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, 2023

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)

Ehud Ben-Yair
Chief Executive Officer
Telephone: +972-54-4522565
Email: ehudb@tat-technologies.com
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
Ordinary Shares, NIS 0.90 Par Value	TATT	**NASDAQ Global Market**

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:

Ordinary Shares, par value NIS 0.90 per share............... 10,102,612
(as of December 31, 2023)

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. is a leading provider of solutions and services to the aerospace and defense industries, focused mainly on two product areas and services: Thermal Management and Power and Actuation. 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 over 500 customers worldwide, including tier one players in their respective markets such as Boeing, Embraer, Lockheed Martin, Collins, Liebherr, Pratt & Whitney (a division of Collins), the U.S. Armed Forces, and service centers of airlines such as American Airlines, Lufthansa and others. TAT enjoys a strong reputation among its customers for quality and service-oriented approach.

As a leading provider in its market, TAT's business is supported by an extensive number of certifications, including from the American, European, British and Chinese civil aviation authorities, as well as leading manufactures such as Boeing and Honeywell International.

TAT employed as of December 31, 2023 491 employees and operates in three locations: its facility in Kiryat Gat, Israel ("TAT Israel" and "Turbochrome"); Limco Airepair Inc. ("Limco") in Tulsa, Oklahoma; Piedmont Aviation Component Services LLC ("Piedmont") in Greensboro, North Carolina; the Company's Headquarters in Netanya Israel and a strategic sales office in Charlotte, North Carolina. In addition, the Company operates from its headquarters in Netanya Israel and from a strategic sales office in Charlotte, North Carolina.

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 European Aviation Safety Agency ("EASA"). Limco is also an OEM of heat transfer solutions.

Through its Piedmont subsidiary, TAT provides MRO services for aviation components in the area of landing gears, APUs and Machining and Plating services (MPG). Piedmont has a growing Trading and Leasing group that leases APUs (757, 767, 777, 737 and 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 a lesser extent, 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 and EASA.

In addition, TAT, through its Piedmont subsidiary, holds approximately 5% of the equity securities of First Aviation Services Inc.("FAvS").

During the years 2020 and 2021 the COVID-19 pandemic had an adverse effect on our industry and the markets in which we operate. The COVID-19 outbreak has significantly impacted the aviation market in which TAT's customers operate and has resulted in a reduction of TAT's business with some of these customers. Global supply shortages emerged for certain products, leading to delays in delivery schedule these effects still apply to a certain degree.

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 Gedera to a facility in Kiryat Gat, Israel 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. For more information about the Company's restructuring plan please see note 9 to the company financial statements.

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 2022 and 2023 by persistent cost pressures, including supply chain and labor costs. We expect inflationary cost pressures to continue in 2024 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 and Israel and Hezbollah, 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", "Company", "we," "us," and "our" mean TAT Technologies Ltd. and its 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 New Israeli 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 are "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," 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 section that appears 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 dollar. Because 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.***
- ***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 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 or asserting U.S. securities laws claims in Israel.***
- ***As a foreign private issuer whose shares are listed on 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 or accepted by the FAA, EASA, the United States Department of Defense and comparable agencies in other countries and by leading original equipment manufacturers ("OEMs"). If any of our material certifications, authorizations or approvals are revoked or suspended, then the operations of TAT or its subsidiaries, as the case may be, will be significantly curtailed and TAT and 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 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'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 far larger, have substantially greater resources than TAT, including technical, financial, research and development, marketing and distribution capabilities, and enjoy greater market recognition. These competitors may be able to achieve greater economies of scale and may be less vulnerable to price competition than TAT. In addition, some of those companies are considered to be tier one suppliers offering customers a wider range of systems and products, in addition to heat transfer solutions, as a bundle. TAT may not be able to offer its products as part of integrated systems to the same extent as its competitors or successfully develop or introduce new products that are more cost effective or offer better performance than those of its competitors. Failure to do so could adversely affect TAT's business, financial condition and results of operations.

TAT's major competitors in the area of MRO services for heat transfer components are the service divisions of OEMs, including Honeywell-Lori, 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 Triumph Accessory Services, Drake Air – Ametek, American Cooler Service – Aviation Technical Services, Lufthansa Technik and Elite Aerospace, a division of Meggitt.

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 price, quality, engineering solutions, breadth of services, and the ability to perform repairs and overhauls rapidly. 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 28.46%, 26.4% and 27.8% of TAT's revenues for the years ended December 31, 2023, 2022 and 2021, 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 8.3%, 6.3% and 5.6% of TAT's revenues on a consolidated basis for the years ended December 31, 2023, 2022 and 2021, 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 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 signed a 10 years agreement with Honeywell for the commercial application. Under this contract Piedmont is an authorized MRO station under Honeywell's license.

During June 2021 Piedmont has also signed a similar contract for the APU 331-500 serving the Boeing 777 aircraft.

In July 2021 Piedmont signed another contract granting Piedmont a 10-year MRO license for MRO of APU131 serving the Boeing 737 platform and AirBus A319-320-321 platform.

Also, Piedmont is a provider of services for the Safran and Liebherr landing gear systems (used on ATRs and Ejet platforms), and to do so, Piedmont is dependent on these OEM's to provide parts and engineering support.

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 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 lowest 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, 2023, 2022 and 2021, approximately 93%, 92% and 89% of TAT's sales, respectively, resulted from TAT's operations out of 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 current geopolitical tensions and conflict between Russia and Ukraine, and the invasion by Russia of Ukraine, the governments of the United States, EU, Japan and other jurisdictions have announced the imposition of sanctions on certain industry sectors and parties in Russia and certain impacted 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. While our business in Russia is of limited in scope, these restrictions may cause a reduction of our sales and financial results.

During the years 2020 and 2021 the COVID-19 pandemic had an adverse effect on our industry and the markets in which we operate. The COVID-19 outbreak has significantly impacted the aviation market in which TAT's customers operate and has resulted in a reduction of TAT's business with some of these customers. In order to mitigate the impact of the decline in business as a result of the pandemic, TAT implemented measures to reduce its expenses, including the Company's restructuring plan announced in March 2021, reduction in its headcount as well as other cost savings measures. Please see Note 9 to the company financial statements. The Company applied and received governmental assistance as part of the COVID-19 relief programs provided by the Israeli government and certain states in the United States in which the Company and its subsidiaries operate. Please see Notes 10 and 11 to the company financial statements for long term loans, credit lines and grants received in connection with governmental assistance.

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 number of countries. For example, in November 2015, we signed a joint venture agreement with Russian-based 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 restricted to some degree by shareholder agreements entered into with our strategic partners. Our business, financial condition, results of operations and prospects may be materially harmed if disagreements develop with our partners. Our ability to withdraw funds and dividends from these entities may depend on the consent of 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 the current geopolitical tensions and conflict between Russia and Ukraine, and the invasion by Russia of Ukraine, the governments of the United States, EU, Japan and other jurisdictions have announced the imposition of sanctions on certain industry sectors and parties in Russia and certain impacted regions, as well as enhanced export controls on certain products and industries. Due to such sanctions, during 2022 and 2023 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 Kiryat Gat, Israel, Kernersville and Greensboro, North Carolina and Tulsa, Oklahoma facilities 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 imposes certain duties on TAT and its executives and directors. TAT's efforts to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") governing internal controls and procedures for financial reporting have resulted in increased general and administrative expenses and a diversion of management time and attention. TAT expects these efforts to require the continued commitment of significant resources. 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, 2023.

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 and 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 at each 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, the 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, so TAT may be responsible for more than its proportionate share and may even be responsible for the entire liability at issue. The extent of any such liability can be difficult to predict.

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 our reputation and that of our products and services. There can be no assurance that TAT will not experience material product liability losses in the future, that it will not incur significant costs to defend such claims, that, although TAT maintains product liability insurance, its insurance coverage will be adequate if claims were to 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.

In addition, contractual disputes over warranties can arise in the 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 dollar. Because 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.

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 its revenues are quoted in NIS and in Euro. Additionally, certain assets, as well as a portion of TAT's liabilities, are denominated in NIS. Because 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. TAT's results may be adversely affected by the devaluation of the NIS in relation to the dollar (or if such devaluation is on a lagging basis), if TAT's revenues in NIS are higher than TAT's expenses in NIS and/or the value of TAT's assets in NIS are 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 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 and Israel and Hezbollah;
- 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 52% of TAT's 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 and Hezbollah) 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 attack, 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 out a number of targeted strikes on sites belonging to Hezbollah in southern Lebanon.

In addition, Israel faces threats from more distant neighbors, in particular, Iran which has threatened to attack Israel, may be developing nuclear weapons and has targeted cyber-attacks against Israeli entities, and terrorist groups in Yemen, which are threatening to limit 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 against Hamas 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.

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 Israel Defense Force (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 memorandum of association, articles of association and by Israeli law. 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. Israeli 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. However, subject to certain time limitations and other conditions, Israeli courts may enforce final judgments of U.S. courts for liquidated amounts in civil matters, including judgments based upon the civil liability provisions of those and similar acts.

As a foreign private issuer whose shares are listed on NASDAQ, TAT may follow certain home country corporate governance practices instead of certain NASDAQ requirements.

As a foreign private issuer whose shares are listed on NASDAQ, TAT is permitted to follow certain home country corporate governance practices instead of certain requirements of the NASDAQ Marketplace Rules. A foreign private issuer that elects to follow a home country practice instead of such 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 or on its website each such requirement that it does not follow and describe the home country practice followed by the issuer instead of any such requirement. For example, Israel's corporate governance or laws require that TAT obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity-based compensation plans, an issuance that will result in a change of control of TAT, certain transactions other than a public offering involving issuances of a 20% or more interest in TAT and certain acquisitions of the stock or assets of another company, which are not required by NASDAQ.

Item 4. Information on the Company

History and Development of TAT

TAT was incorporated under the laws of the State of Israel in April 1985 under the name Galaxy Graphics Ltd. TAT changed its name to Galagraph Ltd. in August 1986 and to 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. The information on TAT'S 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"). 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 certified by the FAA to perform MRO services of APUs and landing gears. Located in Greensboro, North Carolina, 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 (approximately 32% of Limco-Piedmont's total shares) in a stock for stock merger. As a result of such merger, Limco-Piedmont again became a wholly-owned subsidiary of TAT.

Following a series of transactions occurring between March 2008 and March 2009, TAT acquired 70% control of Bental Industries Ltd. In February 2014, TAT sold its entire interest in Bental Industries Ltd to Bental Investments Agshah Ltd. for an aggregate consideration of $5 million.

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 (16,253) of FAvS' Series A preferred stock for an insignificant amount. As of December 31, 2023, TAT owns approximately 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.

A. Business Overview

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 two product areas and services: Thermal Management and Power and Actuation. 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 its 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 ("Lockheed Martin"), Boeing, Continental Motors ("Continental"), 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 ("CAAC"). 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 depending on the bargaining power of the purchaser. 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 Machining and Plating services (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 machining, plating, and grinding ("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 2021, the Company continued with the fade out plan of the JT8D engine blade reconditioning activity and as of 2022 and 2023 this activity is immaterial for TAT's financial statements reporting.

TAT-Engineering LLC

In November 2015, we 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 parties in Russia and certain impacted regions, as well as enhanced export controls on certain products and industries, during 2022 and 2023 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.

Heat Transfer Solutions

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 Gedera 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/E190). 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 2023, 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 6.6% of TAT's revenues for the year ended December 31, 2023, approximately 5.2% of our revenues for the year ended December 31, 2022 and approximately 5.6% of our revenues for the year ended December 31, 2021.

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 2022 and 2023 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, 2023, our backlog included: (i) outstanding purchase orders representing an aggregate amount of $85 million, and (ii) sales that we expect to generate from long-term agreements (the longest of which is until 2033) for which we have not yet received actual purchase orders in an aggregate amount of $349 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, 2023, 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 Triumph Thermal Systems; 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 Israel, 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 or Limco.

For heat transfer MRO services, TAT’s major competitors are Triumph Thermal Systems, Lori Heat Transfer Center of Honeywell, Drake Air – Ametek, Liebherr-Aerospace, American Cooler Service, Collins Aerospace Malaysia, Lufthansa Technik, Meggitt (Elite) 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

In light of the rapidly evolving technological landscape in thermal management systems and the advent of electric Vertical Takeoff and Landing (eVTOL) aircraft, along with the increasing cooling demands posed by sophisticated electrical flying vehicles, TAT recognizes the imperative for ongoing exploration of innovative technologies and materials. This proactive exploration is specifically designed to not only improve the physical characteristics of its products, such as size and weight, but also to elevate their performance metrics, focusing on factors like optimal heat transfer, heightened reliability, and extended lifespan.

Acknowledging the dynamic nature of customer demands and the ever-changing competitive environment, TAT is resolutely committed to the continuous development of groundbreaking products. This commitment extends to the enhancement of functionalities in its existing offerings. By adopting this strategic approach, TAT ensures its adaptability and responsiveness to emerging market potential. The company actively allocates significant resources to foster collaboration with its customers, forming partnerships that serve as catalysts for the pursuit of technological advancements and the enhancement of product features.

Through these collaborative efforts, TAT aspires to achieve and deliver cutting-edge solutions, positioning itself at the forefront of innovation for the thermal management systems. By staying at the vanguard of technological advancements, TAT aims to not only meet but exceed the evolving needs of its customers while maintaining a competitive edge in the dynamic market landscape.

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 who 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.

Israeli Export Policy

Exports of military related products are subject to the military export policy of the State of Israel. Currently the Israeli government encourages exports to approved customers, provided that such exports do not run counter to Israeli policy or national security considerations. TAT Israel must obtain a permit prior to initiating a sales proposal and ultimately an export license for the transaction is required. Israeli law also regulates the export of “dual use” items (items that are typically sold for civilian uses or purposes but that may also have military purposes).

While we have been successful in obtaining export permits in the past, we may not 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.

Proprietary Rights

At the present time, TAT and its subsidiaries do not own any patents. TAT and its subsidiaries rely on laws protecting trade secrets, and consider such items proprietary; however, we believe that our success depends less on the ownership of such proprietary rights than on our innovative skills, technical competences, marketing and engineering abilities. TAT and its subsidiaries have no material registered trademarks.

B. Government Regulations

Aerospace and Safety Regulations

The commercial aerospace industry is highly regulated by the FAA in the United States, EASA in Europe, and other governmental authorities elsewhere in the world, while the military aerospace industry is governed by military quality specifications established by the U.S. Department of Defense for the manufacturing and repair industries and ISO-9000. TAT is required to be certified by one or more of these entities and, in some cases, by individual OEMs. TAT must also satisfy the requirements of its customers, including OEMs and airlines that are subject to FAA regulations and to evolving industry standards, and provide these customers with products that comply with the government regulations applicable to commercial flight operations. TAT believes it currently satisfies or exceeds these 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 (while TAT-Engineering, our joint venture in Russia, is currently pursuing such certification or is currently in process of pursuing such certification). TAT also believes it currently satisfies all industry standards in its facilities.

TAT's operations are also subject to a variety of worker and community safety laws including the Occupational Safety and Health Act of 1970, known as OSHA, which mandates general requirements for safe workplaces for all U.S. employees. In addition, OSHA provides special procedures and measures for the handling of certain hazardous and toxic substances. TAT believes that its operations are in compliance with OSHA's requirements.

TAT believes that it is in material compliance with 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 Civil Aviation Administration of Israel. TAT Israel is certified by the IAF and the Israeli Ministry of Defense for both manufacturing and maintenance. TAT Israel is also licensed as a repair station for certain components by the Civil Aviation Administration of Israel. In addition, TAT Israel export of certain products and/or know-how 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 with regard to such exports, as well as for the actual export of such products.

Environmental Matters

TAT's operations are subject to a number of stringent federal, state and local environmental laws in the United States and Israel, as well as to regulation set or promulgated by government agencies, including the U.S. Environmental Protection Agency. Among other matters, these regulatory authorities impose requirements that regulate the emission, discharge, generation, management, transportation and disposal of pollutants and hazardous substances. These authorities may require TAT to initiate actions to remediate the effects of hazardous substances which may be or have been released into the environment and require TAT 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 perform sampling of certain groundwater wells in TAT's facility in Gedera. During March 2022 TAT has terminated its lease agreement in Gedera facility and has no further requests from the water authority.

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

C. 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 an 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 ROU assets and related operating lease liability of approximately $1 million. In 2023, the rental expense for this property was $200 thousand.

Limco owns and operates a 55,000 square feet 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. Building #2 lease is effective from June 1, 2017 to 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 $4,000 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. Building #4 lease is effective from April 1, 2017 to 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 $3,200 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 2023, 2022 and 2021, the rental expense for this property was $253 thousand, $271 thousand and $158 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 2023, 2022 and 2021 the rental expense was $357 thousand, respectively, for each one 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, 2022 and 2021, the rental expense for this property was $48 thousand for each year respectively. The lease is in effect until May 2025.

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 the 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 Operating Results

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.

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, 2023 were as follows:

	Year Ended December 31,					
	2023		2022		2021	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
Revenues						
OEM of heat transfer solutions and aviation accessories	27,555	24.2%	21,844	25.8%	25,997	33.3%
MRO services for heat transfer components and OEM of heat transfer solutions	32,995	29%	24,796	29.3%	18,846	24.2%
MRO services for aviation components	50,760	44.5%	35,879	42.4%	33,232	42.6%
Overhaul and coating of jet engine components	6,854	6%	5,770	6.8%	3,834	4.9%
Eliminations	(4,370)	(3.7)%	(3,733)	(4.3)%	(3,916)	(5)%
Total Revenues	$ 113,794	100%	$ 84,556	100%	$ 77,973	100%

The following table reflects the geographic breakdown of TAT's revenues for each of the three years ended December 31, 2023:

	Years Ended December 31,					
	2023		2022		2021	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
United States	$ 7,698	7%	$ 56,570	66.9%	$ 47,947	61.5%
Israel	81,999	72%	7,162	8.5%	7,745	9.9%
Other	24,097	21%	20,824	24.6%	22,281	28.6%
Total	$ 113,794	100%	$ 84,556	100.0%	$ 77,973	100.0%

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
- 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		
	2023	2022	2021
		(in thousands)	
Revenues			
OEM of heat transfer solutions and aviation accessories	$ 27,555	$ 21,844	$ 25,977
MRO services for heat transfer components and OEM of heat transfer solutions	32,995	24,796	18,846
MRO services for aviation components	50,760	35,879	33,232
Overhaul and coating of jet engine components	6,854	5,770	3,834
Eliminations	(4,370)	(3,733)	(3,916)
Total revenues	113,794	84,556	77,973
Cost of revenues			
OEM of heat transfer solutions and aviation accessories	20,193	18,778	24,044
MRO services for heat transfer components and OEM of heat transfer solutions	30,176	20,750	16,922
MRO services for aviation components	41,788	28,890	26,444
Overhaul and coating of jet engine components	4,110	3,495	2,978
Eliminations	(4,941)	(3,285)	(3,685)
Total cost of revenues	91,326	68,628	66,703
Gross profit	22,468	15,928	11,270
Research and development costs, net	715	479	517
Selling and marketing	5,523	5,629	5,147
General and administrative	10,558	9,970	8,354
Other expenses (income)	(433)	(90)	(468)
Restructuring expenses, net	-	1,715	1,755
Operating income (loss)	6,075	(1,775)	(4,035)
Financial income (expense), net	(1,330)	127	(540)
Income (loss) before taxes on income (tax benefit)	4,745	(1,648)	(4,575)
Taxes on income (tax benefit)	576	98	(662)
income (loss) before equity investment	4,169	(1,746)	(3,913)
Share in results of affiliated company and impairment of share in affiliated companies	503	184	(76)
Net income (loss) from continued operation	$ 4,672	$ (1,562)	$ (3,989)
Net income (loss) from discontinued operation	-	-	427
Net income (loss)	$ 4,672	$ (1,562)	$ (3,562)

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

	Year Ended December 31,		
	2023	2022	2021
Revenues			
OEM of heat transfer solutions and aviation components	24.2%	25.8%	33.3%
MRO services for heat transfer components and OEM of heat transfer solutions	29	29.3	24.2
MRO services for aviation components	44.5	42.4	42.6
Overhaul and coating of jet engine components	6	6.8	4.9
Eliminations	(3.7)	(4.4)	(5)
Total revenues	100	100	100
Cost of revenues			
OEM of heat transfer solutions and aviation components	17.4	22.2	30.8
MRO services for heat transfer components and OEM of heat transfer solutions	26.5	24.5	21.7
MRO services for aviation components	36.7	34.2	33.9
Overhaul and coating of jet engine components	3.6	4.1	3.8
Eliminations	(4)	(3.9)	(4.7)
Cost of revenues	80.2	81.2	85.5
Gross profit	19.7	18.8	14.5
Research and development costs, net	0.6	0.6	0.7
Selling and marketing	4.8	6.7	6.6
General and administrative	9.3	11.8	10.7
Other expenses (income)	(0.4)	(0.1)	(0.6)
Restructuring expenses, net	0	2	2.2
	14.3	21	19.6
Operating income (loss)	5.3	(2.1)	(5.1)
Financial income (expense), net	(1.2)	0.2	(0.7)
Income (loss) before taxes on income (tax benefit)	4.2	(1.9)	(5.8)
Taxes on income (tax benefit)	0.5	0.1	(0.8)
income (loss) before equity investment	3.7	(2.1)	(5)
Share in results of affiliated company and impairment of share in affiliated companies	0.4	0.2	(0.1)
Net income (loss) from continued operation	4.1	(1.8)	(5.1)
Net income (loss) from discontinued operation	-	-	0.5
Net income (loss)	4.1%	(1.8)%	(4.6)%

* Less than 0.1 percent

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

Revenues. Total revenues were $113.8 million for the twelve months ended December 31, 2023, compared to $84.5 million for the twelve months ended December 31, 2022, an increase of 34.5%. 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 $27.6 million for the year ended December 31, 2023, from $21.8 million for the year ended December 31, 2022, an increase of 26.1%.

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 $33 million for the year ended December 31, 2023, from $24.8 million for the year ended December 31, 2022, an increase of 33.1%.

Revenues from MRO services for aviation components. Revenues from MRO services for aviation components operating segment increased to $50.7 million for the year ended December 31, 2023, from $35.9 million for the year ended December 31, 2022, an increase of 41.5%.

Revenues from overhaul and coating of jet engine components. Revenues from overhaul and coating of jet engine components segment increased to $6.8 million for the year ended December 31, 2023, from $5.8 million for the year ended December 31, 2022 an increase of 18.8%.

Cost of revenues. Cost of revenues was $91.3 million for the twelve months ended December 31, 2023, compared to $68.6 million for the twelve months ended December 31, 2022, an increase of 33.1%.

Cost of revenues as a percentage of revenues decreased to 80.2% for the twelve months ended December 31, 2023, from 81.2% for the twelve months ended December 31, 2022. The decrease is primarily due to the increase in revenue in a higher percentage compared to the increase in our fixed costs and due to better employees utilizations in some segment.

Cost of revenues for OEM of heat transfer solutions and aviation accessories. Cost of revenues for this operating segment was $20.2 million for the year ended December 31, 2023, compared to $18.8 million for the year ended December 31, 2022, an *increase* of 7.5%.

Cost of revenues as a percentage of revenues in this segment decreased to 71.9% in the year ended December 31, 2023, from 86% for the year ended December 31, 2022. The decrease is mainly due better direct labor utilization and increase in revenues in percentages which are higher compared to 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 $30.1 million for the year ended December 31, 2023 from $20.8 million for the year ended December 31, 2022, an increase of 45.4%.

Cost of revenues as a percentage of revenues in this segment increased to 91.4% in the year ended December 31, 2023 from 83.6% for the year ended December 31, 2022. The increase is primarily *due to* the transfer of heat exchange cores manufacturing capabilities to Limco in 2022, which increase the labor cost and raw material usage as part of the learning curve in the new operational production line and increase in depreciation for the new production line.

Cost of revenues for MRO services for aviation components. Cost of revenues for MRO services for aviation components operating segment increased to $41.8 million for the year ended December 31, 2023 from $28.9 million for the year ended December 31, 2022, an increase of 44.6%.

Cost of revenues as a percentage of revenues in this segment increased to 82.5% in the year ended December 31, 2023 from 80.5% for the year ended December 31, 2022.

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 $4.1 million for the year ended December 31, 2023 from $35. million for the year ended December 31, 2022, an increase of 17.6%.

Cost of revenues as a percentage of revenues in this segment decreased to 60 % in the year ended December 31, 2023 from 60.6% in the year ended December 31, 2022.

Research and development, net. Research and development expenses increased to $0.7 million for the twelve months ended December 31, 2023, from $0.5 million for the twelve months ended December 31, 2022, ,an increase of 50%.

Research and development expenses as a percentage of revenues were 0.6% for the twelve months ended December 31, 2023 compared to 0.6% for the twelve months ended December 31, 2022.

Selling and marketing. Selling and marketing expenses were $5.5 million for the twelve months ended December 31, 2023, compared to $5.6 million for the twelve months ended December 31, 2022.

Selling and marketing expenses as a percentage of revenues were 4.8% for the twelve months ended December 31, 2023, compared to 6.7% for the twelve months ended December 31, 2022, a decrease of 1.9 %.

General and administrative. General and administrative expenses were $106. million for the twelve months ended December 31, 2023, compared to $10 million for the twelve months ended December 31, 2022, an increase of 6%.

General and administrative expenses as a percentage of revenues were 9.3% for the twelve months ended December 31, 2023, compared to 11.8% for the twelve months ended December 31, 2022.

Other expenses (income). Other expenses (income) were ($0.4) million for the twelve months ended December 31, 2023, compared to ($0.1) million for the twelve months ended December 31, 2022, an increase of 480%.

Other income as a percentage of revenues were 0.4% for the twelve months ended December 31, 2023, compared to 0.1% for the twelve months ended December 31, 2022.

Restructuring expenses. The company completed its restructuring plan by the end of 2022.

Restructuring expenses as a percentage of revenues were 2% for the twelve months ended December 31, 2022

Financial expenses, net. Financial income, net for the twelve months ended December 31, 2023 were $1.3 million, compared to $0.1 million of financial expenses for the twelve months ended December 31, 2022. The increase was mainly due to an increase in the interest rates and loans proceeds in 2023 and lower exchange rate differences. Additionally, In 2022 there were high exchange rate differences as a result of a stronger US dollar compared to the Israeli Shekel (the Israeli Shekel weakened by 13.2% against the US dollar in 2022, compared to 2021 in which the Israeli Shekel strengthen by 3.3% against the US dollar(.

Taxes on income (tax benefit). Taxes on income for the twelve months ended December 31, 2023, amounted to $0.5 million, compared to $0.1 million tax benefits for the twelve months ended December 31, 2022.

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, 2023, amounted to a gain of $0.5 million compared to a gain of $0.2 million for the twelve months ended December 31, 2022.

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, 2022 filed on March 29, 2023 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. See "RISK FACTORS" for a description of governmental, economic, fiscal, monetary or political policies or factors (including the ongoing war and hostilities with Hamas and Hezbollah) 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. Israel is a member of the World Trade Organization and is a signatory to the General Agreement on Tariffs and Trade. In addition, Israel has been granted preferences under the Generalized System of Preferences from the United States, Australia, Canada and Japan. These preferences allow Israel to export the products covered by such programs either duty-free or at reduced tariffs.

Israel and the European Union Community, known now as the "European Union," concluded a Free Trade Agreement in July 1975 that confers some advantages with respect to Israeli exports to most European countries and obligates Israel to lower its tariffs with respect to imports from these countries over a number of years. 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. On January 1, 1993, an agreement between Israel and the European Free Trade Association, known as the "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 other improvements, such as allowing Israel to become a member of the Research and Technology programs of the European Union. In recent years, Israel has established commercial and trade relations with a number of other nations, including 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 dollars and receives payment primarily in dollars or dollar-linked NIS for all of its sales while it incurs 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 its operations is influenced by the extent to which any inflation in Israel is offset 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, 2021, December 31, 2022 and December 31, 2023.

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 2022 and 2023 is 21%.

Recently Issued Accounting Standards

Recently adopted accounting pronouncements:

1 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.

2. 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, with early adoption permitted. We are evaluating the impact this amended guidance may have on the footnotes to our consolidated financial statements.

Liquidity and Capital Resources

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 sale.

As of December 31, 2023, TAT had cash and cash equivalents of $16.9 million compared to $ 8 million as of December 31, 2022, an increase of $8.9 million primarily due to the private placement.

During 2023, TAT increased its loans and lines of credit from commercial banks by $1.7 million, and repaid loans in the amount of $1.7 million.

During 2022, TAT received a loan from a commercial bank in the amount of $3.7 million. The loan bears annual interest rate of 6.65% (Prime Rate +0.9%) and is repaid in equal monthly installment as of [April 2022] through March 2029. This new loan is in addition to four previous loans received during 2020 and 2021 in an aggregate amount of $6.3 million.

During 2022, TAT received loans from a commercial bank in the US in an aggregate amount of $7.9 million. These loans are secured with a first degree lien on TAT's US subsidiaries equipment. The loans bear annual interest of 3.75% and 4.2% and are repaid in equal monthly installments until 2029 and 2031. In addition, TAT received loans from Machinery Finance Resources in 2023 in the total amount of $0.7 million. The loans bear annual interest of 6.65% which are paid in equal monthly installments until 2028

During 2022 TAT subsidiary received a credit line from a US commercial bank in the amount of $7 million with maturity date of February 2024 and carry an interest of WSJP+0.1% . During 2023, the Company utilized an additional $1 million from the credit line.

During 2022 TAT received a long-term loan of $5 million from a commercial bank in the US, loan bears an annual fixed interest rate of 2.9% and maturity date of March 2024

During 2023 the company secured another short term line of credit for the amount of $4.5 million from an Israeli bank. The company's building and land in Kiryat Gat serves as collateral for this loan.

For more information about the company's loans please refer to Note 10 in the financial statements.

Capital expenditures for the years ended December 31, 2023, 2022 and 2021 were approximately $2.9 million, $16.1 million and $15.6 million, respectively. TAT funded these expenditures mainly from its own cash resources, 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.

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)		
	2023	**2022**	**2021**
Net cash provided by (used in) operating activities	$ 2,255	$ (4,867)	$ (2,269)
Net cash used in investing activities	(3,579)	(16,120)	(5,407)
Net cash provided by financing activities	10,240	15,798	7,652
Net cash provided by (used in) discontinued activities	-	-	153
Net increase (decrease) in cash and cash equivalents	8,916	(5,189)	8,345
Cash and cash equivalents at beginning of the year	8,026	13,215	15,959
Cash and cash equivalents at end of the year	$ 16,942	$ 8,026	$ 24,304

Net cash provided in operating activities for the year ended December 31, 2023, amounted to approximately $2.2 million, compared to net cash used in operating activities of ($4.9) million for the year ended December 31, 2022 and net cash used in by operating activities of ($2.3) million for the year ended December 31, 2021.

Net cash provided by operating activities for the year ended December 31, 2023 was impacted by the company's working capital needs.

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 .; 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; a 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.

Net cash used in operating activities for the year ended December 31, 2021 was impacted by the company's restructuring plan cost with a total amount of $0.58 million.

Net cash used in operating activities for the year ended December 31, 2021 was principally derived from the following adjustments of non-cash line items: an upward adjustment of $4.8 million for depreciation and amortization; a upward adjustment of $2.6 million for increase in trade accounts payable; an upward adjustment of $1.8 million for impairment of fixed assets. This was offset by $3.9 million loss; a downward adjustment of $2.9 million for increase in trade accounts receivable; a downward adjustment of $1.4 million for government loan forgiveness; a downward adjustment of $1.3 million due to change in lease right of use and lease liability; and a downward adjustment of $1 million for increase in other current assets and prepaid expenses.

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, 2021, net cash used by investing activities was $15.6 million, out of which approximately $5.8 million was attributed to investment in machinery and buildings due to the Company's restructuring plan.

In the year ended December 31, 2023, net cash provided by financing activities was primarily attributable to an amount of $10.2million from issuance of common 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. See Note 10 in the company's financial statements.

In the year ended December 31, 2021, net cash provided by financing activities was primarily attributable to a $3 million short-term line of credit received from a commercial bank and to loans of $3 million received in connection with a loan guaranteed by Israeli government due to Covid-19 government support.

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, 2023, 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	2,730	1,033	1,147	550	-
Purchase commitments	24,927	10,732	4,195	-	-
Total	$ 27,657	$ 21,765	$ 4,342	$ 550	$ -

In addition, 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, 2023, our severance pay liability, net was $ 336 thousand.

TAT expects to pay $722 thousand in future benefits to their employees during 2024 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, 2023:

In order to secure TAT's liability to the Israeli customs, TAT provided bank guarantees in the amount of $42 thousand. The guarantees are linked to the consumer price index and will expire from December 2023 through December 2024.

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:

Name	Age	Position
Amos Malka	71	Chairman of the Board of Directors
Igal Zamir	58	Chief Executive Officer and President
Ehud Ben - Yair	60	Chief Financial Officer
Liron Topaz	42	General Manager of TAT Israel
Marty Carvellione	45	General Manager of Piedmont
Jason Lewandowski	49	Chief Operational Officer and acting General Manager of Limco
Lars Hesbjerg	57	Vice President Sales
Gillon Beck	62	Director
Moti Glick (1)(2)(3)(4)	71	External Director
Ronnie Meninger (1)(3)(4)	67	Independent Director
Aviram Halevi (1)(2)(3)(4)	66	External Director

(1) "Independent Director" under the applicable SEC and NASDAQ Marketplace Rules
(2) "External Director" as required by the Israeli Companies Law
(3) Member of the audit committee
(4) Member of the compensation committee

Management

Mr. Igal Zamir was appointed 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 break 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, 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 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. Marty brings with him over 20 years of operational and supply chain experience in the Aerospace and Electric Vehicle Industries. Marty holds a Bachelor's Degree from Fordham University and a Master's Degree in Finance from Hofstra University.

Mr. Lars Hesbjerg was appointed 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 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 Vice President of Clal Trading, a public company as well. Mr.Glick is a CPA(ISR) and holds a B.A. 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. For the last 6 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 the founder and CEO of Intel System Ltd., a provider of business intelligence services. Prior to that, from 2007 until 2010, Mr. Halevi served as the CEO of Terrogence 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

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, 2023.

	Salaries, fees, Commissions and bonuses (Amounts in Thousands US$)	Other benefits (Amounts in Thousands US$)
All directors and executive officers as a group (11 executives)	$ 2,202	$ 41

During the year ended December 31, 2023, 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 1,275 (approximately $356), plus an annual fee of NIS 49,380 (approximately $13,793). 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. Mr. Malka was previously granted options to purchase 50,000 ordinary shares of TAT and is not currently entitled to receive any bonus.

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, 2023, 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.

Information Regarding Covered Executives (1)
(Amounts in Thousands US$)

Name and Principal Position(2)	Base Salary	Benefits and Perquisites(3)	Variable Compensation(4)	Equity-Based Compensation(5)	Total
Igal Zamir, CEO and President	350	116	174	11	**651**
Ehud Ben- Yair, CFO	248	77	75	7	**408**
Jason Lewandowski, COO	260	40	-	68	**368**
Lars Hebjerg, VP Sales	187	24	65	-	**276**
Liron Topaz, GM TAT Israel	161	70	12	17	**260**

(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, 2023.

(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, 2023 and were paid during 2023 in respect of performance related to fiscal year 2022 results.

(5) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2023 in connection with equity-based compensation granted to the Covered Executive.

C. Board Practices

Introduction

According to 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). See below in this Item 6. “Directors, Senior Management and Employees - Board Practices - NASDAQ Exemptions for a Controlled Company.”

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 The NASDAQ Global Market, 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. See Item 6. “Directors, Senior Management and Employees - Board Practices - NASDAQ Exemptions for a Controlled Company”.

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.

Disclosure of Personal Interests of an Office Holder; Approval of Transactions with Office Holders

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.

Disclosure of Personal Interests of a Controlling Shareholder; Approval of Transactions with Controlling Shareholders

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.

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 the 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.

	Active Chairman	**CEO**	**Other Executives**
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, o perating 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.

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.

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. A copy of the policy is filed as an exhibit to this Annual Report.

NASDAQ Exemptions for a Controlled Company

We are a controlled company within the meaning of NASDAQ Marketplace Rule 5615(c)(2), or Rule 5615(c)(2), because the FIMI Opportunity V, L.P. and FIMI Israel Opportunity FIVE, Limited Partnership (the "FIMI Funds") beneficially own more than 50% of our voting shares.

Under Rule 5615(c)(2), a controlled company is exempt from the following requirements of NASDAQ Marketplace Rules 5605(b)(1), 5605(d) and 5605(e) that would otherwise require that:

- The majority of the company's board of directors qualifies as independent directors, as defined under NASDAQ Marketplace Rules.
- The compensation of the chief financial officer and all other executive officers be determined, or recommended to the board of directors for determination, either by (i) a majority of the independent directors or (ii) a compensation committee comprised solely of independent directors.
- Director nominees must be selected or recommended for the board of directors, either by (a) a majority of independent directors or (b) a nominations committee comprised solely of independent directors.

We intend to continue to rely on these exemptions provided under Rule 5615(c)(2).

D. Employees

As of December 31, 2023, TAT and its subsidiaries employed 540 employees, of whom 449 were employed in manufacturing and quality control, 24 were employed in engineering and research and development and 67 were employed in general & administration, sales and marketing. Of such employees, 168 were located in Israel and 372 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 new collective bargaining agreement with respect to employees of TAT Israel. The new agreement was signed on September 7, 2022 and will be in effect until April 30, 2025.
In Turbochrom, a new collective bargaining agreement was signed with Turbochrome's union on September 18, 2022, and will be in effect until April 30, 2025.

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. 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.

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 (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

Total aggregate option pool under the Plans is 1,530,000 ordinary share 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. 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, 2023, options to purchase 625,000 ordinary shares were outstanding under the Plan, exercisable at an average exercise price of $7.31 per share.

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, 2023, 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)	5,254,908	52%
Yelin Lapidot (4)	704,406	7.00%

(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 10,102,612 ordinary shares issued and outstanding as of December 31, 2023 (net of 274,473 dormant shares).

(3) Based on a Schedule 13D filed on August 14, 2013, and on Schedule 13D/A filed on December 12, 2016, FIMI Funds, FIMI FIVE 2012 Ltd., Shira and Ishay Davidi Management Ltd. and Mr. Ishay Davidi share voting and dispositive power with respect to the 5,254,908 ordinary shares held by the FIMI Funds. 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., Electra Tower, 98 Yigal Alon St., Tel Aviv 6789141, Israel.

(4) Based on a Schedule 13G/A filed on January 31, 2024, Dov Yelin, Yair Lapidot, Yelin Lapidot Holdings Management Ltd. and Yelin Lapidot Provident Funds Management Ltd. share voting and dispositive power with respect to the 704,406 shares held by Yelin Lapidot Holdings Management Ltd. and Yelin Lapidot Provident Funds Management Ltd. The principal business address of each of the above entities and persons is 50 Dizengoff St., Dizengoff Center, Gate 3, Top Tower, 13th floor, Tel Aviv 64332, Israel.

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.

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, 2023, there were 32 holders of record of our ordinary shares, of which 29 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 Depositary Trust Company (the central depositary for the U.S. brokerage community), which held approximately 69% of our outstanding ordinary shares as of such date.

B. Related Party Transactions

The amounts in the table below refer to TAT engineering joint venture and affiliates.

Transactions:

	Year ended December 31,		
	2023	2022	2021
Income -			
Sales to related-party company (*)	-	$ 17	$ 88
Cost and expenses -	-		
Supplies from related party (*)	-	-	$ 654

Balances:

	December 31,	
	2023	2022
Trade receivables and other receivables (*)	-	-
Trade payables and other payables (*)	-	-

(*) includes mainly transactions with affiliated companies.

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 15 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

Not applicable.

B. Plan of Distribution

Not applicable.

C. 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.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expense of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

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.

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 13,000,000 ordinary shares of a nominal value of NIS 0.90 each. 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	*"ITEM 6.D Directors, Senior Management and Employees – Share Ownership – 2012 Stock Option Plan."*
2022 Stock Option Plan	*"ITEM 6.D Directors, Senior Management and Employees – Share Ownership – 2022 Stock Option Plan."*
Compensation Policy for Directors and Executives	*"ITEM 6.C Directors, Senior Management and Employees – Board Practices – Compensation of Executive Officers and Directors."*
Indemnification Agreement of Directors and Officers	*"ITEM 6.C – Directors, Senior Management and Employees – Board Practices – Indemnification and Insurance of Directors and Officers."*

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, of the Israeli Government programs from which we benefit and of the Income Tax Law (Inflationary Adjustments), 1985. 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

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 2019 and thereafter).

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

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 an amendment to the Investment Law that came into effect on April 1, 2005 (the “April 2005 amendment”). These programs were waived as part of the "Preferred Enterprise" which is part of the "2011 Amendment".

Prior to the April 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 April 2005 amendment revised the criteria for investments qualified to receive tax benefits. An eligible investment program under that amendment provided for benefits as a Benefited Enterprise (rather than the previous terminology of Approved Enterprise). Among other things, the April 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 returns.

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 new 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 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. 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. We intend to reinvest the entire amount of our tax-exempt income and not to distribute this income as a dividend

Until December 31, 2010, TAT and Turbochrome have elected to participate in the alternative package of tax benefits for their Approved and Benefited Enterprise under the law.

Pursuant to such 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, the company 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).

TAT is located in an area in Israel that is designated as elsewhere and as such is entitled to reduce tax rates of 16% (as of 2014).

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 Enterprise' is 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%.

In addition, a 3% surtax will apply with respect to individuals on top of the aforementioned tax rates when annual taxable income exceeds NIS 698,280 (with respect to 2023). The amount is updated every year.

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).

It should be noted that 3% surtax will apply on individuals on top of the aforementioned tax rates when annual taxable income exceeds NIS 698.280 (with respect to 2023). The amount is updated every year.

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, 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. 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) and, in addition, through the MAGNA distribution site of the ISA (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 11. 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 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders

None.

Item 15. 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 of 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, 2023. 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, 2023, 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 16. [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. 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.

	Year Ended December 31,	
Services Rendered	**2023**	**2022**
Audit (1)	$ 396,873	$ 248,524
Tax (2)	19,571	23,262
Total	$ 413,444	$ 271,786

(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:

- The securities issued amount to 20% or more of our outstanding voting rights before the issuance;
- Some or all of the consideration is other than cash or listed securities or the transaction is not in accordance with market terms; and
- 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 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	Articles of Association of the Registrant (2)
2.1	Description of the rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934 (3)
4.1	2012 Stock Option Plan (4)
4.2	2022 Stock Option Plan (5)
4.3	TAT's Executive and Directors Compensation Policy (6)
4.4	Form of Officers Indemnification Undertaking (7)
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 to the Registrant's Form 6-K filed with the Securities and Exchange Commission on August 30, 2018, and incorporated herein by reference.

(3) 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.

(4) 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.

(5) Filed as Exhibit to the Registrant's Form 6-K filed with the Securities and Exchange Commission on October 3, 2022, and incorporated herein by reference.

(6) Filed as Exhibit to the Registrant's Form 6-K filed with the Securities and Exchange Commission on June 7, 2023, and incorporated herein by reference.

(7) 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 6, 2024

TAT TECHNOLOGIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

TAT TECHNOLOGIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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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, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2023 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 audit 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.

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.

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Inventory - Write down of obsolete and unmarketable inventory

As described in Notes 2 and 4 to the consolidated financial statements, the Company's consolidated inventory balance was $51,280 thousand as of December 31, 2023. 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	Kesselman & Kesselman
March 6, 2024	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, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,979	$ 7,722
Accounts receivable, net of allowance for credit losses of $345 and $527 thousand as of December 31, 2023 and December 31, 2022 respectively	20,009	15,622
Restricted deposit	661	-
Other current assets and prepaid expenses	6,397	6,047
Inventory	51,280	45,759
Total current assets	94,326	75,150
NON-CURRENT ASSETS:		
Restricted deposit	302	304
Investment in affiliates	2,168	1,665
Funds in respect of employee rights upon retirement	664	780
Deferred income taxes	994	1,229
Property, plant and equipment, net	42,554	43,423
Operating lease right of use assets	2,746	2,477
Intangible assets, net	1,823	1,623
Total non-current assets	51,251	51,501
Total assets	145,577	$ 126,651

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

CONSOLIDATED BALANCE SHEETS

U.S dollars in thousands, except share data

	December 31, 2023	December 31, 2022
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loans	$ 2,200	$ 1,876
Credit line from bank	12,138	6,101
Accounts payable	9,988	10,233
Accrued expenses and other	13,952	9,876
Operating lease liabilities	1,033	904
Total current liabilities	39,311	28,990
NON-CURRENT LIABILITIES:		
Long-term loans	12,886	19,408
Liability in respect of employee rights upon retirement	1,000	1,148
Operating lease liabilities	1,697	1,535
Total non-current liabilities	15,583	22,091
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
Total liabilities	54,894	51,081
EQUITY:		
Ordinary shares of NIS 0.9 par value: Authorized: 13,000,000 shares at December 31, 2023 and at December 31, 2022; Issued: 10,377,085 and 9,186,019 shares at December 31, 2023 and at December 31, 2022 respectively; Outstanding: 10,102,612 and 8,911,546 shares at December 31, 2023 and at December 31, 2022 respectively	3,140	2,842
Additional paid-in capital	76,335	66,245
Treasury shares, at cost, 274,473 shares at December 31, 2023 and 2022	(2,088)	(2,088)
Accumulated other comprehensive income (loss)	27	(26)
Retained earnings	13,269	8,597
Total shareholders' equity	90,683	75,570
Total liabilities and shareholders' equity	145,577	$ 126,651

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, 2023	2022	2021
Revenue:			
Products	$ 35,241	$ 25,460	$ 25,870
Services	78,553	59,096	52,103
	113,794	84,556	77,973
Cost of revenue, net:			
Products	30,517	21,631	23,761
Services	60,809	46,997	42,942
	91,326	68,628	66,703
Gross profit	22,468	15,928	11,270
Operating expenses:			
Research and development, net	715	479	517
Selling and marketing, net	5,523	5,629	5,147
General and administrative, net	10,588	9,970	8,354
Other (income) expenses	(433)	(90)	(468)
Restructuring expenses, net	-	1,715	1,755
	16,393	17,703	15,305
Operating income (loss)	6,075	(1,775)	(4,035)
Interest expenses	(1,683)	(902)	(250)
Other financial income (expenses), net	353	1,029	(290)
Income profit (loss) before taxes on income (tax benefit)	4,745	(1,648)	(4,575)
Taxes on income (tax benefit)	576	98	(662)
Profit (Loss) before share of equity investment	4,169	(1,746)	(3,913)
Share in profit (losses) of equity investment of affiliated companies	503	184	(76)
Net income (loss) from continued operation	$ 4,672	$ (1,562)	$ (3,989)

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,		
	2023	**2022**	**2021**
Net income (loss) from discontinued operation	-	-	$ 427
Net income (loss)	$ 4,672	$ (1,562)	$ (3,562)
Net income (loss) per share from continued operation —basic	$ 0.52	$ (0.175)	$ (0.45)
Net income (loss) per share from continued operation —diluted	$ 0.51	$ (0.175)	$ (0.45)
Net income (loss) per share from discontinued operation - basic and diluted	-	-	$ 0.05
Net income (loss) per share — basic	$ 0.52	$ (0.175)	$ (0.4)
Net income (loss) per share — diluted	$ 0.51	$ (0.175)	$ (0.4)
Weighted average number of shares outstanding:			
Basic	8,961,689	8,911,546	8,874,696
Diluted	9,084,022	8,911,546	8,874,696

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,		
	2023	2022	2021
Net profit (loss)	$ 4,672	$ (1,562)	$ (3,562)
Other comprehensive income (loss), net			
Net unrealized gains (losses) from derivatives	53	(89)	(76)
Reclassification adjustments for loss (gains) from derivatives included in net income	-	30	(19)
Total other comprehensive income (loss)	53	$ (59)	$ (95)
Total comprehensive income (loss)	$ 4,725	$ (1,621)	$ (3,657)

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						
	Number of shares issued	**Amount**	**Additional paid-in capital**	**Accumulated other comprehensive income (loss)**	**Treasury shares**	**Retained earnings**	**Total equity**
BALANCE AT DECEMBER 31, 2020	9,149,169	$ 2,809	$ 65,711	$ 128	$ (2,088)	13,721	$ 80,281
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2020:							
Comprehensive loss	-	-	-	(95)	-	(3,562)	(3,657)
Share based compensation	-	-	160	-	-	-	160
BALANCE AT DECEMBER 31, 2021	9,149,169	$ 2,809	$ 65,871	$ 33	$ (2,088)	10,159	$ 76,784
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2021:							
Comprehensive loss	-	-	-	(59)	-	(1,562)	(1,621)
Exercise of Options	36,850	33	156	-	-	-	189
Share based compensation	-	-	218	-	-	-	218
BALANCE AT DECEMBER 31, 2022	9,186,019	$ 2,842	$ 66,245	$ (26)	$ (2,088)	$ 8,597	$ 75,570
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2022:							
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
BALANCE AT DECEMBER 31, 2023	10,377,085	$ 3,140	$ 76,335	$ 27	$ (2,088)	13,269	90,683

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,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) from continued operations	$ 4,672	$ (1,562)	$ (3,989)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,710	3,706	4,881
Loss (gain) from change in fair value of derivatives	(9)	8	(19)
Change in funds in respect of employee rights upon retirement	116	377	76
Change in operating right of use asset and operating leasing liability	22	(82)	(73)
Lease modification	-	-	(1,315)
Non cash financial expenses	(172)	(902)	8
Increase (decrease) in restructuring plan provision	(126)	(467)	657
change in allowance for credit losses	(182)	138	248
Share in results of affiliated companies	(503)	(184)	76
Share based compensation	159	218	160
Liability in respect of employee rights upon retirement	(148)	(356)	94
Impairment of fixed assets	-	-	1,820
Capital gain from sale of property, plant and equipment	(530)	(90)	(468)
Deferred income taxes, net	235	23	(686)
Government loan forgiveness	-	-	(1,442)
Changes in operating assets and liabilities:			
increase in trade accounts receivable	(4,205)	(2,659)	(2,934)
increase in other current assets and prepaid expenses	(341)	(1,836)	(1,035)
increase in inventory	(5,400)	(5,069)	(681)
Increase (decrease) in trade accounts payable	(245)	1,143	2,571
Increase (decrease) in accrued expenses and other	4,202	2,727	(218)
Net cash provided by (used in) operating activities from continued operation	$ 2,255	$ (4,867)	$ (2,269)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment	2,002	93	1,163
Purchase of property and equipment	(5,102)	(16,213)	(16,247)
Purchase of intangible assets	(479)	-	(555)
Net cash used in investing activities from continued operations	(3,579)	$ (16,120)	$ (15,639)

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,		
	2023	**2022**	**2021**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long-term loans	(1,701)	(1,071)	-
Short-term credit received from banks	1,000	-	3,000
Proceeds from long-term loans received	712	16,680	3,042
Proceeds from issuance of common shares, net	10,064	-	-
Exercise of options	165	189	-
Net cash provided by financing activities from continued operations	10,240	$ 15,798	$ 6,042
CASH FLOWS FROM DISCONTINUED ACTIVITIES:			
Net cash provided by operating activities	-	-	777
Net cash provided by (used in) discontinued activities	-	-	$ 777
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS	8,916	(5,189)	(11,089)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS AT BEGINNING OF YEAR	8,026	13,215	24,304
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH EQUIVALENTS AT END OF YEAR	16,942	8,026	13,215
SUPPLEMENTARY INFORMATION ON INVESTING ACTIVITIES NOT INVOLVING CASH FLOW:			
Purchase of property, plant and equipment on credit	-	$ 196	$ 199
Additions of operating lease right-of-use assets and operating lease liabilities	1,345	$ 318	$ 399
Reclassification of inventory to property, plant and equipment	68	284	$ 829
Capital contribution to equity method investee	-	$ 787	-
Supplemental disclosure of cash flow information:			
Interest paid	(1,438)	(796)	$ (251)
Income taxes received (paid), net	-	$ -	$ (3)

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

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 mainly on the following four segments: (i) original equipment manufacturing ("OEM") of heat transfer solutions and aviation accessories mainly through our Kiryat Gat facility and our Limco subsidiary; (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.

In June 2020, the Company's management decided to discontinue the JT8D engine blades reconditioning activity which belong to "overhaul and coating of jet engine components" segment as part of a strategic change, see Note 18.

In March 2021, the Company announced a restructuring plan which includes the transfer of the Company's activity of "OEM of heat transfer solutions and aviation accessories" in Gedera to our activity of "MRO services for heat transfer components and OEM of heat transfer solutions" in Tulsa, Oklahoma and to our "overhaul and coating of jet engine components" activity in Kiryat Gat, see Note 9.

b. During the years 2020 to 2022 the COVID-19 pandemic had an adverse effect on our industry and the markets in which we operate. The COVID-19 outbreak has significantly impacted the aviation market in which TAT's customers operate and has resulted in a reduction of TAT's business with some of these customers. Global supply shortages emerged for certain products, leading to delays in delivery schedule.

c. During 2023, 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 . The company actively collaborate with its suppliers to minimize impacts of supply shortages on manufacturing.

d. 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 the 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 thousands of deaths and injuries, and Hamas additionally kidnapped many Israeli civilians and soldiers. Following the attack, Israel's security cabinet declared war against Hamas and commenced a military campaign against Hamas and other terrorist organizations in parallel to their continued rocket and terror attacks. Since the commencement of hostilities, Tat technologies has experienced a considerable increased demand for our merchandise from the Israel Ministry Of Defense (IMOD) compared to the routine levels of demands, and we have increased our support to the IMOD, mainly through deliveries of our systems and dedicated efforts of our employees. Subject to further developments, this demand may continue and possibly generate material orders to the Company. At the same time, the Company continues to support its international customers. The extent of the effects of the war on the Company's performance will depend on future developments that are difficult to predict at this time, including the duration and scope of the war. We continue to monitor the situation closely 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 out a number of targeted strikes on sites belonging to Hezbollah in southern Lebanon.

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

NOTE 1 - GENERAL (CONT)

e. 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”.

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 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

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.

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 Deposit

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:

	2023	2022
Cash and cash equivalents	$ 15,979	$ 7,722
Restricted deposit short term	661	-
Restricted deposit long term	302	304
Total cash and cash equivalents and restricted cash equivalents	$ 16,942	$ 8,026

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 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 22).

g. Inventory

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

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

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. 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.

U.S. dollars in thousands

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

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:

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

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

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 6 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 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, the grants are non-royalty bearing.

Government grants relating to the purchase of property, plant and equipment (refer to note 11) 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 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 5.

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

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

k. Leases

The Company determines if an arrangement is a lease at inception. Balances related to operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the consolidated balance sheets.

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 (see also note 2aa).

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, see Note 7.

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.

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 6,7 and 8).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 is 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.

Revenues from the sale of MRO services is recognized upon meeting all revenue recognition criteria, 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 45 from invoice date.

Contract liabilities

Contract liabilities are mainly comprised of deferred revenues which are included under accrued expenses and other.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

r. Fair value measurement (cont.)

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.

s. Concentrations of credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, 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 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 the recent turmoil in certain banking institutions in the United States. Accordingly, minimal credit risk exists with respect to these financial instruments.

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, 2023 the Company has a single customer which represents 17.5% of the Company's accounts receivable. As of December 2022, no individual customer represented 10% or more of the Company's accounts receivable.

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 19(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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

t. Income taxes (cont.)

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 19(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.

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, par value NIS 0.9 per share outstanding 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 Company estimates forfeitures based on historical experience and anticipated future conditions.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

w. Comprehensive income (loss)

Comprehensive income in 2023, 2022 and 2021 includes, in addition to net income or loss, gains and losses of derivatives designated for cash flow hedge accounting (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. See also Note 2 (aa).

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT)

z. Restructuring Costs

Restructuring costs have been recorded in connection with TAT's restructuring plan announced in March 2021. Following this decision and in anticipation of ongoing efficiency measures in our business, TAT's management has made estimates and judgments regarding future plans, mainly related to employee termination benefit costs. Management also assesses the recoverability of long-lived assets employed in the business. In certain instances, asset lives have been shortened based on changes in the estimated useful lives of the affected assets. Asset-related impairments and employee's severance and other related costs are reflected within asset impairments of fixed assets, provision for restructuring plan and restructuring expenses.

aa. 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 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, with early adoption permitted. We are evaluating the impact this amended guidance may have on the footnotes to our consolidated financial statements.

U.S. dollars in thousands

NOTE 3 - FAIR VALUE MEASUREMENT

Recurring Fair Value Measurements

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 Company's financial assets and liabilities measured at fair value on a recurring basis, consisted of the following types of instruments:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Liability (Accrued expenses and other)**:**				
	-	$ (22)	-	$ (22)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Liability (Accrued expenses and other)**:**				
	-	$ (31)	-	$ (31)

a. Derivative financial instruments:

The Company hedges the foreign currency risk arising from probable forecasted Israeli Shekel ("ILS") expenses as part of its risk management policy. The risk management objective is to hedge the foreign currency exchange rate fluctuations associated with ILS denominated forecasted probable expenses according to the Company's hedging policy. The majority of the ILS exposure arises from expected related salary expenses. The Company enters into contracts for derivative financial instruments forward contracts in order to execute its policy. Such derivatives are recognized at fair value. The fair value of forward contracts is calculated as the difference between the forward rate on valuation date and the forward rate on the original forward contract, multiplied by the transaction's notional amount. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The hedge effectiveness is assessed at the end of each reporting period.

The estimated net amount of existing gain (loss) that is reported in "Accumulated other comprehensive income (loss)" as of December 31, 2023 that is expected to be reclassified into earnings within the next 12 months is immaterial.

U.S. dollars in thousands

NOTE 3 - FAIR VALUE MEASUREMENT (CONT)

As of December 31, 2023, and 2022, the Company has open call options and open put options with a notional total amount of $0 and $7,774, respectively.

Non-recurring Fair Value Measurements

The Company's financial instruments consist mainly of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities. The fair value of these financial instruments approximates their carrying value.

The maximum length of time over which the Company is hedging its exposure to the variability in future cash flow is from the transaction commencement date through January 2024.

NOTE 4 - INVENTORY

Inventory is composed of the following:

	December 31, 2023	December 31, 2022
Raw materials and components	$ 36,934	$ 30,410
Work in progress	13,493	14,525
Finished goods	853	824
Total inventory (**)	$ 51,280	$ 45,759

(**) The total amount of Rotables included in the Company spare parts inventory for the years ended December 31, 2023 and 2022 were $10,481 and $8,193, respectively.

Inventories write down expenses due to slow inventory amounted to $187, $1,284 and $624 for the years ended December 31, 2023, 2022 and 2021, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 5 - 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,	
	2023	2022
Balance sheets:		
Current assets	$ 2,048	$ 913
Non-current assets	922	1,168
Current liabilities	1,395	1,426

	Year ended December 31,		
	2023	2022	2021
Statements of operation:			
Revenues	$ 2,702	$ 1,277	$ 501
Gross profit (loss)	1,739	605	(22)
Net income (loss)	987	365	(148)
Net income (losses) attributable to the Company	503	184	(76)

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

Composition of assets, grouped by major classifications, is as follows:

	December 31,	
	2023	2022
Cost:		
Land and buildings	$ 10,739	$ 10,739
Leasehold improvements	9,164	6,391
Machinery and equipment	76,664	75,518
Motor vehicles	273	302
Office furniture and equipment	1,378	2,362
Internal use software	3,768	2,610
	101,986	97,922
Less: Accumulated depreciation	59,432	54,499
Depreciated cost	$ 42,554	$ 43,423

U.S. dollars in thousands

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET (CONT)

Depreciation expenses amounted to $4,430, $3,500 and $4,718 for the years ended December 31, 2023, 2022 and 2021, respectively. During 2021, as part of the Company's restructuring plan and departure from Gedera's facility, the Company wrote off leasehold improvement assets in total amount of $1,800 , out of this amount $600 was recognized as restructuring expenses due to impairment in OEM of heat transfer solutions and aviation accessories reporting unit which exanimated following the Company's restructuring plan announcement in March 2021. In addition, in 2021 $1,200 recognized in cost of sales as an acceleration of amortization due to change in useful life of leasehold improvements assets.

NOTE 7 - LEASES

During 2021, the Company started to provide to the Company's customers leasing services of APU engines. The results are reported as part of the Company's activity in MRO services for aviation components. The revenues from the lease services amounted to $5.5, $4.8 and $2.7 million for the years ended December 31, 2023,2022 and 2021 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.

TAT had a lease agreement its factory in Gedera from TAT Industries until the end of 2024. In December 2021 the TAT and the landlord agreed on the settlement conditions which signed on January 10, 2022. Pursuant to such agreement, it was agreed that TAT will vacate the facility in Gedera on March 31, 2022. Due to the execution of such agreement, the Company wrote off operating ROU assets of $1.8 million and lease liability of $3.3 million as of December 31, 2021. Net income resulting from the write-off of such lease assets and liability was recognized as operating restructuring expenses.

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, 2023	Year ended December 31, 2022
Operating lease expenses	1,173	1,316

U.S. dollars in thousands

NOTE 7 - LEASES (CONT)

Supplemental cash flow information related to leases was as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Operating cash flows from operating leases	1,640	1,316
Right-of-use assets obtained in exchange for lease obligations (non-cash)	1,345	318

Supplemental balance sheet information related to operating leases is as follows:

	December 31, 2023	December 31, 2022
Operating Leases		
Operating lease right-of-use assets	2,746	2,477
Current operating lease liabilities	1,033	904
Non-current operating lease liabilities	1,697	1,535
Total operating lease liabilities	2,730	2,439
Weighted Average Remaining Lease Term		
Operating leases - Israel	5 years	2 years
Operating leases – United States	3 years	4 years
Weighted Average discount rate		
Operating leases - Israel	5%	4.5%
Operating leases – United States	4.84%	4.84%

U.S. dollars in thousands

NOTE 7 - LEASES (CONT)

As of December 31, 2023, the maturities of lease liabilities were as follows:

Year	Amount
2024	1,056
2025	810
2026	385
2027	281
2028 and after	472
Total lease payments	3,004
Less imputed interest	(274)
Total	$ 2,730

NOTE 8 - INTANGIBLE ASSETS

Intangible assets:

	December 31, 2023	December 31, 2022
Commercial license		
Cost	$ 2,509	$ 2,030
Accumulated amortization	(686)	(407)
Amortized cost	$ 1,823	$ 1,623

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 is $279 thousands per year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 9 - RESTRUCTURING COST

In 2022, the Company completed the restructuring plan announced in 2021, pursuant to which, the Company transferred its operations from its leased facility in Gedera to its facilities in Tulsa, Oklahoma and Kiryat Gat.

This transfer enables TAT to concentrate on heat exchanges activity in the United States allowing for better operational flow, getting closer to TAT's customer base, and cutting fixed costs.

The restructuring plan has a material impact on the Company's financial statements for the year 2022 as follows:

Restructuring Items	December 31, 2023	December 31, 2022
Balance sheet		
Other Provisions	$ -	$ 190
Investment in building and infrastructures	-	4,571
Investment in machinery (**)	-	7,799
Total	$ -	$ 12,560
Profit and loss		
Restructuring expenses, net		
Forfeited guarantee		
Employee's termination cost	-	975
Restructuring income from lease modification	-	-
Restructuring expenses from asset's impairment	-	-
Other restructuring expenses	-	740
	$ -	$ 1,715
Cost of sales		
Acceleration of assets depreciation expenses	-	-
Total	$ -	$ 1,715

* Net cash used in operating activity for restructuring expenses in 2023 and 2022 was $0 and $1.7 million respectively.

** In previous years, investment in machinery was offset by a grant of $2.7 million ($1.5 million in 2022 and $1.2 million in 2021) received from the State of Oklahoma as part of a larger incentive plan granted to TAT. As part of this plan TAT Limco will be entitled to several incentives including additional grants, tax exempt and incentives and support in employee's salaries over the next 10 years

NOTE 10 - LONG-TERM LOANS AND CREDIT LINES

In March 2022, TAT received a loan from a commercial bank in the amount of $3.7 million. The loan bears annual interest rate of 6.65% (Prime Rate +0.9%) and paid in equal monthly installment as of April 2022 through March 2029. This new loan is in addition to four previous loans received during 2020 and 2021 in an aggregate amount of $6.3 million and are guaranteed by the Israeli government. The loans bear annual interest of 7.25% (Prime Rate +1.5%) which are paid in equal monthly installments as of April 2021 through February 2031. An amount of $1.2 million was classified to short-term loan as of December 31, 2023.The aforementioned loans were received in NIS.

The loan has financial covenant of net debt to equity ratio less than 15%.

In February 2022 TAT 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% .

During 2023, the Company utilized an additional $1 million from the credit line.

In May 2022 the 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 of 3.75% which is paid in equal monthly installments until 2029.

The credit line and the loan has financial covenants such as a) tangible net worth to total assets greater than 65%, b) Maximum Net Debt to EBITDA ratio less than 3.5, and c) Minimum Debt Service Coverage Ratio greater than 1.25 (Total debt outstanding as of December 31, 2023 was $10 million). In November 2023, the US subsidiary was not in compliance with one of its covenants with the bank (net worth to total assets ratio), which was the result of the accelerated growth of the US subsidiary during 2023, which had an increase in inventories and accounts receivable. In November 2023, the bank adjusted this covenant from 65% to 55% and the US subsidiary was in compliance. Furthermore, 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, resulting in the total amount from the bank of approximately $17 million. In connection with the new extension, the Tangible Net Worth covenant changed to an absolute number of $30 million. As of the date of release of these consolidated financial statements, the US subsidiary is in compliance with all of its covenants.

In September and December 2023, TAT subsidiary received loans from Machinery Finance in the total amount of $0.7 million. The loans bear annual interest of 6.65% which are paid in equal monthly installments until 2028

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 annual fixed interest rate of 2.9% and has a maturity date of March 2024. In addition, in August 2022, the subsidiary received a long-term loan of $5 million from a commercial bank in the US. This loan bears an annual fixed interest rate of 4.2% and has a maturity date of December 2031. The loan is secured with a first-degree lien on the US subsidiary's equipment. The long term loan has financial covenants such as a) Debt Service Coverage Ratio greater than 1.15, b) Debt to Equity Ratio equal or less than 1.

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, 2023, the Company has not utilized this credit line.

NOTE 10 - LONG-TERM LOANS AND CREDIT LINES (CONT)

As of December 31, 2023 the company met all its covenants.

Israel	Line of Credit	Gov guaranteed loans	Machinary finance loans	Commercial loans
Total balance amount		$4,710		$2,612
Rate(*)		7.25%		6.65%
Duration		5-10		7
USA				
Total balance amount	$12,138		$702	$7,066
Rate	2.9%-7.75%		6.5%	3.75%-4.2%
Duration (Years)	Revolving		5	7-10

Maturities on long term loans are as follows:

Year	Amount
2024	2,200
2025	2,146
2026	2,164
2027	2,277
2028 and after	6,299
	$ 15,086

The fair value of the long-term debt is determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates.

The fair value of the Company's long-term debt approximates its fair value, except for the following:

	Fair value (Dollars in thousands)		Carrying Amount (Dollars in thousands)	
	2023	2022	2023	2022
Citi Bank Loan	$ 4,486	$ 4,876	$ 4,412	$ 4,856
Bank Leumi Loan	$ 2,473	$ 2,834	$ 2,447	$ 2,834

U.S. dollars in thousands

NOTE 11 - GOVERNMENT GRANTS

Following the ERC plan launched by the US Government in 2020, during 2022 the Company had all the indications that the Company was eligible and fully guaranteed to receive the third phase of the ERC Plan. As a result, the Company recorded $1.2 million which was recognized as a deduction from payroll cost of revenues and selling and marketing, general and administrative expenses.

As of December 31, 2022, the "other current assets and prepaid expenses" includes government grant receivable in the amount of $2 million. The full amount of grant receivable received in January and April 2023.

In 2021, TAT received government grants (from both the Israeli and the US government) as part of the Coronavirus Aid and Relief in a total amount of $3.6 million which was recognized as a deduction from payroll and overhead cost of revenues and operating expenses.

NOTE 12 - ACCRUED EXPENSES AND OTHER

	December 31, 2023	December 31, 2022
Employees and payroll accruals	$ 5,179	$ 3,951
Accrued expenses	1,072	971
Authorities	116	200
*Contract liabilities	5,239	2,778
Warranty provision	325	243
Accrued royalties	1,736	1,448
Provision for restructuring plan	63	190
Other	222	95
	13,952	$ 9,876

*Contract liabilities

	December 31, 2023	December 31, 2022
Opening balance	2,778	1,147
Revenue recognized	(2,080)	(148)
Additions	4,541	1,779
Closing balance	5,239	2,778

U.S. dollars in thousands

NOTE 13 - RELATED PARTIES' TRANSACTIONS AND BALANCES

The amounts in the table below refer to TAT-Engineering joint venture.

Transactions:

	Year ended December 31,		
	2023	2022	2021
Revenue -			
Sales to related-party Company (*)	-	$ 17	$ 88
Cost and expenses -			
Supplies from related party (*)	-	-	$ 654

Balances:

	December 31,	
	2023	2022
Trade receivables and other receivables (*)	-	-
Trade payables and other payables (*)	-	-

(*) includes mainly transactions with TAT-Engineering affiliated companies.

NOTE 14 - LONG-TERM EMPLOYEE-RELATED OBLIGATIONS

Severance pay:

The Company and its Israeli subsidiary are 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").

U.S. dollars in thousands

NOTE 14 - 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, 2023, 2022 and 2021 the Company expense $610, $825 and $778 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 $569, $454 and $349 for the years ended December 31, 2023, 2022 and 2021, respectively.

The Group expects to contribute approximately $590 in 2024 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 $116, $274 and $97 for the years ended December 31, 2023, 2022 and 2021.

TAT expects to pay $722 in future benefits to their employees during 2024 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
2024	80
2025	-
2026	99
2027	134
2028	59
Thereafter (through 2032)	349
Total	$ 721

NOTE 15 - COMMITMENTS AND CONTINGENCIES

a. Commissions arrangements:

The Group is committed to pay marketing commissions ranging 1% to 10% to sale agents of total sales contracts. Commission expenses were $361, $412 and $423 for the years ended December 31, 2023, 2022 and 2021, respectively. The commissions were recorded as part of the selling and marketing expenses.

b. Royalty commitments:

(1) TAT is committed to pay royalties to third parties, ranging from 10% to 15% of sales of products developed by the third parties. Royalty expenses were $43, $47 and $95 for the years ended December 31, 2023, 2022 and 2021, respectively. The royalties were recorded as part of the cost of revenues.

(2) Piedmont is committed to pay royalties to a third party, ranging 5% to 13% of sales of products purchased from the third party. That third party is the exclusive manufacturer of the products for which Piedmont provides MRO services.

In addition, Piedmont is committed to pay another third-party royalty of 5% to 25%, on parts reclaimed to use in MRO services or sold to our customers when they are manufactured by the third party. Royalty expenses were $3,255, $1,747 and $2,245 for the years ended December 31, 2023, 2022 and 2021, respectively. The royalties were recorded as part of the cost of revenues.

c. Guarantees:

(1) In order to secure TAT's liability to the Israeli customs, the Company provided bank guarantees in amounts of 151 thousands NIS (approximately 42 thousands dollar). The guarantees are linked to the consumer price index and will expire from December 2023 through December 2024.

d. Litigation:

(1) On December 29, 2022, a customer filed a suit against Limco in the Northern District of Oklahoma. Limco filed a counter claim with complaints each against the other on the business relationship in the last five years. The parties reached a final settlement agreement on October 19, 2023, pursuant to which Limco paid $220 thousands to the customer. This fully resolved all matters at issue in the lawsuit.

(2) 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.

NOTE 16 - 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 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 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.

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

Total aggregate option pool under the Plans is 1,530,000 (*) ordinary share 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.

NOTE 16 - SHAREHOLDERS' EQUITY (CONT)

b. Stock option plans (cont.):

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, 2023, options to purchase 625,000 ordinary shares were outstanding under the Plans, exercisable at an average exercise price of $7.31 per share.

(*) of which 1,291,755 options are approved by the Tel Aviv Stock Exchange to be allocated to grantees.

(1) On March 30, 2021, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 25,000 Options, at an exercise price of $5.91 per share, to senior executive.

(2) On March 30, 2021, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 25,000 Options, at an exercise price of $5.91 per share, to senior executive.

(3) On March 30, 2021, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 25,000 Options, at an exercise price of $5.91 per share, to senior executive.

(4) On March 30, 2021, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 25,000 Options, at an exercise price of $5.91 per share, to senior executive.

(5) On July 25, 2021, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 20,000 Options, at an exercise price of $6.41 per share, to senior executive.

(6) On August 30, 2021, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 100,000 Options, at an exercise price of $7 per share, to senior executive.

(7) On March 22, 2022, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 50,000 Options, at an exercise price of $6.59 per share, to senior executive.

(8) On May 1, 2022, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 20,000 Options, at an exercise price of $6.42 per share, to senior executive.

(9) On May 22, 2022, pursuant to the 2012 Plan, TAT's Board of Directors approved the grant of 50,000 Options, at an exercise price of $6.56 per share, to senior executive.

(10) On December 1, 2022, pursuant to the 2022 Plan, TAT's Board of Directors approved the grant of 50,000 Options, at an exercise price of $6.42 per share, to senior executive.

(11) On January 9, 2023, pursuant to the 2022 Plan, TAT's Board of Directors approved the grant of 50,000 Options, at an exercise price of $6.31 per share, to senior executive.

(12) On February 10, 2023, pursuant to the 2022 Plan, TAT's Board of Directors approved the grant of 35,000 Options, at an exercise price of $6.31 per share, to senior executive.

(13) On March 29, 2023, pursuant to the 2022 Plan, TAT's Board of Directors approved the grant of 35,000 Options, at an exercise price of $6.07 per share, to senior executive.

(14) On May 30, 2023, pursuant to the 2022 Plan, TAT's Board of Directors approved the grant of 30,000 Options, at an exercise price of $6.45 per share, to senior executive.

(15) On August 28, 2023, pursuant to the 2022 Plan, TAT's Board of Directors approved the grant of 40,000 Options, at an exercise price of $8.00 per share, to senior executive.

U.S. dollars in thousands

NOTE 16 - SHAREHOLDERS' EQUITY (CONT)

b. Stock option plans (cont.):

The fair value of the Company's stock options granted under the 2012 and 2022 plan for the years ended December 31, 2023, 2022 and 2021 was estimated using the following assumptions:

	2023	2022	2021
Expected stock price volatility	48% – 54.8%	48.4% – 54.48%	45.6% – 52%
Expected option life (in years)	4.6	1-5	3.5-5
Risk free interest rate	3.71% – 4.54%	0.63% – 4.04%	0.1% – 0.64%
Dividend yield	0%	0%	0%

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, 2023		Year ended December 31, 2022		Year ended December 31, 2021	
	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	675,000	$ 7.17	720,000	$ 6.8	621,460	$ 7.26
Granted	190,000	6.63	170,000	6.56	220,000	6.45
Forfeited	(196,614)	6.52	(178,150)	5.63	(121,460)	8.9
Exercised	*(43,386)	5.68	(36,850)	5.25	-	-
Outstanding at the end of the year	625,000	7.31	675,000	7.17	720,000	6.8
Exercisable at the end of the year	373,438	7.91	412,813	$ 7.54	379,375	$ 7.44

The weighted-average grant-date fair value of options granted was $2.45 in 2023, $2.33 in 2022 and $1.92 in 2021. The aggregate intrinsic value for the options outstanding as of December 31, 2023, 2022 and 2021 was $1.78 million, $0 and $0, respectively.

As of December 31, 2023, total unrecognized compensation cost was $382 and is expected to be recognized over a weighted-average period of 1.39 years.

* Out of which 12,500 awards were exercised on a cashless basis in 2023.

U.S. dollars in thousands

NOTE 17 - 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,		
	2023	**2022**	**2021**
Numerator for EPS:			
Net Income (loss) from continuing operations	$ 4,672	$ (1,562)	$ (3,562)
Denominator for EPS:			
Weighted average shares outstanding – basic	8,961,689	8,911,546	8,874,696
Dilutive shares	122,333	-	-
Weighted average shares outstanding – diluted	9,084,022	8,911,546	8,874,696
EPS:			
Basic and diluted	$ 0.52	$ (0.175)	$ (0.4)
Diluted	$ 0.51	$ (0.175)	$ (0.4)

Diluted loss per share does not include 625,000, 675,000 and 720,000 options, for the years ended December 31, 2023, 2022 and 2021 respectively because the options are anti-dilutive.

Dilutive shares are calculated using the treasury stock method and include dilutive shares from share-based employee compensation plans.

U.S. dollars in thousands

NOTE 18 - DISCONTINUED OPERATION

In June 2020, the Company's management decided to discontinue the JT8D engine blades reconditioning activity as part of a strategic change in its business to focus on new capabilities to provide services to newer types of engines. The discontinued operation is related to the JT8D engine blades reconditioning activity in Turbochrome, which constitute a material portion of Turbochrome's revenues.

		2021
Revenue:		
Services	$	440
Cost of revenue:		
Services		429
Gross profit (loss)		11
Operating expenses:		
Research and development, net		16
Selling and marketing		29
General and administrative		68
		113
Operating income (loss)		(102)
Financial expenses (income)		-
Income (loss) on disposal of discontinued operation (1)		529
Net Income (loss)	$	427

(1) During 2020, the Company wrote off total assets of $1.4 million. During 2021 the Company was succeeded to collect and sell some of the account receivable and inventory that were written off in total amount of $529. The final disposal of this activity was finalized in 2021.

NOTE 19 - TAXES ON INCOME

a. Tax benefits under the 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 o f 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.

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.

NOTE 19 - TAXES ON INCOME (CONT)

a. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 ("the Law") (cont.):

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 is located in an area in Israel that is designated as elsewhere and as such entitled to reduce tax rates of 16%.

Turbochrome is 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, 2023, the Company has an accumulated tax loss carryforward from Israeli subsidiary of approximately $2,927 million (as of December 31, 2022, $3,068 million). Such carry forward loss has no expiration date

c. U.S. subsidiaries

U.S. subsidiaries are taxed based on federal and state tax laws. The Federal statutory tax rate for 2023, 2022 and 2021 was 21% plus 3%-6% for state taxes.

As of December 31, 2023, the Company has an accumulated tax loss carryforward of approximately $138 (as of December 31, 2022, $970). 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

U.S. dollars in thousands

NOTE 19 - TAXES ON INCOME (CONT)

d. Tax assessments

TAT's income tax assessments are considered final through 2017.

Turbochrome income tax assessments are considered final through 2017.

Limco-Piedmont income tax assessments are considered final through 2018.

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,		
	2023	2022	2021
Income (loss) before taxes on income (tax benefit) from continued operations reported in the statements of income	$ 4,745	$ (1,648)	$ (4,575)
Statutory tax rate in Israel	23%	23%	23%
Theoretical taxes on income (tax benefit)	1,091	$ (379)	$ (1,052)
Increase (decrease) in taxes on income resulting from:			
Tax adjustment for foreign subsidiaries subject to a different tax rate	(36)	(13)	75
Reduced tax rate on income derived from "Preferred Enterprises" plans	(484)	(48)	149
Deferred tax assets from discontinued operation profit (loss)		-	98
Reduced deferred tax asset from expecting utilization of carryforward losses	183	-	-
Tax in respect of prior years		59	24
Temporary differences for which no deferred taxes were recorded	-	238	-
Permanent differences	-	77	71
Other adjustments	(178)	164	(27)
Taxes on income (tax benefit) as reported in the statements of income	$ 576	$ 98	$ (662)

U.S. dollars in thousands

NOTE 19 - TAXES ON INCOME (CONT)

f. Income (loss) before taxes on income (tax benefit) is comprised as follows:

	Year ended December 31,		
	2023	2022	2021
Domestic (Israel)	$ 4,639	$ (1,201)	$ (5,139)
Foreign (United States)	106	(447)	564
	$ 4,745	$ (1,648)	$ (4,575)

g. Taxes on income (tax benefit) included in the statements of income:

	Year ended December 31,		
	2023	2022	2021
Current:			
Domestic (Israel)	$ -	$ -	$ -
Foreign (United States)	49	-	-
	49	-	-
Deferred:			
Domestic (Israel)	358	268	(579)
Foreign (United States)	169	(111)	(107)
	576	157	(686)
Previous years:			
Domestic (Israel)	-	-	-
Foreign (United States)	-	(59)	24
	$ 576	$ 98	$ (662)

U.S. dollars in thousands

NOTE 19 - 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, 2023	December 31, 2022
Deferred tax assets:		
Provisions for employee benefits	$ 657	$ 378
Inventory	1,337	1,288
Capital tax losses carryforward	956	2,475
Net operating losses carryforward	2,368	4,040
R&D expenses	121	144
Other	417	331
Deferred tax assets, before valuation allowance	$ 5,856	$ 8,656
Valuation allowance	(3,214)	(5,202)
Deferred tax assets, net	2,642	$ 3,454
Deferred tax liabilities:		
Property, plant and equipment	(1,348)	(1,884)
Intangible assets	(300)	(341)
Other temporary differences deferred tax liabilities		-
Deferred tax liabilities	$ (1,648)	$ (2,225)
Net	994	$ 1,229

U.S. dollars in thousands

NOTE 19 - TAXES ON INCOME (CONT)

h. Deferred income taxes (cont.):

The following table summarizes the changes in the valuation allowance for deferred tax assets:

Balance, December 31, 2020	$	5,484
Deductions during the year		-
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

Valuation allowances

Are mainly related to (i) Capital losses attributed to the Company in the amount of $ 956. (ii) Corporate income tax losses carryforward incurred in TAT Gedera in amount of $2,258.

NOTE 20 - 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 and our Limco subsidiary; (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.

- 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 discontinued operation in 2021 regarding to the JT8D activity is part of the coating jet engines component segment.

The Group’s chief operating decision-maker (CEO of the Company) evaluates performance, makes operating decisions and allocates resources based on financial data, consistent with the presentation in the accompanying financial statements. CODM reviews revenue, gross profit, operating income and total assets.

During 2022 TAT completed its plan to consolidate the Company’s operations from four to three production sites by consolidating its production sites in Israel “OEM of heat transfer solutions and aviation accessories” with the “overhaul and coating of jet engine activity” and transferring the heat exchanges cores production operations from Israel to the Company’s production site in Tulsa, Oklahoma.

U.S. dollars in thousands

NOTE 20 - SEGMENT INFORMATION (CONT)

b. Segments statement operations disclosure:

The following financial information is the information that CODM uses for analyzing the segment results. The figures are presented in consolidated method as presented to CODM.

The following financial information is a summary of the operating income of each operational segment:

	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 expenses (income)	9	(3)	(439)	(423)	423	(433)
Operating income (loss)	$ 2,804	$ (2,330)	$ 3,548	$ 1,905	$ 148	$ 6,075
Financial expenses, net						(1,330)
Loss before tax benefits						4,745

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 20 - 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	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 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
Loss before tax benefits						(1,648)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 20 - SEGMENT INFORMATION (CONT)

b. Segments statement operations disclosure (cont.)

	Year ended December 31, 2021					
	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	$ 25,977	$ 14,930	$ 33,232	$ 3,834	-	$ 77,973
Revenues internal	-	3,916	-	-	(3,916)	-
Cost of revenues	24,044	16,922	26,444	2,978	(3,685)	66,703
Gross profit (loss)	1,933	1,924	6,788	856	(231)	11,270
Research and development	122	80	202	160	(47)	517
Selling and marketing	2,040	1,015	1,961	220	(89)	5,147
General and administrative	3,128	1,855	3,004	558	(191)	8,354
Other expenses (income)	(913)	-	(432)	(19)	896	(468)
Restructuring expenses, net	1,338	386	-	31	-	1,755
Operating income (loss)	$ (3,782)	$ (1,412)	$ 2,053	$ (94)	$ (800)	$ (4,035)
Financial expenses, net						540
Profit (loss) before taxes on income						(4,575)

U.S. dollars in thousands

NOTE 20 - SEGMENT INFORMATION (CONT)

c. **The following financial information identifies the assets, depreciation and amortization, and capital expenditures to segments:**

	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	Amounts not allocated to segments	Consolidated
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	3,519	1,352	252	458		4,390

	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	Amounts not allocated to segments	Consolidated
Total assets	24,251	39,193	55,616	8,846	(1,255)	126,651
Depreciation and amortization	690	432	2,325	259	-	3,706
Expenditure for segment assets	1,012	9,345	5,411	2,107	-	17,875

U.S. dollars in thousands

NOTE 21 - ENTITY-WIDE DISCLOSURE

a. Total revenues - by geographical location were attributed according to customer residential country as follows:

	Year ended December 31, 2023 Total revenues	2022 Total revenues	2021 Total revenues
Sale of products			
Israel	$ 3,527	$ 3,249	$ 5,532
United States	23,937	15,616	13,716
Other	7,777	6,595	6,622
	$ 35,241	$ 25,460	$ 25,870

	Year ended December 31, 2023 Total revenues	2022 Total revenues	2021 Total revenues
Sale of Services			
Israel	$ 4,170	$ 3,913	$ 2,213
United States	58,062	40,954	34,231
Other	16,321	14,229	15,659
	$ 78,553	$ 59,096	$ 52,103

b. Total long-lived assets - by geographical location were as follows:

	December 31, 2023	2022	2021
Israel	$ 11,569	$ 10,231	$ 8,427
United States	35,002	41,270	26,978
Total	$ 46,571	$ 51,501	$ 35,405

c. Major Customers

The Company has a single customer of MRO **)** services for Aviation Components and lease**(**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 constitute 8.4% from the total group sales. The company has a single customer which his annual sales in 2021 constitutes 12.8% from the total group sales.

U.S. dollars in thousands

NOTE 22 - SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS INFORMATION

	Warranty provision	Provision for current expected credit losses
Balance, as of December 31, 2020	$ 250	$ 306
Additions	80	269
Deductions	(87)	(186)
Balance, as of December 31, 2021	$ 243	$ 389
Additions	-	200
Deductions	-	(62)
Balance, as of December 31, 2022	$ 243	$ 527
Additions	79	90
Deductions		(272)
Balance as of December 31. 2023	322	345

Exhibit 8

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.

EXHIBIT 12.1

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;

(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 6, 2024

/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.

EXHIBIT 12.2

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;

(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 6, 2024

/s/ Ehud Ben-Yair
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.

EXHIBIT 13.1

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, 2023 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 6, 2024

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

EXHIBIT 13.2

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, 2023, 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 6, 2024

* The originally executed copy of this Certification will be maintained at the Company’s offices and will be made available for inspection upon request.

Exhibit 14.1

pwc

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-219031, 333-228345 and 333-268906) of TAT Technologies Ltd. of our report dated March 6, 2024 relating to the financial statements, which appears in this Form 20-F.

Tel-Aviv, Israel
March 6, 2024

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

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel,
P.O Box 50oo5 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il

Exhibit 97

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 the 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 the 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.

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 the 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.

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.

(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.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 20-F/A

(Amendment No. 1)

☐ **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, 2023

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)

Ehud Ben-Yair
Chief Executive Officer
Telephone: +972-54-4522565
Email: ehudb@tat-technologies.com
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
Ordinary Shares, NIS 0.90 Par Value	TATT	**NASDAQ Global Market**

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:

Ordinary Shares, par value NIS 0.90 per share................. 10,102,612
(as of December 31, 2023)

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 ☒

The registrant’s auditor is Kesselman & Kesselman, Tel-Aviv, Israel (PCAOB ID Number 1309)

EXPLANATORY STATEMENT

This Amendment No. 1 on Form 20-F/A (the “Amendment”) to the annual report on Form 20-F for the fiscal year ended December 31, 2023, filed on March 6, 2024 (the “Original Filing”), is being filed by TAT Technologies Ltd. (the “Company”) solely to correct a typographical errors in Item 5 “Operating and Financial Review and Prospects” in the Original Filing.

As required by Rule 12b-15 of the Securities and Exchange Act of 1934, as amended, the Company is also filing or furnishing the certifications required under Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 as exhibits to this Amendment No. 1.

This Amendment makes no other changes to the Original Filing other than as described above.

Item 5. Operating and Financial Review and Prospects

Operating Results

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.

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, 2023 were as follows:

	Year Ended December 31,					
	2023		2022		2021	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
Revenues						
OEM of heat transfer solutions and aviation accessories	27,555	24.2%	21,844	25.8%	25,997	33.3%
MRO services for heat transfer components and OEM of heat transfer solutions	32,995	29%	24,796	29.3%	18,846	24.2%
MRO services for aviation components	50,760	44.5%	35,879	42.4%	33,232	42.6%
Overhaul and coating of jet engine components	6,854	6%	5,770	6.8%	3,834	4.9%
Eliminations	(4,370)	(3.7)%	(3,733)	(4.3)%	(3,916)	(5)%
Total Revenues	$ 113,794	100%	$ 84,556	100%	$ 77,973	100%

The following table reflects the geographic breakdown of TAT's revenues for each of the three years ended December 31, 2023:

	Years Ended December 31,					
	2023		2022		2021	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
United States	$ 81,999	72%	$ 56,570	66.9%	$ 47,947	61.5%
Israel	7,698	7%	7,162	8.5%	7,745	9.9%
Other	24,097	21%	20,824	24.6%	22,281	28.6%
Total	$ 113,794	100%	$ 84,556	100.0%	$ 77,973	100.0%

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
- 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		
	2023	2022	2021
		(in thousands)	
Revenues			
OEM of heat transfer solutions and aviation accessories	$ 27,555	$ 21,844	$ 25,977
MRO services for heat transfer components and OEM of heat transfer solutions	32,995	24,796	18,846
MRO services for aviation components	50,760	35,879	33,232
Overhaul and coating of jet engine components	6,854	5,770	3,834
Eliminations	(4,370)	(3,733)	(3,916)
Total revenues	113,794	84,556	77,973
Cost of revenues			
OEM of heat transfer solutions and aviation accessories	20,193	18,778	24,044
MRO services for heat transfer components and OEM of heat transfer solutions	30,176	20,750	16,922
MRO services for aviation components	41,788	28,890	26,444
Overhaul and coating of jet engine components	4,110	3,495	2,978
Eliminations	(4,941)	(3,285)	(3,685)
Total cost of revenues	91,326	68,628	66,703
Gross profit	22,468	15,928	11,270
Research and development costs, net	715	479	517
Selling and marketing	5,523	5,629	5,147
General and administrative	10,558	9,970	8,354
Other expenses (income)	(433)	(90)	(468)
Restructuring expenses, net	-	1,715	1,755
Operating income (loss)	6,075	(1,775)	(4,035)
Financial income (expense), net	(1,330)	127	(540)
Income (loss) before taxes on income (tax benefit)	4,745	(1,648)	(4,575)
Taxes on income (tax benefit)	576	98	(662)
income (loss) before equity investment	4,169	(1,746)	(3,913)
Share in results of affiliated company and impairment of share in affiliated companies	503	184	(76)
Net income (loss) from continued operation	$ 4,672	$ (1,562)	$ (3,989)
Net income (loss) from discontinued operation	-	-	427
Net income (loss)	$ 4,672	$ (1,562)	$ (3,562)

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

	Year Ended December 31,		
	2023	2022	2021
Revenues			
OEM of heat transfer solutions and aviation components	24.2%	25.8%	33.3%
MRO services for heat transfer components and OEM of heat transfer solutions	29	29.3	24.2
MRO services for aviation components	44.5	42.4	42.6
Overhaul and coating of jet engine components	6	6.8	4.9
Eliminations	(3.7)	(4.4)	(5)
Total revenues	100	100	100
Cost of revenues			
OEM of heat transfer solutions and aviation components	17.4	22.2	30.8
MRO services for heat transfer components and OEM of heat transfer solutions	26.5	24.5	21.7
MRO services for aviation components	36.7	34.2	33.9
Overhaul and coating of jet engine components	3.6	4.1	3.8
Eliminations	(4)	(3.9)	(4.7)
Cost of revenues	80.2	81.2	85.5
Gross profit	19.7	18.8	14.5
Research and development costs, net	0.6	0.6	0.7
Selling and marketing	4.8	6.7	6.6
General and administrative	9.3	11.8	10.7
Other expenses (income)	(0.4)	(0.1)	(0.6)
Restructuring expenses, net	0	2	2.2
	14.3	21	19.6
Operating income (loss)	5.3	(2.1)	(5.1)
Financial income (expense), net	(1.2)	0.2	(0.7)
Income (loss) before taxes on income (tax benefit)	4.2	(1.9)	(5.8)
Taxes on income (tax benefit)	0.5	0.1	(0.8)
income (loss) before equity investment	3.7	(2.1)	(5)
Share in results of affiliated company and impairment of share in affiliated companies	0.4	0.2	(0.1)
Net income (loss) from continued operation	4.1	(1.8)	(5.1)
Net income (loss) from discontinued operation	-	-	0.5
Net income (loss)	4.1%	(1.8)%	(4.6)%

* Less than 0.1 percent

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

Revenues. Total revenues were $113.8 million for the twelve months ended December 31, 2023, compared to $84.5 million for the twelve months ended December 31, 2022, an increase of 34.5%. 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 $27.6 million for the year ended December 31, 2023, from $21.8 million for the year ended December 31, 2022, an increase of 26.1%.

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 $33 million for the year ended December 31, 2023, from $24.8 million for the year ended December 31, 2022, an increase of 33.1%.

Revenues from MRO services for aviation components. Revenues from MRO services for aviation components operating segment increased to $50.7 million for the year ended December 31, 2023, from $35.9 million for the year ended December 31, 2022, an increase of 41.5%.

Revenues from overhaul and coating of jet engine components. Revenues from overhaul and coating of jet engine components segment increased to $6.8 million for the year ended December 31, 2023, from $5.8 million for the year ended December 31, 2022 an increase of 18.8%.

Cost of revenues. Cost of revenues was $91.3 million for the twelve months ended December 31, 2023, compared to $68.6 million for the twelve months ended December 31, 2022, an increase of 33.1%.

Cost of revenues as a percentage of revenues decreased to 80.2% for the twelve months ended December 31, 2023, from 81.2% for the twelve months ended December 31, 2022. The decrease is primarily due to the increase in revenue in a higher percentage compared to the increase in our fixed costs and due to better employees utilizations in some segment.

Cost of revenues for OEM of heat transfer solutions and aviation accessories. Cost of revenues for this operating segment was $20.2 million for the year ended December 31, 2023, compared to $18.8 million for the year ended December 31, 2022, an *increase* of 7.5%.

Cost of revenues as a percentage of revenues in this segment decreased to 71.9% in the year ended December 31, 2023, from 86% for the year ended December 31, 2022. The decrease is mainly due better direct labor utilization and increase in revenues in percentages which are higher compared to 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 $30.1 million for the year ended December 31, 2023 from $20.8 million for the year ended December 31, 2022, an increase of 45.4%.

Cost of revenues as a percentage of revenues in this segment increased to 91.4% in the year ended December 31, 2023 from 83.6% for the year ended December 31, 2022. The increase is primarily *due to* the transfer of heat exchange cores manufacturing capabilities to Limco in 2022, which increase the labor cost and raw material usage as part of the learning curve in the new operational production line and increase in depreciation for the new production line.

Cost of revenues for MRO services for aviation components. Cost of revenues for MRO services for aviation components operating segment increased to $41.8 million for the year ended December 31, 2023 from $28.9 million for the year ended December 31, 2022, an increase of 44.6%.

Cost of revenues as a percentage of revenues in this segment increased to 82.5% in the year ended December 31, 2023 from 80.5% for the year ended December 31, 2022.

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 $4.1 million for the year ended December 31, 2023 from $3.5 million for the year ended December 31, 2022, an increase of 17.6%.

Cost of revenues as a percentage of revenues in this segment decreased to 60 % in the year ended December 31, 2023 from 60.6% in the year ended December 31, 2022.

Research and development, net. Research and development expenses increased to $0.7 million for the twelve months ended December 31, 2023, from $0.5 million for the twelve months ended December 31, 2022, ,an increase of 50%.

Research and development expenses as a percentage of revenues were 0.6% for the twelve months ended December 31, 2023 compared to 0.6% for the twelve months ended December 31, 2022.

Selling and marketing. Selling and marketing expenses were $5.5 million for the twelve months ended December 31, 2023, compared to $5.6 million for the twelve months ended December 31, 2022.

Selling and marketing expenses as a percentage of revenues were 4.8% for the twelve months ended December 31, 2023, compared to 6.7% for the twelve months ended December 31, 2022, a decrease of 1.9 %.

General and administrative. General and administrative expenses were $10.6 million for the twelve months ended December 31, 2023, compared to $10 million for the twelve months ended December 31, 2022, an increase of 6%.

General and administrative expenses as a percentage of revenues were 9.3% for the twelve months ended December 31, 2023, compared to 11.8% for the twelve months ended December 31, 2022.

Other expenses (income). Other expenses (income) were ($0.4) million for the twelve months ended December 31, 2023, compared to ($0.1) million for the twelve months ended December 31, 2022, an increase of 480%.

Other income as a percentage of revenues were 0.4% for the twelve months ended December 31, 2023, compared to 0.1% for the twelve months ended December 31, 2022.

Restructuring expenses. The company completed its restructuring plan by the end of 2022.

Restructuring expenses as a percentage of revenues were 2% for the twelve months ended December 31, 2022

Financial expenses, net. Financial income, net for the twelve months ended December 31, 2023 were $1.3 million, compared to $0.1 million of financial expenses for the twelve months ended December 31, 2022. The increase was mainly due to an increase in the interest rates and loans proceeds in 2023 and lower exchange rate differences. Additionally, In 2022 there were high exchange rate differences as a result of a stronger US dollar compared to the Israeli Shekel (the Israeli Shekel weakened by 13.2% against the US dollar in 2022, compared to 2021 in which the Israeli Shekel strengthen by 3.3% against the US dollar(.

Taxes on income (tax benefit). Taxes on income for the twelve months ended December 31, 2023, amounted to $0.5 million, compared to $0.1 million tax benefits for the twelve months ended December 31, 2022.

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, 2023, amounted to a gain of $0.5 million compared to a gain of $0.2 million for the twelve months ended December 31, 2022.

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, 2022 filed on March 29, 2023 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. See “RISK FACTORS” for a description of governmental, economic, fiscal, monetary or political policies or factors (including the ongoing war and hostilities with Hamas and Hezbollah) 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. Israel is a member of the World Trade Organization and is a signatory to the General Agreement on Tariffs and Trade. In addition, Israel has been granted preferences under the Generalized System of Preferences from the United States, Australia, Canada and Japan. These preferences allow Israel to export the products covered by such programs either duty-free or at reduced tariffs.

Israel and the European Union Community, known now as the "European Union," concluded a Free Trade Agreement in July 1975 that confers some advantages with respect to Israeli exports to most European countries and obligates Israel to lower its tariffs with respect to imports from these countries over a number of years. 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. On January 1, 1993, an agreement between Israel and the European Free Trade Association, known as the "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 other improvements, such as allowing Israel to become a member of the Research and Technology programs of the European Union. In recent years, Israel has established commercial and trade relations with a number of other nations, including 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 dollars and receives payment primarily in dollars or dollar-linked NIS for all of its sales while it incurs 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 its operations is influenced by the extent to which any inflation in Israel is offset 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, 2021, December 31, 2022 and December 31, 2023.

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 2022 and 2023 is 21%.

Recently Issued Accounting Standards

Recently adopted accounting pronouncements:

1 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.

2. 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, with early adoption permitted. We are evaluating the impact this amended guidance may have on the footnotes to our consolidated financial statements.

Liquidity and Capital Resources

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 sale.

As of December 31, 2023, TAT had cash and cash equivalents of $16.9 million compared to $ 8 million as of December 31, 2022, an increase of $8.9 million primarily due to the private placement.

During 2023, TAT increased its loans and lines of credit from commercial banks by $1.7 million, and repaid loans in the amount of $1.7 million.

During 2022, TAT received a loan from a commercial bank in the amount of $3.7 million. The loan bears annual interest rate of 6.65% (Prime Rate +0.9%) and is repaid in equal monthly installment as of [April 2022] through March 2029. This new loan is in addition to four previous loans received during 2020 and 2021 in an aggregate amount of $6.3 million.

During 2022, TAT received loans from a commercial bank in the US in an aggregate amount of $7.9 million. These loans are secured with a first degree lien on TAT's US subsidiaries equipment. The loans bear annual interest of 3.75% and 4.2% and are repaid in equal monthly installments until 2029 and 2031. In addition, TAT received loans from Machinery Finance Resources in 2023 in the total amount of $0.7 million. The loans bear annual interest of 6.65% which are paid in equal monthly installments until 2028

During 2022 TAT subsidiary received a credit line from a US commercial bank in the amount of $7 million with maturity date of February 2024 and carry an interest of WSJP+0.1% . During 2023, the Company utilized an additional $1 million from the credit line.

During 2022 TAT received a long-term loan of $5 million from a commercial bank in the US, loan bears an annual fixed interest rate of 2.9% and maturity date of March 2024

During 2023 the company secured another short term line of credit for the amount of $4.5 million from an Israeli bank. The company's building and land in Kiryat Gat serves as collateral for this loan.

For more information about the company's loans please refer to Note 10 in the financial statements.

Capital expenditures for the years ended December 31, 2023, 2022 and 2021 were approximately $2.9 million, $16.1 million and $15.6 million, respectively. TAT funded these expenditures mainly from its own cash resources, 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.

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)		
	2023	**2022**	**2021**
Net cash provided by (used in) operating activities	$ 2,255	$ (4,867)	$ (2,269)
Net cash used in investing activities	(3,579)	(16,120)	(15,639)
Net cash provided by financing activities	10,240	15,798	6,042
Net cash provided by (used in) discontinued activities	-	-	777
Net increase (decrease) in cash and cash equivalents	8,916	(5,189)	(11,089)
Cash and cash equivalents at beginning of the year	8,026	13,215	24,304
Cash and cash equivalents at end of the year	$ 16,942	$ 8,026	$ 13,215

Net cash provided in operating activities for the year ended December 31, 2023, amounted to approximately $2.2 million, compared to net cash used in operating activities of ($4.9) million for the year ended December 31, 2022 and net cash used in by operating activities of ($2.3) million for the year ended December 31, 2021.

Net cash provided by operating activities for the year ended December 31, 2023 was impacted by the company's working capital needs.

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 .; 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; a 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.

Net cash used in operating activities for the year ended December 31, 2021 was impacted by the company's restructuring plan cost with a total amount of $0.58 million.

Net cash used in operating activities for the year ended December 31, 2021 was principally derived from the following adjustments of non-cash line items: an upward adjustment of $4.8 million for depreciation and amortization; a upward adjustment of $2.6 million for increase in trade accounts payable; an upward adjustment of $1.8 million for impairment of fixed assets. This was offset by $3.9 million loss; a downward adjustment of $2.9 million for increase in trade accounts receivable; a downward adjustment of $1.4 million for government loan forgiveness; a downward adjustment of $1.3 million due to change in lease right of use and lease liability; and a downward adjustment of $1 million for increase in other current assets and prepaid expenses.

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, 2021, net cash used by investing activities was $15.6 million, out of which approximately $5.8 million was attributed to investment in machinery and buildings due to the Company's restructuring plan.

In the year ended December 31, 2023, net cash provided by financing activities was primarily attributable to an amount of $10.2million from issuance of common 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. See Note 10 in the company's financial statements.

In the year ended December 31, 2021, net cash provided by financing activities was primarily attributable to a $3 million short-term line of credit received from a commercial bank and to loans of $3 million received in connection with a loan guaranteed by Israeli government due to Covid-19 government support.

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, 2023, 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	2,730	1,033	1,147	550	-
Purchase commitments	24,927	20,732	4,195	-	-
Total	$ 27,657	$ 21,765	$ 5,341	$ 550	$ -

In addition, 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, 2023, our severance pay liability, net was $ 336 thousand.

TAT expects to pay $722 thousand in future benefits to their employees during 2024 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, 2023:

In order to secure TAT's liability to the Israeli customs, TAT provided bank guarantees in the amount of $42 thousand. The guarantees are linked to the consumer price index and will expire from December 2023 through December 2024.

Item 19. Exhibits

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

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
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)

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 7, 2024

EXHIBIT 12.1

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/A 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;

(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 7, 2024

/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.

EXHIBIT 12.2

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/A 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;

(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 7, 2024

/s/ Ehud Ben-Yair
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.

EXHIBIT 13.1

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/A for the period ending December 31, 2023 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 7, 2024

* The originally executed copy of this Certification will be maintained at the Company’s offices and will be made available for inspection upon request.

EXHIBIT 13.2

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/A for the period ending December 31, 2023, 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 7, 2024

* The originally executed copy of this Certification will be maintained at the Company’s offices and will be made available for inspection upon request.