the commencement of the meeting or adjourned meeting at which the proxy is used.
59. The instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney, shall be deposited at the Office or at such other place or places, whether in Israel or elsewhere, as the Directors may from time to time either generally or in a particular case or class of cases prescribe, at least forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof; but no instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.
60. Subject to the provisions of the Statutes, a resolution in writing signed by all the members, in person or by proxy, for the time being entitled to vote at General Meeting of the Company shall be as valid and as effectual as a resolution adopted by a General Meeting duly convened, held and constituted for the purpose of passing such resolution.
61. A member will be entitled to vote at the Meetings of the Company by several proxies appointed by him, provided that each proxy shall be appointed with respect to different shares held by the appointing member. Every proxy so appointed on behalf of the same member shall be entitled to vote as he sees fit.
62. No person shall be entitled to vote at any General Meeting (or be counted as a part of the quorum thereof) unless all calls then payable by him in respect of his shares in the Company shall have been paid.

## DIRECTORS

63. *[Amended 2013]* The Board of Directors of the Company shall consist of such number of Directors as may be fixed from time to time by an Ordinary Resolution of a General Meeting, provided it shall not be less than two, including external directors, or more than eleven. As long that the Company is a public company, corporation cannot be nominated as a director in the Company.
64. The Directors shall be elected at the Annual General Meeting of the Company and shall hold office until the close of the succeeding Annual General Meeting. Should no Directors be elected at the Annual General Meeting, the Directors holding office at the time such meeting was convened shall continue to hold their office. Directors whose term of office expired may be re-elected.
65. *[Deleted 2013]*
66. *[Amended 2013]* Director's term will begin on the date of his appointment - as stated by the General Meeting, but the General Meeting may set a date later than the date of the General Meeting as the start date for appointment as a Director of the Company.
67. *[Amended 2013]* Subject to the provisions of the Companies Law, the Directors in their capacity as such, shall be entitled to receive remuneration and reimbursement of expenses incurred by them in the course of carrying out their duties as Directors.
68. *[Amended 2013]* The office of a Director shall be vacated, ipso facto, under the circumstances set forth in the Statutes.
69. *[Amended 2013]* Subject to the provisions of the Statutes, no Director shall be disqualified by virtue of his office from holding any office, or, deriving any profit from any other office in the Company or from any company in which the Company shall be a shareholder or otherwise interested, or from contracting with the Company as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which the Director shall in any way be interested, be avoided, nor shall any Director be liable to account to the Company for any profit arising from any such office or realized by any such contract or arrangement by reason only of such Director's holding that office or of the fiduciary relations thereby established, but the nature of his interest must be disclosed by him at the meeting of the Board of Directors at which the contract or arrangement is first considered, if his interest then exists, or, in any other case, at the first meeting of the Board of Directors after the acquisition of his interest.
- After such disclosure of personal interest, the Director shall not be entitled to participate and vote as a Director in the set Board of Directors meeting regarding any contract or arrangement in which he is interested as aforesaid except for contracts or arrangements according to Article 271 of the Israeli Companies Law. The Director who has a personal interest, may be present to explain the contract or arrangement, if the Chairman of the Board, determines that he is required to do so. However, if a majority of the Directors have personal interest, all the members of the Board of Directors shall be entitled to participate and vote in the aforementioned Board of Directors meeting and such transaction will have to be further subject to the approval of the shareholders of the Company. A general notice that a Director is a member of any firm or company and is to be regarded as interested in all transactions with that firm or company shall not be a sufficient disclosure under this Article and every Director shall give a special notice relating to any particular transaction with such firm or company.
70. *[Amended 2013]* The Company may from time to time at a General Meeting, increase or decrease the number of Directors subject always to Article 63.
71. *[Amended 2013]* In the event of one or more vacancies in the board of Directors, the continuing Directors may continue to act as long as the Board of Directors consists of at least more than three Directors. However, in the event that the remaining Directors are less than three Directors, the remaining Director or Directors may not be permitted to act only for convening a General Meeting for the purpose of the election of new Directors

72. *[Amended 2013]* Subject to the provisions of the Statutes, the Directors may at any time and from time to time appoint any other person as a Director, whether to fill a casual vacancy or to add to their number. Any Director so appointed shall hold office until the first General Meeting convened after such appointment and may be re-elected.
73. *[Amended 2013]* Subject to the provisions of the Statutes, the Company may at a General Meeting remove any Director from office before the expiration of his term of office and appoint another Director in his stead, provided that the removed Director shall be given a reasonable opportunity to present his case to the General Meeting. The person so appointed shall hold office only for such period as the person in whose stead he was appointed would have held office had he not been removed.
74. *[Amended 2013]* As long that the Company is a public company according to the Israeli Companies Law, the Company shall have at least two external directors, as defined in the Israeli Companies Law, at least one of whom must be a director with accounting and financial expertise, and the rest have professional qualifications, as defined in the regulations promulgated under Section 240 of the Israeli Companies Law.

#### **PRESIDENTS**

75. The Board of Directors may from time to time appoint one or more persons as President or Presidents of the Company whether for a fixed term or without any limitation of time and the Board of Directors may from time to time remove or discharge him or them from office (subject to the provisions of any agreement between any such person and the Company) and appoint another or others in his or their place or places.
76. The Directors may from time to time appoint one or more Vice Presidents for certain functions, to carry out duties delegated to him (them) by the President.
77. *[Amended 2013]* Subject to the provisions of the Statutes, the Directors may from time to time confer upon and delegate to a President then holding office such authorities and duties of the Board of Directors as they may deem fit, and they may delegate such authorities for such period and for such purposes and subject to such conditions and restrictions which they consider advantageous, and they may delegate such authorities with or without waiving the authorities of the Directors with respect thereto and their being in lieu of their authorities, in whole, or in part, and they may from time to time revoke, cancel and alter such authorities in whole or in part.
78. *[Amended 2013]* Subject to the provisions of the Statutes, as may be from time to time in effect, the remuneration of a President shall be approved by the Company's compensation committee, the Directors and the shareholders meeting in a special majority, as defined and required according to the Israeli Companies law, taking into consideration any agreement between him and the Company, and it may be in whole or in part, in the form of wages or commissions or profit sharing or a combination thereof.
79. *[Deleted 2013]*
80. *[Amended 2013]* Subject to the provisions of the Statutes, the Company may elect the same person as its President and its Board of Directors chairman.

#### **DIRECTOR'S ACTS AND AUTHORITIES**

81. *[Amended 2013]* The powers and the duties of the Board of Directors shall be as prescribed by the Companies Law, subject to the provisions of these Articles and any regulation or resolution consistent with these Articles adopted from time to time by the Company in General Meeting, provided, however, that no such regulation or resolution shall invalidate any prior act done by or pursuant to a decision of the Board of Directors which would have been valid if such regulation or resolution had not been adopted.
82. *[Amended 2013]* Subject to the provisions of the Statutes, the Directors may meet together for the dispatch of the business of the Company and they may postpone their meetings and otherwise regulate them as they shall deem fit. A Director may call a meeting of the Board of Directors at any time. The quorum for the dispatch of business by the Board of Directors shall be determined by the Directors and if not so determined shall be the majority of the Directors.

83. *[Amended 2013]* A resolution in writing signed or otherwise approved by all the Directors then in office shall be as valid and as effectual as a resolution adopted by the Board of Directors at a meeting of the Board of Directors duly convened and held, provided that all the directors who are entitled to participate in such resolution and to vote on it, agreed not to convene the same matter.
84. *[Amended 2013]* Subject to the provisions of the Statutes, every Director shall be entitled to be represented and to vote at any meeting of the Board of Directors by another Director or by another person appointed by him (not a corporation), who shall act as his alternate for one meeting or for another specified period or until notice be given of the cancellation of the appointment. In order to be nominated, the alternate Director must be eligible to be appointed as a Director according to the Israeli Companies law. Each alternate Director shall have the number of votes equivalent to the number of Directors who appointed him as alternate and if he himself is a Director he shall have such number of votes in addition to his own vote. The appointment of an alternate shall be made in writing. A Director may appoint two alternates. However, if the two alternates of the same Director shall be present at the Board of Directors' meeting, only one of them shall have the right to vote thereat. It shall be noted that the appointment of an alternate Director to the Board, does not relieve the nominating Director from his responsibility as a Director.
85. *[Amended 2013]* A Director being at any time absent from Israel shall be entitled during such time to a seven day notice of any Meetings of the Board of Directors, provided he notified the Company of an address to which such notice should be sent. Such notice should be sent by fax, e-mail, telex, cable or telecopier.
- 86.
- (a) *[Amended 2013]* The Board of Directors will elect a Chairman for their meeting and fix the term of his office, and unless otherwise decided, the Chairman shall be elected annually. In the event that a Chairman was not elected and if the Chairman should fail to be present at a meeting 15 minutes after the time set for its convening, the remaining Directors shall elect one of those present to be Chairman of the meeting.
- (b) All questions that arise at meetings of the Board of Directors shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a further or casting vote.
87. Any meeting of the Board of Directors, at which a quorum is present, shall have the authority to exercise all or part of the authorities, powers of attorney and discretion invested at such time in the Directors or regularly exercised by them,
88. *[Amended 2013]* Subject to the provisions of the Statutes, the Board of Directors may delegate their authorities in whole or in part to committees as they shall deem fit and they may from time to time revoke such delegation. Any committee so created, must, in exercising the authorities granted to it, adhere to all the instructions of the Board of Directors given from time to time.
- The meetings and proceedings of any such committee comprised of two or more members shall be governed by the provisions of these Articles regulating the meetings of the Board of Directors in so far as appropriate thereto unless the provisions of the Companies Law or the Board of Directors shall otherwise regulate the meetings of such a committee (hereinafter: "**Committee of the Board of Directors**").
89. All acts done bona fide at any meeting of the Board of Directors, or of a Committee of the Board of Directors or by any person(s) acting as Director(s), shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meeting or any of them or any person(s) acting as aforesaid, or that they or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were no such defect or disqualification.

90. *[Amended 2013]* The Board of Directors and each Committee of the Board of Directors shall cause proper Minutes to be kept of the following:

- (a) The names of all the Directors present at any meeting of the Board of Directors and at any meeting of a Committee of the Board of Directors;
- (b) All resolutions and proceedings of General Meetings of the Company, Board of Directors' meetings and Committee of the Board of Directors' meetings.

Any Minutes as aforesaid, if purporting to be signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting, shall constitute prima facie evidence of the matters recorded therein. The minutes shall be kept for a period of seven (7) years from the date of the relevant meeting.

91. *[Amended 2012]* Subject to the provisions of the Statutes, all bona fide acts carried out at any meeting of the Board of Directors held in Israel or thereafter as a result thereof shall be valid notwithstanding the fact that a Director who was absent from Israel at the time of the meeting did not receive a notice with respect to its convening.

#### **BRANCH REGISTERS**

92. *[Amended 2013]* Subject to and in accordance with the provisions of the Statutes and to all orders and regulations issued thereunder, the Company may cause branch registers to be kept in any place outside Israel as the Board of Directors may think fit, and, subject to all applicable legal requirements, the Board of Directors may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

#### **SECRETARY**

93. The Board of Directors may from time to time appoint a Secretary to the Company as it deems fit and may appoint a temporary Assistant-Secretary who shall act as Secretary for the term of his appointment.

#### **RIGHTS OF SIGNATURE - STAMP AND SEAL**

94.

- (a) Authorization to sign on behalf of the Company and thereby bind it shall be made and granted from time to time by the Board of Directors. The Company shall have at least one rubber stamp. The Company shall be bound by the signature of the aforesaid appointees if appearing together after its stamp or imprinted name (e.g. cheques).
- (b) The Board of Directors may provide for a seal. If the Board of Directors so provide, it shall also provide for the safe custody thereof. Such seal shall not be used except by the authority of the Board of Directors and in the presence of the person(s) authorized to sign on behalf of the Company, who shall sign every instrument to which such seal is affixed.

#### **DIVIDENDS**

95. *[Amended 2013]* Subject to the provisions of the Statutes, and subject to any preferential, deferred, qualified or other rights, privileges or conditions attached to any special class of shares, with regard to dividends, the profits of the Company available for dividend and resolved to be distributed, shall be applied in payment of dividends upon the shares of the Company in proportion to the amount paid up or credited as paid up per the nominal value thereon respectively, otherwise than in advance of calls. Unless not otherwise specified in the conditions of issuing of the shares, all dividends with respect to shares which were not fully paid up within a certain period, for which dividends were paid, shall be paid proportionally to the amounts paid or credited as paid on the nominal value of the shares during any portion of the abovementioned period (Pro-Rata Temporis).

96. *[Replaced 2002, amended 2013]* The Company's Board of Directors, subject to any restrictions contained in the Statutes, may declare and pay dividend, either in the form of cash or stock, to its shareholders according to their rights and interests in the profit and may fix the time for payment.
97. *[Deleted 2013]*
98. A transfer of shares shall not pass the right to any dividend declared thereon after such transfer and before the registration of the transfer.
99. Notice of the declaration of any dividend, shall be given to the holders of registered shares in manner hereinafter provided.
100. *[Amended 2012]* Subject to the provisions of the Statutes, unless otherwise directed, any dividend may be paid by cheque or warrant, sent through the post to the registered address of the member or person entitled, or in the case of joint registered holders to that one of them first named in the register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. The receipt of the person whose name, at the date of the declaration of the dividend, appears on the register of members as the owner of any share, or in the case of joint holders, of any one of such joint holders, shall be a good discharge to the Company of all payments made in respect of such share. All dividends unclaimed for one year after having been declared may be invested or otherwise used by the Directors for the benefit of the Company until claimed. No unpaid dividend or interest shall bear interest as against the Company

**PAYMENT IN SPECIE AND CAPITALIZATION OF PROFITS**

101. *[Replaced 2002, amended 2013]* Subject to the provisions of the Statutes, upon declaration by the Board of Directors a dividend may be paid, wholly or partly, by the distribution of specific assets of the Company or by distribution of paid up shares, debentures, debenture stock or any other securities of the Company or of any other companies or in any one or more of such ways.
102. *[Amended 2013]* Subject to the provisions of the Statutes, upon the recommendation of the Board of Directors, approved by Ordinary Resolution of the Company, the Company -
- i. may cause any moneys, investments, or other assets forming part of the undivided profits of the Company, standing to the credit of a reserve fund, or to the credit of a reserve fund for the redemption of capital, or in the hands of the Company and available for dividends, or representing premiums received on the issuance of shares and standing to the credit of the share premium account, to be capitalized and distributed among such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion, or to be distributed only to a certain part of the shareholders, while not distributed to other shareholders as will be decided by the General Meeting on the footing that they become entitled thereto as capital, or may cause any part of such capitalized fund to be applied on behalf of such shareholders in paying up in full, either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock or any other securities of the Company which shall be distributed accordingly, or in payment, in full or in part, of the uncalled liability on any issued shares or debentures or debenture stock; and -
  - ii. may cause such distribution or payment to be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum. When distributing shares for capitalized profits all members shall receive shares of one class - whether such class existed prior thereto or was created therefor; or, every shareholder shall receive shares of the same class which conferred upon him the right to receive shares from the capitalization of profits, or of any other class or a combination of several classes of shares - in accordance with the approval of the General Meeting.

103. *[Deleted 2013]*

104. *[Amended 2013]* For the purpose of giving full effect to any resolution under Articles 100 and 101 the Board of Directors may settle any difficulty which may arise in regard to the distribution as it thinks expedient, and, in particular may fix the value for distribution to any members upon the footing of the value so fixed or determine that fractions of less nominal value than one New Israeli Shekel may be disregarded in order to adjust the rights of all parties, and may vest any such cash, shares, debentures, debenture stock or specific assets with trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient to the Board of Directors.

#### ACCOUNTS

105. *[Amended 2013]* The Board of Directors shall cause accurate books of account to be kept in accordance with the provisions of the Statutes and of any other applicable law. Such books of account shall be, kept at the Registered Office of the Company, or at such other place or places as the Board of Directors may think fit, and they shall always be open to inspection by all Directors. Subject to the provisions of the Statutes no member, not being a Director, shall have any right to inspect any account or book or other similar document of the Company, except as conferred by law or authorised by the Board of Directors or by Ordinary Resolution of the Company.

106. At least once in every fiscal year the accounts of the Company shall be audited and the correctness of the profit and loss account and balance sheet certified by one or more duly qualified auditors.

107. The appointment, authorities, rights and duties of the auditor(s) of the Company, shall be regulated by the applicable law.

#### NOTICES

108. *[Amended 2013]* Subject to the provisions of the Statutes:

- (a) Any notice or other document may be served by the Company upon any member either personally or by sending it by prepaid registered mail (air mail if sent to a place outside Israel) addressed to such member at his address as described in the Register of Members or such other addresses as he may have designated in writing for the receipt of notices and other documents together with publication in two daily newspapers published in Israel. Any written notice or other document shall be deemed to have been served forty-eight (48) hours after it has been posted (seven (7) days if sent to a place, or posted at a place outside Israel), or when actually received by the addressee if sooner than forty-eight (48) hours or seven days, as the case may be, after it has been posted, or when actually tendered in person, to such member (or to the Secretary or the President), provided, however, that such notice or other document as mentioned above may be sent by cablegram or telex and confirmed by registered mail as aforesaid, and such notice shall be deemed to have been given twenty-four (24) hours after such cablegram or telex has been sent or when actually received by such member (or by the Company), whichever is earlier. If a notice is, in fact, received by the addressee, it shall be deemed to have been duly served when received, notwithstanding that it was defectively addressed or failed, in some respect, to comply with the provisions of this Article.
- (b) Unless otherwise specified in bearer share warrants, the holders of such warrants shall not be entitled to receive notice of any General Meeting of the Company, and the Company is under no obligation to give notice of General Meetings to a person entitled to a share by virtue of its delivery to him, unless he is duly registered as a member.
- (c) All notices to be given to the members shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register of Members, and any notice so given shall be sufficient notice to the holders of such share.
- (d) Any member whose address is not described in the Register of Members, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.



- (e) Any notice or other document served upon or sent to any member by publication in accordance with these Articles shall, notwithstanding that he be then deceased or bankrupt, and whether the Company has notice of his death or bankruptcy or not, be deemed to be duly served or sent in respect of any shares held by him (either alone or jointly with others) until some other person is registered in his stead as the holder or joint holder of such shares, and such service or sending shall be a sufficient service on or sending to his heirs, executors, administrators or assigns and all other persons (if any) interested in such share.
- (f) Where a given number of days notice or notice extending over any period is required to be given, the day of service shall be counted in such number of days or other period.
- (g) *[Added 1998]* To avoid any doubts, the entitlement of a member to receive any notice relating to convening meeting of shareholders under these Articles shall be as determined in article 53(a).

#### RECONSTRUCTION

109. Subject to the provisions of the Statutes, on any sale of the undertaking of the Company, the Directors, or the liquidators on a winding-up, may, if authorized by, accept fully paid or partly paid up shares, debentures or securities of any other company, whether Israeli or foreign, either then existing or to be formed, for the purchase in whole or in part of the property of the Company, and the Directors (if the profits of the Company permit), or the liquidators (on a winding-up), may distribute such shares, or securities, or any other property of the Company, amongst the members, without realization, or vest the same in trustees for them, and any may provide for the distribution or appropriation of the cash, shares, or other securities, benefits, or property, otherwise than in accordance with the strict legal rights of the members as contributories of the Company, and for valuation of any such securities or property at such price and in such manner as the meeting may approve, and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorized, and waive all rights in relation thereto, save only in the event that the Company is proposed to be or is in the course of being wound up, such statutory rights (if any) under the provisions of the Statutes as are incapable of being varied or excluded by these presents.

#### INDEMNITY AND INSURANCE

110. *[Replaced 2004, amended 2013]*

- (a) Subject to the provisions of the Statutes, the Company is authorized to indemnify its Directors and other Office Holders (collectively "**the Officers**"), as this term is defined under section 1 of the Companies Law, to the fullest extent permitted by the Companies Law, for any liability, payment or expense as detailed below, imposed on the Officers or expended by them due to an action (or omission) performed by the Officers in their capacity as Officers of the Company.
- (b) The Company may indemnify Officers retrospectively for debts or expenses imposed on such Officer due to an act done by virtue of his being an Officer in the Company:
  - (1) A monetary liability imposed on an Officer in favor of another person by a judgment, including a compromise judgment or an arbitration decision that was approved by a court;
  - (2) Reasonable legal expenses, including attorney's fees, (i) expended by the Officer as a result of an investigation or proceeding instituted against the Officer by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against the Officer and either (A) concluded without the imposition of any monetary liability in lieu of criminal proceedings or (B) concluded with the imposition of a monetary liability in lieu of criminal proceedings but relates to a criminal offense that does not require proof of criminal intent, or (ii) expended by the Officer in respect of any monetary sanction;

- (3) A monetary obligation imposed on the Officer in favor of another person who was injured by a violation, as this term is defined in section 52(54)(a)(1)(a) of the Securities Law.
- (4) Expenses expended by the Officer, including reasonable litigation expenses, and including attorney's fees, in respect of any proceeding under chapters 8-C, 8-D or 9-A of the Securities Law or in respect to any monetary sanction.
- (5) Reasonable legal expenses, including attorneys fees, which the Officer incurred or with which he was charged by the Court, in a proceeding brought against him by the Company, in its name or by another person, or in a criminal prosecution in which he was found innocent, or in a criminal prosecution in which he was convicted of an offense that does not require proof of criminal intent;
- (6) Any other liability, payment or expense which the Company may indemnify its Officers under the Statutes.

The Company may undertake in advance to indemnify its Officers in any one of the following situations:

- (1) A monetary liability imposed on an Officer in favor of another person by a judgment, including a compromise judgment or an arbitration decision that was approved by a court provided that such undertaking be limited to types of events that in the opinion of the Board of Directors can be foreseen at the time of granting the undertaking to indemnify, and to a sum determined by the Board of Directors as reasonable in the circumstances of the case.
- (2) A provision permitting the company to indemnify its Officer for debts or expenses stated in articles 110(b)(2)-(6) above.

In any event, the total amount of indemnification that the Company will pay (in addition to amounts received from an insurance company, if any) to all officers of the Company, in aggregate, shall not exceed, in all circumstances, more than 25% the company's shareholders' equity, according to the Company's latest consolidated financial statements, prior to the date that the indemnity is paid.

- (c) Subject to the provisions of the Companies Law, the Company may enter into an agreement for the insurance of Officers responsibility for any liability that will be imposed on the officers due to an action (or omission) preformed by the Officers in their capacity as Officers of the Company, in each of the following:
  - (1) A breach of duty of care to the Company or to any other person;
  - (2) Breach of fiduciary duty to the Company, on condition that the Officer acted in good faith and had reasonable grounds to assume that the act would not cause the Company any harm;
  - (3) A monetary obligation that will be imposed on the Officer to the benefit of another person.
  - (4) A monetary obligation imposed on the Officer in favor of another person who was injured by a violation, as this term is defined in section 52(54)(a)(1)(a) of the Securities Law.
  - (5) Expenses expended by the Officer, including reasonable litigation expenses, and including attorney's fees, in respect of any proceeding under chapters H-3, H-4 or I-1 of the Securities Law or in respect any monetary sanction.
- (d) Subject to the provisions of the Companies Law, the Company is authorized to procure insurance for or indemnify any person whom is not an Officer, including, without limitations, any employee, agent, consultant or contractor of the Company.

*[Deleted 2013]*

**WINDING - UP**

111. If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may with the sanction of an Extraordinary Resolution divide among the members in specie any part of the assets of the Company, and may, with like sanction, vest any part of the assets of the Company in trustees upon such trusts, for the benefit of the members, as the liquidators with like sanction shall think fit. The resolution sanctioning any such division may also sanction a division otherwise than in accordance with the legal rights of the members and may confer special rights on any class of member, but in case any resolution shall be passed sanctioning any division otherwise than in accordance with the legal rights of the members, any member who would be prejudiced thereby shall have a right to dissent, and, ancillary rights, as if such resolution were a Special Resolution passed pursuant to Section 334 of the Companies Ordinance.
112. *[Added 2013]* The Company may donate reasonable sums to worthy causes, even if such donations are not within the scope of business consideration, as the Board or the President of the Company shall deem fit from time to time.

TAT TECHNOLOGIES LTD.

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2022 STOCK OPTION PLAN

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ARTICLE I

PURPOSE; TYPES OF AWARDS; CONSTRUCTION

**1.1** Purpose. The purpose of this Plan is to enhance the profitability and value of the Company for the benefit of its stockholders by enabling the Company to offer Eligible Employees, Consultants and Non-Employee Directors incentive awards to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company's stockholders.

**1.2** Types of Awards. This Plan is intended to enable the Company to issue Awards under varying tax regimes, including, without limitation:

(a) Awards to be granted to Participants who are deemed to be residents of the State of Israel for purposes of taxation, pursuant and subject to the provisions of Section 102 of the Ordinance, including without limitation the Israeli Income Tax Rules (Tax Benefits in Stock Issuance to Employees) 5763-2003 (the "**Rules**") or such other rules published by ITA (such Awards, "**102 Stock Options**"). 102 Stock Options may either be granted to a Trustee or without a trustee;

(b) "Incentive Stock Options" within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted United States federal tax statute, as amended from time to time, to be granted to Participants who are deemed to be residents of the United States for purposes of taxation; and

**1.3** Construction. To the extent any provision herein conflicts with the conditions of any relevant tax law or regulation which are relied upon for tax relief in respect of a particular Award to a Participant, the provisions of such law or regulation shall prevail over those of the Plan and the Committee is empowered hereunder to interpret and enforce the said prevailing provisions.

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## ARTICLE II

### DEFINITIONS

For purposes of this Plan, the following terms shall have the following meanings:

2.1 "**102 Stock Options**" has the meaning set forth for such term in Section 1.2(a).

2.2 "**Acquisition Event**" means a merger, reorganization, consolidation or a similar event in which the Company is not the surviving entity, any transaction that results in the acquisition of all or substantially all of the Company's outstanding Ordinary Shares by a single person or entity or by a group of persons and/or entities acting in concert, or the sale or transfer of all or substantially all of the Company's assets.

2.3 "**Affiliate**" means each of the following: (a) any Subsidiary; (b) any Parent; (c) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company or one of its Affiliates; (d) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which directly or indirectly controls 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Company; (e) any other entity in which the Company or any of its Affiliates has a material equity interest and which is designated as an "Affiliate" by resolution of the Committee; and (f) for the purpose of 102 Stock Options, also an "Employing Company" within the meaning of section 102(a) of the Ordinance.

2.4 "**Award**" means any award under this Plan. All Awards shall be granted by, confirmed by, and subject to the terms of an Award Agreement.

2.5 "**Award Agreement**" means the written agreement executed by the Company and the Participant setting forth terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

2.6 "**Board**" means the Board of Directors of the Company.

2.7 "**Cause**" means, unless otherwise defined by the Participant's Award Agreement, with respect to a Participant's Termination of Employment or Termination of Consultancy, the following: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define "cause" (or words of like import)), termination due to: (i) a Participant's conviction of, or plea of guilty or nolo contendere to, a felony, or any other criminal act which impairs the Participant's ability to perform his or her duties; (ii) perpetration by a Participant of an illegal act, dishonesty, or fraud; (iii) a Participant's insubordination, or refusal to perform his or her duties or responsibilities for any reason other than (to the extent due to) illness, unlawful instructions or incapacity; (iv) continuing willful and deliberate failure by the Participant to perform the Participant's duties in any material respect, provided that the Participant is given notice and an opportunity to effectuate a cure as determined by the Committee; or (v) a Participant's willful misconduct with regard to the Company that could have a material adverse effect on the Company; or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award that defines "cause" (or words of like import), "cause" as defined under such agreement; provided, however, that with regard to any agreement under which the definition of "cause" only applies on occurrence of a change in control, such definition of "cause" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter. With respect to a Participant's Termination of Directorship, "cause" means an act or failure to act that constitutes cause for removal of a director under applicable Israeli law.

2.8 "**Change in Control**" has the meaning set forth in Section 7.2.

2.9 “**Change in Control Price**” has the meaning set forth in Section 7.1.

2.10 “**Code**” means the United States Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any Treasury Regulation promulgated thereunder.

2.11 “**Committee**” means a committee or subcommittee of the Board appointed from time to time by the Board, provided that the composition of the Committee shall at all times be in compliance with any mandatory requirements of the applicable law. Subject to the aforesaid, such committee or subcommittee shall consist of two or more non-employee directors, each of whom is intended to be, (i) to the extent required by Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, a “non-employee director” as defined in Rule 16b-3; (ii) to the extent required by Section 162(m) of the Code, an “outside director” as defined in Section 162(m) of the Code; and (iii) an “independent director” as defined under applicable stock exchange rules. To the extent that no Committee exists that has the authority to administer this Plan, the functions of the Committee shall be exercised by the Board. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 or Section 162(m) of the Code or any other regulation set by the applicable law, such noncompliance shall not affect the validity of Awards, grants, interpretations or other actions of the Committee.

2.12 “**Company**” means TAT Technologies Ltd., an Israeli corporation, and its successors by operation of law.

2.13 “**Companies Law**” means the Israel Companies Law, 5799-1999 and the regulations promulgated thereunder, all as amended from time to time.

2.14 “**Consultant**” means any natural person who provides bona fide consulting or advisory services to the Company or its Affiliates pursuant to a written agreement, which are not in connection with the offer and sale of securities in a capital-raising transaction, and do not, directly or indirectly, promote or maintain a market for the Company’s or its Affiliates’ securities.

2.15 “**Detrimental Activity**” means: (a) the disclosure to anyone outside the Company or its Affiliates, or the use in any manner other than in the furtherance of the Company’s or its Affiliate’s business, without written authorization from the Chief Executive Officer of the Company, of any confidential information or proprietary information, relating to the business of the Company or its Affiliates that is acquired by a Participant prior to the Participant’s Termination; (b) any activity while employed or performing services that results, or if known could result, in the Participant’s Termination that is classified by the Company as a termination for Cause; (c) the Participant’s Disparagement, or inducement of others to do so, of the Company or its Affiliates or their past and present officers, directors, employees or products; or (d) breach of any agreement between the Participant and the Company or an Affiliate (including, without limitation, any employment agreement or noncompetition or nonsolicitation agreement). If it is determined by a court of competent jurisdiction that any provision in this Plan in respect of Detrimental Activities is excessive in duration or scope or otherwise is unenforceable, then such provision may be modified or supplemented by the court to render it enforceable to the maximum extent permitted by law.

**2.16** “**Disability**” means: (i) the inability of a Grantee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than (a) 12 months with respect to Incentive Stock Options and (b) 3 months with respect to Non-Qualified Stock Options, as determined by a medical doctor satisfactory to the Committee; or, if applicable, (ii) a permanent and total disability as defined in Section 22(e)(3) of the Code. A Disability shall only be deemed to occur at the time of the determination by the Committee of the Disability. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) of the Code.

**2.17** “**Disparagement**” means making comments or statements to the press, the Company’s or its Affiliates’ employees, consultants or any individual or entity with whom the Company or its Affiliates has a business relationship which could reasonably be expected to adversely affect in any manner: (a) the conduct of the business of the Company or its Affiliates (including, without limitation, any products or business plans or prospects); or (b) the business reputation of the Company or its Affiliates, or any of their products, or their past or present officers, directors or employees

**2.18** “**Disqualifying Disposition**” has the meaning set forth for such term in Section 6.3 (m) .

**2.19** “**Eligible Employee**” means any person, including an officer or director, who (i) is in the employ of the Company or any Affiliate. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of an individual’s rights, if any, hereunder as of the time of the Company’s determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination. The payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company; (ii) is included in the term “employee” under rule 701 of the Securities Act of 1933 and for the purposes of Section 422 of the Code, and (iii) when related to the award of 102 Stock Options, is included in the term “employee” as such term is defined in Section 102 of the Ordinance, including an Office Holder (as such term is defined in the Companies Law) of the Company or any Subsidiary, except for such persons that are deemed to be a “Controlling Shareholder” under Section 32(9) of the Ordinance.

**2.20** “**Exchange Act**” means the Securities Exchange Act of 1934, as amended. Any references to any section of the Exchange Act shall also be a reference to any successor provision.

**2.21** “**Exercise Period**” shall mean the period, commencing on the date of grant of an Award, during which an Award shall be exercisable, subject to any vesting provisions thereof and the termination provisions hereof.

**2.22** “**Exercise Price**” shall mean the exercise price for each Share covered by an Award, which shall (notwithstanding Section 4.2(b)) not be lower than the nominal value of the Share at the time of exercise.

2.23 **“Fair Market Value”** means, unless otherwise required by any applicable provision of the Code (or any regulations issued thereunder) or the Ordinance, as may be applicable, as of any date and except as provided below, the closing price reported for the Ordinary Shares on the applicable date: (a) as reported on the principal national securities exchange in the United States on which it is then traded; or (b) if not traded on any such national securities exchange, as quoted on an automated quotation system sponsored by the Financial Industry Regulatory Authority (or such other source the Committee deems reliable) or if the Ordinary Shares shall not have been reported or quoted on such date, on the first day prior thereto on which the Ordinary Shares were reported or quoted. If the Ordinary Shares are not traded, listed or otherwise reported or quoted, then Fair Market Value means the fair market value of the Ordinary Shares as determined by the Committee in good faith in whatever manner it considers appropriate taking into account the requirements of Section 422 of the Code or Section 409A of the Code, as applicable as of the date of grant, provided that, (i) for Awards that are ISOs, the Board shall make such determination in accordance with Section 422 of the Code and all applicable U.S. Tax Regulations and other applicable guidance promulgated pursuant thereto; (ii) for Awards that are not ISOs, the value that is determined by the Board as of the day of determination to be the Fair Market Value pursuant to applicable U.S. Tax Regulations and other applicable guidance promulgated pursuant to Section 409A of the Code. For purposes of the grant of any Award, the applicable date shall be the trading day immediately prior to the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Committee or, if not a day on which the applicable market is open, the next day that it is open.

2.24 **“Family Member”** means “family member” as defined in Section A.1.(5) of the general instructions of Form S-8, as may be amended from time to time, or by the Ordinance and/or the Companies Law, all as may be applicable.

2.25 **“Incentive Stock Option”** or **“ISO”** means any Stock Option awarded to an Eligible Employee of the Company, its Subsidiaries and its Parent (if any) under this Plan intended to be and designated as an “Incentive Stock Option” within the meaning of Section 422 of the Code.

2.26 **“ITA”** means the Israel Tax Authority.

2.27 **“Non-Employee Director”** means a director of the Company who is not an employee of the Company or an Affiliate.

2.28 **“Non-Qualified Stock Option”** or **“NQSO”** means any Stock Option awarded under this Plan that is not an Incentive Stock Option.

2.29 **“Ordinance”** means the Israel Income Tax Ordinance (New Version) 1961, and the regulations promulgated thereunder, all as amended from time to time.

2.30 **“Ordinary Shares”** or **“Shares”** means the Ordinary Shares, par value NIS 0.90 per share, of the Company (or any other value, as amended).

2.31 **“Parent”** means any parent corporation of the Company within the meaning of Section 424(e) of the Code, or by the Ordinance and/or the Companies Law, all as may be applicable.

2.32 **“Participant”** means an Eligible Employee, Non-Employee Director or Consultant to whom an Award has been granted pursuant to this Plan.

2.33 **“Person”** means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, incorporated organization, governmental or regulatory or other entity.

2.34 **“Plan”** means this TAT Technologies Ltd 2022 Stock Option Plan, as amended from time to time.



2.35 “**Retirement**” means a voluntary Termination of Employment or Termination of Consultancy at or after age 65 or such earlier date after age 50 as may be approved by the Committee, in its sole discretion, with respect to such Participant at the time of grant, or thereafter provided that the exercise of such discretion does not make the applicable Award subject to Section 409A of the Code, except that Retirement shall not include any involuntary Termination of Employment or Termination of Consultancy by the Company or an Affiliate for any reason with or without Cause. With respect to a Participant’s Termination of Directorship, Retirement means the failure to stand for reelection or the failure to be reelected on or after a Participant has attained age 65 or, with the consent of the Board, provided that the exercise of such discretion does not make the applicable Award subject to Section 409A of the Code, before age 65 but after age 50.

2.36 “**Rules**” has the meaning set forth for such term in Section 1.2(a).

2.37 “**Rule 16b-3**” means Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provision.

2.38 “**Securities Act**” means the Securities Act of 1933, as amended and all rules and regulations promulgated thereunder. Any reference to any section of the Securities Act shall also be a reference to any successor provision.

2.39 “**Section 102**” means section 102 of the Ordinance.

2.40 “**Section 162(m) of the Code**” means the exception for performance-based compensation under Section 162(m) of the Code and any applicable Treasury regulations thereunder.

2.41 “**Section 409A of the Code**” means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable Treasury regulations thereunder.

2.42 “**Stock Option**” or “**Option**” means any option to purchase Ordinary Shares granted to Eligible Employees, Non-Employee Directors or Consultants pursuant to Article VI.

2.43 “**Subsidiary**” means any subsidiary corporation of the Company which now exists or is hereafter organized or acquired by the Company within the meaning of Section 424(f) of the Code, or by the Ordinance and/or the Companies Law, all as may be applicable.

2.44 “**Ten Percent Stockholder**” means a Participant owning, at the time the Option is granted to the Participant, more than 10% of the total combined voting power of all classes of stock of the Company, its Subsidiaries or its Parent within the meaning of Section 422(b)(6) of the Code.

2.45 “**Termination**” means a Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

2.46 “**Termination of Consultancy**” means: (a) that the Consultant is no longer acting as a consultant to the Company or an Affiliate; or (b) when an entity which is retaining a Participant as a Consultant ceases to be an Affiliate unless the Participant otherwise is, or thereupon becomes, a Consultant to the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that a Consultant becomes an Eligible Employee or a Non-Employee Director upon the termination of his or her consultancy, unless otherwise determined by the Committee, in its sole discretion, no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant, an Eligible Employee or a Non-Employee Director. Notwithstanding the foregoing, the Committee may, in its sole discretion, otherwise define Termination of Consultancy in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter.

**2.47** **“Termination of Directorship”** means that the Non-Employee Director has ceased to be a director of the Company; except that if a Non-Employee Director becomes an Eligible Employee or a Consultant upon the termination of his or her directorship, his or her ceasing to be a director of the Company shall not be treated as a Termination of Directorship unless and until the Participant has a Termination of Employment or Termination of Consultancy, as the case may be.

**2.48** **“Termination of Employment”** means: (a) a termination of employment (for reasons other than a personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (b) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that an Eligible Employee becomes a Consultant or a Non-Employee Director upon the termination of his or her employment, unless otherwise determined by the Committee, in its sole discretion, no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director. Notwithstanding the foregoing, the Committee may, in its sole discretion, otherwise define Termination of Employment in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter.

**2.49** **“Transfer”** means: (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in a Person), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in a Person) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). “Transferred” and “Transferable” shall have a correlative meaning.

**2.50** **“Trustee”** shall mean the trustee appointed by the Committee or the Board, as the case may be, to hold the respective Options and/or Shares (and, in relation with 102 Stock Options, approved by ITA), if so appointed.

### ARTICLE III

#### ADMINISTRATION

**3.1** **The Committee.** This Plan shall be administered and interpreted by the Committee. In the event that the Board does not create a committee to administer the Plan, the Plan shall be administered by the Board in its entirety. In the event that an action necessary for the administration of the Plan is required under law to be taken by the Board, then such action shall be so taken by the Board. In any such event, all references herein to the Committee shall be construed as references to the Board.

**3.2** **Grants of Awards.** The Committee shall have full authority to grant Awards, pursuant to the terms of this Plan, to Eligible Employees, Consultants and Non-Employee Directors. In particular, the Committee shall have the authority:

- (a) to select the Eligible Employees, Consultants and Non-Employee Directors to whom Awards may from time to time be granted hereunder;
- (b) to determine whether and to what extent Awards, or any combination thereof, are to be granted hereunder to one or more Eligible Employees, Consultants or Non-Employee Directors;

- (c) to determine the number of Ordinary Shares to be covered by each Award granted hereunder;
- (d) to determine the terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder (including, but not limited to, the exercise price, any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Award and the Ordinary Shares relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion);
- (e) to determine whether and under what circumstances a Stock Option may be settled in cash, and/or Ordinary Shares under Section 6.4(d);
- (f) to determine whether a Stock Option is an Incentive Stock Option or Non-Qualified Stock Option;
- (g) to determine whether to require a Participant, as a condition of the granting of any Award, to not sell or otherwise dispose of shares acquired pursuant to the exercise of an Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Award;
- (h) to set the performance criteria with respect to any Award for which the grant, vesting or payment of such Award is conditioned upon the attainment of specified performance criteria and to certify the attainment of any such performance criteria; and
- (i) generally, to exercise such powers and to perform such acts as the Committee deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of this Plan.

**3.3 Guidelines.** Subject to Article VIII hereof, the Committee shall, in its sole discretion, have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of this Plan and any Award issued under this Plan (and any agreements relating thereto); and to otherwise supervise the administration of this Plan. The Committee may, in its sole discretion, correct any defect, supply any omission or reconcile any inconsistency in this Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of this Plan; provided, that with regard to any provision of this Plan or any agreement relating thereto that is intended to comply with Section 162(m) of the Code or Section 102 of the Ordinance as may be applicable, any such action by the Committee shall be permitted only to the extent such action would be permitted under Section 162(m) of the Code or Section 102 of the Ordinance, as may be applicable. The Committee may, in its sole discretion, adopt special guidelines and provisions for persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions. This Plan is intended to comply with the applicable requirements of Section 102 of the Ordinance and/or Rule 16b-3 and with respect to Awards intended to be "performance-based," the applicable provisions of Section 162(m) of the Code and this Plan shall be limited, construed and interpreted in a manner so as to comply therewith.

**3.4 Decisions Final.** Any decision, interpretation or other action made or taken in good faith by or at the direction of the Company, the Board or the Committee (or any of its members) arising out of or in connection with this Plan shall be within the absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all employees and Participants and their respective heirs, executors, administrators, successors and assigns.

**3.5 Procedures.** If the Committee is appointed, the Board shall designate one of the members of the Committee as chairman and the Committee shall hold meetings at such times and places as it shall deem advisable, including, without limitation, by telephone conference or by written consent to the extent permitted by the Companies Law or any other applicable law. A majority of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all the Committee members, shall be fully effective as if it had been made by a vote at a meeting duly called and held. The Committee shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

**3.6 Designation of Consultants/Liability.**

(a) The Committee may, in its sole discretion, designate employees of the Company and professional advisors to assist the Committee in the administration of this Plan.

(b) The Committee may, in its sole discretion, employ such legal counsel, consultants and agents as it may deem desirable for the administration of this Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee or the Board in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any person designated pursuant to subsection (a) above shall not be liable for any action or determination made in good faith with respect to this Plan. To the maximum extent permitted by applicable law, no officer of the Company or member or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to this Plan or any Award granted under it.

**3.7 Indemnification.** To the maximum extent permitted by applicable law and the Articles of Association of the Company and to the extent not covered by insurance directly insuring such person, each officer or employee of the Company or any Affiliate and member or former member of the Committee or the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Committee) or liability (including any sum paid in settlement of a claim with the approval of the Committee), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the administration of this Plan, except to the extent arising out of such officer's, employee's, member's or former member's fraud. Such indemnification shall be in addition to any rights of indemnification the officers, employees, directors or members or former officers, employees, directors or members may have under applicable law, under the Articles of Association of the Company or any Affiliate. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to him or her under this Plan.

## ARTICLE IV

### SHARE LIMITATION

#### 4.1 Shares

(a) The initial aggregate number of Ordinary Shares with respect to which Awards may be granted under this Plan shall not exceed 750,000 shares (subject to any increase or decrease pursuant to Section 4.2), which may be either authorized and unissued Ordinary Shares or Ordinary Shares held in or acquired for the treasury of the Company, or both. If any Stock Option granted under this Plan expires, terminates or is canceled for any reason without having been exercised in full, the number of Ordinary Shares underlying any such unexercised and expired or terminated Award shall again be available for the purpose of Awards under this Plan. The number of Ordinary Shares available for the purpose of Awards under this Plan shall be reduced by (i) the total number of Awards exercised, regardless of whether any of the Ordinary Shares underlying such Awards are not actually issued to the Participant as the result of a net settlement, and (ii) any Ordinary Shares used to pay any exercise price or tax withholding obligation with respect to any Award. In addition, the Company may not use the cash proceeds it receives from Stock Option exercises to repurchase Ordinary Shares on the open market for reuse under this Plan.

#### 4.2 Changes.

(a) The existence of this Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, (ii) any merger or consolidation of the Company or any Affiliate, (iii) any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Ordinary Shares, (iv) the dissolution or liquidation of the Company or any Affiliate, (v) any sale or transfer of all or part of the assets or business of the Company or any Affiliate or (vi) any other corporate act or proceeding.

(b) Subject to the provisions of Section 4.2(g), in the event of any such change in the capital structure or business of the Company by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of shares, recapitalization, merger, consolidation, spin-off, reorganization, partial or complete liquidation, issuance of rights or warrants to purchase any Ordinary Shares or securities convertible into Ordinary Shares, any sale or transfer of all or part of the Company's assets or business, or any other corporate transaction or event having an effect similar to any of the foregoing and effected without receipt of consideration by the Company, then the Committee shall, subject to applicable law and stock exchange regulations, make such adjustments consistent with such change in such manner as the Committee deems equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Participants under this Plan, to the aggregate number and kind of shares that thereafter may be issued under this Plan, and the number and kind of shares or other property (including cash) to be issued upon exercise of an outstanding Award and the purchase price thereof and the numerical Share limits in Section 4.1 of the Plan. Any such adjustment determined by the Committee shall be final, binding and conclusive on the Company and all Participants and employees and their respective heirs, executors, administrators, successors and assigns. Except as provided in this Section 4.2 or in the applicable Award Agreement, a Participant shall have no rights by reason of any issuance by the Company of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend, any other increase or decrease in the number of shares of stock of any class, any sale or transfer of all or part of the Company's assets or business or any other change affecting the Company's capital structure or business.

(c) Fractional Ordinary Shares resulting from any adjustment in Awards pursuant to Section 4.2(a) or (b) shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half, unless and to the extent another rounding method is required by applicable law or stock exchange regulations. No cash settlements shall be made with respect to fractional shares eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of this Plan.

(d) Should the Company declare a cash dividend to its shareholders, and the distribution date of such dividend will precede the exercise date of an Option, including for the avoidance of doubt, Options that have yet to become vested and Options which have been granted prior to the adoption of the amendment to this Plan, unless the Committee otherwise determines, subject to applicable law and stock exchange regulations, the Exercise Price shall be reduced in the amount equal to the cash dividend per Share distributed by the Company.

(e) To the extent required by applicable stock exchange regulations, no Award shall be exercised on the record date, or the ex-date if earlier in time to such record date, of stock dividend, other distribution of dividends, rights offering, stock split, reverse stock split or reduction of authorized share capital.

(f) In the event of issuance of rights made by the Company to the shareholders during the existence of the right to exercise the Award, the number of shares resulting from exercising the Award shall be adjusted to the beneficial component of the rights, as expressed in the ratio between the Stock Market closing exchange rate on the last trading day before the "X day" and, the base rate of the "X rights.

(g) In the event of an Acquisition Event, the Committee may, in its sole discretion, terminate all outstanding and unexercised Awards effective as of the date of the Acquisition Event, by delivering notice of termination to each Participant at least 20 days prior to the date of consummation of the Acquisition Event, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each such Participant shall have the right to exercise in full all of his or her Awards that are then outstanding (subject to any limitations on exercisability otherwise contained in the Award agreements), but any such exercise shall be contingent on the occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void.

If an Acquisition Event occurs but the Committee does not terminate the outstanding Awards pursuant to this Section 4.2(g), then the provisions of Section 4.2(b) and Article VII shall apply.

(h) Notwithstanding the foregoing, Sections 4.2(d) and 4.2(f) shall not apply to any grants of ISOs to Optionees under the Plan.

**4.3 Minimum Purchase Price.** Notwithstanding any provision of this Plan to the contrary, if authorized but previously unissued Ordinary Shares are issued under this Plan, such shares shall not be issued for a consideration that is less than as permitted under applicable law.

## ARTICLE V

### ELIGIBILITY

**5.1 General Eligibility.** All Eligible Employees, prospective employees and Consultants of the Company and its Affiliates, and Non-Employee Directors of the Company, are eligible to be granted Awards. Eligibility for the grant of Awards and actual participation in this Plan shall be determined by the Committee in its sole discretion. Notwithstanding anything herein to the contrary, no Award under which a Participant may receive Ordinary Shares may be granted under this Plan to an Eligible Employee, Consultant or Non-Employee Director of any Affiliate if such Ordinary Shares do not constitute "service recipient stock" for purposes of Section 409A of the Code, when applicable, with respect to such Eligible Employee, Consultant or Non-Employee Director.

**5.2 102 Stock Options.** Subject to Applicable Law, 102 Stock Options may not be granted to "controlling shareholders" as defined under the Ordinance and may only be granted to Employees, including Office Holders (as such term is defined in the Companies Law), of the Company or any Affiliate thereof, who are Israeli residents for tax purposes ("**Eligible 102 Participants**"). 102 Stock Options may either be grants to a Trustee or grants under Section 102 without a trustee. Unless otherwise permitted by the Ordinance and the Rules, no 102 Stock Options to a Trustee may be granted until the expiration of thirty (30) days after the requisite filings under the Ordinance and the Rules have been appropriately made with the ITA.

**5.3 Incentive Stock Options.** Notwithstanding anything herein to the contrary, and subject to the provisions of Section 5.1 above, only Eligible Employees of the Company, its Subsidiaries and its Parent (if any) are eligible to be granted Incentive Stock Options under this Plan. Eligibility for the grant of an Incentive Stock Option and actual participation in this Plan shall be determined by the Committee in its sole discretion.

**5.4 General Requirement.** The vesting and exercise of Awards granted to a prospective employee or consultant are conditioned upon such individual actually becoming an Eligible Employee or Consultant.

## ARTICLE VI

### STOCK OPTIONS;

**6.1 Options.** Each Stock Option granted under this Plan shall be of one of three types: (a) an Incentive Stock Option (b) a 102 Stock Option or (b) a Non-Qualified Stock Option.

**6.2 Grants.** The Committee shall, in its sole discretion, have the authority to grant to any Eligible Employee (subject to Sections 5.2, 5.3 above and Section 6.3 below) Incentive Stock Options, 102 Stock Options and/or Non-Qualified Stock Options, according to the applying tax regime and the provisions of this Plan. The Committee shall, in its sole discretion, have the authority to grant Non-Qualified Stock Options to any Eligible Employee, Consultant or Non-Employee Director. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option or the portion thereof which does not qualify shall constitute a separate Non-Qualified Stock Option.

**6.3 Terms of Options.** Options granted under this Plan shall be evidenced by an Award Agreement between the Company and the Participant which Award Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee, in its sole discretion, shall deem desirable from time to time. The Award Agreement shall contain the following information:

- (a) **Number of Shares.** Each Award Agreement shall state the number of Shares covered by the Option.
- (b) **Type of Option.** Each Award Agreement shall specifically state the type of Option granted thereunder and whether it constitutes an Incentive Stock Option, Non-Qualified Stock Option, 102 Stock Option and the relevant track, or otherwise.
- (c) **Exercise Price.** Each Award Agreement shall state the Exercise Price, which, in the case of an Incentive Stock Option, shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares covered by the Option on the date of grant or such other amount as may be required pursuant to the Code. In the case of any other Option, the per share Exercise Price shall be equal to the amount determined by the Committee. In the case of an Incentive Stock Option granted to any Ten-Percent Shareholder, the Exercise Price shall be no less than 110% of the Fair Market Value of the Shares covered by the Option on the date of grant. In no event shall the Exercise Price of an Option be less than the par value of the shares for which such Option is exercisable. Subject to Article III and to the foregoing, the Committee may reduce the Exercise Price of any outstanding Option. The Exercise Price shall also be subject to adjustment as provided in Article VII hereof.
- (d) **Exercise Period.** Each Option Agreement shall state the Exercise Period, as fixed by the Committee, subject to the vesting provisions set by the Committee as mentioned below, the early termination provisions set forth in Sub-Sections (h) through (k) hereof and provided that no Stock Option shall be exercisable more than (a) five years after the date the Stock Option is granted, in case of Incentive Stock Options granted to Ten-Percent Shareholders; and (b) seven (7) years after the date the Option is granted, in any other case. At the expiration of the Exercise Period, all unexercised Options shall become null and void.
- (e) **Exercisability and Vesting Terms.** Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at grant and each Option Agreement shall provide the vesting schedule for the Stock Options as determined by the Committee. If the Committee provides, in its discretion, that any Stock Option is exercisable subject to certain limitations and/or vesting schedule (including, without limitation, that such Stock Option is exercisable only in installments and/or within certain time periods and/or subject to performance goals and/or measurements.), the Committee may waive such limitations on the exercisability at any time at or after grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such Stock Option may be exercised), based on such factors, if any, as the Committee shall determine, in its sole discretion and the provisions with respect to any Stock Option need not be the same as the provisions with respect to any other Stock Option. Unless otherwise determined by the Committee at grant, the Stock Option agreement shall provide that (i) in the event the Participant engages in Detrimental Activity prior to any exercise of the Stock Option, all Stock Options held by the Participant shall thereupon terminate and expire, (ii) as a condition of the exercise of a Stock Option, the Participant shall be required to certify (or shall be deemed to have certified) at the time of exercise in a manner acceptable to the Company that the Participant is in compliance with the terms and conditions of this Plan and that the Participant has not engaged in, and does not intend to engage in, any Detrimental Activity, and (iii) in the event the Participant engages in Detrimental Activity during the one year period commencing on the later of the date the Stock Option is exercised or becomes vested, the Company shall be entitled to recover from the Participant at any time within one year after such exercise or vesting, and the Participant shall pay over to the Company, an amount equal to any gain realized as a result of the exercise (whether at the time of exercise or thereafter).



(f) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under subsection (e) above, to the extent vested, Stock Options may be exercised in whole or in part at any time during the Stock Option term, by giving written notice of exercise to the Company specifying the number of Ordinary Shares to be purchased. Such notice shall be in a form acceptable to the Company and shall be accompanied by payment in full of the Exercise Price as follows: (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) solely to the extent permitted by applicable law, if the Ordinary Shares are traded on a national securities exchange or quoted on a national quotation system sponsored by the Financial Industry Regulatory Authority, and the Committee authorizes, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Company an amount equal to the Exercise Price; or (iii) on such other terms and conditions as may be acceptable to the Committee (including, without limitation, the relinquishment of Stock Options or by payment in full or in part in the form of Ordinary Shares (for which the Participant has good title free and clear of any liens and encumbrances) based on the Fair Market Value of the Ordinary Shares on the payment date as determined by the Committee, in its sole discretion). No Ordinary Shares shall be issued until payment therefor, as provided herein, has been made or provided for.

(g) Non-Transferability of Options. No Stock Option shall be Transferable by the Participant other than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the Participant's lifetime, only by the Participant. Notwithstanding the foregoing, the Committee may determine, in its sole discretion, at the time of grant or thereafter that a Non-Qualified Stock Option that is otherwise not Transferable pursuant to this Section is Transferable to a Family Member in whole or in part and in such circumstances, and under such conditions, as determined by the Committee, in its sole discretion. A Non-Qualified Stock Option that is Transferred to a Family Member pursuant to the preceding sentence (i) may not be subsequently Transferred otherwise than by will or by the laws of descent and distribution and (ii) remains subject to the terms of this Plan and the applicable Award agreement. Any Ordinary Shares acquired upon the exercise of a Non-Qualified Stock Option by a permissible transferee of a Non-Qualified Stock Option or a permissible transferee pursuant to a Transfer after the exercise of the Non-Qualified Stock Option shall be subject to the terms of this Plan and the applicable Award agreement.

(h) Termination by Death, Disability or Retirement. Unless otherwise determined by the Committee at grant and specifically stated in the Option Agreement, or if no rights of the Participant are reduced, thereafter, if Participant's Termination is by reason of death, Disability or Retirement, all Stock Options that are held by such Participant (or, if relevant, by a Trustee under Section 102 of the Ordinance) that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant (or, in the case of death, by the legal representative of the Participant's estate) at any time within a period of one year from the date of such Termination, but in no event beyond the expiration of the Exercise Period of such Stock Options; provided, however, that in the case of Retirement, if the Participant dies within such Exercise Period, all unexercised Stock Options held by such Participant shall thereafter be exercisable, to the extent to which they were exercisable at the time of death, for a period of one year from the date of such death, but in no event beyond the expiration of the Exercise Period of such Stock Options.

(i) Involuntary Termination Without Cause. Unless otherwise determined by the Committee at grant and specifically stated in the Option Agreement, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is by involuntary termination without Cause or Participant's Termination is voluntary (other than a voluntary termination described in subsection (k)(y) below), all Stock Options that are held by such Participant (or, if relevant, by a Trustee under Section 102 of the Ordinance) that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant at any time within a period of 90 days from the date of such Termination, but in no event beyond the expiration of the Exercise Period of such Stock Options.

(j) Omitted.

(k) Termination for Cause. Unless otherwise determined by the Committee at grant and specifically stated in the Option Agreement, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination (x) is for Cause or (y) is a voluntary Termination (as provided in sub-section (j) above) after the occurrence of an event that would be grounds for a Termination for Cause, all Stock Options, whether vested or not vested, that are held by such Participant (or, if relevant, by a Trustee under Section 102 of the Ordinance) shall thereupon terminate and expire as of the date of such Termination.

(l) Unvested Stock Options. Unless otherwise determined by the Committee at grant and specifically stated in the Award Agreement, or if no rights of the Participant are reduced, thereafter, Stock Options that are not vested as of the date of a Participant's Termination for any reason shall terminate and expire as of the date of such Termination.

(m) Incentive Stock Option Limitations. To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Ordinary Shares with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee during any calendar year under this Plan and/or any other stock option plan of the Company, any Subsidiary or any Parent exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options. If the Code is amended to provide for a different limitation from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an ISO in part and as a NQSO in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the ISO portion of the Option first. Separate certificates representing each such portion may be issued upon the exercise of the Option. Should any provision of this Plan not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may, in its sole discretion, amend this Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

The Committee, at the written request of any Participant, may in its discretion after verifying the implications of applicable tax law including the provisions of Section 409A of the Code and the regulations promulgated thereunder as now in effect or as hereafter amended, take such actions as may be necessary to convert such Participant's ISOs (or any portions thereof) that have not been exercised on the date of conversion into NQSOs at any time prior to the expiration of such ISOs, regardless of whether the Participant is an Employee of the Company or a Parent or a Subsidiary at the time of such conversion. Such actions may include, but not be limited to, extending the exercise period. At the time of such conversion, the Committee (with the consent of the Participant) may impose such conditions on the exercise of the resulting NQSOs as the Committee in its discretion may determine, provided that such conditions shall not be inconsistent with the Plan. Nothing in the Plan shall be deemed to give any Participant the right to have such Participant's ISOs converted into NQSOs, and no such conversion shall occur unless and until the Committee takes appropriate action. The Committee, with the consent of the Participant, may also terminate any portion of any ISO that has not been exercised at the time of such conversion.

Each Employee who receives an Incentive Stock Option must agree to notify the Company in writing immediately after the Employee makes a Disqualifying Disposition of any Shares acquired upon the exercise of an Incentive Stock Option. A "**Disqualifying Disposition**" is any disposition (including any sale) of such Shares before the later of (a) two (2) years after the date the Employee was granted the Incentive Stock Option, and (b) one (1) year after the date the Employee acquired Shares by exercising the Incentive Stock Option. If the Employee has died before such Share is sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

(n) Form, Modification, Extension and Renewal of Stock Options. Subject to the terms and conditions and within the limitations of this Plan, Stock Options shall be evidenced by such an Award Agreement, and the Committee may, in its sole discretion (i) subject to Section 8.1(d) and the applicable law, modify, extend or renew outstanding Stock Options granted under this Plan (provided that the rights of a Participant are not materially and adversely affected without his or her consent), and (ii) accept the surrender of outstanding Stock Options (up to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor (to the extent not theretofore exercised); provided that, notwithstanding anything herein to the contrary, to the extent required by applicable law or stock exchange regulation, an outstanding Option may not be modified to reduce the exercise price thereof or to extend the Stock Option beyond its stated term nor may a new Option at a lower price be substituted for a surrendered Option (other than adjustments or substitutions in accordance with Section 4.2), unless such action is approved by the stockholders of the Company.

(o) Other Terms and Conditions. Stock Options may contain such other provisions, which shall not be inconsistent with any of the terms of this Plan, as the Committee shall, in its sole discretion, deem appropriate.

#### **6.4 102 Stock Options.**

(a) Stock Options granted pursuant to this Section 6.4 are intended to be granted under Section 102 of the Ordinance pursuant to either (i) Section 102(b)(2) thereof as capital gains track options ("**102 Capital Gains Track Options**"), or (ii) Section 102(b)(1) thereof as ordinary income track options ("**102 Ordinary Income Track Options**"; together with 102 Capital Gains Track Options, "**102 Trustee Options**"). 102 Trustee Options shall be granted subject to the following special terms and conditions contained in this Section 6.4, the general terms and conditions specified in Section 6.3 hereof and other provisions of the Plan, except for any provisions of the Plan applying to Stock Options under different tax laws or regulations.

(b) The Company may grant only one type of 102 Trustee Option at any given time to all Participants who are to be granted 102 Trustee Options pursuant to this Plan, and shall file an election with the ITA regarding the type of 102 Trustee Option it elects to grant before the date of grant of any 102 Trustee Options (the “**Election**”). Such Election shall also apply to any bonus shares received by any Participant as a result of holding the 102 Trustee Options. The Company may change the type of 102 Trustee Option that it elects to grant only after the passage of at least 12 months from the end of the year in which the first grant was made in accordance with the previous Election, or as otherwise provided by applicable law. Any Election shall not prevent the Company from granting Options, pursuant to Section 102(c) of the Ordinance without a Trustee (“**102 Non-Trustee Options**”).

(c) Each 102 Trustee Option will be deemed granted on the date stated in a written notice to be provided by the Company, provided that on or before such date (i) the Company has provided such notice to the Trustee and (ii) the Participant has signed all documents required pursuant to applicable law and under the Plan.

(d) Each 102 Trustee Option, each Share issued pursuant to the exercise of any 102 Trustee Option, and any rights granted thereunder, including, without limitation, bonus shares, shall be allotted and issued to and registered in the name of the Trustee and shall be held in trust for the benefit of the Participant for a period of not less than the requisite period prescribed by the Ordinance and the Rules or such longer period as set by the Committee (the “**Required Holding Period**”). In the event that the requirements under Section 102 to qualify an Stock Option as a 102 Trustee Option are not met, then the Stock Option may be treated as a 102 Non-Trustee Option, all in accordance with the provisions of Section 102 and the Rules. After termination of the Required Holding Period, the Trustee may release such 102 Trustee Option and any such Shares, provided that (i) the Trustee has received an acknowledgment from the ITA that the Grantee has paid any applicable taxes due pursuant to the Ordinance or (ii) the Trustee and/or the Company and/or its Affiliate withholds any applicable taxes due pursuant to the Ordinance arising from the 102 Trustee Options and/or any Shares allotted or issued upon exercise of such 102 Trustee Options. The Trustee shall not release any 102 Trustee Options or Shares issued upon exercise thereof prior to the payment in full of the Participant’s tax liabilities arising from such 102 Trustee Options and/or Shares or the withholding referred to in (ii) above.

(e) Each 102 Trustee Option shall be subject to the relevant terms of the Ordinance and the Rules, which shall be deemed an integral part of the 102 Trustee Option and shall prevail over any term contained in the Plan or Option Agreement which is not consistent therewith. Any provision of the Ordinance, the Rules and any approvals by the Income Tax Commissioner not expressly specified in this Plan or Option Agreement which, as determined by the Committee, are necessary to receive or maintain any tax benefit pursuant to Section 102 shall be binding on the Participant. The Participant granted a 102 Trustee Option shall comply with the Ordinance and the terms and conditions of the Trust Agreement entered into between the Company and the Trustee. The Participant agrees to execute any and all documents, which the Company and/or its Affiliates and/or the Trustee may reasonably determine to be necessary in order to comply with the Ordinance and the Rules.

(f) During the Required Holding Period, the Participants shall not release from trust or sell, assign, transfer or give as collateral, the Shares issuable upon the exercise of a 102 Trustee Option and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale or release occurs during the Required Holding Period it will result in adverse tax consequences to the Participant under Section 102 of the Ordinance and the Rules, which shall apply to and shall be borne solely by such Participant. Subject to the foregoing, the Trustee may, pursuant to a written request from the Participant, release and transfer such Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes required to be paid upon the release and transfer of the Shares, and confirmation of such payment has been received by the Trustee and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company's corporate documents, the Plan, the Option Agreement and any applicable law.

(g) If a 102 Trustee Option is exercised during the Required Holding Period, the Shares issued upon such exercise shall be issued in the name of the Trustee for the benefit of the Participant. If such 102 Trustee Option is exercised after the expiration of the Required Holding Period, the Shares issued upon such exercise shall, at the election of the Participant, either (i) be issued in the name of the Trustee, or (ii) be issued to the Participant, provided that the Participant first complies with all applicable provisions of the Plan and all taxes with respect thereto shall have been fully paid to the ITA.

(h) The foregoing provisions of this Section 6.4 relating to 102 Trustee Options shall not apply with respect to 102 Non-Trustee Options, which shall, however, be subject to the relevant provisions of Section 102 and the Rules.

(i) Upon receipt of a 102 Trustee Option, the Participant will sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to the Plan, or any 102 Trustee Option or Share granted to such Participant thereunder.

## ARTICLE VII

### CHANGE IN CONTROL PROVISIONS

**7.1 Benefits.** In the event of a Change in Control of the Company, and except as otherwise provided by the Committee in an Award Agreement, a Participant's unvested Award shall not vest and a Participant's Award shall be treated in accordance with one of the following methods as determined by the Committee in its sole discretion:

(a) Awards, whether or not then vested, shall be continued, assumed, have new rights substituted therefor or be treated in accordance with Section 4.2(d) hereof, as determined by the Committee in its sole discretion. Notwithstanding anything to the contrary herein, for purposes of Incentive Stock Options, any assumed or substituted Stock Option shall comply with the requirements of Treasury Regulation § 1.424-1 (and any amendments thereto).

(b) The Committee, in its sole discretion, may provide for the purchase of any Awards by the Company or an Affiliate for an amount of cash equal to the excess of the Change in Control Price (as defined below) of the Ordinary Shares covered by such Awards, over the aggregate exercise price of such Awards. For purposes of this Section 7.1, Change in Control Price shall mean the highest price paid per Ordinary Shares in any transaction related to a Change in Control of the Company; provided, however, that such price shall not exceed the fair market value of the Common Stock at the time of purchase as determined in accordance Section 409A of the Code.

(c) The Committee may, in its sole discretion, provide for the cancellation of any Appreciation Awards without payment, if the Change in Control Price is less than the exercise price of such Appreciation Award.

(d) Notwithstanding anything else herein, the Committee may, in its sole discretion, provide for accelerated vesting or lapse of restrictions, of an Award at any time.

**7.2 Change in Control.** Unless otherwise determined by the Committee in the applicable Award agreement or other written agreement approved by the Committee, a "**Change in Control**" shall be deemed to occur following any transaction if: (i) any "person" as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Ordinary Shares of the Company), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the combined voting power of the then outstanding securities of the Company (or its successor corporation); provided, however, that a merger or consolidation effected solely to implement a recapitalization of the Company or for the primary purpose of change of domicile shall not constitute a Change in Control of the Company; (ii) the stockholders of the Company approve a plan of complete liquidation of the Company; provided, that this subsection (ii) shall not constitute a Change in Control with respect to the amount of any payment pursuant to an Award under this Plan, or any portion thereof, that is triggered upon a Change in Control and that is intended to constitute "non-qualified deferred compensation" pursuant to Section 409A of the Code; or (iii) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets other than (x) the sale or disposition of all or substantially all of the assets of the Company to a person or persons who beneficially own, directly or indirectly, at least 50% or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale or (y) pursuant to a spinoff type transaction, directly or indirectly, of such assets to the stockholders of the Company.

## ARTICLE VIII

### TERMINATION OR AMENDMENT OF PLAN

**8.1 Termination or Amendment.** Notwithstanding any other provision of this Plan, the Board may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of this Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article X), or suspend or terminate it entirely, retroactively or otherwise; provided, that without the approval of the holders of the Company's Ordinary Shares entitled to vote in accordance with applicable law and the exchange or system on which the Company's securities are then listed or traded, if so required by applicable law or stock exchange regulation, no amendment may be made that would:

- (a) increase the aggregate number of Ordinary Shares that may be issued under this Plan pursuant to Section 4.1 (except by operation of Section 4.2);
- (b) change the classification of individuals eligible to receive Awards under this Plan;

(c) other than adjustments or substitutions in accordance with Section 4.2, amend the terms of outstanding Awards to reduce the exercise price of outstanding Stock Options or to cancel outstanding Stock Options (where prior to the reduction or cancellation the exercise price equals or exceeds the fair market value of the Ordinary Shares underlying such Awards) in exchange for cash, or Stock Options with an exercise price that is less than the exercise price of the original Stock Options;

(d) extend the maximum Exercise Period under Section 6.3;

(e) award any Stock Option in replacement of a canceled Stock Option with a higher exercise price, except in accordance with Section 6.3(l); or

(f) require stockholder approval in order for this Plan to comply with the applicable rules of any exchange or system on which the Company's securities are listed or traded at the request of the Company, the applicable provisions of Section 162(m) of the Code or, to the extent applicable to Incentive Stock Options, Section 422 of the Code.

#### ARTICLE IX

##### UNFUNDED PLAN

**9.1 Unfunded Status of Plan.** This Plan is an "unfunded" plan for incentive and deferred compensation. With respect to any payments as to which a Participant has a fixed and vested interest but that are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Company.

#### ARTICLE X

##### GENERAL PROVISIONS

###### 10.1 RIGHTS AS A STOCKHOLDER; VOTING AND DIVIDENDS.

(a) A Participant shall have no rights as a shareholder of the Company with respect to any Ordinary Shares covered by the Award until the date of the lawful issuance of such Shares to the Participant. In the case of 102 Option Awards (if such Options are being held by a Trustee), the Trustee shall have no rights as a shareholder of the Company with respect to any Shares covered by such Award until the date of the lawful issuance of such Shares for the Participant's benefit, and the Participant shall have no rights as a shareholder of the Company with respect to any Shares covered by the Award until the date of the release of such Shares from the Trustee to the Participant and the issuance of such Shares.

(b) With respect to all Ordinary Shares issued in the form of Awards hereunder or upon the exercise of Awards hereunder, any and all voting rights attached to such Shares and the Participant's entitlement to receive dividends distributed with respect to such Shares, shall be subject to the provisions of the Company's Articles of Association, as amended from time to time, and subject to any applicable law.

(c) Regarding Shares issued pursuant to the exercise of any 102 Trustee Option any rights distributed to the Participants shall be deposited with and/or issued to the Trustee for the benefit of the Participants. All said rights, excluding dividends, shall be held by the Trustee for the applicable Required Holding Period. In the case that the Company distributes dividends, then the amount of dividends with respect of Shares held in trust shall be paid to the Participants that are the beneficial holders of such Shares, subject to deduction at source of the applicable tax.

(d) The Company may, but shall not be obligated to, register or qualify the sale of Shares under any applicable securities law or any other applicable law.

**10.2 Legend.** The Committee may require each person receiving Ordinary Shares pursuant to a Stock Option under this Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for such shares may include any legend that the Committee, in its sole discretion, deems appropriate to reflect any restrictions on Transfer.

All certificates for Ordinary Shares delivered under this Plan shall be subject to such stop transfer orders and other restrictions as the Committee may, in its sole discretion, deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Ordinary Shares are then listed or any national securities exchange system upon whose system the Ordinary Shares are then quoted, any applicable federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

**10.3 Other Plans.** Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

**10.4 No Right to Employment/Directorship/Consultancy.** Neither this Plan nor the grant of any Option hereunder shall give any Participant or other employee, Consultant or Non-Employee Director any right with respect to continuance of employment, consultancy or directorship by the Company or any Affiliate, nor shall they be a limitation in any way on the right of the Company or any Affiliate by which an employee is employed or a Consultant or Non-Employee Director is retained to terminate his or her employment, consultancy or directorship at any time.

**10.5 Withholding of Taxes.** The Company shall have the right to deduct from any payment to be made pursuant to this Plan, or to otherwise require, prior to the issuance or delivery of any Ordinary Shares or the payment of any cash hereunder, payment by the Participant of, any federal, state or local taxes required by law to be withheld. Any statutorily required withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of Ordinary Shares otherwise deliverable or by delivering Ordinary Shares already owned. Any fraction of a share of Ordinary Shares required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

**10.6 No Assignment of Benefits.** No Award or other benefit payable under this Plan shall, except as otherwise specifically provided by law or permitted by the Committee, be Transferable in any manner, and any attempt to Transfer any such benefit shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such person.

**10.7 Listing and Other Conditions.**

(a) Unless otherwise determined by the Committee, as long as the Ordinary Shares are listed on a national securities exchange or system sponsored by a national securities association, the issue of any Ordinary Shares pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Option with respect to such shares shall be suspended until such listing has been effected.



(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of Ordinary Shares pursuant to an Option is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise, with respect to Ordinary Shares or Awards, and the right to exercise any Option shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company.

(c) Upon termination of any period of suspension under this Section 10.7, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Award.

(d) A Participant shall be required to supply the Company with any certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

**10.8 Governing Law.** This Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws of Israel (regardless of the law that might otherwise govern under applicable Israeli principles of conflict of laws).

**10.9 Construction.** Wherever any words are used in this Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

**10.10 Other Benefits.** No Award granted or paid out under this Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

**10.11 Costs.** The Company shall bear all expenses associated with administering this Plan, including expenses of issuing Ordinary Shares pursuant to any Awards hereunder.

**10.12 No Right to Same Benefits.** The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

**10.13 Death/Disability.** The Committee may in its sole discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may, in its discretion, also require that the agreement of the transferee to be bound by all of the terms and conditions of this Plan.

**10.14 Section 16(b) of the Exchange Act.** All elections and transactions under this Plan by persons subject to Section 16 of the Exchange Act involving shares of Common Stock are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may, in its sole discretion, establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of this Plan and the transaction of business thereunder.

**10.15 Section 409A of the Code / Section 102 of the Ordinance.** Although the Company does not guarantee the particular tax treatment of an Award granted under this Plan, 102 Options and Incentive Stock Options made under this Plan are intended to comply with, or be exempt from, the applicable requirements of Section 409A of the Code and/or Section 102 of the Ordinance, as may be applicable, and this Plan and any Award agreement hereunder shall be limited, construed and interpreted in accordance with such intent. In no event whatsoever shall the Company or any of its Affiliates be liable for any additional tax, interest or penalties that may be imposed on a Participant by Section 409A of the Code and/or Section 102 of the Ordinance, as may be applicable, or any damages for failing to comply with Section 409A of the Code and/or Section 102 of the Ordinance, as may be applicable.

**10.16 Successor and Assigns.** This Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate.

**10.17 Severability of Provisions.** If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and such provision shall be construed in a manner which is closest to expressing the original intention of such provision while making it valid or enforceable, as the case may be.

**10.18 Payments to Minors, Etc.** Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipt thereof shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Board, the Company, its Affiliates and their employees, agents and representatives with respect thereto.

**10.19 Headings and Captions.** The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

## ARTICLE XI

### EFFECTIVE DATE OF PLAN

The Plan was adopted by the Board on August 30, 2022 subject to, and to be effective upon, the approval of the stockholders of the Company in accordance with the requirements of the laws Israel. Without derogating from the above and in addition thereto, and solely with respect to grants of ISO, the Plan shall be approved by the shareholders of the Company, which approval shall be received within twelve (12) months following the relevant Board resolution (the "**Effective Date**"). All and any grants of ISOs to Optionees under the Plan as of the Effective Date shall be subject to the said shareholders' approval. Failure to obtain such approval by the shareholders within such period shall not in any way derogate from the valid and binding effect of any grant of an Option, except that any Options previously granted under this Plan as Incentive Stock Option may not qualify as an Incentive Stock Option but, rather, shall constitute NQSO. Upon approval of this Plan by the shareholders of the Company as set forth above, all ISOs granted under this Plan on or after the Effective Date shall be fully effective as if the shareholders of the Company had approved this Plan on the Effective Date.

**ARTICLE XII**

TERM OF PLAN

No Award regarding ISOs Options only shall be granted pursuant to this Plan on or after March 22, 2032, but Awards granted prior to such date may extend beyond that date.

**ARTICLE XIII**

NAME OF PLAN

This Plan shall be known as "The TAT Technologies Ltd 2022 Stock Option Plan."

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**Executives & Directors Compensation Policy**

**I. OVERVIEW**

**1. Definitions**

<b>Company</b>	TAT TECHNOLOGIES LTD.
<b>Law</b>	The Israeli Companies Law 5759-1999 and any regulations promulgated under it, as amended from time to time.
<b>Amendment 20</b>	Amendment to the Law which was entered into effect on December 12, 2012.
<b>Compensation Committee</b>	A committee appointed in accordance with section 118A of the Law.
<b>Office Holder</b>	Director, CEO, any person filling any of these positions in a company, even if he holds a different title, and any other executive subordinate to the CEO, all as defined in section 1 of the Law.
<b>Executive</b>	Office Holder, excluding a director.
<b>Terms of Office and Employment</b>	Terms of office or employment of an Executive or a Director, including the grant of an exemption, an undertaking to indemnify, indemnification or insurance, separation package, and any other benefit, payment or undertaking to provide such payment, granted in light of such office or employment, all as defined in section 1 of the Law.

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<b>Total Cash Compensation</b>	The total annual cash compensation of an Executive, which shall include the total amount of: (i) the annual base salary; and (ii) the On Target Cash Plan.
<b>Equity Value</b>	The annual total equity value will be calculated on a linear basis, based on the equity value (valued using the same methodology used in the financial statements of the Company on the date of approval of the Equity Based Components by the Company's Board of Directors) divided by the number of vesting years.
<b>Total Compensation</b>	The Total Cash Compensation and the annual Equity Value.
<b>Base Salary</b>	Monthly gross salary and/or monthly management fees, including related benefits, paid to the officer in consideration for their work.
<b>Additional Benefits</b>	Shell includes, inter alia, social benefits as prescribed by law (pension savings, contributions towards severance pay, contributions towards training fund, vacation pay, sick leave, recreation pay, etc.) and related benefits, such as company vehicle/vehicle maintenance, telephone expenses, gifts on public holidays, etc., not take into account Relocation expenses.
<b>Fixed Compensation</b>	<u>Base Salary</u> and Additional Benefits

2. **General**

- 2.1. This compensation policy ("**the Policy**"), was formulated during an internal process conducted at the Company in compliance with the provision of Amendment 20, and is based on the Company's will to properly balance between its will to reward Office Holders for their achievements and the need to ensure that the Total Compensation is in line with the Company's benefit and overall strategy over time.
- 2.2. The purpose of the Policy is to set guidelines for the compensation manner of the Company's Officer Holders. The Company's management and its Board of Directors deem all of the Office Holders of the Company as partners in the Company's success and consequently, derived a comprehensive view with respect to the Company's Office Holders' Compensation. This document presents the indices that derived from the principles of the formulated Policy, as specified hereunder.
- 2.3. It is hereby clarified that no statement in this document is intended to vest any right to the Office Holders to whom the principles of the Policy apply, or to any other third party, and not necessarily will use be made of all of the components and ranges presented in this Policy.
- 2.4. The indices presented in the Policy are intended to prescribe an adequately broad framework that shall enable the Compensation Committee and Board of Directors of the Company to formulate a personal Compensation Plan for each office Holder or a particular compensation component according to individual circumstances (including unique circumstances) and according to the Company's needs, in a manner that is congruent with the Company's benefit and the Company's overall strategy over time.

- 2.5. The Policy is intended to align between the importance of incentivizing Executives to reach personal targets and the need to assure that the overall compensation meets our Company's long term strategic performance and financial objectives. The policy provides our Compensation Committee and our Board of Directors with adequate measures and flexibility, to tailor each of our Executive's compensation package based, among others, on geography, tasks, role, seniority, and capability.
  - 2.6. The Policy shall provide the Board of Directors with guidelines for exercising discretion under the Company's equity plans.
  - 2.7. For the avoidance of doubt, it is clarified that in case of any amendment made to provisions of the Law and any other relevant rules and regulations in a manner that will facilitate the Company regarding its actions related to Officer compensation, the Company may be entitled to follow these provisions even if they contradict the principles of this Compensation Policy.
  - 2.8. This Compensation Policy does not derogate from any agreements or compensation terms approved prior to the approval of this Compensation Policy. It is hereby clarified that if the Company shall acquire another company or new activity, then the compensation terms of managers of such acquired company or activity that become, after the acquisition Office Holders in the Company, shall not change for a period of six (6) months after the acquisition (even if their compensation terms exceed the limitations on compensation set forth in this Policy). During such six-month period, the Company will make reasonable efforts to revise their compensation terms in accordance with applicable law. Notwithstanding the foregoing, if the compensation terms of such managers exceed the limitations on compensation set forth in this Policy, and the Company cannot amend such compensation after making reasonable efforts to do so, then the compensation of such managers of the acquired entity may not be amended in accordance with the terms of the Policy.
3. **Principles of the Policy**
- 3.1. The Policy shall guide the Company's management, Compensation Committee and Board of Directors with regard to the Office Holders' compensation.



- 3.2. The Policy shall be reviewed from time to time by the Compensation Committee and the Board of Directors, to ensure its compliance with applicable laws and regulations as well as market practices, and its conformity with the Company's targets and strategy. As part of this review, the Board of Directors will analyze the appropriateness of the Policy in advancing achievement of its goals, considering the implementation of the Policy by the Company during previous years.
- 3.3. Any proposed amendment to the Policy shall be brought up to the approval of the Shareholders of the Company and the Policy as a whole shall be re-approved by the Shareholders of the Company at least once every three years, or as otherwise required by Law. However, to the extent permitted by law, if the shareholders shall oppose approving the Policy, the Compensation Committee and Board of Directors shall be able to approve the Policy, after having held another discussion of the Policy and after having determined, on the basis of detailed reasoning, that, notwithstanding the opposition of the shareholders, the adoption of the Policy is for the benefit of the Company.
- 3.4. The compensation of each Office Holder shall be subject to mandatory or customary deductions and withholdings, in accordance with the applicable local laws.

## **II. Executive Compensation**

4. When examining and approving Executives' Terms of Office and Employment, the Compensation Committee and Board members shall review the following factors and shall include them in their considerations and reasoning:
  - 4.1. Executive's education, skills, expertise, professional experience and specific achievements.
  - 4.2. Executive's role and scope of responsibilities and in accordance with the location in which such Executive is placed.
  - 4.3. Executive's previous compensation.
  - 4.4. The Company's performance and general market conditions.
  - 4.5. The ratio between Executives' compensation, including all components of the Executives' Terms of Office and Employment, and the salary of the Company's employees, in particular with regard to the average and median ratios, and the effect of such ratio on work relations inside the Company, as defined by the Law.

The annual Total Compensation (or annualized, for other than a full time position) of the Company's CEO, active Chairman<sup>1</sup> and Executive in terms of full time position shall not exceed 15 times, 30 times and 15 times, respectively, the average annual salary and the median annual salary of the Company's employees.

- 4.6. Comparative information, as applicable, as to former Executives in the same position or similar positions, as to other positions with similar scopes of responsibilities inside the Company, and as to Executives in peer companies. The peer group for the purpose detailed below shall include not less than 4 public companies listed on the Tel Aviv Stock Exchange ("TASE") similar in parameters such as total revenues, market cap, industry and number of employees. The comparative information, as applicable, shall address the base salary, target cash incentives and equity and will rely, as much as possible, on reputable industry surveys.

The Company may use such comparative information in the event a new Executive is offered a Total Compensation exceeding 25% of its predecessor in the Company.

Notwithstanding the foregoing, a non-material change in the terms of employment of an Officer who is subordinate to the Company's CEO shall not require the approval of the Compensation Committee and Board (if applicable), if it was approved by the Company's CEO and all the following conditions are met: (1) a non-material change in the terms of employment of an Officer as stated in section 272(c) of the Law, within a limit of up to 10% per year, relative to the year before, of the Officer's terms, shall be approved by the Company's CEO and by any other organ as required by law; and (2) the terms of employment conform to this Compensation Policy.

- 4.7. The compensation of each Executive shall be composed of, some or all, of the following components:

- a) Fixed components, which shall include, among others: base salary and benefits as may be customary under local customs.

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<sup>1</sup> Should one be appointed.

- b) Variable components, which may include: cash incentives and equity based compensation.
  - c) Separation package;
  - d) Directors & Officers (D&O) Insurance, indemnification and exemption; and
  - e) Other components, which may include: change in control, relocation benefits, special bonus, etc.
- 4.8. Our philosophy is that our Executives' compensation mix shall comprise of, some or all, of the following components: annual base salary, performance-based cash incentives and long-term equity based compensation, all in accordance with the position and responsibilities of each Executive, and taking into account the purposes of each component, as presented in the following table:

<b>Compensation Component</b>	<b>Purpose</b>	<b>Compensation Objective Achieved</b>
Annual base salary	Provide annual cash income based on the level of responsibility, individual qualities, past performance inside the Company, past experience inside and outside the Company.	<ul style="list-style-type: none"> <li>• Individual role, scope and capability based compensation</li> <li>• Market competitiveness in attracting Executives.</li> </ul>
Performance-based cash incentive compensation	Motivate and incentivize individual towards reaching Company, department and individual's periodical and long-term goals and targets.	<ul style="list-style-type: none"> <li>• Reward periodical accomplishments</li> <li>• Align Executive' objectives with Company, department and individual's objectives</li> <li>• Market competitiveness in attracting Executives</li> </ul>
Long-term equity-based Compensation	Align the interests of the individual with the Shareholders of the Company, by creating a correlation between the Company's success and the value of the individual holdings	<ul style="list-style-type: none"> <li>• Company performance based compensation</li> <li>• Reward long-term objectives</li> <li>• Align individual's objectives with shareholders' objectives</li> </ul>

4.9. The compensation package shall be reviewed with each Executive at least once a year, or as may be required from time to time.

5. **Fixed compensation**

5.1. The Fixed Compensation shall be determined in accordance with the criterias and considerations as detailed in Section 4 above and shall be approved by the Compensation Committee.

5.2. The Fixed Compensation shall not be automatically linked.

5.3. The annual Fixed Compensation for an Office Holder shall be as follows:

<b>Executive Level</b>	<b>Maximum</b>
Active Chairman	NIS 600K (for 35% of a full time position and a proportion of this amount to a different percentage of services).
CEO	US\$ 470 K (for a full time position).
Other Executives	(1) In Israel - NIS 1,095 K (for a full time position); and (2) Outside of Israel - with respect to a Chief Executive Officer and or Presidents of a subsidiary and or General Manager of the Company and Executives outside of Israel - US\$ 410 K (for a full time position).

The above maximum Fixed Compensation shall be examined annually.

Any deviation from the detailed above with regard to the CEO and/or Active Chairman, shall be brought for the approval of the Compensation Committee, the Board of Directors and the General Meeting of the Company prior to entering into a binding agreement (unless specified otherwise in the Law).

A deviation exceeding 15% of the detailed above with regard to an Executive (excluding CEO and Active Chairman) shall be brought for the approval of the Compensation Committee and the Board of Directors prior to entering into a binding agreement.

Without derogating from the above, a maximum annual raise of up to 5% with regard to an Executive's Fixed Compensation in a particular year, excluding variable compensation, shall not be deemed a material change of his/her terms of employment, and therefore, shall require the approval of the Compensation Committee only.

- 5.4. In the event an Office Holder provides services to the Company as an independent contractor or via a management company controlled by said Office Holder, and get paid through the issuance of an invoice, then the provisions of the Policy shall apply to him/her *mutatis mutandis* and for all purposes in this policy, the base salary for such an Office Holder shall be extracted from actual payment based on normal rate of employment cost.

5.5. In order to ensure alignment of all components of the Total Compensation, the appropriate ratio between the Fixed compensation of Office Holders' and their Variable Compensation, in terms of full time position for a given year, are as detailed below:

Executive Level	Variable Compensation	
	Cash incentive compensation	Long term equity based compensation
Active Chairman	Up to 3 monthly <u>Fixed Compensation</u> or the equivalent thereof.	Up to 13 monthly <u>Fixed Compensation</u> or the equivalent thereof.
CEO	Up to 6.7 monthly <u>Fixed Compensation</u> or the equivalent thereof.	Up to 18.3 monthly <u>Fixed Compensation</u> or the equivalent thereof.
Directors	NONE.	See section 12 below
Other Executives	Up to 6 monthly <u>Fixed Compensation</u> or the equivalent thereof.	Up to 15.4 monthly <u>Fixed Compensation</u> or the equivalent thereof.

The actual Variable Compensation ratios shall not exceed from the ratios in the above table (which represent the desired optimal combination of compensation as the actual ratio may vary according to the performance of the Company in a given year.

5.6. **Benefits:**

5.6.1. Benefits granted to Executives shall include any mandatory benefit under applicable law, as well as, part or all, of the following components:

5.6.2. Pension plan/ Executive insurance as customary.

- 5.6.3. Benefits which may be offered as part of the general employee benefits package (such as: pension fund, study fund) in accordance with the local practice of the Company.
- 5.6.4. An Executive will be entitled to sick days and other special vacation days (such as recreation days), as required under local standards and practices.
- 5.6.5. An Executive will be entitled to vacation days, in correlation with the Executive's seniority and position in the Company (generally up to 30 days annually), and subject to the minimum vacation days requirements per country of employment as well as the local national holidays.
- 5.6.6. Reasonable expenses, including vehicle, daily newspaper, cellphone and meals.

6. **Variable Components**

- 6.1. When determining the variable components as part of an Executive's compensation package, the contribution of the Executive to the achievement of the Company's goals, revenues, profitability and other key performance indicators ("**Targets**") shall be considered, taking into account Company and department's long term perspective and the Executive's position.
- 6.2. Variable compensation components shall be comprised of (i) cash components which shall be mostly based on measurable criteria or non-measurable targets; and (ii) equity components, all taking into consideration periodical and a long term perspective.
- 6.3. The Board of Directors shall have the absolute discretion to reduce or cancel any cash incentive.

6.4. **Variable Cash Incentive Plan**

- 6.4.1. The Compensation Committee and Board of Directors may adopt, from time to time, a Cash Incentive Plan, which will set forth for each Executive targets which form such Executive's on target Cash payment (which shall be referred to as the "**On Target Cash Plan**") and the rules or formula for calculation of the On Target Cash Plan payment once actual achievements are known.

- 6.4.2. The Compensation committee and Board of Directors may include, inter- alia, in the On Target Cash Plan predetermined thresholds and caps, to correlate an Executive's On Target Cash Plan payments with actual achievements.
- 6.4.3. The annual On Target Cash Plan actual payment for the Active Chairman, the CEO and other Executives in a given year shall be capped as determined by our Board of Directors, but in no event shall exceed the ratio set forth in the table in clause 5.5 above.
- 6.4.4. The CEO, Active Chairman and other Executives' individual On Target Cash Plan may be composed based on the mix of (i) the Company Target (as defined below); (ii) Personal Target; and (iii) Personal Evaluation. The weight to be assigned to each of the components per each of the executives shall be as set forth in the table below.

	<b>Active Chairman</b>	<b>CEO</b>	<b>Other Executives</b>
Company Target	100%	75% - 100%	50% - 100%
Personal Target	NONE	NONE	0% - 30%
Personal Evaluation	NONE	0% - 25%	0% - 20%

The Company's Target shall be determined in accordance with all or part of the following pre-determined targets: (1) Sales budget, in accordance with the Company's annual budget; (2) Gross Profit, in accordance with the Company's budget; (3) Operating Profit, in accordance with the Company's annual budget; (4) Net Income, in accordance with the Company's annual budget; (5) EBITDA; and (6) Net cash from operating activities, in accordance with the Company's annual budget ("**the Company Target**"). If a Company Target shall apply to a Chief Executive Officer or a President of a subsidiary of the Company, such target may be applied up to 100% with respect to the financial results of the relevant subsidiary, and the remaining bonus with respect to the financial results of the Company and its subsidiaries on a consolidated basis.



Notwithstanding the foregoing, the Board may determine to exclude certain profits or loss items from the Company Target including, but not limited to, certain expenses related to acquisition of a new company, certain expenses related to distribution of dividend, certain items of revenue or any other items per the Board's sole discretion.

With regard to each one of the Company's measurable targets, reference points shall be determined in terms of numerical values, so that compliance with the precise numerical target as determined in the On Target Cash Plan shall constitute compliance with 100% of the target, and also, numerical values shall be determined which will constitute the lower threshold for compliance with the target. The actual rate of compliance with the targets shall be calculated in accordance with the said reference points.

It is clarified that failure to comply with the minimum threshold of at least 75% of a specific target shall not entitle the Executive to payment of a bonus in respect of the said target.

In the event of compliance at a rate of 75% or more with a specific target, the annual On Target Cash Plan shall be calculated in accordance with a key (i.e. Linear, Steps, etc.) which shall determine – in relation to the point of compliance with the target – the amount of the bonus in terms of a percentage of the Executive annual base salary, all as shall be set forth in the On Target Cash Plan. In this respect, the Compensation Committee and the Board of Directors shall have the right to determine a higher (but not lower) entitlement threshold.

- 6.4.5. Without derogating from the foregoing, the annual bonus may be conditional on financial or other threshold conditions in accordance with a list of measurable targets that will be determined by the board of directors of the Company from time to time, such as sales turnover, gross profit, operating profit, pre-tax profit, net profit and relevant operating targets, as determined for the Other Executives, such as compliance with budgetary targets, level of inventory, collections and profitability targets, and so forth (If such threshold condition is determined), failure to meet the lower threshold for the distribution of an annual bonus will mean that an annual bonus will not be earned (the "**Annual Bonus Threshold**").
- 6.4.6. Notwithstanding the foregoing, the board of directors may, in exceptional cases, following the recommendation of the CEO of the Company, approve the grant of a partial bonus, notwithstanding that the Annual Bonus Threshold has not been met in an amount of up to 3 salaries. This will be under special circumstances in which, in light of the efforts of the Executive and his great investment in his position in the previous year, it is decided that it is appropriate to award the Executive with the bonus in the framework of the Executive's compensation, notwithstanding the failure to meet the Annual Bonus Threshold so as to incentivize him and compensate him in respect of his investment in the Company.

With regard to the Company's Executives, excluding its Active Chairman and the CEO, their Personal Targets for the On Target Cash Plan shall be determined annually by the Compensation Committee and the Board of Directors ("**the Personal Target**"). Such targets may include compliance with the Company's budget, operational efficiency, inventory management, new sales, existing customers, financial management, collection, etc.

With regard to each one of the Personal measurable targets, reference points shall be determined in terms of numerical values, so that compliance with the precise numerical target as determined in the On Target Cash Plan shall constitute compliance with 100% of the target, and also, numerical values shall be determined which will constitute the lower threshold for compliance with the target. The actual rate of compliance with the targets shall be calculated in accordance with the said reference points.

It is clarified that failure to comply with the minimum threshold of at least 75% of a specific target shall not entitle the Executive to payment of a bonus in respect of the said target. In the event of compliance at a rate of 75% or more with a specific target, the annual On Target Cash Plan shall be calculated in accordance with a key (i.e. Linear, Steps, etc.) which shall determine – in relation to the point of compliance with the target – the amount of the bonus in terms of a percentage of the Executive annual base salary, all as shall be set forth in the On Target Cash Plan.

6.4.7. Personal evaluation: the Company's CEO shall present his personal evaluation of Executive reporting to the CEO to the Company's Compensation Committee and to the Board of Directors. This evaluation shall relate, inter alia, to nonfinancial indices, including the Executive's long term contribution and his/her long term performance. The CEO's personal evaluation shall be presented to the Compensation Committee and to the Board of Directors by the Chairman of the Board, according to the evaluation principles set above with relation to all other Executives.

6.4.8. It is hereby clarified that the aggregate weight to be assigned to all five of the aforesaid categories in a cash incentives formula shall be 100% and in no event shall exceed the ratio set forth in the table in clause 5.5 above.

The breakdown of the targets in each measurable category and the relative weight of each of the measurable categories shall be tailored to each Executive individually, no later than approval of the Company's annual consolidated audited financial reports, depending on the seniority of the Executive and the organizational division to which the Executive is assigned or that is under his purview.

It is hereby clarified, that a maximum change of 10% of the relative weight of each of the measurable categories shall not be deemed a material change in the terms of employment.

6.4.9. In the event that the Company's strategic targets shall be amended by the Board of Directors during a particular year and/or there is a change to the Executive's responsibilities and/or scope of employment - the Board of Directors shall have the authorization to determine whether, and in which manner, such amendment shall apply to the On Target Cash Plan.

- 6.4.10. The Board of Directors will be authorized to define certain events as exceptional and extra-ordinary to the Company's ordinary course of business, in which case the compensation committee will have the ability to adjust their impact when calculating any of the Company's targets and Personal Targets. It shall be noted that Company's Targets and/or Personal Targets impacted by this section with respect to the Active Chairman and CEO, shall be brought for the approval of the General Meeting in accordance with the Law.
- 6.4.11. The entitlement to the On Target Cash Plan in respect of a particular year shall be conferred on an Executive where such Executive rendered services or was employed with the Company for a period of at least 6 months during that particular year - and the amount thereof shall be relative to the period of employment with the Company during that particular year.
- 6.4.12. In the event of termination of the relationship following "Cause" as defined below, such Executive shall not be entitled to any payments in accordance with his/her On Target Cash Plan which have not yet been paid prior to the date of said termination, unless otherwise determined by the Board of Directors.
- "Cause" means the following: termination due to: (i) an Executive's conviction of, or plea of guilty or nolo contendere to, a felony (ii) performance by an Executive of an illegal act, dishonesty, or fraud which could cause significant economic injury to the Company; (iii) an Executive's insubordination, refusal to perform his or her duties or responsibilities for any reason other than illness or incapacity or materially unsatisfactory performance of his or her duties for the Company; (iv) continuing willful and deliberate failure by the Executive to perform the Executive's duties in any material respect, provided that the Executive is given notice and an opportunity to effectuate a cure as determined by the Company; or (v) an Executive's willful misconduct with regard to the Company that could have a material adverse effect on the Company.
- 6.4.13. For the avoidance of doubt, it is hereby clarified that payments under the On Target Cash Plan shall not be deemed to be a salary, for all intents and purposes, and it shall not confer any social rights.

6.4.14. The Company will include in its year-end filings (i.e. Annual 20F), with respect to the Active Chairman and the CEO, an explanation as to how their On Target Cash Plan was calculated, including: their predetermined Company Targets, Personal Targets and Personal Evaluation for that particular year; the mix and weights; and the extent of achieving them.

6.5. **Equity Based Compensation**

- 6.5.1. The Company may grant its Executives, from time to time, equity based compensation, which may include any type of equity, including, without limitation, any type of shares, options, restricted share units (RSUs), share appreciation rights, restricted shares or other shares based awards ("**Equity Based Components**"), either under the Company's existing Stock Option Plan or future equity plan (as may be adopted by the Company), and subject to any applicable law.
- 6.5.2. The amount of equity based compensation granted via RSUs units and restricted shares, will not exceed the amount of 25% of the equity based compensation or the maximum Annual Value equal to the cost of three (3) Base Salaries of the officer to which the equity based compensation was granted.
- 6.5.3. The Company believes that it is not in its best interest to limit the exercise value of Equity Based Components.
- 6.5.4. Equity Based Components for Executives shall be in accordance with and subject to the terms of our existing or future equity plan and shall vest in installments throughout a period which shall not be shorter than 3 years with at least a 1 year cliff taking into account adequate incentives in a long term perspective.
- 6.5.5. The total yearly Equity Value granted shall not exceed with respect to the Active Chairman, the CEO and each other Executive, at the time of approval by the Board of Directors the appropriate ratio set forth in clause 5.5 above.

- 6.5.6. The total yearly Equity Value granted to any non-executive Directors (determined based on generally accepted accounting principles applicable to the Company) shall not exceed (based on accepted valuation methods), 50% of the total value of the fixed directors' compensation, including per meeting compensation, per vesting annum.
- 6.5.7. The maximum dilution as a result of grant of the equity based compensation to Executives shall not exceed 10%.
- 6.5.8. The Board may determine a mechanism of acceleration of vesting:
- 6.5.9. A full acceleration will be permitted in the event of death, disability, medical reasons or a change in control of the Company followed by the delisting of the Company's shares;
- 6.5.10. An acceleration of the next unvested period will be permitted in the event of change in control of the Company following a resignation or termination of employment of the officer (except in the case of Termination for Cause).

"**Termination for Cause**" means a termination of the employment of an officer following one or more of the following: embezzlement; theft; criminal offence; act involving moral turpitude; severe disciplinary breach; breach of fiduciary duties; other fundamental breach of the officer's employment agreement; or any other event which under applicable law enables terminating an employee's employment and entirely or partially denying severance payments or prior notice redemption.

- 6.5.11. The exercise price of the options granted shall be determined by the Company and shall not be less than the higher of (a) 5% above the average closing price of the Company's share in the 30 trading days preceding the date of the Board of Directors' approval of the equity grant; (b) 5% above the share price on the date of the Board of Directors' approval of the equity grant.

- 6.5.12. In the event of the termination of the employer – employee relationship or rendering services to the Company's group during the relevant year, the grantee shall be entitled to the options which were allocated in his/her regard, where the date of entitlement in respect of the said options occurred prior to the date of the actual termination, and to exercise them into shares of the Company up until the earlier of: (1) 90 days from the date of the actual termination; (2) the expiration of their exercise period. The grantee shall be entitled to count the shares which were allocated for him only if the date of entitlement in respect thereof occurred prior to the date of the actual termination.
- 6.5.13. In the event of the termination of the relationship following Cause– and even if the date of entitlement to the options has fallen due, in whole or in part, and they have not yet been exercised into shares, the options which have not yet been exercised prior to the expiration of the exercise period shall expire.
- 6.5.14. For the avoidance of doubt, it is hereby clarified that the annual equity compensation shall not be deemed to be a salary, for all intents and purposes, and it shall not confer any social rights.

**7. Separation Package**

- 7.1. The following criteria shall be taken into consideration when determining Separation Package: the duration of employment of the Active Chairman or the Executive, the terms of employment, the Company's performance during such term, the Executive's contribution to achieving the Company's goals and revenues and the retirement's circumstances.
- 7.2. Other than payments required under any applicable law, local practices, transfer or release of pension funds, manager's insurance policies, etc. - the maximum Separation Package of each Executive, CEO or the Active Chairman shall not exceed the value of 25% the Total Compensation of such an Executive, CEO or Active Chairman, respectively.

**8. Notice Period in Termination**

As a guideline, the notice period for the termination of an Executive shall not exceed six months or payment in lieu of such notice. During the notice period, the Executive shall be required to continue his services or employment with the Company, unless otherwise determined by the Board of Directors.

9. **Others**

- 9.1. **Relocation**— additional compensation pursuant to local practices and law may be granted to an Executive under relocation circumstances. Such benefits shall include reimbursement for out of pocket one time payments and other ongoing expenses, such as housing allowance, schooling allowance, car or transportation allowance, home leave visit, health insurance for executive and family, etc, all as reasonable and customary for the relocated country and in accordance with the Company's relocation practices, as shall be approved by the Compensation Committee and Board of Directors. Our Compensation Committee and our Board of Directors may approve, from time to time, fair and reasonable global relocation expense reimbursement to Executive in amount up to \$135,000 annually. This reimbursement constitutes a final and comprehensive global relocation expense allowance that covers all of the Executives relocation expenses. Any request for relocation reimbursement of additional expenses from the Company will be subject to special approval.
- 9.2. **Special Bonus** - Our Compensation Committee and our Board of Directors may approve, from time to time, with respect to any Executive, if they deem required under special circumstances or in case of an exceptional contribution to the Company, including, among others, in cases of retention or attraction of a new Executive or consummation of an acquisition by or of the Company or the sale or spin off of any material asset of the Company, the grant of a onetime cash incentive, of up to three monthly salaries or the equivalent thereof.

10. **Clawback Policy**

- 10.1. In the event of a restatement of the Company's financial results, we shall seek reimbursement from our Office Holders of any payment made due to erroneous restated data, with regards to each Office Holder's Terms of Office and Employment that would not otherwise have been paid. The reimbursement shall be limited to such payments made during the 3-years period preceding the date of restatement. The above shall not apply in case of restatements that reflect the adoption of new accounting standards, transactions that require retroactive restatement (e.g., discontinued operations), reclassifications of prior year financial information to conform to the current year presentation, or discretionary accounting changes.



10.2. Our Compensation Committee and Board of Directors shall be authorized to seek recovery to the extent that (i) to do so would be unreasonable or impracticable; or (ii) there is low likelihood of success under governing law versus the cost and effort involved.

**III. Director Remuneration:**

Our directors may be entitled to remuneration composed of cash compensation which includes annual fee and meeting participation fee, as well as equity based compensation, as an incentive for their contribution and efforts as directors of the Company.

**11. Cash Compensation:**

11.1. The Company's non-executive directors may be entitled to receive an annual cash fee and a participation fee for each meeting in accordance with the amounts set forth in the Companies Regulations (Rules Regarding Compensation and Expense Reimbursement of External Directors) -2000 ("**the Compensation Regulations**"), and taking into account their definition as "expert director" according to the Compensation Regulations.

11.2. The Company's directors may be reimbursed for their reasonable expenses incurred in connection with attending meetings of the Board of Directors and of any Committees of the Board of Directors, all in accordance with the Compensation Regulations.

**12. Equity Based Compensation:**

The Company's non-executive directors, i.e. excluding external and independent, may be entitled to receive equal annual equity based compensation, which value shall not exceed at the time of grant 10% of the total annual cash fee detailed in section 11.1 above.

**13. Active Chairman Compensation:**

The Active Chairman may be entitled to a compensation in accordance with the criterias as detailed in Section 5, 6 and 7 above, in accordance with his/her scope of employment and relative maximum compensation. The Active Chairman's compensation shall be determined in accordance with his scope of activity, areas of responsibilities in the Company, as well as his experience and expertise. In any event, the total compensation of the Active Chairman shall not be less than the monthly compensation paid to a director in the Company.

**IV. Indemnification & Insurance**

14. The Office Holders shall be entitled to a directors and officers indemnification up to the maximum amount permitted by law, D&O insurance as shall be approved at the Board of Director's discretion, all in accordance with any applicable law and the Company's articles of association.
15. With respect to the D&O policy-
  - 15.1. The D&O insurance may provide group insurance to the Company and its affiliates (only in respect of D&Os serving as such on behalf of the Company) and alongside the Company's D&O Insurance it is possible that D&Os of the affiliates may also be insured. In the event the D&O insurance shall provide such group insurance, the annual premium shall be relatively divided between the different companies based on the decision of the Company's management taking into account the recommendation of the Company's external insurance advisors.
  - 15.2. The limits of liability shall not exceed USD 35 million.
  - 15.3. The deductible shall not exceed USD 3,500,000.
  - 15.4. The annual premium for the D&O policy shall be in accordance with market conditions. The Company shall retain the assistance of the Company's external insurance advisors in determining market conditions.
  - 15.5. Any purchase of D&O insurance or its renewal during the term of this Policy shall not be brought to additional approval of the General Meeting provided that the Compensation Committee has approved that the purchased D&O insurance meets the conditions detailed above.
16. Each of our Office Holders shall be entitled to the same indemnification terms and insurance policy coverage, all as may be approved from time to time.

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**TAT TECHNOLOGIES LTD.****INSIDER TRADING POLICY**

This document sets forth the Insider Trading Policy (the "**Policy**") of TAT Technologies Ltd. and its subsidiaries (collectively, "**TAT**"). The Policy establishes the policies and procedures that govern trading by TAT personnel in TAT securities and securities of any other company about which such personnel learns material, nonpublic information in the course of performing his or her duties for TAT. The Policy has been adopted by TAT to fulfill its responsibilities as a public company under U.S. federal and Israeli securities laws to prevent insider trading and to help its personnel avoid the severe consequences associated with violations of the insider trading laws. The Policy is also intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with TAT. Should you have any questions regarding this Policy, please contact the Company's Chief Financial Officer (the "**Stock Compliance Officer**").

**It is important that all TAT personnel review the Policy carefully. Noncompliance with the Policy is grounds for immediate dismissal. Failure to comply with the policies and procedures set forth below also can result in a serious violation of the U.S. federal and Israeli securities laws, leading to potential civil and criminal penalties.**

**I. Scope of Policy**

All directors, officers and other employees of TAT, and, if designated by the Stock Compliance Officer as a covered entity (1) all directors and officers of a joint venture in which TAT has a financial interest (such a joint venture is referred to as a "**Related Company**") and (2) any consultant or contractor to TAT or a Related Company, are subject to the prohibitions set forth in this Insider Trading Policy (each such person subject to the Policy is referred to as a "**Covered Person**").

The restrictions imposed by the Policy apply to trading in any TAT securities, as well as any instrument that derives its value from the price of TAT securities, including but not limited to, puts, calls, warrants, options and convertible securities whether or not issued by TAT (a "**Derivative Security**"), subject to the qualification, as provided in Part VI of this Policy, that all Covered Persons are prohibited from engaging in certain types of transactions, including short sales of (and economically equivalent transactions relating to) TAT securities. The restrictions imposed by the Policy also apply to trades in securities of any Related Company and any other company about which any Covered Person learns material, nonpublic information in the course of performing his or her duties for TAT, such as securities of any company with which TAT may be entering into or negotiating major transactions and Derivative Securities of any of such securities.

**II. Persons Subject to this Policy**

Each of the policies and procedures under the Policy that is binding on a Covered Person also applies to the "**Associates**" of such Covered Person, which consist of: (i) any Family Member who resides in the household of a Covered Person; (ii) anyone else who lives in the household of a Covered Person; and (iii) any Family Member who does not live in the household of a Covered Person but whose transactions in TAT securities or Derivative Securities are directed by or subject to the influence or control of a Covered Person (such as parents or children who consult with you before they trade in TAT securities or Derivative Securities). Family Members consist of the following persons: any child, stepchild, grandchild, parent, stepparent, grandparent, spouse (or comparable co-habitation relationship), sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, in each case including adoptive relationships.

This Policy applies to any entities that a Covered Person controls, including any controlled corporations, partnerships or trusts, and transactions by such entities should be treated for the purposes of this Policy as if they were for the account of the Covered Person, unless the entity engages in the investment of securities in the ordinary course of its business (e.g., an investment fund or partnership) and confirms to the Stock Compliance Officer that it has established its own policies and procedures for compliance with insider trading restrictions under applicable securities laws.

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Situations may exist where a Covered Person has a record ownership of or beneficial interest in securities, but has no responsibility for investment decisions, such as, for example, where the investment decisions have been delegated to an investment adviser. In such cases, this Policy is not intended to proscribe dealings in securities so long as the Covered Person has neither discussed the merits of the investment with, nor provided inside information to, the person or persons having the decision-making investment responsibility. Similarly, this Policy does not proscribe the purchase, sale or holding of an interest in a publicly traded mutual fund, even if the fund holds or trades in TAT securities or Derivative Securities.

As set forth in a separate Addendum to this Policy and subject to Section V hereof, all directors and officers of TAT, and any other employees, consultants or contractors of TAT designated by the Stock Compliance Officer (each such person subject to the Addendum is referred to as an "*Addendum Covered Person*") are required to notify the Stock Compliance Officer of all trades in TAT securities or Derivative Securities and are prohibited from holding TAT securities in a margin account or pledging TAT securities.

### **III. General Insider Trading Prohibition**

Any Covered Person who possesses knowledge of any "material information" concerning TAT that has not been disclosed to the public is prohibited from (i) trading in TAT securities or Derivative Securities, (ii) advising others to trade or to refrain from trading in TAT securities or Derivative Securities, or (iii) disclosing the material information to any other person for the purpose of enabling such person to trade or to refrain from trading in TAT securities or Derivative Securities. These restrictions remain in effect until the information is fully disclosed to the public or until the information, although not disclosed, ceases to be material.

Any Covered Person who obtains, in the course of his or her employment with or engagement by TAT, knowledge of any "material information" concerning any other company that has not been disclosed to the public is prohibited from (i) trading in securities of such other company or Derivative Securities of such other company, (ii) advising others to trade in securities of such other company or Derivative Securities of such other company, or (iii) disclosing the material information to any other person for the purpose of enabling such person to trade in securities of such other company or Derivative Securities of such other company. These restrictions remain in effect until the information is fully disclosed to the public or until the information, although not disclosed, ceases to be material.

For purposes of insider trading liability, it does not matter that delaying the transaction until the material, nonpublic information is disclosed or ceases to be material might cause the Covered Person or an associate of a Covered Person to incur a financial loss, or whether there is some independent reason for the transaction (such as the need to raise money for an emergency expenditure). In addition, except in the limited circumstances discussed below, it does not matter that a Covered Person or an Associate of a Covered Person may have decided to engage in a transaction before learning of the undisclosed material information. Further, it also is irrelevant that publicly disclosed information about TAT would, without consideration of the undisclosed material information, provide a substantial basis for engaging in the transaction. The federal and Israeli securities laws do not recognize any such mitigating circumstances and further, even the appearance of an improper transaction must be avoided to preserve TAT's reputation for adhering to the highest standards of conduct.

#### Material Information

In general, information is considered material as it relates to any company if there is a substantial likelihood that a reasonable investor would consider the information important in making a decision to buy, hold or sell securities of such company. While this standard is not always easy to apply, any information that could be expected to affect the price of TAT's ordinary shares (or other TAT security that is the subject of the transaction), whether positive or negative, should be considered material. Some examples of information that is almost always regarded as material include: significant transactions such as pending or proposed mergers, tender offers, acquisitions or dispositions; financial forecasts (especially earnings estimates); corporate restructurings; regulatory rulings; unanticipated changes in the level of sales, earnings or expenses or earnings that are not consistent with the consensus expectations of the investment community; material changes to previously filed financial statements; credit rating changes; stock splits; stock dividends; equity or debt offerings; management changes; entry into or loss of a substantial contract not in the ordinary course of business; impending bankruptcy or the existence of severe liquidity problems; and similar matters.

Any Covered Person who has questions as to the materiality of any nonpublic information is advised to contact the Stock Compliance Officer for guidance. When in doubt as to the materiality of any nonpublic information, Covered Persons should refrain from trading.

#### Public Disclosure

Disclosure of material information to the public generally means the disclosure of the information in a filing with the Securities and Exchange Commission (the "**SEC**") and the Tel Aviv Stock Exchange (such as TAT's annual report on Form 20-K or current reports on Form 6-K) or otherwise released broadly to the marketplace (such as by a press release). More limited dissemination of the information, such as in a company communication to employees (even if it is to all employees generally) does not qualify as public disclosure. To ensure adequate disclosure, two full trading days should be permitted following public disclosure to allow the securities markets an opportunity to digest the news.

#### Tipping

Covered Persons who cannot trade in TAT securities, Derivative Securities, securities of any other company or derivative securities of such securities, by reason of the possession of material, nonpublic information also may not either (i) disclose such information to any other person for the purpose of allowing the other person to trade in the above securities or (ii) provide trading advice with respect to the above securities (even though the nonpublic information that provides the basis for the advice is not disclosed to the person). Any such disclosure or trading advice constitutes a violation of the federal and Israeli securities laws (referred to as "tipping") and can result in liability for both the tipper and the tippee, as well as for TAT and supervisory personnel.

### **IV. Blackout Periods**

#### Regular Blackout Periods

There are four regular blackout periods with respect to trading per year (the "**Quarterly Blackout Periods**"). Each Quarterly Blackout Period begins at 12:01 a.m. Eastern time on the 23<sup>rd</sup> day of the third month of the quarter (i.e. 12:01 a.m. Eastern time on each March 23, June 23, September 23 and December 23) and ends at 11:59 p.m. Eastern time on the close of trading on the second full trading day following the public dissemination by TAT of its quarterly (or, in the case of the fourth quarter, annual) financial results by press release to the national wire services or by making a filing with the SEC and the Tel Aviv Stock Exchange.

Covered Persons are prohibited from trading in TAT securities or Derivative Securities during Quarterly Blackout Periods.

#### Designated Blackout Periods

Any Covered Person, at any time and from time to time, may be informed by the Stock Compliance Officer that he or she, and his or her Associates, are subject to a designated blackout period (a "**Designated Blackout Period**" and, together with a Quarterly Blackout Period, a "**Blackout Period**") due to such person's involvement in or knowledge of a particular matter. Covered Persons so advised are prohibited from trading in TAT securities or Derivative Securities until they receive further notice from the Stock Compliance Officer. The existence of a Designated Blackout Period will not be announced other than to those who are subject to it. Any Covered Person or their Associates made aware of the existence of a designated blackout period should not disclose the existence of such blackout for any reason.

**It is important to keep in mind that, although a Blackout Period is not in effect, the prohibition on trading on material, nonpublic information continues to apply.**

## V. Approved Trading Plans

Transactions by Covered Persons and their Associates pursuant to a written trading plan (an “*Approved Plan*”) will not violate this Policy and are not subject to the Blackout Period restrictions or pre-clearing procedures if the following conditions are met:

- The Approved Plan and trades thereunder must meet the requirements of the Company’s “Guidelines for Rule 10b5-1 Plans,” which may be obtained from the Stock Compliance Officer.
- the Stock Compliance Officer must approve the Approved Plan prior to any transaction being completed thereunder;
- The Approved Plan must comply with the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “*1934 Act*”), including the following:
  - (i) it must be a written, binding contract, instruction or plan entered into outside of a Blackout Period and at such time when the Covered Person is not in possession of material, nonpublic information;
  - (ii) the Approved Plan must expressly specify the amounts, prices and dates of transactions (specifically or through a written formula, or a combination thereof) or confer discretionary authority on another person (who is not a Covered Person or Associate and otherwise is not in possession of material non-public information) to effect one or more purchase or sale transactions for the account of the instructing person;
  - (iii) the instructing person may not exercise any subsequent influence over how, when or whether the transactions are effected; and
  - (iv) the purchase or sale must occur pursuant to the Approved Plan.
- Any Covered Person or their Associate must report to the Stock Compliance Officer (i) all transactions made pursuant to the Approved Plan and (ii) the completion or termination of the Approved Plan.

The Stock Compliance Officer will approve any Approved Plan that complies with the terms of this Section V.

A contract, instruction or plan of the type described above will generally only be necessary for an Addendum Covered Person and other persons who routinely come into contact with material non-public information, and should not generally be necessary for other Covered Persons.

## VI. Short Term Speculation; Hedging Transactions; Pledges Restrictions

TAT considers it improper and inappropriate for any Covered Person or their Associates to engage in short-term or speculative transactions in TAT securities or in other transactions in TAT securities that may transfer the full risks and rewards of ownership over TAT securities. Therefore, it is TAT's policy that Covered Persons and their Associates may not engage, in any of the following transactions:

- *Publicly Traded Options.* A transaction in options is, in effect, a bet on the short-term movement of TAT shares and therefore creates the appearance of trading based on inside information. Transactions in options also may focus attention on short-term performance at the expense of long-term objectives. Accordingly, transactions in puts, calls or other derivative securities, on an exchange or in any other organized market, are prohibited. Option positions arising from certain types of hedging transactions are governed by the third paragraph below
- *Standing Orders.* A standing order placed with a broker to sell or purchase TAT shares at a specified price leaves the shareholder with no control over the timing of the transaction. A transaction pursuant to a standing order – which does not meet the standards of an Approved Plan – executed by the broker when the Covered Person is aware of material nonpublic information may result in unlawful insider trading. Accordingly, standing orders are prohibited during any Blackout Period and at any time that the Covered Person is aware of material, non-public information. Any pending standing order must be cancelled before the commencement of any Blackout Period.
- *Hedging Transactions.* Certain forms of hedging or monetization transactions allow Covered Persons to lock in much of the value of their TAT securities, often in exchange for all or part of the potential for upside appreciation in the securities. These transactions allow the Covered Person to continue to own the covered TAT security, but without the full risks and rewards of ownership. Such transactions may use methodologies or financial instruments including, but not limited to, short sales, puts, calls, collars, prepaid variable forward contracts and exchange funds. When that occurs, the Covered Person may no longer have the same objectives as TAT's other securityholders. Therefore, Covered Persons are prohibited from employing any such methodologies or using any such financial instruments with respect to a TAT security absent prior written approval of the Stock Compliance Officer. Any Covered Person that wishes to seek such approval must submit a request to the Stock Compliance Officer at least two weeks prior to the proposed execution of documents related to such transaction.
- *Margin Accounts and Pledges.* Covered Persons may not hold TAT securities in a margin account or pledge TAT securities as collateral because a margin or foreclosure sale may occur when such Covered Person is aware of material nonpublic information or otherwise prohibited from trading in TAT securities.

Any Covered Person who has questions as to whether a particular strategy would violate the Policy is advised to contact the Stock Compliance Officer.

## VII. Application of the Policy to Specific Transactions

The provisions of the Policy apply to various investment decisions concerning TAT securities made by a Covered Person in connection with TAT's equity incentive plans, as are in effect from time to time.

### Equity Incentive Plans

The Policy does not apply to the grant or the cash exercise of share options granted under TAT's equity incentive plans as in effect from time to time, and also would not apply to the delivery of shares to TAT, or the withholding of shares by TAT, upon exercise of such options as payment of the exercise price for such options or for tax withholding, to the extent such transactions are permissible under the equity incentive plans. However, the delivery of TAT shares to any third party in payment for the exercise price of a share option and/or for tax withholding, known as a "cashless" or "same-day sale" exercise, as well as any sale to a third party of TAT shares acquired upon the exercise of a share option, is subject to the same restrictions that apply to any other sale of TAT shares, including the Prior Approval Requirement set forth in the Addendum if the person effecting any such transaction is an Addendum Covered Person. These restrictions also apply to any Associate who acquires a transferred stock option.

The Policy also does not apply to the award of restricted shares or restricted share units or the withholding of shares by TAT from such restricted shares or restricted share units for tax withholding purposes. The sale of TAT shares acquired on the date of release of shares issued pursuant to such awards to any third party (including for tax withholding purposes) is subject to the same restrictions that apply to any other sale of TAT shares, including the Prior Approval Requirement set forth in the Addendum if the person effecting any such transaction is an Addendum Covered Person.

Gifts

Gifts of TAT securities or Derivative Securities during a Blackout Period may only be made with the prior written approval of the Stock Compliance Officer. To the extent approval is granted, the recipient of a gift who is a Covered Person or an Associate of a Covered Person would be subject to the restrictions of this Policy in connection with any subsequent sale of the gifted securities

**VIII. Post-Termination Transactions**

The restrictions imposed by the Policy, including any Blackout Period then in effect, will continue to apply to a Covered Person and their Associates after the termination of his or her employment with or engagement by TAT for such period of time as such Covered Person is aware of material, nonpublic information until that information has become public or is no longer material.

**VIII. Reason for the Prohibition**

Under the federal and Israeli securities laws, it is unlawful for any director, officer or employee of, or any person otherwise associated with, a public company to trade, or to enable others to trade, in the securities of that company while in possession of material, nonpublic information. Violators may be subject to criminal prosecution and/or civil liability.

Insider trading also can generate significant adverse publicity and, as a result, cause a substantial loss of confidence in TAT and its securities on the part of the public and the securities markets. This could have an adverse impact on the price of TAT shares and other securities to the detriment of TAT and its shareholders.

Remember, anyone scrutinizing your transactions in TAT securities or Derivative Securities will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

**IX. Conclusion**

TAT will strictly enforce the prohibitions against insider trading and the additional restrictions and procedures set forth in this Policy. Any Covered Person, or their Associate, of TAT or any Related Company who is uncertain regarding the applicability of the Policy is urged to contact the Stock Compliance Officer prior to executing any sale or purchase transaction involving TAT securities or Derivative Securities to determine if he or she may properly proceed. Directors and officers of TAT should be particularly careful, since avoiding the appearance of engaging in share transactions on the basis of material, nonpublic information can be as important as avoiding consummating a transaction actually based on such information.



**TAT TECHNOLOGIES LTD.  
INSIDER TRADING POLICY  
ACKNOWLEDGMENT**

The undersigned hereby acknowledges receipt of the attached Insider Trading Policy (the "*Policy*") of TAT Technologies Ltd. ("*TAT*") and hereby covenants that he or she will strictly comply with the Policy. The undersigned hereby agrees that if he or she is contemplating a sale or purchase transaction involving any TAT securities or a Derivative Security (as defined in the Policy) and is unsure of the applicability of the Policy that he or she will contact the Stock Compliance Officer prior to executing the transaction to determine if he or she may properly proceed.

Directors and any officers should be particularly careful to avoid even the appearance of engaging in any stock transaction on the basis of material, nonpublic information, which can be as important as avoiding a transaction actually based on such information.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Please acknowledge your receipt of the attached insider trading policy by dating and signing this acknowledgment and returning it to [---] in the TAT corporate headquarters.

**ADDENDUM TO TAT TECHNOLOGIES LTD. INSIDER TRADING POLICY APPLICABLE TO  
DIRECTORS, OFFICERS AND CERTAIN DESIGNATED EMPLOYEES**

In addition to compliance with the general insider trading prohibition, subject to Section V of the Insider Trading Policy (the "*Policy*") of TAT Technologies Ltd., all directors and officers of TAT, and any other employees, consultants or contractors of TAT designated by the Stock Compliance Officer (each such person subject to the Addendum is referred to as an "*Addendum Covered Person*") are required to adhere to the following additional restrictions and procedures when trading in TAT securities and Derivative Securities.

In addition to the Blackout Periods and compliance with the general prohibition on insider trading, all directors and officers, and any other employees, consultants or contractors of TAT designated by the Stock Compliance Officer, must notify the Stock Compliance Officer before effecting a trade in TAT securities or any Derivative Security for their personal account (the "*Prior Notification Requirement*") (to the extent that such persons are permitted to trade in Derivative Securities consistent with the restrictions described in Part VI). The Prior Notification Requirement also applies to Associates of the foregoing individuals. The notification should be submitted 48 hours prior to the proposed transaction date. Covered Persons who have questions regarding Prior Notification Requirement are advised to contact the Stock Compliance Officer.

TAT TECHNOLOGIES LTD.

GUIDELINES FOR RULE 10b5-1 PLANS

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability under Rule 10b-5 of the Securities Exchange Act of 1934, as amended. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan (a "*Rule 10b5-1 Plan*"). If the plan meets the requirements of Rule 10b5-1, TAT securities may be purchased or sold without regard to certain insider trading restrictions. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of material nonpublic information. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

As specified in the Insider Trading Policy (the "*Policy*") of TAT Technologies Ltd., a Rule 10b5-1 Plan must be approved by the Stock Compliance Officer and meet the requirements of Rule 10b5-1 and these guidelines. Any Rule 10b5-1 Plan must be submitted for approval prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required.

The following guidelines apply to all Rule 10b5-1 Plans:

- All management members of the Company may only execute trades pursuant to a Rule 10b5-1 Plan.
- You may not enter into or modify a Rule 10b5-1 Plan program during a Blackout Period or while in possession of material nonpublic information.
- All Rule 10b5-1 Plans must have a duration of at least 6 months and no more than 2 years.
- You may not commence sales under a trading program until at least 30 days following the date of establishment of a trading program.
- If a Rule 10b5-1 Plan is terminated, you must wait at least 30 days before trading outside of the Rule 10b5-1 Plan.
- Any modification of a trading program must not take effect until at least 30 days following the date of the modification. The unmodified trading program can continue in effect until the modified plan takes effect.

**List of Subsidiaries of the Registrant**

We own the following significant subsidiaries:

1. Limco-Piedmont Inc., a 100%-owned Delaware subsidiary.
  2. Limco Airepair Inc., a wholly-owned Delaware subsidiary of Limco-Piedmont Inc.
  3. Piedmont Aviation Component Services LLC, a North Carolina limited liability company, wholly-owned subsidiary of Limco-Piedmont Inc.
  4. Turbochrome Ltd., a wholly-owned Israel subsidiary.
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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
Pursuant to Rule 13a-14(a) and 15d-14(a)  
Under the Securities Exchange Act of 1934, as Amended**

I, Igal Zamir, certify that:

1. I have reviewed this annual report on Form 20-F of TAT Technologies Ltd.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
  4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated Subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
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(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 26, 2025

/s/ Igal Zamir

Igal Zamir  
Chief Executive Officer

\* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
Pursuant to Rule 13a-14(a) and 15d-14(a)  
Under the Securities Exchange Act of 1934, as Amended**

I, Ehud Ben-Yair, certify that:

1. I have reviewed this annual report on Form 20-F of TAT Technologies Ltd.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
  4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated Subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
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(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 26, 2025

/s/ Ehud Ben-Yair

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Ehud Ben-Yair

Chief Financial Officer (Principal Financial and Accounting Officer)

\* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of TAT Technologies Ltd. (the "Company") on Form 20-F for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Igal Zamir, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Igal Zamir  
Igal Zamir  
Chief Executive Officer

Date: March 26, 2025

\* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of TAT Technologies Ltd. (the "Company") on Form 20-F for the period ending December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ehud Ben- Yair, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Ehud Ben-Yair

Ehud Ben-Yair

Chief Financial Officer (Principal Financial and Accounting Officer)

Date: March 26, 2025

\* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-268906, 333-219031, 333-228345, 333-208990 and 333-189758) of TAT Technologies Ltd. of our report dated March 26, 2025 relating to the financial statements, which appears in this Form 20-F.

Tel-Aviv, Israel  
March 26, 2025

/s/ Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

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*Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel.*  
*P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax: +972 -3- 7954556, [www.pwc.com/il](http://www.pwc.com/il)*

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TAT TECHNOLOGIES LTD.

CLAWBACK POLICY

**I. OVERVIEW**

In accordance with the applicable rules of the Nasdaq Stock Market (the "*Nasdaq*"), Section 10D and Rule 10D-1 of the U.S. Securities Exchange Act of 1934, as amended (the "*Exchange Act*") ("*Rule 10D-1*"), the Board of Directors (the "*Board*") of TAT Technologies Ltd., a company organized under the laws of the State of Israel (the "*Company*"), has adopted this Policy (the "*Policy*") to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. Each capitalized term used and not defined shall have the meaning set forth in Section VIII below.

**II. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

- (1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with the applicable rules of Nasdaq ("*Nasdaq Rules*") and Rule 10D-1 as follows:
  - (i) After an Accounting Restatement, the Compensation Committee of the Board of Directors (the "*Committee*") shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer, if any, and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.
    - (a) For Incentive-based Compensation based on (or derived from) the Company's share price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
      - (x) The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's share price or total shareholder return upon which the Incentive-based Compensation was Received; and
      - (y) The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to Nasdaq.
  - (ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation or Erroneously Awarded Compensation, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, except as set forth in Subsection (2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

- (iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, including, without limitation, the Company's Executive Compensation Policy adopted in accordance with Israeli law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.
    - (iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including reasonable legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.
  - (2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Subsection (1) above if the Committee determines that recovery would be impracticable and any of the following three conditions are met:
    - (i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to Nasdaq;
    - (ii) Recovery would violate the Israeli law, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of the Israeli law, the Company has obtained an opinion of Israeli counsel, acceptable to Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq; or
    - (iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.
  - (3) Recovery shall be required in accordance with this Section II regardless of whether the applicable Executive Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Accounting Restatement and regardless of whether or when restated financial statements are filed by the Company.
  - (4) For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person's right to voluntarily terminate employment for "good reason," or due to a "constructive termination" (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.
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**III. DISCLOSURE REQUIREMENTS**

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("**SEC**") filings and rules.

**IV. PROHIBITION OF INDEMNIFICATION AND LIABILITY**

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

**V. ADMINISTRATION AND INTERPRETATION**

This Policy shall be administered by the Committee, and, subject to any permitted review by Nasdaq pursuant to the Nasdaq Rules, any determinations made by the Committee shall be final and binding on all affected individuals. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the "Committee" shall be deemed to be references to the Board.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith (the "**Applicable Rules**"). The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

**VI. AMENDMENT; TERMINATION**

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section VI to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule, Nasdaq rule or Israeli law. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association in the United States.

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## **VII. OTHER RECOVERY RIGHTS**

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company, including, without limitation, the Company's Executive Compensation Policy adopted in accordance with Israeli law, or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

## **VIII. SEVERABILITY**

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

## **IX. ACKNOWLEDGEMENT**

Each Executive Officer shall sign an acknowledgment pursuant to which such Executive Officer will agree to be bound by the terms of, and comply with, this Policy; however, any Executive Officer's failure to sign any such acknowledgment shall not negate the application of this Policy to the Executive Officer.

## **X. DEFINITIONS**

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

- (1) "**Accounting Restatement**" means an accounting restatement to correct the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "*Big R*" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "*little r*" restatement).
  - (2) "**Clawback Eligible Incentive Compensation**" means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).
  - (3) "**Clawback Period**" means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.
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(4) “**Erroneously Awarded Compensation**” means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received based on a restated Financial Reporting Measure had it been determined based on the restated amounts, determined on a pre-tax basis in accordance with the Applicable Rules.

(5) “**Executive Officer**” means each individual who is currently or was previously designated as the Company’s principal executive officer, principal financial officer or principal accounting officer, or was otherwise identified by the Company in Item 6.A of the Company’s Annual Report on Form 20-F filed with the SEC as a member of the Company’s senior management (as defined in Form 20-F).

(6) “**Financial Reporting Measures**” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Share price and total shareholder return (and any measures that are derived wholly or in part from share price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(7) “**Incentive-based Compensation**” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure and Received by a person: (a) after beginning service as an Officer; (b) who served as an Officer at any time during the performance period for that compensation; (c) while the issuer has a class of its securities listed on a national securities exchange or association; and (d) during the applicable Clawback Period.

(8) “**Received**” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the grant, vesting or payment of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(9) “**Restatement Date**” means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of December 1, 2023.

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*EXHIBIT*

*ATTESTATION AND ACKNOWLEDGMENT OF CLAWBACK POLICY*

By my signature below, I acknowledge and agree that:

1. I have received and read the attached Clawback Policy (the "*Policy*") of TAT Technologies Ltd. (the "*Company*").
2. For good and valuable consideration, the receipt of which is acknowledged, I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company and any subsidiary of the Company and agree that compensation I receive may be subject to reduction, cancellation, forfeiture and/or recoupment to the extent necessary to comply with the Policy, notwithstanding any other agreement to the contrary.
3. I further acknowledge and agree that I am not entitled to indemnification in connection with any enforcement of the Policy against me and expressly waive any rights to such indemnification under the Company's organizational documents or otherwise.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

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