



Quarterly Report

for the period ended June 30, 2025

Turpaz Industries Ltd.

This English translation accompanies the Hebrew immediate report published simultaneously (the "Hebrew Version") and is provided for convenience only. It is not an official translation and has no binding force. While reasonable care has been taken in its preparation, no translation can perfectly reflect the Hebrew Version. In case of any discrepancy, the Hebrew Version shall prevail.





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Chapter A

Board of Directors' Report on the State of the Company's Affairs





This is an English translation of a Hebrew report that was published on the Israel Securities Authority website (MAGNA) on August 19, 2025 (hereafter: the “**Hebrew Version**”). This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

Directors’ Report on the State of the Corporation’s Affairs

For the period ended June 30, 2025

The Company’s Board of Directors is pleased to submit the Board of Directors’ Report on the state of affairs of Turpaz Industries Ltd. (hereinafter - “**Turpaz**” or the “**Company**”), for the six and three months ended June 30, 2025, all in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

This report was drawn out assuming that the Description of the Corporation’s Business chapter as included in Chapter A to the 2024 Periodic Report, which was published on March 18, 2025 (Ref. No.: 2025-01-017724) (hereinafter - the “**2024 Periodic Report**”) is available to the reader. Unless otherwise stated, terms included in this report shall have the meaning assigned to them in the 2024 Periodic Report.

The implementation of Turpaz’s mergers and acquisitions strategy in combination with extensive organic growth, led to record results in the first half and second quarter of 2025, with a double-digit increase in sales, gross profit, operating profit, adjusted EBITDA¹ and net income as detailed below:

- **In the first half of 2025 -**

Turpaz’s sales grew by approx. **44.3%** reaching a record level of approx. **USD 123.8 million**, an increase arising from a double-digit organic growth² of approx. **11.6%** and from acquisitions completed in 2024 and the first half of 2025. The growth trend continues and even intensifies in the third quarter of 2025 - reflecting annual sales run rate³ of approx. USD 300 million.

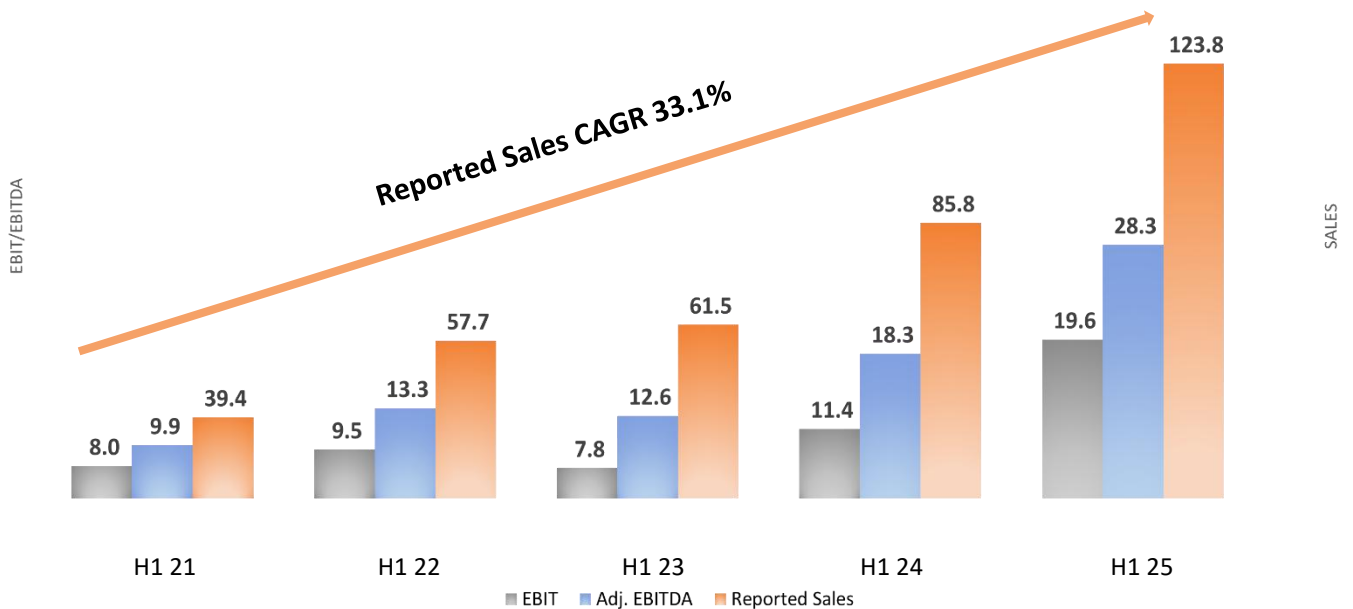
¹ **Adjusted EBITDA** means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses. It is emphasized that this metric is not based on generally accepted accounting principles; it is a generally accepted metric used to measure the operational efficiency of companies operating in the Company’s area of activity. For more information regarding the metric and the use thereof, see Section 8 to the Board of Directors’ Report, which is attached to the 2024 annual report.

² **Organic growth** - is after deduction of the effect of exchange rates, on a pro-forma basis, assuming that the acquisitions that were completed in 2024 were consolidated as from January 1, 2024, and the acquisitions that were completed in the first half of 2025 were consolidated in a similar way in 2024.

³ **The annual sales run-rate** constitutes forward-looking information, based on the Company’s estimates for the sales pace in the third quarter of 2025, and includes the full impact of the acquisition of Carotex and Attractive Scent (which is not reflected in this report), as well as the consolidation of other companies acquired during the period and the expected growth. This information is based on the Group management’s estimates, which may not materialize, or may materialize differently than expected, as a result of inaccurate assessments, changes in the work plan, changes in the market, or the occurrence of all or part of the risk factors set out in section 1.28 of Part A of the 2024 periodic report.



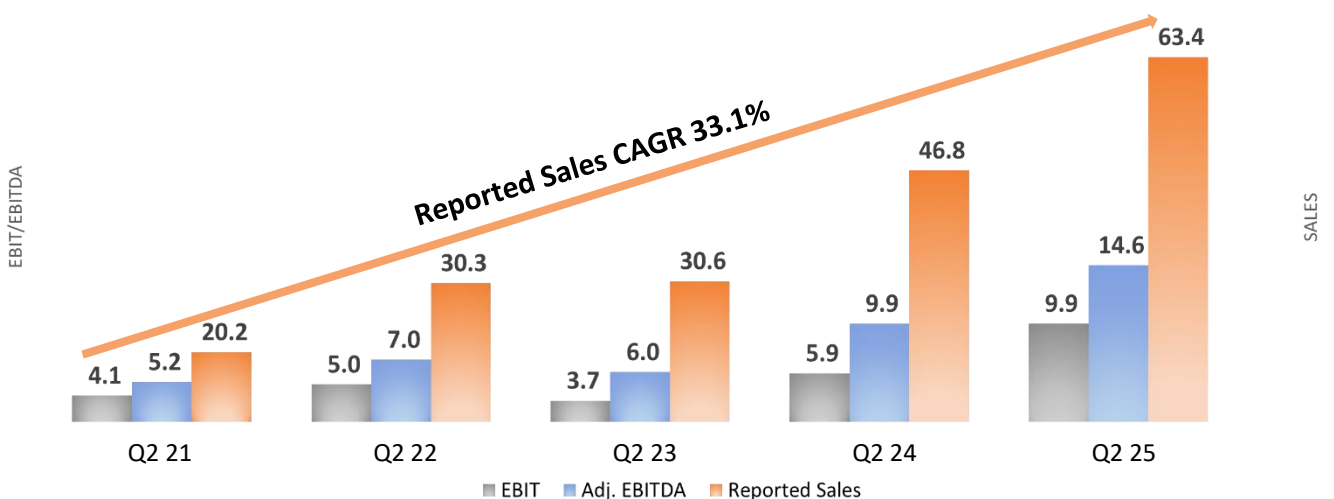
Adjusted EBITDA increased by approx. **54.4%** and amounted to approx. **USD 28.3 million**, the rate of adjusted EBITDA of sales amounted to approx. **22.8%**, operating profit increased by approx. **72.1%** and amounted to approx. **USD 19.6 million**, and net income grew by approx. **57.7%** and amounted to approx. **USD 10.6 million**.



- **In the second quarter of 2025 -**

Turpaz's sales grew by approx. **35.6%** reaching a record level of approx. **USD 63.4 million**, an increase arising from a double-digit organic growth of approx. **14.2%** and from acquisitions completed in 2024 and the first half of 2025.

Adjusted EBITDA increased by approx. **47.5%** and amounted to approx. **USD 14.6 million**, the rate of adjusted EBITDA of sales amounted to approx. **23.1%**, operating profit increased by approx. **67.9%** and amounted to approx. **USD 9.9 million**, and net income grew by approx. **52.1%** and amounted to approx. **USD 5.2 million**.





- Cash flow from operating activities in the first half of 2025 amounted to approx. **USD 13.1 million** compared to approx. **USD 11.3 million** in the corresponding period last year.
- Since the beginning of 2025, Turpaz completed 5 merger and acquisition transactions in England, Belgium, Poland, France and India as detailed below, which expanded and established its geographic deployment, both by entering into new territories and by establishing and expanding activities in existing territories, which allow the leveraging of synergy with the Company's activity and the expansion of the product offering.

Part A - Board of Directors' Explanations to the State of the Corporation's Affairs,
Operating Results, Shareholders' Equity and Cash flows

1. General

The Company was incorporated and registered in Israel as a private company limited by shares on February 10, 2011.

On May 23, 2021, the Company completed an IPO, its shares were listed on the Tel Aviv Stock Exchange (hereinafter - the "**Stock Exchange**"), and it became a publicly-traded company, as this term is defined in the Companies Law, 1999.

The Company operates, independently and through its subsidiaries (hereinafter - "**Turpaz**" or the "**Group**"), in three operating segments - the Fragrance segment, the Taste segment, and the Specialty Fine Ingredients segment. As part of this activity, Turpaz is engaged in research, development, production, marketing, distribution and sale of natural and synthetic sweet and savory **taste extracts**, seasonings, unique functional solutions for the field of baking, raw materials for the meat and baking industries, special (gluten free) flours, which are used mainly in the production of food and beverages; **fragrance extracts**, used in the production of cosmetics, toiletries, personal care, air care & odor neutralizers products; and **specialty fine ingredients** which include citrus products and aroma chemicals used in the taste and fragrance industries, and raw materials for the pharma and fine chemicals industries.

For more information regarding those segments, see Section 1.3.2 to Chapter A to the 2024 Periodic Report.

The Turpaz Group has an extensive and diversified range of products, which are developed and produced in the Group's plants across the world.

As of the report's publication date, the Group develops, produces, markets and sells products to more than approx. 4,000 customers in more than 90 countries, and operates 25



manufacturing facilities, R&D centers, laboratories and sales, marketing and regulation offices across the world, which employ approx. 960 employees.

Combined growth strategy:

Turpaz Group's strategy is based on combined growth that includes targets of double-digit growth and improvement of the Group's geographic deployment through M&As and acquisitions of activities that are synergetic to the Group's activity and organic growth, while leveraging the synergies between Group companies in the areas of cross sales, procurement, development, marketing and compliance with regulatory requirements, which contribute to the improvement in profits and profitability while increasing operational efficiency. The Company continues assessing options to acquire additional companies on an ongoing basis, noting the market conditions and the expected contribution from the acquisition, as estimated by the Company. During the reporting period, Turpaz continued the implementation of its growth strategy and expanded its activity in international markets, while enhancing its position in the field of taste and fragrance solutions and its geographic deployment across the world. **For information regarding acquisitions completed in 2024, see Section 1.4 to Chapter A to the 2024 Periodic Report.**

Turpaz Group operates in accordance with an orderly plan it developed to achieve the swift integration of the acquired company into the Group and the enhancement of the global management; this includes, among other things, retaining the existing managements of the acquired companies, which are mostly led by the previous owners for a number of years and integrating those managements into Turpaz's management, enhancing and expanding the product offering and expanding the customer base and integrating Turpaz Group's command and control systems in the sales, R&D, procurement, and finance functions of the acquired companies, in order to achieve swift utilization of synergies. In the opinion of the Company, as of the date of this report, it has not yet utilized the full potential of the acquisitions it made in recent years, and that it is taking action on a current basis to fully utilize and maximize the potential of those acquisitions.

Company's assessments as to the Group's growth rate, the fulfillment of the potential embodied in the acquisitions, the periods during which the potential embodied in the acquisitions and the new recruitments will be fulfilled, and as to the integration of the acquired companies into the Group constitutes forward-looking information, as defined in the Securities Law, which is based on Group management's assessments, and may not materialize or materialize in a manner different than expected, as a result of incorrect assessments, changes to the work plan, changes in the market, or the materialization of all or some of the risk factors listed in Section 1.28 to Chapter A of the 2024 Periodic Report.



Mergers and acquisitions completed since the beginning of 2025:

The Attractive Scent transaction

On July 11, 2025, Turpaz completed - through Turpaz Belgium⁴ - the acquisition of 68.6% of the share capital of Attractive Scent SAS - a French privately-owned company (hereinafter - “**Attractive Scent**”) from its founders and other shareholders (hereinafter - the “**Sellers**”), in consideration for approx. EUR 27.4 million (approx. USD 32.3 million). The transaction was financed through long-term bank financing as detailed in Section 2.2 below. Attractive Scent, which was founded in 2018 at the heart of the global perfume industry, in Grasse, the South of France – develops, manufactures, and markets fragrance extracts for the fine fragrances industry, as well as for personal care products, cosmetics, air care products and candles. Attractive Scent has an extensive and diverse customer base in Europe, the Middle East, Asia, Africa and South America, and it offers a wide range of solutions and products for the global fragrances industry. Attractive Scent operates a manufacturing site, a development laboratory with leading perfumers - including one of the company’s founders - and a sales center in Grasse, South of France, which is considered the capital of the global perfume industry. The founders, who have many years of experience in the French fragrances industry, shall continue to lead and manage Attractive Scent in the next few years, and joined the management team of the Group’s fragrances division. The agreement includes a call/put option for the acquisition of Attractive Scent’s remaining shares, and under the agreement’s terms: (a) 10% of Attractive Scent’s shares are exercisable starting one year from the transaction completion date, at an exercise price, which is based on Attractive Scent’s business performance in the eight quarters preceding the option exercise date, which will be paid in Turpaz shares to be allocated in accordance with their average price in the 30 calendar days preceding the exercise date; and (b): 21.4% of Attractive Scent’s shares are exercisable starting three years from the transaction completion date, at an exercise price, which is based on Attractive Scent’s business performance in the eight quarters preceding the option exercise date, which will be paid in cash or Turpaz shares, as to be decided by the Sellers. For more information, see immediate report of July 2, 2025 (Ref. No.: 2025-01-047692). Attractive Scent’s results will be consolidated with the Group’s financial statements as from July 2025.

⁴ Turpaz Belgium SRL, a privately-owned Belgian company, which is wholly-owned by the Company.



The Carotex transaction

On June 3, 2025, Turpaz completed - through its subsidiary Pollena Aroma⁵, the acquisition of the activity of Carotex⁶, which was founded by the Tatrzański family (hereinafter - “**Carotex**” and the “**Founders**”, respectively), in consideration for approx. USD 23.4 million (approx. PLN 87.2 million) and an allocation of 22% of Pollena’s share capital. The consolidation of Carotex and Pollena’s synergistic activities - which are of similar scope - is expected to result in increased operational efficiency and allow Turpaz to enhance and expand its product offering and leverage and utilize the cross-selling options arising from the acquisition, both by expanding its customer base and by expanding its product offering in the taste and fragrances segments, mainly in the beverages sub-segment - an area with a significant potential growth, in which Pollena has hardly had any involvement to date. Carotex, which was founded in 1989, operates in the taste and fragrances industries in Poland. In the taste segment, Carotex develops, manufactures and markets sweet flavors, emulsions, and beverage colorants (both for soft beverages, alcoholic and non-alcoholic) and food products (dairy, baking products, and pharmaceuticals). In the fragrances segment, Carotex develops, manufactures, and markets fragrance extracts for the personal care, cosmetics, toiletries, air care, and detergent industries. Carotex has a broad customer base in Europe, mainly in Poland, and a very broad range of solutions and products, which supplement the solutions and products currently offered by Pollena, mainly in the beverages sub-segment as described above. The founders, which have many years of experience in the field of specialty fine ingredients for food, beverages and fragrance extracts, will join Pollena’s management team and support the consolidation of Pollena and Carotex’s activities. The agreement includes a call/put option for the acquisition of the allocated Pollena shares as described above; the option may be exercised over one year, starting 4 years after the transaction completion date. The option’s exercise price is based on Pollena’s EBITDA as from the completion date and through the exercise date of the option. For more information, see immediate report of June 3, 2025 (Ref. No.: 2025-01-039571). Carotex’s results were consolidated with the Group’s financial statements as from June 2025.

AFS transaction

Further to its penetration to the taste market in England by purchasing F&E, the Company decided to transfer the taste extracts for vaping products activities in England to a dedicated

⁵Fabryka Substancji Zapachowych "Pollena-Aroma" Spółka z ograniczoną odpowiedzialnością, a privately-owned Polish company - in the share capital and voting rights thereof Turpaz has a 100% (indirect) stake prior to the transaction completion date (hereinafter - “**Pollena**”).

⁶ Carotex Koncentraty Tatrzański Spółka komandytowa, a limited partnership incorporated in Poland.



subsidiary held by Turpaz UK - NGF.⁷ On February 19, 2025, the said subsidiary completed the acquisition of 100% of the shares of Advance Flavour Solutions Limited, a privately-owned company incorporated in England (hereinafter - “**AFS**”) from its shareholders (hereinafter - the “**Agreement**” and the “**Sellers**”, respectively), in consideration for GBP 4.5 million (approx. USD 5.7 million) and allocation of 75.01% of NGF’s shares to the Sellers. As of the report date, subsequent to the completion of the transaction, Turpaz UK holds 24.99% of NGF’s shares, and the remaining shares are held by the Sellers. AFS was established in 2017; it is a leading company in the field of development, manufacturing and marketing of taste extracts for vaping products, and operates an advanced manufacturing facility, which includes R&D laboratories, applications, and development and sales functions near Manchester, England (near F&E’s plant in Blackburn). AFS has unique solutions and technologies, innovative products adapted to emerging market trends and wide customer base - mostly in the British Isles. For more information, see immediate report of February 19, 2025 (Ref. No.: 2025-01-011694).

Acquisition of Doucy

On February 24, 2025, the Company completed - through Turpaz Belgium - the acquisition of 100% of the share capital of Ets Doucy SRL, a privately-owned Belgian company (hereinafter - “**Doucy**”) and the real estate used by its factory from its shareholders (hereinafter in this section - the “**Sellers**”), in consideration for EUR 8.3 million (approx. USD 8.5 million), and additional consideration based on Doucy’s EBITDA during the period through February 28, 2027. Doucy, which was founded on 1968, has extensive experience and expertise in the field of sweet tastes for food, beverages (soft and alcoholic), colorings and additives for the animal food industry; the company is engaged in the development, manufacturing and marketing of sweet tastes and high-quality solutions for the food and food additives industry, mainly to Benelux markets. Doucy has a production facility, development laboratory and applications in Fernelmont, Belgium (about one hour’s drive from Brussels), sprawling an area of 5,600 sq. m, of which 2,644 sq. m are built; the said area was purchased by the Group as part of the transaction. The Sellers, who have many years of experience in the sweet tastes industry will continue functioning as Doucy’s managers in the forthcoming years and will join Turpaz’s management team. For more information, see immediate report of February 25, 2025 (Ref. No.: 2025-01-012757).

⁷New Generation Flavors Limited



2. Events during the reporting period and subsequent to balance sheet date

2.1. For more information regarding material acquisitions through the report publication date, see Section 1 above.

2.2. On July 9, 2025, Turpaz Belgium took a EUR 28 million loan from a banking corporation; the loan was used to finance the acquisition of Attractive Scent. The loan amount will be provided for a period of five (5) years, and it will bear EURIBOR interest plus a margin of 1.5%-1.75%. The loan amount will be repaid in equal quarterly installments, together with the interest, which will be paid on a quarterly basis, as from the end of 12 months from the date on which the loan was advanced. For more information, see immediate report of July 10, 2025 (Ref. No.: 2025-01-050854).

2.3. In June 2025, the Company completed an investment of approx. USD 4.6 million in Aastrid Life Sciences Pvt., a privately-owned company incorporated in India, which operates in the field of intermediates and fine specialty ingredients for the pharma industry, in consideration for the allocation of 45% of its share capital. The company in question has previously served as a sub-supplier of the Group, and the investment therein was made, among other things, based on professional and successful collaboration. The agreement includes a put option for the acquisition of further 15% of the share capital; the option may be exercised 3 years after the transaction completion date, and the exercise price is based on the average EBITDA in the period of the 8 quarters preceding the exercise of the option. For information, see Note 4D to the financial statements.

Upon completion of the investment, the deployment of Turpaz's manufacturing activity in the Specialty Fine Ingredients segment was expanded, and as of the report publication date it has four manufacturing sites: two in Israel, one in India and one in Romania.

2.4. For information regarding material events during and subsequent to the reporting period, see Note 4 to the financial statements.



3. Financial position

The total amount of assets and liabilities in the first half and the second quarter of 2025 was mainly affected by an increase due to completion of acquisition of companies during the period, and an increase due to the weakening of the dollar, mainly against the euro and the shekel compared to December 31, 2024.

Set forth below are key balance sheet data included in the Company's financial statements (in USD thousand)

	June 30, 2025	June 30, 2024	December 31, 2024	Company's explanations compared to December 31, 2024
Current assets	134,227	90,351	123,719	The increase stems mainly from consolidation of companies acquired in the period and an increase in the scope of the Group's activity, offset against assets held for sale, which were classified to the investments in companies accounted for by the equity method line item.
Non-current assets	380,939	252,014	267,031	The increase stems mainly from consolidation of companies acquired in the period, including intangible assets. In addition, the acquisition of companies accounted for by the equity method, and classification of assets held for sale.
Total assets	515,166	342,365	390,750	
Current liabilities	109,712	50,896	70,136	The increase arises mainly from an increase in short-term credit for the purpose of financing acquisitions, classification of liabilities in respect of put options as short-term liabilities, and from the consolidation of companies acquired in the reporting period.
Non-current liabilities	237,611	172,268	176,368	The increase stems mainly from taking long-term loans to finance the acquisitions, from consolidation of long-term loans of companies acquired in the reporting period, and from recognition of a liability in respect of the put options.
Total equity	167,843	119,201	144,246	The increase arises mainly from approx. USD 10.6 million net income in the reporting period, exercise of non-marketable options of employees and advisors, and translation differences due to changes in exchange rates of currencies.
Total liabilities and equity	515,166	342,365	390,750	



4. Operating results

4.1. Set forth below is an analysis of the operating results for the six months ended June 30, 2024, and 2025 (in accordance with the financial statements, and the explanations for the key changes in those data in USD thousand):

Line item	For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the period ended December 31, 2024	Company's explanations compared to the corresponding period last year
Revenues from sales	123,777	85,781	188,948	Revenues from sales increased by approx. 44.3% due to extensive organic growth ⁸ of approx. 11.6% and due to growth arising from companies, whose acquisition was completed in 2024 and the first half of 2025. The growth trend continues and even intensifies in the third quarter of 2025. The effect of exchange rates of foreign currencies contributed approx. 1.2% of sales.
Cost of sales	75,543	53,299	115,289	The gross profit increased by approx. 48.5% , mainly in view of the increase in sales. The improvement in profitability is due to streamlining measures and high growth rate.
Gross profit (% of sales)	48,234 39.0%	32,482 37.9%	73,659 39.0%	
Research and development expenses (% of sales)	4,481 3.6%	3,305 3.9%	7,034 3.7%	The increase arises from the consolidation of the results of operations of companies, whose acquisition was completed during 2024 and the first half of 2025, and amortization of intangible assets in respect of those acquisitions.
Selling and marketing expenses (% of sales)	11,230 9.1%	6,950 8.1%	16,273 8.6%	The increase arises mainly from the consolidation of companies, whose acquisition was completed during 2024 and in the first half of 2025, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	13,406 10.8%	10,227 11.9%	22,124 11.7%	The increase in general and administrative expenses arises from the consolidation of companies, the acquisition of which was completed during 2024 and in the first half of 2025. Despite the above increase, the rate of expenses out of total sales improved due to the fixed expenses component.
Company's share in losses (profits) of companies accounted for by the equity method, net	(599)	-	(36)	Gains in respect of non-consolidated investees
Other expenses	160	636	532	

⁸ See footnote 2 above.



Line item	For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the period ended December 31, 2024	Company's explanations compared to the corresponding period last year
Income from ordinary operations (% of sales)	19,556 15.8%	11,364 13.2%	27,732 14.7%	The increase stems mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in 2024 and the first half of 2025.
Financing expenses, net	5,562	2,459	6,680	The increase stems mainly from interest expenses in respect of loans taken by the Company from banking corporations to finance acquisitions, and finance expenses in respect of put options.
Taxes on income (Effective tax %)	3,361 24.0%	2,164 24.3%	5,307 25.2%	
Net income from continued operations (% of sales)	10,633 8.6%	6,741 7.9%	15,745 8.3%	The net income increased by approx. 57.7% , mainly due to the growth in profits, completed acquisitions and the synergy arising therefrom.
Net income from discontinued operation	-	-	165 0.1%	
Net income for the period (% of sales)	10,633 8.6%	6,741 7.9%	15,910 8.4%	
Non-GAAP net income ⁹ (% of sales)	15,340 12.4%	10,054 11.7%	23,317 12.3%	
EBITDA ¹⁰	27,904	17,605	41,599	The adjusted EBITDA increased by approx. 54.4% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stemmed from the reasons listed above in this table.
Adj. EBITDA¹¹ (% of sales)	28,253 22.8%	18,296 21.3%	42,975 22.7%	

⁹See Section 7.2 below.

¹⁰See Section 7.1 below.



4.2. Set forth below is an analysis of the operating results for the three months ended June 30, 2024, and 2025 (in accordance with the financial statements, and the explanations for the key changes in those data in USD thousand):

Line item	For the three months ended June 30, 2025	For the three months ended June 30, 2024	Company's explanations compared to the corresponding period last year
Revenues from sales	63,418	46,765	Revenues from sales increased by approx. 35.6% due to extensive organic growth ¹² of approx. 14.2% and due to growth arising from companies, whose acquisition was completed in 2024 and the first half of 2025. The growth trend continues and even intensifies in the third quarter of 2025. The effect of exchange rates of foreign currencies contributed approx. 4.0% of sales.
Cost of sales	38,703	28,679	The gross profit increased by approx. 36.7% , mainly in view of the increase in sales.
Gross profit (% of sales)	24,715 39.0%	18,086 38.7%	
Research and development expenses (% of sales)	2,311 3.6%	1,898 4.1%	The increase arises from the consolidation of the results of operations of companies, whose acquisition was completed during 2024 and the first half of 2025, and amortization of intangible assets in respect of those acquisitions.
Selling and marketing expenses (% of sales)	5,667 8.9%	4,037 8.6%	The increase arises mainly from the consolidation of companies, whose acquisition was completed during 2024 and in the first half of 2025, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	6,885 10.9%	5,897 12.6%	The increase in general and administrative expenses arises from the consolidation of companies, the acquisition of which was completed during 2024 and in the first half of 2025. Despite the above increase, the rate of expenses out of total sales improved due to the fixed expenses component.
Company's share in losses (profits) of companies accounted for by the equity method, net	(230)	-	Gains in respect of non-consolidated investees
Other expenses	160	343	
	9,922 15.6%	5,911 12.6%	The increase stems mainly from an increase in sales and the steps taken to

¹² See footnote 2 above.



Line item	For the three months ended June 30, 2025	For the three months ended June 30, 2024	Company's explanations compared to the corresponding period last year
Income from ordinary operations (% of sales)			increase efficiency and synergies that were reflected in 2024 and the first half of 2025.
Financing expenses, net	3,075	1,237	The increase stems mainly from interest expenses in respect of loans taken by the Company from banking corporations to finance acquisitions, finance expenses in respect of put options and expenses in respect of exchange rate differences.
Taxes on income (Effective tax %)	1,624 23.7%	1,241 26.6%	The change arises from changes in the pre-tax profit mix between the different countries in which the Group operates.
Net income for the period (% of sales)	5,223 8.2%	3,433 7.3%	The net income increased by approx. 52.1% , mainly due to the growth in profits, completed acquisitions and the synergy arising therefrom.
Non-GAAP net income ¹³ (% of sales)	7,463 11.8%	5,196 11.1%	
EBITDA ¹⁴	14,289	9,540	The adjusted EBITDA increased by approx. 47.5% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stemmed from the reasons listed above in this table.
Adj. EBITDA¹⁵ (% of sales)	14,638 23.1%	9,925 21.2%	

¹³See Section 7.2 below.

¹⁴See Section 7.1 below.



4.3. Set forth below is an analysis of the operating results for the six months ended June 30, 2024 and 2025, by segments (in USD thousand):

Segment		For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the 12-month period ended December 31, 2024	Company's explanations to changes between H1 2025 and H1 2024
Taste segment	Revenues (% of Group sales)	89,725 72.5%	58,741 68.5%	135,542 71.7%	Revenues increased by approx. 52.7% , mainly as a result of acquisitions completed during 2024 and the first half of 2025, and as a result of organic growth of approx. 7.6% . The effect of exchange rates of foreign currencies contributed approx. 1.1% of sales. The increase in profitability stems from operational streamlining and leveraging of synergies in the segment, alongside the increase in sales and the fixed expenses component.
	Operating profit (% of sales)	17,838 19.9%	10,288 17.5%	23,579 17.4%	
Fragrance segment	Revenues (% of Group sales)	18,679 15.1%	17,758 20.7%	34,945 18.5%	Revenues increased by approx. 5.2% ; the change stems from organic growth of approx. 3.1% . The effect of exchange rates of foreign currencies contributed approx. 1.9% of sales.
	Operating profit (% of sales)	4,993 26.7%	4,873 27.4%	9,092 26.0%	
Specialty Fine Ingredients segment	Revenues (% of Group sales)	15,394 12.4%	9,285 10.7%	18,464 9.7%	Revenues increased by approx. 65.8% as a result of organic growth of approx. 65.3% , arising from successful implementation of steps taken by the Company to change its product mix by focusing on and introducing aroma chemicals and citrus products to the flavor and fragrance industries. This move included the improvement of operating processes and the introduction of new products with high added-value, which are expected to contribute to improvement in profitability in the forthcoming quarters ¹⁶ . In addition, customers resumed the purchase of products from Chemada's plant located in the Gaza Envelope area, having switched to alternative suppliers during the Iron Swords War. The improvement in sales is expected to continue in 2025. The effect of exchange rates of foreign currencies contributed approx. 0.3% of sales.
	Operating profit (% of sales)	1,154 7.5%	(25) (0.3%)	3,052 16.5%	
Unallocated joint expenses	Revenues	(21)	(3)	(3)	
	Operating profit	(4,429)	(3,772)	(7,991)	
Total	Revenues	123,777	85,781	188,948	
	Operating profit (% of sales)	19,556 15.8%	11,364 13.2%	27,732 14.7%	

¹⁶ The Company's assessments regarding the impact of the processes detailed above on the improvement of profitability constitute forward-looking information, as defined in the Securities Law, based on the Group management's assessments, which may not materialize, or may materialize in a manner different than expected, as a result of incorrect assessments, changes in the work plan, changes in the market, or the occurrence of all or some of the risk factors detailed in section 1.28 of Part A of the 2024 periodic report.



4.4. Set forth below is an analysis of the operating results for the three months ended June 30, 2024, and 2025, by segments (in USD thousand):

Segment		For the three months period ended June 30, 2025	For the three months period ended June 30, 2024	Company's explanations to the change in the second quarter of 2025 compared to the second quarter of 2024
Taste segment	Revenues (% of Group sales)	46,224 72.9%	34,171 73.1%	Revenues increased by approx. 35.3% , mainly as a result of acquisitions completed during 2024 and the first half of 2025, and as a result of extensive organic growth of approx. 8.8% . The effect of exchange rates of foreign currencies contributed approx. 4.1% of sales. The increase in profitability stems from operational streamlining and leveraging of synergies in the segment, alongside the increase in sales and the fixed expenses component.
	Operating profit (% of sales)	9,680 20.9%	5,919 17.3%	
Fragrance segment	Revenues (% of Group sales)	9,557 15.1%	8,950 19.1%	Revenues increased by approx. 6.8% ; the change stems from organic growth of approx. 2.2% . The effect of exchange rates of foreign currencies contributed approx. 4.1% of sales.
	Operating profit (% of sales)	2,327 24.3%	2,292 25.6%	
Specialty Fine Ingredients segment	Revenues (% of Group sales)	7,658 12.1%	3,644 7.8%	Revenues increased by approx. 110.2% as a result of organic growth of approx. 106.1% , arising from successful implementation of steps taken by the Company to change its product mix by focusing on and introducing aroma chemicals and citrus products to the taste and fragrance industries. This move included the improvement of operating processes and the introduction of new products with high added-value, which are expected to contribute to improvement in profitability in the forthcoming quarters ¹⁷ . In addition, customers resumed the purchase of products from Chemada's plant located in the Gaza Envelope area, having switched to alternative suppliers during the Iron Swords War. The improvement in sales is expected to continue in 2025. The effect of exchange rates of foreign currencies contributed approx. 2.0% of sales.
	Operating profit (% of sales)	140 1.8%	(235) (6.4%)	
Unallocated joint expenses	Revenues	(21)	-	
	Operating profit	(2,225)	(2,065)	
Total	Revenues	63,418	46,765	
	Operating profit (% of sales)	9,922 15.6%	5,911 12.6%	

¹⁷ See footnote 16 above.



5. Liquidity

As of June 30, 2025, the Company has a cash balance of USD 31,003 thousand and continues to finance the double-digit growth of the Group's activity. Set forth below are the key components of the cash flow and the way they were utilized (in USD thousand):

	For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the 12-month period ended December 31, 2024	Company's explanations to changes between H1 2025 and H1 2024
Net cash provided by operating activities	13,134	11,254	21,116	The change arises mainly from an increase in net income for the period and a change in working capital balances for the purpose of supporting the extensive growth in sales, compared to the corresponding period last year.
Net cash used in investing activities	(43,569)	(42,849)	(83,247)	The change arises mainly from cash used to complete the acquisition of companies and the repayment of liabilities in respect thereof totaling approx. USD 39.3 million compared to approx. USD 38.7 million in the corresponding period last year.
Net cash provided by financing activities	32,708	27,104	65,326	The change arises mainly from the payment of a dividend of approx. USD 4 million last year.
Exchange differences in respect of cash and cash equivalents	2,804	(633)	(1,086)	
Total change in cash and cash equivalents	5,077	(5,124)	2,109	



	For the three months period ended June 30, 2025	For the three months period ended June 30, 2024	Company's explanations to the change in the second quarter of 2025 compared to the second quarter of 2024
Net cash provided by operating activities	5,570	7,704	The change arises mainly from an increase in net income for the period and a change in working capital balances for the purpose of supporting the extensive growth compared to the corresponding period last year.
Net cash used in investing activities	(29,815)	(27,879)	The change arises mainly from cash used to complete the acquisition of companies and the repayment of liabilities in respect thereof totaling approx. USD 27.7 million compared to approx. 24.8 million in the corresponding period last year, offset against an approx. USD 2.2 million investment in property, plant and equipment compared to approx. USD 3.1 million in the corresponding period last year.
Net cash provided by financing activities	21,830	(3,947)	The change stems mainly from an increase in short-term and long-term credit amounting to approx. USD 22.7 million. The change also arises from an approx. USD 4 million dividend paid in the corresponding period last year.
Exchange differences in respect of cash and cash equivalents	1,948	(122)	
Total change in cash and cash equivalents	(467)	(24,244)	



6. Financing sources

The Company funds its activities mainly from cash flows from operating activities; it finances the acquisition of the companies through long-term loans and short-term credit. For information about the Company's main financing sources, see Section 1.20 to Chapter A (Description of the Company's Business), and Note 16 to the financial statements attached to the 2024 Periodic Report.

Line item	Data as of June 30, 2025		Data as of December 31, 2024	
	USD thousand	% of total balance sheet	USD thousand	% of total balance sheet
Equity	167,843	32.6%	144,246	36.9%
Other long-term liabilities	142,939	27.7%	102,592	26.3%
Long-term liabilities from banks, net of current maturities	94,672	18.4%	73,776	18.9%
Short-term credit	57,388	11.1%	27,772	7.1%
Suppliers credit	23,621	4.6%	19,402	5.0%
Other long-term payables	28,703	5.6%	22,962	5.9%
Total	515,166	100%	390,750	100%

The average amount of the long-term loans in the first half of 2025 was approx. USD 84,224 thousand.

The average amount of the short-term credit in the first half of 2025 was approx. USD 42,580 thousand.

In the opinion of the Company, the expected further interest rate cuts will have a positive effect on finance expenses.

As of June 30, 2025, the Company's working capital is approx. USD 24.5 million (approx. 9.7% of sales), compared to working capital of USD 39.5 million (approx. 21.1% of sales) as of June 30, 2024, and working capital of approx. USD 53.6 million as of December 31, 2024 (approx. 24.4% of sales).

As of June 30, 2025, the Company's operating working capital¹⁸ is approx. USD 73.5 thousand (approx. 27.6% of sales), compared to operating working capital of approx. USD 48.1 thousand (approx. 25.7% of sales) as of June 30, 2024, and approx. USD 60.7 thousand (approx. 27.2% of sales) as of December 31, 2024.

The Company's net debt balance¹⁹ as of June 30, 2025 is approx. USD 121,273 thousand.

¹⁸ Operating working capital means - trade receivable plus the balance of inventory and net of trade payables.

¹⁹ Debt net of cash.



Disclosure in accordance with the reportable credit directive:

Original loan amount	Balance of loan as of June 30, 2025	Date on which the loan was actually taken out	Amortization schedule (loan principal)	Interest	Collaterals provided in respect of the loan	Financial covenants in relation to loan
Credit from an Israeli bank						
EUR 33,000 thousand	EUR 30,938 thousand	January 25, 2024	The loan term is 5 years. The principal of the loan shall be repaid in equal quarterly payments (as from April 29, 2025).	EURO LIBOR interest plus a margin of approx. 1.8%-2%, which is paid on a quarterly basis	-	Equity to assets - the equity shall not be lower than USD 80 million and 20% of total assets at any given time.
EUR 25,000 thousand	EUR 23,100 thousand	EUR 10,700 thousand as of November 5, 2024 EUR 6,700 thousand as of March 13, 2025 EUR 5,700 thousand as of May 22, 2025	The loan amount will be repaid in 8 semi-annual equal installments starting in October 2025. A further amount of up to EUR 1.9 million will be withdrawn subject to the Company's request and the Bank's approval regarding the provision of the said amount.	EURO LIBOR interest plus a 1.5%-1.8% margin, which will be paid on a semi-annual basis.	-	As of June 30, 2025, the equity amounts to 32.6% of total assets. Debt coverage ratio ²⁰ - shall not exceed 3.5 at any given time. As of June 30, 2025, the debt coverage ratio is 2.0.
GBP 17,000 thousand	GBP 14,875 thousand	December 19, 2024	The loan term is 4 years; it will be repaid in equal quarterly installments (starting three months after the loan withdrawal date).	SONIA interest plus a margin of 1.7%-2.5%, which is paid on a quarterly basis.		

²⁰ See footnote 19 above.



7. Non-GAAP data

7.1. Adjusted EBITDA

Adjusted EBITDA means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses as described below.²¹ Set forth below is a breakdown of the adjustments between the operating profit and adjusted EBITDA (USD in thousands):

Section		For the six months ended June 30		For the three months ended June 30	
		2025	2024	2025	2024
Operating profit presented in the financial statements		19,556	11,364	9,922	5,911
Depreciation expenses	Property, plant and equipment	2,568	2,210	1,307	1,339
	Intangible asset	3,391	2,201	1,796	1,258
	Leases	1,786	1,340	948	691
Amortization expenses in respect of share-based payment to employees		603	490	316	341
Non-recurring expenses		349	691	349	385
Adj. EBITDA		28,253	18,296	14,638	9,925
(% of sales)		22.8%	21.3%	23.1%	21.2%

²¹ This metric is a generally accepted metric used to measure the operational efficiency of companies operating in the Company's area of activity. Clarifications: This metric is based on data presented in the Company's audited financial statements as described above; however, it is not based on generally accepted accounting principles and it is not audited or reviewed by the Company's independent auditors, nor does it constitute a substitute for the information included in the Company's financial statements.



7.2. Non-GAAP net income

Non-GAAP net income - means net income plus amortization in respect of intangible assets and share-based payment to employees, financing expenses in respect of put options and non-recurring expenses net of the tax in respect of those expenses.²² Set forth below is a breakdown of the adjustments between the net income and non-GAAP net income (USD in thousands):

Section	For the six months ended June 30		For the three months ended June 30	
	2025	2024	2025	2024
Net income presented in the financial statements	10,633	6,741	5,223	3,433
Amortization expenses in respect of intangibles and share-based payment to employees ²³	3,641	2,520	1,878	1,535
Financing expenses in respect of put options	1,440	662	418	184
Non-recurring expenses	349	691	349	385
Net of the tax effect	(723)	(560)	(405)	(341)
Non-GAAP net income	15,340	10,054	7,463	5,196
(% of sales)	12.4%	11.7%	11.8%	11.1%

The Company presents its non-GAAP net income in order to more accurately reflect its net profitability given its acquisition-led growth strategy. This data neutralizes non-cash expenses, and specifically amortization of intangible assets - amortization of customer relations and knowhow and amortization in respect of share-based payment to employees and revaluation expenses in respect of options given to sellers.

- As of the date of this report, the Company conducted an initial examination for the purchase price allocation for the Carotex activity, based on data which are not final. In this framework, the purchase price was allocated to tangible and intangible assets and to liabilities acquired, at their fair value on the acquisition date. The determination of the fair value of the assets and liabilities is subject to the completion of the final assessment of the purchase price allocation to the fair value of the assets and liabilities by an external appraiser, which has not yet been completed as of the date of the financial statements. For details, see Note 3(C) to the financial statements.

²² This metric is based on data presented in the Company's audited financial statements as described above; however, it is not based on generally accepted accounting principles and it is not audited or reviewed by the Company's independent auditors, nor does it constitute a substitute for the information included in the Company's financial statements.

²³ For details regarding amortization expenses see Section 7.1 above.



9. For more information regarding the Iron Swords War and the effects of inflation and interest rates, see Sections 1.8.5-1.8.6 to Chapter A to the 2024 Periodic Report.

The Board of Directors wishes to thank the Company's management and its employees for the results achieved in the first half of 2025.

Dr. Israel Leshem, Director²⁴

**Karen Cohen Khazon, CEO and Chairperson
of the Board of Directors**

Date: August 18, 2025

²⁴ Director authorized by the Board of Directors to sign.



Chapter B

Financial Statements

as of June 30, 2025



TURPAZ INDUSTRIES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2025

UNAUDITED

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Auditors' review report to the shareholders of Turpaz Industries Ltd.

Introduction

We have reviewed the accompanying financial information of Turpaz Industries Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2025 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the periods of six and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 3.6% of total consolidated assets as of June 30, 2025, and whose revenues included in consolidation constitute approximately 8.2% and approximately 8.4% of total consolidated revenues for the periods of six and three months then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

Scope of review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accounts in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2025	2024	2024
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	31,003	18,693	25,926
Trade receivables	48,618	33,659	38,587
Other accounts receivable	6,103	4,476	4,748
Inventories	48,503	33,523	41,544
Assets held for sale	-	-	12,914
	134,227	90,351	123,719
NON-CURRENT ASSETS:			
Deferred taxes	2,271	229	1,321
Property, plant and equipment, net	62,378	51,384	52,193
Right-of-use assets, net	20,798	16,357	17,263
Intangible assets, net	268,848	171,920	193,550
Investment in companies accounted for at equity	25,664	-	1,871
Financial assets	980	12,124	833
	380,939	252,014	267,031
	515,166	342,365	390,750

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2025	2024	2024
	Unaudited		Audited
	U.S. dollars in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans from banks and others	57,388	13,592	27,772
Trade payables	23,621	19,074	19,402
Other accounts payable	17,150	12,941	15,445
Short-term liabilities in respect of acquisition of activity	8,062	2,772	3,525
Current maturities of lease liabilities	3,491	2,517	2,828
Liabilities attributable to assets held for sale	-	-	1,164
	109,712	50,896	70,136
NON-CURRENT LIABILITIES:			
Long-term loans from banks, less current maturities	94,672	47,211	73,776
Long-term loans from others, less current maturities	216	183	370
Provision for waste removal	1,190	389	1,176
Long-term leases liabilities	18,556	14,893	15,509
Long-term liabilities in respect of acquisition of activity	108,025	98,362	72,773
Deferred taxes	14,436	10,817	12,333
Employee benefit liabilities	516	410	431
Other long-term payables	-	3	-
	237,611	172,268	176,368
EQUITY:			
Equity attributable to equity holders of the company:			
Share capital (*)	1	1	1
Share premium	78,304	75,270	75,552
Other capital reserves	(6,384)	(3,823)	(6,023)
Reserve in respect of translation differences	(154)	(6,761)	(7,369)
Retained earnings	61,498	49,363	52,940
	133,265	114,050	115,101
Non-controlling interests	34,578	5,151	29,145
Total equity	167,843	119,201	144,246
	515,166	342,365	390,750

*) Less than \$ 1 thousand.

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

August 18, 2025			
Date of approval of the financial statements	Karen Cohen Khazon Chair of the Board and CEO	Dr. Israel Leshem Director <i>Authorized by the Board to sign the financial statements on August 18, 2025</i>	Guy Gill Executive Vice President and CFO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2025	2024	2025	2024	2024
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales	123,777	85,781	63,418	46,765	188,948
Cost of sales	75,543	53,299	38,703	28,679	115,289
Gross profit	48,234	32,482	24,715	18,086	73,659
Research and development expenses	4,481	3,305	2,311	1,898	7,034
Selling and marketing expenses	11,230	6,950	5,667	4,037	16,273
General and administrative expenses	13,406	10,227	6,885	5,897	22,124
Company's share of earnings of companies accounted for at equity, net	(599)	-	(230)	-	(36)
Other expenses (income)	160	636	160	343	532
Operating income	19,556	11,364	9,922	5,911	27,732
Finance expenses, net	5,562	2,459	3,075	1,237	6,680
Income before taxes on income	13,994	8,905	6,847	4,674	21,052
Taxes on income	3,361	2,164	1,624	1,241	5,307
Net income from continuing operations	10,633	6,741	5,223	3,433	15,745
Income from discontinued operation	-	-	-	-	165
Net income	10,633	6,741	5,223	3,433	15,910
Other comprehensive income (net of tax effect):					
Amounts that will not be reclassified subsequently to profit or loss:					
Adjustments arising from translating financial statements from functional currency to presentation currency	8,872	(4,775)	14,755	(2,822)	(1,113)
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:					
Adjustments arising from translating financial statements of foreign operations	2,131	2,776	(6,201)	2,654	(3,320)
Comprehensive income	21,636	4,742	13,777	3,265	11,477
Net income attributable to:					
Equity holders of the Company	8,558	6,242	4,207	3,199	13,819
Non-controlling interests	2,075	499	1,016	234	2,091
	10,633	6,741	5,223	3,433	15,910
Comprehensive income attributable to:					
Equity holders of the Company	15,773	4,525	10,188	3,063	11,494
Non-controlling interests	5,863	217	3,589	202	(17)
	21,636	4,742	13,777	3,265	11,477
Earnings per share attributable to equity holders of the Company (in U.S. dollars):					
Basic and diluted earnings per share	0.08	0.06	0.04	0.03	0.14

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	U.S. dollars in thousands							
Balance as of January 1, 2025 (audited)	1	75,552	(6,023)	(7,369)	52,940	115,101	29,145	144,246
Net income	-	-	-	-	8,558	8,558	2,075	10,633
Other comprehensive income	-	-	-	7,215	-	7,215	3,788	11,003
Total comprehensive income	-	-	-	7,215	8,558	15,773	5,863	21,636
Share-based payment	-	-	603	-	-	603	-	603
Exercise of options	-	2,752	(964)	-	-	1,788	-	1,788
Dividends distributed	-	-	-	-	-	-	(430)	(430)
Balance as of June 30, 2025	1	78,304	(6,384)	(154)	61,498	133,265	34,578	167,843

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	U.S. dollars in thousands							
Balance as of January 1, 2024 (audited)	1	74,449	(4,136)	(5,044)	47,123	112,393	4,934	117,327
Net income	-	-	-	-	6,242	6,242	499	6,741
Other comprehensive loss	-	-	-	(1,717)	-	(1,717)	(282)	(1,999)
Total comprehensive income (loss)	-	-	-	(1,717)	6,242	4,525	217	4,742
Share-based payment	-	-	490	-	-	490	-	490
Exercise of options	-	821	(177)	-	-	644	-	644
Dividends distributed to equity holders of the Company	-	-	-	-	(4,002)	(4,002)	-	(4,002)
Balance as of June 30, 2024	1	75,270	(3,823)	(6,761)	49,363	114,050	5,151	119,201

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Non- controlling interests	Total equity
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total		
Unaudited								
U.S. dollars in thousands								
Balance as of April 1, 2025	1	77,549	(6,345)	(6,135)	57,291	122,361	30,989	153,350
Net income	-	-	-	-	4,207	4,207	1,016	5,223
Other comprehensive income	-	-	-	5,981	-	5,981	2,573	8,554
Total comprehensive income	-	-	-	5,981	4,207	10,188	3,589	13,777
Share-based payment	-	-	316	-	-	316	-	316
Exercise of options	-	755	(355)	-	-	400	-	400
Balance as of June 30, 2025	1	78,304	(6,384)	(154)	61,498	133,265	34,578	167,843

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	U.S. dollars in thousands							
Balance as of April 1, 2024	1	74,598	(4,020)	(6,625)	46,164	110,118	4,949	115,067
Net income	-	-	-	-	3,199	3,199	234	3,433
Other comprehensive loss	-	-	-	(136)	-	(136)	(32)	(168)
Total comprehensive income (loss)	-	-	-	(136)	3,199	3,063	202	3,265
Share-based payment	-	-	341	-	-	341	-	341
Exercise of options	-	672	(144)	-	-	528	-	528
Balance as of June 30, 2024	1	75,270	(3,823)	(6,761)	49,363	114,050	5,151	119,201

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Audited							
	U.S. dollars in thousands							
Balance as of January 1, 2024	1	74,449	(4,136)	(5,044)	47,123	112,393	4,934	117,327
Net income	-	-	-	-	13,819	13,819	2,091	15,910
Other comprehensive loss	-	-	-	(2,325)	-	(2,325)	(2,108)	(4,433)
Total comprehensive income (loss)	-	-	-	(2,325)	13,819	11,494	(17)	11,477
Share-based payment	-	-	1,186	-	-	1,186	-	1,186
Exercise of options	-	1,103	(244)	-	-	859	-	859
Reclassification of put options to equity	-	-	(2,829)	-	-	(2,829)	24,449	21,620
Dividends distributed	-	-	-	-	(8,002)	(8,002)	(221)	(8,223)
Balance as of December 31, 2024	1	75,552	(6,023)	(7,369)	52,940	115,101	29,145	144,246

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2025	2024	2025	2024	2024
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from operating activities:</u>					
Net income	10,633	6,741	5,223	3,433	15,910
Adjustments to reconcile net income to net cash provided by operating activities (a)	2,501	4,513	347	4,271	5,206
Net cash provided by operating activities	13,134	11,254	5,570	7,704	21,116
<u>Cash flows from investing activities</u>					
Purchase of property, plant and equipment and other assets	(4,484)	(4,173)	(2,232)	(3,074)	(8,320)
Proceeds from sale of property, plant and equipment	184	28	119	18	440
Acquisition of initially consolidated subsidiaries (b)	(29,173)	(37,895)	(23,102)	(24,695)	(72,065)
Acquisition of companies accounted for at equity	(10,096)	-	(4,600)	-	(1,866)
Repayment of liability in respect of acquisition of activity	-	(809)*	-	(128)	*) (1,436)
Net cash used in investing activities	(43,569)	(42,849)*	(29,815)	(27,879)	*) (83,247)
<u>Cash flows from financing activities</u>					
Receipt (repayment) of short-term credit	19,060	(1,066)	18,318	2,208	(843)
Dividend paid to equity holders of the Company	-	(4,002)	-	(4,002)	(8,002)
Dividend distributed to holders of put options and holders of non-controlling interests	(1,022)	(74)	(535)	(74)	(295)
Repayment of long-term lease liabilities	(1,654)	(1,271)	(874)	(654)	(2,910)
Repayment of long-term loans	(7,606)	(2,238)	(6,509)	(2,069)	(3,594)
Receipt of long-term loans	24,381	35,945	11,030	-	80,945
Exercise of share options	1,788	644	400	644	859
Repayment of liability in respect of acquisition of activity	(2,239)	(834)*	-	-	*) (834)
Net cash provided by (used in) financing activities	32,708	27,104*	21,830	(3,947)	*) 65,326
Exchange rate differences on balances of cash and cash equivalents	2,804	(633)	1,948	(122)	(1,086)
Increase (decrease) in cash and cash equivalents	5,077	(5,124)	(467)	(24,244)	2,109
Cash and cash equivalents at the beginning of the period	25,926	23,817	31,470	42,937	23,817
Cash and cash equivalents at the end of the period	31,003	18,693	31,003	18,693	25,926

*) Reclassified.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2025	2024	2025	2024	2024
	Unaudited				Audited
	NIS in thousands				
(a) <u>Adjustments to reconcile net income to net cash provided by operating activities:</u>					
Adjustments to profit and loss items:					
Depreciation and amortization	7,745	5,751	4,051	3,288	12,340
Capital loss (gain) from sale of property, plant and equipment	(2)	(60)	1	(48)	(59)
Change in employee benefit liabilities, net	26	21	4	24	57
Cost of share-based payment	603	490	316	341	1,186
Company's share of earnings of companies accounted for at equity, net	(599)	-	(230)	-	(36)
Finance expenses, net	5,562	2,459	3,075	1,237	6,680
Taxes on income	3,361	2,164	1,624	1,241	5,307
	<u>16,696</u>	<u>10,825</u>	<u>8,841</u>	<u>6,083</u>	<u>25,475</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(5,358)	2,194	1,050	2,956	(149)
Decrease (increase) in other accounts receivable	(756)	(318)	(540)	1,153	(311)
Decrease (increase) in inventories	(1,648)	451	(706)	(1,779)	(3,171)
Increase (decrease) in trade payables	2,249	(24)	380	1,367	(1,005)
Decrease in other accounts payable	(1,686)	(3,684)	(3,748)	(2,468)	(5,010)
	<u>(7,199)</u>	<u>(1,381)</u>	<u>(3,564)</u>	<u>1,229</u>	<u>(9,646)</u>
Cash paid and received during the period for:					
Taxes paid	(3,673)	(3,544)	(2,860)	(2,040)	(6,463)
Interest paid, net	(3,323)	(1,387)	(2,070)	(1,001)	(4,160)
	<u>(6,996)</u>	<u>(4,931)</u>	<u>(4,930)</u>	<u>(3,041)</u>	<u>(10,623)</u>
	<u>2,501</u>	<u>4,513</u>	<u>347</u>	<u>4,271</u>	<u>5,206</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2025	2024	2025	2024	2024
	Unaudited				Audited
	NIS in thousands				
(b) <u>Acquisition of initially consolidated subsidiaries:</u>					
The subsidiaries' assets and liabilities at date of acquisition:					
Working capital (excluding cash and cash equivalents)	2,207	6,633	1,205	1,329	11,467
Property, plant and equipment	4,244	19,698	812	13,503	20,247
Right-of-use assets	191	389	191	308	1,596
Intangible assets	56,904	81,490	49,589	48,762	123,700
Lease liabilities	(191)	(389)	(191)	(308)	(1,600)
Other non-current liabilities	(728)	(12,271)	-	(6,157)	(12,271)
Payables for acquisition of investments in subsidiaries (including contingent consideration)	(32,039)	(50,617)	(28,171)	(29,099)	(60,050)
Deferred taxes	(966)	(7,038)	116	(3,643)	(11,024)
Investment accounted for at equity	(449)	-	(449)	-	-
	<u>29,173</u>	<u>37,895</u>	<u>23,102</u>	<u>24,695</u>	<u>72,065</u>
(c) <u>Significant non-cash transactions:</u>					
Right-of-use asset recognized with corresponding lease liabilities	<u>3,990</u>	<u>1,108</u>	<u>2,969</u>	<u>719</u>	<u>2,267</u>
Classification to net assets held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,750</u>
Acquisition of associate in exchange for assets	<u>11,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reclassification of put option to equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,620</u>

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. General description of the Group and its activity:

Turpaz Industries Ltd. ("the Company") is a publicly traded company incorporated in Israel. The condensed interim consolidated financial statements of the Company as of June 30, 2025 include those of the Company and its subsidiaries (collectively, "the Group").

The Group operates, by itself and through subsidiaries in Israel, the U.S., Southeast Asia, Europe and South Africa in the development, research, production, marketing, distribution and sale of products in three operating segments: (1) Taste; (2) Fragrances; (3) Specialty fine ingredients (see Note 5).

- b. These interim consolidated financial statements have been prepared in a condensed format as of June 30, 2025 and for the periods of six and three months then ended ("interim consolidated financial statements"). These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2024 and for the year then ended and accompanying notes ("annual consolidated financial statements").

- c. U.S. President Trump's tariff plan:

In April 2025, the Trump administration announced the imposition of reciprocal tariffs on imports of goods from many countries around the world to the U.S., with a total tariff of 15% imposed on imports from Israel. The tariff applies only to goods and not to services.

As of the reporting date, the Company is unable to assess the future effects of all the aforementioned factors, to their full potential extent, on the markets in which it operates, in general, and on the Company's operations, in particular. However, given that the Group's total sales to the U.S. are not material, the Company estimates, at this time, that these tariffs will not have a material effect, if any, on its operating results.

NOTE 2:- ACCOUNTING POLICIES

Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements as of December 31, 2024, except as described below:

Investments in associated accounted for at equity:

Associates are companies in which the Group has significant influence over the financial and operating policies without exercising control. The investment in associates is accounted for at equity.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- BUSINESS COMBINATIONS

- a. On February 19, 2025, NGF, a subsidiary of Turpaz England, to which F&E's electronic vaping operation in the flavor essence market was transferred, entered into a strategic partnership agreement for the purchase of 100% of the shares of Advance Flavour Solutions Limited, a private company incorporated in England ("AFS"), from its shareholders for £ 4.5 million (approximately \$ 5.7 million) and allocation of 75.01% of NGF's shares to the sellers. Following the transaction, Turpaz England holds 24.99% of NGF shares.

As of December 31, 2024, this activity was classified as held for sale and as a discontinued operation. On the acquisition date, these groups of assets and liabilities were classified to the item investment in companies accounted for at equity, thereby constituting part of the purchase consideration.

- b. On February 24, 2025, the Company completed the purchase of 100% of the share capital of Ets. Doucy S.R.L., a private company incorporated in Belgium ("Doucey"), and of the real estate used by its enterprise from its shareholders for € 8.3 million (approximately \$ 8.5 million) and an earnout based on Doucy's EBITDA in the period until February 28, 2027.

Doucey has vast experience and expertise in sweet flavorings for the food and beverage industries (soft and alcoholic drinks), colorings and additives to the animal food industry. It is engaged in developing, making and marketing sweet flavorings and quality solutions for the food and food additive industries. The transaction was closed on the signing date and financed using a bank loan.

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value at the purchase date. The fair value measurement of these assets and liabilities is subject to a final valuation of the PPA of the fair value of the assets and liabilities, which has not been completed as of the date of approval of these financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

The table presented below summarizes the purchase price and the provisional PPA:

	February 24, 2025
	U.S. dollars in thousands
Working capital, net	1,002
Property, plant and equipment and other assets	3,434
Customer relations	1,844
Product formulas	1,157
Deferred taxes	(1,082)
Other non-current liabilities	(728)
Net identifiable assets	5,627
Goodwill arising on acquisition	4,313
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	6,071
Liability for contingent consideration and acquisition date adjustments	3,868
Total purchase price	9,939

Through June 30, 2025, the acquired activity has contributed approximately \$ 2,236 thousand to revenues and approximately \$ 425 thousand to net income.

The goodwill arising on the acquisition was allocated to the Taste segment and consists of the projected benefits from the synergy of the combined operations of the Company and the acquiree.

- c. On June 3, 2025, the Company, through a subsidiary, Pollena Aroma Sp. z o o ("Pollena"), purchased the operation of Carotex, a limited partnership incorporated in Poland which produces food and beverage flavors and fragrances ("Carotex"), in return for approximately \$ 23.4 million (approximately PLN 87.2 million) and the allocation of 22% of Pollena's share capital. In the flavors segment, Carotex develops, manufactures, and markets sweet flavors, emulsions, and colorants for beverages (both alcoholic and non-alcoholic and soft drinks) and food products (dairy, baked goods, and pharmaceuticals). In the fragrances segment, Carotex develops, manufactures, and markets fragrances for the personal care, cosmetics, toiletries, air care, and detergent industries. The agreement includes a symmetrical call/put option to purchase the shares allocated in Pollena, to be paid in cash or in the Company's shares at the discretion of the sellers. The option is exercisable for one year beginning at the end of four years from the closing date. The option exercise price is based on Pollena's EBITDA from the closing date through the option exercise date and an undertaking to distribute a dividend.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value at the purchase date. The fair value measurement of these assets and liabilities is subject to a final valuation of the PPA of the fair value of the assets and liabilities, which has not been completed as of the date of approval of these financial statements.

The table presented below summarizes the purchase price and the provisional PPA:

	<u>June 3, 2025</u> <u>U.S. dollars</u> <u>in thousands</u>
Working capital, net	1,044
Property, plant and equipment and other assets	830
Right-of-use asset	191
Deferred taxes	116
Lease liabilities	<u>(191)</u>
Net identifiable assets	1,990
Intangible assets	49,571
Purchase price:	
Paid in cash	23,390
Liability for symmetrical call/put option and acquisition date adjustments	<u>28,171</u>
Total purchase price	<u><u>51,561</u></u>

Through June 30, 2025, the acquired activity has contributed approximately \$ 1,020 thousand to revenues and approximately \$ 309 thousand to net income. If the business combination had been completed at the beginning of the year, the revenues would have amounted to approximately \$ 6,798 thousand.

The goodwill arising on the acquisition was allocated to the Taste and Fragrance segments and consists of the projected benefits from the synergy of the combined operations of the Company and Carotex.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- EVENTS DURING AND AFTER THE REPORTING PERIOD

- a. On February 24, 2025, the Company exercised a symmetrical call/put option to purchase the remaining shares of Aromatique (35%) for approximately \$ 2.2 million. As of the reporting date, the Company holds 100% of the share capital of Aromatique through a wholly owned subsidiary.
- b. During the reporting period, 744 thousand options were exercised into shares for approximately \$ 1.8 million. The exercise forms part of the grants of options to the Company's director in May 2021 and to the Group's employees, managers and a consultant in March 2022. After the reporting date, an additional 371 thousand options have been exercised.
- c. In furtherance to Note 16c to the annual consolidated financial statements regarding a loan agreement with a European bank for a loan of up to € 25 million (approximately \$ 26.9 million), in March 2025, the Company withdrew approximately € 6.7 million (approximately \$ 7.3 million) from the secured loan amount. In May 2025, the Company withdrew approximately € 5.7 million (approximately \$ 6.4 million) of the optional loan amount.
- d. In June 2025, the Company completed an investment of approximately \$ 4.6 million in Aastrid Life Sciences Pvt. Ltd. ("Aastrid"), a private company incorporated in India specializing in R&D and manufacturing of pharmaceutical intermediates and specialty chemicals, in return for the allocation of 45% of Aastrid's share capital. The agreement includes a call option for purchasing another 15% of Aastrid's share capital which is exercisable at the end of three years from the closing date. The option exercise price is based on Aastrid's EBITDA during the eight quarters before the option exercise date, to be paid in cash or in the Company's shares at the discretion of the sellers. Since the Company does not have an actual right to the shares on the reporting date, the investment in Aastrid is accounted for at equity.
- e. In furtherance to Note 5d to the annual consolidated financial statements regarding the purchase of 75% of the share capital of Lebensmittel-Sprühtrocknungs- Industrie-System ATOM GmbH ("ATOM"), in June 2025, the Company purchased the remaining 25% for approximately € 0.1 million. As of the reporting date, the Company holds 100% of ATOM's share capital through wholly owned subsidiaries. Therefore, ATOM is consolidated in the Company's interim consolidated financial statements.
- f. After the reporting date, on July 11, 2025, the Company, through the Belgium subsidiary, completed the purchase of about 68.6% of the share capital of Attractive Scent SAS ("Attractive Scent"), a French private company, from the latter's founders and other shareholders ("the sellers") for approximately € 27.4 million (approximately \$ 32.3 million). The transaction was financed using a long-term bank loan. Attractive Scent develops, manufactures, and markets fragrance extracts for the fine fragrances industry, as well as for personal care products, cosmetics, air care products and candles.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)

The agreement includes a symmetrical call/put option for the purchase of the remaining shares of Attractive Scent as follows: (a) 10% of Attractive Scent's shares can be exercised after a year has elapsed from the closing date for a price that is based on Attractive Scent's business performances in the eight quarters before the option exercise date to be paid in the Company's shares that will be allocated at their average quoted market price in the 30 calendar days before the exercise date; and (b) about 21.4% of Attractive Scent's shares can be exercised after three years have elapsed from the closing date for a price that is based on Attractive Scent's business performances in the eight quarters before the option exercise date to be paid in cash or in the Company's shares at the discretion of the sellers. Attractive Scent's results will be consolidated in the Group's financial statements from July 2025.

The Company did not include the necessary disclosures as per IFRS 3 for the above business combination since the initial accounting treatment of the business combination has not yet been completed and the Company has yet to complete the PPA in respect of the acquiree's identifiable assets and liabilities.

- g. On July 9, 2025, the Belgium subsidiary received a bank loan of € 28 million to finance the acquisition of Attractive Scent described in paragraph f above. The loan is for a period of five years and bears interest of Euribor + 1.5%-1.75%. The loan principal is repayable in equal quarterly instalments and the interest is payable on a quarterly basis from the end of 12 months from the loan receipt date.
- h. In furtherance to Note 16c to the annual financial statements regarding financial covenants, the Company is meeting all the required financial covenants.

As of the financial statement publication date, all the Company's lending banks have approved an update to a financial covenant according to which the ratio of equity to total balance sheet will not be lower than 20% and \$ 80 million at all times.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS

a. General:

As stated in the annual consolidated financial statements, the Group has three operating segments as follows: (1) Taste; (2) Fragrance and (3) Specialty fine ingredients.

The segments' performances (segment profits) are estimated based on operating income (income before net finance expenses and unallocated expenses), as presented in the financial statements.

b. Reporting on operating segments:

	Six months ended June 30, 2025				
	Specialty fine ingredients				Total
	Taste	Fragrance		Adjustments	
	Unaudited				
	U.S. dollars in thousands				
Revenues from external customers	89,725	18,673	15,379	-	123,777
Intersegment revenues	-	6	15	(21)	-
Total revenues	89,725	18,679	15,394	(21)	123,777
Segment operating income net of unallocated joint expenses	17,838	4,993	1,154	-	23,985
Unallocated joint expenses					4,429
Finance expenses, net					5,562
Income before taxes on income					13,994

	Six months ended June 30, 2024				
	Specialty fine ingredients				
	Taste	Fragrance	Ingredients	Adjustments	Total
	Unaudited				
	U.S. dollars in thousands				
Revenues from external customers	58,741	17,758	9,282	-	85,781
Intersegment revenues	-	-	3	(3)	-
Total revenues	58,741	17,758	9,285	(3)	85,781
Segment operating income net of unallocated joint expenses	10,288	4,873	(25)	-	15,136
Unallocated joint expenses					3,772
Finance expenses, net					2,459
Income before taxes on income					8,905

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Three months ended June 30, 2025				
	Specialty fine ingredients				Total
	Taste	Fragrance	Unaudited	Adjustments	
	U.S. dollars in thousands				
Revenues from external customers	46,224	9,551	7,643	-	63,418
Intersegment revenues	-	6	15	(21)	-
Total revenues	46,224	9,557	7,658	(21)	63,418
Segment operating income net of unallocated joint expenses	9,680	2,327	140	-	12,147
Unallocated joint expenses					2,225
Finance expenses, net					3,075
Income before taxes on income					6,847
	Three months ended June 30, 2024				
	Specialty fine ingredients				Total
	Taste	Fragrance	Unaudited	Adjustments	
	U.S. dollars in thousands				
Revenues from external customers	34,171	8,950	3,644	-	46,765
Intersegment revenues	-	-	-	-	-
Total revenues	34,171	8,950	3,644	-	46,765
Segment operating income net of unallocated joint expenses	5,919	2,292	(235)	-	7,976
Unallocated joint expenses					2,065
Finance expenses, net					1,237
Income before taxes on income					4,674

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2024				
	Specialty fine ingredients Audited				
	Taste	Fragrance		Adjustments	Total
	U.S. dollars in thousands				
Revenues from external customers	135,542	34,945	18,461	-	188,948
Intersegment revenues			3	(3)	-
Total revenues	<u>135,542</u>	<u>34,945</u>	<u>18,464</u>	<u>(3)</u>	<u>188,948</u>
Segment gross profit	<u>49,796</u>	<u>18,646</u>	<u>5,217</u>	<u>-</u>	<u>73,659</u>
Segment operating income net of unallocated joint expenses	<u>23,579</u>	<u>9,092</u>	<u>3,052</u>	<u>-</u>	<u>35,723</u>
Unallocated joint expenses					7,991
Finance expenses, net					<u>6,680</u>
Income before taxes on income					<u>21,052</u>

c. Geographic information:

The following is a breakdown of the Company's revenues by customer location:

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2025	2024	2025	2024	2024
	Unaudited				Audited
	U.S. dollars in thousands				
Israel and the Middle East	15,513	16,029	7,121	7,360	30,855
North America	10,235	8,262	5,628	3,498	17,220
Europe	74,945	42,723	38,840	24,909	97,375
Africa	13,976	12,650	7,143	7,732	28,913
Asia and other	<u>9,108</u>	<u>6,117</u>	<u>4,686</u>	<u>3,266</u>	<u>14,585</u>
	<u>123,777</u>	<u>85,781</u>	<u>63,418</u>	<u>46,765</u>	<u>188,948</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- FINANCIAL INSTRUMENTS

a. Fair value:

In the reporting period, the Company examined the fair value of financial assets and financial liabilities measured at amortized cost and concluded that their fair value is not materially different from their carrying amount.

b. Liabilities in respect of put options and contingent consideration:

Some of the business combinations performed by the Company include a mechanism whereby former owners have an option to sell their remaining shares to the Company, and the Company has an option to buy those shares (the price and conditions of these put options and call options are identical). Other business combinations include a contingent consideration mechanism, which is payable based on the acquiree's future operating results.

As of June 30, 2025, total liabilities amounted to \$ 114,376 thousand. The value of these liabilities was estimated using the average EBITDA to be achieved over the term of the agreement. A weighted annual discount rate of 7.0% was applied to the options. The fair value measurement is classified as Level 3.

The key unobservable input used by the Company to assess the value of the option is the future EBITDA to be achieved; To determine and update these liabilities, the Company utilizes the acquirees' current results and updated forecasts.

Adjustment to fair value measurements classified as Level 3 in the fair value hierarchy:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2025	2024	2025	2024	2024
	Unaudited				Audited
	U.S. dollars in thousands				
Balance at beginning of period	(74,779)	(39,051)	(79,439)	(58,606)	(39,051)
Total gain (loss) recognized:					
Repayment	2,816	834	-	-	834
In profit or loss	(1,455)	(680)	(423)	(196)	(1,468)
In other comprehensive income (loss)	(8,919)	275	(6,343)	(1,338)	1,747
Update of terms of symmetrical put/call options on non-controlling interests	-	-	-		(11,278)
Classification of symmetrical put/call options on non-controlling interests	-	(11,278)	-	(11,278)	32,898
Business combinations	(32,039)	(50,617)	(28,171)	(29,099)	(58,461)
Balance at end of period	<u>(114,376)</u>	<u>(100,517)</u>	<u>(114,376)</u>	<u>(100,517)</u>	<u>(74,779)</u>

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Chapter C

Effectiveness of Internal Control Over Financial Reporting



Quarterly report regarding the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 38C to the Securities Regulations (Periodic and Immediate Reports), 1970, for the second quarter of 2025:

Turpaz Industries Ltd.'s management (hereinafter - the "Corporation"), under the supervision of the Board of Directors, is responsible for maintaining and implementing appropriate internal control over financial reporting and disclosure in the Corporation.

For that purpose, members of management are:

1. Karen Cohen Khazon, CEO and Chairperson of the Board of Directors
2. Guy Gill, Executive Vice President and CFO
3. Shauli Eger, VP IT
4. Yoni Adini, General Counsel
5. Idan Shabtay, Corporate Controller

Internal control over financial reporting and disclosure includes controls and procedures maintained by the Corporation, and designed by the CEO and the most senior financial officer or under their supervision, or by those who effectively execute the said offices, under the supervision of the Corporation's Board of Directors, which were designed to obtain reasonable assurance as to the reliability of the financial reporting and preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in the reports it publishes in accordance with the provisions of the law is collected, processed, summarized and reported on the date and in the format prescribed by law.

The internal control, includes, among other things, controls and procedures that were designed to ensure that information that the Corporation is required to disclose as stated above, is collected and transferred to the Corporation's management, including to the CEO and to the most senior financial officer, or to those who effectively execute the said offices, in order to allow making decisions in the appropriate date in connection with the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that a misstatement or omission of information in the reports will be prevented or detected.

In the annual report regarding the effectiveness of the internal control over the financial reporting and the disclosure, which was attached to the Periodic Report for the period ended December 31, 2024 (hereinafter – **"the Latest Annual Report regarding Internal Control"**), the Board of Directors and Management assessed the corporation's internal control; based on this assessment, the corporation's Board of Directors and Management reached the conclusion that the internal control as stated, as of December 31, 2024, is effective.

Through the date of the report, no event or matter was brought to the attention of the Board of Directors or Management that may change the assessment of the effectiveness of internal control, as presented in the Latest Annual Report regarding Internal Control.

As at the date of the report, based on the assessment of the effectiveness of internal control in the Latest Annual Report regarding Internal Control, and based on information brought to the attention of Management and the Board of Directors as stated above, the internal control is effective.

Statement of the Chief Executive Officer in accordance with Regulation 38C(D)(1):

I, Karen Cohen Khazon, hereby declare that:

- (1) I have reviewed the quarterly report of Turpaz Industries Ltd. (hereafter – the “**Corporation**”) for the second quarter of 2025 (hereafter – the “**Reports**”).
- (2) To the best of my knowledge, the Reports do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
- (3) To the best of my knowledge, the financial statements and other financial information included in the reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the corporation, the Board of Directors, and the Board of Directors’ Audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation’s ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - (b) any fraud, whether material or immaterial, in which the Chief Executive Officer, or anyone directly reporting to him, or any other employees are involved who have a significant function in the corporation’s financial reporting and in internal control over financial reporting and disclosure thereof.
- (5) I, severally or jointly with others in the corporation:
 - (a) have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the corporation and the consolidated companies, particularly during the Reports’ preparation period; and
 - (b) have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

- (c) No event or matter that occurred during the period between the date of the latest Periodic Report and the date of this report was brought to my attention that may change the conclusion of the Board of Directors and Management regarding the effectiveness of the internal control over the corporation's financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person, pursuant to any law.

August 18, 2025

Karen Cohen Khazon,

CEO and Chairperson of the Board of Directors

Statement of the Most Senior Financial Officer Pursuant to Regulation 38C(D)(2):

I, Guy Gill, hereby declare that:

- (1) I have reviewed the interim financial statements and the other financial information included in the interim reports of Turpaz Industries Ltd. for the second quarter of 2025 (hereafter – the “**Interim Reports**”);
- (2) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
- (3) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the corporation, the Board of Directors, and the Board of Directors’ Audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation’s ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - (b) any fraud, whether material or immaterial, in which the Chief Executive Officer, or anyone directly reporting to him, or any other employees are involved who have a significant function in the corporation’s financial reporting and in internal control over financial reporting and disclosure thereof.
- (5) I, severally or jointly with others in the corporation:
 - (a) have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the corporation and the consolidated companies, particularly during the Reports’ preparation period; and
 - (b) have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

- (c) No event or matter that occurred during the period between the date of the latest report (quarterly or periodic, as the case may be) and the date of this report, which relates to interim financial statements and to any other financial information including in the interim reports was brought to my attention that may - in my opinion - change the conclusion of the Board of Directors and Management regarding the effectiveness of the internal control over the corporation's financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person, pursuant to any law.

August 18, 2025

Guy Gill, Executive Vice President and CFO