TURPAZ

Quarterly Report

for the period ended June 30, 2026

Turpaz Industries Ltd.

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Chapter A

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

<u>Directors' Report on the State of the Corporation's Affairs</u>

For the Period Ended June 30, 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 together with its subsidiaries - **"Turpaz"** or the **"Group"** and the **"Report"**, respectively), for the period ended June 30, 2026 (hereinafter - the "**Reporting Period"**), all in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the "**Reporting Regulations**"). This report was drawn up assuming that the 2025 Periodic Report, including the Description of the Corporation's Business chapter as included in Chapter A to that 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 high organic growth[1], led to record results in the second quarter, with a double-digit increase in sales, gross profit, operating profit, Adj. EBITDA[2], cash flow from operating activities and net income.

- **In the first half of 2026 –**

  Turpaz's sales grew by approx. **40.5%** compared to the corresponding period last year, reaching a record level of approx. **USD 173.9 million**, an increase arising from organic growth of approx. **8.1%** and from acquisitions completed in 2025 and in the first half of 2026. Turpaz's sales, together with the sales of the companies acquired in the USA and in France during the second quarter of 2026, reflect an **annualized sales run rate[3]** of approx. **USD 380 million**.

  The Adj. EBITDA increased by approx. **41.6%** compared to the corresponding period last year and amounted to approx. **USD 40.0 million**, and the rate of Adj. EBITDA of sales amounted to **23.0%.** Operating profit excluding other expenses increased by approx. **36.6%** and amounted to approx. **USD 26.9 million**, and operating profit increased by

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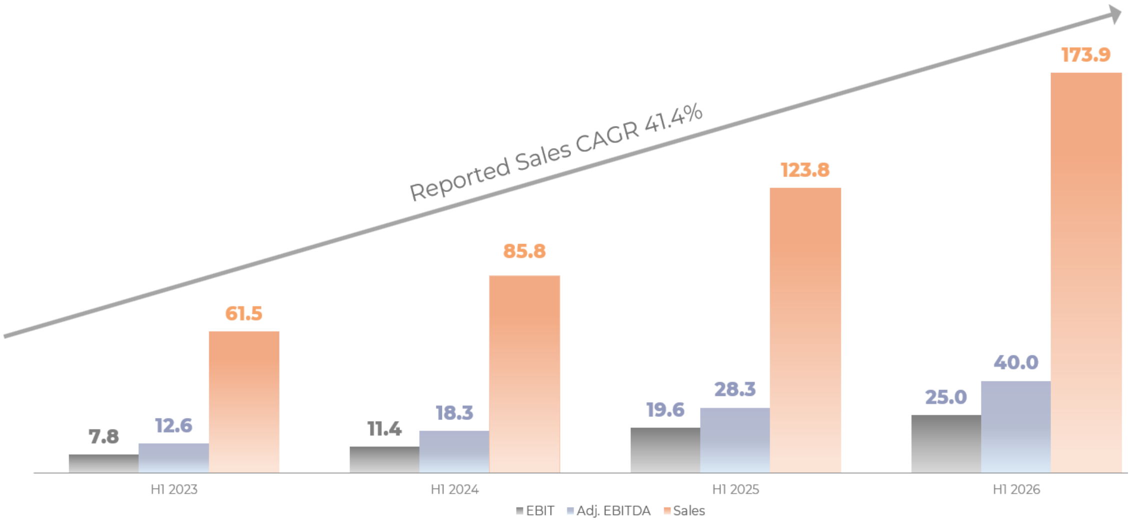
[1] **Organic growth** - is after deduction of the effect of exchange rates, on a pro-forma basis, assuming that the acquisitions that were completed in 2025 were consolidated as from January 1, 2025, and the acquisitions that were completed in the first half of 2026 were consolidated as from May 1, 2025.

[2] **Adj. 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 the Company's estimates as to the sales rate in the second quarter of 2026, assuming that the Phoenix and Romessence acquisitions had been consolidated in the Company's financial statements as from the beginning of the quarter, and not only as from May 2026. The above is based on Group management's assessments, which may not materialize, or may 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.

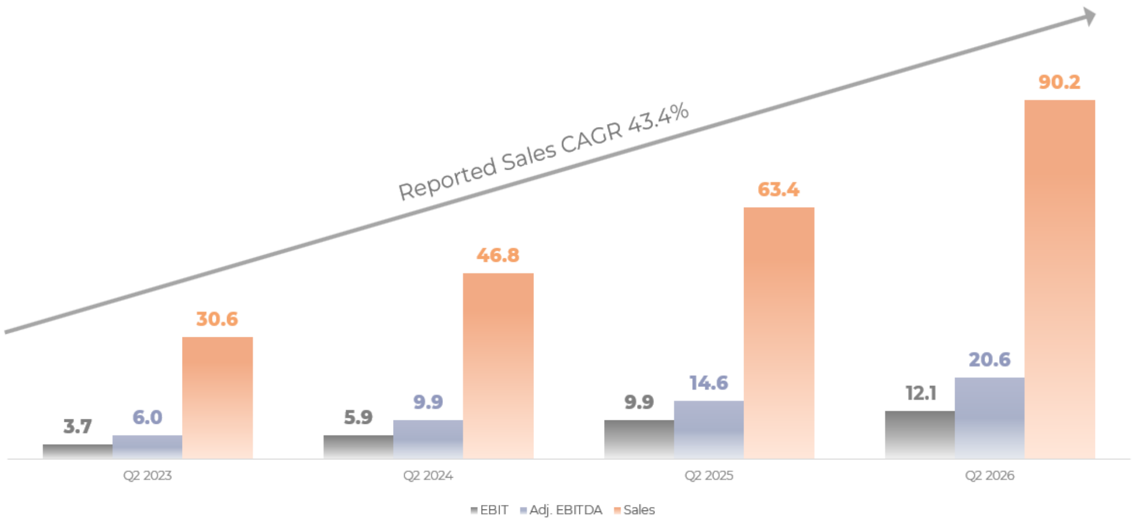
approx. **27.7%** and amounted to approx. **USD 25.0 million**. Net income grew by approx. **80.9%** and amounted to approx. **USD 19.2 million**.



- **In the second quarter of 2026 –**

  Turpaz's sales grew by approx. **42.3%** compared to the corresponding quarter last year, reaching a record level of approx. **USD 90.2 million**, an increase arising from organic growth of approx. **7.3%** and from acquisitions completed in 2025 and in the first half of 2026.

  Adj. EBITDA increased by approx. **40.9%** compared to the corresponding quarter last year and amounted to approx. **USD 20.6 million**, and the rate of Adj. EBITDA of sales amounted to approx. **22.9%**. Operating profit excluding other expenses increased by approx. **34.5%** and amounted to approx. **USD 13.6 million**, and operating profit increased by approx. **22.0%** and amounted to approx. **USD 12.1 million**. Net income grew by approx. **56.4%** and amounted to approx. **USD 8.2 million**.



- The cash flow from operating activities in the first half of 2026 amounted to approx. **USD 15.8 million** compared to approx. **USD 13.1 million** in the corresponding period last year, and in the second quarter of 2026 it amounted to approx. **USD 10.0 million**, compared to approx. **USD 5.6 million** in the corresponding quarter last year.
- 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.

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

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 initial offering of the Company's securities, its shares were listed for trading on the Tel Aviv Stock Exchange Ltd. (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 areas of activity - Taste, Fragrance and Specialty fine ingredients. As part of this activity, Turpaz is engaged in research, development, production, marketing, distribution and sale of natural and synthetic sweet and savory **taste extracts**, seasonings, unique functional solutions for the field of baking, raw materials for the meat and baking industries, special (gluten free) flours, which are used mainly in the production of food and beverages; natural and synthetic **fragrance extracts**, used in the production of fine fragrances, cosmetics and toiletries, personal care products, home fragrance and air care; and **specialty fine ingredients** which include aroma chemicals and citrus products, used as raw materials for the taste and fragrance industries, and specialty chemicals used as intermediates in various industries, including the pharma industry.

As of the publication date of this report, the Group develops, produces, markets and sells products to more than 4,900 customers in more than 100 countries, and operates 30 manufacturing sites, R&D centers, laboratories and sales, marketing and regulation offices across the world, which employ more than 1,150 employees.

<u>Combined growth strategy</u>:

Turpaz Group's strategy is based on combined growth that includes targets of double-digit growth and improvement of its geographic deployment, through taking advantage of opportunities in growing markets, mergers and acquisitions 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 cross-selling, 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 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, research and development, procurement and finance into the acquired companies, all in order to achieve swift and effective utilization of synergies. In the opinion of the Company, as of the date of this report, the full potential embodied in the acquisitions it made in recent years has not yet been utilized, and the Company is taking action on a current basis to fully utilize the potential of those acquisitions.

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

Merger and acquisition transactions completed since the beginning of 2026:

Acquisition of a fragrance and flavor company in the USA - Phoenix:

On May 1, 2026, the Company completed, through Klabin-Turpaz Inc.[4], the acquisition of 100% of the share capital of Phoenix Flavors & Fragrances Inc., a privately-owned American company (hereinafter - **"Phoenix"**), from an American private equity fund (hereinafter - the **"Seller"**), in consideration for USD 95 million[5] which was paid on the signing date, and additional consideration of up to USD 5 million which is based on Phoenix's performance during the second and third quarters of 2026. The transaction was financed using Turpaz's own sources.

Phoenix is engaged in the development, production, marketing and sale of fragrance extracts used mainly for air care, personal care and home fragrance products, as well as taste extracts for the food and beverage industry. Phoenix has a broad customer base comprising hundreds of customers, alongside a diverse range of products and solutions for the fragrance and taste extracts industry. In recent years, Phoenix has worked to expand its activity and to establish its position in the field of fragrance and taste extracts in the USA, among other things through the acquisition of companies that are complementary to

[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 the repayment of net debt of approx. USD 63 million. Furthermore, the said consideration includes working capital and net debt adjustments estimated as at the completion date, which are subject to final immaterial adjustments to be determined within two quarters from the transaction completion date.

its activity in the USA[6] and through integration and streamlining measures. During 2025, Phoenix completed a comprehensive reorganization and operational streamlining plan, under which the fragrance extracts manufacturing sites were consolidated, a new dedicated site for taste extracts was set up in Indiana, and advanced IT systems were implemented - measures which contributed to the improvement of Phoenix's operational efficiency and to the strengthening of its expense structure. Phoenix operates[7] in the USA a fragrance extracts manufacturing site in New Jersey (Norwood) spanning an area of approx. 3.5 thousand sq. m, a taste extracts manufacturing site in Indiana (South Bend) spanning an area of approx. 2 thousand sq. m, and an innovative research and development (R&D) center in New Jersey (Redbank) spanning an area of approx. 1.2 thousand sq. m, with advanced development capabilities.

This acquisition strengthens and expands Turpaz's activity in North America, one of the world's key markets in the field of fragrance and taste extracts, and provides Turpaz with a full operating platform in the USA, which includes development, manufacturing and marketing capabilities, and which is expected to support its continued growth in the region. Phoenix is expected to be directly integrated with Turpaz's fragrance extracts activity in the USA, among other things through the consolidation and transfer of Klabin-Turpaz manufacturing activity to Phoenix's manufacturing site in New Jersey. This move is expected to contribute to operational streamlining, cost savings and the improvement of the expense structure of Turpaz's activity in the USA. In addition, the combination of the fragrance and taste extracts activities in the USA is expected to contribute to the building of a synergistic activity of the Group in North America and to the strengthening of its sales and customer base, among other things through the combination of the customer bases, the expansion of the product offering and the deepening of the activity with existing customers (Cross-Selling), while leveraging the companies' development and innovation capabilities. In Turpaz's assessment, during the forthcoming quarters synergies of approx. USD 2 million are expected to be realized as a result of the consolidation of the activities of Klabin-Turpaz and Phoenix. In addition, the acquisition is expected to generate synergies with Turpaz's fragrance extracts activity in the field of fine fragrances, among other things through the combination of development capabilities, the expansion of the product offering and the deepening of the Group's activity with customers in this field.[8] Phoenix's results

[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 research and development in the field of fragrances and flavors; and in 2022 it acquired Innovative Fragrances, which specializes in the development and production of fragrance extracts.
[7] Through long-term leases.
[8] It is emphasized that the Company's assessments and financial estimates in this report, including with respect to the utilization of synergies and the improvement in the profitability of the Group's activity in North America, constitute forward-looking

were consolidated in the Company's financial statements for the first time as from May 2026.

Acquisition of a fragrance extracts company in France - Romessence:

On May 12, 2026, the Company completed, through the subsidiary Turpaz Belgium, the acquisition of 70% of the share capital of Romessence SAS, a French privately-owned company located in Grasse, the heart of the global perfume industry (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 mutual option (Put/Call) for the acquisition of the remaining shares in Romessence (approx. 30% of its share capital), which is exercisable starting from three years after the transaction completion date, at an exercise price based on Romessence's business performance during the period from January 1, 2026 through the option's exercise date, which will be paid in cash or by means of Turpaz shares to be allocated at their average price in the 30 calendar days which preceded the exercise date, at the founders' discretion.

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. Romessence has an extensive and diverse customer base in Europe, Asia, Central America, Africa and the Middle East, and a wide range of solutions and products for the global fragrance industry. Romessence operates a manufacturing site, a development laboratory with leading perfumers - including one of its founders - and a sales center in Grasse, in the South of France (in proximity to Attractive Scent's plant).

This acquisition constitutes a direct continuation of the implementation of Turpaz's growth strategy in the Fragrance Division, and in particular the expansion of its activity in the fine fragrances segment, at the heart of the global perfume industry, in Grasse, in the South of France. Romessence, together with Attractive Scent, creates a platform in the field of fine fragrances. The two companies complement each other in their geographic market deployment, customers and sub-segments in this field. Romessence's results were consolidated in the Company's financial statements for the first time as from May 2026.

information, as defined in the Securities Law, 1968. Such information is based on the assessments, forecasts and assumptions of the Company's management as of the reporting date, which may not materialize, in whole or in part, or may materialize in a manner different than expected, among other things as a result of changes in market conditions, changes in the business environment, and as a result of the materialization of the risk factors listed in Section 1.28 to Chapter A to the Company's 2025 Periodic Report.

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

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

2.2. Further to the acquisition of approx. 68.6% of the share capital of Attractive Scent SAS by Turpaz Belgium (hereinafter - **“Attractive Scent”**), on February 2, 2026 the parties signed an addendum to the acquisition agreement, under which the mutual option mechanism was cancelled and an immediate purchase of the remaining share capital of Attractive Scent, constituting approx. 31.4% of its share capital, was agreed, such that as of that date Turpaz Belgium holds the entire (100%) share capital of that company. 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 Company shares to the founders totaling approx. EUR 7.3 million, based on the average price of the Company's shares in the 30 calendar days which preceded the signing date of the addendum to the agreement; (b) an 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 in cash to the founders on February 1, 2029. On March 18, 2026, the Company completed the allocation of the shares to the two sellers (the founders of the French company) as part of the consideration for the acquisition of the remaining shares.

2.3. On June 7, 2026, a non-material merger of the Company with Balirom Ltd., a wholly owned subsidiary of the Company, was registered with the Registrar of Companies, such that Balirom was merged with and into the Company.

2.4. Further to the acquisition of the Clarys & Willich group, which operates in Belgium and Germany, from its shareholders (hereinafter - the **“Sellers”**), through the subsidiary Food Ingredients Technologies SA (**“FIT”**), on July 28, 2026 the Company entered into an addendum to the original acquisition agreement of March 31, 2024 (hereinafter - the **“Addendum to the Agreement”**), under which the exercise date of the mutual option (Put/Call) for the purchase of the Sellers' shares in FIT - which under the original agreement was exercisable as from April 3, 2027 - was brought forward, such that upon the signing of the Addendum to the Agreement the Company exercised the option to purchase the Sellers' entire holdings in FIT, constituting approx. 24.5% of FIT's share capital, in a total consideration of approx. EUR 45.3 million, of which a total of approx. EUR 5.3 million was paid to the Sellers upon the signing of the Addendum to the Agreement using Turpaz's own sources, and a total of EUR 40 million will be paid on January 1, 2027 through long-term bank financing. For more information, see the Company's immediate report of July 29, 2026 (Ref. No.: 2026-01-071522).

2.5. On August 10, 2026, the Company's Board of Directors approved the publication of a prospectus for the allocation of up to 2,000,000 non-marketable options to officers and other employees in the Company and in companies under its control, in accordance with the Company's equity-based compensation plan and in accordance with the terms of the prospectus. For more information, see immediate report published concurrently with this Report.

2.6. On August 10, 2026, the Company's Board of Directors approved the convening of an annual general meeting of the Company's shareholders, which is expected to be held on September 16, 2026, the agenda of which includes, among other things, the re-appointment of the Company's independent auditor and the authorization of the Company's Board of Directors to determine its fees, as well as the re-appointment of serving directors and the appointment of new directors. For more information, see immediate report published concurrently with this Report.

2.7. For details regarding material events during and after the Reporting Period, see Note 4 to the financial statements.

3. Financial position

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

	June 30, 2026	June 30, 2025	December 31, 2025	Company's explanations compared to December 31, 2025
Current assets	200,571	134,227	257,749	The decrease stems mainly from the acquisition of Phoenix in consideration for approx. USD 95 million, offset by an increase which stems mainly from the consolidation of the results of companies acquired in the period and from an increase in the scope of the Group's activity.
Non-current assets	602,416	380,939	456,185	The increase stems mainly from the consolidation of companies acquired in the period, including intangible assets.
Total assets	**802,987**	**515,166**	**713,934**	
Current liabilities	225,118	109,712	114,473	The increase stems mainly from the classification of liabilities in respect of put options as short-term liabilities and from an increase which stems from the consolidation of the results of companies acquired in the period.
Non-current liabilities	262,365	237,611	306,022	The decrease stems mainly from the repayment of a liability in respect of put options and from the classification as short-term.
Total equity	**315,504**	**167,843**	**293,439**	The increase stems mainly from net income of approx. USD 19.2 million in the period and from the exercise of non-marketable options by employees, offset by a dividend of approx. USD 6.8 million and translation differences arising from changes in exchange rates of currencies.
Total liabilities and equity	**802,987**	**515,166**	**713,934**	

4. Operating results

4.1. Set forth below is an analysis of the operating results for the six months ended June 30, 2025 and 2026, in accordance with the financial statements, and the explanations for the key changes in those data (in USD thousand):

Line item	For the six months ended June 30, 2026	For the six months ended June 30, 2025	For the year ended December 31, 2025	Company's explanations compared to the corresponding period last year
Revenues from sales	**173,870**	**123,777**	**275,148**	Revenues from sales increased by approx. **40.5%.** The growth arises from companies whose acquisition was completed in 2025 and in the first half of 2026, from the effect of currencies, which contributed approx. 7.2% to growth, and from **high organic growth of approx. 8.1%, net of currency effects.**
Cost of sales	101,402	75,543	165,127	Gross profit increased by approx. **50.2%**, mainly due to the increase in sales. The improvement in profitability arises from streamlining measures, the utilization of synergies between Group companies and the continued high growth.
Gross profit (% of sales)	**72,468 41.7%**	**48,234 39.0%**	**110,021 40.0%**	
Research and development expenses (% of sales)	7,996 4.6%	4,481 3.6%	11,046 4.0%	The increase arises from the consolidation of the results of operations of companies whose acquisition was completed during 2025 and in the first half of 2026, and from amortization of intangible assets in respect of those acquisitions.
Selling and marketing expenses (% of sales)	17,927 10.3%	11,230 9.1%	26,286 9.6%	
General and administrative expenses (% of sales)	20,333 11.7%	13,406 10.8%	29,464 10.7%	The increase arises from the consolidation of the results of operations of companies whose acquisition was completed during 2025 and in the first half of 2026.
Company's share in losses (profits) of companies accounted for by the equity method, net	(722)	(599)	(764)	Gains in respect of non-consolidated investees.
Other expenses	1,960	160	559	Arises mainly from expenses in respect of transactions for the acquisition of companies.
Income from ordinary operations (% of sales)	**24,974 14.4%**	**19,556 15.8%**	**43,430 15.8%**	
Income from ordinary operations excluding other expenses (% of sales)	**26,934 15.5%**	**19,716 15.9%**	**43,989 16.0%**	The increase in profit stems mainly from an increase in sales and from streamlining measures and synergies that were reflected in 2025 and 2026. The profitability rate was mainly affected by the increase in amortization expenses of intangible assets recorded in connection with the acquisition of companies.

Line item	For the six months ended June 30, 2026	For the six months ended June 30, 2025	For the year ended December 31, 2025	Company's explanations compared to the corresponding period last year
Financing expenses, net	578	5,562	13,218	The change stems mainly from non-cash finance income in respect of the early payment of the put option for the acquisition of the remaining shares of Attractive Scent as detailed in Section 2.2 above, and in respect of the early acquisition of the Sellers' entire holdings in FIT, as detailed in Section 2.4 above.
Taxes on income (Effective tax %)	5,163 21.2%	3,361 24.0%	7,557 25.0%	The change arises from the pre-tax profit mix between the different countries in which the Group operates, and from finance income in respect of which there is no tax effect.
Net income for the period (% of sales)	**19,233** **11.1%**	**10,633** **8.6%**	**22,655** **8.2%**	The net income increased by approx. **80.9%**, mainly due to the profitable growth, acquisitions completed in the period and the synergy arising therefrom, and from non-cash finance income as stated above.
Non-GAAP net income[9] (% of sales)	**23,428** **13.5%**	**15,340** **12.4%**	**36,363** **13.2%**	The Non-GAAP net income increased by approx. **52.7%**, mainly as a result of the growth, completed acquisitions and the synergies arising therefrom.
EBITDA[10]	38,032	27,904	62,948	The Adj. EBITDA increased by approx. **41.6%** compared to the corresponding period last year. The increase in the rate of Adj. EBITDA stemmed from the reasons listed above in this table.
Adj. EBITDA[11] (% of sales)	**40,008** **23.0%**	**28,253** **22.8%**	**63,504** **23.1%**	

[9] See Section 5.2 below.
[10] See Section 5.1 below.

4.2. Set forth below is an analysis of the operating results for the three months ended June 30, 2025 and 2026, in accordance with the financial statements, and the explanations for the key changes in those data (in USD thousand):

Line item	For the three months ended June 30, 2026	For the three months ended June 30, 2025	Company's explanations compared to the corresponding period last year
Revenues from sales	**90,229**	**63,418**	Revenues from sales increased by approx. **42.3%**. The growth arises from companies whose acquisition was completed in 2025 and in the first half of 2026, from the effect of currencies, which contributed approx. 4.3% to growth, and from **high organic growth of approx. 7.3%, net of currency effects.**
Cost of sales	52,790	38,703	Gross profit increased by approx. **51.5%**, mainly due to the increase in sales. The improvement in profitability arises from streamlining measures, the utilization of synergies between Group companies and the continued high growth.
Gross profit **(% of sales)**	**37,439** **41.5%**	**24,715** **39.0%**	
Research and development expenses (% of sales)	4,326 4.8%	2,311 3.6%	The increase arises from the consolidation of the results of operations of companies whose acquisition was completed during 2025 and in the first half of 2026, and from amortization of intangible assets in respect of those acquisitions.
Selling and marketing expenses (% of sales)	9,436 10.5%	5,667 8.9%	
General and administrative expenses (% of sales)	10,350 11.5%	6,885 10.9%	The increase arises from the consolidation of the data of companies whose acquisition was completed during 2025 and in the first half of 2026.
Company's share in losses (profits) of companies accounted for by the equity method, net	(235)	(230)	Gains in respect of non-consolidated investees.
Other expenses	1,462	160	Arises mainly from expenses in respect of transactions for the acquisition of companies.
Income from ordinary operations **(% of sales)**	**12,100** **13.4%**	**9,922** **15.6%**	
Income from ordinary operations excluding other expenses **(% of sales)**	**13,562** **15.0%**	**10,082** **15.9%**	The increase stems mainly from an increase in sales and from streamlining measures and synergies that were reflected in 2025 and 2026. The profitability rate was mainly affected by the increase in amortization expenses of intangible assets recorded in connection with the acquisition of companies.
Financing expenses, net	1,628	3,075	The change stems mainly from non-cash finance income in respect of the early acquisition of the Sellers' entire holdings in FIT, as detailed in Section 2.4 above.
Taxes on income (Effective tax %)	2,304 22.0%	1,624 23.7%	The change arises from the pre-tax profit mix between the different countries in which the Group operates, and from finance income in respect of which there is no tax effect.

Line item	For the three months ended June 30, 2026	For the three months ended June 30, 2025	Company's explanations compared to the corresponding period last year
Net income for the period (% of sales)	**8,168 9.1%**	**5,223 8.2%**	The net income increased by approx. **56.4%**, mainly due to the profitable growth, completed acquisitions and the synergy arising therefrom, and from non-cash finance income as stated above.
Non-GAAP net income[12] (% of sales)	**11,707 13.0%**	**7,463 11.8%**	The net income increased by approx. **56.9%**, mainly as a result of the growth in activity, completed acquisitions and the synergies arising therefrom.
EBITDA[13]	19,069	14,289	The Adj. EBITDA increased by approx. **40.9%** compared to the corresponding period last year. The increase in the rate of Adj. EBITDA stemmed from the reasons listed above in this table.
Adj. EBITDA[14] (% of sales)	**20,619 22.9%**	**14,638 23.1%**	

[12] See Section 5.2 below.
[13] See Section 5.1 below.

4.3. Set forth below are the operating results for the six months ended June 30, 2025 and 2026, by segments (in USD thousand):

Segment		**For the six months ended June 30, 2026**	**For the six months ended June 30, 2025**	**For the 12-month period ended December 31, 2025**	**Company's explanations of the change between the first half of 2026 and the first half of 2025**
Taste segment	Revenues (% of Group sales)	**114,981** 66.1%	**89,725** 72.5%	**194,699** 70.8%	Revenues increased by approx. **28.1%**. The growth arises from acquisitions completed during 2025 and in the first half of 2026, from the effect of currencies, which contributed approx. 8.4% to growth, and **from organic growth** of approx. **6.9%**, net of currency effects.
	Operating profit (% of sales)	22,013 19.1%	17,838 19.9%	37,568 19.3%	
Fragrance segment	Revenues (% of Group sales)	**42,361** 24.4%	**18,679** 15.1%	**49,434** 18.0%	Revenues increased by approx. **126.8%.** The growth arises mainly from acquisitions completed during 2025 and in the first half of 2026, from the effect of currencies, which contributed approx. 5.7% to growth, and **from high organic growth of approx. 12.9%, net of currency effects.** The profitability rate was mainly affected by the increase in amortization expenses in respect of intangible assets recognized in connection with the acquisition of companies, and by the consolidation of the results of companies whose acquisition was completed in the Reporting Period, whose operating profitability is lower than that of the segment. The utilization of the synergies between those companies and the Group companies is expected to contribute to an improvement in the segment's profitability in the forthcoming quarters.
	Operating profit (% of sales)	10,226 24.1%	4,993 26.7%	12,840 26.0%	
Specialty fine ingredients segment	Revenues (% of Group sales)	**16,528** 9.5%	**15,394** 12.4%	**31,036** 11.3%	Revenues increased by approx. **7.4%.** The growth arises from the effect of currencies, which contributed approx. 2.7% to growth, and **from organic growth** of approx. **4.5%**, net of currency effects.
	Operating profit (% of sales)	1,335 8.1%	1,154 7.5%	3,648 11.8%	
Unallocated joint expenses	Revenues	-	(21)	(21)	
	Operating profit	(8,600)	(4,429)	(10,626)	
Total	**Revenues**	**173,870**	**123,777**	**275,148**	
	Operating profit (% of sales)	**24,974** **14.4%**	**19,556** **15.8%**	**43,430** **15.8%**	

4.4. Set forth below are the operating results for the three months ended June 30, 2025 and 2026, by segments (in USD thousand):

<table>
<tr><th colspan="2">Segment</th><th>For the three months ended June 30, 2026</th><th>For the three months ended June 30, 2025</th><th>Company's explanations of the change in the second quarter of 2026 compared with the second quarter of 2025</th></tr>
<tr><td rowspan="2">Taste segment</td><td>Revenues (% of Group sales)</td><td>56,519
62.6%</td><td>46,224
72.9%</td><td rowspan="2">Revenues increased by approx. 22.3%. The growth arises from acquisitions completed during 2025 and in the first half of 2026, from the effect of currencies, which contributed approx. 5.0% to growth, and from organic growth of approx. 5.1%, net of currency effects.</td></tr>
<tr><td>Operating profit (% of sales)</td><td>11,241
19.9%</td><td>9,680
20.9%</td></tr>
<tr><td rowspan="2">Fragrance segment</td><td>Revenues (% of Group sales)</td><td>25,985
28.8%</td><td>9,557
15.1%</td><td rowspan="2">Revenues increased by approx. 171.9%. The growth arises mainly from acquisitions completed during 2025 and in the first half of 2026, from the effect of currencies, which contributed approx. 3.8% to growth, and from high organic growth of approx. 14.9%, net of currency effects.

The profitability rate was mainly affected by the increase in amortization expenses in respect of intangible assets recognized in connection with the acquisition of companies, and by the consolidation of the results of companies whose acquisition was completed in the Reporting Period, whose operating profitability is lower than that of the segment. The utilization of the synergies between those companies and the Group companies is expected to contribute to an improvement in profitability in the forthcoming quarters.</td></tr>
<tr><td>Operating profit (% of sales)</td><td>5,653
21.8%</td><td>2,327
24.3%</td></tr>
<tr><td rowspan="2">Specialty fine ingredients segment</td><td>Revenues (% of Group sales)</td><td>7,725
8.6%</td><td>7,658
12.1%</td><td rowspan="2">Revenues increased by approx. 0.9%. The growth arises from the effect of currencies, which contributed approx. 1.1% to growth, and from an organic decline of approx. 0.2%, net of currency effects.

During the Reporting Period, several new molecules were introduced into production, which required adjustments to the manufacturing processes and the running-in of additional production lines. These processes are being implemented gradually, and their completion is expected to be reflected in an improvement in sales and profitability in the forthcoming quarters.</td></tr>
<tr><td>Operating profit (% of sales)</td><td>192
2.5%</td><td>140
1.8%</td></tr>
<tr><td rowspan="2">Unallocated joint expenses</td><td>Revenues</td><td>-</td><td>(21)</td><td rowspan="2"></td></tr>
<tr><td>Operating profit</td><td>(4,986)</td><td>(2,225)</td></tr>
<tr><td rowspan="2">Total</td><td>Revenues</td><td>90,229</td><td>63,418</td><td rowspan="2"></td></tr>
<tr><td>Operating profit (% of sales)</td><td>12,100
13.4%</td><td>9,922
15.6%</td></tr>
</table>

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.[15] Set forth below is a breakdown of the adjustments between the operating profit and Adjusted EBITDA (USD in thousands):

Section		For the six months ended June 30		For the three months ended June 30	
		2026	**2025**	**2026**	**2025**
Operating profit presented in the financial statements		**24,974**	**19,556**	**12,100**	**9,922**
Depreciation expenses	Property, plant and equipment	3,509	2,568	1,836	1,307
	Intangible asset	5,813	3,391	3,140	1,796
	Leases	2,712	1,786	1,466	948
Amortization expenses in respect of share-based payment to employees		1,024	603	527	316
Non-recurring expenses		1,976	349	1,550	349
Adj. EBITDA (% of sales)		**40,008 23.0%**	**28,253 22.8%**	**20,619 22.9%**	**14,638 23.1%**

5.2. Non-GAAP net income[16]

Non-GAAP net income - means net income plus amortization in respect of intangible assets, amortization in respect of 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.[17] Set forth below is a breakdown of the adjustments between the net income and Non-GAAP net income (USD in thousands):

Section	For the six months ended June 30		For the three months ended June 30	
	2026	**2025**	**2026**	**2025**
Net income presented in the financial statements	**19,233**	**10,633**	**8,168**	**5,223**
Amortization expenses in respect of intangibles and share-based payment to employees[18]	6,401	3,641	3,474	1,878
Financing expenses (income) in respect of put options	(2,696)	1,440	(589)	418
Non-recurring expenses	1,976	349	1,550	349
Net of the tax effect	(1,486)	(723)	(896)	(405)
Non-GAAP net income (% of sales)	**23,428 13.5%**	**15,340 12.4%**	**11,707 13.0%**	**7,463 11.8%**

[15] This indicator 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.

[16] The Company presents its Non-GAAP net income 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 amortization of knowhow, as well as amortization expenses in respect of share-based payment to employees and revaluation expenses in respect of options granted to sellers.

[17] 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.

[18] For details regarding depreciation and amortization expenses, see Section 5.1 above.

6. Liquidity

As of June 30, 2026, the Company had a cash balance totaling USD 50,889 thousand, alongside the continued financing of the double-digit growth of the Group's activity. Set forth below are the key components of the cash flows and the way they were utilized (in USD thousand):

	For the six months ended June 30, 2026	For the six months ended June 30, 2025	For the 12-month period ended December 31, 2025	Company's explanations of the change between the first half of 2026 and the first half of 2025
Net cash provided by operating activities	15,779	13,134	40,661	Cash flow from operating activities increased by approx. 20%. 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	(122,114)	(43,569)	(83,320)	The change arises from the completion of the acquisition of companies totaling approx. USD 116.3 million compared to approx. USD 39.3 million in the corresponding period last year, and from an approx. USD 5.8 million investment in property, plant and equipment and other assets compared to approx. USD 4.5 million in the corresponding period last year.
Net cash provided by financing activities	9,117	32,708	150,301	The change arises mainly from a decrease in the scope of the loans taken in the period, which amounted to approx. USD 39.4 million, compared to approx. USD 43.4 million in the corresponding period last year, and from an increase in loan repayments, which amounted to approx. USD 14.5 million, compared to approx. USD 7.6 million in the corresponding period last year. In addition, in the current period liabilities in respect of the acquisition of companies totaling approx. USD 6 million were repaid, compared to approx. USD 2.2 million in the corresponding period last year, and a dividend of approx. USD 6.8 million was paid.
Exchange differences in respect of cash and cash equivalents	5,012	2,804	9,527	
Total change in cash and cash equivalents	**(92,206)**	**5,077**	**117,169**	

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	Company's explanations of the change in the second quarter of 2026 compared with the second quarter of 2025
Net cash provided by operating activities	9,978	5,570	Cash flow from operating activities increased by approx. 79%. 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	(119,637)	(29,815)	The change arises from the completion of the acquisition of companies totaling approx. USD 116.3 million compared to approx. USD 27.7 million in the corresponding period last year, and from an approx. USD 3.3 million investment in property, plant and equipment and other assets compared to approx. USD 2.2 million in the corresponding period last year.
Net cash provided by financing activities	15,852	21,830	The change arises mainly from a dividend of approx. USD 6.8 million paid in the current period.
Exchange differences in respect of cash and cash equivalents	4,925	1,948	
Total change in cash and cash equivalents	**(88,882)**	**(467)**	

7. <u>Financing sources</u>

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 June 30, 2026		Data as of December 31, 2025	
	USD thousand	% of total balance sheet	USD thousand	% of total balance sheet
Equity	315,504	39.3%	293,439	41.1%
Other long-term liabilities	128,216	16.0%	178,678	25.0%
Long-term liabilities from banks, net of current maturities	134,149	16.7%	127,344	17.8%
Short-term credit	66,636	8.3%	51,951	7.3%
Suppliers credit	37,685	4.7%	24,843	3.5%
Other short-term payables	120,797	15.0%	37,679	5.3%
Total	**802,987**	**100%**	**713,934**	**100%**

The average amount of the long-term loans in the first half of 2026 was approx. USD 130,747 thousand.

The average amount of the short-term credit in the first half of 2026 was approx. USD 59,294 thousand.

As of June 30, 2026, the Company has a working capital deficit of approx. USD 24.5 million, arising from the classification of short-term liabilities in respect of the acquisition of activities totaling approx. USD 92.6 million, most of which are expected to be repaid during the first half of 2027. The Company intends to finance their repayment through long-term bank loans. Net of those liabilities, the Company's working capital amounted to approx. USD 68.0 million (approx. 18.9% of sales), compared to working capital of approx. USD 24.5 million (approx. 9.7% of sales) as of June 30, 2025, and working capital of approx. USD 143.3 million (approx. 48.0% of sales) as of December 31, 2025.

The Company's operating working capital[19] as of June 30, 2026 is approx. USD 103.6 million (approx. 27.5% of sales), compared to operating working capital of approx. USD 73.5 million (approx. 27.6% of sales) as of June 30, 2025, and compared to operating working capital of approx. USD 81.4 million (approx. 26.6% of sales) as of December 31, 2025.

The Company's net debt balance[20] as of June 30, 2026 is approx. USD 149,896 thousand.

8. Financial covenants set by the banks

The Company's financial covenants are as follows:

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

As of June 30, 2026, the Company's equity stands at approx. USD 315.5 million, and it constitutes approx. 39.3% of total assets.

(b) **Net debt coverage ratio**[21] - shall not exceed 3.5 at any given time.

As of June 30, 2026, the Company's net debt coverage ratio stands at approx. 1.8.

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

[19] Operating working capital means - trade receivables plus the balance of inventory and net of trade payables.
[20] Debt net of cash.
[21] 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).

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 current cash flow and financing from leading financial institutions across the world, are expected to enable Turpaz the continued implementation of its global mergers and acquisitions strategy.

9. Valuations and estimates

Information regarding provisional valuation of the acquisition of Phoenix, which was carried out by an external appraiser*

Identifying the valuation's subject matter:	Purchase price allocation of the acquisition of Phoenix
Valuation date:	1.5.2026
Value of the valuation's subject matter as per the valuation:	1. Total purchase consideration: USD 66,881 thousand a. Cash consideration - USD 62,435 thousand b. Contingent consideration - USD 4,935 thousand c. Working capital adjustments as at the acquisition date - USD 489 thousand 2. Customer relations: USD 13,046 thousand 3. Knowhow: USD 13,443 thousand
Details about the appraiser:	This provisional valuation was carried out by Moore Corporate Finance Ltd., which specializes in valuations, due diligences, economic opinions 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 Tel Aviv University, and an MA in Economics from 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:	Key assumptions in the valuation of a customer relations intangible asset Discount rate 9% Attrition rate 20% Useful life - 10 years Key assumptions in the valuation of a knowhow intangible asset Discount rate 9% Royalties rate 7% Useful life - 20 years

* As of the date of this report the valuation has not yet been completed.

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

Karen Cohen Khazon,	**Dr. Israel Leshem,**
CEO and Director	**Chairman of the Board of Directors**

Date: August 10, 2026

TURPAZ

Chapter B

Financial Statements

as of June 30, 2026

TURPAZ INDUSTRIES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 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 June 30, 2026 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the periods of six and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 3.3% of total consolidated assets as of June 30, 2026, and whose revenues included in consolidation constitute approximately 10.5% and approximately 9.7% of total consolidated revenues for the periods of six and three months then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

Scope of review

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

Conclusion

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

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

Tel-Aviv, Israel
August 10, 2026

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2026	June 30, 2025	December 31, 2025
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	50,889	31,003	143,095
Trade receivables	69,289	48,618	51,262
Other accounts receivable	7,227	6,103	7,317
Inventories	72,039	48,503	55,021
Financial assets	1,127	-	1,054
	200,571	134,227	257,749
NON-CURRENT ASSETS:			
Deferred taxes	3,745	2,271	2,913
Property, plant and equipment, net	77,022	62,378	70,756
Right-of-use assets, net	39,345	20,798	24,813
Intangible assets, net	456,985	268,848	332,522
Investment in companies accounted for at equity	25,319	25,664	25,181
Financial assets	-	980	-
	602,416	380,939	456,185
	802,987	515,166	713,934

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2026	June 30, 2025	December 31, 2025
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans from banks and others	66,636	57,388	51,951
Trade payables	37,685	23,621	24,843
Other accounts payable	22,854	17,150	21,202
Short-term liabilities in respect of acquisition of activity	92,594	8,062	12,388
Current maturities of lease liabilities	5,349	3,491	4,089
	225,118	109,712	114,473
NON-CURRENT LIABILITIES:			
Long-term loans from banks, less current maturities	134,149	94,672	127,344
Long-term loans from others, less current maturities	-	216	-
Provision for waste removal	1,198	1,190	1,176
Long-term leases liabilities	35,568	18,556	22,211
Long-term liabilities in respect of acquisition of activity	61,718	108,025	134,530
Deferred taxes	28,605	14,436	19,913
Employee benefit liabilities	1,127	516	848
	262,365	237,611	306,022
EQUITY:			
Equity attributable to equity holders of the company:			
Share capital (*)	1	1	1
Share premium	186,975	78,304	177,521
Other capital reserves	(4,348)	(6,384)	(6,563)
Reserve in respect of translation differences	14,469	(154)	8,167
Retained earnings	80,092	61,498	70,658
	277,189	133,265	249,784
Non-controlling interests	38,315	34,578	43,655
Total equity	315,504	167,843	293,439
	802,987	515,166	713,934

*) Less than $ 1 thousand.

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2026	2025	2026	2025	2025
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales	173,870	123,777	90,229	63,418	275,148
Cost of sales	101,402	75,543	52,790	38,703	165,127
Gross profit	72,468	48,234	37,439	24,715	110,021
Research and development expenses	7,996	4,481	4,326	2,311	11,046
Selling and marketing expenses	17,927	11,230	9,436	5,667	26,286
General and administrative expenses	20,333	13,406	10,350	6,885	29,464
Company's share of earnings of companies accounted for at equity, net	(722)	(599)	(235)	(230)	(764)
Other expenses	1,960	160	1,462	160	559
Operating income	24,974	19,556	12,100	9,922	43,430
Finance expenses, net	578	5,562	1,628	3,075	13,218
Income before taxes on income	24,396	13,994	10,472	6,847	30,212
Taxes on income	5,163	3,361	2,304	1,624	7,557
Net income	19,233	10,633	8,168	5,223	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	21,561	8,872	19,512	14,755	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	(15,906)	2,131	(11,587)	(6,201)	(8,079)
Comprehensive income	24,888	21,636	16,093	13,777	42,225
Net income attributable to:					
Equity holders of the Company	16,234	8,558	6,727	4,207	17,718
Non-controlling interests	2,999	2,075	1,441	1,016	4,937
	19,233	10,633	8,168	5,223	22,655
Comprehensive income attributable to:					
Equity holders of the Company	22,536	15,773	14,575	10,188	33,254
Non-controlling interests	2,352	5,863	1,518	3,589	8,971
	24,888	21,636	16,093	13,777	42,225
Earnings per share attributable to equity holders of the Company (in U.S. dollars):					
Basic and diluted earnings per share	0.15	0.08	0.06	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							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	U.S. dollars in thousands							
Balance as of January 1, 2026 (audited)	1	177,521	(6,563)	8,167	70,658	249,784	43,655	293,439
Net income	-	-	-	-	16,234	16,234	2,999	19,233
Other comprehensive income (loss)	-	-	-	6,302	-	6,302	(647)	5,655
	-	-	-					
Total comprehensive income	-	-	-	6,302	16,234	22,536	2,352	24,888
Share-based payment	-	-	1,024	-	-	1,024	-	1,024
Exercise of options	-	742	(238)	-	-	504	-	504
Acquisition of non-controlling interests and settlement of financial liabilities through share issue		8,712	1,429	-	-	10,141	(7,236)	2,905
Dividends distributed	-	-	-	-	(6,800)	(6,800)	(456)	(7,256)
Balance as of June 30, 2026	1	186,975	(4,348)	14,469	80,092	277,189	38,315	315,504

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	U.S. dollars in thousands							
Balance as of April 1, 2026	1	186,975	(4,875)	6,621	73,365	262,087	37,253	299,340
Net income	-	-	-	-	6,727	6,727	1,441	8,168
Other comprehensive income	-	-	-	7,848	-	7,848	77	7,925
Total comprehensive income	-	-	-	7,848	6,727	14,575	1,518	16,093
Share-based payment	-	-	527	-	-	527	-	527
Dividends distributed	-	-	-	-	-	-	(456)	(456)
Balance as of June 30, 2026	1	186,975	(4,348)	14,469	80,092	277,189	38,315	315,504

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Audited							
	U.S. dollars in thousands							
Balance as of January 1, 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	1	177,521	(6,563)	8,167	70,658	249,784	43,655	293,439

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2026	2025	2026	2025	2025
	Unaudited				Audited
	U.S. dollars in thousands				
Cash flows from operating activities:					
Net income	19,233	10,633	8,168	5,223	22,655
Adjustments to reconcile net income to net cash provided by operating activities (a)	(3,454)	2,501	1,810	347	18,006
Net cash provided by operating activities	15,779	13,134	9,978	5,570	40,661
Cash flows from investing activities					
Purchase of property, plant and equipment and other assets	(5,830)	(4,484)	(3,340)	(2,232)	(12,454)
Proceeds from sale of property, plant and equipment	13	184	-	119	236
Acquisition of initially consolidated subsidiaries (b)	(116,297)	(29,173)	(116,297)	(23,102)	(60,281)
Acquisition of companies accounted for at equity	-	(10,096)	-	(4,600)	(10,096)
Repayment of liability in respect of acquisition of activity	-	-	-	-	(725)
Net cash used in investing activities	(122,114)	(43,569)	(119,637)	(29,815)	(83,320)
Cash flows from financing activities					
Receipt (repayment) of short-term credit	7,160	19,060	3,292	18,318	(794)
Acquisition of shares from non-controlling interests in subsidiary	-	-	-	-	(510)
Dividend paid to equity holders of the Company	(6,800)	-	(6,800)	-	-
Dividend paid to holders of put options and holders of non-controlling interests	(867)	(1,022)	(867)	(535)	(2,322)
Repayment of long-term lease liabilities	(2,600)	(1,654)	(1,416)	(874)	(3,874)
Repayment of long-term loans	(14,535)	(7,606)	(8,745)	(6,509)	(26,159)
Receipt of long-term loans	32,275	24,381	31,401	11,030	86,051
Issue of share capital less issue expenses	-	-	-	-	97,155
Repayment of liability in respect of acquisition of activity	(6,020)	(2,239)	(1,013)	-	(2,239)
Exercise of share options	504	1,788	-	400	2,993
Net cash provided by financing activities	9,117	32,708	15,852	21,830	150,301
Exchange rate differences on balances of cash and cash equivalents	5,012	2,804	4,925	1,948	9,527
Increase (decrease) in cash and cash equivalents	(92,206)	5,077	(88,882)	(467)	117,169
Cash and cash equivalents at the beginning of the period	143,095	25,926	139,771	31,470	25,926
Cash and cash equivalents at the end of the period	50,889	31,003	50,889	31,003	143,095

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2026	Six months ended June 30, 2025	Three months ended June 30, 2026	Three months ended June 30, 2025	Year ended December 31, 2025
	Unaudited				Audited
	NIS in thousands				
(a) Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit and loss items:					
Depreciation and amortization	12,034	7,745	6,442	4,051	18,143
Capital loss (gain) from sale of property, plant and equipment	(12)	(2)	-	1	27
Change in employee benefit liabilities, net	38	26	28	4	38
Cost of share-based payment	1,024	603	527	316	1,375
Company's share of earnings of companies accounted for at equity, net	(722)	(599)	(235)	(230)	(764)
Finance expenses, net	578	5,562	1,628	3,075	13,218
Taxes on income	5,163	3,361	2,304	1,624	7,557
	18,103	16,696	10,694	8,841	39,594
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(9,905)	(5,358)	3,529	1,050	(979)
Decrease (increase) in other accounts receivable	932	(756)	223	(540)	(1,219)
Increase in inventories	(10,256)	(1,648)	(8,031)	(706)	(2,349)
Increase (decrease) in trade payables	7,528	2,249	3,945	380	(469)
Decrease in other accounts payable	(2,873)	(1,686)	(3,698)	(3,748)	(1,899)
	(14,574)	(7,199)	(4,032)	(3,564)	(6,915)
Cash paid and received during the period for:					
Taxes paid	(5,340)	(3,673)	(3,351)	(2,860)	(8,864)
Interest paid, net	(1,981)	(3,323)	(1,839)	(2,070)	(6,082)
Dividend received from associate	338	-	338	-	273
	(6,983)	(6,996)	(4,852)	(4,930)	(14,673)
	(3,454)	2,501	1,810	347	18,006

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2026	Six months ended June 30, 2025	Three months ended June 30, 2026	Three months ended June 30, 2025	Year ended December 31, 2025
	Unaudited				Audited
	NIS in thousands				
(b) Acquisition of initially consolidated subsidiaries:					
The subsidiaries' assets and liabilities at date of acquisition:					
Working capital (excluding cash and cash equivalents)	8,148	2,207	8,148	1,205	5,896
Property, plant and equipment	4,966	4,244	4,966	812	7,121
Right-of-use assets	9,240	191	9,240	191	3,520
Intangible assets	136,810	56,904	136,810	49,589	121,702
Lease liabilities	(9,240)	(191)	(9,240)	(191)	(3,520)
Other non-current liabilities	(33,312)	(728)	(33,312)	-	(2,483)
Repayment of other non-current liabilities resulting from the acquisition of Phoenix	32,362	-	32,362	-	-
Payables for acquisition of investments in subsidiaries	(22,709)	(32,039)	(22,709)	(28,171)	(57,558)
Deferred taxes	(9,968)	(966)	(9,968)	116	(7,056)
Equity investment	-	(449)	-	(449)	(449)
Non-controlling interests	-	-	-	-	(6,892)
	116,297	29,173	116,297	23,102	60,281
(c) Significant non-cash transactions:					
Right-of-use asset recognized with corresponding lease liabilities	7,178	3,990	6,320	2,969	6,457
Acquisition of associate in exchange for assets	-	11,806	-	-	11,806
Reclassification of put option to equity	2,905	-	-	-	-

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

NOTE 1:- GENERAL

a. General description of the Group and its activity:

Turpaz Industries Ltd. ("the Company") is a publicly traded company incorporated in Israel. The condensed interim consolidated financial statements of the Company as of June 30, 2026 include those of the Company and its subsidiaries (collectively, "the Group").

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

b. These interim consolidated financial statements have been prepared in a condensed format as of June 30, 2026 and for the periods of six and three months then ended ("interim consolidated financial statements"). These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 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 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:

	May 1, 2026
	U.S. dollars in thousands
Working capital, net	7,562
Property, plant and equipment and other assets	8,279
Right-of-use asset	8,269
Customer relations	13,046
Product formulas	13,443
Lease liabilities	(8,269)
Other non-current liabilities	(32,362)
Deferred taxes	(7,764)
Net identifiable assets	2,204
Goodwill arising on acquisition	63,375
Purchase price:	
Paid in cash less debt paid and net cash in acquiree on acquisition date	61,133
Liability for contingent consideration and acquisition date adjustments	4,446
Total purchase price	65,579

Through June 30, 2026, the acquired activity has contributed approximately $ 6,980 thousand to revenues and approximately $ 875 thousand to net income. If the business combination had been completed at the beginning of the year, the revenues would have amounted to approximately $ 18,348 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.

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, ambiences and detergency.

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:

	May 12, 2026 U.S. dollars in thousands
Working capital, net	586
Property, plant and equipment and other assets	1,146
Right-of-use asset	971
Customer relations	7,296
Product formulas	4,339
Lease liabilities	(971)
Other non-current liabilities	(950)
Deferred taxes	(2,204)
Net identifiable assets	10,213
Goodwill arising on acquisition	30,852
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	22,802
Liability for symmetrical call/put option on non-controlling interests, contingent consideration and acquisition date adjustments	18,263
Total purchase price	41,065

Through June 30, 2026, the acquired activity has contributed approximately $ 1,592 thousand to revenues and approximately $ 328 thousand to net income. If the business combination had been completed at the beginning of the year, the revenues would have amounted to approximately $ 5,373 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.

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.

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 14,179 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 of approximately NIS 1,043 thousand (approximately $ 330 thousand) 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 June 7, 2026, the immaterial merger of the Company with Balirom, a wholly owned subsidiary of the Company, was registered with the Israeli Registrar of Companies and Balirom was merged into the Company.

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

g. In furtherance to the acquisition of the Clarys & Willich group, which operates in Belgium and Germany, from its shareholders ("the sellers") through a subsidiary of the Company, Food Ingredients Technologies SA ("FIT"), on July 28, 2026, the Company signed an addendum to the acquisition agreement ("the addendum"), which advances the exercise date of the symmetrical call/put option for the purchase of the sellers' shares in FIT. According to the original acquisition agreement, the option was exercisable from April 3, 2027. Following the signing of the addendum, the Company exercised the option and purchased the sellers' entire shares in FIT, accounting for about 24.5% of FIT's share capital, for approximately € 45.3 million of which approximately € 5.3 million was paid to the sellers on the date of signing the addendum from the Company's own resources and the other € 40 million will be paid on January 1, 2027 using a long-term bank loan. The addendum also updates the understandings reached between the Company and Dandau, a private Belgium company held by FIT's CEO, according to which following the acquisition of the sellers' entire interests in FIT, the Company will hold 69.8% of FIT's share capital and Dandau will hold 30.2%. The parties have a symmetrical call/put option in respect of Dandau's remaining interests in FIT which is exercisable from April 3, 2029.

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.

NOTE 5:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Six months ended June 30, 2026				
	Tastes	Fragrances	Specialty fine ingredients	Adjustments	Total
	Unaudited				
	U.S. dollars in thousands				
Segment revenues	114,981	42,361	16,528	-	173,870
Segment operating income net of unallocated joint expenses	22,013	10,226	1,335	-	33,574
Unallocated joint expenses					8,600
Finance expenses, net					578
Income before taxes on income					24,396

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

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Three months ended June 30, 2026				
	Tastes	Fragrances	Specialty fine ingredients	Adjustments	Total
	Unaudited				
	U.S. dollars in thousands				
Segment revenues	56,519	25,985	7,725	-	90,229
Segment operating income net of unallocated joint expenses	11,241	5,653	192	-	17,086
Unallocated joint expenses					4,986
Finance expenses, net					1,628
Income before taxes on income					10,472

	Three months ended June 30, 2025				
	Tastes	Fragrances	Specialty fine ingredients	Adjustments	Total
	Unaudited				
	U.S. dollars in thousands				
Revenues from external customers	46,224	9,551	7,643	-	63,418
Intersegment revenues	-	6	15	(21)	-
Total revenues	46,224	9,557	7,658	(21)	63,418
Segment operating income net of unallocated joint expenses	9,680	2,327	140	-	12,147
Unallocated joint expenses					2,225
Finance expenses, net					3,075
Income before taxes on income					6,847

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	-	6	15	(21)	-
Total revenues	194,699	49,440	31,030	(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

c. Geographic information:

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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2026	2025	2026	2025	2025
	Unaudited				Audited
	U.S. dollars in thousands				
Israel and the Middle East	23,379	15,513	11,397	7,121	35,277
North America	23,049	10,235	15,938	5,628	20,301
Europe	93,274	74,945	45,329	38,840	162,166
Africa	21,616	13,976	11,608	7,143	33,551
Asia and other	12,552	9,108	5,957	4,686	23,853
	173,870	123,777	90,229	63,418	275,148

NOTE 6:- FINANCIAL INSTRUMENTS

a. Fair value:

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

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

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

As of June 30, 2026, total liabilities amounted to $ 81,418 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 9.7% was applied to the options. The fair value measurement is classified as Level 3.

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

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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2026	**2025**	**2026**	**2025**	**2025**
	Unaudited				**Audited**
	U.S. dollars in thousands				
Balance at beginning of period	(139,734)	(74,779)	(113,742)	(79,439)	(74,779)
Total gain (loss) recognized:					
Repayment	5,748	2,816	741	-	4,351
In profit or loss	3,055	(1,455)	910	(423)	(5,862)
In other comprehensive income (loss)	2,437	(8,919)	(473)	(6,343)	(11,153)
Reclassification of symmetrical put/call options to deferred consideration	64,715	-	51,690	-	-
Settlement by share issue	2,905	-	-	-	-
Business combinations	(20,544)	(32,039)	(20,544)	(28,171)	(52,291)
Balance at end of period	(81,418)	(114,376)	(81,418)	(114,376)	(139,734)

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.

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TURPAZ

Chapter C

Effectiveness of Internal Control Over Financial Reporting

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

2. Guy Gill, EVP 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 second 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.

August 10, 2026

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Karen Cohen Khazon,

CEO and Director

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

I, Guy Gill, hereby declare that:

(1) I have reviewed the interim financial statements and the other financial information included in the interim reports of Turpaz Industries Ltd. for the Second quarter of 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, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

(b) any fraud, whether material or immaterial, in which the Chief Executive Officer, or anyone directly reporting to him, or any other employees are involved who have a significant function in the corporation's financial reporting and in internal control over financial reporting and disclosure thereof.

(5) I, severally or jointly with others in the corporation:

(a) have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the corporation and the consolidated companies, particularly during the Reports' preparation period; and

(b) have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

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

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

August 10, 2026

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Guy Gill, EVP and CFO