



Quarterly Report

for the period ended March 31, 2026

Turpaz Industries Ltd.

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Chapter A

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





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

For the period ended March 31, 2026

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 jointly with its subsidiaries - “**Turpaz**” or the “**Group**” and the “**Report**”, respectively), for the period ended March 31, 2026 (hereinafter - the “**Reporting Period**”), in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the “**Reporting Regulations**”). This report was prepared assuming that the Description of the Corporation's Business chapter as included in Chapter A to the 2025 Periodic Report, which was published on March 11, 2026 (Ref. No.: 2026-01-021391) (hereinafter - the “**2025 Periodic Report**”) is available to the reader. Unless otherwise stated, terms included in this report shall have the meaning assigned to them in the 2025 Periodic Report.

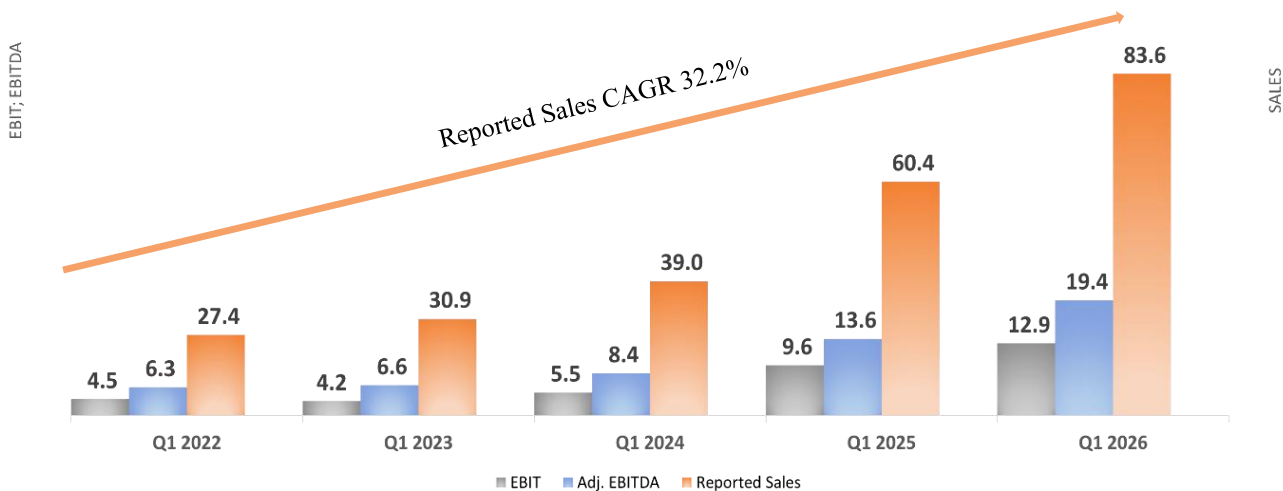
The implementation of Turpaz's mergers and acquisitions strategy in combination with strong organic¹ growth, led to record results in the first quarter, with a double-digit increase in sales, gross profit, operating profit, adjusted EBITDA² and net income.

- Turpaz's sales grew by approx. **38.6%** compared to the corresponding quarter last year reaching a record level of approx. **USD 83.6 million**, an increase arising from a **high organic growth of approx. 9.0%** and from acquisitions completed in 2025. Turpaz's sales, in combination with the sales of the companies acquired in the USA and in France since the beginning of 2026 reflect an **annualized sales run rate³ of approx. USD 380 million**.
- Adjusted EBITDA increased by approx. **42.4%** compared to the corresponding quarter last year and amounted to approx. **USD 19.4 million**, the adjusted EBITDA margin as a percentage of sales amounted to approx. **23.2%**, operating profit increased by approx. **33.6%** and amounted to approx. **USD 12.9 million**, net income increased by approx. **104.5%** and amounted to approx. **USD 11.1 million**, and constituted approx. **13.2%** of sales, and Non-GAAP net income increased by approx. **48.8%** and amounted to approx. **USD 11.7 million** and constituted approx. **14.0%** of sales.

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 2025 were consolidated as from January 1, 2025.

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.



- Since the beginning of 2025 and through the report publication date, Turpaz completed 8 merger and acquisition transactions in the **USA, France, England, Belgium, Poland, India 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 below and 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 was incorporated and registered in Israel as a private company limited by shares on February 10, 2011.

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

The Company operates, independently and through its subsidiaries 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, home fragrance and 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.

As of this report's publication date, the Group develops, produces, markets and sells products to more than approx. 4,800 customers in more than 95 countries, and operates 30 manufacturing facilities, R&D centers, laboratories and sales, marketing and regulation offices across the world, which employ approx. 1,100 employees.

Combined growth strategy:

Turpaz Group's strategy is based on combined growth that includes targets of double-digit growth and improvement of the Group's geographic deployment through 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 governance and control processes, 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.

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.



Acquisition of a fragrance and taste extracts Company in the USA - Phoenix:

On May 1, 2026, the Company completed, through Klabin-Turpaz⁴, the acquisition of 100% of the share capital of Phoenix Flavors & Fragrances Inc., a privately-owned company (hereinafter - “**Phoenix**”), from a private American investment fund (hereinafter - the “**Seller**”) in consideration for USD 95 million⁵, which was paid on the signing date and an additional consideration of up to USD 5 million, which is based on Phoenix’s performance during the second and third quarter of 2026. The transaction was funded out of Turpaz’s own sources.

Phoenix is engaged in the development, manufacturing, marketing and sale of fragrance extracts, which are mainly used in air care, personal care and home fragrance products, and taste extracts for the food and beverages industry. Phoenix has a broad customer base comprising hundreds of customers alongside a range of products and solutions for the fragrance and flavor industry.

In recent years, Phoenix worked to expand its activities and establish its position in the field of fragrance and flavors in the USA through, among other things, acquisition of companies whose activities supplement its activity in the USA⁶ and through integration and streamlining steps. During 2025, Phoenix completed a comprehensive reorganization and streamlining plan, under which the fragrance extracts manufacturing sites were consolidated and a new dedicated site was constructed for the taste extracts activity in Indiana; Phoenix also implemented advanced computer systems - moves which improved Phoenix’s operational efficiency and enhanced its expense structure. In the USA, Phoenix operates⁷ a fragrance extracts manufacturing site in New Jersey (Norwood) at an area of approx. 3.5 thousand sq. m, a taste extracts manufacturing site in Indiana (South Bend) at an area of approx. 2 thousand sq. m, and an innovative R&D center with advanced development capabilities in New Jersey (Redbank) at an area of approx. 1.2 sq. m.

This acquisition enhances and expands Turpaz’s activity in North America - one of the key global fragrance and taste extracts markets, and provides Turpaz with a full operational

⁴ Klabin-Turpaz, Inc., a privately-owned American company wholly-owned (100%) by Turpaz, which was acquired by Turpaz in 2022.

⁵ The consideration includes net debt repayment of approx. USD 63 million. In addition, the above consideration includes working capital adjustments and net debt estimated as of the completion date, which are subject to final immaterial adjustments, which will be set within two quarters from the transaction completion date.

⁶ In 2017, Phoenix acquired Ascent Aromatics, which is engaged in the distribution of fragrance extracts and aroma chemicals; in 2018, it acquired Creative Concepts, which specializes in R&D in the fields of fragrances and tastes, and in 2022 it acquired Innovative Fragrances, which specializes in the development and manufacturing of fragrance extracts.

⁷ Through long-term leases.



activity platform in the USA, comprising development, manufacturing and marketing capabilities, which is expected to support its continued growth in the region. Phoenix is expected to be incorporated directly into Turpaz's fragrance extracts activity in the USA through, among other things, consolidation and transfer of the Klabin-Turpaz's¹ manufacturing activity to Phoenix's manufacturing site in New Jersey. This move is expected to increase operational efficiency and cost savings and improve the expense structure of Turpaz's activity in the USA. In addition, the consolidation of the fragrance and taste extracts activity in the USA is expected to contribute to the creation of a synergetic Group activity in North America and to the enhancement of its sales and customers function, through, among other things, combining the customer bases, expanding the product offering and increasing the activity involving existing customers (cross-selling), while leveraging the companies' development and innovation capabilities. Turpaz estimates that over the course of the coming quarters synergies totaling approx. USD 2 million are expected to materialize as a result of the consolidation of Klabin-Turpaz and Phoenix's activities. In addition, the acquisition is expected to generate synergies with Turpaz's fragrance extracts activity in the field of fine fragrances through, among other things, consolidating development capabilities, broadening the product offering and increasing the Group's activity involving global customers in this area of activity.⁸

Acquisition of a fragrance extracts Company in France - Romessence:

On May 12, 2026, the Company completed - through Turpaz Belgium, the acquisition of 70% of the share capital of Romessence SAS - a French privately-owned company located at the heart of the global perfume industry, in Grasse (hereinafter - "**Romessence**") from its founders in consideration for approx. EUR 22.6 million. The transaction was financed through long-term bank financing. The agreement includes a put/call option for the acquisition of Romessence's remaining shares (approx. 30% of its share capital), which is exercisable starting three years from the transaction completion date, at an exercise price, which is based on Romessence's business performance in the period from January 1, 2026 through the option's exercise date, which will be paid in cash or in Turpaz shares to be

⁸ It is emphasized that the Company's assessments and financial estimates as per this report, including with regard to the generation of synergies and the improvement of the profitability of the Group's activity in North America constitute forward-looking information as defined in the Securities Law, 1968. Such information is based on Company management's estimates, forecasts and assumptions as of the reporting date, which may not materialize, in whole or in part, or may materialize in a manner different than expected, due to, among other things, changes in market conditions and in the business environment, and as a result of the materialization of the risk factors detailed in Section 1.28 to Chapter A to the Company's 2025 Periodic Report.



allocated in accordance with their average price in the 30 calendar days preceding the exercise date as decided by the founders.

Romessence, which was founded in 1997, develops, manufactures, and markets fragrance extracts for the fine fragrances industry, as well as for personal care products, cosmetics and air care products. Romessence has an extensive and diverse customer base in Europe, Asia, Central America, Africa and the Middle East, and it offers a wide range of solutions and products for the global fragrances industry. Romessence 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 (near Attractive Scent's plant).

This acquisition further implements Turpaz's growth strategy for its fragrances division, and specifically the expansion of its activity in the fine fragrances segment at the heart of the global perfume industry, in Grasse, South of France. Together with Attractive Scent, Romessence creates a platform in the field of fine fragrances. The two companies complement one another in terms of their geographic markets, customers and segments in this field.

Events during the reporting period and subsequent to balance sheet date

- 1.1 Further to Note 5E to the Company's financial statements as of December 31, 2025 regarding the addendum to the acquisition agreement of Attractive Scent (hereinafter - the "**French Company**"), on March 18, 2026 the Company completed the allocation of the shares to the two sellers (the French Company's founders) as part of the consideration in respect of the acquisition of the French Company's remaining shares.
- 1.2 On March 29, 2026, the Company exercised an option to acquire the remaining shares of the subsidiary Balirom Ltd. from the minority shareholders in accordance with agreements between the parties, for a total consideration of approx. NIS 14,178 thousand, such that subsequent to the exercise of the option, the Company holds 100% of the issued and paid-up share capital of Balirom Ltd.
- 1.3 On March 31, 2026, the Company submitted to the Registrar of Companies a merger offer in connection with an immaterial merger of the Company with Balirom Ltd., a wholly-owned subsidiary of the Company, such that the Balirom will merge with and into the Company. The execution of the merger and its completion are subject, among other things, to the submission of a notice to the Israel Tax Authority in accordance with the provisions of Section 103 to the Income Tax Ordinance and the regulations promulgated thereunder, for obtaining third-party approvals, if required, and for the execution of the actions required to complete the merger in accordance with the Companies Law and the Companies Regulations (Merger), 2000.



- 1.4 In a meeting held on March 10, 2026, the Company's Board of Directors approved the distribution of dividend totaling approx. USD 6.8 million to the Company's shareholders; the dividend was paid on April 29, 2026.
- 1.5 On January 22, 2026, an extraordinary meeting of the Company's shareholders resolved as follows: (1) The compensation policy regarding the terms of service and employment of the Company's officers; (2) 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) 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) 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).
- 1.6. On May 14, 2026, the Company published a shelf prospectus dated May 15, 2026. For further details, see the Company's immediate report dated May 14, 2026 (Reference No.: 2026-01-044812).
- 1.7. For information regarding material events during and subsequent to the reporting period, see Section 1 above regarding the acquisition of Phoenix in the USA and the acquisition of Romessence in France, and Note 4 to the financial statements.



2. Financial position

Set forth below are key balance sheet data included in the Company's financial statements (in USD thousand) and an explanation of key changes:

	March 31, 2026	March 31, 2025	December 31, 2025	Company's explanations compared to December 31, 2025
Current assets	267,641	126,785	257,749	The change arose from an increase in the trade receivables balance due to the growth in sales and in the scope of the Group's activities.
Non-current assets	446,466	303,137	456,185	The change arose mainly from a decrease in intangible assets due to the appreciation of the dollar against most of the currencies in the group, mainly against the Euro.
Total assets	714,107	429,922	713,934	
Current liabilities	151,679	80,311	114,473	The increase arose mainly from classification of liabilities in respect of put options as short-term liabilities and from a dividend payable.
Non-current liabilities	263,088	196,261	306,022	The decrease arose mainly from repayment of a liability in respect of put options and from classification as short-term liabilities.
Total equity	299,340	153,350	293,439	The increase arose mainly from a net income of approx. USD 11.1 million in the reporting period and from the exercise of non-tradable options of employees offset against a dividend of approx. USD 6.8 million and translation differences due to changes in exchange rates of currencies.
Total liabilities and equity	714,107	429,922	713,934	



3. Operating results

3.1. Set forth below is an analysis of the 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 three-month period ended March 31, 2026	For the three-month period ended March 31, 2025	For the period ended December 31, 2025	Company's explanations compared to the corresponding period last year
Revenues from sales	83,641	60,359	275,148	Revenues from sales increased by approx. 38.6% . The growth arose from companies whose acquisition was completed in 2025, from the effect of currencies, which contributed approx. 10.5% to growth and from high organic growth of approx. 9.0% , net of currency effects.
Cost of sales	48,612	36,840	165,127	The gross profit increased by approx. 48.9% , mainly in view of the increase in sales. The improvement in profitability also arose from streamlining measures, exhaustion of synergies between Group companies, and continued high growth rate.
Gross profit (% of sales)	35,029 41.9%	23,519 39.0%	110,021 40.0%	
Research and development expenses (% of sales)	3,670 4.4%	2,170 3.6%	11,046 4.0%	The increase arose from the consolidation of the results of operations of companies, whose acquisition was completed during 2025, and amortization of intangible assets in respect of those acquisitions.
Selling and marketing expenses (% of sales)	8,491 10.2%	5,563 9.2%	26,286 9.6%	The increase arose from the consolidation of the results of operations of companies, whose acquisition was completed during 2025, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	9,983 11.9%	6,521 10.8%	29,464 10.7%	The increase arose from the consolidation of companies, the acquisition of which was completed during 2025.
Company's share in losses (profits) of companies accounted for by the equity method, net	(487)	(369)	(764)	Gains in respect of non-consolidated investees
Other expenses	498	-	559	Arose mainly from companies acquisition expenses.
Income from ordinary operations (% of sales)	12,874 15.4%	9,634 16.0%	43,430 15.8%	The increase arose mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in 2025 and 2026.
Income from ordinary operations excluding other expenses (% of sales)	13,372 16.0%	9,634 16.0%	43,989 16.0%	



Line item	For the three-month period ended March 31, 2026	For the three-month period ended March 31, 2025	For the period ended December 31, 2025	Company's explanations compared to the corresponding period last year
Finance expenses (income), net	(1,050)	2,487	13,218	The change arose from non-cash finance income in respect of bringing forward the payment of put option for the acquisition of the remaining shares of Attractive Scent.
Taxes on income (Effective tax %)	2,859 20.5%	1,737 24.3%	7,557 25.0%	The change arose from the pre-tax profit mix between the different countries in which the Group operates and finance income in respect of which there is no tax effect.
Net income for the period (% of sales)	11,065 13.2%	5,410 9.0%	22,655 8.2%	Net income increased by approx. 104.5% , mainly as a result of the growth in activity, from the completion of acquisitions and the synergies arising therefrom, and from non-cash finance income in respect of bringing forward the payment of the put option for the acquisition of the remaining shares of Attractive Scent.
Non-GAAP net income ⁹ (% of sales)	11,721 14.0%	7,877 13.1%	36,363 13.2%	
EBITDA ¹⁰	18,963	13,615	62,948	The adjusted EBITDA increased by approx. 42.4% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stemmed from the reasons listed above in this table.
Adjusted EBITDA(% of sales)	19,389 23.2%	13,615 22.6%	63,504 23.1%	

⁹ See Section 4.2 below.

¹⁰ See Section 4.1 below.



3.2. Set forth below is a breakdown of operating results by segments (USD thousand) and an explanation of key changes:

Segment		For the three-month period ended March 31, 2026	For the three-month period ended March 31, 2025	For the 12-month period ended December 31, 2025	Company's explanations to the change in the first quarter of 2026 compared to the first quarter of 2025
Taste segment	Revenues (% of Group sales)	58,462 69.9%	43,501 72.1%	194,699 70.8%	Revenues increased by approx. 34.4% . The growth arose from acquisitions completed in 2025, from the effect of currencies, which contributed approx. 12.0% to growth and from organic growth of approx. 8.8% , net of currency effects.
	Operating profit (% of sales)	10,772 18.4%	8,158 18.8%	37,568 19.3%	
Fragrances segment	Revenues (% of Group sales)	16,376 19.6%	9,122 15.1%	49,434 18.0%	Revenues increased by approx. 79.5% . The growth arises mainly from acquisitions completed in 2025, from the effect of currencies, which contributed approx. 8.8% to growth and from high organic growth of approx. 10.0% , net of currency effects.
	Operating profit (% of sales)	4,573 27.9%	2,666 29.2%	12,840 26.0%	
Specialty fine ingredients segment	Revenues (% of Group sales)	8,803 10.5%	7,736 12.8%	31,036 11.3%	Revenues increased by approx. 13.8% . The growth arises from the effect of currencies, which contributed approx. 4.4% to the growth, and from organic growth of approx. 9.0% , 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. ¹¹
	Operating profit (% of sales)	1,143 13.0%	1,014 13.1%	3,648 11.8%	
Unallocated joint expenses	Revenues	-	-	(21)	
	Operating profit (% of sales)	(3,614) 4.3%	(2,204) 3.7%	(10,626) 3.9%	
Total	Revenues	83,641	60,359	275,148	
	Operating profit (% of sales)	12,874 15.4%	9,634 16.0%	43,430 15.8%	
	Operating profit excluding other expenses (% of sales)	13,372 16.0%	9,634 16.0%	43,989 16.0%	

¹¹ 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. Non-GAAP data

4.1. Adjusted EBITDA

Adjusted EBITDA means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses as described below.¹² Set forth below is a breakdown of the adjustments between the operating profit and adjusted EBITDA (USD in thousands):

Section		For the three-month period ended March 31	
		2026	2025
Operating profit presented in the financial statements		12,874	9,634
Depreciation expenses	Property, plant and equipment	1,673	1,261
	Intangible asset	2,673	1,595
	Leases	1,246	838
Amortization expenses in respect of share-based payment to employees		497	287
Non-recurring expenses		426	-
Adjusted EBITDA (% of sales)		19,389 23.2%	13,615 22.6%

4.2. 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 (income) in respect of put options and non-recurring expenses net of the tax in respect of those expenses.¹³ Set forth below is a breakdown of the adjustments between the net income and non-GAAP net income (USD in thousands):

Section		For the three-month period ended March 31	
		2026	2025
Net income presented in the financial statements		11,065	5,410
Amortization expenses in respect of intangibles and share-based payment to employees ¹⁴		2,927	1,763

¹² 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.

¹³ 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.

¹⁴ For details regarding amortization expenses see Section 4.1 above.



Financing expenses (income) in respect of put options	(2,107)	1,022
Non-recurring expenses	426	-
Net of tax expenses	(590)	(318)
Non-GAAP net income (% of sales)	11,721 14.0%	7,877 13.1%

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.

5. Liquidity

As of March 31 2026, the Company has a cash balance of USD 139,771 thousand; set forth below are the key components of the cash flows and the way they were utilized (in USD thousand):

	For the three-month period ended March 31, 2026	For the three-month period ended March 31, 2025	For the 12-month period ended December 31, 2025	Company's explanations to the change in the first quarter of 2026 compared to the first quarter of 2025
Net cash provided by operating activities	5,801	7,564	40,661	The high growth in sales resulted in an increase in working capital compared to the corresponding period last year, such that the rate of operating working capital out of sales remained similar.
Net cash used in investing activities	(2,477)	(13,754)	(83,320)	The change arose mainly from the completion of the acquisition of companies totaling approx. USD 11.6 million in the corresponding period last year.
Net cash provided by (used in) financing activities	(6,735)	10,878	150,301	The change arose mainly from receipt - in the corresponding period last year - of an approx. USD 13.4 million long-term loans compared to loans totaling approx. USD 0.9 million in the current period. This, in addition to repayment of liabilities totaling approx. USD 5 million in respect of the acquisition of companies in the current period, compared to repayment of approx. USD 2.2 million in the corresponding period last year.
Exchange differences in respect of cash and cash equivalents	87	856	9,527	
Total change in cash and cash equivalents	(3,324)	5,544	117,169	



6. Financing sources

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 March 31, 2026		Data as of December 31, 2025	
	USD thousand	% of total balance sheet	USD thousand	% of total balance sheet
Equity	299,340	41.9%	293,439	41.1%
Other long-term liabilities	143,367	20.1%	178,678	25.0%
Long-term liabilities from banks, net of current maturities	119,721	16.8%	127,344	17.8%
Short-term credit	55,548	7.8%	51,951	7.3%
Suppliers credit	28,037	3.9%	24,843	3.5%
Other long-term payables	68,094	9.5%	37,679	5.3%
Total	714,107	100%	713,934	100%

The average amount of the long-term loans in the first quarter of 2026 was approx. USD 123,533 thousand.

The average amount of the short-term credit in the first quarter of 2026 was approx. USD 53,750 thousand.

As of March 31, 2026, the Company's working capital is approx. USD 116 million (approx. 34.7% of sales), compared to working capital of approx. USD 143.3 million as of December 31, 2025 (approx. 48.0%).

As of March 31, 2026, the Company's operating working capital¹⁵ is approx. USD 92.3 million (approx. 27.6% of sales), compared to operating working capital of approx. USD 81.4 million (approx. 26.6% of sales) as of December 31, 2025.

¹⁵Operating working capital means - trade receivable plus the balance of inventory and net of trade payables.



The Company's net debt¹⁶ balance as of March 31, 2026 is approx. USD 35.5 million compared to net debt of approx. USD 36.2 million as of December 31, 2025.

7. Financial covenants set by the banks

Set forth below are the Company's financial covenants:

(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 March 31, 2026, the Company's equity stands at approx. USD 299.3 million, and it constitutes approx. 41.9% of total assets.

(b) **Debt coverage ratio**¹⁷ - shall not exceed 3.5 at any given time.

As of March 31, 2026, 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, 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.

The Board of Directors wishes to thank the Company's management and its employees for the results achieved in the first quarter of 2026.

Karen Cohen Khazon, CEO

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

Date: May 17, 2026

¹⁶ Debt net of cash.

¹⁷ 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).



Chapter B

Financial Statements

as of March 31, 2026



TURPAZ INDUSTRIES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2026

UNAUDITED

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

Introduction

We have reviewed the accompanying financial information of Turpaz Industries Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of March 31, 2026 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the period of three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 3% of total consolidated assets as of March 31, 2026, and whose revenues included in consolidation constitute approximately 8.4% of total consolidated revenues for the period of three months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

Scope of review

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

Conclusion

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2026	2025	2025
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	139,771	31,470	143,095
Trade receivables	63,842	46,174	51,262
Other accounts receivable	6,532	5,071	7,317
Inventories	56,462	44,070	55,021
Financial assets	1,034	-	1,054
	<u>267,641</u>	<u>126,785</u>	<u>257,749</u>
NON-CURRENT ASSETS:			
Deferred taxes	3,193	1,636	2,913
Property, plant and equipment, net	70,431	57,631	70,756
Right-of-use assets, net	24,406	17,365	24,813
Intangible assets, net	322,965	205,525	332,522
Investment in companies accounted for at equity	25,471	20,087	25,181
Financial assets	-	893	-
	<u>446,466</u>	<u>303,137</u>	<u>456,185</u>
	<u><u>714,107</u></u>	<u><u>429,922</u></u>	<u><u>713,934</u></u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>March 31,</u>		<u>December 31,</u>
	<u>2026</u>	<u>2025</u>	<u>2025</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans from banks and others	55,548	34,218	51,951
Trade payables	28,037	21,732	24,843
Other accounts payable	31,067	20,079	21,202
Short-term liabilities for acquisition of activity	33,148	1,276	12,388
Current maturities of lease liabilities	3,879	3,006	4,089
	<u>151,679</u>	<u>80,311</u>	<u>114,473</u>
NON-CURRENT LIABILITIES:			
Long-term loans from banks, less current maturities	119,721	85,089	127,344
Long-term loans from others, less current maturities	-	495	-
Provision for waste removal	1,176	1,217	1,176
Long-term leases liabilities	22,154	15,480	22,211
Long-term liabilities for acquisition of activity	100,208	79,741	134,530
Deferred taxes	18,992	13,766	19,913
Employee benefit liabilities	837	473	848
	<u>263,088</u>	<u>196,261</u>	<u>306,022</u>
EQUITY:			
Equity attributable to equity holders of the company:			
Share capital (*)	1	1	1
Share premium	186,975	77,549	177,521
Other capital reserves	(4,875)	(6,345)	(6,563)
Reserve in respect of translation differences	6,621	(6,135)	8,167
Retained earnings	73,365	57,291	70,658
	<u>262,087</u>	<u>122,361</u>	<u>249,784</u>
Non-controlling interests	<u>37,253</u>	<u>30,989</u>	<u>43,655</u>
Total equity	<u>299,340</u>	<u>153,350</u>	<u>293,439</u>
	<u>714,107</u>	<u>429,922</u>	<u>713,934</u>

*) Less than \$ 1 thousand.

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

<u>May 17, 2026</u>			
Date of approval of the financial statements	<u>Karen Cohen Khazon</u> CEO and Director	<u>Dr. Israel Leshem</u> Chairman of the Board	<u>Guy Gill</u> EVP and CFO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31,		Year ended December 31,
	2026	2025	2025
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues from sales	83,641	60,359	275,148
Cost of sales	48,612	36,840	165,127
Gross profit	35,029	23,519	110,021
Research and development expenses	3,670	2,170	11,046
Selling and marketing expenses	8,491	5,563	26,286
General and administrative expenses	9,983	6,521	29,464
Company's share of earnings of companies accounted for at equity, net	(487)	(369)	(764)
Other expenses	498	-	559
Operating income	12,874	9,634	43,430
Finance expenses (income), net	(1,050)	2,487	13,218
Income before taxes on income	13,924	7,147	30,212
Taxes on income	2,859	1,737	7,557
Net income	11,065	5,410	22,655
Other comprehensive income (net of tax effect):			
Amounts that will not be reclassified subsequently to profit or loss:			
Adjustments arising from translating financial statements from functional currency to presentation currency	2,049	(5,883)	27,649
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	(4,319)	8,332	(8,079)
Total comprehensive income	8,795	7,859	42,225
Net income attributable to:			
Equity holders of the Company	9,507	4,351	17,718
Non-controlling interests	1,558	1,059	4,937
	11,065	5,410	22,655
Total comprehensive income attributable to:			
Equity holders of the Company	7,961	5,585	33,254
Non-controlling interests	834	2,274	8,971
	8,795	7,859	42,225
Earnings per share attributable to equity holders of the Company (in U.S. dollars):			
Basic and diluted earnings per share	0.09	0.04	0.17

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total			
	Unaudited								
U.S. dollars in thousands									
Balance as of January 1, 2026 (audited)	1	177,521	(6,563)	8,167	70,658	249,784	43,655	293,439	
Net income	-	-	-	-	9,507	9,507	1,558	11,065	
Other comprehensive loss	-	-	-	(1,546)	-	(1,546)	(724)	(2,270)	
Total comprehensive income (loss)	-	-	-	(1,546)	9,507	7,961	834	8,795	
Share-based payment	-	-	497	-	-	497	-	497	
Exercise of options	-	742	(238)	-	-	504	-	504	
Acquisition of non-controlling interests and settlement of financial liability through share issue	-	8,712	1,429	-	-	10,141	(7,236)	2,905	
Dividends to equity holders of the Company	-	-	-	-	(6,800)	(6,800)	-	(6,800)	
Balance as of March 31, 2026	1	186,975	(4,875)	6,621	73,365	262,087	37,253	299,340	

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total			
	Unaudited								
U.S. dollars in thousands									
Balance as of January 1, 2025 (audited)	1	75,552	(6,023)	(7,369)	52,940	115,101	29,145	144,246	
Net income	-	-	-	-	4,351	4,351	1,059	5,410	
Other comprehensive income	-	-	-	1,234	-	1,234	1,215	2,449	
Total comprehensive income	-	-	-	1,234	4,351	5,585	2,274	7,859	
Share-based payment	-	-	287	-	-	287	-	287	
Exercise of options	-	1,997	(609)	-	-	1,388	-	1,388	
Dividends distributed	-	-	-	-	-	-	(430)	(430)	
Balance as of March 31, 2025	1	77,549	(6,345)	(6,135)	57,291	122,361	30,989	153,350	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total			
	Audited								
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>	

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2026	2025	2025
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income for the period	11,065	5,410	22,655
Adjustments to reconcile net income to net cash provided by operating activities (a)	(5,264)	2,154	18,006
Net cash provided by operating activities	<u>5,801</u>	<u>7,564</u>	<u>40,661</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment and other assets	(2,490)	(2,252)	(12,454)
Proceeds from sale of property, plant and equipment	13	65	236
Acquisition of initially consolidated subsidiaries (b)	-	(6,071)	(60,281)
Acquisition of companies accounted for at equity	-	(5,496)	(10,096)
Repayment of liability for acquisition of activity	-	-	(725)
Net cash used in investing activities	<u>(2,477)</u>	<u>(13,754)</u>	<u>(83,320)</u>
<u>Cash flows from financing activities</u>			
Receipt (repayment) of short-term credit	3,868	742	(794)
Acquisition of shares from non-controlling interests in subsidiary	-	-	(510)
Dividend paid to holders of put options and to holders of non-controlling interests	-	(487)	(2,322)
Repayment of long-term lease liabilities	(1,184)	(780)	(3,874)
Repayment of long-term loans	(5,790)	(1,097)	(26,159)
Receipt of long-term loans	874	13,351	86,051
Issue of share capital less issue expenses	-	-	97,155
Exercise of share options	504	1,388	2,993
Repayment of liability for acquisition of activity	(5,007)	(2,239)	(2,239)
Net cash provided by (used in) financing activities	<u>(6,735)</u>	<u>10,878</u>	<u>150,301</u>
Exchange rate differences on balances of cash and cash equivalents	<u>87</u>	<u>856</u>	<u>9,527</u>
Increase (decrease) in cash and cash equivalents	(3,324)	5,544	117,169
Cash and cash equivalents at the beginning of the period	<u>143,095</u>	<u>25,926</u>	<u>25,926</u>
Cash and cash equivalents at the end of the period	<u><u>139,771</u></u>	<u><u>31,470</u></u>	<u><u>143,095</u></u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2026	2025	2025
	Unaudited		Audited
	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	5,592	3,694	18,143
Capital loss (gain) from sale of property, plant and equipment	(12)	(3)	27
Change in employee benefit liabilities, net	10	22	38
Cost of share-based payment	497	287	1,375
Company's share of earnings of companies accounted for at equity, net	(487)	(369)	(764)
Finance expenses (income), net	(1,050)	2,487	13,218
Taxes on income	2,859	1,737	7,557
	<u>7,409</u>	<u>7,855</u>	<u>39,594</u>
Changes in asset and liability items:			
Increase in trade receivables	(13,434)	(6,408)	(979)
Decrease (increase) in other accounts receivable	709	(216)	(1,219)
Increase in inventories	(2,225)	(942)	(2,349)
Increase (decrease) in trade payables	3,583	1,869	(469)
Increase (decrease) in other accounts payable	825	2,062	(1,899)
	<u>(10,542)</u>	<u>(3,635)</u>	<u>(6,915)</u>
	<u>(3,133)</u>	<u>4,220</u>	<u>32,679</u>
Cash paid and received during the period for:			
Taxes paid	(1,989)	(813)	(8,864)
Interest paid, net	(142)	(1,253)	(6,082)
Dividend received from associate	-	-	273
	<u>(2,131)</u>	<u>(2,066)</u>	<u>(14,673)</u>
	<u>(5,264)</u>	<u>2,154</u>	<u>18,006</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2026	2025	2025
	Unaudited		Audited
	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)	-	1,002	5,896
Property, plant and equipment	-	3,432	7,121
Right-of-use assets	-	-	3,520
Intangible assets	-	7,315	121,702
Lease liabilities	-	-	(3,520)
Other non-current liabilities	-	(728)	(2,483)
Payables for acquisition of investments in subsidiaries	-	(3,868)	(57,558)
Deferred taxes	-	(1,082)	(7,056)
Equity investment	-	-	(449)
Non-controlling interests	-	-	(6,892)
	<u>-</u>	<u>6,071</u>	<u>60,281</u>
(c) <u>Significant non-cash transactions:</u>			
Right-of-use asset recognized with corresponding lease liabilities	<u>858</u>	<u>1,021</u>	<u>6,457</u>
Dividend payable	<u>6,800</u>	<u>-</u>	<u>-</u>
Settlement of financial liability through share issue	<u>2,905</u>	<u>-</u>	<u>-</u>
Acquisition of associate in exchange for assets	<u>-</u>	<u>11,806</u>	<u>11,806</u>

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

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

Turpaz Industries Ltd. ("the Company") is an Israeli-based company. The condensed interim consolidated financial statements of the Company as of March 31, 2026 include those of the Company and its subsidiaries (collectively, "the Group").

The Company is engaged, by itself and through subsidiaries in Israel, the U.S., Southeast Asia, Europe and South Africa, in development, production and marketing of products and solutions in three operating segments: (1) tastes; (2) fragrances; (3) specialty fine ingredients (see Note 5).

- b. These financial statements have been prepared in a condensed format as of March 31, 2026 and for the period of three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2025 and for the year then ended and accompanying notes ("annual consolidated financial statements").

NOTE 2:- ACCOUNTING POLICIES

Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements as of December 31, 2025.

NOTE 3:- BUSINESS COMBINATIONS

- a. On May 1, 2026, the Company, through Klabin, a wholly owned subsidiary, signed an agreement for the acquisition of 100% of the shares of Phoenix Flavors & Fragrances Inc. ("Phoenix"), a private company incorporated in the U.S., from a U.S. private equity fund for a purchase price of \$ 95 million which was paid on the signing date and a contingent consideration of up to \$ 5 million based on Phoenix's performances in Q2 and Q3 2026. The purchase price includes repayment of a net debt of approximately \$ 63 million and working capital and net debt adjustments as estimated on the closing date, subject to final adjustments that will be determined within two quarters from the closing date. The transaction was closed on the signing date and finance using the Company's own resources. Phoenix develops, manufactures, markets and sells customized flavor and fragrance solutions for customers across food & beverage, personal care, and industrial applications.

The Company did not include the required business combination disclosures as per IFRS 3 since the initial accounting treatment of the business combination has not yet been finalized and the Company has yet to complete the purchase price allocation to the identifiable assets and liabilities.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

- b. On May 12, 2026, the Company, through Turpaz Belgium, completed the acquisition of 70% of the share capital of Romessence SAS ("Romessence"), a private company incorporated in France and resident in Grasse, the perfume capital of the world, from Romessence's founders, for a purchase price of € 22.6 million. The transaction was financed using a long-term bank loan. The agreement includes a symmetrical put/call option for the purchase of Romessence's remaining shares (about 30%) which is exercisable for a period of three years from the closing date for an exercise price based on Romessence's business performances in the period from January 1, 2026 through the option exercise date, to be paid in cash or in Company shares to be allocated at their average quoted market price in the 30 calendar days before the exercise date, at the founders' discretion. Romessence was founded in 1997. It develops, manufactures and markets fine fragrances, body care products, ambiances and detergency.

The Company did not include the required business combination disclosures as per IFRS 3 since the initial accounting treatment of the business combination has not yet been finalized and the Company has yet to complete the purchase price allocation to the identifiable assets and liabilities.

NOTE 4:- EVENTS DURING AND AFTER THE REPORTING PERIOD

- a. In furtherance to the acquisition of about 68.6% of the share capital of Attractive Scent SAS ("Attractive Scent") by Turpaz Belgium, 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 Turpaz Belgium 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. On March 18, 2026, the Company completed the allocation of shares to the two sellers (the founders) as part of the purchase price of the remaining shares.
- b. On March 10, 2026, the Company's Board approved the distribution of a dividend to the Company's shareholders in the amount of approximately \$ 6.8 million, representing \$ 0.063 per share. The dividend was paid on April 29, 2026.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- c. On March 29, 2026, the Company exercised an option to purchase the remaining shares of a subsidiary, Balirom, from holders of non-controlling interests based on the agreement between the parties in return for approximately NIS 14,178 thousand. On the closing date, the holders of Balirom's non-controlling interests were paid approximately NIS 13,135 thousand (approximately \$ 4,150 thousand) and the balance was paid in April 2026. Following the exercise of the option, the Company holds 100% of the issued and outstanding share capital of Balirom.
- d. On March 31, 2026, the Company applied to the Israeli Registrar of Companies for approving an immaterial merger of the Company with Balirom, which is a wholly owned subsidiary of the Company. The merger is also subject to applying to the Israel Tax Authority for a merger pre-ruling as per Section 103 to the Israeli Income Tax Ordinance and the regulations enacted thereunder, to obtaining any mandatory third party approvals and to completing the merger terms and conditions in accordance with the Israeli Companies Law and the Companies Regulations (Merger), 2000.
- e. In the reporting period, some 124 thousand share options were exercised into shares for approximately \$ 504 thousand as part of the options granted to employees, executives and a consultant in the Group in 2022.
- f. In furtherance to Note 16c to the annual financial statements regarding financial covenants, the Company is meeting all the required financial covenants.

NOTE 5:- OPERATING SEGMENTS

- a. General:

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Three months ended March 31, 2026					
	Tastes	Fragrances	Specialty fine ingredients		Adjustments	Total
			Unaudited			
			U.S. dollars in thousands			
Revenues	58,462	16,376	8,803	-	83,641	
Segment operating income net of unallocated joint expenses	10,772	4,573	1,143	-	16,488	
Unallocated joint expenses					3,614	
Finance income, net					(1,050)	
Income before taxes on income					13,924	
	Three months ended March 31, 2025					
	Tastes	Fragrances	Specialty fine ingredients		Adjustments	Total
			Unaudited			
			U.S. dollars in thousands			
Revenues	43,501	9,122	7,736	-	60,359	
Segment operating income net of unallocated joint expenses	8,158	2,666	1,014	-	11,838	
Unallocated joint expenses					2,204	
Finance expenses, net					2,487	
Income before taxes on income					7,147	

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2025				
	Tastes	Fragrances	Specialty fine ingredients	Adjustments	Total
			Audited		
	U.S. dollars in thousands				
Revenues from external customers	194,699	49,434	31,015	-	275,148
Intersegment revenues	-	-	21	(21)	-
Total revenues	<u>194,699</u>	<u>49,434</u>	<u>31,036</u>	<u>(21)</u>	<u>275,148</u>
Segment gross profit	<u>75,788</u>	<u>26,846</u>	<u>7,387</u>	<u>-</u>	<u>110,021</u>
Segment operating income net of unallocated joint expenses	<u>37,568</u>	<u>12,840</u>	<u>3,648</u>	<u>-</u>	54,056
Unallocated joint expenses					10,626
Finance expenses, net					<u>13,218</u>
Income before taxes on income					<u>30,212</u>

c. Geographic information:

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

	Three months ended		Year ended
	March 31,		December 31,
	2026	2025	2025
	Unaudited		Audited
	U.S. dollars in thousands		
Israel and the Middle East	11,982	8,392	35,277
North America	7,111	4,607	20,301
Europe	47,945	36,105	162,166
Africa	10,008	6,833	33,551
Asia and other	6,595	4,422	23,853
	<u>83,641</u>	<u>60,359</u>	<u>275,148</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- FINANCIAL INSTRUMENTS

a. Fair value:

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

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

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

As of March 31, 2026, total liabilities amounted to \$ 113,742 thousand. The value of these liabilities was estimated using the average EBITDA to be achieved over the term of the agreement. A weighted annual discount rate of 7.4% was applied to the options. The fair value measurement is classified as Level 3.

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

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

	March 31,		December 31,
	2026	2025	2025
	Unaudited		Audited
	U.S. dollars in thousands		
Balance as of January 1,	(139,734)	(74,779)	(74,779)
Total gain (loss) recognized:			
Repayment	5,007	2,816	4,351
In profit or loss	2,145	(1,032)	(5,862)
In other comprehensive income (loss)	2,911	(2,575)	(11,153)
Reclassification of put options to deferred consideration	13,025	-	-
Settlement through share issue	2,905	-	-
Business combinations	-	(3,868)	(52,291)
Balance at end of period	<u>(113,742)</u>	<u>(79,439)</u>	<u>(139,734)</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- RELATED PARTIES

- a. 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.

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.

- b. 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.



Chapter C

Effectiveness of Internal Control Over Financial Reporting



Quarterly report regarding the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 38C to the Securities Regulations (Periodic and Immediate Reports), 1970, for the first quarter of 2026:

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
2. Guy Gill, Executive Vice President and CFO
3. Shauli Eger, VP IT
4. Yoni Adini, 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.

In the annual report regarding the effectiveness of the internal control over the financial reporting and the disclosure, which was attached to the Periodic Report for the period ended December 31, 2025 (hereinafter – **"the Latest Annual Report regarding Internal Control"**), the Board of Directors and Management assessed the corporation's internal control; based on this assessment, the corporation's Board of Directors and Management reached the conclusion that the internal control as stated, as of December 31, 2025, is effective.

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

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

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

I, Karen Cohen Khazon, hereby declare that:

- (1) I have reviewed the quarterly report of Turpaz Industries Ltd. (hereafter – the “**Corporation**”) for the first quarter of 2026 (hereafter – the “**Reports**”).
- (2) To the best of my knowledge, the Reports do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
- (3) To the best of my knowledge, the financial statements and other financial information included in the reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the corporation, the Board of Directors, and the Board of Directors’ Audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation’s ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - (b) any fraud, whether material or immaterial, in which the Chief Executive Officer, or anyone directly reporting to him, or any other employees are involved who have a significant function in the corporation’s financial reporting and in internal control over financial reporting and disclosure thereof.
- (5) I, severally or jointly with others in the corporation:
 - (a) have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the corporation and the consolidated companies, particularly during the Reports’ preparation period; and
 - (b) have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

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

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

May 17, 2026

Karen Cohen Khazon,
CEO

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

I, Guy Gill, hereby declare that:

- (1) I have reviewed the interim financial statements and the other financial information included in the interim reports of Turpaz Industries Ltd. for the first quarter of 2026 (hereafter – the “**Interim Reports**”);
- (2) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
- (3) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the corporation, the Board of Directors, and the Board of Directors’ Audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation’s ability to collect, process, summarize or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - (b) any fraud, whether material or immaterial, in which the Chief Executive Officer, or anyone directly reporting to him, or any other employees are involved who have a significant function in the corporation’s financial reporting and in internal control over financial reporting and disclosure thereof.
- (5) I, severally or jointly with others in the corporation:
 - (a) have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the corporation and the consolidated companies, particularly during the Reports’ preparation period; and
 - (b) have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

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

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

May 17, 2026

Guy Gill, Executive Vice President and CFO