



Annual Report

Turpaz Industries Ltd.
for the year ended December 31, 2025

This English translation accompanies the Hebrew 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.





CEO and Chairperson's Letter

The Turpaz Industries group continued its strong growth momentum in 2025, achieving record results that reflect an annual sales run rate of over USD 300 million.

This growth is the result of the continued implementation of the group's growth strategy, which combines organic growth with mergers and acquisitions. These activities have expanded and strengthened the group's geographic footprint and global standing, while maintaining managerial flexibility and leveraging synergies between the acquired companies and the group's existing businesses.

We are pleased and proud to share with you the record results for 2025, reflecting business resilience and the continued process of organic growth alongside a series of additional acquisitions. The group recorded double-digit growth across all key parameters, including revenues, gross profit, operating profit, adjusted EBITDA, net profit, and free cash flow from operating activities.

From the beginning of 2025 until today, we have completed six acquisitions around the world - in England, Belgium, Poland, France, India, and South Africa. These acquisitions have expanded the group's product portfolio and international customer base, while strengthening its research, development, technology, and manufacturing capabilities across a broad global footprint, and further leveraging synergies among the group's companies.

As part of its growth strategy, Turpaz set a strategic objective to double its revenues every four years. As of 2025, the group has met this objective and has even achieved a growth rate exceeding the target that was set.

Turpaz continues to pursue its vision of becoming one of the world's top ten companies in the fields of flavors, fragrances, and specialty fine ingredients, and we remain committed to acting with determination to achieve this goal.

On behalf of the company's Board of Directors and ourselves, we would like to thank all of the company's stakeholders, foremost among them our loyal customers, our management team, and all of our dedicated employees at the company's plants and offices around the world. Our success is the result of their investment, commitment, and tireless efforts.

May we have peaceful and safe times for all, and prosperity and growth for the entire economy.

Sincerely,



Karen Cohen Khazon

CEO



Dr. Israel Leshem

Chairperson of the Board of Directors



Table of contents

Chapter A

Description of the Company's Business _____ A1

Chapter B

Board of Directors' Report
on the State of the Company's Affairs _____ B1

Chapter C

Financial Statements as of December 31, 2025 _____ C1

Chapter D

Additional details _____ D1

Chapter E

Effectiveness of internal control
over financial reporting _____ E1





Chapter A

Description of the Company's Business





Description of the Company's Business - Table of Contents

1.1. Introduction	A-1
1.2. Terms	A-1
1.3. The Company's Activity and Description of the Development of its Business	A-3
1.4. Acquisitions completed in 2025 and through the publication date of the report	A-13
1.5. Investments in the Company's capital and transactions involving its shares	A-19
1.6. Dividend distributions	A-19
1.7. Financial information regarding the Company's operating segments	A-21
1.8. General environment and external factors impacting all of the Company's operating segments	A-22
1.9. Taste segment	A-25
1.10. Fragrances segment	A-36
1.11. Specialty fine ingredients segment	A-45
1.12. Marketing and Distribution	A-53
1.13. Ingredients and suppliers	A-54
1.14. Property, plant and equipment, land and manufacturing capacity	A-55
1.15. Research and development	A-64
1.16. Intangible assets	A-65
1.17. Human capital	A-66
1.18. Working capital	A-69
1.19. Investments.	A-70
1.20. Financing	A-70
1.21. Taxation	A-72
1.22. Restrictions of and supervision of segment activities	A-75
1.23. Insurance	A-81
1.24. Legal proceedings	A-82
1.25. Objectives and business strategy	A-82
1.26. Projected developments in the forthcoming year	A-83
1.27. Financial data regarding geographical segments	A-84
1.28. Risk factors - discussion	A-86



Chapter A - Description of the Company's Business

1.1. Introduction

Turpaz Industries Ltd. (hereinafter - the “**Company**”) is pleased to submit the Company’s periodic report for the period ended December 31, 2025 (hereinafter - the “**Periodic Report**” and the “**Reporting Period**”, respectively) in accordance with the provisions of the Securities Law, 1968 (hereinafter - the “**Securities Law**”), and the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the “**Periodic and Immediate Reports Regulations**”).

The term “Group” will include the Company and any of the companies under its control.

This chapter of the Periodic Report, which describes the Company’s businesses, should be read in conjunction with the other chapters of this Periodic Report, including the notes to the attached financial statements.

1.2. Terms

“ Balirom ”	Balirom Ltd.
“ Dollar ”	US Dollar
The “Stock Exchange”	The Tel Aviv Stock Exchange Ltd.
The “Periodic Report” or the “Report” or “this report”	As defined in the introduction
“ The Company ”	As defined in the introduction
“ The Group ” or “ Turpaz Group ”	Turpaz Industries Ltd. and companies under its control
The “Companies Law”	The Companies Law, 1999
The “Research and Development Law”	The Law for the Encouragement of Industrial Research, Development and Technological Innovation, 1984, as amended from time to time
The “Securities Law”	As defined in the introduction
“ Chemada ” -	Chemada Industries Ltd
“ Pollena Aroma ” -	Pollena Aroma Sp z.o.o



“Israel Innovation Authority”	The National Technological Innovation Authority (formerly - the Chief Scientist Office).
“Turpaz UK”	Turpaz UK Limited
“Periodic and Immediate Reports Regulations”	As defined in the introduction
The “Reporting Period”	As defined in the introduction
“AFS”	Advance Flavour Solutions Limited
“Aromatique”	Aromatique Food SRL
“Attractive Scent”	Attractive Scent SAS
“Carotex”	Carotex Koncentraty Tatrzański Spółka komandytowa, a limited partnership incorporated in Poland.
“Clarys & Willich”	Cewecon GmbH, a privately-owned company incorporated in Germany, holding a group of Belgian and German companies
“Doucy”	Ets Doucy SRL
“FIT”	Food Ingredients Technology SA
“Food Base”	Food Base Kft.
“F&E”	Flavours and Essences UK Limited
“Klabin”	Klabin-Turpaz, Inc.
“LORI”	LORI RKF
“NGF”	New Generation Flavors Limited
“Nicola J”	Nicola-J Flavours & Fragrances (Pty) Ltd.
“Schumann”	Schumann & Sohn GmbH
“Sunspray”	Sunspray Solutions Proprietary Limited
“WFF”	Western Flavors Fragrances Production Joint Stock Company



Part A - Description of the General Development of the Company's Business

1.3. The Company's Activity and Description of the Development of its Business

1.3.1. 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 based on a post-money valuation of NIS 883 million, its shares were listed on the Stock Exchange, and it became a publicly-traded company, as this term is defined in the Companies Law.

The Company is a global company that operates, independently and through its subsidiaries, in three segments - the Taste segment, the Fragrance segment and the Specialty fine ingredients segment.

The Turpaz Group has an extensive and diversified range of self-developed products, which are manufactured in the Group's plants across the world. As of this report's publication date, the Group develops, produces, markets and sells products to more than approx. 4,300 customers in more than 90 countries, and operates 26 manufacturing facilities, R&D centers, laboratories and sales, marketing and regulation offices across the world, which employ approx. 1,000 employees.

In view of its extensive product range, the extensive experience the Group gained over the years in its segments, its in-depth knowledge of the market, competitors, suppliers and most importantly - its customers, alongside flexible and focused management, and its advanced product development capabilities, the Company can offer a diverse range of products, tailored to meet the customer's needs.

Furthermore, the Group's knowledge of, and managerial experience in, the value chain and supply chain processes in its areas of activities, and its in-depth knowledge of most companies operating in the industry, open up to it many opportunities to expand into new geographic regions and to enter into mergers and acquisitions of companies and/or activities in the taste, fragrance, and the specialty fine ingredients segments, thereby allowing it to promote the implementation of its business strategy and maintain its long-standing competitive advantage, as elaborated in Section 1.25 below.

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 taking advantage of



opportunities in growing markets, M&As of activities that are synergetic to Turpaz Group's activity and organic growth. The Group works to leverage and improve 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 the Group's 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 each acquisition, as estimated by the Company. The Company has gained substantial expertise and experience in identifying acquisition targets, assessing them, and completing the acquisition of targets it considers to be consistent with the Group's strategy and activity.

Turpaz Group operates in accordance with an orderly plan it developed to achieve the swift integration of the acquired companies into the Group, the enhancement of the global management, and the implementation of control and oversight, including, among other things, retaining the managements of the acquired companies and integrating those managements into the Group's management, enhancing the product offering and customer base of the acquired companies and integrating the Group's control systems in the areas of sales, R&D, procurement, and finance into the acquired companies, in order to achieve swift and effective 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 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 below.

1.3.2. Areas of activity

As of the date of this report, the Group operates in three areas of activity that are reported as business segments in its financial statements, as follows:



The Taste segment

As part of this segment, Turpaz Group is engaged in the development, production, marketing and sale of natural and synthetic sweet and savory taste extracts, which are developed by the Group's flavorists across the world. These also include seasonings, unique functional baking solutions and gluten free flours, which are used mainly in the production of food and beverages, including meat and egg substitutes, plant-based solutions, taste mixtures for snacks, ready-made meals, dairy products, ice creams, pharmaceuticals, organic colorings for the animal food and beverage industries, taste extracts for tobacco and electronic vaping products, and food additives all tailored to meet customers' needs and regulatory requirements. Furthermore, the Group develops natural extracts and mixtures that allow, among other things, the production of "clean label" products, reducing quantities of fat, salt and sugar in snacks, food products and beverages, while retaining the desired taste and texture of those products.

The Fragrance segment

As part of this segment, Turpaz Group is engaged in the development, production, marketing and sale of natural and synthetic fragrance extracts for customers in the fine fragrances, cosmetics, toiletries, detergents, wet wipes, scented candles, hair care, air care & odor neutralizers industries for hotels and households. Furthermore, Turpaz Group manufactures specialty fine ingredients of added value, whose purpose is to conceal bad odors, and give and enhance desired fragrances in consumer or industrial products. The fragrance extracts developed by the Group's perfumers across the world are tailored to customers' requirements and comply with relevant regulatory requirements while creating long-term relationship between Turpaz Group and its customers across the world. When they select a supplier, customers focus on the suppliers' innovation, uniqueness, high quality, compliance with international and domestic regulatory requirements, the suppliers' reliability and the excellence of their services and their personal knowledge of the needs of the customers for whom the specialty extracts were developed.

During 2025, and as part of the enhancement of the Group's activity in this field, Turpaz completed a strategic acquisition of a company operating at the heart of the global perfume industry, in Grasse, France, which possessed advanced development capabilities, leading perfumers and significant presence in the fine fragrances market, thereby strengthening the Group's positioning in the field of fragrances with high added-value.



Specialty fine ingredients segment

In this segment, Turpaz Group is engaged in the development, production, marketing and sale of aroma chemicals and natural citrus products and their derivatives used as raw materials in the taste and fragrance industry, and specialty chemicals used as intermediates in various industries, including the pharma, agrochemicals, polymers and catalysts industries. In this segment, the Group focuses on the manufacturing of unique tailor-made products of high added value, which are adapted to the specific needs of its customers and to regulatory requirements to which they are subject through its development, engineering and manufacturing departments. For that purpose, the Group operates dedicated development centers staffed by leading chemists, which have experience in these areas; these centers are located in Israel, India and Romania and support the development of advanced products, operational alignment and swift response to markets and customers' needs.



1.3.3. **Chronological description of the development of the Company's businesses**

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
December 2017	Pollena Aroma	Purchase of the entire share capital of Pollena Aroma	Fragrance and taste	EUR 7.13 million	Poland	100%	
February 2018	Intuiscent (through Turpaz USA)	Acquisition of activity	Fragrance	Approx. USD 200 thousand	USA	100%	The company's activity was merged into Klabin's activity in the USA.
June 2019	Chemada	Acquisition of activity from a trustee, as part of receivership process.	Specialty fine ingredients	Approx. USD 4.1 million	Israel	100%	
August 2019	Flavor Associates (through Turpaz USA)	Acquisition of activity	Fragrance and taste	Approx. USD 1.5 million For more information, see Section 1.4.1.3 to the 2021 Periodic Report.	USA	100%	The company's activity was merged into Klabin's activity in the USA.
January 2020	Florasynth	Acquisition of activity	Taste	NIS 2.5 million	Israel	100%	The company's activity was merged into Balirom's activity.
July 2020	WFF	Purchase of 60% of the share capital of WFF, a shareholders' loan and an option to purchase the remaining shares.	Fragrance	See Section 1.4.1.5 to the 2021 Periodic Report.	Vietnam	90%	10% of WFF's shares are held by two local investors. For more information about changes in the holding rate in the reporting period, see Note 1A to the financial statements.
November 2020	SDA	Acquisition of control (51%) in SDA.	Taste	NIS 12.2 million.	Israel	100%	On April 11, 2024, the merger of SDA with and into the Company was completed. Its activity was merged into the Company's activity in the taste factory in Afula.
August 2021		Acquisition of the remaining rights (49%) in SDA.		Approx. USD 7.5 million (approx. NIS 24.5 million).			
October 2021	FIT	Acquisition of control in FIT.	Taste	Approx. EUR 12.8 million (approx. USD 14.5 million), of which EUR 1.99 million (approx. USD 2.25 million) in cash, and the remaining balance by way of allocating Company shares.	Belgium	45.3%	For information regarding the updating of the holding and the terms of the options following the Clarys & Willich transaction, see note 5 to the financial statements.



Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
October 2021	Pilpel - Food Industries Development Ltd. and FC Galilee Herbs Ltd.	Purchase of business activity and assets from Pilpel and Galilee Herbs.	Taste	NIS 12 million (approx. USD 3.75 million)	Israel	100%	
January 2022	LORI	Purchase of the entire issued and paid-up share capital of Lori.	Fragrances	Approx. EUR 3.14 million (USD 3.6 million) plus net cash balances.	Latvia	100%	
March 2022	Balirom	Purchase of 60% of the issued and paid-up share capital of Balirom.	Taste	NIS 14.5 million (approx. USD 4.6 million)	Israel	70%	<p>For more information about the call options and the put option in relation to the remaining Balirom shares, see Section 1.4.1.2 below to Chapter A to the 2023 Periodic Report, as published on March 20, 2024 (Ref. No.: 2024-01-023989).</p> <p>On March 13, 2024, the Company increased its stake in the subsidiary Balirom by acquiring further 10% of Balirom's share capital from its minority shareholders, in consideration for approx. NIS 3,045 thousand (approx. USD 834 thousand), such that subsequent to the above the Company holds 70% of Balirom's share capital.</p>
April 2022	Pentaor	Purchase of the entire issued and paid-up share capital and voting rights of Pentaor.	Taste	NIS 10 million (approx. USD 3.1 million)	Israel	100%	On April 22, 2023, the merger of Pentaor with and into the Company was completed.
October 2022	Klabin	Purchase of the entire issued and paid-up share capital and voting rights of Klabin.	Fragrance	Approx. USD 22.4 million. The consideration is subject to adjustments in accordance with Klabin's business performance in 2023-2025.	USA	100%	Merged into Turpaz USA, currently (Klabin-Turpaz, Inc.)
January 2023	Aromatique Food	Purchase of 65% of the issued and paid-up share capital of Aromatique.	Taste	Approx. RON 17 million (approx. USD 3.6 million).	Romania	100%	On February 24, 2025 the parties exercised an option (call/put) to acquire the remaining Aromatique



Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
							shares (35%) by Turpaz, in consideration for USD 2.2 million.
August 2023	Food Base	Purchase of 60% of the issued and paid-up share capital of Food Base.	Taste	Approx. HUF 3,300 million (approx. USD 9.5 million) net of 60%. Approx. HUF 3,300 million (approx. USD 9.5 million) net of 60% of the debt on the transaction completion date, and future consideration which is based on Food Base's business performance in 2023-2024.	Hungary	60%	Turpaz was awarded a call option to purchase Food Base's remaining shares, which is exercisable starting from 3 years after the transaction's completion date and until the end of 5 years from that date, at a price based on Food Base's business performance during the period from the transaction's completion date through the option's exercise date.
February 2024	Sunspray	Purchase of 55% of the issued and paid-up share capital of Sunspray.	Taste	USD 14.1 million (approx. ZAR 267.8 million). The consideration referred to above is subject to adjustment in accordance with Sunspray's business performance based on the increase in EBITDA in 2024 and 2025, and the adjustment will not exceed approx. ZAR 52.4 million (approx. USD 2.8 million). In addition, the agreement includes future consideration to the Sellers, which is based on Sunspray's business performance based on the increase in the average EBITDA in 2023-2025 compared to an agreed amount of ZAR 79.4 million (approx. USD 4.2 million), with the	South Africa	55%	For more information about the call options and the put option in relation to the remaining Sunspray shares, see note 5 to the financial statements.



Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
				increase being multiplied by 1.65.			
April 2024	Clarys & Willich	Purchase of 100% of the issued and paid-up share capital and voting rights of the Clarys & Willich group.	Taste	A total of approx. USD 47.7 million (approx. EUR 44 million), of which the sellers invested back in FIT a total of approx. USD 20.6 million (approx. EUR 19 million) against allocation to the Sellers of 24.5% of the issued and paid-up share capital and voting rights in FIT.	Belgium and Germany	100%	FIT's issued and paid-up share capital subsequent to the completion of the transaction is as follows: 45.3% are held by Turpaz, 30.2% are held by Dandau and 24.5% are held by the sellers. For details, see Note 5 to the financial statements.
September 2024	F&E	Purchase of 100% of the issued and paid-up share capital and voting rights of F&E.	Taste	A total of approx. GBP 22 million (approx. USD 29 million).	UK	100%	
November 2024	Schumann	Purchase of 100% of the issued and paid-up share capital and voting rights of Schumann.	Taste	A total of EUR 10.7 million (approx. USD 11.5 million).	Germany	100%	
November 2025	FRUTOL	Purchase of 24% of the share capital of Frutol.	Taste	An investment of EUR 1.5 million in the company	Slovenia	24%	An option to acquire the remaining 76% of the share capital based on an EBITDA multiple set in the agreement - 27% after 5 years (November 27, 2029) (the first option), 24% after 9 years, 25% after 12 years. If the Company will not exercise the first option within 60 business days from the first exercise date, the other shareholders may buy back the company's shares for a minimum amount of EUR 1.5 million.
February 2025	AFS	Indirect purchase of 24.99% of the issued and paid-up share capital and voting rights of AFS	Taste	A total of GBP 4.5 million (approx. USD 5.7 million) and allocation of 75.01% of the shares of NGF.	UK	24.99%	For details, see Note 5 to the financial statements.
February 2025	Doucy	Purchase of 100% of the issued and paid-up	Taste	A total of EUR 8.3 million (approx. USD 8.5 million). In	Belgium	100%	Merged with and into Turpaz Belgium



Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
		share capital and voting rights of Doucy and the real estate used by its factory.		addition, the agreement includes an additional consideration based on Doucy's EBITDA during the period through February 28, 2027.			
June 2025	Carotex	Acquisition of activity	Taste and fragrances	A total of USD 23.4 million (approx. PLN 87.2 million), and an allocation of 22% of Pollena's share capital.	Poland		A call/put option for the acquisition of the allocated Pollena shares; the option may be exercised over one year, starting 4 years after June 3, 2025.
June 2025	Astrid	An investment in consideration for an allocation of 45% of Astrid's shares.	Specialty fine ingredients	An investment of approx. USD 4.6 million in the company	India	45%	Call option for the acquisition of 15% of the share capital; the option may be exercised starting 3 years after June 2025
July 2025	Attractive Scent	Acquisition of 68.6% of Attractive Scent's share capital	Fragrance	A total of EUR 27.4 million (approx. USD 32.3 million) in consideration for the acquisition of 68.6% of the shares, and a total of approx. EUR 20.1 million (approx. USD 23.8 million) for the acquisition of the remaining shares.	France	100%	In February 2026, the parties signed an addendum to the agreement for the immediate acquisition of the remaining minority interest. For details see below.
December 2025	Nicola-J	Acquisition of 60% of the share capital of Nicola-J Flavours & Fragrances (Pty) Ltd.	Taste	A total of approx. USD 6.8 million (approx. ZAR 118.4 million). The consideration is subject to adjustment, which is based on Nicola-J's EBITDA in the period ending February 28, 2026.	South Africa	60%	A call/put option to purchase Nicola-J's remaining shares, which is exercisable starting from three years after the transaction's completion date, at an exercise price based on Nicola-J's business performance during the period from the transaction's completion date through the option's exercise date.

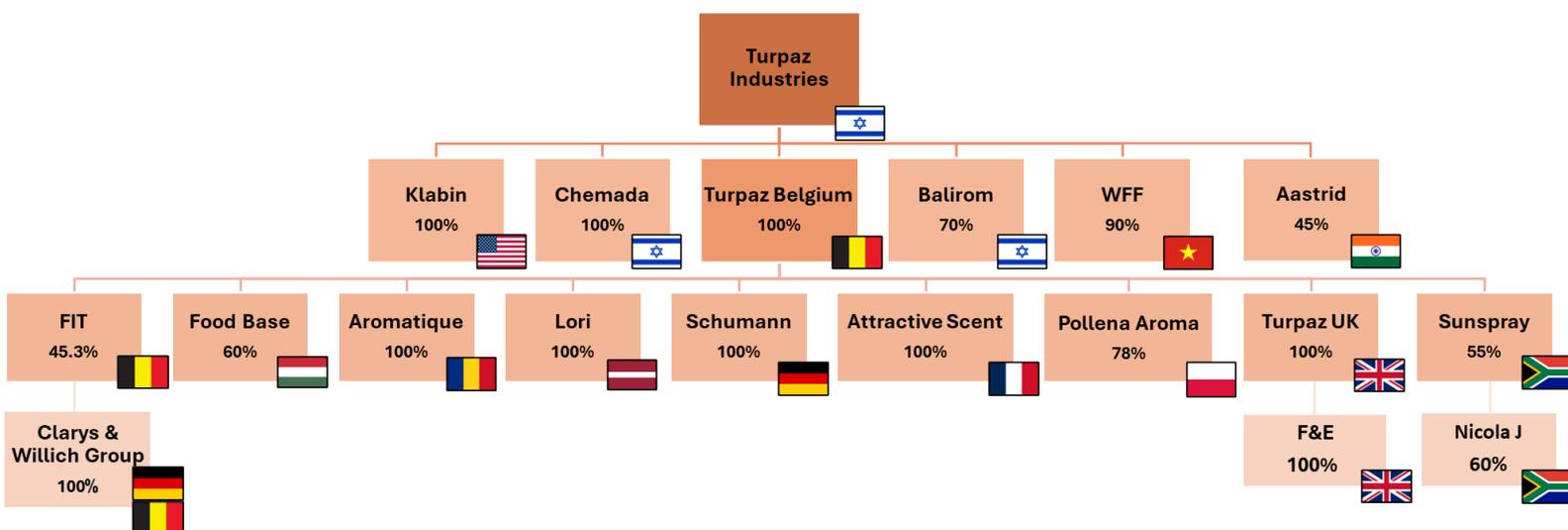


26 acquisitions globally in 2017-2025:



1.3.4. The Group's Holdings Chart

Set forth below is the Group's key holdings chart as of the report's date¹:



1.4. Acquisitions completed in 2025 and through the publication date of the report:

During the reporting period, Turpaz continued the implementation of its combined growth strategy and expanded its activity in international and emerging markets, while enhancing its position as a leader in its core activities - the Taste, Fragrance and Specialty fine ingredients segments - and reinforcing its geographic footprint. As part of the above, the Group made several strategic acquisitions and entered into several significant collaborations, which contributed to the achievement of the following advantages:

- **Penetration into international markets and broadening operations therein** - the acquisitions which were made contributed to the expansion of Turpaz's global presence, while reinforcing its geographic footprint in South Africa and Poland and entering into the strategic area activity of perfumes - at the heart of the global perfume industry, in Grasse, France. In addition, an investment in a company operating in the field of specialty intermediates for the pharma industry in India expanded the Company's specialty fine ingredients activities.
- **Creating business and operational synergies** - the incorporation of the acquired companies into the Group's activity enables the leveraging of the synergies arising from the development, manufacturing and marketing activities, enhancement of the supply chain,

¹ The chart includes most of the Group companies. For more information regarding all of the Group's holdings, see Note 5 to the financial statements.

improvement of operational efficiency, and utilization of opportunities for cross-selling of various products and solutions. Specifically, consolidation of Carotex and Pollena Aroma'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, which is an area with a significant potential growth, in which Pollena Aroma has hardly had any involvement to date.

Broadening the customer base and the product offering - as a result of the acquisitions, the Group broadened its product portfolio, enhanced its activity in the field of sweet tastes, and improved its ability to address a range of needs in emerging markets. The acquisition of Attractive Scent enhanced the product offering in the field of fine fragrances - a market with high added value characterized by strong growth. In addition, the acquisition of Nicola-J added to the Group a range of supplementary solutions in the fields of sweet and savory flavors, food colors, oleoresins (concentrated plant extracts) and essential oils, and expanded the product offering and customer base in emerging markets, in South Africa and in other countries in Africa.

- **Setting up regional development centers** - as part of the acquisitions and the leveraging of the synergies, leading flavorists and perfumers with international experience joined the Group, providing significant competitive capabilities in the global taste and fragrance markets. These experts were incorporated into the Group's activity, forming the foundation for the setting up and strengthening of regional development centers, the enhancement of innovation capabilities and the development of solutions adapted to the needs of markets and local customers.
- **Enhancing the managerial platform and technological innovation** - Turpaz Group has placed an emphasis on incorporating the acquired companies' management and development teams, while creating a framework which supports innovation, research and development and adapting solutions to the changing needs of its customers across the world.
- **Enhancing the supply chain and the deployment of global manufacturing** - the Group expanded the deployment of its manufacturing activity in the specialty fine ingredients segment, and as of the report publication date the Group operates four manufacturing sites in this segment - two in Israel, one in India and one in Romania.

Set forth below are the details of the transactions carried out during 2025:

The Nicola-J transaction

On December 1, 2025, the Company completed - through Sunspray - the acquisition of 60% of the share capital of Nicola-J Flavours & Fragrances (Pty) Ltd. - a privately-owned South African company (hereinafter - “**Nicola-J**”) from its shareholders, in consideration for approx. USD 6.8 million (approx. ZAR 118.4 million). The consideration is subject to adjustment, which is based on Nicola-J’s EBITDA in the period ending February 28, 2026. The transaction was financed using own sources. Nicola-J was established in 1997; it is engaged in the development, manufacturing and marketing of sweet and savory flavors, food colors, oleoresins (concentrated plant extracts), and essential oils. Nicola-J has a broad and diversified customer base in South Africa and in other countries in Africa, including Zimbabwe, Mozambique, Zambia, Botswana, and Kenya. Nicola-J operates a manufacturing site, a research and development lab and sales offices in Johannesburg, in proximity to Sunspray’s offices spanning an area of 5,100 square meters, of which 2,500 square meters are built-up; these facilities were also included in the transaction. Nicola-J’s management has many years of experience in the South African flavors industry and it will continue to lead and manage Nicola-J in the next few years. The agreement includes a call/put option to purchase Nicola-J’s remaining shares, which is exercisable starting from three years after the transaction’s completion date, at an exercise price based on Nicola-J’s business performance during the period from the transaction’s completion date through the option’s exercise date. For more information, see immediate report of September 29, 2025 (Ref. No.: 2025-01-072925). Nicola-J’s results have been consolidated with those of the Company since December 2025.

The Attractive Scent transaction

On July 11, 2025, the Company completed - through the subsidiary Turpaz Belgium - the acquisition of 68.6% of the share capital of Attractive Scent SAS - a French privately-owned company located at the heart of the global perfume industry, in Grasse, the South of France - from its founders and other shareholders (hereinafter in this section - the “**Sellers**”), in consideration for approx. EUR 27.4 million (approx. USD 32.3 million). Attractive Scent, which was founded in 2018, 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. For more information, see immediate report of July 2, 2025 (Ref. No.: 2025-01-047692). Attractive Scent's results were consolidated with the Group's financial statements as from July 2025.

The acquisition agreement sets a put/call option mechanism for the acquisition of the remaining share capital of Attractive Scent. After the completion of the acquisition, the Company and the founders worked to incorporate Attractive Scent into Turpaz Group and to expand its activity; in this context, the parties reached the conclusion that there is a business advantage in fully aligning the interests of Attractive Scent and those of the Group's Fragrances Division. Accordingly, on February 2, 2026 the parties signed an addendum to the acquisition agreement under which they cancelled the call/put option and agreed an immediate purchase of the remaining share capital (31.4%) of Attractive Scent, such that to date the Company holds 100% of Attractive Scent's share capital. The total consideration in respect of the acquisition of the remaining share capital amounted to approx. EUR 20.1 million and was paid as follows: (a) Allocation of Turpaz shares to the founders totaling approx. EUR 7.3 million, based on the average price of Turpaz shares in the 30 calendar days which preceded the signing date of the addendum to the agreement (NIS 75.24 per share); (b) immediate cash payment of approx. EUR 0.7 million to other shareholders; and (c) a deferred payment of approx. EUR 12.1 million, which will be paid to the founders in cash on February 1, 2029. For more information, see immediate report of February 3, 2026 (Ref. No.: 2026-01-011870).

The Carotex transaction

On June 3, 2025, the Company completed - through its subsidiary Pollena Aroma, the acquisition of the activity of Carotex, which was founded by the Tatrzański family (hereinafter in this section - "**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 Aroma'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, which is an area with a significant potential growth, in which Pollena Aroma 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 Aroma, 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, joined Pollena's management team and supported the consolidation of Pollena Aroma and Carotex's activities. The acquisition agreement includes a call/put option for the acquisition of the allocated Pollena Aroma 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 Aroma'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.

Investment in Astrid

In June 2025, the Company completed an investment of approx. USD 4.6 million in Aastrid Life Sciences Pvt Ltd., 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 Astrid's 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 5D to the financial statements. Upon completion of the investment, the deployment of Turpaz Group's manufacturing activity in the specialty fine ingredients segment was expanded, and as of the publication date of this report it has four manufacturing sites: two in Israel, one in India and one in Romania.

The Doucy transaction

On February 24, 2025, the Company completed - through the subsidiary 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 have joined Turpaz’s management team. For more information, see immediate report of February 25, 2025 (Ref. No.: 2025-01-012757). Doucy’s results were consolidated with the Group’s financial statements as from the first quarter of 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 subsidiary held by Turpaz UK - NGF. 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 in this section - “**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, which is managed by the Sellers, who have extensive experience in the vaping products industry, has unique solutions and technologies, innovative products adapted to emerging market

trends and a broad customer base - mostly in the British Isles. For more information, see immediate report of February 19, 2025 (Ref. No.: 2025-01-011694).

For more information regarding additional acquisitions completed in 2024, see Note 5 to the financial statements.

1.5. Investments in the Company's capital and transactions involving its shares

On August 24, 2025, the Company completed a private offering of 7,105,000 ordinary shares of the Company of no par value. The overall consideration received amounted to a gross amount of approx. NIS 330,383 thousand before issuance expenses.

1.6. Dividend distributions

1.6.1. Set forth below are the dividend amounts distributed in the past two years:

One year	Declaration date	Distribution date	Dividend amount (millions of dollars)
2024	20.3.2024	9.4.2024	4.0
2024	5.12.2024	30.12.2024	4.0
2025			-
Total			8.0

1.6.2. As of December 31, 2025, the Company had a distributable earnings balance of USD 70,658 in its financial statements.

1.6.3. As of the report's date, no restrictions are imposed on the distribution of dividends by the Company, other than those imposed by law; furthermore, no restrictions are placed due to financial covenants set in credit agreements with banks.

1.6.4. On May 13 2021, the Company's Board of Directors adopted a dividend distribution policy whereby the Company will distribute to its shareholders an annual dividend of no less than 30% of the annual net income in the preceding year, as reflected in the Company's audited consolidated annual financial statements, subject to fulfillment of the distribution criteria as per the Companies Law and subject to the provisions of any law. In accordance with the policy that was adopted, the Company's Board of Directors has the power to decide the distribution dates and amounts, taking into consideration the Company's liabilities, liquidity and business plans, including a potential change to the distribution amounts and a postponement of the distribution.

It should be clarified that the dividend distribution policy described above does not detract from the Company Board of Directors' power to approve the distribution and the actual distribution amounts, or to change the Company's dividend distribution policy, as it deems fit

from time to time, and no undertaking is made under the policy to Company's shareholders and/or any other third party with regard to the distributions' amounts and dates.

For details regarding dividend distribution in respect of the 2025 earnings, see Section 2.2 to the Report of the Board of Directors.

Part B - Other Information

1.7. Financial information regarding the Company's operating segments

Set forth below are financial data for 2024 and 2025, by operating segments, based on the Company's consolidated financial statements (in USD thousands):

2025						
		Fragrance segment	Taste segment	Specialty fine ingredients segment	Adjustments	Total
Revenues	From external entities	49,434	194,699	31,015	-	275,148
	Intersegment			21	(21)	-
Total income		49,434	194,699	31,036	(21)	275,148
Cost of sales	To external entities	(22,588)	(118,890)	(23,649)	-	(165,127)
	Intersegment	-	(21)	-	21	-
Total cost of sales		(22,588)	(118,911)	(23,649)	21	(165,127)
Gross profit		26,846	75,788	7,387	-	110,021
Operating expenses		(14,006)	(38,220)	(3,739)	-	(55,965)
Unallocated joint expenses					(10,626)	(10,626)
Operating profit (loss)		12,840	37,568	3,648	(10,626)	43,430
Total liabilities		71,304	328,665	20,526		420,495
Total assets		282,111	402,107	29,716		713,934

2024						
		Fragrance segment	Taste segment	Specialty fine ingredients segment	Adjustments	Total
Revenues	From external entities	34,945	135,542	18,461		188,948
	Intersegment			3	(3)	-
Total income		34,945	135,542	18,464	(3)	188,948
Cost of sales	To external entities	(16,296)	(85,746)	(13,247)	-	(115,310)
	Intersegment	(3)	-	-	3	-
Total cost of sales		(16,299)	(85,746)	(13,247)	3	(115,289)
Gross profit		18,646	49,796	5,217	-	73,659
Operating expenses		(9,554)	(26,217)	(2,165)	-	(37,936)
Unallocated joint expenses					(7,991)	(7,991)

2024					
	Fragrance segment	Taste segment	Specialty fine ingredients segment	Adjustments	Total
Operating profit (loss)	9,092	23,579	3,052	(7,991)	27,732
Total liabilities	13,054	216,396	17,054		246,504
Total assets	100,423	265,301	25,026		390,750

For explanations regarding developments in the above financial data, see the Board of Directors' explanations in the Report of the Board of Directors attached to this report.

1.8. **General environment and external factors impacting all of the Company's operating segments**

Set forth below is a description of the key trends, events and developments in the Company's macroeconomic environment, which, to the best of the Company's knowledge and assessments, have a material effect on the Company's business results, or are expected to have such an effect:

1.8.1. **The global taste, fragrance and aroma chemicals markets**

In 2025, the global taste and fragrance market was estimated at approx. USD 39.91 billion; in 2026 it is expected to reach approx. USD 41.83 billion. Projections are that the market will continue growing in the next few years with a potential to reach approx. USD 52.91 billion in 2031.²

In parallel with the taste and fragrance markets, the global aroma chemicals markets continues to grow; the market was valued at approx. USD 6.6 billion in 2025 and is expected to be worth approx. USD 11.6 billion by 2035.³ The aroma chemicals market includes natural molecules, natural identical molecules and synthetic molecules used in taste and fragrance formulations in a range of applications in the food & beverage, personal care, home care and fragrance industries. The market enjoys increasing demand by these industries alongside consumer trends of awareness of wellness, sustainability and clean labeling.

The key growth drivers in the taste and fragrance market include the expansion of the food & beverage industry in emerging markets, an increase in demand for ready-to-eat food and beverage products, an increase in disposable income and urbanization, mainly in countries

² <https://www.mordorintelligence.com/industry-reports/flavor-and-fragrance-market>

³ <https://www.towardschemandmaterials.com/insights/aroma-chemicals-market>

such as India and China. In addition, consumer trends in the fields of health and wellness lead to an increasing demand for natural and organic ingredients and for clean labelling.

Manufacturers operating in the global taste and fragrance market comprise large global companies with an annual turnover in excess of USD 1 billion, such as Symrise, IFF, Givaudan and DSM-Firmenich, medium-size companies with an annual turnover in the range of USD 100 million to USD 1 billion, and small local companies with an annual turnover lower than USD 100 million.

The customers of the global taste and fragrance market are characterized by a trend whereby large multinationals rely mainly on leading global taste and fragrance companies, while SMBs from the food industry, which represent the fastest-growing customer segment in the market, accounting for approx. 50% of customers, work mainly with medium-sized flavor and fragrance companies, including Turpaz. These companies offer SMB customers a tailored service, which is based on operational flexibility and short response times, thereby providing dedicated solutions adapted to the customers' unique needs and scale of activities.

In recent decades, the market has been undergoing an accelerated consolidation process, under which leading global groups acquire medium and large companies, and - concurrently - medium-sized companies, including the Turpaz Group, acquire small companies and incorporate them into their activities while utilizing operational and commercial synergies. Despite this process, the Company believes that small and medium companies are expected to continue to account for a significant share in the market and maintain a very important role in local and regional markets.

The market is characterized by long-term relationships between manufacturers of taste and fragrance extracts and their customers. These relationships are based on development and customization processes, which require consistent quality, compliance with regulatory requirements and the ability to respond quickly in order to provide customers with solutions using complex technologies. These characteristics lead to lower sensitivity to prices, create significant barriers to switching suppliers, and provide a competitive advantage to companies with very good development, manufacturing and service capabilities.

Taste and fragrance extracts have a decisive effect on the consumer's decision to purchase a product. Taste extracts are deemed the most significant component which affects consumer preferences in food and beverages products; whereas in perfume, personal care, and air care products, fragrance extracts play an almost exclusive role in the purchase decision; those

extracts constitute the most dominant parameter in a product selection process. This is despite the fact that they constitute a small portion of the product composition.

1.8.2. The social-economic conditions in the key countries in which the Group operates

The Company's activity is affected by a range of macroeconomic factors, including growth rates in global markets, inflation and interest levels, exchange-rate volatility, raw materials' prices, energy prices, manufacturing inputs and logistics and levels of private spending. The demand for Company's products is affected by economic conditions in the markets in which it operates, including the global and Israeli economies; economic growth and an increase in private spending may support the demand for taste and fragrance products and the demand for high-quality products with high added value. However, the usage characteristics of taste and fragrance products incorporated into a broad range of consumer goods and ongoing manufacturing processes contribute to sustained demand over time. Economic slowdown, social-economic instability, uncertainty in the activity markets and/or changes in price indexes might have an adverse effect on the Company's operating results.

1.8.3. Operation Lion's Roar

On February 28, 2026, Operation "Lion's Roar" commenced. The Company examined the effects of the operation to date and in the foreseeable future, inter alia, from the perspective of the Company's production capacity, its sales, the procurement of raw materials, inventory levels, cash flow and sources of financing.

In the Company management's assessment, based on the information available to it as of the date of this report, the operation has not had and is not expected to have a material effect on the Company's operations or on its financial results, inter alia, since the Company is a global company with 26 production sites worldwide, maintains inventory levels across the Group's companies, and approximately 87% of its sales are outside Israel.

1.8.4. The effect of interest and exchange rates

Turpaz Group's activity is affected, among other things, from changes in the global macroeconomic environment, including interest rates and the exchange rates of the currencies in which Group companies operate. The Group's sales are carried out through the local functional currencies, mainly the Euro, US Dollar, NIS, ZAR and PLN. Fluctuations in the exchange rates of those currencies may affect the Group's financial results, including its net income and financial position. In addition, the Group purchases some of its raw materials from

international suppliers and is therefore exposed to changes in exchange rates, mainly those of the Euro, Israeli shekel and the US dollar.

As of December 31, 2025, the Company's loans amounted to approx. USD 179 million. During the reporting period, interest levels in the key markets in which the Group operates have declined. This trend has a positive effect on the Group's financing costs, including, among other things, with regard to the financing of its operating activities and the implementation of its growth strategy.

All assumptions and data listed in Section 1.8.18 above regarding the factors impacting the economic environment in which the Company operates constitute forward-looking forecasts, assessments and estimates, as defined in the Securities Law, which are based on the Company's assessments of developments and current and future events, whose date of occurrence, if any, is uncertain and outside the Company's control. These assessments may not materialize, in whole or in part, or may materialize in a manner different than that expected by the Company, due to, among other things, changes in the economic conditions in countries in which the Company operates as part of its operating segments.

Part C - Description of the Corporation's Business by Operating Segments

1.9. The Taste segment

1.9.1. General information about the segment

1.9.1.1. Segment's structure and changes therein

The taste segment focuses on the development, production, marketing, sale and distribution of a wide range of natural and synthetic, sweet and savory taste extracts and seasonings, which are used mainly in the production of food and beverages, including dairy, meat, fish, proteins used as substitutes for meat, fish and eggs, snacks and pastries, beverages, animal food, pharmaceuticals, tobacco, and electronic vaping products. Companies operating in this field include multinationals and local manufacturers.

Food tastes are used, among other things, to add and enhance the taste of foods that tend to lose their taste over time after processing and preserving and to conceal other tastes. The taste materials include both natural flavors and plant extracts and synthetic flavors. However, there is a marked trend of transition to natural and organic products, specifically in the food and beverages industries, against the backdrop of increased consumer awareness of health and

sustainability issues. This trend is expected to further increase the demand for clean label ingredients and environmentally friendly manufacturing processes, including sugar and salt reduction, use of taste modulation solutions and masking against the backdrop of tighter regulation on the use of sugar and consumers' health preferences.

The demand for taste extracts in the food and beverages industry arises from several factors, including the continuous need to innovate, which drives the development of new products and changes and diversification of taste in existing products, the increase in demand for processed food and drinks, and the increase in the demand for unique and exotic tastes in various food categories. As is the case in the fragrance market, the tastes market has also been positively affected by urbanization processes, improved living standards and an increase in per capita income among the middle classes in developing countries such as India, China, Thailand, Vietnam, South East Asia, Brazil and Argentina, which increase the demand for processed food and the broadening of the range of products available in those markets.

The increasing demand for taste extracts in recent years is attributed, among other things, to the increase in consumers' demand for convenience (ready-to-use) food and fast food, that require very little or are ready to eat without prior preparation. Trends such as increased number of working hours outside the home and an increase in the disposable income of middle-class customers, support demand for tasty convenience foods with an improved nutritional profile. At the same time, customers increasingly prefer products based on natural ingredients and solutions, which allow for the reduction of sugar and salt levels, which leads to an increase in demand for taste solutions based on natural tastes and extraction processes. Furthermore, there has been an increase in demand for organic, vegetarian and vegan food products, including meat and egg substitutes, and clean label products.

Manufacturers of taste extracts adopt new technologies in order to create improved natural and synthetic taste that enhance their stability and suitability; for example, when creating fruit taste extracts, it is very difficult to retain the original taste. Therefore, in order to maintain the taste of products, manufacturers invent and adopt advanced taste extraction technologies, that improve the products. The applications of advanced technologies provide innovative and novel tastes in food that help companies to adapt to the ever-changing customer tastes, which, in turn, drive the growth of the food tastes industry.

The food tastes market is normally segmented by type, end-user and region. By type, it is segmented into natural and artificial tastes; by end user, it is divided into beverages, dairy and

frozen products, bakery and confectionery, savory and snacks, and animal and pet food and tobacco; the beverages market is further classified into hot drinks, soft drinks, and alcoholic drinks. The frozen products segment is segmented into dairy products and meat; the bakery and confectionery segment is further categorized as chocolate, bakery, confectionery, and ice cream; the savory and snacks market is divided into savory, pickles and snacks; animal and pet food is classified into animal feed and pet food; the tobacco market covers the use of taste extracts in a range of tobacco and vaping products. By region, it is mostly analyzed across North America, Europe, Asia-Pacific, Latin America, the Middle East and Africa. The Company does not always know in which market segment a certain customer uses a specific extract, and sometimes a specific extract may be used in several segments at the same time, in accordance with the customer's use and changing market needs.

1.9.1.2. Legislative restrictions, standards and special constraints to which the segment is subject

The Group's Taste segment and the products it produces as part of this segment are subject to laws, regulations, orders and standards applicable in each of the countries in which it operates. Furthermore, the Company operates under various health and safety rules, including rules relating to the operations of its laboratories and plants. For more information, see Section 1.22 below.

The Group's products are manufactured in accordance with international regulations set by the Flavor and Extract Manufacturers Association (FEMA) and/or under a Generally Recognized as Safe (GRAS) designation, and in accordance with customers' requirements in different territories. Furthermore, in each of the countries in which it operates, Company's plants in this segment hold a permit issued by the local Ministry of Health, as well as veterinary approvals as required in the relevant country.

The Company holds the kashruth permits required for its activity, if any, in each of the territories in which it operates; furthermore, most subsidiaries hold voluntary permits including kashruth permits, HASSP, BRC, GMP, ISO and Halal certifications.

1.9.1.3. Changes in the segment's scope of activity and profitability

Alongside the requirement to obtain regulatory approvals (such as GMO-Free products and limiting the level of pesticides), there is also an increasing demand for full transparency throughout the supply chain. Consumer and food companies require detailed information regarding the sources of raw materials, the manufacturing processes and their environmental

impacts. Accordingly, manufactures are required to provide evidence and approvals to demonstrate that the raw materials comply with the relevant standards and regulations.

Set forth below are the key trends in the taste extracts segment:

- Rise in healthy eating awareness - an increase in the demand for food products with natural and healthy ingredients and low fat, salt or sugar levels increases the demand for flavor extracts that help food manufacturers to maintain their original taste, while reducing salt or sugar/oil levels in their products and consequently also their calorie content.
- Accelerated adoption of weight-loss drugs (GLP-1) - In recent years, the use of drugs for treating obesity has increased; this affected culinary consumption patterns, including changes in food preferences and overall caloric intake. This trend led to an increasing need by food and beverage manufacturers to develop products with high nutritional value, smaller portions and an accurate and balanced taste profile; this given taste companies an opportunity to innovate and create formulations of customized solutions which address the new requirements and improve the eating experience.
- Customers' preference of natural ingredients (rather than synthesized ingredients) - many customers believe that natural ingredients are safer, healthier and more environmentally friendly than synthesized ingredients. This trend is also supported by the fact that many countries require broader disclosure of food ingredients on product packaging and impose various marketing restrictions, which leads companies to develop taste formulae which are more consumer friendly (including clean label solutions) and organic products.
- Increase in the demand for food delivery services and eating out - the increase in use of food delivery platforms such as Uber Eats, Wolt and Deliveroo, and the increase in eating out in restaurants, cafe and convenience food have led to an increase in demand for ready-made food. This trend requires food manufacturers to adapt tastes and textures, and also to develop taste extracts, which are adapted to portions consumed in various ways.
- Product diversification - Companies operating in the field of taste extracts also expand to tobacco and tobacco substitutes markets and to the field of regulated cannabis (where this is legal), and (plant-based) meat substitutes. These trends may potentially lead to an increase in volume of activity in areas of activity which have higher profitability. However, to achieve such expansion, companies operating in the field of taste extracts will be required to invest in the development of unique extraction formulations and technologies.

- Increased interest by consumers in daring and novel tastes, and consumers' increased willingness to try out new foods that have an unconventional or exotic taste profile.
- Increasing incorporation of advanced technological tools in development processes – The sector is increasingly adopting advanced technological tools, including artificial intelligence (AI) as an infrastructure which supports the work of flavorists and development teams. These tools facilitate shorter development times, assist in the adaptation of taste solutions to different applications, and in dealing with ever-changing regulatory requirements; they also support the improvement of efficiency and accuracy in development processes.

1.9.1.4. **Segment's critical success factors**

In the opinion of the Company, the key success factors in the segment are as follows:

- The ability to develop tailor-made taste solutions which perfectly match the requested application and taste profile.
- The ability to provide swift, flexible and professional services to customers, and specifically to SMBs, including short response times, close application support, and ongoing alignment with customers' ever-changing needs.
- The capability to develop unique products for the food and beverages markets, that meet the needs of those markets, and the ability to identify trends and needs in the markets in which the Company operates.
- The ability to reduce sugar and salt levels while retaining taste (masking and texture improvement).
- Close and long-term relationships with customers around the world, and partnering with customers in the development of their products, from the inception of the idea to product launch.
- Development and production of high-quality taste extracts, while complying with global and local regulations, in accordance with market demands in the relevant territory, and adapting the taste extracts to the various products and tastes in that territory.
- The ability to develop formulae based on both natural and synthetic ingredients.
- Highly-skilled and experienced workforce that possesses the required knowledge and exceptional technological, marketing, sale and management capabilities.
- Leveraging of synergies in the supply chain, procurement, development and cross-selling options between companies in different geographic regions.

- Business partnerships with global market leaders
- Efficient management of supply chains allowing production at competitive costs, while ensuring the availability of raw materials, means of production and transportation.
- Creating and nurturing networks for the distribution, marketing and sale of Company's products to global and local customers in various geographic regions.

1.9.1.5. **Entry and exit barriers**

Entry barriers -

- 1.9.1.5.1 **Long-term relationships** - the market is characterized by long-term relationships between manufacturers and customers. In these industries, the reliability of suppliers, the quality of services and the reproducibility of the products are paramount.
- 1.9.1.5.2 **Research and development** - due to the ever-evolving preferences of end customers, and since the markets in which the Group's customers operate are dynamic and competitive, the market is characterized by a large number of new and innovative products. Accordingly, manufacturers need to invest in R&D, possess the ability to respond swiftly to evolving customer needs, and have a wide product offering.
- 1.9.1.5.3 **The importance of taste extracts in the end product** - taste extracts determine the character and uniqueness of the end product, and therefore play a crucial role in its success. Taste extracts play a very important role when it comes to customers and end consumers. Taste extracts are composed of many raw materials (between 30 to 100 different raw materials per every taste extract), which is why it is very difficult to accurately reproduce them, and therefore customers will normally avoid replacing their supplier of taste extracts.
- 1.9.1.5.4 **Highly-skilled workforce and cumulative knowhow** - the Company's activity requires a highly skilled team possessing in-depth understanding of and extensive experience in chemistry, various technologies and regulations. Furthermore, the Company is required to possess extensive capabilities and many years of experience in international management and business development in this industry.
- 1.9.1.5.5 **Food-related regulatory requirements and standards** - the activity in the taste segment requires compliance with strict regulatory requirements and standards pertaining to food, including food safety standards, ingredient labelling, allergen declarations, GMO-Free requirements, restrictions on additives, preservatives and use of flavor ingredients. These regulatory requirements require companies to have in place an infrastructure of quality and

process control, documentation, and supporting evidence, and constitutes an entry barrier for new players.

1.9.1.5.6 **Establishing a stable supply chain** - engagements with suppliers of raw materials, manufacturers and providers of logistics services, which enable continuous production and supply of products at the required quality or setting up independent production and logistics functions.

1.9.1.5.7 **A range of strains and crops** - the seasonings and herb mixes activity requires access to a wide range of crops and strains that will allow the Company to have an extensive and diverse product offering that will meet the needs of the different customers. For that purpose, the Company is required to have access to many strains, including new developments in the field of herbs.

Exit barriers -

In the opinion of the Company, there are no significant exit barriers in this segment.

1.9.1.6. **Alternatives for segment's products**

To the best of the Company's knowledge, to date there are no commercially feasible products that can fully replace the taste extracts.

1.9.2. **Segment's products**

As described above, under its Taste segment, the Company is engaged in the development, production and marketing of taste solutions, which include sweet and savory taste extracts used mainly as ingredients in food, beverage and other products manufactured by industrial manufacturers.

The sweet tastes are used, among other things, in beverages, dairy products, sweets, ice creams, pastries, confectionary, food additives, tobacco applications, tobacco substitutes and electronic vaping products.

The savory tastes are mainly used in snacks, soups, sauces, coatings, savory pastries, processed meat and fish, convenience food, and plant-based solutions and taste extracts, including meat substitutes, that are used both to imitate the taste of meat in meat substitutes and as egg substitutes for vegetarian and vegan products.

Most taste products contain a large number of natural and synthetic ingredients that are incorporated using unique formulae developed in Company's laboratories by the segment's

R&D teams (flavorists) (extracts, for example, normally contain about 30-100 different ingredients, including fruit and vegetable extracts and spices). The development of a new taste product is carried out both at the initiative of the Company and in accordance with specific customer requirements and in close collaboration therewith. Furthermore, with respect to the taste solutions themselves, the Company also offers its customers a solution that also includes natural functional ingredients that contribute to the nutritional and health benefits of the product, protect the consumer's health, prolong the shelf life of the product and of natural and synthesized colors. Those ingredients have a positive effect on the branding of the end product, and enhance the long-term relationships and dependency between the Company and its customers.

Organic and non-organic spices, unique seasonings constitute a part of the Company's savory taste solutions. Some of the spices are used as ingredients in specialty mixtures for natural food colorings used in the food industry and the animal and pet food industry. Seasonings usually also contain savory taste extracts composed of different tastes, which are combined at different ratios (changed per each seasoning) in accordance with the required application. In addition to the spices, the Company adds to the seasonings other ingredients in the form of liquid or powder; the role of those ingredients is to enable the incorporation into the end food product. In the past two decades, the use of seasonings has been on the rise in view of the change in trends in the food and beverages markets worldwide. Food seasonings are added to ready-to-eat and drink products, such as instant soup mixes, microwave meals, real pastries, cured meats, smoked fish and snacks.

In addition, the Company markets special flours, including gluten-free flours used in the food industry and in home baking. The flours are sold both as a powder used in various food products and in various degrees of customized milling adapted for the needs of customers, including in the snacks industry.

As of the report date, the Company markets and sells thousands of taste solutions in over 60 countries. The Company's success relies, among other things, on extensive experience of flavorists possessing international expertise, in-depth knowledge of local tastes and the ability to adapt the taste solutions to a range of markets and to customers' unique needs. The Company's global deployment allows the Group to address the needs of brands of global food and beverage companies while adapting its products to the relevant market and its tastes.

The Company offers natural, organic and artificial taste products. The natural tastes are manufactured using only natural ingredients, that include, among other things, natural extracts, essential oils, spices and fruit and vegetable ingredients. Some of the taste products manufactured by the Company contain raw materials manufactured by various Group companies for the taste extracts segment. The Company's taste products are sold in the form of liquid, powder and emulsion; sometimes the products are mixed with stabilizers and emulsifiers (ingredients that enable the stabilization of the texture and characteristics of the products into which they are incorporated).

As part of its taste activity, the Company also offers a wide range of taste solutions designed to create new tastes, enhance existing tastes and/or conceal certain tastes in processed food and beverage products.

1.9.3. Breakdown of revenues and profitability of products

Set forth below is a breakdown of the segment's products and services, the rate of Company's revenues derived therefrom was 10% or more of total Company revenues in 2024 and 2025 (in USD thousands):

Product	2024		2025	
	Revenues	Rate out of consolidated revenues	Revenues	Rate out of consolidated revenues
Sweet tastes	51,345	27%	84,061	31%
Savory tastes	81,123	43%	107,544	39%

1.9.4. New products and services

As part of the taste activity, the Company develops new and innovative products on an ongoing basis. A new product is normally developed in collaboration with the customer, and customized to the needs of that customer or to market trends, such as demand for products with reduced sugar and salt levels. None of the new products developed by the Company is material in terms of expected volume of sales and/or development expenses.

1.9.5. Customers

The taste extracts manufactured by the Company are sold to an extensive customer base comprising multinational and local customers of all sizes. The customers are manufacturers of food and beverages, and they are deployed in more than 60 countries across the world.

The Company's main customers are SMEs, which benefit from tailored solutions with unique ingredients of high added value. As mentioned above, the Company also works with large multinationals, mainly through collaborations with their local subsidiaries and by offering innovative and unique solutions tailored to their needs. This model allows the Company to express its flexibility, development capabilities and its ability to accurately meet the needs of a range of customers from different markets.

For information about the revenues from external parties by sales to end customers based on their geographic location, see Note 25 to the financial statements.

In most cases, the Group does not have fixed term contracts with its customers in the taste segment; sales are based on orders placed by customers and swift supply of products by the Company in accordance with the customer's requirements. This requires agility in preparing for the supply of extracts to Company's customers.

In 2024, the Company had a material customer in its taste segment, which accounted to approx. 11.8% of the Company's total revenues (approx. USD 22.3 million). In 2025, in view of the increase in the Group's revenues, sales to this customer accounted for less than 10% of the Company's total revenues, and therefore it is no longer considered a material customer. As in the case of most of the Company's engagements with customers in the taste segment, the engagement with this customer is based on orders received from time to time.

As of the report's date, the Company is not dependent on a single customer in this segment.

1.9.6. **Orders backlog**

Most customers in this segment do not normally enter into agreements or place orders in advance for large volumes of extracts. Most of the Group's products in this segment are supplied within relatively short supply lead times of several days to 3 weeks from the moment an order is placed. Large Group customers provide only estimated forecasts as to the expected annual consumption; those companies place monthly or bi-monthly orders in respect of quantities they actually need. Therefore, in this segment the Group does not have an orders backlog that can be estimated in advance.

1.9.7. **Competition**

In the taste segment, the Company's main competitors are multinational, medium-sized and local manufacturers of taste extracts and seasonings including Givaudan, DSM-Firmenich,

IFF, Solina, Symrise, Robertet, Mane, Dohler, ADM, McCormick, Takasago, Sensient, Kerry, and other - mostly local - SMEs.

The competition is based, to a large extent, on innovation capabilities, product quality, the ability to provide customers with services of added value, short supply lead times, creating and maintaining long-term relationships, reliability, customizing products to specific customer needs and adapting to market trends.

Tastes manufacturers differentiate themselves by developing close relationships with their customers, developing in-depth knowledge and understanding of the target markets, possessing excellent innovation and R&D capabilities and an excellent reputation, which is based on consistent, reliable and efficient customer service.

The Group currently operates in four geographic regions, with the European and American markets constituting approx. 50% of the global taste extracts market, and the South East Asia market is experiencing accelerated growth. In view of the market's structure, the Group is unable to estimate its market share. However, in view of the Company's global expansion strategy, the Company takes steps to penetrate into new markets and increase its market share in existing markets by way of adding new customers and increasing the volume of its activity among existing customers.

In the taste segment, the Group deals with competitors by remaining agile and maintaining its ability to rapidly develop and customize its products to the needs of its customers in the different countries in which it operates, without adversely impacting the global nature of the Company's activity. Furthermore, the Company is able to develop and supply taste extracts to customers within a number of days or weeks from the start of the product development. The Group takes steps to purchase companies whose activity is synergetic to that of the segment, thereby creating a sustained competitive advantage, creating growth drivers due to cross-selling and expanding its geographic deployment in markets in which it operates. The Company's development centers and its marketing, manufacturing, sales and distribution functions in the different markets in which it operates provide it with customer proximity and better knowledge of the unique characteristics of local culture and tastes.

1.9.8. **Seasonality**

As of the date of this report, there is immaterial seasonality, mainly in the taste segment, such that the second and third quarters are stronger compared to the first and fourth quarter due to demand by Company customers in the food industry - affected by the seasons of the year.

1.10. **The Fragrance segment**

1.10.1. **General information about the segment**

1.10.1.1. **Segment's structure and changes therein**

The Fragrance segment focuses on the development, production, marketing, sale and distribution of a wide range of natural and synthetic fragrance extracts. These extracts are mainly used in the fine-fragrances, cosmetics, toiletries, detergents, scented candles, air care & odor neutralizers and wet wipes industries. Companies operating in this field include multinationals and local manufacturers. As of the date of this report, and in accordance with the demand and needs of Company's customers, the activity in this segment comprises mostly the production of synthesized extracts, compared to natural extracts where volume of activity is lower.

Market size is impacted by various factors, including awareness of odors, the increased importance of personal hygiene and care, alongside higher rates of daily use of deodorants and perfumes. In developing countries, urbanization processes and improved living standards together with an increase in per capita income among the middle classes in countries such as India, China, Thailand, Vietnam, and countries in South America are expected to have a positive impact on growth rates in this segment. The demand for exotic and floral fragrances, mainly among young and adolescent consumers is also expected to continue having a positive impact on this segment. Furthermore, working women are increasingly aware of consumption of cosmetics, and this increases the demand for personal care products. Furthermore, increased awareness of the use of fragrances as a status symbol and as a means to deliver information and feelings, increases demand in new and developing markets.

Furthermore, in the years following the coronavirus crisis, growth in the fine fragrances market has accelerated, which is characterized by double-digit growth rates in the global market. This growth is supported, among other things, by broad market trends, including a developed culture of perfume consumption, an increasing importance of personalized fragrances, and the use of perfumes as a means of self-expression, mainly among young consumers.

The demand for Company's products is also impacted by growth in Company customers' target markets and by various wellbeing trends among end consumers. Thus, for example, an increase in the number of launches of new products by manufacturers when seeking to increase their market share, and the development of other applications for consumption

products, including niche perfumes, hair fragrances, cosmetics with unique active ingredients and an increase in consumption of aromatherapy products all impact the demand for Company products that are used in the development and manufacturing of such products. Recent years saw changes in consumption patterns in the fragrance extracts market, which are reflected in an increase in the number of launches of personal care and perfume products, expansion of home air care categories and premium brands, alongside an increase in digital sale channels. These trends are also affected by the increase in remote working and hybrid work models, which led some of the consumers to invest more in their home environment, by, among other things, buying fragrance diffusers and scented candles and home fragrance extracts, thereby increasing demand for home fragrance products, which led to growth in this category.

In addition, the demand for Company's products is also impacted by consumer and marketing trends; various premium brands, including hotels, hair products, scented candles and cosmetic lines aim to achieve branding through a customized signature based on fragrance extracts developed exclusively for them in order to achieve brand differentiation.

As part of those trends, manufacturers set up online sale platforms for end customers; this allows them to maintain and even expand the sales of hair and personal care products, which have previously been marketed mainly to the professional market (salons and hairdressers), to individual consumers, which consume the products daily. These trends lead to an increase in demand for Company's products incorporated into hair, cosmetics and body care products that are targeted both at the domestic and the commercial markets; furthermore, those trends increase the need by Company's customers to develop and update their products thereby increasing their demand for Company's products.

During 2025, the Group enhanced its fine fragrances activity through a strategic acquisition of the fragrances company Attractive Scent, located at the heart of the global perfume industry, in Grasse, the South of France. This activity enhances the Group's development capabilities in the fragrance segment, its access to leading perfumers and to global premium customers, and its positioning in the fine fragrances market, which is characterized by high growth rates and significant added value.

1.10.1.2. **Legislative restrictions, standards and special constraints to which the segment is subject**

The Group's Fragrance segment and the products it produces as part of this segment are subject to laws, regulations, orders and standards applicable in each of the countries in which it operates. Furthermore, the Company operates under various rules stemming from health and

safety regulations across the world, including rules relating to the operations of its laboratories and plants. For more information, see Section 1.22 below.

The Group's products are manufactured in accordance with international regulations set by the International Fragrance Association (IFRA), and in accordance with customers' requirements in different territories, including kashruth requirements, where needed. In addition, the Group's site in Poland holds a GMP permit in the field of cosmetics.

During 2024, regulatory requirements in connection with the licensing of products in Europe and Israel were updated; as part of these changes, companies are required to list and disclose additional allergens in fragrance extracts. The Company adapts the fragrance extracts it manufactures to the regulatory requirements across the world in accordance with the requirements of the target country and customers' requirements, and supplies the required evidence to that effect to its customers upon the supply of the products.

In addition, the fragrance industry is affected by constant revision to international regulatory requirements regarding substance registration (including REACH and CLP in Europe and TSCA in the USA); the industry is also affected by the expansion of labelling requirements and the requirements pertaining to transparency as to allergens and cosmetic uses. The above changes require manufacturers to develop formulations which comply with safety and regulatory requirements in each country and to incorporate their development and regulation departments in the development process.

The perfumers - together with the Group's development and regulation departments - use dedicated computer systems which allow the Company to supply its customers fragrance extracts, which comply with those strict requirements and with market preferences.

1.10.1.3. **Changes in the segment's scope of activity and profitability**

The Group operates as a global company that customizes its products to meet customers' needs in the different territories in which it operates. The Group has the agility to respond swiftly to changes in demand for Company's products in each of the markets in which it operates, and to adapt them to the relevant regulations in that territory and to evolving customer tastes.

Set forth below are the key trends in the field of fragrance extracts:

- Awareness among consumers and corporations regarding the environmental impact of certain ingredients used in the field of fragrance extracts.

- The influence of celebrities and influencers with respect to the effectiveness of certain ingredients and trends relating to the end products.
- The increasing impact of social media on consumers, internet advertising in the field of personal care, health and various trends in the fashion world, alongside a preference for natural sources and wellbeing trend.
- Awareness among consumers of the need for transparency regarding the ingredients of fragrance extracts used in different products.
- The fragrance extracts market expands in two main directions - increased use of fragrance extracts in many products and increased demand for natural fragrance extracts.
- Keeping up-to-date with international regulatory requirements, including safety, labeling and consumer protection regulations, require the companies to develop formulae that comply with the different regulatory requirements in each country.
- Increase in demand for long-lasting, intensive and unique fragrances, mainly in the fine fragrances category.
- Expansion of niche fragrances and luxury brands categories, which are characterized by development of more complex fragrance extracts with high added value.

1.10.1.4. **Segment's critical success factors**

In the opinion of the Company, the key success factors in the segment are as follows:

- Close and long-term relationships with customers around the world, and partnering with customers in the development of their products, from the inception of the idea to product launch.
- An orderly growth and development strategy alongside geographic expansion, in combination with a highly skilled and experienced team in the segment.
- A central R&D center alongside local development laboratories in each of the Company's plants worldwide. Synergy between the development centers and local development laboratories, which enable rapid development of products customized to customers and market's needs, while maintaining profitability and creating unique product offerings.
- Development and production of high-quality fragrance extracts, while complying with global and local regulations, in accordance with market demands in the relevant territory, and adapting the scents to the leading products in that territory.
- Highly-skilled and experienced workforce that possesses the required knowledge and exceptional technological, marketing, sale and management capabilities.

- Leveraging of synergies in the supply chain, procurement, development and cross-selling options between companies in different geographic regions.
- Business partnerships with global market leaders.
- Efficient management of supply chains allowing production at competitive costs, while ensuring the availability of raw materials, means of production, means of transportation, and fast response and delivery times.
- Creating and nurturing networks for the distribution, marketing and sale of Company's products to global and local customers in various geographic regions.
- Advanced regulatory and compliance capabilities, which allow for the development of fragrance extracts in accordance with international regulatory requirements.
- Customization of fragrance extracts to local consumer and cultural preferences in various territories, which is a significant factor in the acceptance of products in the perfumes, personal care and home air care categories.
- A relatively quick time-to-market capability based on integration between development, regulation, procurement and manufacturing, and which allows providing a response to customers' development processes, launches of new products and market share competition.
- Incorporation of advanced technological tools in development processes, including artificial intelligence (AI) as a tool which supports the work of perfumers and development teams.

1.10.1.5. **Entry and exit barriers**

Entry barriers -

1.10.1.5.1 **Long-term relationships** - the market is characterized by long-term relationships between manufacturers and customers. In these industries, the reliability of suppliers, the quality of services and the reproducibility of the products are paramount.

1.10.1.5.2 **Research and development** - due to the ever-evolving preferences of end customers, and since the markets in which the Group's customers operate are dynamic and competitive, the market is characterized by a large number of new and innovative products. Accordingly, manufacturers need to invest in R&D, possess the ability to respond swiftly to evolving customer needs, and have a wide product offering.

1.10.1.5.3 **The importance of fragrance extracts in the end product** - fragrance extracts determine the character and uniqueness of the end product, and therefore play a

crucial role in its success. Fragrance extracts play a very important role when it comes to customers and end consumers. Fragrance extracts are composed of many raw materials, which is why it is very difficult to accurately reproduce them, and therefore customers will normally avoid replacing their supplier of fragrance extracts.

1.10.1.5.4 Highly skilled workforce and cumulative knowhow - the Company's activity requires a highly-skilled team possessing in-depth understanding of and extensive experience in chemistry, various technologies, formulation and regulation. Furthermore, the Company is required to possess extensive capabilities and many years of experience in international management and business development in this industry.

1.10.1.5.5 Establishing a stable supply chain - engagements with suppliers of raw materials, manufacturers and providers of logistics services, which enable continuous production and supply of products at the required quality, or setting up independent production and logistics functions. Furthermore, the Group's size and the volumes of raw materials it uses enables it to achieve attractive raw material prices.

1.10.1.5.6 Regulation and compliance with international standards - operations in the fragrance segment require professional knowledge and compliance with international regulatory requirements.

1.10.1.5.7 Formulation bank and accumulated experience - fragrance extract formulations reflect very valuable accumulated knowledge, the exact replication of which is difficult; this serves as an entry barrier and leads to a low rate of switching between suppliers.

Exit barriers -

In the opinion of the Company, there are no significant exit barriers in this segment.

1.10.2. Alternatives for segment's products

Most of the fragrance extracts marketed by the Group are composed of a combination of natural and synthetic materials. Sometime essential plant oils can be used as a natural substitute for the fragrance extracts manufactured by the Company. However, the use of these oils is limited and even problematic since in order to reach the concentration required for the end product, the oil should have a concentration that does not meet generally accepted

regulations; furthermore, such oils may be allergenic. Furthermore, the extraction of such oils is very expensive, and will therefore increase the price of the end product. In addition, not every synthetic fragrance can be manufactured using natural materials.

1.10.3. **Segment's products**

In this area of activity, the Group develops, produces, markets and sells natural and synthetic fragrance extracts to manufacturing companies (B2B) operating in the fine extracts, cosmetics, toiletries, detergents, scented candles, air care & odor neutralizers and wipes industries, which incorporate those extracts into the products they sell.

Most of the Group's products in this segment are sold to the fine fragrances, personal care, home care, and fabric care sub-segments.

The fragrance segment products may be allocated to various sub-segments in accordance with the target markets and the sectors to which customers belong. However, the Group's products are developed and manufactured specifically for each customer in accordance with its specific requirements, and the composition of each product is unique, and it is manufactured from raw materials tailored to its formula.

Therefore, the products do not constitute groups of products, and no single product accounts for more than 10% of the Group's total sales.

The Group has a "formulation bank" containing tens of thousands of fragrances extracts it developed. The formulations are developed by the Group's development teams (perfumers); they are produced using natural and synthetic raw materials, without triggering a chemical reaction. The development of the formulations is carried out in collaboration between the customer, the Group's sales personnel and perfumers in each territory, and where needed also in collaboration with the Group's global R&D center in Grasse, France. Once the extract is approved by a panel of testers and by the lab, and the required regulatory paperwork is prepared, the extract is delivered to the customer, which tests its incorporation in its products. The Group provides its customers with full technical support to incorporate the extracts in their products.

As of December 31, 2025, the Group markets and sells in more than 70 countries.

The success of the fragrance extracts developed by the Group is impacted from its knowledge and understanding of the local culture and tastes, and its ability to adapt fragrance extracts to those preferences.

1.10.4. **New products**

The Company develops fragrance extracts as part of its operating activities in the fragrance extracts segment. A new product is normally developed in collaboration with the customer and customized to the needs of a customer in a specific market. None of the new products developed by the Company is material in terms of expected volume of sales and/or development expenses.

1.10.5. **Customers**

The Company manufactures and sells its products to customers in local and global markets independently and through the subsidiaries in France, Poland, Latvia, Vietnam and the United States. The Company's main customers are SMEs, which benefit from tailored solutions with unique ingredients of high added value. The Company also works with large multinationals, mainly through collaborations with their local subsidiaries and by offering innovative and unique solutions tailored to their needs. This model allows the Company to express its flexibility, development capabilities and its ability to accurately meet the needs of a range of customers from different markets.

For information about the revenues from external parties by sales to end customers based on their geographic location, see Note 25 to the financial statements.

In most cases, the Group does not have fixed term contracts with its customers; sales are based on orders placed by customers and swift supply of products by the Company in accordance with the customer's requirements. This requires agility in preparing for the supply of extracts to Company's customers as well as in the management of supply chains and inventory planning.

As of the report's date, the Group does not have a single customer, the rate of the Company's sales to whom exceeds 10% of total Company revenues; in the Group's opinion it is not dependent on any of its customers.

1.10.6. **Orders backlog**

Customers in the fragrance extracts segment do not normally enter into agreements or place in advance orders for large volumes of extracts. Most of the Group's products are typically supplied within a week to 3 weeks from the moment an order is placed. Large Group customers provide only estimated forecasts as to the expected annual volume of the materials they normally order; those companies place monthly or bi-monthly orders in respect of

quantities they actually need. Therefore, in this segment the Group does not have a cumulative orders backlog that can be estimated in advance.

1.10.7. **Competition**

In the fragrance segment, the Company competes with large multinational and local manufacturers of fragrance extracts, in accordance with the region in which it operates. Such multinational manufacturers include Givaudan, DSM-Firmenich, Takasago, IFF, Symrise, Robertet, and Mane. The local manufacturers operate in limited markets, and in the Company's opinion there are hundreds of companies with varying scopes of activity, from companies operating in a single country to companies operating in a small number of countries.

The Group currently operates in four geographic regions, with the European and American markets constituting approx. 50% of the global fragrance extracts market. Furthermore, the Company operates in the South East Asia market, which is experiencing accelerated growth. In view of the market's structure, the Group is unable to estimate its market share. In accordance with its global expansion strategy, the Company takes steps to penetrate into new markets and increase its market share in existing markets by way of adding new customers and increasing the volume of its activity among existing customers and growing with those customers.

In the fragrance segment, the Group deals with competitors by remaining agile and maintaining its ability to rapidly develop and customize its products to the needs of its customers in the different countries in which they operate, without adversely impacting the global nature of the Company's activity. Furthermore, the Company is able to develop and supply fragrance extracts to customers within a number of days or weeks from the start of the product development. The Group takes steps to purchase companies whose activity is synergetic to that of the segment, thereby creating a sustained competitive advantage, expanding its geographic deployment, and creating growth drivers as a result of cross-selling. The Company's development centers and its marketing, manufacturing, sales and distribution functions in the different markets in which it operates provide it with customer proximity and better knowledge of the unique characteristics of local culture.

1.11. Specialty fine ingredients segment

1.11.1. General information about the segment

1.11.1.1. Segment's structure and changes therein

The Group's activity in the specialty fine ingredients segment includes the development, production, marketing and sale of aroma chemicals and citrus products used as raw materials in the taste and fragrance industry, and specialty chemicals used as intermediates in various industries, including the pharma, agrochemicals, polymers and catalysts industries. In this segment, the Group focuses on the manufacturing of unique tailor-made products of high added value, which are adapted to the specific needs of customers and to regulatory requirements through its development, engineering and manufacturing departments.

The Group's aroma chemicals and citrus products activities are carried out in the manufacturing sites in Nir Yitzhak and Zarzir in Israel, and through manufacturing sites in India and Romania. This activity is based on the development and manufacturing of aroma chemicals and citrus products.

The Group's activity in the field of specialty chemicals used as intermediates in the pharma and other industries is carried out in the manufacturing sites in Nir Yitzhak and in India; the Nir Yitzhak activity is mainly based on brominated specialty chemicals.⁴ The Group also manufactures specialty chemicals which require higher levels of technical service and expertise for industries such as food additives, agrochemicals, aroma compounds, water treatment, textiles, construction, paper, oil, gas, ink additives and more.

The incorporation of development and manufacturing capabilities in specialty chemicals, aroma chemicals, and citrus products allows the Group to broaden its presence in global markets, provide solutions for the taste, fragrance, and pharma industries, and leverage its knowledge and experience in the development and manufacturing of specialty chemicals for industrial niches of high added-value.

The markets in which the Group operates are constantly growing. The growth in the aroma chemicals market arises mainly from the expansion of the cosmetics, toiletries, food and beverage industries. In 2025, the synthetic segment led the market mainly due to high

⁴ Brominated products are products based on bromide compounds.

availability and broad compatibility with industrial applications. The Asia-Pacific region dominated the market in 2025 with a market share of approx. 40% due to high demand for personal care, cosmetics and fine fragrance products, specifically in China, Japan and India.

Manufacturing of fine chemicals as intermediates for the pharma industry is mainly based on sales to manufacturers of intermediates and active pharmaceutical ingredients (API). The market growth arises from an increase in R&D activities related to the development of drugs, increasing incidence of chronic diseases, an increase in geriatric population, expansion of the field of weight-loss drugs, increasing importance of generic drugs, and increased consumption of biological therapies. On the other hand, controls on drug prices, high manufacturing costs and long lead times to drug launch restrict the market's growth.

1.11.1.2. **Legislative restrictions, standards and special constraints to which the segment is subject**

The Specialty fine ingredients activity is subject to laws, regulations, regulatory measures, orders and standards that apply to the products in this segment. Furthermore, the Group operates under various health and safety rules, including rules relating to the operations of its laboratories and plants. For more information, see Section 1.22 below.

The Group applies to its products and manufacturing processes voluntary quality standards required by its customers worldwide. Those standards dictate management and quality requirements from the planning stage (R&D, sales, supply chain, handling orders, planning production) to the implementation stage (production, laboratory, logistics and transportation to the end destination).

As a supplier of intermediates that operates as part of the supply chain of the pharma industry, the Group's activity in its Nir Yitzhak plant is certified under quality standards ISO 9001:2015, safety and environmental standards ISO 14001:2015 and ISO 45001, and energy management system standards ISO 50001:2025. Furthermore, the Group's plant in Nir Yitzhak holds the "Gold Standard" awarded by the Standards Institution of Israel to customers maintaining a comprehensive quality management system under the three standards listed above.

In addition, the Group's products in this segment are subject to European and global regulations applicable to specialty chemicals and aroma chemicals, including requirements as to chemical safety, classification and labeling, restrictions on transporting and packaging

of hazardous substances, and mandatory disclosure as to allergens in accordance with the regulation relevant to each product.

1.11.1.3. **Changes in the segment's scope of activity and profitability**

The Company's products in this segment are unique products, which require extensive knowledge, experience and the capability to customize the products to customers' requirements. The Company focuses on the manufacturing of niche products with high added value in which the Company possesses established competitive capabilities, technological expertise and dedicated manufacturing processes.

Most of the products manufactured by the Group's customers in this area of activity require preliminary approvals and compliance with the highest quality standards as part of the development and manufacturing of those products.

Suppliers of intermediates used in the production of drugs that have development capabilities, and are able to support companies in the early stages of the drug development have a significant advantage in the pharma industry. The initial quantities normally manufactured for customers are tens of kilograms; these quantities increase gradually and reach up to tens of tons as the development of the drug advances, and until the drug is launched and establishes itself in the market. During those stages, the manufacturer and the customer coordinate expectations as to quality and optimize costs.

In addition, product quality approval is also of high importance in the field of aroma chemicals and citrus products for the taste and fragrance industry, and the Group has a significant advantage due to its experience in adapting the required quality to customers.

As a result of the Iron Swords War, and due to the fact that the subsidiary Chemada is located at the Gaza Envelope area, some of that company's customers purchased materials from other suppliers, which led to a decline in Chemada's sales in 2024. However, as from the fourth quarter of 2024 customers resumed the purchase of Chemada's products; this trend has increased in the first quarter of 2025; this was in addition to the positive effect of that company's streamlining moves, including the change to its product mix and focusing on expanding its offering of citrus-based products and aroma chemicals for the flavors and fragrances industries.

In 2024-2025, due to the effect of the Iron Swords War on its activity, Chemada received government compensation of approx. USD 4.1 million.

1.11.1.4. **Segment's critical success factors**

In the opinion of the Company, the key success factors in the segment are as follows:

- Many years of experience and proven reputation in the field of fine chemicals.
- Production capabilities, innovative facilities, which comply with regulatory requirements, and extensive professional knowledge.
- Long-term relationships with customers in terms of marketing, development and procurement; such relationships allow for the joint development of unique products starting with the customer's preliminary development stages and through to commercialization; the relationships are based on trust, which makes it easier to introduce new tailor-made products.
- Extensive knowhow and experience in the development and manufacturing of products at varying quantities, from a few kilograms to tens and hundreds of tons; this allows market players to support customers throughout the development processes of customers' products; manufacturers also have to have the agility to respond swiftly to customers' needs starting with the customer's development stage, and until the product is launched and establishes itself in the market.
- Extensive knowhow and experience in development and manufacturing, which allow for operational efficiency and manufacturing at competitive prices, while maintaining high product quality. Products are manufactured exclusively for specific customers under confidentiality agreements; in most cases, these products are not sensitive to market competition and have high profit margins.
- The ability to comply with varying regulations and successfully pass audits conducted by customers from various areas.
- Product's quality, both in terms of its characteristics and in terms of its suitability to customer's needs.
- Agile and focused management that combines many years of experience in the Group's areas of activity.
- Efficient management of supply chains allowing production at competitive costs, while ensuring the availability of raw materials, means of production and transportation in several sites worldwide.
- Creating business partnerships with global market leaders, and the ability to engage in distribution agreements with leading entities.

- Integration between development and manufacturing capabilities of specialty chemicals and products manufactured in the taste and fragrance industries (citrus-based products and aroma chemicals), which allows the expansion of the product offering, enhancement of relationships with customers and entry to markets offering higher profitability rates.
- Development capabilities for various industries (pharma, food, beverages, cosmetics and toiletries), while complying with various sets of standards and regulatory requirements.
- Direct access and ongoing supply of a key raw material in the specialty intermediate industry - Bromine.

1.11.1.5. **Entry and exit barriers**

Entry barriers -

1.11.1.5.1 **Long-term relationships** - the market is characterized by long-term relationships between manufacturers and customers, and ongoing engagement with suppliers of strategic and specialty raw materials from across the world. In the pharma industry, development and manufacturing are generally approved in the preliminary stages of drug development; the data as to the specialty intermediates manufactured by the Company are included in the regulatory approval process. Therefore, there is an inherent difficulty to switching to another specialty intermediates supplier, and this is a significant entry barrier for new players seeking to enter the market. In the taste and fragrance industries changing the supplier of raw materials may affect the end product and the experience of the end customer; accordingly, customers try and avoid switching suppliers, especially in high-end products, with which the end customer is familiar.

1.11.1.5.2 **Development customized to customer needs** - products developed in close collaboration with Group's customers, and in accordance with their specifications. Therefore, the Company needs to employ skilled development teams, and have access to manufacturing techniques and previous developments, on the basis of which new products can be manufactured.

1.11.1.5.3 **Regulation, licenses and approvals** - obtaining all licenses and approvals required for operating in this area of activity, and compliance with the chemical industry's strict environmental and safety requirements.

- 1.11.1.5.4 **Financial strength** - high financing capabilities for the purpose of building, maintaining and operating the production lines and the required infrastructures. The need to have in place advanced manufacturing technologies, investment in innovative laboratories and highly skilled employees possessing specific expertise lead to high manufacturing costs in this segment.
- 1.11.1.5.5 **Establishing a stable supply chain** - engagements with suppliers of raw materials, manufacturers and providers of logistics services, which enable continuous production and supply of products at the required quality, or setting up independent production and logistics functions. Operating the logistic function requires knowhow, skill and operational excellence.
- 1.11.1.5.6 **Long development and scale-up stages** - the specialty chemicals segment is characterized by long development processes comprising pilot, validation, adaptation of industrial processes and sometimes multiple-stage production cycles until a commercial product is achieved; this creates a sustained entry barrier which makes it difficult for new competitors to enter the market.

Exit barriers -

In the field of specialty intermediates for the pharma industry the Company is engaged in agreements with its customers for periods of more than one year, which may include undertakings on behalf of customers to purchase minimum quantities of the Company's products and corresponding undertakings by the Company to supply the products in accordance with the terms of the agreements.

1.11.1.6. **Alternatives for segment's products**

In the taste and fragrance segments regulatory provisions occasionally require to stop using certain raw materials; in such cases, it is required to develop suitable substitutes; this involves advanced development processes, maintaining the user experience and compliance with regulatory requirements.

Bromine-based fine chemicals may be replaced by fine chemicals based on chlorination processes.

1.11.2. **Products and services**

As of December 31, 2025, the Company markets and sells more than 100 products in this segment, to approx. 150 customers located in approx. 30 countries; the products are

customized to meet the needs of each and every customer through the R&D team, the production function and the laboratories.

Most of the products in this segment are intermediates and fine chemicals, aroma chemicals and citrus-based products.

No single product accounts for more than 10% of the Group's total sales in this segment.

For details regarding the products and services, see Section 1.11.1.1 to this report.

1.11.3. **New products**

As part of its operating activities, the Group develops from time-to-time new products of high added value for its existing and new customers; such development is carried out based on existing technologies, in accordance with the specific needs of the relevant customer and at the customer's request. None of the new products developed by the Company is material in terms of expected volume of sales and/or development expenses.

1.11.4. **Customers**

Company's customers in this segment include leading companies in their respective industries. Most of the Company's customers are global manufactures of tastes and fragrances, manufacturers of intermediates and active pharmaceutical ingredients for the pharmaceuticals industry, and customers operating in the field of agrochemicals and specialty chemicals.

As of the report's date, the Group does not have a single customer, the rate of the Company's sales to whom exceeds 10% of total Company revenues; in the Group's opinion it is not dependent on any of its customers.

For information about the characteristics of the activity with customers in this segment, see Section 1.11.1.3 above.

For information about the revenues from external parties by sales to end customers based on their geographic location, see Note 25 to the financial statements.

1.11.5. **Orders backlog**

1.11.6. In this area of activity, the manufacturing process of the chemicals may take several weeks. Therefore, the Company's orders backlog comprises orders received from its customers between one month and several months in advance, as well as orders based on annual supply contracts that the Company signed in advance. As of December 31, 2024, the orders backlog

amounted to approx. USD 7.2 million, and as of December 31, 2025, the orders backlog amounted to approx. USD 11.7 million.

1.11.7. **Competition**

The activity in the markets in which the Group operates is characterized with a range of manufacturers and suppliers, that produce the products using similar and known technologies. In recent years, new manufacturers started entering the market; these included mainly manufacturers from India and China, where labor costs are lower; this triggered a decrease in the prices of products offered to the market in large quantities. The spread across the world of manufacturing knowhow pertaining to the products in this area of activity creates an ongoing process whereby products that were previously considered high-tech products and were priced accordingly are subject to competition which leads to erosion in prices.

The Chinese manufacturers find themselves in direct competition with the Indian market, which enjoys a high-rate growth. These restrictions force the Chinese competitors to significantly reduce their prices, sometimes even below the direct costs threshold. Accordingly, global manufacturers are subject to significant pressure to reduce prices in all markets.

Despite this, some customers in this market seek western manufacturers and sophisticated materials with high added value; this gives an advantage to companies with advanced research and development capabilities, which offer innovative and natural solutions to the taste and fragrance industry.

As part of the Company's growth and differentiation strategy, it endeavors to develop and manufacture new and complex products of higher added value; the Company also works to improve manufacturing processes of existing products in order to improve productivity and increase profit margins. Accordingly, the Company focuses on high-quality and unique products with higher profit margins.

Leading market players in the aroma chemicals and citrus-based products include global companies such as Symrise, Dohler, ADM, Givaudan, Firmenich and IFF, which incorporate advanced technologies and natural products, alongside SMEs, which focus on specific market segments.

The markets for the Company's intermediate products for various industries are very competitive. Most of the Company's competitors have manufacturing capacities that are larger than those of the Company; and they focus on products of lower value and on manufacturing

high volumes. To the best of the Company's knowledge, as of the report date, its principal competitors are Weylchem (Vyonova), PALCHEM, Tosoh, Manac, Neogen and Agrocel Industries. In addition, there is significant competition due to multiple Chinese suppliers. The Company's advantage is its focus on high value products, which positions it as the supplier of choice among customers.

The Company is unable to estimate its market share; however, it believes that its share in the global market is small.

Other competitive advantages of the Company include the fact that it is a western manufacturer, which customers tend to prefer over competitors who manufacture in India or China, high quality of products and high manufacturing levels, flexibility in terms of quantities and the supply of products in accordance with complex specifications, compliance with all regulatory requirements, supply of products packaged in accordance to international standards, providing documentation for purposes of quality control, experience, and more.

Part D - Information Relating to the Activity of the Company as a Whole

1.12. Marketing and Distribution

Approx. 87% of the Company's sales are made to customers outside Israel.

The sales, distribution and marketing activity involving the Group's products is based on local marketing, sales and business development teams in the primary target markets. As of the report's date, the Group's sales and marketing function comprises 118 employees located in its primary target markets, in proximity to its customers.

The Group's sales, distribution and marketing activity involve approx. 4,300 customers in the various territories in which the Group operates.

The Company's sales and marketing teams across the world form the link between the Group's customers and its R&D teams. The Group's sales and marketing function works closely with customers in order to understand their specific needs; this information is delivered to the R&D teams, that develop products customized to meet the customer's needs in close collaboration with the customer's development and application teams. In addition, the marketing and sales function works to promote a range of cross-selling options between Group companies in Israel and abroad.

In the specialty fine ingredients segment, substantially all of the Group's sales are made to customers outside Israel. The Group has an independent marketing and distribution function, which is managed on a customer-by-customer and segment-by-segment basis; regional sales managers work directly with local customers, and sometimes through local agents and distributors in the target countries. Orders placed with agents and distributors are approved by the Company's sales manager, and the engagement is a direct engagement between the Company and the customer; distributors with which the Group works receive a fixed-rate commission, in accordance with the marketing agreement that was signed with them. Generally, the distributors with which the Company works are granted exclusive rights to act as the distributor of the Company's products in certain territories, such that the Company will not compete with the distributor, and the distributor has undertaken to the Company not to market competitors' products in the relevant territory.

1.13. **Ingredients and suppliers**

1.13.1. **The fragrance and flavor segments**

- 1.13.1.1. The Company purchases thousands of ingredients that include, among other things, fine and unique chemicals, both synthetic and natural, natural and essential oils, stabilizers and antioxidants, solvents, natural colors and extracts from which the Company produces its fragrance and flavor extracts; and spices and herbs from which the Company produces its seasonings and herb mixes.
- 1.13.1.2. The Group purchases natural and synthetic ingredients from hundreds of local and international suppliers, with whom it has been maintaining long-term commercial ties. Some of the ingredients are purchased by the Group's global procurement function, and each Group company has a local procurement department that is managed and monitored by the global procurement department. The ingredients are purchased for the different manufacturing sites across the world in accordance with the requirements of local regulations, the level of convenience of the work with local suppliers, and consumers' preferences in the different geographic regions. Purchasing the ingredients through the Group's central procurement function allows the Group to maintain the quality of the ingredients and their cost levels, while leveraging the synergies between Group companies.
- 1.13.1.3. Managers of supply chains and the Group's procurement departments regularly monitor trends in ingredients' prices, and where needed the Group works to revise the sale prices of its products, such that they reflect the changes in ingredients' prices.

- 1.13.1.4. The ingredients undergo a series of quality, analytical, olfactive and organoleptic tests (color, taste and smell tests). The ingredients are stored in the sites' warehouses, and are then transferred to manufacturing.
- 1.13.1.5. In view of the large number of ingredient suppliers used by the Company as of the report's date, the Company is not dependent on any of its suppliers in the fragrance and taste segments.
- 1.13.1.6. In addition to its agreements for the purchase of goods from different suppliers in Israel and abroad, the Group also engages in agreements with owners of farmland in Israel; under those agreements, the farmers sow, grow and harvest for the Company the spices used as ingredients in its activity. In addition to the cost of purchased ingredients, the Company also sometimes bears the costs of harvesting and transporting the spices to its plants.

1.13.2. **Specialty fine ingredients segment**

- 1.13.2.1. Approx. 150 different ingredients are used in this segment, including, among other things, solvents, acids and alcohols, purchased from tens of suppliers worldwide.
- 1.13.2.2. Most of the products of the specialty fine ingredients segment, that are manufactured in the Group's plant in Nir Yitzhak, are based on specialty chemicals including brominated products.

1.14. **Property, plant and equipment, land and manufacturing capacity**

As of the report's date, the Group operates 26 manufacturing sites across the world. The following table lists the Group's principal manufacturing sites and the activity conducted in each of the sites:

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
Israel	The Group's sites in Holon	Fragrance	1,673 suppliers.	Rented	Rented	2022

⁵ The year of commencement of activity is the later of the date on which the plant was purchased by the Group, the date on which it was built, or the commencement of a lease period.

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
			The built area			

Manufacturing capacity and shifts - the plant works 5 days a week, including overtime.

In November 2025, the Company entered into a lease agreement for another plant in Holon, located near the existing plant; the total built area of the second plant is approx. 650 sq. m, and it will be used to double the Company's existing production capacity. The manufacturing capacity may be increased by approx. 50% in the first shift by recruiting additional employees. A second shift will double the manufacturing capacity accordingly.

Israel	The Group's site in Kibbutz Nir Yitzhak	Specialty fine ingredients	Area of land - 135,000 sq. m Area of building - 2,100 sq.m	Rented	Rented	2019
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Manufacturing capacity and shifts - the plant works 7 days a week, in three shifts. The plant can increase its manufacturing capacity by further 40% by investing in the expansion of the tools and utilizing the plant's existing area.

The Group has an additional production facility in Romania, through which it can increase its manufacturing capacity according to customers' demand.

India	The Group's site the Mumbai area	Specialty fine ingredients	Area of land - 49,598 sq. m	Leasehold	Leasehold	2025
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Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
			Area of building - 16,805 sq.m			

Manufacturing capacity and shifts - The facility operates 7 days per week in three shifts. The plant has additional potential production capacity of approximately 50%, subject to investment in equipment expansion and optimal utilization of the existing plant area.

Israel	The Group's site in Afula	Taste	Area of land - 9,240 sq.m Area of building - 3,200 sq.m	Rented	Rented	2021
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Manufacturing capacity and shifts - the plant works 5 days a week, mostly in one shift; manufacturing capacity may be increased by approx. 50% in the first shift by recruiting additional employees. A second shift will double the manufacturing capacity accordingly.

Israel	The Group's site in Be'er Tuvia	Taste	Area of land - 3,000 sq.m Area of building - 1,300 sq.m	Rented	Rented	2022
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Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
<p><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week, mostly in one shift; manufacturing capacity may be increased by approx. 30% in the first shift by recruiting additional employees. A second shift will double the manufacturing capacity accordingly.</p>						
France	The Group's site in Grasse	Fragrance	Area of land - approx. 2,500 sq. m Area of building - approx. 1,000 sq. m	Rented	Rented	2025
<p><u>Manufacturing capacity and shifts</u> - the plant mostly works in one shift; manufacturing capacity may be increased by approx. 50% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by further 100% if it starts manufacturing in 2 shifts and employs are its workforce in all departments on a full-time basis.</p>						
Poland	The Group's site near Warsaw	Taste and Fragrance	Area of land - 21,500 sq. m Area of building - 10,000 sq. m	Owned	Owned	2017

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
<p><u>Manufacturing capacity and shifts</u> - the plant works 6 days a week in two shifts; manufacturing capacity may be increased by approx. 50% by recruiting additional employees and investing in machinery. The plant can increase its manufacturing capacity by further 50% if it starts manufacturing 6 days a week in three shifts.</p>						
USA	The Group's site in New Jersey	Fragrance	Area of land - 5,220 sq. m	Rented	Rented	2022
<p><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 100% in the first shift by recruiting additional employees. A second shift will double the manufacturing capacity accordingly.</p>						
Vietnam	The Group's site in Ho Chi Minh City	Taste and Fragrance	Area of land - 4,000 sq. m Area of building - 3,000 sq. m	Owned	Leased	2020
<p><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 200% in the first shift by recruiting additional employees. A second shift will double the manufacturing capacity accordingly.</p>						
Belgium	The Group's site near Brussels	Taste	Area of land - 3,000 sq. m	Owned	Leased	2021

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
			Area of building - 2,700 sq. m			

Manufacturing capacity and shifts - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 40% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.

Belgium	The Group's site near Bruges	Taste	Area of land - 19,000 sq. m Area of building - 12,500 sq. m	Owned	Owned	2024
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Manufacturing capacity and shifts - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 40% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.

Germany	The Group's site in Versmold	Taste	Area of land - 12,000 sq. m	Owned	Owned	2024
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Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
			Area of building - 2,000 sq. m			
<p><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 40% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.</p>						
Germany	The Group's site in Karlsruhe	Taste	Area of land and building - 2,284 sq. m	Rented	Rented	2024
<p><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 40% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.</p>						
Romania	The Group's site in Bucharest	Taste	Area of land and building - 884 sq. m	Rented	Rented	2022
<p><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 50% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.</p>						
Latvia	The Group's site in Riga	Fragrances	Area of land -	Rented	Rented	2022

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
			6,264 sq. m Area of building - 1,424 sq. m			
<p>Manufacturing capacity and shifts - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 25% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.</p>						
Hungary	The Group's site in Budapest	Taste	Area of land - 8,309 sq. m Area of building - 4,535 sq. m	Owned	Owned	2023
<p><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week mostly in one shift; manufacturing capacity may be increased by approx. 40% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.</p>						
UK	The Group's site in Blackburn	Taste	Area of land and building - 8,645 sq. m	Rented	Rented	2024

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity ⁵
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Manufacturing capacity and shifts - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 100% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.

South Africa	The Group's site near Johannesburg	Taste	Area of land - 24,309 sq. m Area of building - 5,805 sq. m	Owned	Owned	2024
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Manufacturing capacity and shifts - the plant works 5 days a week in one shift; manufacturing capacity may be increased by approx. 40% in the first shift by recruiting additional employees. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.

South Africa	The Group's site near Johannesburg	Taste	Area of land - 16,703 sq. m Area of building - 9,636 sq. m	Owned	Owned	2024
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Manufacturing capacity and shifts - the plant works 5 days a week, in three shifts in some of its production facilities. The plant can increase its manufacturing capacity by further 40% by investing in the expansion of the production lines.

* The additional potential manufacturing capacity in the plants reflects the potential increase in revenues as a result of increasing the quantities of products manufactured.

The Company's lease of the Beit Kama and Sde Eliyahu sites ended during 2024, and the activity was transferred to the Company's plant in Afula.

1.14.1. In December 2020, the approval for a plan for investment in property, plant and equipment by the Authority for Investments and Development of the Industry and Economy was received; the NIS 11 million investment plan was approved pursuant to the Law for the Encouragement of Capital Investments, 1959, for the purpose of expanding the Group's plant in Kibbutz Nir Yitzhak; the execution of the investments in accordance with the plan will entitle Chemada with a grant accounting for 20% of the said investment amount. The instrument of approval is subject to generally accepted conditions, including achieving business targets that were set therein. The plan may be executed by December 30, 2026. As of the financial statements' approval date, the Company executed most of the planned investment and is working on the filing of the application to the Authority for Investments and Development of the Industry and Economy.

1.14.2. In December 2024, The Authority for Investments and Development of the Industry and Economy approved an investment plan designed to retain the business activity in the Tkuma Region settlements. As part of the plan, capital investments will be made in machinery and equipment at the total amount of approx. NIS 12.6 million. In accordance with the terms of the approval, Chemada will be entitled to a grant at a total amount equal to 50% of the investment amount. The instrument of approval is subject to generally accepted terms and conditions, including compliance with undertakings set forth as part thereof, and the last date for completion of the investments under the plan is September 30, 2027.

1.15. **Research and development**

1.15.1. The Group has always placed great importance on research, development and innovation, as part of its wish to provide solutions and meet the needs of its current and future customers; the Group does this by expanding its range of technologies and products and incorporating them into the industries in which it operates.

1.15.2. 133 of the Group's employees are engaged in the development of new products, improvement of existing products and adapting them to the ever-evolving needs and preferences of its customers, and of the end consumers; those employees are also engaged in the development and improvement of processes the Company uses in the manufacturing of its products, and

the leveraging of R&D synergies between Group companies. As of the Report date, the Group has 26 research, development and quality control laboratories located in Israel and in countries in which the Group operates. The Group collaborates with local laboratories, that provide the Company research and development services and applications.

In the opinion of the Company, it will increase its investments in R&D in the next few years, in order to expand its product offering and retain its competitive advantage in the markets in which it operates. Furthermore, as part of its implementation of the strategy to achieve external growth by purchasing companies in its different areas of activity, the Company takes steps to identify and assess companies that possess unique technologies, the purchase of will expand the range of possibilities arising from the Company's development activities.

For more information about the Company's R&D expenses, see Note 2 to the Company's financial statements.

1.16. **Intangible assets**

The Company is working to establish its competitive advantage and its market position by, among other things, protecting such competitive advantages through the retainment of knowhow within the Company.

The Group's intellectual property mainly includes the knowhow pertaining to the formulae used to create the taste and fragrance extracts, and the development and manufacturing processes of ingredients. Those formulae are strictly confidential; they are considered to be a trade secret that is only known to a small number of people within the Group. Retaining the formulae as a trade secret rather than registering a patent in respect thereof is a normal practice in the industry, since upon the registration of a patent the formulae will be in the public domain, and they will no longer be protected once the patent expires.

The Company's name is registered as a trademark in Isarel, the EU, the USA, and Indonesia and the Company takes steps to register the Company's name as a trademark in China, and to renew the registration from time to time. In addition, Group subsidiaries take action, as applicable, to register and protect their names and/or brands as trademarks in relevant territories and markets.

1.17. **Human capital**

1.17.1. **The Company's organizational structure chart**

As of the report date, most of the Company's activities are carried out through its subsidiaries, which have an independent management. The subsidiaries' CEOs report to the Company's CEO or to the relevant heads of divisions.

As of the report's publication date, the following persons report directly to the CEO:

1. EVP and CFO
2. VP, Head of the Taste Division
3. VP, Head of the Fragrance Division
4. VP, Head of the Specialty Fine Ingredients Division
5. VP, Head of Business Development
6. VP, Legal Mergers & Acquisitions
7. VP, Human Resources
8. VP, Chief IT Officer
9. Chief Legal Counsel and Company Secretary

Each of the VPs is in charge to additional departments in accordance with their area of activity.

1.17.2. **Workforce**

As of the date of this report, Turpaz Group employed 1,053 employees, as described below (on a full-time basis):

	Manufacturing	R&D	Marketing	Management	Total
Taste	488	59	70	95	712
Fragrance	99	67	45	33	244
Specialty fine ingredients	61	7	3	10	81
Headquarters				16	16
Total	648	133	118	154	1,053

One of the Group's key assets is its human capital. Accordingly, and taking into account the number of Group employees, the Group is highly dependent on maintaining a regular workforce. Nevertheless, the Group is of the opinion that it is not dependent to a material extent on a specific employee, other than Ms. Keren Cohen Khazon, as described below in this Section.

The Company's controlling shareholder, Ms. Keren Cohen Khazon, serves as the Company's CEO; Ms. Cohen Khazon possesses in-depth understanding of all of the Company's areas of

activity, technology and products that are manufactured and developed by the Company. Furthermore, Ms. Keren Cohen Khazon possesses a thorough and long-standing understanding and knowledge of the market and its trends, including all aspects of the Company's commercial activities.

1.17.3. **Employment agreements and employees' compensation**

1.17.3.1. **Employment agreements**

All Company employees are employed by the Company on the basis of standard personal employment agreements. With regard to the employees in Israel, those agreements include provisions about the employee's salary (monthly, global or hourly, including overtime and shifts), working hours, social benefits, such as managers insurance and/or pension fund, advanced education fund, annual leave, recreation pay, sick leave, travel expenses, entitlement to a company car or reimbursement of vehicle expenses (to some of the employees), mobile phone (to some of the employees), advance notice in respect of resignation or dismissal in accordance with the law, and a confidentiality and non-competition undertakings.

Employees of subsidiaries abroad are employed in accordance with labor practices in the country in which they are employed.

1.17.4. **Collective labor agreement - Chemada**

Chemada's employees are employed under a special collective labor agreement as extended from time to time; the agreement is in effect through April 30, 2029. The key points of the collective agreement are as follows:

1.17.4.1.1 The agreement applies to all Chemada's non-managerial employees. Furthermore, pursuant to the agreement, Chemada may exclude other positions from its scope, provided that the ratio between those Chemada employees to whom the agreement applies and those to whom the agreement does not apply shall not be less than 1:3, and up to four additional position holders whose identity was agreed in advance.

1.17.4.1.2 The agreement covers, among other things, monthly salary, pay rises, annual bonus, shift hours, annual leave, social benefits, compensation in respect of unscheduled work and overtime, and contributions to an advanced education fund as from the date on which an employee completed 18 full months of employment by the plant (2.5% by the employee and 4%-5% by Chemada), depending on the employee's position.

1.17.4.1.3 In addition to the said collective labor agreement, employees of Group companies in Israel are also covered by the collective agreement regarding comprehensive pension in the industry, which was signed between the Manufacturers Association of Israel and the General Organization of Workers in Israel (Histadrut).

1.17.4.2. **Training and courses**

From time to time, the Company holds training to employees in connection with various topics, such as safety, fire extinguishment, professional courses, procedure refreshment courses, emergency exercises and prevention of sexual harassment.

Furthermore, with the aim of supporting employees' personal development and assisting them to fulfill their potential, the Company supports training and courses, including external training and/or studies, and also participates in the funding thereof.

In addition, as part of the development of professional knowledge and enhancing its human capital, the Group puts in place learning mechanisms based on internal expertise. From time to time, professional lectures are held by Group content experts, aimed at enriching knowledge, increasing the Group's understanding of the market and technology, and strengthening the links between the segments.

In addition, from time to time, the Group holds segment-wide conferences attended by executives and development teams from various sites. The purpose of these teams is to share professional knowledge, reinforce collaborations and generate business and technological synergies.

In addition, the Group's site in Nir Yitzhak has a wide range of training sessions and courses, whose aim is to support employees in become familiar with and understand the Company's work procedures, means of control and oversight, mechanisms of preparedness for emergencies, and means of production. The training and certification function includes documentation of qualifying courses and certifications for operational segments in accordance with the qualifications required by law for each and every position. In accordance with normal practice in the chemistry industry, in view of the complexity and risks involved in the activity, the process of employee training is a gradual and ongoing process, that involves successfully passing tests in each and every stage and the assessing employee's performances in accordance with their role. On average, the process of training employees until they obtain all certifications takes more than 12 months; training is carried out during the course of the employee's work in accordance with his/her qualifications.

1.17.4.3. **Employee compensation plan**

In February 2021, the Company adopted an equity-based compensation plan (hereinafter - the “**Plan**”), where under some or all employees, directors, officers, advisors, service providers in the Company and related companies (hereinafter - the “**Offerees**”) are allocated, from time to time, without consideration, at the recommendation of the Company’s CEO and as approved by the Company’s Board of Directors, (1) registered options for the purchase of Company ordinary shares of no par value (hereinafter - the “**Options**”); (2) restricted shares, and (3) restricted share units. The term of the plan is 10 years from the date of its adoption by the Board of Directors, that is to say, through February 2031.

For information about the Company’s equity-based compensation plan, see Note 21 to the financial statements.

1.17.4.4. **Management and senior officers**

As of the Report publication date, the Company has 16 senior officers of whom three serve as directors (who do not serve in other positions in the Company), a director who serves as the head of operations in the fragrance segment in Israel, and a director who serves both as Company CEO and as the Chairperson of the Company’s Board of Directors. For information about the Company’s senior officers, see Regulation 26A to Chapter D (Additional Details).

For information about exemption, indemnification and insurance to Company’s directors and officers, see Regulation 29A to Chapter D (Additional Details).

For information about key details of the Company’s engagements with senior officers, who serve in the Company as of the Report’s date, see Regulation 21 to Chapter D (Additional Details).

1.18. **Working capital**

The Company’s working capital⁶ as of December 31, 2025 totals USD 143,276 thousands, compared to USD 53,583 thousands as of December 31, 2024.

⁶ The working capital includes the following financial statement items: current assets less current liabilities.

1.18.1. **Customers credit**

The Company's credit⁷ as of December 31, 2025 totals USD 51,262 thousands, compared to USD 38,587 thousands as of December 31, 2024.

As of December 31, 2024 and 2025, Company customers' credit days (including trade receivable in arrears) stood at approx. 63 days and approx. 61 days, respectively.

1.18.2. **Suppliers credit**

As of December 31, 2025, the Company has current supplier credit totaling approx. USD 24,843 thousands; as of December 31, 2024 - USD 19,402 thousands. In addition, as of December 31, 2025 the average credit days is approx. 50; as of December 31, 2024 - approx. 52 credit days.

1.19. **Investments**

For information regarding investment and collaboration agreements with companies, which are not Company subsidiaries, see Notes 5A, 5D and 5K to the financial statements.

1.20. **Financing**

1.20.1. **General**

As of the Report's date, the Group finances its activity using its shareholders' equity, credit facilities (secured and unsecured), and long-term and on-call loans provided by a number of Israeli and foreign banks. For more information about the financing of the Company's activities, see Notes 13 and 16 to the financial statements as of December 31, 2025.

1.20.2. Set forth below is the average (weighted) interest rate on bank loans in accordance with the Company's consolidated financial statements as of December 31, 2025.

Average and effective interest			
	Short-term loans	Long-term loans	Average rate
From banks - NIS-denominated credit	5.61%	5.7%	5.68%
From banks - Euro-denominated credit	3.75%	3.7%	3.7%
Banking sources - credit denominated in other currencies	-	6.69%	6.69%

⁷ This data includes an immaterial balance of customer debts in arrears, that is to say, customers that exceeded the payment terms agreed upon.

Average and effective interest			
	Short-term loans	Long-term loans	Average rate
Weighted average interest rate	4.2%	4.37%	4.36%

As of the publication date of this report, the Company does not have loans, whose outstanding balances meet the materiality criteria in accordance with the Israel Securities Authority's position on reportable credit events and the qualitative thresholds as of the end of the reporting period. Accordingly, loans that do not meet the materiality thresholds as of the end of the reporting period were not included in this report, even if disclosure in respect thereof is provided in previous periodic reports.

For information regarding the Company's liability to the banking corporations, see Note 16 to the financial statements. As part of the above, the Company is required to comply with the following financial covenants:

Financial covenant	Description	As of December 31, 2025
Equity to asset ratio	The Company's equity shall not fall below USD 80 million and 20% of total assets at any given time.	The Company's equity stands at approx. USD 293.4 million – which constitutes approx. 41.1% of total assets
Net debt coverage ratio ⁸	Shall not exceed 3.5 at any time	0.5

As of the Report's date, the Company complies with the financial covenants described above.

1.20.3. **Credit facility**

As of the report date, the Company does not have binding credit facilities; rather - it has a non-binding credit facility from a banking corporation totaling approx. USD 141 million, the utilization of which is subject to receipt of specific approvals.

⁸ Net coverage ratio, that is to say - debt to banks, financial institutions, bond holders and other lenders, net of cash and cash equivalents as defined and their value in the financial statements divided by the annual EBITDA, on a pro forma basis.

1.21. **Taxation**

For information about the tax laws applicable to the Company and its subsidiaries, see Note 23 to the Company's consolidated financial statements as of December 31, 2025.

The Company has final tax assessments until 2020.

1.22. **Restrictions of and supervision of segment activities**

The Group is subject to restrictions and supervision requirements in each of its operating segments, as described below:

- 1.22.1. **The Taste segment** - the Group is subject to process supervision and quality-assurance requirements in the food industry. The Group is required to maintain appropriate manufacturing conditions, including compliance with the guidelines of the National Food Service for Food Additives - Flavor and Fragrance; it is also required to hold a valid food manufacturer license issued by the Ministry of Health. Furthermore, the Company opted to voluntarily comply with food safety standards, including the Hazard Analysis and Critical Control Point (HACCP) principles, voluntary food standards (ISO 22000 FSSC), GMPP, the British Retail Consortium (BRC) food standard, IFS and SQS, and is taking steps to implement these principles in companies purchased as of the date of this report and in future purchases.

As part of its activity in this segment, the Group is required to comply with food labelling standards, provide allergens information, and comply with standards pertaining to products that are not labeled in accordance with the GHS (Global Harmonized System) provisions regarding the labelling of chemicals. The ingredients used in taste extracts require licensing under toxin permits both in Israel and across the world.

The Company ensures to act in compliance with guidance and requirements of the legislation applicable in each territory in which it develops, manufactures and markets its products, including labeling, licensing and ingredients reporting requirements, in accordance with the specific regulations in each of the countries in which it operates.

For information about material permits in this segment, see Section 1.22.8 below.

- 1.22.2. **The Fragrance segment** - unlike in the taste segment, the activity conducted in the fragrance segment is not subject to the directives of the Ministry of Health. The Group's activity in this segment is subject to international regulations set by the International Fragrance Association (IFRA), which defines safe application of products in accordance with risk assessments of

dermal exposure. The directives of the International Fragrance Association (IFRA) are applied by the Group to all products in this segment. Furthermore, the Group opted to apply the ISO standards, and the requirements as to supervision of manufacturing, control and quality-assurance processes as per those standards. Furthermore, the Group complies with the European quality regulations (EU Cosmetic Regulation) since this is the leading industry regulation. As in the case of the taste segment, the ingredients used in the fragrance extracts segment require licensing under toxin permits both in Israel and across the world. For information about material permits in this segment, see Section 1.22.8 below.

- 1.22.3. **The Specialty fine ingredients segment** - the products of these segments are subject to laws, regulations and supervision applicable in each of the countries in which it operates. Sale of Company's products requires registration in advance and obtaining permits from the authorities in the relevant territories, or compliance with the rules set in the relevant regulations in each territory. Therefore, the Company works to obtain regulatory approvals and/or comply with relevant regulatory provisions through its regulations function; this is done in collaboration with local advisors in each territory in which the Company wishes to market its products. Material regulations with which the Company is required to comply include the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) in territories in which the Company operates, including the TSCA in the USA, K REACH, and UK REACH. To the best of the Company's knowledge, the Israeli government published a law memorandum on the Registration of Industrial Chemicals, 2020, whose objective is to register the chemicals manufactured in Israel or imported into the country - Israel REACH.
- 1.22.4. Set forth below is additional information about the relevant regulations and standards applicable in the key markets in which the Company operates, as of the Report's date:
- 1.22.5. The Group manufactures, develops and markets its products in a number of countries across the world, and is subject to laws, standards and oversight in each of those countries. These laws and regulations include, among other things, the regulations promulgated by the U.S. Food and Drug Administration (FDA) in relation to the Company's activity in the USA, the EU Directives that are applied in EU countries in which the Company operates, and rules set by the Israeli Ministry of Health. These laws and regulations set standards as to the manufacturing and labelling of food, and regarding the manufacturing facilities, equipment and manpower required for the manufacturing of products consumed by humans.

1.22.6. Furthermore, the Group operates under various health and safety rules, including rules relating to the operations of its laboratories and plants, and rules relating to environmental aspects of its activity, both locally and across the world. The Group's manufacturing facilities are subject to manufacturing rules and to environmental laws, laws pertaining to hazardous substances, waste treatment, and cleaning up of existing pollution. For information about environmental risks pertaining to the Group's activity, see Section 1.22.8.8 below.

1.22.7. Group's ingredients and products are imported and exported under importation and exportation permits, and the packaging and transportation conditions are set in accordance with the provisions of the law and the manufacturers' recommendations.

1.22.8. Set forth below is a list of the material permits in the Group's areas of activity in Israel.

1.22.8.1. **Business license** - the Group holds business licenses for its manufacturing sites in Israel. The issuance of those licenses is subject to compliance with material conditions, such as conditions regarding environmental issues and requirements by the Ministry of Health regarding sanitation, adequate conditions for food manufacturing, and HACCP principles regarding hazardous substances.

The business license of Group's plant in Nir Yitzhak is subject to compliance with other environmental conditions, including requirements on management of hazardous substances, waste, smell, noise, wastewater and emissions. The current business license also includes an undertaking by the Group as part of the agreement for the purchase of Chemada Chemicals for removal of waste and conducting a soil survey.

1.22.8.2. **Toxins permit** - a toxins permit is required in Israel under the Hazardous Substances Law, 1993, as a condition for operating and maintaining some of the Group's ingredients and raw materials that are considered "hazardous substances" by law. Group's plants abroad have in place corresponding permits in accordance with the local law. Each of the toxins permits includes an appendix comprising of specific conditions for each of the Group's plants; such an appendix includes, among other things, the types of substances and quantities thereof that may be stored, requirements as to safe use of the substances, and the means to achieve such safe use, required measures that need to be in place in both routine and emergency situations, the duty to hold a fire extinguishing permit, required safety information, prohibition on sale to unauthorized parties, and in relation to the Group's plant in Nir Yitzhak - also provisions regarding the removal of waste, addressing cyber risks, an integrated procedure for hazardous substances events (SEVESO), and preparedness for an earthquake.

1.22.8.3. **Ministry of Health's manufacturer permit** - in the taste segment, the Group is required to obtain a regulatory permit from the Israeli Ministry of Health and corresponding entities in the countries in which it operates, for the purpose of manufacturing, storing and selling tastes and fragrances. This permit defines the requirements a manufacturing site needs to comply with in connection with appropriate manufacturing and sanitary **conditions**, a list of approved ingredients and the use of FEMA-registered ingredients, restrictions on the presence of various substances, and the duty to record them (such as allergens, and a declaration that products do not contain parabens and gluten).

1.22.8.4. **Emission Permit** - the Group's plant in Nir Yitzhak has an emission permit in accordance with the Clean Air Regulations (Emission Permits), 2010. The Company's current emission permit is in effect until July 2030. In order to comply with the requirements of the permit, the Company is required to set up a system to address emissions - RTO. For more information regarding the installation of the system, see Section 1.22.15 below.

1.22.8.5. **REACH EU** - the Group's plant in Nir Yitzhak has an "Only Representative" approval (OR) as defined in the Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH"). The representative represents Chemada with regard to the registration and documentation with REACH of the Group's products exported to Europe. The Group has more than 50 substances, which are registered in accordance with the said European regulations, as well as some substances registered in the UK.

1.22.8.6. **The R&D Law**

The R&D law regulates the Israel Innovation Authority's powers to set, change and manage the function charged with supporting R&D activity under various benefit tracks. The Israel Innovation Authority also published procedures pertaining to, among other things, the transfer - both within Israel and outside Israel - of knowhow that was funded by government support, and procedures regarding the rate of royalties payable, and the rules applicable to their payment (all of the above-mentioned directives and procedures shall be named hereinafter - the "**Directives for Using Knowhow**").

1.22.8.7. **Health and safety in the workplace**

As part of its activities, the Group is required to comply with health and safety rules in accordance with the laws of the State of Israel, including the Work Safety Ordinance [New Version], 1970, and the Labor Inspection (Organization) Law, 1954, including the

regulations and order promulgated thereunder, and any corresponding laws and regulations in the different countries in which Group companies operate. The Group has a detailed health and safety policy and it operates in accordance with the relevant laws and regulations under dedicated and detailed work procedures. Mainly Group companies have an officer in charge of health and safety and environmental issues; in all relevant matters, Group companies operate through those officers and through health trustees. Among other things, the Group holds employee training activities in accordance with an annual plan; the Group is regularly audited as required by law with respect to various issues; tests and audits include an environmental monitoring testing, audit of fire extinguishing equipment and lifting equipment and noise tests.

1.22.8.8. **Environmental risks arising from the Group's activity**

1.22.8.8.1 **The Taste and Fragrance segments**

- a. This activity involves work with ingredients that comprise various chemical substances, some of which may be hazardous or have an environmental impact. In order to manufacture the products in these segments, a number of ingredients are mixed into a single compound, which is the end product. These activities are characterized by small quantities that suit the customer's needs; the quantity of the hazardous substances used and the level of hazard that may arise from the mixing of such materials is limited. However, in view of the scope of activity and the type of the Company's customers in the USA and Eastern Europe, the Company has the capability to manufacture larger quantities of up to 5 tons, while using suitable production containers.
- b. In the opinion of the Company, the above characteristics significantly reduce the environmental risks of those activities, and therefore the scope of such risks is limited. Most of the ingredients are, indeed, defined as "hazardous" in terms of the law and their classification; however, they are substances approved for use in food products, and therefore the environmental risk arising therefrom is low.

1.22.8.8.2 **Specialty fine ingredients segment**

- a. The activity in the chemistry industry in general and the specialty chemicals and brominated products industries in particular, involve significant potential environmental risks arising from operating activities, and from the risk for safety

incidents due to an accident or malfunction in the environmental manufacturing or leveling systems.

- b. Some of the substances used by the Group as part of its manufacturing processes are defined as hazardous substances; therefore, a leak or emission of those substances might cause an environmental incident whereby toxins are emitted into the air or leak into the soil.
- c. The Group's activity in the Nir Yitzhak site generates industrial wastewater that are taken for treatment in licensed sites. Sanitary wastewater, and drainage products of cooling towers are piped locally to the local sanitation system under approvals and permits issued by the Ministry of Health.
- d. The Group's plant in Nir Yitzhak operates under an emission permit under the provisions of the Clean Air Law; the Company's current emission permit is in effect until July 2030. The emission of odors might cause an odor environmental nuisance.

1.22.9. **Environmental and cybersecurity risks**

1.22.10. **Environmental laws relevant to the Group's activities**

- 1.22.10.1. Group companies are subject to comprehensive environmental regulations. Over the years, environmental requirements and regulations have become continuously stricter, including by way of introducing new environmental legislation, the interpretation of relevant laws and the enforcement of environmental standards. As a result of the fact that regulations have become stricter, the Group might incur expenses and be required to make investments of large amounts. Failure to identify those requirements or to comply therewith might expose the Group to administrative and/or criminal sanctions and/or lawsuits.

The Group has various permits and licenses pertaining to environmental issues, that set the conditions for the management of its activity. The breach of the terms of the licenses, permits or other regulatory provisions, may result in the imposition of penalties, criminal or administrative sanctions, cancellation of licenses and the imposition of restrictions on the operation of facilities and in some cases the closure thereof, non-renewal of licenses and permits required for the Group, or imposition of stricter conditions, revocation or change to the terms of such permits and licenses.

In view of the substances used in the specialty fine ingredients segment, and in view of the manufacturing processes used in this segment, its activity is subject to environmental laws pertaining to air quality, wastewater quality, hazardous substances and prevention of pollution of soil and ground water. The key laws that apply to these areas include the Clean Air Law, 2008, the Prevention of Hazards Law, 1961, the Hazardous Substances Law, 1993, and directives included in the permits and licenses, including the business licenses and emission permits issued to those segments for the purpose of their activity.

Group companies' regulation departments are in charge of managing compliance with the relevant regulatory and legal requirements; the departments implement a proactive approach that is aimed at preventing clashes with regulators and legal requirements.

1.22.10.2. In view of the nature of its activities, the Group is required to provide regulatory documents to Company's customers. The Group has in place a function ensuring compliance with regulatory and quality requirements; this function addresses the regulatory requirements of the customers of each Group company by providing documents showing compliance with various regulatory requirements of regulators and customers in the target countries of the end products.

1.22.11. **Mitigation of environmental risks and environmental impacts on Group activity**

As part of its environmental risk mapping and management process, the Group conducted a Group-wide environmental and climate risk survey during the reporting year. The objective of the survey was to assess the potential effect of environmental and climate-related issues on the Group's activity, and the potential effects of the Group's activity on the environment, in accordance with the requirements of the relevant laws.

This survey constitutes a Group-wide assessment of environmental and climate issues in the Group's material sites in Israel and globally; it included the mapping of the manufacturing activity, infrastructures and relevant environmental processes and the regulatory frameworks applicable in the territories in which the subsidiaries operate.

As part of the survey, the Group assessed operational and infrastructure-related environmental issues, including waste and wastewater treatment, management of raw materials, and handling and monitoring hazardous substances, use of water and energy, odor emissions, and assessment of environmental permits and local compliance

requirements in the territories in which the Group operates. As part of this process, information was received from sites' managements and the relevant parties in the Group in order to prioritize sites and segments for further in-depth analysis and data collection.

As part of its execution of the survey, the Group assessed both qualitative and quantitative aspects pertaining to potential environmental effects and their operational and business consequences, including assessment of relevant expenses and inputs; the assessment was carried out in order to execute a preliminary materiality assessment and does not constitute any form of accounting analysis or valuation.

The Group's segments are characterized by various levels of regulatory and environmental complexity. The specialty fine ingredients segment, and specifically brominated products, are subject to tighter operational environmental regulation and involves ongoing management processes entailing environmental permits, process safety and handling of hazardous substances. These processes are an inherent part of this segment's activity; they are managed on a site-by-site basis through dedicated regulation, safety and quality functions. However, the taste and fragrances segments are mostly characterized by a different environmental profile and operational characteristics addressed under local management and compliance processes and do not constitute a material environmental effect or hazardous emissions. This variation was taken into account in the Group-wide survey and the materiality assessments derived therefrom.

The survey findings indicate that at this stage the environmental and climate risk do not constitute a material risk for the Group. However, the findings indicate that it is required to conduct further monitoring and revision of the assessments of the environmental issues as part of the Group's ongoing risk management process, specifically in view of the mergers and acquisitions strategy, as a result of which new sites are added to the Group from time to time.

The survey's results were discussed with Group's management and the Company's Board of Directors; a resolution has been reached whereby the survey will be assessed on an ongoing basis and such assessments shall be used for future mapping of additional sites and for the reassessment of findings as needed.

1.22.12. **Group's policy for mitigating environmental risks**

Currently, the management of the Group's environmental risks is conducted mainly on a site-by-site basis through local regulation, safety and quality functions in each subsidiary and in accordance with the provisions of the law, customers' demands and the terms of environmental licenses in the territories in which the Group operates. Among other things, management frameworks at the site level include regulatory compliance processes, operational controls, environmental management systems at certain facilities, current operating procedures, and emergency preparedness programs.

Alongside these frameworks, the Group has a Group-level environmental policy, which defines principles regarding compliance, resource efficiency and information sharing between the subsidiaries. The Group-level policy reflects an organization-wide approach, whose operational and managerial implementation is currently carried out at site-level and through local management mechanisms.

The Group-level risk survey conducted during the reporting year may support further development of operational rules and Group-level work processes for management of environmental and climate aspects where required, and in accordance with the areas of activities, their scope and the addition of new Group sites under its mergers and acquisitions strategy. At this stage, the Group did not set uniform Group-level operational rules and their development will be assessed as part of the work of the management and Board of Directors in accordance with the Group's operational needs.

1.22.13. **Material legal proceedings relating to environmental issues**

As of the Report's date, there are no environmental events that required the instigation of legal proceedings or administrative procedures against Group companies.

1.22.14. **Environmental events that had a material effect on the Group**

As part of the acquisition of the Group's site in Nir Yitzhak, the Group and the State of Israel reached an understanding whereby the Group undertook to rectify the historical environmental breaches that occurred as a result of the activities of all previous owners of the site; this undertaking mainly entails the removal of historical waste, renovation and maintenance of the evaporation ponds, and issuance of a new emissions permit when the current permit expires. As of the report date, following the Iron Swords War and the demands of the Home Front Command and the Ministry of Environmental Protection, the Company accelerated the process of removing the

historical waste that was supposed to end in 2027, and completed the removal of the historical waste accumulated in the Group's plant in Nir Yitzhak. The Company continues working to renovate and treat the evaporation pond as part of its undertakings at the time of purchase of Chemada.

1.22.15. **Material environmental costs**

The Group's site in Nir Yitzhak has scrubbers and a polisher that address emissions, in accordance with the site's current emission permit. Accordingly, the Company is required to invest in the upgrading of the function that addresses emissions in order to comply with standards generally accepted for similar facilities in the chemicals industry, and is making such investments. The Company invested and signed an agreement with an international supplier to supply and build an emissions control system (RTO) in Chemada's site, with an investment of approx. USD 2.9 million, most of which has already been made. The system's equipment has reached the Group's site in Nir Yitzhak in April 2024, but due to the Iron Swords War and the proximity of Chemada's site to the Gaza Strip the supplier has not yet installed it. The system, which is expected to be installed during the first half of 2026, will address both emissions of organic compounds and emissions of inorganic compounds, and will reduce the odors and hazardous substances emitted to the environment.

1.23. **Insurance**

The material insurance policies that cover Group companies are drawn up in accordance with the characteristics of their activities, and in accordance with the Group's risk management policy as of the Report's date; those policies include, among other things, an extended fire insurance, loss of profits insurance, third party liability insurance, employers liability insurance, product liability insurance, officers' insurance, property insurance, equipment insurance, goods in consignment insurance and insurance covering risks from contract work.

The above insurance policies are subject to the terms of the policy, which change from time to time, and to the indemnification limit set in relation to each policy.

In the opinion of Company's management, based, among other things, on advice it received and on the insurance policies it is covered under, the terms of the Group's insurance policies are appropriate.

1.24. **Legal proceedings**

As of 2025, no material lawsuits are pending against the Company, which are expected to have a material effect on its financial position, and which were not reflected in the financial statements.

1.25. **Objectives and business strategy**

The Group's strategy focuses on expanding its activity and its geographic deployment, through mergers and acquisitions and purchases of activities that are related to and synergistic with its own activities in combination with organic growth. The Group's activity comprises three complementary and synergistic pillars: The fragrance segment, the taste segment, and the specialty fine ingredients segment.

As part of the business strategy, the Group has set itself a target of doubling its revenues every four years, while taking advantage of opportunities in growing markets and improving the synergies between its activities.

Mergers and acquisitions - the Group intends to accelerate its growth and its global expansion through M&As with companies operating in the Group's areas of activity and in related areas of activity, while utilizing the synergies between the different activities, cross-selling, and the integration of the acquired entities into the Group and their improvement. The Company's strategy is to focus on small and medium-sized companies operating in North America, Europe, Asia, and Africa, which have a loyal customer base and a substantial growth potential. The Group has the knowledge and experience required to identify opportunities to purchase companies and to efficiently conduct negotiations; accordingly, from time to time the Group assesses opportunities to expand its activity through mergers and acquisitions with companies whose products are synergistic with those of the Group.

Organic growth - the Group takes steps to expand its activity through organic growth in each of the markets in which it operates, through the enhancement of the research, development and innovation functions, the utilization of cross-selling opportunities, the improvement of the supply chain processes, the production functions, the deployment of a global marketing and sales network, and the improvement of the response to customers' needs both in Israel and around the world based on Company management's vast experience over many years. In order to achieve that, the Group works to improve and increase the efficiency of the said processes and the synergies between Group's plants, and to unlock value.

The Group's business strategy and objectives constitute forward-looking information, as defined in the Securities Law, which is based on Group management's estimates and its understanding of the situation in the market in Israel and abroad, as of the Report's date. These intentions and objectives might not materialize in whole or in part, or may materialize in a manner different and even materially different than expected, due to wrong assessments, changes in the Group's working plans, unexpected changes in the market and/or the materialization of some or all of the risk factors listed in Section 1.28 to this chapter.

1.26. Projected developments in the forthcoming year

- 1.26.1. Acquisitions - as of the report date the Group is assessing the acquisition of several companies, with some of which it is conducting negotiations at various stages. Those acquisitions which will be completed will expand the Group's activities and allow the expansion of its geographic deployment across the world in the relevant manufacturing, marketing and sales functions of its different operating segments; such acquisitions will complement the Group's product offering and will allow it to expand its marketing activities to other territories.
- 1.26.2. The fragrance and taste segments - in these segments, the Group intends to broaden the geographic mix, while focusing on growth in markets that have higher-than-average growth rate, with an emphasis on emerging markets. Furthermore, the Group intends to continue its R&D activities in order to provide customers with taste extracts of high added value, that meet their current and future needs and tastes; this applies specifically to taste extracts that allow reducing sugar, saturated fat and salt levels in products. In the fragrance extracts segment, the Company intends to introduce to its customers fragrance extracts with health benefits, and extracts that significantly improve customers' wellbeing.
- 1.26.3. The Company intends to continue the development and expansion of the development and manufacturing activities of citrus products and aroma chemicals in Israel and across the world for fragrance and taste extracts. As part of the above, the Company has a plan to expand its manufacturing and research activities while cooperating with companies from India, China and Romania. These collaborations are expected to increase the manufacturing capacity and enhance the Company's global presence in strategic markets.
- 1.26.4. The Company works to improve Group companies' profits and profitability. Among other things, the Company takes steps to improve the activities' profits and profitability by developing new and innovative products, including plant-based solutions, expanding the

product range for its existing customer, improving the manufacturing processes and adapting them such that they meet the Group's standards, and control over and improvement of the Company's procurement processes. Furthermore, the Group takes steps to streamline its operations by leveraging the synergy between Group companies in terms of procurement of raw materials, development activities and cross-selling to Group customers.

All assumptions and data listed in this section regarding projected developments in the Company in the forthcoming year constitute forward-looking forecasts, assessments and estimates, as defined in the Securities Law, which are based on the Company's assessments of developments and current and future events, whose date of occurrence, if any, is uncertain and outside the Company's control. These assessments may not materialize, in whole or in part, or may materialize in a manner different than that expected by the Company, due to, among other things, technological changes in the Company's area of activity, and changes in market trends and customer preferences.

1.27. Financial data regarding geographical segments

The Company manufactures, markets and sells its products across the world.

1.27.1. For details regarding the breakdown of revenues from external parties by sales to end customers based on their geographic location, see Note 25 to the financial statements.

1.27.2. Analysis by geographic location of principal manufacturing sites

Set forth below is the segmentation of sales by principal manufacturing sites in 2024-2025 (in USD thousands):

2025				
	Taste	Fragrance	Specialty fine ingredients	Total
Israel and the Middle East	25,609	18,331	31,015	74,955
Europe	135,495	25,772	-	161,267
USA	316	5,256	-	5,572
South Africa	31,382	-	-	31,382
South East Asia	1,898	74	-	1,972
Company's explanations	Revenues increased by approx. 43.6%. The growth arises from acquisitions completed in 2024 and 2025, from	Revenues increased by approx. 41.5%. The growth arises mainly from	Revenues increased by approx. 68.1%. The growth arises from the effect of currencies, which contributed	

2025				
	Taste	Fragrance	Specialty fine ingredients	Total
	the effect of currencies, which contributed approx. 4.0% to growth and from high organic growth of approx. 9.0%, net of currency effects.	acquisitions completed in 2025, from the effect of currencies, which contributed approx. 5.5% to growth and from organic growth of approx. 8.6%, net of currency effects.	approx. 1.5% to the growth, and from organic growth of approx. 65.6%, net of the effect of currencies, which arises 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.	

2024				
	Taste	Fragrance	Specialty fine ingredients	Total
Israel and the Middle East	24,282	16,202	18,905	59,389
Europe	79,514	12,473	-	91,987
USA	204	5,740	-	5,944
South Africa	28,898	-	-	28,898
South East Asia	2,641	89	-	2,730
Company's explanations	Revenues increased by approx. 107.4%, mainly as a result of acquisitions completed during 2023 and 2024, and as a result of organic growth of approx. 8.5%. The effect of exchange rates of foreign currencies contributed approx. 0.4% of sales.	Revenues increased by approx. 6.6%; the increase stems from organic growth of approx. 7.0%. The effect of exchange rates of foreign currencies reduced sales by approx. 0.3%. The increase in profitability stems from operational streamlining	Organic decline of approx. 37.1% in sales, which stems mainly from the continued competition in the segment. The Company operates to change the products mix in this segment, while focusing on the introduction of citrus products and aroma chemicals to the taste and fragrance industries. As part of	

2024				
	Taste	Fragrance	Specialty fine ingredients	Total
		alongside the increase in sales and the fixed expenses component.	this process, the Company completed the construction and conversion of existing production lines into production lines of aroma chemicals. The fixed expenses component led to a decline in profitability due to the decline in sales.	

1.27.3. Total current assets (excluding intercompany balances) by geographic location of principal manufacturing sites in 2024-2025 (in USD thousands):

	2025	2024
Israel and the Middle East	155,412	40,412
Europe	77,914	66,443
North America	1,608	1,552
Africa	20,978	12,911
Asia and other	1,837	2,401

1.28. **Risk factors - discussion**

In the opinion of the Company, its activity is exposed to the following main risk factors:

1.28.1. **Macroeconomic risk factors**

1.28.1.1. **Slowdown and economic uncertainty** - the Group's products are used in a range of industries and for numerous applications, mainly in the food, pharmaceuticals, nutrition, cosmetics and other industries. Global and/or local economic slowdown might cause a decrease in demand in the different industries, and as a result trigger varying rates of decrease in demand to Group's products, in the prices of those products, and in profit margins, thereby adversely affecting the scope of its activity and operating results. Furthermore, economic slowdown or a recession might also expose the Group to an increase in the financial risks of its customers. Furthermore, inflation might lead to erosion of the profitability of Group companies due to an increase in raw materials prices, and supply chain costs.

In addition, an economic crisis might lead credit providers to apply stricter criteria to borrowers and make it difficult for corporations to raise financing for investment,

development, working capital and refinancing. Should the Group need external financing resources, it might encounter difficulties in obtaining substantial amounts in financing from banks or non-banking entities; furthermore, there might be a deterioration in credit terms obtainable by the Group.

- 1.28.1.2. **Changes and/or deterioration in the security-political situation in Israel** - Changes and/or deterioration in the security-political situation in Israel and in Israel's position in the world, wars, military clashes, and terror attacks in Israel impact - to some extent and for variable periods - on demand for the Group's products in its areas of activity. Such a deterioration in the security situation might cause partial or full shutdown of the Group's plants due to unavailability of raw materials and/or a physical damage to its plants or to infrastructures it uses or to facilities located in proximity thereto. Furthermore, terror attacks targeting the Group's assets might force the Group to suspend activity or shutdown some or all of its plants. Such events may have a material adverse effect on the Group's businesses, financial results and activity.

Furthermore, the Group has international customers, and some of its activities are conducted in territories outside Israel (mainly Europe). Certain countries forbid business relations with Israel or with Israeli companies. A deterioration in the political-security situation in Israel, negative public opinion about Israel, or the expansion of the boycott of Israel to other countries and other customers that trade with Israeli companies, might have an adverse effect on the Group's scope of activity and results of operations.

- 1.28.1.3. **Financial risks** - the Group's activity exposes it to a range of financial risks, including foreign currency risks, interest risks, prices risks, credit risks and liquidity risks. The Group's activity is impacted by fluctuations in foreign currencies' exchange rates. Company's sales are made in a range of currencies, in accordance with the countries in which the Group operates, mainly the NIS, the US Dollar and the Euro, while its financial statements are drawn up in US Dollars; therefore, changes in exchange rates of foreign currencies impact the financial statements. However, the exposure to exchange rates of foreign currencies is small, since most of the raw materials are purchased in US Dollars and Group companies' operating expenses are denominated in the functional currency in the country in which they operate.

In addition, the Group has loans and liabilities denominated in different currencies; those loans and liabilities bear interest at variable rates plus the bank's margin. An increase in interest rates across the world shall trigger an increase in the Group's financing expenses.

1.28.1.4. **Deterioration in geopolitical and security conditions** - deterioration in geopolitical conditions, instability and security crises in countries in which Group companies operate may have an adverse effect on the economy in those countries and in neighboring countries, as well as on international trade and global economy, including in markets in which the Company operates. The Group's activity in emerging markets is exposed to risks arising from the type and structure of the regimes in those countries. The continued conflict between Russia and the Ukraine, attacks by the Houthis in Yemen, and the possibility that the conflict will also involve Eastern Europe or South East Asia, might have an adverse effect on air and sea freight capabilities and costs, and the prices of raw materials and goods. Group subsidiaries that have business activity in Asia and Eastern Europe might be adversely affected from the instability of our customers' economic system in the said countries and from restrictions on trade and financial restrictions.

1.28.1.5. **Climate change and natural disasters** - the Group's sites are exposed to extreme weather events such as earthquakes, drought and local water shortage, floods, or any other damage that will be caused to the sites or to national infrastructures (including transportation, energy, water, etc.). The occurrence of climate events may affect the Group's ability to purchase raw materials, conduct its operating activities and supply products to its customers.

1.28.2. Sectoral risk factors

1.28.2.1. **Changes in raw materials prices** - the Group is exposed to changes in raw materials prices, some of which are set in the international market and impacted from macroeconomic changes. The Company operates to mitigate the effect of the increase in raw materials prices by updating the prices of the products it supplies to its customers. Some of the Group's raw materials are agricultural products, whose prices, quality and availability might be affected, among other things, from weather conditions. In order to reduce the exposure, the Group normally maintains inventory

for its operating activities based on expected supply in accordance with past experience.

- 1.28.2.2. **Inventory management** - one of the characteristics of the industries in which the Group operates is that in some of the segments it is difficult to estimate customers' demand for products, and therefore it is also difficult to estimate the Group's demand for raw materials. Sometimes there is not enough information about projected orders by customers, changes occur with customers and/or seasonal assessments materialize in a manner that is materially different than estimated, normally due to factors that are outside the Group's control. This might cause a situation where inventory is not managed in an optimal manner, since shortages of inventory available for production and/or finished goods available to customers might cause a decrease in the Group's revenues from sales, and lead to loss of future sales due to customers' entering into engagements with competitors. On the other hand, inventory levels that are too high might expose the Group to changes in raw material prices and to finance expenses; therefore, the Group changed its inventory management in a manner that gives it a relative advantage over its competitors; its value chain and supply chain are highly agile and allow it to have products available for customers, as well as relatively quick manufacturing processes (other than in the activity of the plant in Nir Yitzhak), so that it is able to provide the best possible and flexible service to its customers.
- 1.28.2.3. **Closure of ports and airports** - strikes and/or closures of ports located along shipping lines of the Group's raw materials and end products might cause delays in the shipping services provided to the Group, and force the Group to find other alternatives to transport and supply its raw materials and end products, and/or cancel orders, which will lead customers to seek alternative suppliers. In such cases, freight prices will increase. Under such circumstances, raw material prices might also be significantly higher. The temporary closure of airports, as was the case during the Covid-19 pandemic, might cause delays in the supply of end products.
- 1.28.2.4. **Stricter licensing and regulation requirements and compliance therewith** - Company's products are subject to regulation and licensing requirements that regulate their production, marketing, sale and distribution. Stricter regulation, or failure to obtain the required approval in new territories, might impact the Company's growth rate.

Stricter regulation and/or interpretation of relevant laws and/or enforcement as mentioned above in connection with the Group's or the Company's activities might result in the Group's incurring significant expenses and having to make significant investments. Failure to fully identify or comply with those requirements might expose the Group to administrative and/or criminal sanctions and/or to lawsuits.

1.28.2.5. **Environmental laws and damages** - the activity of the Group's plant in Nir Yitzhak is subject to comprehensive regulation in the field of environmental laws and damages. Over the years, environmental requirements and regulations have become continuously stricter, including by way of introducing new environmental legislation, the interpretation of relevant laws and the enforcement of environmental standards. Such stricter regulation and/or interpretation and/or enforcement might affect the Group's activity. As a result of the fact that regulations have become stricter, the Group might incur expenses and be required to make investments of large amounts. Failure to identify those requirements or to comply therewith might expose the Group to administrative and/or criminal sanctions and/or lawsuits. The Group has various permits and licenses pertaining to environmental issues, that set the conditions for the management of its activity. The breach of the terms of the licenses, permits and/or other regulatory provisions, may result in the imposition of penalties, criminal or administrative sanctions, cancellation of licenses and the imposition of restrictions on the operation of facilities and in some cases the closure thereof, non-renewal of licenses and permits required for the Group, or imposition of stricter conditions, revocation or change to the terms of such permits and licenses.

1.28.2.6. **Cybersecurity risks** - most of the risk factors and threats the Group faces in this context are general risk factors such as malware, database hacking, data leak, ransom and shutdowns. Some of those risks, among other things, are specific risk factors arising from the fact that the Group is mainly Israeli; this includes the possibility of an attack by anti-Israeli campaigns. The materialization of such cybersecurity risks may damage the business activity, including cessation or disruption of activities, loss or theft of information, breach of human rights, damage to reputation vis a vis customers/suppliers, loss of profits, etc.

The Group mitigates the cyber risks in accordance with generally accepted methodologies and work procedures; it also promotes steps to improve its IT function across the entire organization. The Company's IT systems are managed and located in

a secure environment on internal servers in each of the Group's sites. IT systems in the Group's sites may only be accessed by entering a user name and password; some of the IT systems also have other access restrictions; access to sensitive information is restricted only to the required personnel, and in accordance with specific authentication requirements.

- 1.28.2.7. **Competition** - See Sections 1.8.7, 1.9.7 and 1.10.7 above.
- 1.28.2.8. **The occurrence of accidents during the course of the Group's activity** - the Group's activity involves, by nature, various occupational risks; the Company is therefore required to take special precautions in order to maintain a safe and healthy work environment in order to ensure the safety of employees and other parties in the Group's facilities. The Group is subject to occupational health and safety standards in accordance with local and international laws, regulations and standards. The Group is also exposed to operational risks relating to industrial or engineering activity, such as maintenance issues or equipment malfunction. Failure to implement the Group's safety measures and standards or deviation therefrom, such as failure to prevent a safety incident or other operational risks or failure to properly address them might lead to injuries or even the death of employees, disrupt activity and to the Group's incurring legal and financial liabilities of substantial amounts.
- 1.28.2.9. **Legal proceedings** - taking into account the nature of the Group's activity and the scope of its customer base, the Group has an exposure to lawsuits and various sanctions, due to, among other things, potential damages to third parties, breach of environmental rules, or of the terms of any of the Group's licenses, lawsuits by employees, enforcement procedures of various authorities, and licensing consequences arising from a change in the position of government authorities in connection with the Group's activity.
- 1.28.2.10. **Fluctuations in supply and demand** - the Group is exposed to changes in demand to Group's products and services and/or the availability of its raw materials and/or their prices. the Group's businesses are exposed to fluctuations that arise partly from the demand side of its businesses, such as new market players and new products, mergers of key market players, and the expansion of the production, storage, transportation, and logistics capacities of the Group's key suppliers and customers. As part of its manufacturing activities, especially in the fragrance and taste segment, the Group uses

many natural ingredients, and it is dependent on the availability of those ingredients and is affected therefrom. It should also be clarified that the closure of plants supplying ingredients to the Group might trigger an increase in the price of the ingredients.

1.28.3. Company-specific risk factors

1.28.3.1. **Employees possessing unique knowhow and dependency on key personnel** - the Company's activity in the fragrance and taste segments relies on perfumers (employees who develop fragrance extracts) and flavorists (employees who develop taste extracts). In the specialty fine ingredients segment, employees need to have the qualifications required to work in the area of chemistry. Therefore, in view of the fact that the Company has employees possessing specific expertise, retaining those employees is critical to the success of the Company. Furthermore, the Company is dependent on its controlling shareholder, who serves as its CEO as described in Section 1.16.2 above.

1.28.3.2. **Labor disputes** - Chemada's employees are employed in accordance with a special collective labor agreement, and the Company has no guarantees that this agreement will be renewed, from time to time, without a strike. If industrial action will take place that will involve a shutdown or a damage to the Company's activities, this might have an adverse effect on the Company's business, its financial position and results of operations. Furthermore, the reopening of the collective agreements may lead to pay rises to employees.

1.28.3.3. **Dependence on the Group's principal activity sites** - the Group is dependent to a certain extent on the Nir Yitzhak site operating in the specialty fine ingredients segment. Damage to the production facilities as described above or shutdown of these facilities might cause a reduction and even a cessation of the Company's activities in the above areas of activity; however, in the taste and fragrance segments, the Group has some flexibility and is able to divert manufacturing capacity between Group's plants in different countries, thereby enabling continuous activity in these segments. even if some of its plants have been shutdown.

1.28.3.4. **Growth through acquisition of companies and activities** - the Group's strategy is to achieve growth, among other things, through mergers and acquisitions with companies operating in the Group's areas of activity. If the Group is unsuccessful in identifying acquisition opportunities that are in line with the nature of its activity under

satisfactory conditions, or if it fails to obtain the financing required to make the acquisitions, this might have an adverse effect on the implementation of the Group's strategy, its ability to grow and its financial results. Furthermore, if a certain acquisition will take place but will not be optimally aligned with the Group's activity, or if the integration process of the acquired company will not be effective, the Group may encounter operational challenges and unexpected costs.

- 1.28.3.5. **Integration of purchased activities** - in recent years, the Group acquired a number of companies and activities. The integration of these activities into the Group requires efficient management to ensure that the Group's makes the most of the financial advantages, and utilizes the synergies and the economies of scale. The Group's inability to adapt itself to higher growth rates, or a delay in the integration of the new activities into existing Group companies, might lead to expenses or losses, which may have an adverse effect on the Company's financial results.

The following table presents the Company's existing risk factors by type and impact on the Company's businesses, as assessed by the Company:

	The extent of the risk factor's impact on the Company		
	Large	Medium	Small
Macro risks			
Economic slowdown and uncertainty		V	
Changes and/or deterioration in the security-political situation in Israel		V	
Financial risks			V
Deterioration in global geopolitical and security conditions	V		
Climate change and natural disasters			V
Sectoral risks			
Changes in raw materials prices		V	
Inventory management			V
Closure of ports and airports	V		
Stricter licensing and regulation requirements and compliance therewith		V	
Environmental laws and damages		V	
Cyber risks			V
Competition		V	
The occurrence of accidents during the course of the Group's activity			V
Legal proceedings			V
Fluctuations in supply and demand			V
Company-specific risks			
Employees possessing unique knowhow and dependency on key personnel		V	
Labor disputes			V
Dependence on the Group's principal sites		V	
Growth through acquisition of companies and activities		V	
Integration of purchased activities		V	



Chapter B

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





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

For the year ended December 31, 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 - the "**Company**" and together with its subsidiaries - "**Turpaz**" or the "**Group**" and the "**Report**", respectively), for the year ended December 31, 2025 (hereinafter – the "**Reporting Period**"), all in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the "**Reporting Regulations**").

The implementation of Turpaz's mergers and acquisitions strategy in combination with high organic growth¹, led to record results in 2025 and in the fourth quarter, with a double-digit increase in sales, gross profit, operating profit, adjusted EBITDA² and net income; the Group's results as of the date of this Report reflect an annualized sales run rate³ of over USD 300 million.

Under the Group's combined growth strategy, based on organic growth and synergistic mergers and acquisitions, the Group has set itself the objective of doubling its revenues every four years. As of the Report date, Turpaz has met this objective and even achieved a growth rate which exceeds it.

- **In 2025 -**

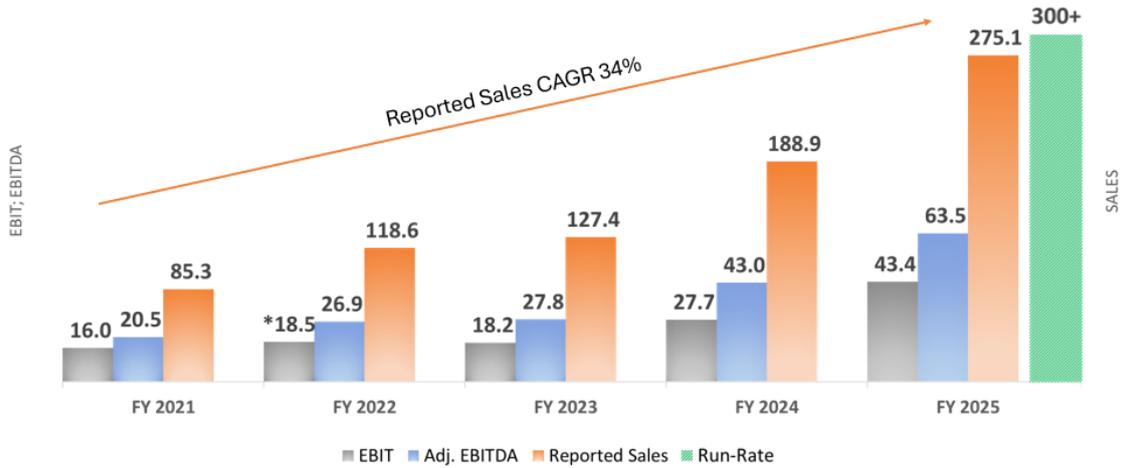
Turpaz's sales grew by approx. **45.6%** reaching a record level of approx. **USD 275.1 million**, an increase arising from a **double-digit organic growth** of approx. **13.3%** and from acquisitions completed in 2024-2025.

Adjusted EBITDA increased by approx. **47.8%** and amounted to approx. **USD 63.5 million**, the rate of adjusted EBITDA of sales amounted to approx. **23.1%**, operating profit increased by approx. **56.6%** and amounted to approx. **USD 43.4 million**, non-GAAP net income increased by approx. **56.0%** and amounted to approx. **USD 36.4 million** and net income grew by approx. **42.4%** and amounted to approx. **USD 22.7 million**.

¹ **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 2025 were consolidated in a similar way in 2024.

² **Adjusted EBITDA** means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses. For details, see Section 4 below. 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.

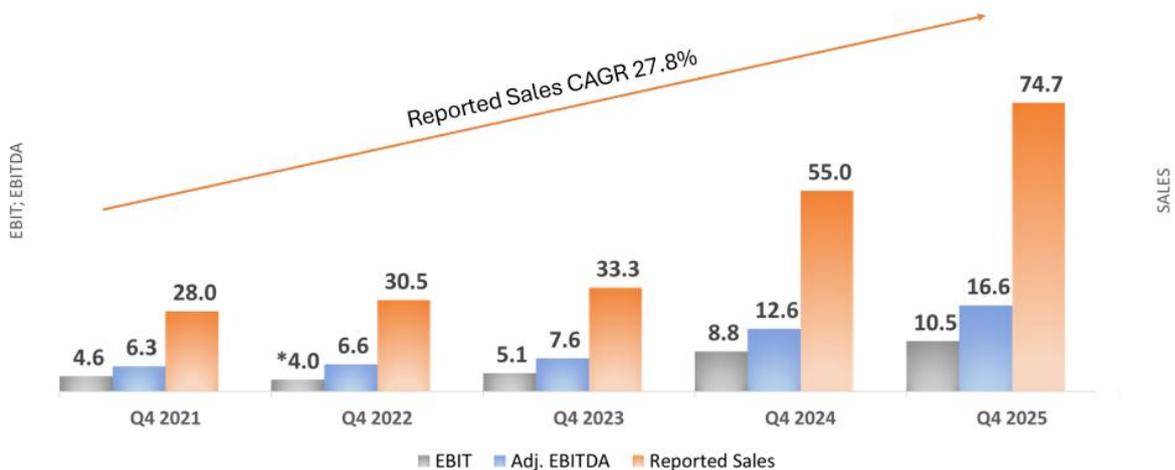
³ **The annualized sales run rate** constitutes forward-looking information, which is based on Company's estimates of the annualized sales run rate. The above is based on Group management's assessments, and may not materialize or materialize in a manner different than expected, as a result of incorrect 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 to the 2025 Periodic Report.



- **In the fourth quarter of 2025 -**

Turpaz’s sales grew by approx. **35.8%** reaching a record level of approx. **USD 74.7 million** in the fourth quarter, an increase arising from a **double-digit organic growth** of approx. **10.5%** and from acquisitions completed in the fourth quarter of 2024 and in 2025.

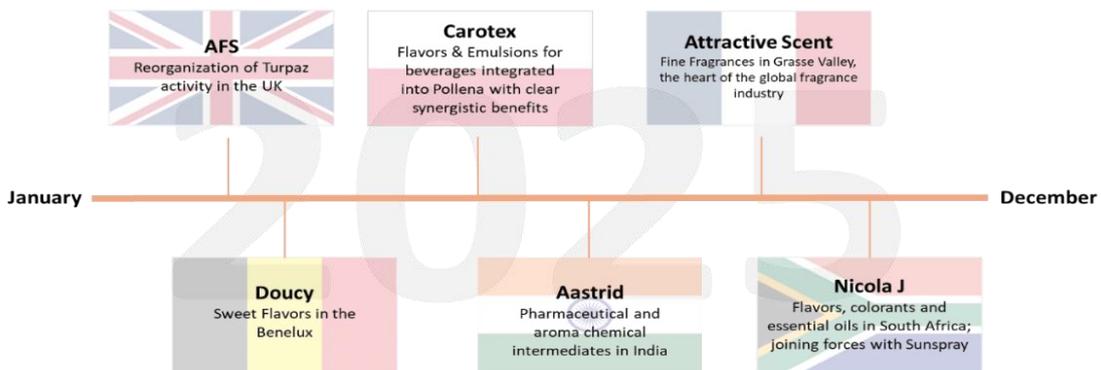
Adjusted EBITDA increased by approx. **31.2%** and amounted to approx. **USD 16.6 million**, the rate of adjusted EBITDA of sales amounted to approx. **22.2%**, operating profit increased by approx. **19.6%** and amounted to approx. **USD 10.5 million**, non-GAAP net income increased by approx. **52.9%** and amounted to approx. **USD 10.1 million** and net income grew by approx. **32.7%** and amounted to approx. **USD 6 million**.



(*) Operating profit, net of one-off profit from the fire.



- In 2025, the cash flow from operating activities amounted to approx. **USD 40.7 million** compared to approx. **USD 21.1 million** in 2024, and in the fourth quarter of 2025 it amounted to approx. **USD 14.2 million** compared to **USD 5.4 million** in the corresponding quarter last year.
- Since the beginning of 2025 and through the Report publication date, Turpaz completed 6 merger and acquisition transactions in **England, Belgium, Poland, India, France and South Africa**, 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. For more information regarding the acquisitions, see Section 1.4 to Chapter A to the Periodic Report.





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 operates, independently and through its subsidiaries, in three operating segments - the Taste segment, the Fragrance 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 baking industry, raw materials for the meat and baking industries, special (gluten free) flours, which are used mainly in the production of food and beverages; natural and synthetic **fragrance extracts**, used in the production of fine fragrances, cosmetics, toiletries, personal care, air care & odor neutralizers products; and **specialty fine ingredients** which include aroma chemicals and citrus products used as raw materials in the taste and fragrance industries, and specialty chemicals used as intermediates in various industries, including the pharma industry.

For more information regarding those segments and the Company's strategy, see Sections 1.3.1 and 1.3.2 to Chapter A to the 2025 Periodic Report.

2. Events during the Reporting Period and subsequent to balance sheet date

2.1. For more information regarding acquisitions carried out by the Company in the Reporting Period, see Section 1.4 to Chapter A to this Periodic Report.

2.2. On March 10, 2026, the Company's Board of Directors approved the distribution of an approx. USD 6.8 million dividend to the Company's shareholders; for more information, see immediate report published together with this Report.

2.3. On January 22, 2026, an extraordinary meeting of the Company's shareholders resolved as follows: (1) To approve the compensation policy regarding the terms of service and employment of the Company's officers; (2) to approve the terms of service and employment of Ms. Karen Cohen Khazon as the Company's CEO for a period of three years starting on January 1, 2026; (3) to approve the terms of service and employment of Dr. Israel Leshem with respect to his service as the Chairman of the Board of Directors as from January 1, 2026, and to approve an allocation of 60,000 options to Dr. Leshem; (4) to approve the award of indemnity and exemption letters of undertaking to the controlling shareholder and/or her relatives and/or to anyone, in the engagement with whom the controlling shareholder has a vested interest, who will serve as a Company officer from



time to time. For more information, see immediate reports of January 12, 2026, and January 22, 2026 (Ref. Nos.: 2026-01-005433 and 2026-01-009052).

2.4. On August 24, 2025, the Company completed a private offering of 7,105,000 ordinary shares of the Company of no-par value, which were allocated to institutional investors. The shares were allocated to the offerees at a price of NIS 46.5 per share, at a total (gross) amount of NIS 330,382,500 (a gross amount of USD 97,746,302). For more information, see immediate reports of August 20, 2025, and August 24, 2025 (Ref. Nos.: 2025-01-061998 and 2025-01-062917, respectively).

3. Financial position

The total amount of assets and liabilities in 2025 was mainly affected by an increase arising from the 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):

	December 31, 2025	December 31, 2024	Company's explanations
Current assets	257,749	123,719	The increase stems mainly from consolidation of companies acquired in the period, an increase in the scope of the Group's activity, and the issuance of shares.
Non-current assets	456,185	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	713,934	390,750	
Current liabilities	114,473	70,136	The increase arises mainly from an increase in credit from banking corporations 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	306,022	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 the time value of money of a liability in respect of the put options.
Total equity	293,439	144,246	The increase arises mainly from a private placement of shares, an approx. USD 22.7 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	713,934	390,750	



4. Operating results

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

Line item	For the period ended December 31, 2025	For the period ended December 31, 2024	Company's explanations compared to the corresponding period last year
Revenues from sales	275,148	188,948	Revenues from sales increased by approx. 45.6% . The growth arises from companies whose acquisition was completed in 2024-2025, from the effect of currencies, which contributed approx. 4.1% to growth and from high organic growth of approx. 13.3% , net of currency effects.
Cost of sales	165,127	115,289	Gross profit increased by approx. 49.4% , mainly due to the increase in sales.
Gross profit (% of sales)	110,021 40.0%	73,659 39.0%	The improvement in profitability also arises from streamlining measures, synergy between Group companies, and high growth rate.
Research and development expenses (% of sales)	11,046 4.0%	7,034 3.7%	The increase arises from the consolidation of the results of operations of companies, whose acquisition was completed during 2024 and 2025, and amortization of intangible assets in respect of those acquisitions.
Selling and marketing expenses (% of sales)	26,286 9.6%	16,273 8.6%	The increase arises from the consolidation of the results of operations of companies, whose acquisition was completed during 2024 and 2025, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	29,464 10.7%	22,124 11.7%	The rate of general and administrative expenses out of total sales has improved despite the increase in general and administrative expenses, which arises from the consolidation of companies, the acquisition of which was completed during 2024 and 2025.
Company's share in losses (profits) of companies accounted for by the equity method, net	(764)	(36)	Gains in respect of non-consolidated investees
Other expenses	559	532	Arises from expenses pertaining to acquisition of companies net of the award of compensation by the government in respect of the Iron Swords War.
Income from ordinary operations (% of sales)	43,430 15.8%	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 2025.
Financing expenses, net	13,218	6,680	The increase stems mainly from non-cash finance expenses in respect of put options and interest expenses in respect of loans taken by the Company from banking corporations to finance acquisitions.
Taxes on income (Effective tax %)	7,557 25.0%	5,307 25.2%	
Net income from continued operations (% of sales)	22,655 8.2%	15,745 8.3%	The net income increased by approx. 42.4% , mainly due to the growth, completed acquisitions and the synergy arising therefrom.
Net income from discontinued operation	-	165 0.1%	



Line item	For the period ended December 31, 2025	For the period ended December 31, 2024	Company's explanations compared to the corresponding period last year
Net income for the period (% of sales)	22,655 8.2%	15,910 8.4%	
Non-GAAP net income ⁴ (% of sales)	36,363 13.2%	23,317 12.3%	An increase of approx. 56.1% , arising mainly from the growth in profits, completed acquisitions and the synergy arising therefrom.
EBITDA	62,948	41,599	The adjusted EBITDA increased by approx. 47.8% 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. EBITDA ⁵ (% of sales)	63,504 23.1%	42,975 22.7%	

4.2. Set forth below is an analysis of the operating results for the three months ended December 31, 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-month period ended December 31, 2025	For the three-month period ended December 31, 2024	Company's explanations
Revenues from sales	74,667	54,975	Revenues from sales increased by approx. 35.8% . The growth arises from companies whose acquisition was completed in the fourth quarter of 2024 and in 2025, from the effect of currencies, which contributed approx. 7.7% to growth and from high organic growth of approx. 10.5% , net of currency effects.
Cost of sales	44,600	33,546	Gross profit increased by approx. 40.3% , mainly due to the increase in sales and improved to a profitability rate of approx. 40.3% . The improvement arises from streamlining measures, synergy between Group companies, and high growth rate.
Gross profit (% of sales)	30,067 40.3%	21,428 39.0%	
Research and development expenses (% of sales)	3,456 4.6%	1,932 3.5%	The increase arises from the consolidation of the results of operations of companies, whose acquisition was completed during the fourth quarter of 2024 and in 2025, and amortization of intangible assets in respect of those acquisitions.
Selling and marketing expenses (% of sales)	7,453 10.0%	5,041 9.2%	The increase arises from the consolidation of the results of operations of companies, whose acquisition was completed during the fourth quarter of 2024 and in 2025, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	8,026 10.7%	6,405 11.7%	The increase in general and administrative expenses arises from the consolidation of the results of operations of companies, whose acquisition was completed during the fourth quarter of 2024 and in 2025. Despite the above increase, the rate of expenses out of total sales has improved.
Company's share in losses (profits) of companies accounted for by the equity method, net	(131)	(36)	Gains in respect of non-consolidated investees

⁴See Section 5.2 below.

⁵See Section 5.1 below.



Line item	For the three-month period ended December 31, 2025	For the three-month period ended December 31, 2024	Company's explanations
Other expenses (income)	762	(690)	Arises from expenses pertaining to acquisition of companies net of the award of compensation by the government in respect of the Iron Swords War in the fourth quarter of 2024 totaling approx. USD 1.1 million.
Income from ordinary operations (% of sales)	10,501 14.1%	8,776 16.0%	The increase stems mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in 2025. The change in profitability rate arises mainly from the award of compensation by the government in respect of the Iron Swords War in the fourth quarter of 2024.
Financing expenses, net	2,931	2,641	The increase stems mainly from non-cash finance expenses in respect of put options.
Taxes on income (Effective tax %)	1,555 20.5%	1,676 27.3%	The change arises from the pre-tax profit mix between the different countries in which the Group operates, and from a decrease in deferred tax liability due to the decrease in the tax rate in Germany in the forthcoming years.
Net income for the period from continued operations (% of sales)	6,015 8.1%	4,459 8.1%	The net income increased by approx. 32.7% , mainly due to the growth in profits, completed acquisitions and the synergy arising therefrom.
Net income from discontinued operation (% of sales)	-	74 0.1%	
Total net income for the period (% of sales)	6,015 8.1%	4,533 8.2%	
Non-GAAP net income⁶ (% of sales)	10,133 13.6%	6,626 12.1%	An increase of approx. 53.4% , arising mainly from the growth in profits, completed acquisitions and the synergy arising therefrom.
EBITDA ⁷	16,155	12,301	The adjusted EBITDA increased by approx. 31.2% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stemmed from the reasons listed above in this table. The change in profitability rate arises mainly from the award of compensation by the government in respect of the Iron Swords War in the fourth quarter of 2024.
Adj. EBITDA⁸ (% of sales)	16,568 22.2%	12,632 23.0%	

⁶ See Section 5.2 below.

⁷ EBITDA means - earnings before interest, taxes, depreciation and amortization. This is a data normally used to measure the operational efficiency of companies.

⁸ See footnote 2 above.



4.3. Set forth below is a breakdown of operating results by segments for the years ended December 31, 2024 and 2025 (USD thousand):

Segment		2025	2024	Company's explanations
Taste segment	Revenues	194,699	135,542	Revenues increased by approx. 43.6% . The growth arises from acquisitions completed in 2024 and 2025, from the effect of currencies, which contributed approx. 4.0% to growth and from high organic growth of approx. 9.0% , net of currency effects. The increase in profitability stems from operational streamlining and leveraging of synergies in the segment, alongside the increase in sales.
	Operating profit (% of sales)	37,568 19.3%	23,579 17.4%	
Fragrances segment	Revenues	49,434	34,945	Revenues increased by approx. 41.5% . The growth arises mainly from acquisitions completed in 2025, from the effect of currencies, which contributed approx. 5.5% to growth and from organic growth of approx. 8.6% , net of currency effects.
	Operating profit (% of sales)	12,840 26.0%	9,092 26.0%	
Specialty fine ingredients segment	Revenues	31,036	18,464	Revenues increased by approx. 68.1% . The growth arises from the effect of currencies, which contributed approx. 1.5% to the growth, and from organic growth of approx. 65.6% , net of the effect of currencies, which arises 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, which are expected to contribute to improvement in profitability in the forthcoming quarters. ⁹ 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 change in profitability stems mainly from the receipt of an approx. USD 2.8 million in compensation from the Government in respect of the Iron Swords War in 2024 compared to approx. USD 1.3 million in 2025.
	Operating profit (% of sales)	3,648 11.8%	3,052 16.5%	
Unallocated joint expenses	Revenues	(21)	(3)	
	Operating profit	(10,626) 3.9%	(7,991) 4.2%	
Total	Revenues	275,148	188,948	
	Operating profit (% of sales)	43,430 15.8%	27,732 14.7%	

⁹ Company's assessments as to the effect of the processes detailed above on the improvement in profitability 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 2025 Periodic Report.



4.4. Set forth below is an analysis of operating results by segments for the three-month period ended December 31, 2024, and 2025, by segments (in USD thousand):

Segment		For the three-month period ended December 31, 2025	For the three-month period ended December 31, 2024	Company's explanations of the increase in the fourth quarter of 2025 compared with the fourth quarter of 2024
Taste segment	Revenues	51,988	41,271	Revenues increased by approx. 26.0% . The growth arises from acquisitions completed in the fourth quarter of 2024 and in 2025, from the effect of currencies, which contributed approx. 7.6% to growth and from organic growth of approx. 7.0% , net of currency effects.
	Operating profit (% of sales)	9,045 17.4%	7,528 18.2%	
Fragrances segment	Revenues	15,712	8,376	Revenues increased by approx. 87.6% . The growth arises mainly from acquisitions completed in 2025, from the effect of currencies, which contributed approx. 10.1% to growth and from high organic growth of approx. 16.5% , net of currency effects. The change in profitability stems from operational streamlining and leveraging of synergies in the segment, alongside the increase in sales.
	Operating profit (% of sales)	3,891 24.8%	1,804 21.5%	
Specialty fine ingredients segment	Revenues	6,967	5,328	Revenues increased by approx. 30.8% . The growth arises from the effect of currencies, which contributed approx. 3.4% to the growth, and from organic growth of approx. 26.5% , net of the effect of currencies, which arises 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, which are expected to contribute to improvement in profitability in the forthcoming quarters. ¹⁰ 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 change in profitability stems mainly from the receipt of an approx. USD 1.1 million in compensation from the Government in respect of the Iron Swords War in the fourth quarter of 2024.
	Operating profit (% of sales)	686 9.8%	1,516 28.5%	
Unallocated joint expenses	Revenues	-	-	
	Operating profit	(3,121) 4.2%	(2,072) 3.8%	
Total	Revenues	74,667	54,975	The change in profitability rate arises mainly from the award of an approx. USD 1.1 million compensation by the government in respect of the Iron Swords War in the fourth quarter of 2024.
	Operating profit (% of sales)	10,501 14.1%	8,776 16.0%	

¹⁰ Company's assessments as to the effect of the processes detailed above on the improvement in profitability 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 2025 Periodic Report.



5. Non-GAAP data

5.1. Adjusted EBITDA

Adjusted EBITDA means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses as described below.¹¹ Set forth below is a breakdown of the adjustments between the operating profit and adjusted EBITDA (USD in thousands):

Section		Year ended December 31		For the three-month period ended December 31	
		2025	2024	2025	2024
Operating profit presented in the financial statements		43,430	27,732	10,501	8,776
Depreciation expenses	Property, plant and equipment	5,703	4,260	1,566	689
	Intangible asset	8,220	5,216	2,392	1,642
	Leases	4,220	2,985	1,283	844
Amortization expenses in respect of share-based payment to employees		1,375	1,186	413	348
Non-recurring expenses		556	1,376	413	234
Income before income tax - discontinued operation		-	220	-	99
Adj. EBITDA (% of sales)		63,504 23.1%	42,975 22.7%	16,568 22.2%	12,632 23.0%

¹¹ This metric is a generally accepted metric used to measure the operational efficiency of companies operating in the Company's area of activity. 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.



5.2. 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.¹² Set forth below is a breakdown of the adjustments between the net income and non-GAAP net income (USD in thousands):

Section	Year ended December 31		For the three-month period ended December 31	
	2025	2024	2025	2024
Net income presented in the financial statements	22,655	15,910	6,015	4,533
Amortization expenses in respect of intangibles and share-based payment to employees ¹³	8,922	5,926	2,736	1,786
Financing expenses in respect of put options	5,998	1,408	1,534	440
Non-recurring expenses	556	1,376	413	233
Net of the tax effect	(1,768)	(1,303)	(565)	(366)
Non-GAAP net income (% of sales)	36,363 13.2%	23,317 12.3%	10,133 13.6%	6,626 12.1%

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.

¹² 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.

¹³ For details regarding amortization expenses see Section 5.1 above.



6. Liquidity

As of December 31 2025, the Company had a cash balance of USD 143,095 thousand, which will be used to finance the Group's future growth, acquisitions strategy and working capital. Set forth below are the key components of the cash flows and the way they were utilized (in USD thousand):

Line item	31.12.2025	31.12.2024	Company's explanations
Net cash provided by operating activities	40,661	21,116	Cash from operating activities increased by approx. 93% The increase arises mainly from an increase in net income for the period and a change in working capital balances.
Net cash used in investing activities	(83,320)	(83,247)	Arises from completion of acquisition of companies and repayment of an undertaking in respect thereof (totaling USD approx. 71.1 million) compared to approx. USD 75.4 million in the corresponding period last year, and from an approx. USD 12.5 million investment in property, plant and equipment compared to an approx. USD 8.3 million in the corresponding period last year.
Net cash provided by financing activities	150,301	65,326	The change arises mainly from the issuance of shares at the total amount of approx. USD 97.2 million in 2025, net of approx. USD 8 million in dividends paid to Company's shareholders in 2024, and net of approx. USD 26.2 million in loan repayments, compared to approx. USD 3.6 million in the corresponding period last year.
Exchange differences in respect of cash and cash equivalents	9,527	(1,086)	
Total change in cash and cash equivalents	117,169	2,109	

Line item	For the three-month period ended December 31, 2025	For the three-month period ended December 31, 2024	Company's explanations
Net cash provided by operating activities	14,178	5,419	Cash from operating activities increased by approx. 162% The increase arises mainly from an increase in net income for the period and a change in working capital balances.
Net cash used in investing activities	(9,840)	(11,153)	The change arises mainly from completion of acquisition of companies and repayment of an undertaking in respect thereof (totaling approx. USD 5.6 million) compared to approx. USD 8.7 million in the corresponding period last year, and from an approx. USD 4.3 million investment in property, plant and equipment and other assets compared to approx. USD 2.8 million in the corresponding period last year.
Net cash provided by (used in) financing activities	(4,582)	9,854	The change arises mainly from approx. USD 14.5 million in loan repayments,



Line item	For the three-month period ended December 31, 2025	For the three-month period ended December 31, 2024	Company's explanations
			compared to approx. USD 0.3 million in the corresponding period last year.
Exchange differences in respect of cash and cash equivalents	3,982	(1,366)	
Total change in cash and cash equivalents	3,738	2,754	

7. Financing sources and working capital

The Company funds its activities mainly from cash flows provided by operating activities. The acquisition of the companies is financed from own sources, 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 2025 Periodic Report.

Line item	Data as of 31.12.2025		Data as of December 31, 2024	
	USD thousand	% of total balance sheet	USD thousand	% of total balance sheet
Equity	293,439	41.1%	144,246	36.9%
Other long-term liabilities	178,678	25.0%	102,592	26.3%
Long-term liabilities from banks, net of current maturities	127,344	17.8%	73,776	18.9%
Short-term credit	51,951	7.3%	27,772	7.1%
Suppliers credit	24,843	3.5%	19,402	5.0%
Other long-term payables	37,679	5.3%	22,962	5.9%
Total	713,934	100%	390,750	100%

The average amount of the long-term loans in 2025 was approx. USD 100,560 thousand.

The average amount of the short-term credit in 2025 was approx. USD 39,862 thousand.

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

For more information regarding the average amount of suppliers and customers credit in 2024, see Sections 1.18.1-1.18.2 to Chapter A to this Periodic Report.

As of December 31, 2025, the Company's working capital is USD 143.3 million (approx. 48.0% of sales), compared with working capital of USD 53.6 million as of December 31, 2024 (approx. 24.4%).



As of December 31, 2025, the Company's operating working capital¹⁴ is approx. USD 81.4 million (approx. 26.6% of sales), compared to operating working capital of approx. USD 60.7 million (approx. 27.2% of sales) as of December 31, 2024.

The Company's net debt¹⁵ balance as of December 31, 2025, is approx. USD 36.2 million compared to net debt of approx. USD 76 million as of December 31, 2024.

8. Financial covenants set by the banks

Set forth below are the Company's financial covenants as of December 31, 2025:

(a) **Equity to assets** - the equity shall not be lower than USD 80 million and 20% of total assets at any given time.

As of the date of this Report, the Company's equity stands at approx. USD 293.4 million, and it constitutes approx. 41.1% of total assets.

(b) **Debt coverage ratio**¹⁶ - shall not exceed 3.5 at any given time.

As of the date of this Report, the Company's debt coverage ratio stands at approx. **0.5**.

As of the publication date of this Report, the Company does not have loans, whose outstanding balances meet the materiality criteria in accordance with the Israel Securities Authority's position on reportable credit events and the qualitative thresholds as of the end of the Reporting Period. Accordingly, loans that do not meet the materiality thresholds as of the end of the Reporting Period were not included in this Report, even if disclosure in respect thereof is provided in previous periodic reports.

The Group's strong equity structure, net debt coverage ratio of 0.5, the cash flows from operating activities, and financing from leading financial institutions across the world, are expected to enable Turpaz the continued implementation of its global mergers and acquisitions strategy.

¹⁴ Operating working capital means - trade receivable plus the balance of inventory and net of trade payables.

¹⁵ Debt net of cash.

¹⁶ The result of dividing the aggregate amount of net debt to financial institutions and other lenders, including debt to shareholders, by the EBITDA (on a pro forma basis).



Part B - Corporate Governance Aspects

9. Report on directors possessing accounting and financial expertise

The Company's Board of Directors decided that the minimum number of directors possessing accounting and financial expertise that is suitable for the Company as per Section 92(A)(12) to the Companies Law is 2.

As of the Report's publications date, the Company has three directors possessing accounting and financial expertise: Ms. Karen Cohen Khazon, Mr. Erez Meltzer and Mr. Mordechai Peled. For information regarding the qualifications, education and experience of those directors, see Regulation 26 in Part D to the Report (Additional Details).

10. The corporation's donations policy

As of the Report date the Company did not adopt a donations policy.

11. Independent directors

As of the Report date, the Company did not adopt in its Articles of Association provisions regarding the number of independent directors. As of the Report date, two external directors and one independent director serve in the Company.

12. Internal Auditor

Details regarding the Company's Internal Auditor: The Company's Internal Auditor in 2025 is Mr. Yoav Barak, who was appointed by the Company's Board of Directors on March 17, 2025, as the Internal Auditor of the Company and its subsidiaries.

For information regarding the Company's former Internal Auditor, who ended his term in office on March 17, 2025, see Section 14 to the Board of Directors' Report included in the Company's 2024 Periodic Report published on March 18, 2025 (Ref. No.: 2025-01-017724).

Mr. Barak renders the internal audit services in a personal capacity as an external service provider and does not hold any other position in the Company.

To the best of the Company's knowledge, and as it was informed by the Internal Auditor, the latter complies with all the provisions of Section 3(A) to the Internal Audit Law, 1992 (hereinafter - the "**Internal Audit Law**").

To the best of the Company's knowledge, and as it was informed by the Internal Auditor, the latter complies with the provisions of Section 146(B) to the Companies Law and Section 8 to the Internal Audit Law; the Internal Auditor does not hold any



securities of the Company or a related entities thereof, and has not material business relations with the Company or related entities thereof.

Manner of appointment: Mr. Barak was appointed by the Company's Board of Directors to the role of Company's Internal Auditor on March 17, 2025, at the recommendation of the Audit Committee of that date, after he was found suitable to serve as the Company's Internal Auditor, in view of, among other things, his education, qualifications and many years of experience in the Company's areas of activity and taking into account the scope and complexity of the Company's activities.

- 12.1. The Internal Auditor reports to the Chairperson of the Company's Board of Directors.
- 12.2. The Internal Auditor's work plan for 2025 was approved by the Company's Audit Committee. Three audits were conducted during the Reporting Period: two company-wide audits in material Group companies in Israel and abroad, and an additional audit in a company controlled by the Company.

Scope of the Internal Auditor's work and compensation: The Company entered into an agreement with a company owned by Mr. Barak for the provision of internal audit services as an external service provider (independent contractor). In accordance with the agreement, the scope of annual services is estimated as approx. 500-600 hours. The consideration in respect of the services amounts to NIS 25,000 per month, plus VAT as required by law. In the opinion of the Company's Board of Directors, the compensation is reasonable and will not impact the Internal Auditor's judgement when conducting the audit in the Company. The compensation paid to the Internal Auditor is an annual and fixed compensation that was agreed in advance and does not change in accordance with the audit's results.

- 12.3. The Internal Auditor's report: The dates on which the Internal Auditor's 2025 report was submitted and discussed by the Audit Committee, are August 18, 2025 and March 10, 2026. The reports were also submitted to the Company's CEO and the Chairman of the Board of Directors.

Conducting the audit and access to information: The Internal Auditor conducts the audit in accordance with generally accepted professional standards as prescribed in Section 4(B) to the Internal Audit Law and the Companies Law.

The Internal Auditor has free access as per Section 9 to the Internal Audit Law, including ongoing and direct access, as required, to the Company's IT systems, including its financial data.



The Board of Directors' assessment of the Internal Auditor's work: In the opinion of the Board of Directors, the scope, nature and continuity of the Internal Auditor's work and his work plan are reasonable considering the scope and complexity of the activity, and are sufficient to achieve the goals of internal audit in the Company.

13. Independent auditor

The Company's independent auditor is EY Israel (Ernst & Young - Cost, Forer, Gabbay & Kasierer) (hereinafter - the "**Independent Auditor**").

The fees paid to the Company's independent auditor in respect of audit and related services, including tax services in connection with the financial statements for 2024 and 2025 in all of the Group's companies amounted to NIS 1,221 thousand and NIS 1,364 thousand, respectively.

The independent auditor's fees are calculated as a function of the number of Group companies they audit, and the number of audit hours they invested; the fee was determined in negotiations conducted between the independent auditor and Company's management and Audit Committee based on the scope of required work and past experience. The Company's Board of Directors is the organ approving the independent auditor's fees after receiving the recommendation of the Audit Committee.

Company's management negotiated the fee with the independent auditor. The proposed fee was brought for approval by the Company's Board of Directors. The Company's Board of Directors was of the opinion that the said fee is reasonable and acceptable considering the nature and scope of the Company's activities.

Part C - Disclosure Provisions in Connection with the Corporation's Financial Reporting

14. Valuations and estimates

Disclosure regarding material valuation

Information regarding valuation of the acquisition of Carotex, which was carried out by an external appraiser

Identifying the valuation's subject matter:	Purchase price allocation of Carotex
Valuation date:	June 2, 2025
Value of the valuation's subject matter as per the valuation:	1. Total purchase consideration: PLN 157,069 thousand a. Cash consideration - PLN 87,200 thousand b. Dividend – PLN 11,415 thousand c. Value of purchase option - PLN 58,454 thousand 2. Customer relations: PLN 37,521 thousand 3. Khowhow: PLN 9,491 thousand
Details about the appraiser:	This valuation was carried out by Moore Corporate Finance Ltd., which specializes in valuations, due diligences, economic opinions



Identifying the valuation's subject matter:	Purchase price allocation of Carotex
	on legal proceedings and other economic works, both for public companies and for private companies. The work was carried out by a team headed by Asaf Ravkaie (CPA), a partner in Moore Corporate Finance Ltd., who has more than 20 years of experience in advising local and international companies; Mr. Ravkaie has a BA in Economics and Accounting from the Tel Aviv University, and an MA in Economics from the Tel Aviv University.
Is there an indemnification agreement with the appraiser?	In accordance with the engagement agreement, if the appraiser will be required to pay any amount to a third party in connection with the performance of the services, whether as part of a legal proceeding, or any other binding proceeding, the commissioner of the valuation undertakes to indemnify the appraiser in respect of any such amount it will pay, in excess of an amount equal to three times the appraiser's fees, unless it is determined that the appraiser acted maliciously and/or negligently, in which case no indemnification obligation will apply.
The valuation model used by the appraiser:	The purchase price allocation was carried out in accordance with the provisions and principles of IFRS 3. Customer relations the income approach the MPEEM method. Knowhow the income approach the royalty relief method.
The assumptions, based on which the appraiser carried out the valuation, in accordance with the valuation model:	<u>Key assumptions in the valuation of a customer relations intangible asset</u> Discount rate 13% Attrition rate 20% Useful life - 10 years <u>Key assumptions in the valuation of a knowhow intangible asset</u> Discount rate 13% Royalties rate 5% Useful life - 20 years

Information regarding valuation of the acquisition of Attractive Scent, that was carried out by an external appraiser

Identifying the valuation's subject matter:	Purchase price allocation of Attractive Scent
Valuation date:	July 11, 2025
Value of the valuation's subject matter as per the valuation:	1. Total purchase consideration: EUR 52,337 thousand a. Cash consideration – EUR 22,926 thousand b. Dividend – EUR 1,246 thousand c. Holdback – EUR 4,500 thousand d. Non-controlling interests – EUR 5,888 e. Value of purchase option - EUR 17,777 thousand 2. Customer relations - EUR 9,874 thousand 3. Knowhow: EUR 6,769 thousand
Details about the appraiser:	This valuation was carried out by Moore Corporate Finance Ltd., which specializes in valuations, due diligences, economic opinions



Identifying the valuation's subject matter:	Purchase price allocation of Attractive Scent
	on legal proceedings and other economic works, both for public companies and for private companies. The work was carried out by a team headed by Asaf Ravkaie (CPA), a partner in Moore Corporate Finance Ltd., who has more than 20 years of experience in advising local and international companies; Mr. Ravkaie has a BA in Economics and Accounting from the Tel Aviv University, and an MA in Economics from the Tel Aviv University.
Is there an indemnification agreement with the appraiser?	In accordance with the engagement agreement, if the appraiser will be required to pay any amount to a third party in connection with the performance of the services, whether as part of a legal proceeding, or any other binding proceeding, the commissioner of the valuation undertakes to indemnify the appraiser in respect of any such amount it will pay, in excess of an amount equal to three times the appraiser's fees, unless it is determined that the appraiser acted maliciously and/or negligently, in which case no indemnification obligation will apply.
The valuation model used by the appraiser:	The purchase price allocation was carried out in accordance with the provisions and principles of IFRS 3. Customer relations the income approach the MPEEM method. Knowhow the income approach the royalty relief method.
The assumptions, based on which the appraiser carried out the valuation, in accordance with the valuation model:	<u>Key assumptions in the valuation of a customer relations intangible asset</u> Discount rate 11.1% Attrition rate 20% Useful life - 10 years <u>Key assumptions in the valuation of a knowhow intangible asset</u> Discount rate 11.1% Royalties rate 7% Useful life - 20 years

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

**Karen Cohen Khazon,
CEO**

**Dr. Israel Leshem,
Chairman of the Board of
Directors**

Signed on: March 10, 2026



Chapter C

Financial Statements

as of December 31, 2025



TURPAZ INDUSTRIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

U.S. DOLLARS IN THOUSANDS

INDEX

	Page
Auditors' Report	2 – 5
Consolidated Statements of Financial Position	6 - 7
Consolidated Statements of Comprehensive Income	8
Consolidated Statements of Changes in Equity	9 - 10
Consolidated Statements of Cash Flows	11 - 13
Notes to Consolidated Financial Statements	14 - 83

AUDITORS' REPORT

To the Shareholders of

TURPAZ INDUSTRIES LTD.

Opinion

We have audited the accompanying consolidated financial statements of Turpaz Industries Ltd. ("the Company") which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the consolidated financial statements, and notes to the consolidated financial statements, including material accounting policies.

We did not audit the financial statements of consolidated entities, whose assets included in the consolidated statement of financial position constitute approximately 3% of total consolidated assets as of December 31, 2025, respectively, and whose revenues included in the consolidated statement of comprehensive income constitute approximately 8.1% of total consolidated revenues for the year ended December 31, 2025. Furthermore, we did not audit the financial statements of equity accounted entities, the investment in which amounted to USD 30,194 thousand as of December 31, 2025 and the Company's share of their earnings amounted to USD 3,197 thousand for the year then ended. The financial statements of those entities were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar, as it relates to amounts included for those entities, is based solely on the reports of the other auditors.

In our opinion, based on our audit and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** section of our report. We are independent of the Company and its subsidiaries, in accordance with the applicable legal provisions in Israel regarding independence and conflict of interest of auditors. Additionally, we have fulfilled our other ethical responsibilities in accordance with the Auditors' Law, 1955 and the regulations thereunder. We believe that the audit evidence we have obtained, including the reports of other auditors, is appropriate and sufficient to provide a basis for our opinion.

Key Audit Matters

The key audit matters described below are those matters that were communicated, or were required to be communicated, to the board of directors of the Company, and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter that (1) relates, or may relate, to significant accounts or disclosures in the consolidated financial statements; and (2) involved our professional judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole, nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures to which they relate.

Business combinations and subsequent measurement of symmetrical put/call options on non-controlling interests

As described in Notes 3 and 5 to the financial statements, in 2025, the Company completed certain acquisitions of companies as a result of which it achieved control in those companies. Moreover, as of December 31, 2025, the carrying amount of the liability for put options on non-controlling interests approximates USD 134.2 million, which accounts for 31.9% of the Company's total liabilities. We identified the accounting treatment of business combinations and subsequent measurement of symmetrical put/call options on non-controlling interests as a key audit matter due to the following reasons: the material impact of the acquisitions on the Company's financial statements; the judgment exercised by management in allocating the purchase price in the acquisitions to the assets and liabilities based on their fair value; the identification of the intangible assets acquired and valuations of the liability in respect of the symmetrical put/call options on non-controlling interests, the put option on non-controlling interests and the contingent consideration on the date of achieving control and at the end of each reporting period all of which rely on estimates and assumptions.

How we addressed the matter in our audit

The primary procedures we performed to address this key audit matter included: reading and understanding the acquisition agreements and the major terms and conditions therein; assessing the adequacy of the accounting treatment and allocation of the purchase price; evaluating and identifying the fair value of the assets acquired and liabilities assumed including intangible assets; measuring the fair value of symmetric put/call options on non-controlling interests and put options on non-controlling interests; analyzing updates in subsequent periods, among others by testing the reasonableness of the significant assumptions used by management in determining their fair value; examining forecasts by assessing the accuracy of management's past evaluations and the cap rates used in the valuations; examining the valuation methodology used by the Company; evaluating the reasonableness of the assumptions underlying the valuation, including the adequacy of the disclosures of the acquisitions and liability for put options on non-controlling interests in the financial statements.

Responsibilities of Board of Directors and Management for the Consolidated Financial Statements

The board of directors and management are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010, and for such internal control as the board of directors and management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors and management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors and management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit, including the reliance on the work of other auditors, in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- o Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- o Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and management.

- o Conclude on the appropriateness of the use by the board of directors and management of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- o Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- o Obtain sufficient appropriate audit evidence regarding the financial preparation of the consolidated financial statements, including examining that the accounting principles applied in the financial statements audited by other auditors are consistent with the principles applied by the Company, that the reporting principles used in the preparation of the financial statements audited by other auditors are consistent with laws and mandatory guidance applicable to the Company, and that all the data required for consolidation have been appropriately reflected in the consolidated financial statements.

We communicate with the board of directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the safeguards applied to eliminate identified threats to our independence.

From the matters communicated or required to be communicated to the board of directors and management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Karin Afik Barhad.

Tel-Aviv, Israel
March 10, 2026

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	<u>December 31,</u>	
		<u>2025</u>	<u>2024</u>
<u>U.S. dollars in thousands</u>			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	143,095	25,926
Trade receivables	7	51,262	38,587
Other accounts receivable	8	7,317	4,748
Inventories	9	55,021	41,544
Assets held for sale	5a	-	12,914
Financial assets		1,054	-
		<u>257,749</u>	<u>123,719</u>
NON-CURRENT ASSETS:			
Deferred taxes	23	2,913	1,321
Property, plant and equipment, net	10	70,756	52,193
Right-of-use assets, net	12	24,813	17,263
Intangible assets, net	11	332,522	193,550
Investment in companies accounted for at equity		25,181	1,871
Financial assets		-	833
		<u>456,185</u>	<u>267,031</u>
		<u><u>713,934</u></u>	<u><u>390,750</u></u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31,	
		2025	2024
		U.S. dollars in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans from banks and others	13	51,951	27,772
Trade payables	14	24,843	19,402
Other accounts payable	15	21,202	15,445
Short-term liabilities in respect of acquisition of activity	5	12,388	3,525
Current maturities of lease liabilities	12e	4,089	2,828
Liabilities attributable to assets held for sale	5a	-	1,164
		<u>114,473</u>	<u>70,136</u>
NON-CURRENT LIABILITIES:			
Long-term loans from banks, less current maturities	16	127,344	73,776
Long-term loans from others, less current maturities	17	-	370
Provision for waste removal	17	1,176	1,176
Leases liabilities	12	22,211	15,509
Long-term liabilities in respect of acquisition of activity	17	134,530	72,773
Deferred taxes	23	19,913	12,333
Employee benefit liabilities	19	848	431
		<u>306,022</u>	<u>176,368</u>
COMMITMENTS, CHARGES AND CONTINGENT LIABILITIES	20		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	21		
Share capital		1	1
Share premium		177,521	75,552
Other capital reserves		(6,563)	(6,023)
Reserve in respect of translation differences		8,167	(7,369)
Retained earnings		<u>70,658</u>	<u>52,940</u>
		249,784	115,101
Non-controlling interests		<u>43,655</u>	<u>29,145</u>
Total equity		<u>293,439</u>	<u>144,246</u>
		<u>713,934</u>	<u>390,750</u>

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

March 10, 2026			
Date of approval of the financial statements	Karen Cohen Khazon CEO and Director	Dr. Israel Leshem Chairman of the Board	Guy Gill Executive VP and CFO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2025	2024	2023
		U.S. dollars in thousands (except per share data)		
Revenues from sales	25d	275,148	188,948	127,355
Cost of sales	22a	165,127	115,289	77,742
Gross profit		110,021	73,659	49,613
Research and development expenses	22b	11,046	7,034	4,923
Selling and marketing expenses	22c	26,286	16,273	10,358
General and administrative expenses	22d	29,464	22,124	15,695
Company's share of earnings of companies accounted for at equity		(764)	(36)	-
Other expenses	22e	559	532	457
Operating income		43,430	27,732	18,180
Finance expenses	22f	13,218	6,680	2,790
Income before taxes on income		30,212	21,052	15,390
Taxes on income	12g	7,557	5,307	2,496
Net income from continuing operations		22,655	15,745	12,894
Income from discontinued operation	5a	-	165	-
Net income for the year		22,655	15,910	12,894
Other comprehensive income (loss) (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		27,649	(1,113)	(3,733)
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		(8,079)	(3,320)	5,259
Total comprehensive income		42,225	11,477	14,420
Total net income attributable to:				
Equity holders of the Company		17,718	13,819	12,393
Non-controlling interests		4,937	2,091	501
		22,655	15,910	12,894
Total comprehensive income attributable to:				
Equity holders of the Company		33,254	11,494	13,891
Non-controlling interests		8,971	(17)	529
		42,225	11,477	14,420
Net earnings per share attributable to equity holders of the Company (in U.S. dollars):	24			
Basic and diluted net earnings per share		0.17	0.14	0.12

The accompanying notes are an integral part of the 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			
	U.S. dollars in thousands								
Balance as of January 1, 2025	1	75,552	(6,023)	(7,369)	52,940	115,101	29,145	144,246	
Net income	-	-	-	-	17,718	17,718	4,937	22,655	
Total other comprehensive income	-	-	-	15,536	-	15,536	4,034	19,570	
Total comprehensive income	-	-	-	15,536	17,718	33,254	8,971	42,225	
Share-based payment	-	-	1,375	-	-	1,375	-	1,375	
Exercise of options	-	4,814	(1,822)	-	-	2,992	-	2,992	
Issue of share capital	-	97,155	-	-	-	97,155	-	97,155	
Acquisition of non-controlling interests	-	-	(93)	-	-	(93)	(417)	(510)	
Non-controlling interests created in newly consolidated companies	-	-	-	-	-	-	6,892	6,892	
Dividends distributed	-	-	-	-	-	-	(936)	(936)	
Balance as of December 31, 2025	<u>1</u>	<u>177,521</u>	<u>(6,563)</u>	<u>8,167</u>	<u>70,658</u>	<u>249,784</u>	<u>43,655</u>	<u>293,439</u>	

	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			
	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	
Total other comprehensive loss	-	-	-	(2,325)	-	(2,325)	(2,108)	(4,433)	
Total comprehensive income	-	-	-	(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	<u>1</u>	<u>75,552</u>	<u>(6,023)</u>	<u>(7,369)</u>	<u>52,940</u>	<u>115,101</u>	<u>29,145</u>	<u>144,246</u>	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Other capital reserves	Reserve in	Retained earnings	Total	Non-controlling interests	
				respect of translation differences				
U.S. dollars in thousands								
Balance as of January 1, 2023	1	74,449	(4,857)	(6,542)	39,633	102,684	841	103,525
Net income	-	-	-	-	12,393	12,393	501	12,894
Total other comprehensive income	-	-	-	1,498	-	1,498	28	1,526
Total comprehensive income	-	-	-	1,498	12,393	13,891	529	14,420
Share-based payment	-	-	854	-	63	917	-	917
Acquisition of non-controlling interests	-	-	(133)	-	-	(133)	(219)	(352)
Dividends distributed	-	-	-	-	(4,966)	(4,966)	(7)	(4,973)
Non-controlling interests created in newly consolidated companies	-	-	-	-	-	-	3,790	3,790
Balance as of December 31, 2023	<u>1</u>	<u>74,449</u>	<u>(4,136)</u>	<u>(5,044)</u>	<u>47,123</u>	<u>112,393</u>	<u>4,934</u>	<u>117,327</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income for the year	22,655	15,910	12,894
Adjustments to reconcile net income to net cash provided by operating activities (a)	18,006	5,206	1,815
Net cash provided by operating activities	40,661	21,116	14,709
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment and other assets	(12,454)	(8,320)	(5,022)
Proceeds from sale of property, plant and equipment	236	440	97
Acquisition of initially consolidated subsidiaries (b)	(60,281)	(72,065)	(8,551)
Acquisition of companies accounted for at equity	(10,096)	(1,866)	-
Repayment of liability for purchase of activity	(725)	(1,436)	(125)
Net cash used in investing activities	(83,320)	(83,247)	(13,601)
<u>Cash flows from financing activities</u>			
Repayment of short-term credit	(794)	(843)	(2,060)
Acquisition of shares from non-controlling interests in subsidiary	(510)	-	(352)
Dividend paid to equity holders of the Company	-	(8,002)	(4,966)
Dividend paid to holders of put options and to holders of non-controlling interests	(2,322)	(295)	(604)
Repayment of long-term lease liabilities	(3,874)	(2,910)	(2,128)
Repayment of long-term loans	(26,159)	(3,594)	(2,325)
Receipt of long-term loans	86,051	80,945	-
Issue of share capital less issue expenses	97,155	-	-
Repayment of liability for acquisition of operation	(2,239)	(834)	-
Exercise of share options	2,993	859	-
Net cash provided by (used in) financing activities	150,301	65,326	(12,435)
Exchange rate differences on balances of cash and cash equivalents	9,527	(1,086)	(531)
Increase (decrease) in cash and cash equivalents	117,169	2,109	(11,858)
Cash and cash equivalents at the beginning of the year	25,926	23,817	35,675
Cash and cash equivalents at the end of the year	143,095	25,926	23,817

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars 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	18,143	12,340	8,180
Capital gain from sale of property, plant and equipment	27	(59)	(7)
Change in employee benefit liabilities, net	38	57	85
Cost of share-based payment	1,375	1,186	917
Company's share of earnings of companies accounted for at equity, net	(764)	(36)	-
Finance expenses, net	13,218	6,680	2,790
Taxes on income	7,557	5,307	2,496
	<u>39,594</u>	<u>25,475</u>	<u>14,461</u>
Changes in asset and liability items:			
Increase in trade receivables	(979)	(149)	(1,309)
Increase in other accounts receivable	(1,219)	(311)	(83)
Decrease (increase) in inventories	(2,349)	(3,171)	4,246
Decrease in trade payables	(469)	(1,005)	(5,708)
Decrease in other accounts payable	(1,899)	(5,010)	(5,116)
	<u>(6,915)</u>	<u>(9,646)</u>	<u>(7,970)</u>
	<u>32,679</u>	<u>15,829</u>	<u>6,491</u>
Cash paid and received during the year for:			
Taxes paid	(8,864)	(6,463)	(3,302)
Interest paid, net	(6,082)	(4,160)	(1,374)
Dividend received from associate	273	-	-
	<u>(14,673)</u>	<u>(10,623)</u>	<u>(4,676)</u>
	<u>18,006</u>	<u>5,206</u>	<u>1,815</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars 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)	5,896	11,467	990
Property, plant and equipment	7,121	20,247	6,625
Right-of-use assets	3,520	1,596	307
Intangible assets	121,702	123,700	11,500
Financial derivative for purchase of non-controlling interests	-	-	672
Lease liabilities	(3,520)	(1,600)	(307)
Other non-current liabilities	(2,483)	(12,271)	(2,731)
Payables for acquisition of investments in subsidiaries	(57,558)	(60,050)	(3,770)
Deferred taxes	(7,056)	(11,024)	(945)
Equity investment	(449)	-	-
Non-controlling interests	(6,892)	-	(3,790)
	<u>60,281</u>	<u>72,065</u>	<u>8,551</u>
(c) <u>Significant non-cash transactions:</u>			
Right-of-use asset recognized with corresponding lease liabilities	<u>6,457</u>	<u>2,267</u>	<u>1,089</u>
Reclassification to net assets held for sale	<u>-</u>	<u>11,750</u>	<u>-</u>
Acquisition of associate against assets	<u>11,806</u>	<u>-</u>	<u>-</u>
Reclassification of put option to equity	<u>-</u>	<u>21,620</u>	<u>-</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

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

Turpaz Industries Ltd. ("the Company") was incorporated and registered in Israel in February 2011 under the name BKF Perfume Compounding Ltd. In January 2021, the Company changed its name to Turpaz Industries Ltd.

The Company operates, by itself and through subsidiaries in Israel, the U.S., Southeast Asia, Africa and Europe in the development, production and marketing in three operating segments: (1) tastes; (2) fragrances; (3) specialty fine ingredients.

The listing of the Company's securities on the TASE was completed on May 23, 2021, and the Company became a publicly traded company.

The address of the Company's registered office is 10 Hashita Street, Caerea.

Ms. Karen Cohen Khazon, the controlling shareholder in the Company, has been serving as the Company's CEO and director therein since 2011 and until January 1, 2026 also served as Chair of the Company's Board of Directors. From January 1, 2026, Dr. Israel Leshem, who served as director in the Company, serves as the Chairman of the Company's Board of Directors.

Merger between the Company and S.D.A Spice Industries Ltd.:

On September 7, 2023, a merger agreement was signed between the Company as the transferee and S.D.A Spice Industries Ltd. ("SDA") as the transferor in accordance with the provisions of Section 103C to the Israeli Income Tax Ordinance, 1961 ("the Ordinance") after obtaining the approval by the board of directors of each company. As per the merger agreement, the companies merged by a share swap according to Section 103C to the Ordinance. The effective date of the merger is December 31, 2023. On April 11, 2024, a final approval for the merger was obtained from the Registrar of Companies and SDA was merged into the Company's operations.

Change in interests

On August 28, 2023, the Company increased its interests in a subsidiary, WFF, by purchasing another 10% of the latter's share capital from holders of non-controlling interests in return for approximately \$ 352 thousand. On September 15, 2025, the Company increased its interests in WFF by another 20% by exercising an option to purchase shares from holders of non-controlling interests in return for approximately \$ 510 thousand. Following the option exercise, the Company holds 90% of WFF's share capital.

On March 13, 2024, the Company increased its interests in a subsidiary, Balirom, by purchasing another 10% of the latter's share capital from a holder of non-controlling interests in return for approximately NIS 3,045 thousand (approximately \$ 834 thousand). Following the purchase, the Company holds 70% of Balirom's share capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL (Cont.)
b. 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. The tariff applies only to goods and not to services.

As of the reporting date, the Group's total exports to the U.S. are not material and the Company estimates, at this time, that these tariffs will not have a material effect, if any, on its operating results.

c. Definitions:

In these financial statements:

The Company - Turpaz Industries Ltd.

The Group - The Company and its subsidiaries, as detailed in Note 5n below.

Subsidiaries - Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.

Related parties - As defined in IAS 24.

Interested parties and controlling shareholders - As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.

Dollar - United States Dollar.

CPI - Consumer Price Index published by the Israel Central Bureau of Statistics.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with IFRS Accounting Standards. Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements have been prepared on a cost basis.

The Company has elected to present the profit or loss items using the function of expense method.

b. The operating cycle:

The Company's normal operating cycle does not exceed one year. Consequently, current assets and current liabilities include items that are expected to be disposed of within the Company's normal operating cycle.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company concluded that it has the power to influence the Group's entities owing to its interests therein and voting power in their shareholders' assemblies and therefore has de facto control in the Group's subsidiaries.

d. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

A put option granted by the Group to non-controlling interests is accounted for using the expected purchase approach under the presumption that the put option will be exercised, and therefore the parent effectively holds an interest in the subsidiary's shares as if the put option had been exercised. A put option granted by the Group to non-controlling interests for which the consideration to be paid in cash is recognized as a liability in the amount of the present value of the option's exercise price. The value of the liability is measured based on the average EBITDA that will be achieved over the agreement period. See Note 3 below regarding estimates and Note 18 below regarding financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES (Cont.)

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. See Note 18 below regarding financial instruments.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

e. Investments in associates accounted for at equity:

Associates are companies in which the Group has significant influence over the financial and operating policies without having control. The investment in an associate is accounted for using the equity method.

f. Functional currency, presentation currency and foreign currency:

The presentation currency of the financial statements is the dollar.

The financial statements are presented in dollar since the Company believes that a multinational enterprise's financial statements in dollar provide more relevant information to the investors and users of the financial statements.

The Group determines the functional currency of each Group entity.

The Company's functional currency is the New Israeli Shekel ("NIS").

g. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

Raw materials - using the weighted average cost method.

Work in progress and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.

Purchased merchandise and products - using the weighted average cost method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES (Cont.)

h. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer.

Revenue from sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

The Company determines the transaction price separately for each contract with a customer. When exercising this judgment, the Company evaluates the effect of each variable amount in the contract, taking into consideration volume discounts.

i. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES (Cont.)

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

j. Leases:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in IFRS 16 and does not separate the lease components from the non-lease components.

On the commencement date, the lease liability includes all unpaid lease payments discounted using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term. The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

Lease extension and termination options:

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES (Cont.)

The Company has leases that include both extension and termination options. The Company exercises significant judgement in deciding whether it is reasonably certain that the extension options will be exercised.

In leases that contain noncancelable lease periods in excess of three years, the Company generally includes in the lease term the exercise of extension options existing in the lease agreements.

k. Property, plant and equipment:

Items of property, plant and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, less accumulated impairment losses and excluding day-to-day servicing expenses.

Depreciation is calculated at constant annual rates on a straight-line basis over the useful life of the assets as follows:

	<u>%</u>
Buildings	2-5
Machinery and equipment	5-15
Computers and peripheral equipment	25-33
Office equipment and furniture	10
Vehicles	15
Leasehold improvements	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

l. Intangible assets:

Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES (Cont.)

The useful life and amortization and production method of intangible assets:

	<u>Goodwill</u>	<u>Customer relations</u>	<u>Product formulae</u>	<u>Brand name</u>	<u>Order backlog</u>
Useful life	Indefinite	10 years	10-20 years	4-15 years	0.25 years
Amortization method	Undepreciated	Straight-line	Straight-line	Straight-line	Straight-line
Inhouse development or purchase	Purchase	Purchase	Purchase	Purchase	Purchase

Research and development costs:

Research and development costs are recognized in profit or loss when incurred.

Development costs are not capitalized to an intangible asset since the Company cannot measure reliably the expenditures attributable to the intangible asset during its development and cannot assess if and when future cash flow will be received in respect of the asset.

m. Testing the impairment of goodwill in respect of subsidiaries:

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated.

Each cash-generating unit or group of cash-generating units which are expected to benefit from the synergy of the business combination to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and which cannot be larger than an operating segment. See Note 11c below for information of impairment of goodwill.

An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES (Cont.)

n. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

The Company has short-term financial assets such as trade receivables in respect of which the Company applies the simplified approach in IFRS 9 and measures the loss allowance in an amount equal to the lifetime expected credit losses.

The Group applies a practical approach for measuring the allowance for loss in respect of trade receivables: it prepares a debt aging report and based on the information acquired in the past on debt collection and a future assessment, it creates an allowance for loss.

3. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for:

- (a) Financial liabilities measured at fair value through profit or loss such as symmetrical put-call options on non-controlling interests;
- (b) Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

4. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or canceled or expires.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES (Cont.)

o. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The value of the put options issued by the Group to non-controlling interests is measured at level 3 in the fair value hierarchy.

The principal non-observable data used by the Company to measure the value of the options is the future EBIDTA. To evaluate and adjust the liabilities for the options, the Company relies on current results and updated forecasts of the companies.

p. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

The amount recognized as a provision is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.

Following are the types of provisions included in the financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Costs of removing waste:

The provision was recognized in the context of the acquisition of the operations of a subsidiary (Chemada Industries Ltd.) in respect of those agreements for which it is obligated to bear the costs of removal of organic chemical waste on the plant site. The Group regularly examines the remaining plant waste and creates a provision accordingly.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES (Cont.)

- q. Employee benefit liabilities:

Post-employment benefits:

The plans are normally financed by contributions to insurance companies or funds and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

- r. Share-based payment transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. In determining its accounting estimates, management relies on past experience, various underlying facts, external factors and reasonable assumptions, based on the relevant circumstances. Changes in accounting estimates are reported in the period of the change in estimate.

- Symmetrical put/call options on non-controlling interests:

In acquisitions of non-controlling interests in subsidiaries, the Company has a call option to purchase the remaining shares in the subsidiary and the holders of non-controlling interests have a put option to sell their shares in the subsidiary to the Company. If the Company does not recognize the non-controlling interests, it recognizes the entire liability arising from the exercise of the call option at its discounted amount. The discount rate and average profit forecasts used to derive the exercise price of the option are based on management's evaluation and are periodically tested for their adequacy. Changes in these evaluations are likely to affect the amount of the liability and the finance expenses in its respect.

- Business combinations:

In connection with the acquisition of companies in which the Company achieves control, the Company exercises judgment in allocating the purchase price to the assets and liabilities based on their fair value, identifying the intangible assets acquired and calculating the liability in respect of symmetrical put/call options on non-controlling interests and contingent consideration on the date of achieving control. The allocation of the purchase price of material transactions is based on a valuation by an independent external valuation expert.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

IFRS 18, "Presentation and Disclosure in Financial Statements":

In April 2024, the International Accounting Standards Board ("the IASB") issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements".

IFRS 18 is aimed at improving comparability and transparency of communication in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. As per the ISA Staff position, Early adoption is permitted, subject to disclosure.

The Company is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONSa. AFS

On February 19, 2025, NGF, a subsidiary of a subsidiary, Turpaz England, to which F&E's electronic vaping operation in the flavor essence market had been 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, the operation was classified as held for sale and a discontinued operation. On the engagement date, in February 2025, the operation's categories of assets and liabilities were classified to investment in companies accounted for at equity and form part of the purchase price.

b. Doucy

On February 24, 2025, the Company, through a subsidiary, Turpaz Belgium, completed the purchase of 100% of the share capital of Ets. Doucy S.R.L., a private company incorporated in Belgium ("Doucy"), 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. Doucy 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The table presented below summarizes the purchase price and the 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	<u>9,939</u>

Through December 31, 2025, the acquired activity has contributed approximately \$ 3,984 thousand to revenues and approximately \$ 436 thousand to net income.

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

c. Carotex

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 tastes 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. 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 CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The valuation was performed by an independent valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and PPA:

	June 3, 2025
	U.S. dollars
	in thousands
Working capital, net	756
Property, plant and equipment and other assets	830
Right-of-use asset	191
Customer relations	10,064
Product formulas	2,547
Deferred taxes	171
Lease liabilities	(191)
	<hr/>
Net identifiable assets	14,368
Goodwill arising on purchase	27,763
Purchase price:	
Paid in cash	23,390
Liability for symmetrical call/put option on non-controlling interests and acquisition date adjustments	18,741
	<hr/>
Total purchase price	<u>42,131</u>

Through December 31, 2025, the acquired activity has contributed approximately \$ 7,043 thousand to revenues and approximately \$ 2,317 thousand to net income. If the business combination had been completed at the beginning of the year, the revenues would have amounted to approximately \$ 12,821 thousand.

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

d. Aastrid

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 the Company's shares, at the sellers' discretion. Since the Company does not exercise control in Aastrid, the investment therein is accounted for at equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)e. Attractive Scent

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.

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.

On February 2, 2026, the parties signed an addendum to the acquisition agreement which cancels the symmetrical call/put option and provides for the immediate purchase of Attractive Scent's remaining share capital, accounting for about 31.4% of its shares, following which the Company holds 100% of Attractive Scent's share capital as of the reporting date. The overall purchase price of the remaining share capital approximates € 20.1 million and was paid as follows: (a) allocation of Company shares at a scope of approximately € 7.3 million to Attractive Scent's founders at the average quoted market price of the Company's share on the 30 calendar days before the date of signing the addendum as above; (b) effective cash payment of approximately € 0.7 million to Attractive Scent's other shareholders; and (c) a deferred payment of approximately € 12.1 million to be paid to Attractive Scent's founders on February 1, 2029.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The valuation was performed by an independent valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and PPA:

	<u>July 11, 2025</u>
	<u>U.S. dollars</u>
	<u>in thousands</u>
Working capital, net	2,198
Property, plant and equipment and other assets	2,377
Right-of-use asset	3,212
Customer relations	11,557
Product formulas	7,923
Lease liabilities	(3,212)
Other non-current liabilities	(1,755)
Deferred taxes	(4,295)
	<hr/>
Net identifiable assets	18,004
Goodwill arising on purchase	41,882
Non-controlling interests	(6,892)
Purchase price:	
Paid in cash less net cash in the acquiree on the acquisition date	25,462
Liability for symmetrical put option on non-controlling interests and acquisition date adjustments	27,532
	<hr/>
Total purchase price	<u>52,994</u>

Through December 31, 2025, the acquired activity has contributed approximately \$ 11,237 thousand to revenues and approximately \$ 1,348 thousand to net income. If the business combination had been completed at the beginning of the year, the revenues would have amounted to approximately \$ 20,263 thousand.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

 f. Nicola-J

On December 1, 2025, the Company, through Sunspray, completed the acquisition of 60% of the share capital of Nicola-J Flavours & Fragrances (Pty) Ltd. ("Nicola-J"), a South African private company, from the latter's shareholders for approximately \$ 6.8 million (approximately ZAR 118.4 million). The consideration is subject to an adjustment based on Nicola-J's EBITDA in the period ended February 28, 2026. Nicola-J develops, makes and markets sweet and savory flavors, colorings, oleoresins (highly concentrated mixtures of essential oils and resin extracted from spices, herbs, and plants) and essential oils. The agreement includes a symmetrical call/put option for the purchase of the remaining shares of Nicola-J which can be exercised after three years have elapsed from the closing date for an exercise price that is based on Nicola-J's business performances in the period from the closing date to the option exercise date.

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:

	December 1, 2025
	U.S. dollars in thousands
Working capital, net	1,779
Property, plant and equipment	629
Right-of-use asset	117
Customer relations	4,858
Product formulas	1,817
Lease liabilities	(117)
Deferred taxes	(1,850)
	<hr/>
Net identifiable assets	7,233
Goodwill arising on purchase	5,830
Purchase price:	
Paid in cash less net cash in the acquiree on the acquisition date	5,646
Liability for symmetrical put option on non-controlling interests, contingent consideration and acquisition date adjustments	7,417
	<hr/>
Total purchase price	<u><u>13,063</u></u>

Through December 31, 2025, the acquired activity has contributed approximately \$ 599 thousand to revenues and approximately \$ 83 thousand to net income. If the business combination had been completed at the beginning of the year, the revenues would have amounted to approximately \$ 7,652 thousand.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)
g. Sunspray

On February 13, 2024, the Company, through a wholly owned subsidiary, completed the acquisition of 55% of the issued and outstanding share capital and voting rights of Sunspray Solutions Proprietary Limited, a private company incorporated in South Africa ("Sunspray"), from its shareholders, leading private equity funds in South Africa (in this paragraph - "the sellers") in return for approximately \$ 14.1 million (approximately ZAR 267.8 million), subject to adjustment for Sunspray's business performance based on the growth in its EBITDA in 2024 and 2025. The adjustment will not exceed ZAR 52.4 million (approximately \$ 2.8 million). The agreement consists of a contingent consideration payable to the sellers based on Sunspray's business performance based on the growth in its average EBITDA in 2023-2025 compared to an agreed amount of ZAR 79.4 million (approximately \$ 4.2 million) with the growth rate multiplied by 1.65. Sunspray is a leading supplier of exclusive food and beverage solutions using spray drying technology that is tailored to multinationals and locals.

The agreement includes a put/call option for purchasing the remaining shares of Sunspray by the Company which is exercisable from January 1, 2027. The option's exercise price is based on Sunspray's business performance in the 12 quarters before the option exercise date.

The valuation was performed by an independent valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and PPA:

	February 13, 2024
	<u>U.S. dollars in thousands</u>
Working capital, net	5,304
Right-of-use asset	81
Property, plant and equipment	6,195
Customer relations	6,326
Product formulas	5,966
Deferred taxes	(3,319)
Lease liabilities	(81)
Other non-current liabilities	<u>(6,114)</u>
Net identifiable assets	14,358
Goodwill arising from acquisition	16,621
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	13,200
Liability for symmetrical put option for non-controlling interests, contingent consideration and acquisition date adjustments	<u>17,779</u>
Total purchase price	<u><u>30,979</u></u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)h. Clarys & Willich

On April 3, 2024, the Company, through the subsidiary Food Ingredients Technology ("FIT"), completed the purchase of 100% of the issued and outstanding share capital and voting rights of Cewecon GmbH, a private company incorporated in Germany which holds a group of Belgian and German companies ("the Clarys & Willich Group") from the latter's shareholders (in this paragraph - "the sellers") in return for approximately \$ 47.7 million (approximately € 44 million), of which the sellers reinvested in FIT approximately \$ 20.6 million (approximately € 19 million) against the allocation of 24.5% of FIT's issued and outstanding share capital and voting rights. The Clarys & Willich Group is a leading company in the field of savory flavors, functional solutions and unique raw materials for the meat and bakery sectors. Following the purchase, the Company has a majority on FIT's board and is entitled to vote in decisions regarding the shares of Dandau (a private company held by FIT's CEO which has minority interests in FIT) in FIT's shareholders' meetings throughout the option period by continuing to control FIT and consolidating its results. As of the date of the consolidated financial statements, FIT's issued and outstanding share capital is held as follows: 45.3% by the Company, 30.2% by Dandau and 24.5% by the sellers.

The agreement consists of a symmetrical put/call option for the purchase of the sellers' remaining interests in FIT by the Company that can be exercised from the end of three years from the closing date until the end of five years from the closing date. The option exercise price is contingent on FIT's business performance from January 1, 2024 until the option exercise date, less FIT's net debt on the exercise date. On the date of exercise of the sellers' option, Dandau will purchase 9.8% of FIT's issued and outstanding share capital and voting rights for € 10 million with the addition of annual interest of 7% calculated from the closing date. In addition, a symmetrical put/call option has been given to Dandau that can be exercised from the end of five years from the closing date for that exercise price.

On August 29, 2024, the Dandau put/call option terms were updated so that each party may demand that the option exercise price be paid in Company shares based on the average quoted market price of the Company's share on the TASE in the 30 calendar days before the exercise notice date. As a result, the liability for the option and the financial asset representing Dandau's liability in a net amount of approximately \$ 21.6 million was reclassified to non-controlling interests and other capital reserves and the Company's equity increased by the above amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The valuation was performed by an independent valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and PPA:

	<u>April 3, 2024</u> <u>U.S. dollars</u> <u>in thousands</u>
Working capital, net	2,051
Right-of-use asset	308
Property, plant and equipment and other assets	13,769
Customer relations	8,832
Product formulas	8,389
Deferred taxes	(4,478)
Lease liabilities	(308)
Other non-current liabilities	<u>(6,157)</u>
Net identifiable assets	22,406
Goodwill arising on acquisition	42,971
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	24,695
Liability for symmetrical put option for non-controlling interests and acquisition date adjustments	<u>40,682</u>
Total purchase price	<u><u>65,377</u></u>

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

i. Flavours and Essences UK Limited

On September 1, 2024, the Company, through a wholly owned subsidiary, completed the purchase of 100% of the issued and outstanding share capital and voting rights of Flavours and Essences UK Limited, a private company incorporated in the UK which is a subsidiary of IFF ("F&E"), in return for £ 22 million (approximately \$ 29 million). F&E develops, manufactures and markets flavors and essences.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The valuation was performed by an independent external valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price paid and the PPA:

	September 1, 2024
	U.S. dollars in thousands
Working capital, net	1,566
Right-of-use asset	269
Property, plant and equipment	126
Customer relations	5,901
Product formulas	3,867
Deferred taxes	(2,510)
Lease liabilities	(273)
	<hr/>
Net identifiable assets	8,946
Goodwill arising on acquisition	19,062
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	<u><u>28,008</u></u>

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

j. Schumann & Sohn GmbH

On November 7, 2024, the Company completed the purchase of 100% of the issued and outstanding share capital and voting rights of Schumann & Sohn GmbH ("Schumann") from its shareholders ("the sellers") for approximately € 10.7 million (approximately \$ 11.5 million). Schumann was founded in 1948 and has vast experience and expertise in the field of sweet flavors, and is engaged in the development, production and marketing of flavors and quality solutions for the food industry and nutritional supplements. Schumann operates a production, R&D, applications and sales site in Karlsruhe, Germany. Schumann has a wide customer base, mostly in the German market.

As per the transaction, the Company purchased 75% of the share capital of Lebensmittel-Sprühtrocknungs-Industrie-System Atom GmbH ("Atom") from the sellers in consideration of approximately € 0.3 million. The remaining 25% in Atom are held by another shareholder in Atom ("the other shareholder"). Since the approval of the other shareholder in Atom is needed for appointing Atom's key management personnel and for approving its business plan, the accounts of Atom were not consolidated in the Company's financial statements but instead presented at equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

In June 2025, the Company purchased the remaining 25% of Atom's share capital for approximately € 0.1 million following which the Company holds 100% of Atom's share capital through a wholly owned subsidiary. Therefore, Atom is consolidated in the Company's consolidated financial statements from June 2025.

The valuation was performed by an independent external valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price paid and the PPA:

	November 7, 2024
	U.S. dollars in thousands
Working capital, net	2,546
Right-of-use asset	938
Property, plant and equipment	423
Customer relations	1,011
Product formulas	1,379
Investment in company accounted for at equity	286
Deferred taxes	(717)
Lease liabilities	(938)
Net identifiable assets	4,928
Goodwill arising on acquisition	3,109
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	6,448
Liability for contingent consideration and acquisition date adjustments	1,589
Total purchase price	<u>8,037</u>

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

k. Frutol

On November 27, 2024, the Company, through a wholly owned subsidiary, completed the purchase of 24% of the share capital of Frutol Flavours d.o.o. ("Frutol"), a private company incorporated in Slovenia which manufactures and markets a variety of flavors in the Balkan countries, against an investment into the Company of approximately € 1.5 million. The agreement includes an option to purchase the remaining 76% of Frutol based on an EV/EBITDA ratio set forth in the agreement whereby 25% will be purchased after five years (November 27, 2029) ("the first option"), 24% after nine years and 25% after 12 years. If the Company does not exercise the first option within 60 business days from the first exercise date, the other shareholders in Frutol will be able to repurchase the Company's shares for a minimum price of € 1.5 million. The acquisition is accounted for at equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

 1. Aromatique

On January 9, 2023, after obtaining the regulatory approvals in Romania, the Company, through a wholly owned subsidiary, completed the purchase of 65% of the issued and outstanding share capital and voting rights of Aromatique Food SRL, a private company incorporated in Romania ("Aromatique"), from its single shareholder ("the seller"), in return for RON 17 million (approximately \$ 3.6 million).

Aromatique was founded in 2013 and is engaged in the research, development, production, marketing, sale and supply of savory functional ingredients and flavor mixtures mainly for the Romanian food industry. On February 24, 2025, the Company exercised a symmetrical call/put option to purchase the remaining shares of Aromatique for approximately \$ 2.2 million.

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date based on a purchase price allocation ("PPA"). The table below summarizes the purchase price and PPA:

	January 9, 2023
	U.S. dollars in thousands
Working capital, net	325
Right-of-use asset	149
Property, plant and equipment	303
Customer relations	1,117
Product formulas	705
Deferred taxes	(292)
Lease liabilities	(149)
	<hr/>
Net identifiable assets	2,158
Goodwill arising on purchase	3,649
Purchase price:	
Amount paid in cash	3,625
Liability for contingent consideration and acquisition date adjustments	2,182
	<hr/>
Total purchase price	<u>5,807</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

 m. Food Base

On August 14, 2023, the Company, through a wholly owned subsidiary, completed the purchase of 60% of the issued and outstanding share capital and voting rights of Food Base KFT ("Food Base"), a private company incorporated in Hungary, from its single shareholder ("the seller") in return for approximately HUF 3,300 million (approximately \$ 9.3 million), less 60% of Food Base's net debt on the closing date and a future earnout based on Food Base's business performances in 2023-2024. According to the agreement, the Company was granted a call option to purchase the remaining shares of Food Base from the seller which can be exercised at the end of three years from the closing date and until five years have elapsed from the closing date.

Food Base develops, manufactures, markets and sells flavors and herbal extracts for the food and beverage industries focusing on convenience foods, health drinks and snacks as well as raw materials for the food supplement industry.

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and PPA:

	August 14, 2023
	<u>U.S. dollars</u> <u>in thousands</u>
Working capital, net	665
Right-of-use asset	158
Property, plant and equipment and other assets	6,328
Customer relations	2,759
Product formulas	1,721
Deferred taxes	(653)
Lease liabilities	(158)
Other non-current liabilities	(2,731)
	<hr/>
Net identifiable assets	8,089
Goodwill arising on purchase	1,543
Financial derivatives for purchase of non-controlling interests	672
Non-controlling interests	(3,790)
Purchase price:	
Amount paid in cash less net cash in acquiree on acquisition date	4,926
Liability for contingent consideration and acquisition date adjustments	1,588
	<hr/>
Total purchase price	<u><u>6,514</u></u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

n. Table of the Company's holdings as of December 31, 2025:

<u>Company name</u>	<u>Country of incorporation</u>	<u>Holding rate</u>	
		<u>Voting rights</u>	<u>Equity rights</u>
Turpaz Industries Ltd.	Israel	100%	100%
Chemada Industries Ltd.	Israel	100%	100%
Balirom Ltd.	Israel	70%	70%
Klabin-Turpaz, Inc	USA	100%	100%
Pentanov Ingredients Private Limited	India	93%	93%
Western Flavors Fragrances Production JSC	Vietnam	90%	90%
Aastrid Life Sciences	India	45%	45%
Turpaz Belgium SRL	Belgium	100%	100%
Fabryka Substancji Zapachowych "Pollena-Aroma" Sp. z o.o	Poland	78%	78%
Sunspray Solutions Proprietary Limited	South Africa	55%	55%
Nicola-J	South Africa	60%	60%
Lori RKF SIA	Latvia	100%	100%
Aromatique Food SRL	Romania	100%	100%
Turpaz Romania SRL	Romania	100%	100%
Food Base Kft	Hungary	60%	60%
Schumann & Sohn GmbH	Germany	100%	100%
Atom GmbH	Germany	100%	10%
Food Ingredients Technologies SA (*)	Belgium	45.3%	45.3%
Cewecon GmbH	Germany	100%	100%
Willich	Germany	100%	100%
Clarys	Belgium	100%	100%
Frutol Flavours, tovarna arom, d.o.o.	Slovenia	24%	24%
Turpaz UK Limited	England	100%	100%
Flavours and Essences UK Limited	England	100%	100%
New Generation Flavors Limited	England	24.99%	24.99%
Advanced Flavours Solutions	England	100%	100%
Janodor	Belgium	100%	100%
Doucy	Belgium	100%	100%
Attractive Scent	France	68.6%	68.6%

(*) As of December 31, 2025, the remaining non-controlling interests approximate \$ 31,547 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- CASH AND CASH EQUIVALENTS

- a. Cash for immediate withdrawal:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Cash for immediate withdrawal in NIS	3,739	3,146
Cash for immediate withdrawal in Euro	18,474	10,205
Cash for immediate withdrawal in South African Rand	4,671	3,002
Cash for immediate withdrawal in Polish Zloty	4,183	2,520
Cash for immediate withdrawal in USD	4,794	1,885
Cash for immediate withdrawal in GBP	473	781
Cash for immediate withdrawal - other	1,446	1,580
	<u>37,780</u>	<u>23,119</u>

- b. Cash equivalents - short-term deposits:

	December 31, 2025		December 31, 2024	
	U.S. dollars in thousands	Interest rates	U.S. dollars in thousands	Interest rates
Cash equivalents - short-term deposits in NIS	103,569	4.55%- 4.65%	-	-
Cash equivalents - short-term deposits in Euro	-	-	2,396	2.5%-2.6%
Cash equivalents - short-term deposits - other	1,746	4%-6%	411	3.3%-3.4%
	<u>105,315</u>		<u>2,807</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- TRADE RECEIVABLES

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Open debts	52,912	38,109
Checks receivable	1,290	1,296
	54,202	39,405
Less – allowance for doubtful accounts	2,940	818
Trade receivables, net	<u>51,262</u>	<u>38,587</u>

Movement in allowance for doubtful accounts:

	2025	2024
	U.S. dollars in thousands	
Balance as of January 1	818	410
Provision for the year	2,122	408
Balance as of December 31	<u>2,940</u>	<u>818</u>

Following is information about the credit risk exposure of the Company's trade receivables:

December 31, 2025:

	Not past due	Past due trade receivables					Total
		< 30 days	31- 60 days	61 - 90 days	91 - 120 days	>120 days	
	U.S. dollars in thousands						
Gross carrying amount	38,734	8,174	2,300	747	462	3,785	54,202
Allowance for doubtful accounts	-	-	-	-	125	2,815	2,940

December 31, 2024:

	Not past due	Past due trade receivables					Total
		< 30 days	31- 60 days	61 - 90 days	91 - 120 days	>120 days	
	U.S. dollars in thousands						
Gross carrying amount	30,761	5,578	1,511	389	162	1,004	39,405
Allowance for doubtful accounts	-	-	-	82	96	640	818

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Prepaid expenses and advances to suppliers	3,750	1,515
Government institutions	1,644	1,011
Grant receivable	-	1,449
Other	1,923	773
	<u>7,317</u>	<u>4,748</u>

NOTE 9:- INVENTORIES

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Raw materials	38,375	27,375
Work in process	3,480	3,339
Finished goods	14,964	11,683
	56,819	42,397
Less - provision for write down of inventories	<u>(1,798)</u>	<u>(853)</u>
Inventories, net	<u>55,021</u>	<u>41,544</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

2025

	Land, buildings	Leasehold improvements	Vehicles	Computers and office equipment and furniture	Machinery and equipment	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2025	35,747	3,944	1,353	5,635	48,474	95,153
Purchases	1,834	1,469	100	1,212	6,680	11,295
Newly consolidated company and purchase of activity	5,995	885	241	657	3,220	10,998
Adjustments from translating financial statements from functional currency to presentation currency	5,929	722	213	923	7,690	15,477
Adjustments from translating financial statements of foreign operations	(690)	(148)	(12)	(264)	(2,579)	(3,693)
Disposals in the year	(39)	-	(192)	(247)	(429)	(907)
Balance at December 31, 2025	<u>48,776</u>	<u>6,872</u>	<u>1,703</u>	<u>7,916</u>	<u>63,056</u>	<u>128,323</u>
Accumulated depreciation:						
Balance at January 1, 2025	11,040	1,316	1,023	4,381	25,200	42,960
Depreciation	1,661	455	109	703	2,775	5,703
Newly consolidated company and purchase of activity	2,215	197	116	359	990	3,877
Adjustments from translating financial statements from functional currency to presentation currency	1,977	234	158	687	3,871	6,927
Adjustments from translating financial statements of foreign operations	(246)	(71)	(19)	(179)	(741)	(1,256)
Disposals in the year	(25)	-	(86)	(244)	(289)	(644)
Balance at December 31, 2025	<u>16,622</u>	<u>2,131</u>	<u>1,301</u>	<u>5,707</u>	<u>31,806</u>	<u>57,567</u>
Depreciated cost at December 31, 2025	<u><u>32,154</u></u>	<u><u>4,741</u></u>	<u><u>402</u></u>	<u><u>2,209</u></u>	<u><u>31,250</u></u>	<u><u>70,756</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2024

	<u>Land, buildings</u>	<u>Leasehold improvements</u>	<u>Vehicles</u>	<u>Computers and office equipment and furniture</u>	<u>Machinery and equipment</u>	<u>Total</u>
	U.S. dollars in thousands					
<u>Cost:</u>						
Balance at January 1, 2024	17,801	3,027	980	3,232	27,801	52,841
Purchases	212	443	148	507	6,185	7,495
Newly consolidated company and purchase of activity	19,348	779	490	2,174	16,116	38,907
Adjustments from translating financial statements from functional currency to presentation currency	308	18	4	27	199	556
Adjustments from translating financial statements of foreign operations	(1,912)	(323)	(115)	(255)	(1,360)	(3,965)
Disposals in the year	(10)	-	(154)	(50)	(467)	(681)
Balance at December 31, 2024	<u>35,747</u>	<u>3,944</u>	<u>1,353</u>	<u>5,635</u>	<u>48,474</u>	<u>95,153</u>
<u>Accumulated depreciation:</u>						
Balance at January 1, 2024	4,223	729	696	2,234	14,281	22,163
Depreciation	1,259	281	104	523	2,084	4,251
Newly consolidated company and purchase of activity	6,019	477	443	1,830	9,891	18,660
Adjustments from translating financial statements from functional currency to presentation currency	133	11	4	27	110	285
Adjustments from translating financial statements of foreign operations	(591)	(182)	(87)	(200)	(1,039)	(2,099)
Disposals in the year	(3)	-	(137)	(33)	(127)	(300)
Balance at December 31, 2024	<u>11,040</u>	<u>1,316</u>	<u>1,023</u>	<u>4,381</u>	<u>25,200</u>	<u>42,960</u>
Depreciated cost at December 31, 2024	<u>24,707</u>	<u>2,628</u>	<u>330</u>	<u>1,254</u>	<u>23,274</u>	<u>52,193</u>

- b. In December 2020, the subsidiary, Chemada Industries Ltd., was granted approval for a plan for investment in property, plant and equipment by the Authority for Investments and Development of the Industry and Economy pursuant to the Law for the Encouragement of Capital Investments, 1959, for the purpose of expanding Chemada's plant in Kibbutz Nir Yitzhak. The execution of investments in a total of approximately NIS 11 million in accordance with the plan will entitle Chemada to a grant accounting for 20% of said investments. The instrument of approval is subject to generally accepted conditions, including achieving business targets that were set therein. The plan may be executed by December 30, 2026. As of the financial statement approval date, the Company completed the majority of the planned investment and is preparing the application to the the Authority for Investments and Development of the Industry and Economy.
- c. See information of charges in Note 20.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 11:- GOODWILL AND OTHER INTANGIBLE ASSETS

a. Composition and movement:

2025

	<u>Customer relations</u>	<u>Product formulae</u>	<u>Trademark</u>	<u>Order backlog</u>	<u>Non-compete</u>	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
	<u>U.S. dollars in thousands</u>							
<u>Cost:</u>								
Balance at January 1, 2025	42,521	31,734	249	2,230	10	132,371	2,502	211,617
Additions	-	-	-	-	-	-	1,159	1,159
Additions for purchase of activities	28,321	13,436	-	-	-	79,788	244	121,789
Disposals in the year:								
Adjustments from translating financial statements of foreign operations	8,619	5,496	-	-	-	26,102	554	40,771
Adjustments from translating financial statements from functional currency to presentation currency	(3,050)	(1,348)	-	-	-	(9,820)	(87)	(14,305)
Balance at December 31, 2025	76,411	49,318	249	2,230	10	228,441	4,372	361,031
<u>Accumulated depreciation and impairment losses:</u>								
Balance at January 1, 2025	11,111	3,149	249	2,230	10	-	1,318	18,067
Depreciation for purchase of activities	-	-	-	-	-	-	87	87
Depreciation in the year	5,395	2,152	-	-	-	-	673	8,220
Disposals in the year:								
Adjustments from translating financial statements of foreign operations	2,037	628	-	-	-	-	325	2,990
Adjustments from translating financial statements from functional currency to presentation currency	(693)	(142)	-	-	-	-	(20)	(855)
Balance at December 31, 2025	17,850	5,787	249	2,230	10	-	2,383	28,509
Net balance at December 31, 2025	58,561	43,531	-	-	-	228,441	1,989	332,522

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 11:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)
2024

	<u>Customer relations</u>	<u>Product formulae</u>	<u>Trademark</u>	<u>Order backlog</u>	<u>Non- compete</u>	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
	<u>U.S. dollars in thousands</u>							
<u>Cost:</u>								
Balance at January 1, 2024	23,569	15,077	249	2,230	10	64,555	545	106,235
Additions	-	-	-	-	-	-	826	826
Additions for purchase of activities	22,070	19,602	-	-	-	81,763	1,216	124,651
Disposals in the year:								
Reclassification to assets held for sale	(1,589)	(1,875)	-	-	-	(9,245)	-	(12,709)
Adjustments from translating financial statements of foreign operations	(1,710)	(1,290)	-	-	-	(5,646)	(117)	(8,763)
Adjustments from translating financial statements from functional currency to presentation currency	181	220	-	-	-	944	32	1,377
Balance at December 31, 2024	42,521	31,734	249	2,230	10	132,371	2,502	211,617
<u>Accumulated depreciation and impairment losses:</u>								
Balance at January 1, 2024	7,974	1,837	249	2,230	10	-	143	12,443
Depreciation in the year	3,435	1,418	-	-	-	-	274	5,127
Depreciation for purchase of activities	-	-	-	-	-	-	951	951
Disposals in the year:								
Reclassification to assets held for sale	(53)	(31)	-	-	-	-	-	(84)
Adjustments from translating financial statements of foreign operations	(250)	(85)	-	-	-	-	(70)	(405)
Adjustments from translating financial statements from functional currency to presentation currency	5	10	-	-	-	-	20	35
Balance at December 31, 2024	11,111	3,149	249	2,230	10	-	1,318	18,067
Net balance at December 31, 2024	31,410	28,585	-	-	-	132,371	1,184	193,550

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)
b. Amortization expenses:

Amortization expenses of intangible assets are classified in profit or loss under research and development expenses and selling and marketing expenses.

c. Impairment of goodwill:

For the purpose of testing for impairment of goodwill, the goodwill was allocated to the operating segments which consist of the following two cash-generating units ("CGUs"):

- Tastes
- Fragrances

The carrying amount of the goodwill allocated to each CGU (constituting a segment) as of December 31, 2025 is as follows:

	Tastes	Fragrances	Total
	U.S. dollars in thousands		
Goodwill	163,448	64,993	228,441

A valuation was prepared by an independent external valuation expert for the two CGUs. The valuation expert relied on the following assumptions: a post-tax WACC rate of 12% based on the valuation model, an average growth rate of about 5% for years 1-3, about 4.5% for year 4, about 3% for year 5 and about 2% from year 6 and onwards. The comparison of the fair value as per the external valuation to the carrying amount as of December 31, 2025 indicates that no provision for impairment is needed.

Sensitivity analysis for changes in assumptions:

Regarding the assumptions that have been used in the determination of the cash-generating unit's value in use, management is of the opinion that there are no possible changes in the key assumptions, which have been set forth above, which may cause the carrying amount of the cash-generating unit to materially exceed its recoverable amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12:- LEASES**Disclosures for leases in which the Company acts as lessee:**

The Company has entered into leases of buildings and vehicles which are used for the Company's operations.

Leases of buildings have lease terms of between 2 and 25 years whereas leases of vehicles have lease terms of 3 years.

Some of the leases entered into by the Company include extension and/or termination options and variable lease payments.

a. Information on leases:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Interest expense on lease liabilities	1,061	761	917
Expenses relating to short-term leases	343	466	584
Repayment of lease liability	<u>3,874</u>	<u>2,910</u>	<u>2,128</u>
Total cash outflow for leases	<u><u>5,278</u></u>	<u><u>4,137</u></u>	<u><u>3,629</u></u>

b. Lease extension and termination options:

The Company has leases that include extension and termination options. These options provide flexibility in managing the leased assets and align with the Company's business needs.

In leases that contain noncancelable lease periods of between 3 and 10 years, the Company generally includes in the lease term the exercise of extension options existing in the lease agreements. In these leases, the Company usually exercises the extension option to avoid a negative impact to its operating activities in the event that an alternative asset is not available immediately upon termination of the noncancelable lease period.

In leases of vehicles, the Company does not include in the lease term the exercise of extension options since the Company does not ordinarily exercise options that extend the lease period beyond 3 years (without exercising the extension option).

Lease terms that include termination options will include the period covered by the termination option when it is reasonably certain that the termination option will not be exercised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12:- LEASES (Cont.)

c. Disclosure of right-of-use assets:

2025

	Land and buildings	Vehicle	Total
	U.S. dollars in thousands		
<u>Cost:</u>			
Balance as of January 1, 2025	20,249	6,887	27,136
Additions during the year:			
New leases	4,565	1,968	6,533
Newly consolidated company	2,977	543	3,520
Adjustments for indexation	114	66	180
Adjustments from translating financial statements from functional currency to presentation currency	3,390	1,103	4,493
Adjustments from translating financial statements of foreign operations	(896)	(775)	(1,671)
Disposals during the year	<u>(469)</u>	<u>(989)</u>	<u>(1,458)</u>
Balance as of December 31, 2025	<u>29,930</u>	<u>8,803</u>	<u>38,733</u>
<u>Accumulated depreciation:</u>			
Balance as of January 1, 2025	5,641	4,232	9,873
Additions during the year:			
Depreciation and amortization	2,386	1,834	4,220
Adjustments from translating financial statements from functional currency to presentation currency	1,057	734	1,791
Adjustments from translating financial statements of foreign operations	(171)	(591)	(762)
Disposals during the year	<u>(284)</u>	<u>(918)</u>	<u>(1,202)</u>
Balance as of December 31, 2025	<u>8,629</u>	<u>5,291</u>	<u>13,920</u>
Depreciated cost at December 31, 2025	<u><u>21,301</u></u>	<u><u>3,512</u></u>	<u><u>24,813</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12:- LEASES (Cont.)2024

	Land and buildings	Vehicle	Total
	U.S. dollars in thousands		
<u>Cost:</u>			
Balance as of January 1, 2024	18,428	4,452	22,880
Additions during the year:			
New leases	701	1,758	2,459
Newly consolidated company	1,164	1,137	2,301
Adjustments for indexation	123	69	192
Adjustments from translating financial statements of foreign operations	1,034	386	1,420
Adjustments from translating financial statements from functional currency to presentation currency	(389)	(525)	(914)
Disposals during the year	(812)	(390)	(1,202)
Balance as of December 31, 2024	<u>20,249</u>	<u>6,887</u>	<u>27,136</u>
<u>Accumulated depreciation:</u>			
Balance as of January 1, 2024	3,413	2,926	6,339
Additions during the year:			
Depreciation and amortization	1,524	1,438	2,962
Initially consolidated company	496	209	705
Adjustments from translating financial statements of foreign operations	737	180	917
Adjustments from translating financial statements from functional currency to presentation currency	(22)	(209)	(231)
Disposals during the year	(507)	(312)	(819)
Balance as of December 31, 2024	<u>5,641</u>	<u>4,232</u>	<u>9,873</u>
Depreciated cost at December 31, 2024	<u><u>14,608</u></u>	<u><u>2,655</u></u>	<u><u>17,263</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12:- LEASES (Cont.)

d. Lease liabilities:

	<u>2025</u>	<u>2024</u>
	<u>U.S. dollars in thousands</u>	
Balance as of January 1,	18,337	17,551
Additions	6,533	2,460
Initial consolidation	3,520	1,600
Disposals	(256)	(371)
Interest expenses	1,061	761
Lease payments	(4,935)	(3,671)
Other changes	2,040	7
	<u>26,300</u>	<u>18,337</u>

e. Maturity analysis of lease liabilities:

	<u>2025</u>	<u>2024</u>
	<u>U.S. dollars in thousands</u>	
First year – current maturities	4,089	2,828
Second year	3,791	2,217
Third year	3,015	2,132
Fourth year	2,404	1,276
Fifth year	2,239	1,297
Sixth year and thereafter	10,762	8,587
	<u>26,300</u>	<u>18,337</u>

- f. The Company has leases for a period of up to 12 months and low value leases of office equipment. The Company applies the practical expedient in IFRS 16 in respect of these leases and recognizes lease payments as an expense using the straight-line method over the lease term

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13:- CREDIT FROM BANKS

- a. Composition:

December 31, 2025

	<u>Linkage terms</u>	<u>Effective interest rate 31.12.2025</u>	<u>Balance U.S. dollars in thousands</u>
Current maturities of long-term loans from banks and others		See Note 16a Euribor+1.5%-	42,302
Loans from banks	Euro-linked	1.75%	7,298
Loans from banks	Unlinked	P-0.1%	<u>2,351</u>
			<u><u>51,951</u></u>

December 31, 2024

	<u>Linkage terms</u>	<u>Effective interest rate 31.12.2024</u>	<u>Balance U.S. dollars in thousands</u>
Current maturities of long-term loans from banks and others		See Note 16a	19,320
Loans from banks	Euro-linked	4.3%	132
Loans from banks	GBP-linked	Sonia+1.9%	6,272
Loans from banks	Unlinked	P-0.1%	<u>2,048</u>
			<u><u>27,772</u></u>

- b. See Note 16 for the Company's credit terms, financial covenants and other liabilities.
- c. At the end of 2025, the Company has no binding credit facilities but only a nonbinding bank credit facility totaling approximately \$ 141 million whose withdrawal is contingent on obtaining specific approvals.
- d. For charges, see Note 20.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14:- TRADE PAYABLES

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Open debts	24,843	19,396
Notes payable	-	6
	<u>24,843</u>	<u>19,402</u>

Trade payables do not bear interest. The average supplier credit days are 50 days.

NOTE 15:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Employees and payroll accruals	8,029	5,782
Government institutions	5,098	3,919
Provision for waste removal	191	67
Accrued expenses (a)	5,709	4,427
Other	2,175	1,250
	<u>21,202</u>	<u>15,445</u>

(a) Includes interested party, companies owned by the interested party and related parties (see Note 26).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16:- LONG-TERM LOANS FROM BANKS

a. Composition:

December 31, 2025

	Linkage terms	Effective interest rate 31.12.2025	Balance U.S. dollars in thousands
Loans from banks	Euro-linked	Euribor+1.6%- 1.95%, 0.89%-4%	128,625
Loans from banks	GBP-linked	Sonia+1.7%-2.5%	23,214
NIS loans from banks	Unlinked	P-0.1%	9,577
Loans from banks	Linked to other currency	Jibar 3%-3.5%, 0.5%	8,230
Less - current maturities (see also Note 13 above)			<u>(42,302)</u>
			<u>127,344</u>

December 31, 2024

	Linkage terms	Effective interest rate 31.12.2024	Balance U.S. dollars in thousands
Loans from banks	Euro-linked	Euribor+1.6%- 1.95%, 0.89%- 4.6%	59,998
Loans from banks	GBP-linked	Sonia+1.7%-2.5%	21,322
NIS loans from banks	Unlinked	P-0.1%, 2.3%	4,178
Loans from banks	Linked to other currency	Jibar 3%-3.5%, 0.5%	7,598
Less - current maturities (see also Note 13 above)			<u>(19,320)</u>
			<u>73,776</u>

b. For collaterals, see Note 20.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16:- LONG-TERM LOANS FROM BANKS (Cont.)

c. Financial covenants:

The Company

The Company has undertaken to meet the following financial covenants in connection with liabilities to lenders:

1. The ratio of the Company's equity to total balance sheet will not be lower than 20% and \$ 80 million at all times.
2. The debt coverage ratio (total net debt to financial institutions and other lenders including debt to shareholders to EBITDA) (on a proforma basis) will not exceed 3.5 at all times.

As of December 31, 2025, the Company is meeting the above financial covenants: the ratio of equity to total balance sheet is 41.1% and the net debt coverage ratio is 0.5. The ratios are calculated at the consolidated level.

NOTE 17:- OTHER LIABILITIES

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Liabilities for waste removal	1,176	1,176
Loans from others less current maturities	-	370
Liabilities for purchase of activities	134,530	72,773
	<u>135,706</u>	<u>74,319</u>

NOTE 18:- FINANCIAL INSTRUMENTS

a. Financial risks factors:

The Group's activities expose it to various financial risks such as market risk (foreign currency risk, CPI risk and interest rate risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

Risk management is performed by the Company's Finance Department which assesses and hedges financial risk in collaboration with the Group's operating units. The Board sets forth the overall risk management policy and specific policies for certain exposures to risks such as exchange rate risk, interest rate risk and credit risk. The policies also cover areas such as cash management and raising short-term and long-term debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

1. Market risks:

a) Foreign currency risk:

The Group is a multinational enterprise and therefore its sales are made in the functional currencies of the different Group companies, mainly Euro, NIS, USD, South African Rand and Polish Zloty. Exchange rate fluctuations impact the Group's net income and financial position, which are denominated in NIS and presented in USD. The Company purchases some of its raw materials from various countries across the world and is exposed to an exchange rate risk stemming from exposure to various currencies, mainly the Euro, NIS and USD.

Exchange rate risk stems from future commercial transactions and assets and liabilities recognized, which are denominated in foreign currency other than the functional currency. Exposure to change in exchange rates may also arise in the process of consolidating the financial statements of consolidated companies presented in foreign currencies. The impact of this exposure on the Group's comprehensive income is presented as currency translation differences.

	NIS representative exchange rate	Euro representative exchange rate
	U.S. dollar	
<u>As of</u>		
December 31, 2025	0.313	1.174
December 31, 2024	0.274	1.041
December 31, 2023	0.276	1.106
		%
<u>Rate of change in the year ended</u>		
December 31, 2025	14.3	12.8
December 31, 2024	(0.55)	(5.88)
December 31, 2023	(2.98)	3.71

b) Interest rate risk:

Since the Group has no material interest-bearing assets, its revenues and operating cash flows are not dependent on interest rates. The Group's interest rate risk derives from exposure to changes in market interest on short-term and long-term loans received bearing variable interest rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

2. Credit risk:

The Group does not have significant concentrations of credit risks. The Group has a policy ensuring that wholesales of products are carried out with customers with good credit history.

The Group's revenues stem from customers in Israel and across the world. The Group monitors customer debts on a regular basis, and the financial statements include allowances for doubtful accounts, which, in Group management's opinion, reflect fairly the potential loss from debts doubtful of collection.

b. Concentration of liquidity risk:

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including future interest payments):

December 31, 2025

	Less than 1 year	1-5 years	5 years and onwards	Total
U.S. dollars in thousands				
Trade payables	24,843	-	-	24,843
Other payables	15,913	-	-	15,913
Lease liability	5,025	13,892	13,235	32,152
Liability for purchase of activity	12,388	158,753	-	171,141
Provision for waste removal	191	1,176	-	1,367
Credit from banks and others	58,757	133,839	2,473	195,069
Other	-	-	848	848
	<u>117,117</u>	<u>307,660</u>	<u>16,556</u>	<u>441,333</u>

December 31, 2024

	Less than 1 year	1-5 years	5 years and onwards	Total
U.S. dollars in thousands				
Trade payables	19,402	-	-	19,402
Other payables	11,459	-	-	11,459
Lease liability	3,542	8,532	10,501	22,575
Liability for purchase of activity	3,525	82,085	-	85,610
Provision for waste removal	67	1,176	-	1,243
Credit from banks and others	32,913	80,014	2,169	115,096
Other	-	-	431	431
	<u>70,908</u>	<u>171,807</u>	<u>13,101</u>	<u>255,816</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

c. Fair value:

1. The carrying amount of cash and cash equivalents, trade receivables, other accounts receivable, credit from banks and others (mostly bearing variable interest), trade payables and other accounts payable approximates their fair value.
2. Liabilities in respect of put options and contingent consideration:

Some of the business combinations executed by the Company include a mechanism whereby the previous owners have a put option to sell their remaining shares and the Company has a call option to buy those shares (symmetrical put-call options) while other business combinations include a contingent consideration mechanism that is based on future performance of the acquiree.

As of December 31, 2025, the total liabilities for put options and contingent consideration amounted to \$ 139,734 thousand. The value of the put options and contingent consideration was estimated in accordance with the average EBITDA achieved over the term of the agreement. The weighted annual discount rate is 7.7%. The fair value is measured at level 3 of the fair value hierarchy. The key non-observable input used by the Company to assess the value of the liabilities is the future EBITDA that will be achieved; in order to assess the liabilities and update their value, the Company used the companies' ongoing results and updated forecasts.

Sensitivity test of changes in EBITDA:

	Sensitivity test to changes in EBITDA	
	Gain (loss) from change	
	5% increase in EBITDA	5% decrease in EBITDA
	U.S. dollars in thousands	
2025	(3,217)	3,217
2024	(1,747)	1,747

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

Adjustment for fair value measurements classified at Level 3 of the fair value hierarchy:

	<u>2025</u>	<u>2024</u>
	<u>U.S. dollars in thousands</u>	
Balance at beginning of year	(74,779)	(39,051)
Total gain (loss) recognized:		
Repayment	4,351	834
In profit or loss	(5,862)	(1,468)
In other comprehensive income (loss)	(11,153)	1,747
Update of terms of symmetrical put/call options for non-controlling interests	-	(11,278)
Reclassification of symmetrical put/call options on non-controlling interests	-	32,898
Business combinations	(52,291)	(58,461)
Balance at end of year	<u>(139,734)</u>	<u>(74,779)</u>

d. Sensitivity tests of changes in market factors:

	Sensitivity test to changes in USD exchange rate in relation to other currencies	
	Gain (loss) from change	
	10% increase in exchange rate	10% decrease in exchange rate
	U.S. dollars in thousands	
2025	<u>26,677</u>	<u>(26,677)</u>
2024	<u>13,410</u>	<u>(13,410)</u>
	Sensitivity test to changes in interest	
	Gain (loss) from change	
	0.5% increase in interest rate	0.5% decrease in interest rate
	U.S. dollars in thousands	
2025	<u>(831)</u>	<u>831</u>
2024	<u>(460)</u>	<u>460</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

- e. Sensitivity tests and key work assumptions:

The changes selected for the relevant risk factors were determined in accordance with management's estimates of potential reasonable changes in these risk factors. The Company conducted sensitivity tests to key market risk factors that may affect the reported operating results or financial position. The sensitivity tests present the pre-tax comprehensive income for each financial instrument in respect of the relevant risk factor, that was selected for it as of each reporting date. The assessment of the risk factors was carried out based on the materiality of the operating results or financial position's exposure in respect of each risk factor, in relation to the functional currency and assuming that all other parameters remain constant: In long-term loans with fixed interest the Group does not have an exposure to interest risk.

NOTE 19:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

Post-employment benefits

According to labor laws and effective labor agreements in Israel and overseas, the Company and some of the subsidiaries are required to pay retirement and/or pension accruals to employees who are dismissed or who retire under certain circumstances. The liability of the Group companies is mainly covered by current contributions to defined contribution plans (as per Section 14 to the Israeli Severance Pay Law and applicable labor laws abroad). The amounts contributed as above are not included in the statements of financial position as they are not controlled or managed by the companies.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS, CHARGES AND GUARANTEES

- a. Commitments:

Collective labor agreement

Chemada's employees who are non-management personnel are employed in accordance with a special collective labor agreement. The agreement addresses work in shifts, annual vacation, callback benefits, overtime and advanced study fund. Pursuant to the agreement, Chemada may exclude other positions from its scope, provided that the ratio between those Chemada employees to whom the agreement applies and those to whom the agreement does not apply shall not be less than 1:3 as well as up to four more officers as agreed in advance.

- b. Contingent liabilities:

As of December 31, 2025, there are no material claims pending against the Company which are likely to have a significant impact on its financial position that have not been disclosed in these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS, CHARGES AND GUARANTEES (Cont.)
c. Charges:

The Company undertook towards four lending banks not to place and not to undertake to place any floating charges on some or all or part of its assets, of any type or kind, without the banks' advance written consent.

d. Guarantees:

The Group provided guarantees in a total amount of approximately \$ 353 thousand, mainly in respect of customs duty on import of alcohol.

NOTE 21:- EQUITY
a. Composition of share capital:

	December 31, 2025		December 31, 2024	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	No. of shares with no par value		No. of shares of NIS 1 par value	
Ordinary shares	<u>1,000,000,000</u>	<u>108,406,250</u>	<u>1,000,000,000</u>	<u>100,463,556</u>

On August 24, 2025, the Company completed a private placement of 7,105,000 Ordinary shares with no par value in return for gross proceeds of approximately NIS 330,383 thousand, before issue expenses. The issue expenses amounted to approximately NIS 2,000 thousand and were carried less the share premium. As a result, total net proceeds amounted to approximately NIS 328,383 thousand (approximately \$ 97,155 thousand).

b. Allocation of options to a Company director:

In May 2021, the Company's Board and the general meeting of the Company's shareholders approved a plan whereby a Company director will be awarded - without consideration - 757,560 unlisted options, which are exercisable into an identical number of shares. The option exercise price shall be equal to the share price as determined in the IPO.

The options award plan complies with the provisions of Section 102 to the Ordinance. The options were allocated to a trustee on May 23, 2021 ("the allocation date").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21:- EQUITY (Cont.)

The options vest in equal tranches over four years from the allocation date; the first tranche (25% of the options) vest a year after the allocation date, and all remaining options vest in six semi-annual tranches (12.5% of the option in each such tranche) starting 18 months after the allocation date. The first tranche is exercisable over two years from vesting date, and each further tranche is exercisable over a year from vesting date, including on a cashless basis. Any options not exercised by the end of the said period expire, and no rights are conferred upon their holders.

As of December 31, 2025, the entire options granted to a director either vested and expired or were exercised by the director.

The following table presents the inputs used in the measurement of the fair value of the Company's equity-settled financial instruments using the Black & Scholes model:

Dividend yield per share (%)	34.83%-39.26%
Risk-free interest rate (%)	0.52%-0.25%
Expected life of the share options (in years)	As per vesting dates
Share price (NIS)	NIS 8.91

Based on the above inputs, the fair value of the share options was determined at approximately \$ 575 thousand on the grant date.

Total salary expense carried by the Company in the year ended December 31, 2025 approximated \$ 8 thousand (compared to salary expense of approximately \$ 45 thousand in the year ended December 31, 2024).

c. Allocation of options to employees, executives and consultants in the Group:

In March 2022, the Company's Board approved the grant of 1,396,000 unlisted options, which are exercisable into an identical number of shares, to employees, executives and consultants in the Group. As of the report date, 237,500 options expired. The Board also approved the grant of 262,000 unlisted options, which are exercisable into an identical number of shares, to Mr. Shay Khazon, Director, Israeli Fragrance Operations, and to Ms. Shir Kesselman, VP Fragrance Division, following the approval of the grant by the general meeting of the Company's shareholders in May 2022. The exercise price of each option is NIS 23.51, representing the average share price in the 30 trading days before the Board's grant approval date.

The options were granted in accordance with a share-based payment plan adopted by the Company and related companies for employees, service providers and officers pursuant to the provisions of Sections 102 and 3(i) to the Income Tax Ordinance. The options were allocated to a trustee on May 8, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21:- EQUITY (Cont.)

The options vest in equal tranches over four years from the allocation date; the first tranche (25% of the options) shall vest a year after the allocation date, and all remaining options shall vest in six semi-annual tranches (12.5% of the option in each such tranche) starting 18 months after the allocation date. The options are exercisable over two years from vesting date, including on a cashless basis. Any options not exercised by the end of the said period will expire, and no rights shall be conferred upon their holders.

The following table presents the inputs used in the measurement of the fair value of the Company's equity-settled financial instruments using the Black & Scholes model:

Expected volatility in share price (%)	32.96%-27.89%
Risk-free interest rate (%)	0.69%-0.22%
Expected life of the share options (in years)	As per vesting dates
Share price (NIS)	NIS 65.94

Based on the above inputs, the fair value of the share options was determined at approximately \$ 3,119 thousand on the grant date.

Total salary expense carried by the Company in the year ended December 31, 2025 in respect of the above plan approximated \$ 179 thousand (compared to salary expense of approximately \$ 393 thousand in the year ended December 31, 2024).

In keeping with the Remuneration Committee's recommendation and with the Company's share-based payment policy and plan, the Board's meeting of September 21, 2022 approved an immaterial and ordinary private placement of 105,000 unlisted options to an officer who is an employee of the Company under the same terms as the grant from March 2022 described above, except for an exercise price of NIS 20.37 per option, representing the average share price in the 30 trading days before the Board's grant approval date. The fair value of the options was determined as approximately \$ 169 thousand on the grant date.

Total salary expense carried by the Company in the year ended December 31, 2025 in respect of the above grant approximated \$ 19 thousand (compared to salary expense of approximately \$ 37 thousand in the year ended December 31, 2024).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21:- EQUITY (Cont.)

- d. Allocation of options to employees, officers and consultant in the Group:

In March 2024, the Company's Board approved the grant of 1,496,000 unlisted options, which are exercisable into an identical number of Ordinary shares, to employees, officers and a consultant in the Group. The exercise price of each option is NIS 14.16, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

Moreover, in April 2024, the Company's Board approved the grant of 210,000 unlisted options, which are exercisable into an identical number of Ordinary shares, to Mr. Shay Khazon, the spouse of the controlling shareholder in the Company, and VP Israeli Taste Division, and to Ms. Shir Kesselman, the daughter-in-law of the controlling shareholder in the Company, and VP Global Fragrance Division. The grant was approved by the meeting of the Company's shareholders of May 2024. The exercise price of each option is NIS 15.96, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

The options were granted in accordance with a share-based payment plan adopted by the Company and related companies for employees, consultants, service providers and officers pursuant to the provisions of Sections 102 and 3(i) to the Ordinance. The options were allocated to a trustee on April 11, 2024.

The options vest over four years from the allocation date in two portions: the first portion (66.66% of the options) shall vest at the end of three years from the allocation date, and the second portion of the remaining options (33.33% of the options) shall vest at the end of four years from the allocation date. The first portion is exercisable over two years from the vesting date and the second portion is exercisable for one year from the vesting date, including on a cashless basis. The options are subject to various adjustments. Any options not exercised by the end of said period will expire, and no rights shall be conferred upon their holders.

The following table presents the inputs used in the measurement of the fair value of the Company's equity-settled financial instruments using the Black & Scholes model:

Expected volatility in share price (%)	43.76%
Risk-free interest rate (%)	3.97%
Expected life of the share options (in years)	5 years
Share price (NIS)	NIS 65.94
Exercise price (NIS)	NIS 14.16

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 21:- EQUITY (Cont.)**

Based on the above inputs, the fair value of the options was determined at approximately \$ 2,560 thousand on the grant date.

The fair value of the options granted to Mr. Shay Khazon and Ms. Shir Kesselman was determined at approximately \$ 417 thousand on the grant date.

Moreover, in the reporting period, the Company's Board approved an immaterial and non-extraordinary private placement of 370,000 unlisted options to several employees in the Company under the same terms as the grant of March 2024 mentioned above, other than an exercise increment which represents the average share price in the 30 trading days before the Board's approval for the grant of the options plus 5%. The fair value of the options approximates \$ 1,660 thousand on the grant date.

Total salary expense carried by the Company in the year ended December 31, 2025 in respect of the above grant approximated \$ 1,169 thousand (compared to salary expense of approximately \$ 711 thousand from the allocation date through the year ended December 31, 2024).

e. Rights attached to shares:

Right to vote in general meetings, right to receive dividends and rights upon a deemed liquidation event.

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

a. Cost of sales and services:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Materials consumed	118,152	81,936	55,427
Wages and related expenses	23,327	15,786	10,657
Depreciation and amortization	7,719	5,758	4,238
Energy expenses	4,944	4,095	2,027
Building and equipment maintenance	2,679	2,246	1,256
Other	8,306	5,468	4,137
	<u>165,127</u>	<u>115,289</u>	<u>77,742</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

b. Research and development expenses:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Wages and related expenses	7,256	4,664	3,375
Depreciation and amortization	2,554	1,615	976
Other	1,236	755	572
	<u>11,046</u>	<u>7,034</u>	<u>4,923</u>

c. Selling and marketing expenses:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Wages and related expenses	7,952	4,701	2,870
Marketing commissions	4,680	2,735	1,922
Transport	5,616	3,488	2,048
Depreciation and amortization	5,807	3,693	2,166
Other	2,231	1,656	1,352
	<u>26,286</u>	<u>16,273</u>	<u>10,358</u>

d. General and administrative expenses:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Wages and related expenses	18,054	13,754	9,609
IT, office and media expenses	2,270	1,614	1,175
Professional consulting	1,877	1,437	1,136
Depreciation and amortization	3,439	2,460	1,717
Foreign travel	1,101	820	499
Other	2,723	2,039	1,559
	<u>29,464</u>	<u>22,124</u>	<u>15,695</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

e. Other expenses (income):

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Grant	(1,349)	(1,097)	-
Purchase expenses	1,905	1,375	306
Other	3	254	151
	<u>559</u>	<u>532</u>	<u>457</u>

e. Finance income (expenses):

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Finance income:			
Exchange rate differences	891	225	395
Interest income	2,077	498	165
	<u>2,968</u>	<u>723</u>	<u>560</u>
Finance expenses:			
Finance expenses in respect of banks	7,104	4,308	585
Exchange rate differences	1,346	369	183
Finance expenses on lease liability	1,061	761	917
Finance expenses on financial assets and liabilities designated to fair value through profit or loss	5,998	1,408	1,486
Other	677	557	179
	<u>16,186</u>	<u>7,403</u>	<u>3,350</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23:- TAXES ON INCOME

- a. Tax laws applicable to the Group companies:

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the Israeli parliament passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal. Since 2008, the amendment to the law includes, among others, the cancellation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year).

The Law for the Encouragement of Capital Investments, 1959 ("the Encouragement Law"):

According to the Encouragement Law, the companies are entitled to various tax benefits by virtue of the "approved enterprise" and/or "beneficiary enterprise" status granted to part of their enterprises, as implied by the Encouragement Law.

Amendment 73 to the Encouragement Law:

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016, which includes Amendment 73 to the Encouragement Law ("Amendment 73") was enacted. According to Amendment 73, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

Also, according to Amendment 73, dividends distributed to individuals or foreign residents from the preferred enterprise's earnings as above will be subject to tax at a rate of 20%.

The Law for the Encouragement of Industry (Taxation), 1969:

The Company has the status of an "industrial company", as defined by this law. According to this status and by virtue of regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Adjustments Law.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23:- TAXES ON INCOME (Cont.)

b. Tax rates applicable to the Group companies:

1. In Israel:

The Israeli corporate income tax rate is 23%.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

2. The following are the main tax rates that apply to subsidiaries which are incorporated outside of Israel:

	<u>Tax rate</u>
USA	30%
Latvia	20%
Poland	19%
India	30%
Vietnam	20%
Belgium	25%
Romania	16%
Hungary	9%
South Africa	27%
Germany	30%
England	25%
France	25%

c. Final tax assessments:

The Company has prepared its own tax assessments that are deemed final through the 2020 tax year.

d. Carryforward losses for tax purposes:

Carryforward business losses and capital losses of the Group total approximately \$ 16,593 thousand as of December 31, 2025. The Company created a deferred tax asset of approximately \$ 4,212 thousand relating to the carryforward losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23:- TAXES ON INCOME (Cont.)

e. Deferred taxes:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
<u>Deferred tax liabilities:</u>		
Property, plant and equipment	545	181
Right-of-use assets	4,627	2,755
Intangible assets	22,281	14,454
	<u>27,453</u>	<u>17,390</u>
<u>Deferred tax assets:</u>		
Carryforward losses	4,212	2,651
Allowance for ECLs	471	130
Lease liability	4,885	2,928
R&D expenses	301	244
Employee accruals	306	313
Other	278	112
	<u>10,453</u>	<u>6,378</u>
Deferred tax liabilities, net	<u>17,000</u>	<u>11,012</u>

Deferred taxes are presented in the statement of financial position as follows:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Non-current assets	2,913	1,321
Non-current liabilities	(19,913)	(12,333)
	<u>(17,000)</u>	<u>(11,012)</u>

Movement in deferred taxes:

	2025	2024
	U.S. dollars in thousands	
Balance at beginning of year	(11,012)	(4,003)
Acquisition of initially consolidated subsidiary and activity	(7,056)	(10,523)
Disposals – reclassification to assets held for sale	-	1,164
Changes carried to profit or loss	2,993	1,829
Changes carried to other comprehensive income	(1,925)	521
Balance at end of year	<u>(17,000)</u>	<u>(11,012)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23:- TAXES ON INCOME (Cont.)

- f. Taxes on income included in profit or loss:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Current taxes	10,494	7,190	2,980
Deferred taxes	(2,993)	(1,829)	(333)
Taxes in respect of previous years	56	(54)	(151)
	<u>7,557</u>	<u>5,307</u>	<u>2,496</u>

- g. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in the statement of comprehensive income is as follows:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Income before taxes on income	<u>30,212</u>	<u>21,052</u>	<u>15,390</u>
Statutory tax rate	<u>23%</u>	<u>23%</u>	<u>23%</u>
Tax computed at the statutory tax rate	6,949	4,842	3,540
Tax benefit from beneficiary tax rate as per the Encouragement Law	(322)	(405)	(1,036)
Different tax rate in foreign subsidiary	469	73	(129)
Nondeductible expenses	78	157	109
Losses and benefits for tax purposes for which no deferred taxes were created	220	627	210
Taxes in respect of previous years	56	(54)	(151)
Other differences, net	107	67	(47)
Taxes on income	<u>7,557</u>	<u>5,307</u>	<u>2,496</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24:- NET EARNINGS PER SHARE

Details of the number of shares and income used in the computation of net earnings per share:

	Year ended December 31,					
	2025		2024		2023	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
For computation of basic net earnings per share	103,634	17,718	100,464	13,819	100,085	12,393
Effect of potentially dilutive Ordinary shares	1,462	-	141	-	203	-
For computation of diluted net earnings per share	105,096	17,718	100,605	13,819	100,288	12,393

NOTE 25:- OPERATING SEGMENTS

a. General:

The Group applies the provisions of IFRS 8, "Operating Segments", according to which operating segments are reported in a manner consistent with the internal reporting regarding the Group's components which are regularly reviewed by the Group's chief operating decision maker ("CODM") for the purpose of allocating resources and assessing performance of the operating segments.

The operating segments were determined based on the information assessed by the CODM for the purpose of making decisions regarding the allocation of resources and assessment of the performance of the operating segments. Accordingly, the Group has been organized for management purposes into three operating segments based on the products and services of its business units, as described below: tastes, fragrances and specialty raw material 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25:- OPERATING SEGMENTS (Cont.)

Segment results include items that can be directly allocated to the segment as well as those that can be allocated on a reasonable basis.

Unallocated items, which include mainly the Group's headquarters assets, general and administrative costs and finance costs, are managed on a Group basis.

The accounting policy of the operating segments is identical to the accounting policy presented in Note 2.

b. Operating segment reporting:

	Year ended December 31, 2025				Total
	Tastes	Fragrances	Specialty	Adjustments	
			fine ingredients		
U.S. dollars in thousands					
Revenues from external customers	194,699	49,434	31,015	-	275,148
Intersegment revenues	-	-	21	(21)	-
Total revenues	194,699	49,434	31,036	(21)	275,148
Segment gross profit	75,788	26,846	7,387	-	110,021
Segment operating income net of unallocated joint expenses	37,568	12,840	3,648	-	54,056
Unallocated joint expenses					10,626
Finance expenses, net					13,218
Income before taxes on income					30,212

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2024				
	Specialty fine ingredients				Total
	Tastes	Fragrances	Adjustments		
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>
	Year ended December 31, 2023				
	Specialty fine ingredients				Total
	Tastes	Fragrances	Adjustments		
U.S. dollars in thousands					
Revenues from external customers	65,361	32,768	29,226	-	127,355
Intersegment revenues	-	-	141	(141)	-
Total revenues	<u>65,361</u>	<u>32,768</u>	<u>29,367</u>	<u>(141)</u>	<u>127,355</u>
Segment gross profit	<u>22,621</u>	<u>16,844</u>	<u>10,148</u>	<u>-</u>	<u>49,613</u>
Segment operating income net of unallocated joint expenses	<u>9,449</u>	<u>8,025</u>	<u>6,702</u>	<u>-</u>	<u>24,176</u>
Unallocated joint expenses					5,996
Finance expenses, net					<u>2,790</u>
Income before taxes on income					<u>15,390</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25:- OPERATING SEGMENTS (Cont.)

- c. Additional information on revenues:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Revenues from a customer accounting for more than 10% of total revenues:			
Customer A – tastes segment	(*)	22,269	15,896

(*) In 2025, revenues from customer A account for less than 10% of total reported revenues.

- d. Geographical information:

The revenues reported in the financial statements based on customer location are as follows:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Israel and the Middle East	35,277	30,855	32,435
North America	20,301	17,220	17,197
Europe	162,166	97,375	61,076
Africa	33,551	28,913	-
Asia and other	23,853	14,585	16,647
	<u>275,148</u>	<u>188,948</u>	<u>127,355</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS

a. Related and interested party balances:

1. Composition:

December 31, 2025

	For terms, see paragraphs	Controlling shareholder and companies owned by controlling shareholder	Interested parties, Key Management Personal and other related parties
		U.S. dollars in	thousands
Payables	(a)-(e)	<u>1,068</u>	<u>272</u>

December 31, 2024

	For terms, see paragraphs	Controlling shareholder and companies owned by controlling shareholder	Interested parties, Key Management Personal and other related parties
		U.S. dollars in	thousands
Payables	(a)-(e)	<u>906</u>	<u>241</u>

The balance of payables for directors' remuneration amounts to approximately \$ 39 thousand as of December 31, 2025 (compared with approximately \$ 31 thousand as of December 31, 2024).

2. Management and employment and other agreements:

a) Ms. Karen Cohen Khazon, the Company's CEO:

Until January 1, 2021, Ms. Karen Cohen Khazon, the Company's controlling shareholder, provided the Company her services as Chair of the Company's Board of Directors and Company CEO through a privately held company she owns ("Ms. Cohen Khazon" and "the management agreement", respectively). In consideration for the management services, Ms. Cohen Khazon was entitled to monthly management fees of NIS 220,000 linked to the CPI in respect of November 2020 ("the management fees").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

Furthermore, every year, Ms. Cohen Khazon was entitled to a performance-based consideration equal to 5% of the aggregate operating income of the Company and its subsidiaries; this consideration did not exceed the amount of the annual management fees paid in respect of that year (and in respect of part of a year, the performance-based consideration was paid proportionately to Ms. Cohen Khazon's term in office during that year). For purposes of the payment of the said consideration the operating income of each subsidiary was calculated in accordance with the Company's stake in that subsidiary.

On December 16, 2025, the Company's Board decided on the segregation of the roles of COB and CEO, subject to the approval of the Shareholders' Meeting which was obtained on January 22, 2026. Effective from January 1, 2026, Ms. Cohen Khazon serves as the Company's CEO and a director therein and Dr. Israel Leshem (who served as director in the Company) was appointed as COB. In return for her service as CEO (including through a company controlled by her), Ms. Cohen Khazon is entitled to monthly management fees of some NIS 283 thousand plus VAT as required by law, linked to the known Israeli CPI for October 2025 as published in November 2025.

Ms. Cohen Khazon's annual bonus for the entire calendar year of 2026 (from January 1, 2026) will derive from the Group's consolidated operating margin as per the Company's consolidated annual financial statements for 2026 as follows: (a) if the operating margin is lower than \$ 10 million (inclusive), the bonus will be nil; (b) if the operating margin is between \$ 10 million and \$ 40 million (inclusive), the bonus will be 2.5% of the operating margin within this range; (c) if the operating margin is above \$ 40 million, the bonus will be 3.5% of the operating margin above \$ 40 million. In any event, the bonus will not exceed NIS 3,900 thousand.

Furthermore, the Company provides Ms. Cohen Khazon with a car, and bears all expenses pertaining to its maintenance, including the grossing up of the tax in respect thereof.

The term of the management agreement is three years from January 1, 2026, and each of the parties may terminate it by giving a six-month advance notice in writing. The management agreement includes a confidentiality clause whereby Ms. Cohen Khazon undertook to maintain confidentiality with regard to the Company; furthermore, under the agreement, upon the end of the engagement with Ms. Cohen Khazon, the Company may require Ms. Cohen Khazon not to compete with the Company for a 12-month period that will start at the end of the engagement period, in consideration for a monthly amount equal to half the monthly management fees amount as they will be as of that date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

- b) Dr. Israel Leshem, the Chairman of the Company's Board from January 1, 2026:

On January 1, 2026, Dr. Israel Leshem began serving as the Company's COB at a 50% position scope in return for monthly management fees of NIS 100,000 plus VAT as required by law, linked to the known Israeli CPI for October 2025 as published in November 2025.

Moreover, as per the Board's decision of December 16, 2025, and the Shareholders' Meeting's approval of January 22, 2026, Dr. Leshem was granted 60,000 unlisted options for NIS 63.18 a share. The options vest over a period of four years from the grant date. 66.66% of the options ("the first portion") will vest on the third anniversary of the grant date and the remaining 33.33% of the options ("the second portion") will vest on the fourth anniversary of the grant date. The first portion can be exercised for a period of two years from the vesting date and the second portion can be exercised for a year from the vesting date including on a cashless basis. The options are subject to various adjustments. Options that are not exercised in their respective periods will expire and no longer confer any rights to their holders. The fair value of the options was approximately \$ 450 thousand on the grant date.

- c) Engagement with Ms. Shir Kesselman, VP Fragrance Division:

Ms. Shir Kesselman ("Ms. Kesselman"), the daughter in law of the Company's controlling shareholder, has been employed by the Company since 2014. As from June 29, 2023, Ms. Kesselman serves as VP Fragrance Division. On May 26, 2024, the meeting of the Company's shareholders approved an update to Ms. Kesselman's monthly salary to NIS 55,000 for a period of three years from the meeting approval date. Ms. Kesselman is entitled to an annual bonus in accordance with the Company's remuneration policy. Furthermore, Ms. Kesselman is entitled to annual leave, recreation pay, pension fund and managers insurance, social benefits that do not exceed those that are normally acceptable, and to other benefits normally provided by Company to its employees.

Furthermore, the Company provides Ms. Kesselman with a car as is generally accepted in the Company, and bears all expenses pertaining to its maintenance and the tax in its respect.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

The term of the employment agreement is three years from May 26, 2024, and each of the parties may terminate it by giving advance notice in writing in accordance with the law. Ms. Kesselman's employment agreement includes a confidentiality clause.

As part of the Company's share option plan for 2022, following the approval of the Company's Board and Remuneration Committee, a special general meeting of the Company's shareholders approved the grant of 105,000 unlisted options which are exercisable into 105,000 Ordinary shares of the Company to Ms. Kesselman for an exercise price of NIS 23.51 per share, subject to the terms of the Company's option plan.

In April 2024, the Company's Board approved the grant of 105,000 unlisted options which are exercisable into an identical number of Ordinary shares of the Company to Ms. Kesselman, which was approved by the meeting of the Company's shareholders in May 2024. The options are exercisable for an exercise price of NIS 15.96 per share, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

d) Engagement with Mr. Shay Khazon, Director, Israeli Fragrance Operations:

As from March 15, 2015, Mr. Shay Khazon, the husband of Ms. Karen Cohen Khazon, the Company's controlling shareholder, provides the Company services relating to operation, supply chain and maintenance through a privately held company he owns ("Mr. Khazon " and "the management agreement", respectively). In consideration for the management services provided over four days a week. On May 26, 2024, the meeting of the Company's shareholders approved an adjustment of the monthly management fees paid to Mr. Khazon to NIS 61,740, linked to the Israeli CPI for April 2024 including reimbursement of vehicle upkeep expenses for a period of three years from the date of the meeting's approval.

The term of the management agreement is three years from May 26, 2024, and each of the parties may terminate it by giving a 90-day advance notice in writing. Mr. Khazon's management agreement includes a confidentiality clause.

As part of the Company's share option plan for 2022, following the approval of the Company's Board and Remuneration Committee, a special general meeting of the Company's shareholders approved the grant of 157,000 unlisted options which are exercisable into 157,000 Ordinary shares of the Company to Mr. Khazon for an exercise price of NIS 23.51 per share, subject to the terms of the Company's option plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

In April 2024, the Company's Board approved the grant of 105,000 unlisted options which are exercisable into an identical number of Ordinary shares of the Company to Mr. Khazon, which was approved by the meeting of the Company's shareholders in May 2024. The options are exercisable for an exercise price of NIS 15.96 per share, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

e) Engagement with Mr. Alon Granot, business consultant:

Mr. Alon Granot held 7.16% of the Company's issued and outstanding share capital with his spouse, Rivka Granot. From November 2025, Mr. and Mrs. Granot are no longer interested parties in the Company as a result of the decline in their equity interests to below 5%.

As from September 1, 2021, Mr. Alon Granot provides the Company consulting and management services at a 50% position in return for monthly management fees of NIS 50,000, linked to the CPI of January 15, 2021 ("Mr. Granot" and "the management agreement", respectively).

Furthermore, the Company provides Mr. Granot with a car as is generally accepted in the Company, and bears all expenses pertaining to its maintenance and the tax in its respect.

The term of the management agreement is not limited in time, and each of the parties may terminate it by giving a 90-day advance notice in writing. The management agreement with Mr. Granot includes confidentiality and non-compete clauses towards the Company.

As part of the Company's share option plan for 2022, following the approval of the Company's Board and Remuneration Committee, a special general meeting of the Company's shareholders approved the grant of 521,000 unlisted options which are exercisable into 521,000 Ordinary shares of the Company to Mr. Granot for an exercise price of NIS 23.51 per share, subject to the terms of the Company's option plan.

In April 2024, the Company's Board approved the grant of 521,000 unlisted options which are exercisable into an identical number of Ordinary shares of the Company to Mr. Granot. The options are exercisable for an exercise price of NIS 14.16 per share, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

- b. Related and interested party transactions:

Year ended December 31, 2025

	Controlling shareholder	Other interested, Key Management Personal and related parties
	U.S. dollars in thousands	
Cost of sales	-	184
Selling and marketing expenses	-	113
General and administrative expenses	1,836	1,701
	<u>1,836</u>	<u>1,998</u>

Year ended December 31, 2024

	Controlling shareholder	Other interested, Key Management Personal and related parties
	U.S. dollars in thousands	
Cost of sales	-	157
Selling and marketing expenses	-	114
General and administrative expenses	1,658	1,683
	<u>1,658</u>	<u>1,954</u>

Year ended December 31, 2023

	Controlling shareholder	Other interested, Key Management Personal and related parties
	U.S. dollars in thousands	
Cost of sales	-	138
Selling and marketing expenses	-	77
General and administrative expenses	1,590	1,338
	<u>1,590</u>	<u>1,553</u>

General and administrative expenses in 2023, 2024 and 2025 include share-based payment of approximately \$ 495 thousand, \$ 754 thousand and \$ 613 thousand, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27:- EVENTS AFTER THE REPORTING PERIOD

- a. On February 2, 2026, the Company purchased the remaining share capital of Attractive Scent, see Note 5e.
- b. In March 2026, the Company declared the distribution of a dividend of approximately \$ 6.8 million, representing approximately \$ 0.063 per share.

TURPAZ INDUSTRIES LTD.

FINANCIAL INFORMATION FROM

THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2025

U.S. DOLLARS IN THOUSANDS

INDEX

	<u>Page</u>
Special Independent Auditors' Report	2 - 4
Special Report pursuant to Regulation 9C	5
Financial Data from the Consolidated Statements of Financial Position Attributable to the Company	6
Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income Attributable to the Company	7
Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company	8 - 10
Additional Information	11 - 16



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To:
The Shareholders of
Turpaz Industries Ltd.

Special Independent Auditors' Report on the Separate Financial Information pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

Opinion

We have audited the accompanying separate financial information presented pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Turpaz Industries Ltd. ("the Company") as of December 31, 2025, and for the year then ended.

We did not audit the separate financial information derived from the financial statements of investees, for which the assets net of liabilities attributable to them total approximately \$ 30,194 thousand as of December 31, 2025, and the Company's share of their earnings amounted to approximately \$ 3,197 thousand for the year then ended. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

In our opinion, based on our audit and the reports of the other auditors, the accompanying separate financial information has been prepared, in all material respects, in conformity with the provisions of Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel. Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Separate Financial Information** section of our report. We are independent of the Company, in accordance with the applicable legal provisions in Israel regarding independence and conflict of interest of auditors. Additionally, we have fulfilled our other ethical responsibilities in accordance with the Auditors' Law, 1955 and the regulations thereunder. We believe that the audit evidence we have obtained, including the reports of other auditors, is appropriate and sufficient to provide a basis for our opinion.

Responsibilities of Board of Directors and Management for the Separate Financial Information

The board of directors and management are responsible for the preparation and fair presentation of the separate financial information in conformity with the provisions of Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, and for such internal control as the board of directors and management determine is necessary to enable the preparation of separate financial information that is free from material misstatement, whether due to fraud or error.

In preparing the separate financial information, the board of directors and management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors and management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate Financial Information

Our objectives are to obtain reasonable assurance about whether the separate financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue a special auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial information.

As part of an audit in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- o Identify and assess the risks of material misstatement of the separate financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- o Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and management.



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- o Conclude on the appropriateness of the use by the board of directors and management of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our special auditor's report to the related disclosures in the separate financial information or, if such disclosures are inadequate, to modify our opinion in the special auditor's report. Our conclusions are based on the audit evidence obtained up to the date of our special auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- o Evaluate the overall presentation, structure and content of the separate financial information, including the disclosures, and whether the separate financial information has been prepared, in all material respects, in conformity with the provisions of Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

We communicate with the board of directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Tel-Aviv, Israel
March 10, 2026

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Special Report Pursuant to Regulation 9C

Financial Data and Financial Information from the

Consolidated Financial Statements Attributable to the Company

Below are separate financial data and financial information attributable to the Company from the Group's consolidated financial statements as of December 31, 2025, published as part of the periodic reports ("consolidated financial statements"), presented pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policies applied in the presentation of these financial data are detailed in Note 2 to the consolidated financial statements.

Investees are defined in Note 1c to the consolidated financial statements.

**Financial Data from the Consolidated Statements of Financial Position
Attributable to the Company**

	See item	December 31,	
		2025	2024
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1	108,433	3,539
Trade receivables		13,961	9,991
Other accounts receivable		1,514	880
Inventories		8,322	6,486
		<u>132,230</u>	<u>20,896</u>
NON-CURRENT ASSETS:			
Deferred taxes	3e	320	-
Property, plant and equipment, net		7,831	5,997
Right-of-use assets, net		11,305	7,115
Intangible assets, net		5,650	5,290
Assets less liabilities attributable to investees, net, including goodwill		124,719	91,424
		<u>149,825</u>	<u>109,826</u>
		<u>282,055</u>	<u>130,722</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term credit		1,954	220
Trade payables		4,447	4,122
Other accounts payable	2	4,711	3,658
Current maturities of lease liabilities		1,570	991
		<u>12,682</u>	<u>8,991</u>
NON-CURRENT LIABILITIES:			
Long-term loans from banks, less current maturities		9,166	-
Long-term leases liabilities		10,382	6,553
Employee benefits		41	36
Deferred taxes	3e	-	41
		<u>19,589</u>	<u>6,630</u>
EQUITY:			
Share capital		1	1
Share premium		177,521	75,552
Other capital reserves		(6,563)	(6,023)
Reserve in respect of translation differences		8,167	(7,369)
Retained earnings		70,658	52,940
		<u>249,784</u>	<u>115,101</u>
		<u>282,055</u>	<u>130,722</u>

The accompanying additional information forms an integral part of the financial data and financial information.

March 10, 2026
Date of approval of the
financial statements

Karen Cohen Khazon
CEO and Director

Dr. Israel Leshem
Chairman of the Board

Guy Gill
Executive VP and
CFO

**Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income
Attributable to the Company**

	See item	Year ended December 31,		
		2025	2024	2023
				U.S. dollars in thousands
Revenues from sales		48,608	40,185	25,519
Cost of sales		35,073	29,455	16,415
Gross profit		13,535	10,730	9,104
Research and development expenses		842	893	729
Selling and marketing expenses		2,940	2,600	983
General and administrative expenses		10,398	9,636	7,101
Other expenses (income)		(30)	203	274
Operating income (loss)		(615)	(2,602)	17
Finance expenses (income), net		(1,716)	627	994
Income (loss) before taxes on income		1,101	(3,229)	(977)
Taxes on income	3g	(474)	(185)	46
Equity in earnings of investees, net		16,143	16,863	13,416
Net income attributable to the Company		17,718	13,819	12,393
Other comprehensive income (loss) (net of taxes):				
Amounts that will not be reclassified subsequently to profit or loss:				
Adjustments from translating financial statements from functional currency to presentation currency		23,499	(1,198)	(3,761)
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:				
Adjustments from translating financial statements of foreign operations		(7,963)	(1,127)	5,259
Total comprehensive income attributable to the Company		33,254	11,494	13,891

The accompanying additional information forms an integral part of the financial data and financial information.

**Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company**

	Year ended December 31,		
	2025	2024	2023
U.S. dollars in thousands			
<u>Cash flows from operating activities</u>			
Net income for the year	17,718	13,819	12,393
Adjustments to reconcile net income to net cash provided by (used in) operating activities (a)	<u>(15,735)</u>	<u>(14,225)</u>	<u>(13,163)</u>
Net cash provided by (used in) operating activities	<u>1,983</u>	<u>(406)</u>	<u>(770)</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment and other assets	(1,792)	(1,004)	(1,097)
Proceeds from sale of property, plant and equipment	-	178	-
Change in assets less liabilities attributable to investees	(10,940)	12,392	1,480
Dividend received from subsidiary	-	8,002	4,966
Repayment of liability for purchase of activity	<u>-</u>	<u>-</u>	<u>(39)</u>
Net cash provided by (used in) investing activities	<u>(12,732)</u>	<u>19,568</u>	<u>5,310</u>
<u>Cash flows from financing activities</u>			
Receipt (repayment) of short-term credit	-	(7,164)	3,361
Receipt (repayment) of long-term loans	10,464	(3,110)	(2,207)
Dividend paid	-	(8,002)	(4,966)
Exercise of options	2,993	859	-
Issue of share capital less issue expenses	97,155	-	-
Repayment of long-term lease liabilities	<u>(1,371)</u>	<u>(1,218)</u>	<u>(550)</u>
Net cash provided by (used in) financing activities	<u>109,241</u>	<u>(18,635)</u>	<u>(4,362)</u>
Exchange rate differences on balances of cash and cash equivalents	<u>6,402</u>	<u>(9)</u>	<u>(55)</u>
Increase in cash and cash equivalents	104,894	518	123
Cash and cash equivalents of merged subsidiaries (c)	-	1,294	-
Cash and cash equivalents at the beginning of the year	<u>3,539</u>	<u>1,727</u>	<u>1,604</u>
Cash and cash equivalents at the end of the year	<u><u>108,433</u></u>	<u><u>3,539</u></u>	<u><u>1,727</u></u>

The accompanying additional information forms an integral part of the financial data and financial information.

**Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company**

	Year ended December 31,		
	2025	2024	2023
U.S. dollars in thousands			
(a) <u>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</u>			
Adjustments to profit and loss items:			
Depreciation and amortization	2,801	2,279	1,383
Change in employee benefit liabilities, net	-	-	(56)
Equity in earnings of investees, net	(16,143)	(16,863)	(13,416)
Finance expenses (income), net	(1,716)	627	994
Cost of share-based payment	1,375	1,186	917
Taxes on income	(474)	(185)	46
	<u>(14,157)</u>	<u>(12,956)</u>	<u>(10,132)</u>
Changes in asset and liability items:			
(Increase) Decrease in trade receivables	(2,345)	123	(793)
(Increase) Decrease in other accounts receivable	(469)	(158)	34
(Increase) Decrease in inventories	(838)	1,064	101
Decrease in trade payables	(265)	(859)	(1,859)
Increase (decrease) in other accounts payable	1,307	(279)	202
	<u>(2,610)</u>	<u>(109)</u>	<u>(2,315)</u>
	<u>(16,767)</u>	<u>(13,065)</u>	<u>(12,447)</u>
Cash paid and received during the year for:			
Taxes paid	-	(546)	-
Interest received (paid), net	1,032	(614)	(716)
	<u>(15,735)</u>	<u>(14,225)</u>	<u>(13,163)</u>
(b) <u>Significant non-cash transactions:</u>			
Right-of-use asset recognized with corresponding lease liabilities	<u>4,441</u>	<u>1,043</u>	<u>636</u>

The accompanying additional information forms an integral part of the financial data and financial information.

**Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company**

	Year ended December 31,		
	2025	2024	2023
U.S. dollars in thousands			
(c) <u>Merged subsidiaries:</u>			
Assets and liabilities of the subsidiaries as of the date of the merger:			
Working capital (excluding cash and cash equivalents)	-	1,877	-
Property, plant and equipment	-	2,955	-
Right-of-use assets	-	602	-
Intangible assets	-	1,069	-
Assets less liabilities in respect of investees	-	(6,927)	-
Deferred taxes	-	(12)	-
Lease liabilities	-	(821)	-
Other non-current liabilities	-	(36)	-
	-	1,294	-

The accompanying additional information forms an integral part of the financial data and financial information.

Additional Information1. Cash and cash equivalents attributable to the Company (excluding amounts in respect of investees)

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Cash for immediate withdrawal	4,864	3,539
Cash equivalents - short-term deposits	*) 103,569	-
Total cash and cash equivalents	<u>108,433</u>	<u>3,539</u>

*) As of December 31, 2025, the deposit earns interest of 4.55%-4.65%.

2. Disclosure of financial liabilities attributable to the Company (excluding amounts in respect of investees)a. Accounts payable attributable to the Company:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Employees and payroll accruals	2,041	1,376
Government institutions	1,008	915
Related parties	1,257	1,024
Accrued expenses	378	335
Other payables	27	8
	<u>4,711</u>	<u>3,658</u>

b. Liquidity risk attributable to the Company:

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (including future interest payments):

December 31, 2025

	Less than one year	1 to 5 years	5 years and onwards	Total
	U.S. dollars in thousands			
Trade payables	4,447	-	-	4,447
Other accounts payable	3,703	-	-	3,703
Long-term loans from banks	2,557	10,080	-	12,637
Lease liabilities	1,727	5,607	7,198	14,532
	<u>12,434</u>	<u>15,687</u>	<u>7,198</u>	<u>35,319</u>

Additional Information2. Disclosure of financial liabilities attributable to the Company (excluding amounts in respect of investees) (Cont.)December 31, 2024

	<u>Less than one year</u>	<u>1 to 5 years</u>	<u>5 years and onwards</u>	<u>Total</u>
	<u>U.S. dollars in thousands</u>			
Trade payables	4,122	-	-	4,122
Other accounts payable	2,743	-	-	2,743
Long-term loans from banks	223	-	-	223
Lease liabilities	1,292	3,147	5,006	9,445
	<u>8,380</u>	<u>3,147</u>	<u>5,006</u>	<u>16,533</u>

3. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees)a. Tax laws applicable to the Company:Income Tax (Inflationary Adjustments) Law, 1985

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the "Knesset" (Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal. Since 2008, the amendment to the law includes, among others, the cancellation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year).

The Law for the Encouragement of Capital Investments, 1959 ("the Encouragement Law")

According to the Encouragement Law, the companies are entitled to various tax benefits by virtue of the "approved enterprise" and/or "beneficiary enterprise" status granted to part of their enterprises, as implied by the Encouragement Law.

Additional Information

3. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees) (Cont.)

Amendment 73 to the Encouragement Law

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016, which includes Amendment 73 to the Encouragement Law ("Amendment 73") was enacted. According to Amendment 73, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

Also, the amendment states that dividends distributed to an individual or to "foreign companies", deriving from income from the preferred enterprise will be subject to tax at a rate of 20%.

The Law for the Encouragement of Industry (Taxation), 1969

The Company has the status of an "industrial company", as defined by this law. According to this status and by virtue of regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Adjustments Law.

- b. Tax rates applicable to the Company:

The Israeli corporate income tax rate is 23%.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

- c. Final tax assessments:

The Company's tax assessments through the 2020 tax year are considered final.

- d. Carryforward tax losses and other temporary differences attributable to the Company:

The Company has business losses and capital losses that can be carried forward for tax purposes totaling approximately \$ 3,167 thousand as of December 31, 2025.

The Company created a deferred tax asset totaling approximately \$ 507 thousand in respect of these carryforward losses.

Additional Information3. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees) (Cont.)e. Deferred taxes - composition:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Non-current assets	320	-
Non-current liabilities	-	41
	<u>320</u>	<u>(41)</u>

f. Deferred taxes - movement:

	2025	2024
	U.S. dollars in thousands	
Balance at the beginning of the year	(41)	(354)
Merger with subsidiaries	-	(12)
Changes carried to profit or loss	<u>361</u>	<u>325</u>
Balance at the end of the year	<u>320</u>	<u>(41)</u>

g. Taxes on income included in profit or loss:

	Year ended		
	December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Current tax expenses	-	140	81
Deferred tax expenses (income)	(361)	(325)	24
Taxes in respect of previous years	<u>(113)</u>	<u>-</u>	<u>(59)</u>
Taxes on income	<u>(474)</u>	<u>(185)</u>	<u>46</u>

Additional Information3. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees) (Cont.)h. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Income (loss) before taxes on income	1,101	(3,229)	(977)
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	253	(743)	(225)
Nondeductible expenses	220	308	208
Difference in tax rates	(77)	(161)	(68)
Losses and benefits for tax purposes for which no deferred taxes were created (utilized)	(507)	288	175
Tax benefit in respect of employee options	(474)	-	-
Other differences, net	111	124	(44)
Taxes on income	(474)	(185)	46

4. Material balances, transactions and commitments with investeesa. Receivables from and payables to investees:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Assets less liabilities attributable to investees	38,129	28,969

b. Transactions with investees:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Intercompany sales	42	60	143
Cost of sales	11,392	5,054	4,988

Additional Information

5. Material events during and after the reporting perioda. Merger between the Company and S.D.A Spice Industries Ltd.:

On September 7, 2023, a merger agreement was signed between the Company as the transferee and S.D.A Spice Industries Ltd. as the transferor in accordance with the provisions of Section 103C to the Israeli Income Tax Ordinance (Revised), 1961 ("the Ordinance") after obtaining the approval by the board of directors of each company. As per the merger agreement, the companies will be merged by a share swap according to Section 103C to the Ordinance following which the transferor's entire operation will be transferred to the Company. The effective date of the merger is December 31, 2023. On April 11, 2024, a final approval for the merger was obtained from the Registrar of Companies and S.D.A Spice Industries Ltd. was merged into the Company's operations.

b. On August 24, 2025, the Company completed a private placement of 7,105,000 Ordinary shares with no par value in return for gross proceeds of approximately NIS 330,383 thousand, before issue expenses. The issue expenses amounted to approximately NIS 2,000 thousand and were carried less the share premium. As a result, total net proceeds amounted to approximately NIS 328,383 thousand (approximately \$ 97,155 thousand).

c. In March 2026, the Company declared the distribution of a dividend of approximately \$ 6.8 million, representing approximately \$ 0.063 per share.



Chapter D

Additional details





Chapter D - Additional Details About the Company

Company's name: Turpaz Industries Ltd.

Company's number: 514574524

Address: 10 HaShita St., Caesarea

Telephone: 03-5560913

Fax: 03-5560915

Email address: info@turpaz.co.il

Balance sheet date: December 31, 2025

Report date: March 10, 2026

Regulation 9D: Report of the Status of Liabilities according to Repayment Dates

See immediate report (T126) published by the Company simultaneously with this report. The information included in the said report is incorporated herein by way of reference.

Regulation 10A: Condensed quarterly statements of income

Condensed quarterly income statements on a quarterly basis for the year ended December 31, 2025 (USD thousand):

	For the year ended December 31, 2025	For the three months			
		10-12/25	7-9/25	4-6/25	1-3/25
Revenues from sales	275,148	74,667	76,704	63,418	60,359
Cost of sales	165,127	44,600	44,984	38,703	36,840
Gross profit	110,021	30,067	31,720	24,715	23,519
Research and development expenses	11,046	3,456	3,109	2,311	2,170
Selling and marketing expenses	26,286	7,453	7,603	5,667	5,563
General and administrative expenses	29,464	8,026	8,032	6,885	6,521
Company's share in losses (profits) of companies accounted for by the equity method, net	(764)	(131)	(34)	(230)	(369)
Other expenses	559	762	(363)	160	0
Income from ordinary operations	43,430	10,501	13,373	9,922	9,634
Financing expenses, net	13,218	2,931	4,725	3,075	2,487
Taxes on income	7,557	1,555	2,641	1,624	1,737
Net income	22,655	6,015	6,007	5,223	5,410



Regulation 11: List of Investments in Subsidiaries and Key Associates

Set forth below is a list of the Company's material investments as of December 31, 2025, in each of its subsidiaries and associates:

Company's name	Security type	Par value	Number held	Rate of holdings in equity and voting rights	Value as per separate financial statements (USD thousand)	Loans' balances and key terms (USD thousand)
Companies held directly by the Company						
Chemada Industries Ltd	Ordinary	NIS 0.01 par value	860	100%	12,035	USD 6,875 thousand, 5.6% interest
Turpaz Belgium	Ordinary	of no par value	1,000	100%	227,369	Approx. USD 161,300 thousand, at average interest of approx. 4%.

Regulation 12: List of Investments in Subsidiaries and Associates

As of the report's publication date, there were no changes in investments in subsidiaries and related companies, except for an increase in the Company's holding stake in Aromatique Food SRL through the acquisition of further 35% from the minority shareholders, an increase in the Company's holding stake in WFF through the acquisition of further 10% from the minority shareholders and an increase in the Company's holding stake in Attractive Scent through the acquisition of all shares (31.4%) from the minority shareholders.

Regulation 13: Income of Subsidiaries and Key Associates and Income Therefrom

Company's name	Comprehensive income		Company's revenues in 2025		
	Income (loss)	Other comprehensive income	Dividend	Management fees	Interest
USD thousand					
Companies held directly by the Company					
Chemada Industries Ltd	1,899	1,899	-	-	-
Turpaz Belgium	19,916	23,229	4,413	-	-

Regulation 20: Trading on the Stock Exchange

In 2025 and through the report's publication date, no Company securities were listed, except for shares listed as a result of the exercise of options by employees and an advisor.



Regulation 21: Compensation of Interested Parties and Senior Officers

Following is a breakdown of the compensation paid to each of the five highest paid senior executives of the Company or companies under its control paid to them in connection with their service in the Company or companies under its controlled in 2025 and compensation paid to interested parties in the Company (USD thousand):

Details of compensation recipient				Compensation for services ¹							Other compensation			Total
Name	Title	Appointment percentage	Percentage of holding in corporation's share capital ²	Salary	Bonus	Share-based payment	Management fees	Advisory fees	Fees	Other*	Interest	Rent	Other	
Karen Khazon Cohen ³	CEO and Member of the Board of Directors	100%	37.95%	943	893	-	-	-	-	-	-	-	-	1,836
Guy Gill	EVP and CFO	100%	0.01%	387	93	77								557
Zvi Manor	CEO, Chemada	100%	-	436	58	58								552
Ari Rosenthal	VP, Head of the Taste Division	100%	-	311	65	87	-	-	-	-	-	-	-	463
Ariel Lavi	VP, Legal and Mergers & Acquisitions	100%	-	310	94	58	-	-	-	-	-	-	-	462
Directors														
Directors ⁴					-	-	140	-	-	-	-	-	-	140
Erez Meltzer ⁵	Company director and an advisor until September 2025	25%	-	-	-	8	13	-	-	-	-	-	-	21

¹ The compensation amounts are in terms of cost to the Company.

² Holdings as of the report's publication date.

³ The Company's controlling shareholder. For information about her terms of employment, see Regulation 21(1.1) below.

⁴ Directors fees paid in 2025. Ms. Limor Avidor, external director in the Company, holds 0.01% of the Company's issued and paid up share capital.

⁵ The data include the entire compensation amount for 2025. In September 2025, Mr. Meltzer ceased serving as an advisor to the Company, and continued to serve in his role as a Company director and received directors fees in accordance with the Compensation Regulations



Details of compensation recipient				Compensation for services ¹							Other compensation			Total
Name	Title	Appointment percentage	Percentage of holding in corporation's share capital ²	Salary	Bonus	Share-based payment	Management fees	Advisory fees	Fees	Other*	Interest	Rent	Other	
Interested parties														
Shay Khazon ⁶	Chief Operating Officer at the fragrance segment in Israel	80%	0.01%	224	53	89	-	-	-	-	-	-	-	366
Shir Kesselman ⁷	VP, Head of the Fragrance Division	100%	0.01%	180	47	83	-	-	-	-	-	-	-	310
Alon Granot ⁸	Advisor	50%				356	250							606

⁶ Husband of Ms. Karen Cohen Khazon, the Company's controlling shareholder. Chief Operating Officer at the fragrance segment in Israel through a company under his ownership. For information about the terms of the engagement with him, see Regulation 22(2) below.

⁷ Daughter in law of Ms. Karen Cohen Khazon, the Company's controlling shareholder. For information about her terms of employment, see Regulation 22(1) below. Ms. Kesselman was on maternity leave from March 15, 2025, to September 1, 2025.

⁸ The data include the entire compensation amount for 2025. As from November 27, 2025, Mr. Alon Granot and his wife - Ms. Rivka Granot - are no longer interested parties in the Company by virtue of shareholdings. Mr. Granot continues to render management and advisory services to the Company at a scope of 0.5 FTE, including service as a director in subsidiaries; Mr. Granot holds those positions even after he stopped being an interested party in the Company as described above. For information regarding the terms of engagement with him with respect to the period during which he was an interested party in the Company, see Note 26E to the financial statements.



1. Additional details about the terms to which the above-mentioned recipients of compensation are entitled:

1.1. Karen Cohen Khazon, CEO and Director

Ms. Karen Cohen Khazon, the Company's controlling shareholder, has served as the Chairperson of the Company's Board of Directors and Company's CEO since 2011, and since its initial public offering in May 2021 (hereinafter - "**Ms. Cohen Khazon**"). In light of the expansion of the Company's activities and the need to increase its managerial focus, on December 16, 2025, the Company's Board of Directors resolved to separate the positions of Chairperson and CEO, in a manner that will enable Ms. Cohen Khazon to focus on leading the Group's management and operating activities, and to change the Company's corporate governance structure such that it is consistent with its current size. Accordingly, as from January 1, 2026 Ms. Cohen Khazon serves as the Company's CEO and as a Company director, and Dr. Israel Leshem (who previously served as a Company director) was appointed as the Chairman of the Company's Board of Directors. The monthly management fees payable to Ms. Cohen Khazon in respect of management services as the Company's CEO (including through a company under her control) on a full-time basis as from January 1, 2026 were revised to approx. NIS 283 thousand plus VAT as required by law; the management fees are linked to the Consumer Price Index in respect of October 2025 as published in November 2025 (hereinafter - the "**Management Fees**"). For more information, see the Company's meeting summons report of January 12, 2026 (Ref. No.: 2026-01-005433). For information regarding Ms. Cohen Khazon's terms of service prior to January 1, 2026, see Regulation 21 to Chapter D - Additional Details About the Company, included in the Company's 2024 Periodic Report as published on March 17, 2025 (Ref. No.: 2025-01-017724).

In 2025 Ms. Cohen Khazon was entitled to a performance-based consideration equal to 5% of the aggregate operating income of the Company and its subsidiaries; this consideration will not exceed the amount of the annual management fees paid in respect of that year (and in respect of part of a year, the performance-based consideration will be paid proportionately to Ms. Cohen Khazon's term in office during that year). The amount of the annual bonus in 2025 was approx. USD 893 thousand.

Ms. Cohen Khazon's annual bonus in respect of the entire year in 2026 (i.e., as from January 1, 2026) and thereafter will be derived from the Group's consolidated operating



profit in accordance with the Company's consolidated annual financial statements, as follows: (a) If the operating profit will be lower than or equal to USD 10 million - the bonus rate will be 0%. (b) If the operating profit will be higher than USD 10 million and up to USD 40 million (inclusive) - the bonus rate will be 2.5% of that portion of the operating profit which is within this tier. (b) If the operating profit will be higher than USD 40 million - the bonus rate will be 3.5% of that portion of the operating profit exceeding USD 40 million. In any event, the bonus will be capped at a total equal to NIS 3,900 thousand.

Furthermore, the Company provides Ms. Cohen Khazon with a car, and bears all expenses pertaining to its maintenance, including the grossing up of the tax in respect thereof.

The term of the Management Agreement is three years starting on January 1, 2026, and each of the parties may terminate it by giving a 6-month advance notice in writing. The Management Agreement includes a confidentiality clause whereby Ms. Cohen Khazon undertook to maintain confidentiality with regard to the Company; furthermore, under the agreement, upon the end of the engagement with Ms. Cohen Khazon, the Company may require Ms. Cohen Khazon not to compete with the Company for a 12-month period that will start at the end of the engagement period, in consideration for a monthly amount equal to half the monthly Management Fees amount as they will be as of that date.

1.2. Mr. Guy Gill, EVP and CFO

Mr. Guy Gill has been employed by the Company since April 4, 2022. As from September 18, 2022 Mr. Gill has been serving as the Company's CFO, and on March 18, 2025 he was also appointed as Executive vice president. As from March 17, 2025, Mr. Gill's monthly salary amounts to NIS 80,000.

In 2024-2025 Mr. Gill is entitled to an annual bonus of up to 4 salaries, and as from 2026 he is entitled to an annual bonus of up to 9 salaries, subject to achievement of targets, the resolution of the Company's Board of Directors and officers' Compensation Policy. In respect of 2024 and 2025, the Company's Compensation Committee and Board of Directors approved an annual bonus of 4 salaries.

Furthermore, Mr. Gill is entitled to annual leave, recreation pay, comprehensive pension fund and/or managers insurance, advanced education fund, social benefits that do not exceed those that are normally acceptable for employees in his position, and to



other benefits normally provided by the Company to its employees. Furthermore, the Company provides Mr. Gill with a car as is generally accepted in the Company with respect of officers of his rank, and bears all expenses pertaining to its maintenance.

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving a 60-day advance notice in writing. The employment agreement includes a confidentiality clause whereby Mr. Gill undertook to maintain confidentiality with regard to the Company, and a 6-month non-competition period that will start on termination date.

In September 2022, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options to Mr. Gill, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 20.37 per share, in accordance with and subject to the Company's option plan. In March 2024, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 14.16 per share, in accordance with and subject to the Company's option plan.

1.3. Mr. Zvi Manor, CEO of Chemada

Mr. Zvi Manor (hereinafter - "**Mr. Manor**") has been serving as CEO of Chemada since January 1, 2023, in consideration for a monthly salary of NIS 100,000, of which 70% were taken into account for the purpose of calculating his social benefits. In addition, Mr. Manor is entitled to an annual bonus of up to six salaries, in accordance with the recommendation of the Company's CEO and the decision of the Board of Directors. The amount of the annual bonus in respect of 2025 stood at 2 salaries.

As from March 2026, Mr. Manor has been serving as CEO of Chemada, in consideration for a monthly salary of NIS 80,000, of which 70% were taken into account for the purpose of calculating his social benefits.

Furthermore, Mr. Manor is entitled to annual leave, recreation pay, comprehensive pension fund and/or managers insurance, advanced education fund, social benefits that do not exceed those that are normally acceptable for employees in his position, and to other benefits normally provided by Chemada to its employees. In addition, Chemada provides Mr. Manor with a car, as is generally accepted in Chemada, and bears all expenses pertaining to its maintenance.

On March 19, 2024, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options to Mr. Manor, which are



exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 14.16 per share, in accordance with and subject to the Company's option plan.

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving a 90-day advance notice in writing. The employment agreement includes a confidentiality clause whereby Mr. Manor undertook to maintain confidentiality with regard to Chemada, and a 12-month non-competition period that will start on termination date.

1.4. Mr. Ari Rosenthal, VP Taste Division

Mr. Ari Rosenthal (hereinafter - "**Mr. Rosenthal**"), has been employed by the Company since May 1, 2020. As from March 17, 2025, Mr. Rosenthal's monthly salary is NIS 60,000.

Furthermore, Mr. Rosenthal is entitled to annual leave, recreation pay, comprehensive pension fund and/or managers insurance, advanced education fund, social benefits that do not exceed those that are normally acceptable for employees in his position, and to other benefits normally provided by the Company to its employees.

Furthermore, the Company provides Mr. Rosenthal with a car as is generally accepted in the Company, and bears all expenses pertaining to its maintenance, including the grossing up of the tax in respect thereof.

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving a 180-day advance notice in writing. The employment agreement includes a confidentiality clause whereby Mr. Rosenthal undertook to maintain confidentiality with regard to the Company, and a 12-month non-competition period that will start on termination date.

In March 2022, The Company's Compensation Committee and Board of Directors approved the allocation of 225,000 non-marketable options, which are exercisable into 225,000 ordinary Company shares, at an exercise price of NIS 23.51 per share, in accordance with and subject to the Company's option plan. In March 2024, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 14.16 per share, in accordance with and subject to the Company's option plan.

Mr. Rosenthal is entitled to an annual bonus of up to 4 salaries in respect of 2025, and as from 2026 he is entitled to an annual bonus of up to 6 salaries, subject to achievement



of targets, the resolution of the Company's Board of Directors and officers' Compensation Policy.

In respect of 2025, the Company's Compensation Committee and Board of Directors approved an annual bonus of 3.76 salaries.

1.5. Mr. Ariel Lavi VP, Legal Mergers & Acquisitions

Mr. Ariel Lavi (hereinafter - "**Mr. Lavi**") has been employed by the Company since March 19, 2024. Mr. Lavi's monthly salary is NIS 65,000.

Furthermore, Mr. Lavi is entitled to annual leave, recreation pay, comprehensive pension fund and/or managers insurance, advanced education fund, social benefits that do not exceed those that are normally acceptable for employees in his position, and to other benefits normally provided by the Company to its employees.

Furthermore, the Company provides Mr. Lavi with a car as is generally accepted in the Company with respect of officers of his rank, and bears all expenses pertaining to its maintenance.

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving a 90-day advance notice in writing. The employment agreement includes a confidentiality clause whereby Mr. Lavi undertook to maintain confidentiality with regard to the Company, and a 12-month non-competition period that will start on termination date.

In March 2024, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 14.16 per share, in accordance with and subject to the Company's option plan.

Mr. Lavi is entitled to an annual bonus of up to 4 salaries in respect of 2025, and as from 2026 he is entitled to an annual bonus of up to 6 salaries, subject to achievement of targets, the resolution of the Company's Board of Directors and officers' Compensation Policy.

In respect of 2025, the Company's Compensation Committee and Board of Directors approved an annual bonus of 5 salaries, which includes a bonus of 4 salaries subject to achievement of targets, and an additional bonus which was approved by the Compensation Committee and Board of Directors in respect of special circumstances in accordance with the Compensation Policy.



2. Directors' fees

On May 18 2021, the General Meeting of the Company's shareholders approved that as from the date of the listing of the Company's securities (i.e., May 25 2021), all directors serving in the Company or that will serve in the Company from time to time, except for the directors for whom specific compensation terms were set (as of the report publication date: Ms. Karen Cohen Khazon, Dr. Israel Leshem and Mr. Shay Khazon), will be entitled to participation compensation in respect of participation in meetings and to an annual compensation in accordance with the rules set in the Companies Regulations (Rules Regarding Compensation and Expenses for External Director), 2000 (hereinafter - the "**Compensation Regulations**"). The compensation will be equal to the "fixed amount", as it shall be from time to time, in accordance with the Company's rank.

On January 1, 2026, Dr. Leshem started serving as the Chairman of the Company's Board of Directors at a scope of 0.5 FTE in exchange of monthly management fees of NIS 100,000 plus VAT as required by law; the management fees are linked to the Consumer Price Index in respect of October 2025 as published in November 2025. Furthermore, in accordance with the resolution of the Company's Board of Directors of December 16, 2025 and further to the approval of the General Meeting of 22.1.2026, Dr. Leshem was allocated 60,000 unlisted options at an exercise price of NIS 63.18 per share. In 2025 Dr. Leshem waived his directors fees. For more information, see the Company's meeting summons report of January 12, 2026 (Ref. No.: 2026-01-005433).

In 2024-2025, Mr. Erez Meltzer provided the Company with advisory services of approx. 10 hours per month in consideration for NIS 5,000 per month in addition to directors fees in accordance with the Compensation Regulations. In view of the decrease in the scope of services rendered to the Company, its Compensation Committee and Board of Directors approved the termination of the advisory services agreement effective September 2025. Mr. Meltzer's term in office as a Company director continued, and he is still entitled to directors fees in accordance with the Compensation Regulations.

Regulation 21A: Control of the Corporation

The Company's controlling shareholder is Ms. Karen Cohen Khazon, who holds approx. 37.95% of the Company's issued and paid-up share capital.

Regulation 22: Transactions with the controlling shareholder or in which the controlling shareholder has a vested interest

Other than Ms. Karen Cohen Khazon's service and employment conditions, including her



entitlement to officers and directors insurance, indemnification and exemption undertaking, and except as described below, the Company has no transactions with the controlling shareholder, or in which the controlling shareholder has a vested interest:

For information about the terms of employment of Ms. Karen Cohen Khazon as the Company's CEO, see Regulation 21(1.1) above.

For information regarding the approval of the exemption and indemnification letter to the controlling shareholder or her relatives, see Regulation 29 below.

1. Engagement with Ms. Shir Kesselman, VP Fragrance Division

Ms. Shir Kesselman (hereinafter - "**Ms. Kesselman**"), the daughter in law of the Company's controlling shareholder, has been employed by the Company since 2014. On June 29, 2023 Ms. Kesselman was appointed as VP at the Fragrances Division of the Company, and as from June 2024 she is entitled to NIS 55 thousand per month. Furthermore, Ms. Kesselman is entitled to annual leave, recreation pay, pension fund and managers insurance, social benefits that do not exceed those that are normally acceptable, and to other benefits normally provided by Company to its employees.

Furthermore, the Company provides Ms. Kesselman with a car as is generally accepted in the Company, and bears all expenses pertaining to its maintenance, including grossing up of the tax in respect thereof.

The term of the employment agreement is three years starting on May 26, 2024, and each of the parties may terminate it by giving advance notice in writing in accordance with the law. Ms. Kesselman's employment agreement includes a confidentiality clause.

In May 2022, an extraordinary meeting of the Company's shareholders approved, after approval by the Company's Compensation Committee and Board of Directors, the allocation of 105,000 options to Ms. Kesselman, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 23.51 per share, in accordance with and subject to the Company's option plan. Furthermore, in April 2024, an extraordinary meeting of the Company's shareholders approved, after approval by the Company's Compensation Committee and Board of Directors, the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 15.96 per share, in accordance with and subject to the Company's option plan.

The extraordinary meeting of the Company's shareholders also approved that Ms. Kesselman will be entitled to an annual bonus of up to three monthly salaries, in accordance with



achievement of measurable targets, which are determined by the Company's Compensation Committee and Board of Directors. Accordingly, an annual bonus of 2.97 salaries based on measurable targets was approved for Ms. Kesselman in respect of 2025.

2. Engagement with Mr. Shay Khazon, Chief Operating Officer of the Fragrance Segment in Israel

As from March 15, 2015, Mr. Shay Khazon, the husband of Ms. Karen Cohen Khazon, the Company's controlling shareholder, has been providing the Company services relating to operation, supply chain and maintenance through a privately held company he owns (hereinafter - "**Mr. Khazon**" and the "**Management Agreement**", respectively). As from April 2024, in consideration for the management services provided over 4 days a week, on average, Mr. Khazon is entitled to monthly management fees of NIS 61,740 linked to the CPI in respect of April 2024, and reimbursement of car maintenance expenses for a period of 3 years.

Mr. Khazon is entitled to the funding of his trips abroad on behalf of the Group, including accommodation and sustenance, provided that any such expense shall be approved in advance and in writing by the Company's CEO. The term of the Management Agreement is three years starting on May 26, 2024, and each of the parties may terminate it by giving a 90-day advance notice in writing; in accordance with the advisory services agreement, Mr. Khazon undertook to maintain confidentiality vis a vis the Company.

In May 2022, an extraordinary meeting of the Company's shareholders approved, after approval by the Company's Compensation Committee and Board of Directors, the allocation of 157,000 options to Mr. Shay Khazon, which are exercisable into 157,000 ordinary Company shares, at an exercise price of NIS 23.51 per share, in accordance with and subject to the Company's option plan. In addition, in April 2024, an extraordinary meeting of the Company's shareholders approved, after approval by the Company's Compensation Committee and Board of Directors, the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 15.96 per share, in accordance with and subject to the Company's option plan.

The extraordinary meeting of the Company's shareholders also approved that Mr. Khazon will be entitled to an annual bonus of up to three monthly salaries, in accordance with achievement of measurable targets, which are determined by the Company's Compensation Committee and Board of Directors. Accordingly, an annual bonus of 2.83 salaries based on measurable targets was approved for Mr. Khazon in respect of 2025.



Regulation 24: Holdings of Interested Parties and Senior Officers

For information about the holdings of interested parties and officers in the Company, see the Company’s immediate report of January 6, 2026 (Ref. No.: 2026-01-002259). The information included in the said report is incorporated herein by way of reference.

Regulation 24A: Registered Capital, Issued Capital and Convertible Securities of the Corporation

For information about registered capital, issued capital and convertible securities of the Company, see the Company’s immediate report of March 4, 2026 (Ref. No.: 2026-01-019408). The information included in the said report is incorporated herein by way of reference.

Regulation 24B: The Corporation’s Shareholder Register

For information about the Company’s shareholder register, see the Company’s immediate report of March 4, 2026 (Ref. No.: 2026-01-019408). The information included in the said report is incorporated herein by way of reference.

Regulation 25A: Registered Address - for information about the Company’s address and the ways of making contacts therewith, see the top of this chapter.



Regulation 26: The Corporation's Directors

Set forth below are details regarding the Company's directors:

	Karen Cohen Khazon	Israel Leshem	Erez Meltzer	Shay Shlomo Khazon	Ohad Finkelstein	Limor Avidor	Mordechai Peled
I.D. Number	024429227	051210177	065861338	058641549	057180127	022772628	056092711
Date of Birth	25.8.1969	26.4.1952	30.7.1957	5.2.1964	25.1.1961	07.09.1967	21.10.1959
Address for service of legal documents	10 HaShita St., Caesarea	10 HaShita St., Caesarea	55 Ha'Maayan, Ra'anana	23 Iytzhar, Ramat HaSharon, 4721563	67 Ha'Shahar, Ra'anana	12 Lunz St., Tel Aviv	47 Ha'Nesher, Ra'anana, 4372633
Citizenship	Israel	Israel	Israel, USA	Israel	Israel	Israel	Israel
Membership in Board of Directors committees	No	No	No	No	The Audit Committee and the Compensation Committee	The Audit Committee and the Compensation Committee	The Audit Committee and the Compensation Committee
External director	No	No	No	No	No	Yes	Yes
Independent director	No	No	No	No	Yes	No	No
Director with accounting and financial expertise or professional qualification	Accounting and financial expertise	No	Accounting and financial expertise	No	No	No	Accounting and financial expertise
Employee of the corporation, subsidiary, related	The Company's CEO ⁹ and a director in the Company and in subsidiaries of the Company.	Chairperson of the Company's Board of Directors and director in	Director in Chemada	Chief Operating Officer at the fragrance segment in Israel	No	No	No

⁹ As from January 1, 2026, Ms. Cohen Khazon serves as the Company's CEO and as a Company director, and Dr. Israel Leshem (who previously served as a Company director) was appointed as the Chairman of the Company's Board of Directors.



	Karen Cohen Khazon	Israel Leshem	Erez Meltzer	Shay Shlomo Khazon	Ohad Finkelstein	Limor Avidor	Mordechai Peled
company or of an interested party		subsidiaries of the Company.					
The date on which he/she began his/her term as a director	1.1.2011	1.1.2011	18.5.2021	18.5.2021	30.5.2021	4.7.2021	4.7.2021
Education	B.Sc. Organic Medicinal Chemistry, Bar Ilan University MBA - Strategic Planning, London Business School MBA - expertise in financing - Tel Aviv University The PON Program, Harvard Law and Business Administration School	LLB, Tel Aviv University, Doctor of Juridical Science (SJD), Harvard University	BA and MA in Economics, Mathematics and Business Administration, Hebrew University of Jerusalem and Boston University; Advanced Management Course, Harvard University.	B.Sc. Civil Engineering, expertise in construction and management, the Technion. M.Sc. Civil Engineering, expertise in management, the Technion.	Graduate of PoliSci and Marketing. UCLA	BA in Behavioral Sciences, Ben Gurion University	BA in Economics and Management, Tel Aviv University MBA, Tel Aviv University
Occupation in the past five years:	Chairperson of the Company's Board of Directors and Company CEO.	Partner in Meitar Law Offices	Chairman of the Board of Directors and director in various companies: The Hadassah Medical Center (PBC), Hadasit Ltd. Hadasit Bio-Holdings, Hadassah Medical, SupPlant Technologies,	Chief Operating Officer at the fragrance segment in Israel	Partner - Market LLC (2011 to date); managing partner - Danli Capital Ltd. (2007 to date)	Deputy CEO and Company Secretary, Mivtach Shamir Holdings Ltd. (33 years).	CEO, Pelgo Ltd. since 1999. CEO of Maccabi Tel Aviv Basketball Club 1995 Ltd.



	Karen Cohen Khazon	Israel Leshem	Erez Meltzer	Shay Shlomo Khazon	Ohad Finkelstein	Limor Avidor	Mordechai Peled
			SupPlant Agro-Projects, Plantis Agro, Ericom Software, Eltek, Resdevco, Jem Pharma, Capital Nature, Xenia, ATLASense Biomed, Tevel Aerobotics, Smart Agro, Nano-X Imaging, Mentfield, Rivulis, Diesenhau Group, Ud Nof, Atid-M, lecturer at the Tel Aviv University, and at the Peres Academic Center				
Other corporations in which he/she serves as a director	Director in the Company and in Group subsidiaries, K Vision Holdings and BKP Medical	Chairman of the Board of Directors of the Company, Dr. Israel Leshem, Law Firm, Chemada, Turpaz UK, Corinthus, Meitar Trust Services	Nano-X Imaging, Hadasit Bio-Holdings, ATLASense Biomed, Resdevco, Jem Pharma, Chemada, Eltek, SupPlant, Rivulis, Tevel Aerobotics, Capital Nature, Xenia, Mentfield, Diesenhau Group, Ud Nof, Atid-M, Friends of Loewenstein Rehabilitation		Idomoo, Overwolf, KWSC, BankM, Team8, Cosmose, Takara Capital and AI2c	Hod Ha'Sharon Towers Ltd., Jarvinia Holdings Ltd., Mivtach Or (2021) for the Elderly (Gedera) Ltd., Kesem Energy Ltd., Mivtach Shamir Finance Ltd., Chan Hanamal Ltd., M.B.S.T Real Estate Ltd., Mivtach Shamir Energy 2022 Ltd., M.S.N.M Real Estate Ltd., Galum Investments Ltd., Ili	Pelgo Ltd. and Razor Labs Ltd.



	Karen Cohen Khazon	Israel Leshem	Erez Meltzer	Shay Shlomo Khazon	Ohad Finkelstein	Limor Avidor	Mordechai Peled
			Medical Center, the Or Movement NGO			Investments Ltd., Sanlakol Ltd. and Shamir Energy Group (2023) Ltd.	
Relative of an interested party	Wife of Mr. Shay Khazon, Chief Operating Officer, Head of the Fragrances segment in Israel	No	No	Husband of Ms. Karen Khazon Cohen, CEO of the Company.	No	No	No



Regulation 26A: Senior Officers

Set forth below is information about each of the Company's officers, whose details were not provided in accordance with Regulation 26:

	Ari Rosenthal	Guy Gill	Shir Kesselman	Shauli Eger	Tamar Wolf	Ariel Lavi	Michal Zlotnikov	Yoni Adini Cohen	Idan Shabtay
I.D. Number	057197550	24223380	204330757	027384460	514574524	043367838	036445401	204270623	308408194
Date of Birth	15.5.1961	2.2.1969	21.6.1993	9.12.1974	5.5.1976	8.9.1981	11.12.1978	20.6.1992	18.2.1993
Date of start of service as an officer	1.5.2020	18.9.2022	16.11.2022	26.3.2023	26.3.2023	19.3.2024	1.11.2025	26.3.2023	11.12.2022
Position in the Company, subsidiary, related company of the Company or an interested party thereof:	VP, Head of the Taste Division Director in Group subsidiaries	EVP and CFO Director in Group subsidiaries	VP, Head of the Fragrance Division	Chief IT Officer	VP, Head of Business Development Director in a Group subsidiary	VP Legal Mergers & Acquisitions	VP, Human Resources	General Counsel	Group's Comptroller
Relative of another senior officer or another interested party in the Company:	No	No	Yes, Daughter in law of Ms. Karen Cohen Khazon, the controlling shareholder	No	No	No	No	No	No



	Ari Rosenthal	Guy Gill	Shir Kesselman	Shauli Eger	Tamar Wolf	Ariel Lavi	Michal Zlotnikov	Yoni Adini Cohen	Idan Shabtay
Education	BA, Science and Economics, University of Haifa; MA Public Administration, Haifa University	BA, Economics and Accounting, University of Haifa CPA - Israel CPA Council	BA, Economics and Business Administration, College of Management Academic Studies	Certified Systems Engineer	BA, Economics and Business Administration, University of Haifa MBA, The Technion	BA Economics and LLB, University of Haifa	BA in Business Administration, expertise in marketing, Ruppin Academic Center.	LL.B, expertise in Law and Governance, Reichman University MBA, Bar-Ilan University.	BA, Economics and Accounting, University of Haifa CPA - Israel CPA Council LL.M, University of Haifa
Business experience in the past five years:		Head of PMI in the Company and Company CFO.	Head of Global Sales in Turpaz Group	IT business partner at Philips Medical, Head of IT at Wavelength	VP, Head of Business Development in the Company	Owners of Ariel Lavi Law Firm.		Company's Legal Counsel, Attorney at Naschitz, Brandes, Amir Co.	Group's Comptroller KPMG - CPA.



Regulation 26: The Corporation's Authorized Signatory

As of the report's date, the Company does not have independent authorized signatories.

Regulation 27: The Company's Independent Auditor

EY - Ernst & Young, of 144A Menachem Begin Road, Tel Aviv Yaffo.

Regulation 28: Change in the Memorandum or Articles of Association of the Corporation

During the reporting period, no changes were approved in the Company's Memorandum or Articles of Association.

Regulation 29: Recommendations and Resolutions of the Board of Directors

The Board of Directors' recommendations to the General Meeting and their resolutions that do not require the approval of the General Meeting:

In a meeting held on March 10, 2026, the Company's Board of Directors approved the distribution of a dividend to the Company's shareholders totaling approx. USD 6.8 million. For information, see immediate report published concurrently with this report.

Regulation 29A: Company's Resolutions

1. Directors and officers liability insurance:

On December 14, 2025, the Compensation Committee approved - subject to approval of the Company's revised Compensation Policy, which was approved on January 22, 2026 by an extraordinary meeting of the Company's shareholders, the coming into force of an officers insurance policy (including officers who are controlling shareholders and/or their relatives) as from January 22, 2026 for a period of 18 months. The policy includes a liability limit per case and per period of up to USD 100 million, annual premium of USD 138,570 and a deductible of USD 7.5 thousand, except for claims in the USA and Canada, in respect of which the deductible amount will be USD 35 thousand, and claims concerning the breach of the Israeli securities law, in respect of which the deductible amount will be USD 75 thousand.

2. Indemnification and exemption:

On May 13 2021, the Company's Board of Directors approved the award of indemnification to any person serving as a Company officer (including directors), including a Company officer who serves on behalf of the Company in a subsidiary and/or related corporation of the Company and/or another corporation (including a foreign corporation), the securities and/or voting rights and/or right to appoint directors in which the Company holds and/or will hold from time to time; the Board of Directors' resolution was approved by the General Meeting of the Company's shareholders on May 18 2021. The indemnification undertaking was granted in respect of liabilities and expenses in accordance with the Companies Law, in connection with a series of events (grounds for indemnification) listed in the letter of indemnity. In accordance with the Company's Compensation Policy, which was approved on January 22, 2026 by an extraordinary meeting of the Company's shareholders, the maximum cumulative



indemnification amount that the Company may pay all officers in accordance with the letter of indemnity shall not exceed 25% of the Company's shareholders' equity in accordance with its latest financial statements as they will be as of the indemnification payment date; to all directors and officers.

Furthermore, on May 13, 2021, the Company's Board of Directors decided to exempt the Company's officers as aforesaid (including directors) in advance from a liability in respect of damage that was caused and/or will be caused to the Company by the officer due to breach of his/her duty of care to the Company, except in a case of breach of duty of care in distribution, as defined in the Companies Law; this resolution was approved by the Company's shareholders meeting on May 18, 2021.

On January 22, 2026, an extraordinary meeting of the Company's shareholders approved the renewal of the exemption and indemnification letter to the controlling shareholder and/or her relatives and/or to anyone, in the engagement with whom the controlling shareholder has a vested interest, who will serve as Company officers from time to time.

Turpaz Industries Ltd.

Date: March 10, 2026

<u>Names of signatories:</u>	<u>Titles:</u>	
Karen Cohen Khazon	CEO and Member of the Board of Directors	_____
Israel Leshem	Chairman of the Board of Directors	_____



Chapter E

Effectiveness of internal control over financial reporting





Annual report regarding the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 9B(a) to the Securities Regulations (Periodic and Immediate Reports), 1970, for 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 Director
2. Guy Gill, EVP & CFO
3. Shauli Egar, VP IT
4. Yoni Adini Cohen, General counsel
5. Idan Shabtay, Group Comptroller

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.



Management, under the supervision of the Board of Directors, tested and assessed the internal control over financial reporting and disclosure, and its effectiveness. The assessment of the effectiveness of internal control over financial reporting and disclosure executed by management under the supervision of the Board of Directors included:

Mapping and identifying the accounts and processes that the Company considers material to financial reporting and disclosure. Evaluating key controls and assessing their effectiveness. The components of internal control included controls over the financial closing process, including the preparation of financial statements and related disclosures, entity-level controls and IT general controls, and controls over business processes, including: (1) controls over the procurement process, materials consumption and inventory; (2) the sales and receivables process; and (3) business combinations and impairment testing of intangible assets.

Based on the assessment of the effectiveness of internal controls carried out by management under the supervision of the Board of Directors as described above, the Corporation's management and Board of Directors reached the conclusion that the internal controls over financial reporting and disclosure in the Corporation as of December 31, 2025, is effective.



Statement of the Chief Executive Officer in accordance with Regulation 9B(D)(1):

Statement of the Chief Executive Officer

I, Karen Cohen Khazon, hereby declare that:

- (1) I have reviewed the periodic report of Turpaz Industries Ltd. (hereafter – the “**Corporation**”) for the year 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) have assessed the effectiveness of internal controls over financial reporting and disclosure, and presented in this report the Board of Directors and management’s conclusions as to the effectiveness of such internal controls as of the Reports’ date.



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

March 10, 2026

Karen Cohen Khazon,
CEO and Director



Statement of the Most Senior Financial Officer Pursuant to Regulation 9B(D)(2):

Statement of the Most Senior Financial Officer:

I, Guy Gill, hereby declare that:

- (1) I have reviewed the financial statements and other financial information included in the reports of Turpaz Industries Ltd. for the year 2025 (hereafter – the “**Reports**”).
- (2) To the best of my knowledge, the financial statements and other financial information included in 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 insofar as they relate to the financial statements and the other financial information included in the reports 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, to the extent that it is relevant to the financial statements and the other financial information included in the Reports 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) have assessed the effectiveness of internal controls over financial reporting and disclosure, to the extent that they relate to the financial statements and the other financial information included in the Reports as of the Reports' date; my conclusions as to my assessment as stated above were presented to the Board of Directors and management and integrated into this report.

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

March 10, 2026

Guy Gill, EVP & CFO