



Turpaz Industries Ltd.

Periodic report for the quarter ended March 31, 2024

This is an English translation of a Hebrew Periodic report that was published on May 19, 2024 (reference no.: 2024-01-048307) (hereafter: the “**Hebrew Version**”). This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

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

For the period ended March 31, 2024

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**"), for the three months ended March 31, 2024, all in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

This report was drawn out assuming that the Description of the Corporation's Business chapter as included in Chapter A to the 2023 Periodic Report, which was published on March 19, 2024 (Ref. No.: 2024-01-023989) (hereinafter - the "**2023 Periodic Report**") is available to the reader. Unless otherwise stated, terms included in this report shall have the meaning assigned to them in the 2023 Periodic Report.

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

1. General

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

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

The Company operates, independently and through its subsidiaries ("**Turpaz**" or the "**Group**"), in the development, production, marketing and sale of scents, used in the production of cosmetics, toiletries, personal care, air care & odor neutralizers products; natural and synthetic sweet and savory taste extracts, seasonings, unique functional solutions for the field of baking, specialty fine ingredients for the meat and baking industries, and gluten free flours, which are used mainly in the production of food and beverages, specialty fine ingredients for the pharma industry, the agro and fine chemicals industry, the food supplements industry, and citrus products and aromatic chemicals for the taste and scent industries.

The Turpaz Group has an extensive and diversified range of products, which are developed and produced in the Group's plants across the world. As of the report's publication date, the Group develops, produces, markets and sells products to more than approx. 3,000 customers in more than approx. 60 countries across the world, and operates 18 manufacturing facilities, including R&D centers, laboratories and sales, marketing and regulation offices in Israel, the USA, Poland, Germany, Belgium, Vietnam, Latvia, Romania, India, Hungary and South Africa which employ approx. 800 employees.

In the first quarter of 2024, Turpaz recruited a number of leading experts with extensive knowledge and tens of years' worth of experience in leading international companies in the taste and scent industry. The experts that were recruited included a Global Senior Flavorist, a Global Master Perfumer, a Chief Commercial Officer of Global Flavors Europe and a Global Procurement Manager. The recruitment of those experts allows Turpaz to continue strengthening its global capabilities both in terms of development and in terms of technology, supply chain and addressing its customers' needs, while

strengthening its global position and continuing its geographic expansion in accordance with the Group's growth strategy.

This recruitment is also expected to allow Turpaz to strengthen and increase the synergies between the Group companies and its activities in the different geographic regions, and to position it as a leading company in the field of tastes, scents, and specialty fine ingredients.

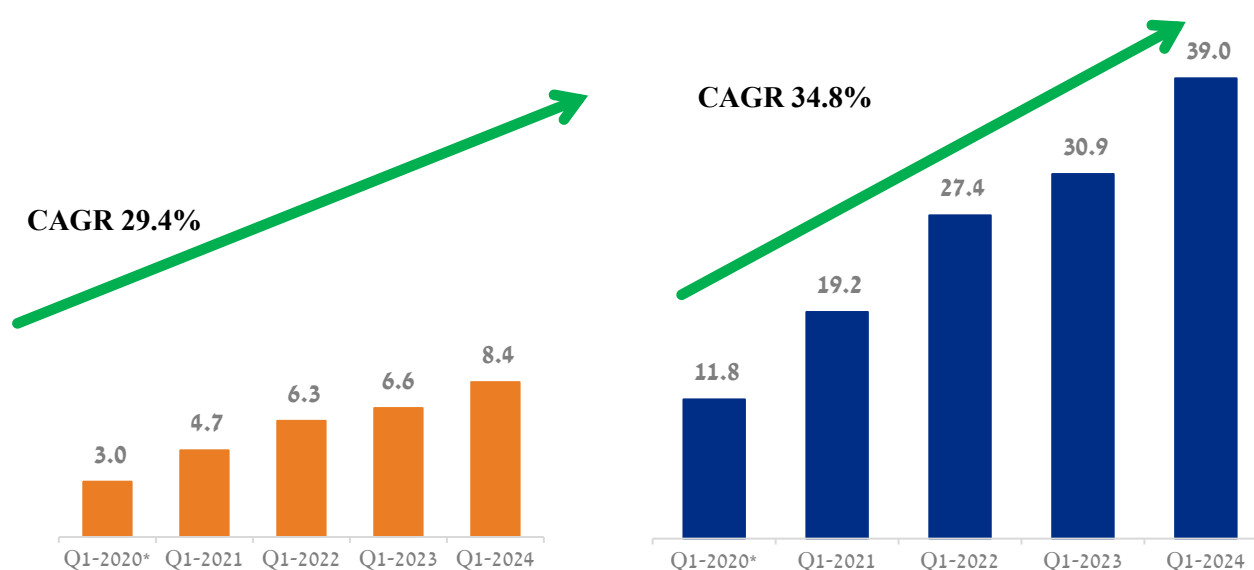
Key operating results of Turpaz and the business environment

- Turpaz Group continues to present record results for the first quarter of 2024 in terms of sales, gross profit, and adjusted¹ EBITDA.
- In the first quarter of 2024, Turpaz' **sales** increased by approx. 26.2%, which is one of the highest growth rates in the Company's area of activity, and amounted to approx. USD 39.0 million, compared with a total of approx. USD 30.9 million in the corresponding quarter last year. The increase stems from organic growth² of approx. 6.1%, and from growth through the acquisition of companies and operations that were completed since 2023 through the date of this report. The results of the Clarys & Willich group, the acquisition of which was completed in April 2024, shall be consolidated with the Group's results as from the second quarter of 2024, as set out below.
- In the first quarter of 2024, the **sales** of the **Scents** segment (which constitute approx. 22.6% of the Group's sales) achieved a double-digit organic growth of approx. 11.0%, mainly in EMEA region.
- In the first quarter of 2024, the sales of the **Tastes** segment (which constitute approx. 63% of the Group's sales) achieved a double-digit growth of approx. 52.2% both as a result of acquisitions completed during 2023 and in the first quarter of 2024, and as a result of a double digit organic growth of approx. 11.3%.
- In the first quarter of 2024, the sales of the **Specialty Fine Ingredients** segment (which constitute approx. 14.4% of the Group's sales) experienced an organic decline of approx. 16.6%, mainly due to the continued destocking trend among customers in this segment, the bringing forward of orders from the first quarter of 2024 to the fourth quarter of 2023, and increased competition in the segment. As of the report's publication date, the Company operates to change the products mix in this segment, while focusing on the introduction of citrus products and aromatic chemicals to the taste and scent industries. As part of this process, the Company completed the construction of additional production lines for the production of aromatic chemicals, and started their commissioning process.
- In the first quarter of 2024, **gross profit** has grown by approx. 21.8%, and amounted to approx. USD 14.4 million compared with approx. USD 11.8 million in the corresponding quarter last year.
- In the first quarter of 2024, **operating profit** increased by approx. 31.1%, and amounted to approx. USD 5.5 million compared with approx. USD 4.2 million in the corresponding quarter last year.

¹ **Adjusted EBITDA** means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses in respect of acquisition of companies.

² **Organic growth/decline** - is after deduction of the effect of exchange rates, on a pro-forma basis, assuming that the acquisitions that were completed in 2023 were consolidated as from January 1, 2023, and the acquisitions that were completed in the first quarter of 2024 were consolidated in a similar way in 2023.

- In the first quarter of 2024, **net income** increased by approx. 10% and amounted to approx. USD 3.3 million, compared with approx. USD 3.0 million in the corresponding period last year.
- The **rate of Adjusted EBITDA** out of sales, which is one of the highest rates in the Company's area of activity, stood at approx. 21.5% in the first quarter of 2024 compared with approx. 21.3% in the corresponding quarter last year. In the first quarter of 2024, **Adjusted EBITDA** increased by approx. 26.9% and amounted to approx. USD 8.4 million, compared to approx. USD 6.6 million in the corresponding quarter last year.
- The Group's strong equity structure, net debt coverage ratio lower than 1, backing from leading financial institutions in Israel and across the world, the enhancement of management and the implementation of managerial infrastructures are expected to enable Turpaz the continued implementation of the Group's combined growth strategy, which is based on organic growth and mergers and acquisitions, which are synergistic to the Group's activity.
- As of the report's publication date, the Company engaged in a loan agreement with a European banking corporation, at a total amount of up to EUR 25 million, which will be used to implement the mergers and acquisitions strategy. For more information, see immediate report of May 9, 2024 (Ref. No.: 2024-01-045742).
- Since the beginning of 2024, Turpaz completed two strategic acquisitions, which are synergetic to the Group's activity - the acquisition of **Sunspray in South Africa**, which is consolidated with the Group's results since February 1, 2024, and the acquisition of the **Clarys & Willich** group in **Belgium and Germany**, whose results will be consolidated with the Group's results as from the second quarter of 2024. As of the publication date of this report, Turpaz completed ten acquisitions since its issuance on the Stock Exchange in May 2021. The Group operates to leverage the synergies between the new acquisitions and the Group's activity.

Adjusted EBITDA Q1 2020-2024 (USD million)Sales Q1 2020-2024 (USD million)

(*) The above data are based on internal Company data and are not reviewed or audited.

Turpaz Group is engaged in the following three segments:

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

Taste segment - as part of the taste segment, Turpaz Group is engaged in the development, production, sale and marketing of natural and synthesized, sweet and savory flavor extracts, seasonings and gluten free flours, which are used mainly in the production of food, including meat and egg substitutes, plant-based solutions, snacks, ready-made meals, dairy products, ice creams, pharmaceuticals, food and organic colorings for the animal food, beverages and food supplements industries, all tailored to meet customers' needs and to comply with international and domestic regulations. Furthermore, the Group develops extracts and mixtures that allow the production of clean label³ products, reducing quantities of fat, salt and sugar in snacks, food products and beverages, while retaining the desired taste and texture of those products.

Specialty fine ingredients segment - in this segment, Turpaz Group is engaged in the development, production, marketing and sale of specialty fine ingredients used as intermediates and raw materials in the pharma industry, fine specialties ingredients used in various manufacturing processes to be used in a range of industries, mainly flavors and scents, agrochemicals, polymers and catalysts, and citrus products and aromatic chemicals for the taste and scent industry. Turpaz Group's activity in this field focuses on the production of high-quality products of high added value, and develops and manufactures tailor made products that meet the needs of its customers and comply with international and domestic regulations through its development, manufacturing and engineering departments.

Combined growth strategy -

Turpaz Group's strategy is based on combined growth that includes targets of double-digit growth and improvement of the Group's geographic deployment through M&As and acquisitions of activities that are synergetic to Turpaz's activity and organic growth, while leveraging the synergies between Group companies in the areas of cross sales, procurement, development, marketing and compliance with regulatory requirements, which contribute to the improvement in profits and profitability while increasing operational efficiency. The Company continues assessing on a daily basis options to acquire

³ Products whose list of ingredients does not include ingredients which are not natural ingredients.

additional companies, noting the market conditions and the expected contribution from the acquisition, as estimated by the Company.

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

Company's assessments as to the Group's growth rate, the periods during which the potential embodied in the acquisitions will be fulfilled, and as to the integration of the acquired companies into the Group and the effects of the latest recruitments constitutes forward-looking information, as defined in The Securities Law, which is based on Group management's assessments, and may not materialize or materialize in a manner different than expected, as a result of incorrect assessments, changes to the work plan, changes in the market, or the materialization of all or some of the risk factors listed in Section 1.29 to Chapter A to the 2023 Periodic Report.

Acquisitions completed since the beginning of 2024:

Acquisition of Sunspray

On February 13, 2024, the Company completed - through a wholly-owned subsidiary - the acquisition of 55% of the issued and paid up share capital and voting rights of Sunspray Solutions Proprietary Limited (hereinafter - "Sunspray"), a privately-owned company incorporated in South Africa from its shareholders - leading private equity funds in South Africa (hereinafter in this section - the "Sellers"), in consideration for approx. USD 14.1 million (approx. ZAR 267.8 million). The consideration is subject to adjustment in accordance with Sunspray's business performance based on the increase in EBITDA in 2024 and 2025, and the adjustment will not exceed approx. ZAR 52.4 million (approx. USD 2.8 million). In addition, the agreement includes contingent consideration to the Sellers, which is based on Sunspray's business performance based on the increase in the average EBITDA in 2023-2025 compared to an agreed amount of ZAR 79.4 million (approx. USD 4.2 million), with the increase being multiplied by 1.65. The agreement includes a (call/put) option to purchase Sunspray's remaining shares by Turpaz, which is exercisable as from January 1, 2027. The option's exercise price is based on Sunspray's business performance during the 12 quarters that preceded the option's exercise date. Sunspray is a leading company in its area of activity, which provides exclusive solutions to the food and beverages industry, while using a spray-drying technology that is tailored to the needs of multinational and local companies. Sunspray has two plants and innovative and advanced development laboratories in South Africa. Sunspray has hundreds of natural and artificial products, which are used,

among other things, in the meat, baking, snacks, seasonings, beverages, sauces, dairy and animal food industries. For information about bank financing used to execute the acquisition, see Section 5 below. Sunspray's results were consolidated with the Group's results as from February 2024.

Acquisition of the Clarys & Willich group

On April 3, 2024, the Company completed - through the subsidiary Food Ingredients Technologies SA,⁴ the acquisition of 100% of the issued and paid up share capital and voting rights of Cewecon GmbH, a privately-owned company incorporated in Germany, which holds a group of Belgian and German companies (hereinafter in this section - "FIT" and the "Clarys & Willich group" from its shareholders (hereinafter in this section - the "Sellers"), in consideration for approx. USD 47.7 million (approx. EUR 44 million), of which the sellers invested back in FIT a total of approx. USD 20.6 million (approx. EUR 19 million) against allocation to the Sellers of 24.5% of the issued and paid up share capital and voting rights in FIT. The Clarys & Willich group was founded in 1970; it is a leading company in the field of savory taste extracts, functional solutions and specialty fine ingredients for the meat and baking industries. The Clarys & Willich group was founded in 1970; it is a leading company in the field of savory taste extracts, functional solutions and specialty fine ingredients for the meat and baking industries. Clarys & Willich group owns two plants and development laboratories in Belgium and Germany, covering an area of 19,000 sq. m, of which 12,500 sq. m is built area and 12,000 sq. m, of which 2,000 sq. m is built area, respectively. The largest site of the two is an innovative and advanced site in Belgium, whose construction was completed in 2022 with an investment of approx. EUR 12 million. Clarys & Willich group has a broad customer base in Europe, mainly in Benelux,⁵ and a very extensive range of solutions and products. The transaction was funded out of own sources and bank financing. For information about bank financing used to execute the acquisition, see Section 5 below. The results of the Clarys & Willich group shall be consolidated with the Group's financial statements as from the second quarter of 2024.

Material events in the reporting period and subsequent to balance sheet date

- 1.1. On April 9, 2024, the Company distributed a dividend at the total amount of approx. NIS 14.6 million (approx. USD 4 million) to all its shareholders. For more information, see immediate report regarding dividend distribution of March 20, 2024 (Ref. No.: 2024-01-023998).
- 1.2. On May 8, 2024, wholly-owned subsidiaries of the Company engaged in a loan agreement with a European banking corporation, at the total amount of up to EUR 25 million (approx. USD 26.9 million), which will be used mainly to finance the acquisition of companies, working capital and investments in property, plant and equipment. The loan amount includes a secured amount of up to EUR 17.4 million (approx. USD 18.7 million), which may be withdrawn over a one-year period from the signing date of the loan agreement, and a further amount of up to EUR 7.6 million

⁴ A Belgian privately-owned company, in which - prior to the completion of the transaction - the Company (through a wholly-owned subsidiary) held 60% of the issued and paid up share capital and voting rights; 40% of the issued and paid up share capital and voting rights in this company is held by Dandau Holding SRL - a Belgian privately-owned company held by FIT's CEO, Mr. David Landau (hereinafter - the "Dandau").

⁵ Economic and political union in Western Europe, which includes Belgium, The Netherlands and Luxembourg.

(approx. USD 8.2 million), which is an optional amount, whose withdrawal will be subject to approval of the subsidiaries' request for the provision of the said amount by the banking corporation. The secured amount will be repaid in 8 semi-annual equal installments starting on the first interest payment date, that will be paid about a year from the signing date of the agreement. The optional amount will be repaid in accordance with the amortization schedule that will be agreed with the banking corporation on the day on which it will actually be taken. The loan amounts will bear annual EURO LIBOR interest plus a 1.65% margin, which will be paid on a semi-annual basis. For more information, see immediate report of January 28, 2024 (Ref. No.: 2024-01-010554).

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

2. Financial position

Total assets and liabilities increased mainly due to the consolidation of Sunspray with the Group's results.

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

| | March 31, 2024 | March 31, 2023 ⁶ | December 31, 2023 | Company's explanations compared with December 31 2023 |
|-------------------------------------|-------------------|--------------------------------|----------------------|---|
| Current assets | 109,268 | 76,159 | 79,782 | The change arises mainly from an approx. USD 19.2 million increase in cash as a result of an approx. USD 36 million loan received, offset against the acquisition of Sunspray at the total amount of approx. USD 13.2 million (a total of USD 14.1 that were paid in cash less net cash in the acquired company as of the acquisition date) and the repayment of short-term credit. In addition to the increase in cash, the increase in current assets arises from the consolidation of Sunspray. |
| Non-current assets | 177,045 | 132,152 | 142,246 | The increase stems mainly from the acquisition of Sunspray, which was completed in the first quarter of 2024. |
| Total assets | 286,313 | 208,311 | 222,028 | |
| Current liabilities | 46,421 | 38,400 | 41,463 | The increase stemmed mainly from an approx. USD 4 million dividend to shareholders, which was declared in the quarter and paid in April 2024, consolidation of Sunspray and the classification of the liability in respect of the put option from long-term liabilities to short-term liabilities after offsetting repayment of short-term credit. |
| Non-current liabilities | 124,825 | 67,943 | 63,238 | The increase stems mainly from an approx. USD 36 million loan received, recognition of a liability in respect of the put options for the purchase of the remaining shares of Sunspray, whose acquisition was completed in the first quarter of 2024, and long-term loans of Sunspray. |
| Total equity | 115,067 | 101,968 | 117,327 | The decrease arises mainly from an approx. USD 4 million dividend to the shareholders in respect of 2023, which is offset against the net income for the period - approx. USD 3.3 million - and translation differences due to changes in exchange rates of currencies. |
| Total liabilities and equity | 286,313 | 208,311 | 222,028 | |

⁶ Restated, for more information see Note 5f to the financial statements, attached to the 2023 periodic report.

3. Operating results

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

| Line item | For the three-month period ended March 31, 2024 | For the three-month period ended March 31, 2023 | For the period ended December 31, 2023 | Company's explanations compared to the corresponding period last year |
|--|---|---|--|---|
| Revenues from sales | 39,016 | 30,914 | 127,355 | Revenues from sales increased by approx. 26.2%, as a result of organic growth ⁷ of approx. 6.1%, and as a result of acquisitions completed in 2023 and in the first quarter of 2024. The effect of exchange rates of foreign currencies contributed approx. 0.1% of sales. |
| Cost of sales | 24,620 | 19,095 | 77,742 | The gross profit increased by approx. 21.8%, mainly in view of the increase in sales. Gross profitability was mainly affected by a different sales mix. |
| Gross profit (% of sales) | 14,396 36.9% | 11,819 38.2% | 49,613 39.0% | |
| Research and development expenses (% of sales) | 1,407 3.6% | 1,094 3.5% | 4,923 3.9% | The increase in research and development expenses arises from acquisitions, which were completed during 2023 and in the first quarter of 2024, depreciation of intangible assets in respect of these acquisitions, and the recruitment of a Global Master Perfumer and a Global Senior Flavorist to support the Group's R&D function. |
| Selling and marketing expenses (% of sales) | 2,913 7.5% | 2,526 8.2% | 10,358 8.1% | The increase in selling and marketing expenses arises mainly from the consolidation of companies, the acquisition of which was completed during 2023 and in the first quarter of 2024, and amortization of intangible assets in respect of those acquisitions. |
| General and administrative expenses (% of sales) | 4,330 11.1% | 3,863 12.5% | 15,695 12.3% | The increase in general and administrative expenses stems from the acquisition of companies completed in 2023 and in the first quarter of 2024. |
| Other expenses (income) | 293 | 176 | 457 | These expenses include non-recurring expenses in respect of the acquisition of companies. |
| Income from ordinary operations (% of sales) | 5,453 14.0% | 4,160 13.5% | 18,180 14.3% | The increase stems mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in the first quarter of 2024. |
| Financing expenses, net | 1,222 | 575 | 2,790 | The increase stems from non-cash finance expenses in respect of put options, and finance expenses in respect of loans. |
| Taxes on income | 923 | 578 | 2,496 | The change arises from changes in the pre-tax profit mix between the different countries in which the Group operates. |
| Net income for the period (% of sales) | 3,308 8.5% | 3,007 9.7% | 12,894 10.1% | |
| EBITDA ⁸ | 8,065 | 6,422 | 27,277 | The adjusted EBITDA increased by approx. 26.9% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stems from the reasons listed above in this table. |
| Adjusted EBITDA ⁹ (% of sales) | 8,371 21.5% | 6,594 21.3% | 27,761 21.8% | |

⁷ See footnote 1 above.

⁸ EBITDA means - earnings before interest, taxes, depreciation and amortization. This is a data normally used to measure the operational efficiency of companies.

⁹ Non-recurring expenses in the first quarter of 2024 included legal expenses and other expenses in respect of acquisition of activities amounting to approx. USD 293 thousand.

3.2. Set forth below is a breakdown of operating results by segments (USD thousand):

| Segment | | For the three-month period ended March 31, 2024 | For the three-month period ended March 31, 2023 | For the 12-month period ended December 31, 2023 | Company's explanations to the change in the first quarter of 2024 compared with the first quarter of 2023 |
|------------------------------------|-------------------------------|---|---|---|--|
| Scents segment | Revenues (% of Group sales) | 8,808 22.6% | 7,968 25.8% | 32,768 25.7% | Revenues increased by approx. 10.5%; the increase stems mainly from organic growth, net of the effects of exchange rates of approx. 11.0%. The effect of exchange rates of foreign currencies reduced sales by approx. 0.4%. The increase in profitability in the segment arises from the increase in sales. |
| | Operating profit (% of sales) | 2,581 29.3% | 1,582 19.9% | 8,025 24.5% | |
| Taste segment | Revenues (% of Group sales) | 24,570 63.0% | 16,145 52.2% | 65,361 51.3% | Revenues increased by approx. 52.2%, mainly as a result of acquisitions completed during 2023 and in the first quarter of 2024, and as a result of organic growth (net of the effects of exchange rates of approx. 11.3%). The effect of exchange rates of foreign currencies contributed approx. 0.6% of sales. |
| | Operating profit (% of sales) | 4,369 17.8% | 2,860 17.7% | 9,449 14.5% | |
| Specialty fine ingredients segment | Revenues (% of Group sales) | 5,641 14.4% | 6,801 22.0% | 29,367 23.0% | Revenues declined by approx. 17.1%; the decrease stems mainly from an organic decrease, net of the effects of exchange rates of approx. 16.6%, which stems mainly from the continued destocking trend among customers in this segment, the bringing forward of orders from the first quarter of 2024 to the fourth quarter of 2023, and increased competition in the segment. As of the report's publication date, the Company operates to change the products mix in this segment, while focusing on the introduction of citrus products and aromatic chemicals to the taste and scent industries. As part of this process, the Company completed the construction of additional production lines for the production of aromatic chemicals, and started their commissioning process. The effect of exchange rates reduced sales by approx. 0.6%. The change in profitability stems mainly from a decline in sales and fixed operating costs. |
| | Operating profit (% of sales) | 210 3.7% | 1,336 19.6% | 6,702 22.8% | |
| Unallocated joint expenses | Revenues | (3) | - | (141) | In the fourth quarter of 2024, the expenses constituted approx. 4.4% of the turnover, compared to approx. 5.2% in the corresponding period last year. The change in expenses arises mainly from an increase in non-recurring expenses in respect of the acquisition of companies. |
| | Operating profit | (1,707) | (1,618) | (5,996) | |
| Total | Revenues | 39,016 | 30,914 | 127,355 | |
| | Operating profit (% of sales) | 5,453 14.0% | 4,160 13.5% | 18,180 14.3% | |

4. Liquidity

As of March 31, 2024, the Company has a cash balance of USD 42,937 thousand; set forth below are the key components of the cash flows and the way they were utilized (in USD thousand):

| | For the three-month period ended March 31, 2024 | For the three-month period ended March 31, 2023 | For the 12-month period ended December 31, 2023 | Company's explanations to the change in the first quarter of 2024 compared with the first quarter of 2023 |
|--|---|---|---|--|
| Net cash provided by (used in) operating activities | 3,550 | (4,735) | 14,709 | The increase arises mainly from an improvement in working capital balances compared to the corresponding period last year. |
| Net cash used in investing activities | (15,804) | (5,067) | (13,601) | The change arises mainly from completion of acquisition of companies and repayment of an undertaking in respect thereof (totaling USD approx. 14.7 million) compared to approx. USD 3.6 million in the corresponding period last year, and from an approx. USD 1.1 million investment in property, plant and equipment compared to an approx. USD 1.5 million in the corresponding period last year. |
| Net cash provided by (used in) financing activities | 31,885 | (8,822) | (12,435) | The change stems mainly from receipt of an approx. USD 36 million loan, and repayment of credit totaling approx. USD 3.3 million compared to approx. USD 8.3 million in the corresponding period last year. |
| Exchange differences in respect of cash and cash equivalents | (511) | (245) | (531) | |
| Total change in cash and cash equivalents | 19,120 | (18,869) | (11,858) | |

5. Financing sources

The Company funds its activity mainly from its equity, bank financing, cash flows from operating activities and long-term loans. 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 2023 Periodic Report.

| Line item | Data as of March 31, 2024 | | Data as of December 31, 2023 | |
|--|------------------------------|--------------------------------|---------------------------------|--------------------------------|
| | USD thousand | % of total balance sheet | USD thousand | % of total balance sheet |
| Equity | 115,067 | 40.2% | 117,327 | 52.8% |
| Other long-term liabilities | 80,037 | 28.0% | 59,799 | 26.9% |
| Long-term liabilities from banks, net of current maturities | 44,788 | 15.6% | 3,439 | 1.5% |
| Short-term credit | 8,565 | 3.0% | 10,977 | 4.9% |
| Suppliers credit | 15,722 | 5.5% | 14,679 | 6.6% |
| Other long-term payables | 22,134 | 7.7% | 15,807 | 7.1% |
| Total | 286,313 | 100% | 222,028 | 100% |

The average amount of the long-term loans in the first quarter of 2024 was approx. USD 24,114 thousand.

The average amount of the short-term credit in the first quarter of 2024 was approx. USD 9,771 thousand.

As of March 31, 2024, the Company's working capital is approx. USD 62,847 thousand, compared to working capital of approx. USD 37,759 thousand as of March 31, 2023.

As of March 31, 2024, the Company's operating working capital¹⁰ is approx. USD 45,348 thousand (approx. 27.3% of the sales), compared to operating working capital of USD approx. 41,311 thousand (approx. 33.4% of sales) as of March 31, 2023, and approx. USD 38,118 thousand (approx. 28.6% of sales) as of December 31, 2023. The change in the rate of operating working capital arises mainly from an improvement in working capital balances as a result of streamlining measures implemented by the Company.

The Company's net debt balance¹¹ as of March 31, 2024 is approx. USD 10,625 thousand.

¹⁰ Operating working capital means - trade receivable plus the balance of inventory and net of trade payables.

¹¹ Debt net of cash.

Disclosure in accordance with the reportable credit directive:

| Original loan amount (EUR thousand) | Loan balance as of 31.3.2024 (EUR thousand) | Date on which the loan was actually taken out | Amortization schedule (loan principal) | Interest | Collaterals provided in respect of the loan | Financial covenants in relation to loan |
|-------------------------------------|---|---|---|---|---|---|
| Credit from an Israeli bank | | | | | | |
| 33,000 | 33,332 | January 25, 2024 | The loan term is 5 years. The principal of the loan shall be repaid in equal quarterly payments (as from April 29, 2025). | EURO LIBOR interest plus a margin of approx. 1.9%, which is paid on a quarterly basis | - | <p>Equity to assets - the Company's equity shall not be lower than 25% of total assets at any given time.</p> <p>As of March 31, 2024, the equity amounts to 40.2% of total assets.</p> <p>Debt coverage ratio¹² - shall not exceed 3.5 at any given time. As of March 31, 2024, the debt coverage ratio is 0.3.</p> |

¹² In the first quarter of 2024, the covenant was revised such that the debt coverage ratio was changed to **net** coverage ratio, that is to say - debt to banks, financial institutions, bond holders and other lenders, net of cash and cash equivalents as defined and their value in the financial statements.

6. The Iron Swords War

Further to what is stated in Section 1.8.5 to Chapter A to the 2023 Periodic Report in connection with the Iron Swords War, which broke out on October 7, 2023, as of the date of this report, the War is still ongoing both in the Gaza Strip and in the northern border in response to attacks from Lebanon and Syria, and the Company is unable to assess the duration, nature or extent of the war. This is an extraordinary event, which is characterized with a high level of uncertainty, and its short and long-term effects on the Israeli economy are unknown.

As of the report's publication date, the Group's sales in Israel constitute only approx. 17% of the Group's sales. The Company assessed the effects of the war so far and in the foreseeable future, in terms of its production capacity, sales, purchase of raw materials, cash flows and financing resources, and processes for the expansion of its activity, including by way of purchasing further companies and activities. In the opinion of the Company, in view of its areas of activity, its global deployment, the fact that most of its sales are to foreign customers, the customers' identity and the nature of products, the war does not have and is not expected to have a material effect on its businesses and financial results (assuming that there will be no substantial changes in the scope and intensity of the war and that there will be no substantial geopolitical changes).

In the opinion of the Company, the reduction in the agricultural cultivation areas due to the war, together with the cut in the Ministry of Agriculture's budget, as well as the research budgets of the Agricultural Research Center - Volcani Institute lead to an increase in the prices of agricultural crops in Israel and a reduction in the availability of agricultural areas required for cultivation. In view of the above, the Company works to find alternative sources for the supply of raw materials for the activity of SDA¹³, and continues assessing the economic viability of SDA's products. In the opinion of the Company, the above will not have a material effect on the Group's financial results.

The Company has liquidity sources, available financial means and financing sources (as described in this report), which make it financially resilient and allow it to continue with its planned activities, including acquisitions of companies or activities.

For more information, see Section 1.8.5 to Chapter A to the 2023 Periodic Report.

The Company's assessments in this section above in connection with the effects of the war on the Company and its financial results constitute forward-looking information, as defined in Section 32A to the Securities Law, 1968; those assessments are based on information available to the Company as of the report's publication date, and the assumptions listed above. Those assessments may not materialize, in whole or in part, or materialize in a manner materially different than expected, since, among other things, they are impacted by factors outside the Company's control. Should the war continue, expand to other regions in the country and to other fronts, or if the guidance issued by the Israeli government and the Home Front Command change, the pace of recovery of the Israeli economy, the growth trends in Israel and across the world, as

¹³ On April 11, 2024, the merger of SDA Spice Industries Ltd. with and into the Company was completed.

well as other changes that will stem from what is stated above, might impact the Company's activity and results of operations in a manner that is different than the assessments listed above.

7. The effect of inflation and interest rates

For more information regarding the effects of inflation and interest rates, see Section 1.8.6 to Chapter A to the 2023 Periodic Report.

8. Valuations and estimates

Information regarding temporary appraisal of the acquisition of Sunspray, that was carried out by the Company*

| | |
|--|--|
| Identifying the valuation's subject matter: | Purchase price allocation of Sunspray |
| Valuation date: | February 13, 2024 |
| Value of the valuation's subject matter as per the valuation: | 1. Total purchase consideration: ZAR 660,523 thousand a. Cash consideration - ZAR 267,825 thousand b. Contingent consideration – ZAR 63,959 thousand c. Value of purchase option - ZAR 328,739 thousand 2. Customer relations - ZAR 130,521 thousand 3. Knowhow - ZAR 115,046 thousand |
| Details about the appraiser: | Intrinsic value valuation. |
| The valuation model used by the appraiser: | The purchase price allocation was carried out in accordance with the provisions and principles of IFRS 3. Customer relations the income approach the MPEEM method. Knowhow the income approach the royalty relief method. |
| The assumptions, based on which the appraiser carried out the valuation, in accordance with the valuation model: | <u>Key assumptions in the valuation of a customer relations intangible asset</u> Discount rate 15.1% Attrition rate 20% Useful life - 10 years <u>Key assumptions in the valuation of a knowhow intangible asset</u> Discount rate 15.1% Royalties rate 5.5% Useful life - 20 years |

* The final valuation shall be carried out by an external appraiser, and as of the date of this report it 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 quarter of 2024.

Dr. Israel Leshem, Director¹⁴

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

Date: May 16, 2024

¹⁴ Director authorized by the Board of Directors to sign.



Chapter B

Financial Statements as of March 31, 2024



TURPAZ INDUSTRIES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2024

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 its subsidiaries ("the Company" and "the Group", respectively), which comprises the condensed consolidated statement of financial position as of March 31, 2024 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the period of three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 6.2% of total consolidated assets as of March 31, 2024, and whose revenues included in consolidation constitute approximately 8.2% of total consolidated revenues for the period of three months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

Scope of review

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

Conclusion

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | <u>March 31,</u> | | <u>December 31,</u> |
|-------------------------------|----------------------------------|------------------------|-----------------------|
| | <u>2024</u> | <u>2023</u> | <u>2023</u> |
| | <u>Unaudited</u> | | <u>Audited</u> |
| | <u>U.S. dollars in thousands</u> | | |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 42,937 | 16,806 | 23,817 |
| Trade receivables | 33,619 | 28,283 | 28,165 |
| Other accounts receivable | 5,261 | 3,680 | 3,168 |
| Inventories | 27,451 | 27,390 | 24,632 |
| | <u>109,268</u> | <u>76,159</u> | <u>79,782</u> |
| NON-CURRENT ASSETS: | | | |
| Deferred taxes | 336 | 402 | 352 |
| Property, plant and equipment | 36,458 | 22,662 | 30,678 |
| Right-of-use assets, net | 16,210 | 20,839 | 16,541 |
| Intangible assets, net | 123,202 | *88,249 | 93,792 |
| Financial derivative | 839 | - | 883 |
| | <u>177,045</u> | <u>*132,152</u> | <u>142,246</u> |
| | <u><u>286,313</u></u> | <u><u>*208,311</u></u> | <u><u>222,028</u></u> |

* Restated, see Note 5f to the annual consolidated financial statements as of December 31, 2023.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | March 31, | | December 31, |
|---|----------------------------------|-----------------|---------------------|
| | 2024 | 2023 | 2023 |
| | 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 | 8,565 | 4,347 | 10,977 |
| Trade payables | 15,722 | 14,362 | 14,679 |
| Other accounts payable | 16,710 | 17,398 | 11,773 |
| Short-term liabilities in respect of acquisition of activity | 3,080 | 329 | 1,723 |
| Current maturities of lease liabilities | 2,344 | 1,964 | 2,311 |
| | <u>46,421</u> | <u>38,400</u> | <u>41,463</u> |
| NON-CURRENT LIABILITIES: | | | |
| Long-term loans from banks, less current maturities | 44,788 | 3,369 | 3,439 |
| Long-term loans from others, less current maturities | 209 | 480 | 236 |
| Provision for waste removal | 393 | 3,482 | 455 |
| Long-term lease liabilities | 14,895 | 19,317 | 15,240 |
| Long-term liabilities in respect of acquisition of activity | 56,445 | *37,159 | 39,051 |
| Deferred taxes | 7,690 | 3,909 | 4,355 |
| Employee benefit liabilities | 391 | 156 | 409 |
| Other long-term payables | 14 | 71 | 53 |
| | <u>124,825</u> | <u>*67,943</u> | <u>63,238</u> |
| EQUITY: | | | |
| Equity attributable to equity holders of the Company: | | | |
| Share capital ** | 1 | 1 | 1 |
| Share premium | 74,598 | 74,449 | 74,449 |
| Other capital reserves | (4,020) | (4,610) | (4,136) |
| Reserve in respect of translation differences | (6,625) | (6,387) | (5,044) |
| Retained earnings | 46,164 | 37,643 | 47,123 |
| | <u>110,118</u> | <u>101,096</u> | <u>112,393</u> |
| Non-controlling interests | 4,949 | 872 | 4,934 |
| | <u>115,067</u> | <u>101,968</u> | <u>117,327</u> |
| Total equity | <u>286,313</u> | <u>*208,311</u> | <u>222,028</u> |

* Restated, see Note 5f to the annual consolidated financial statements as of December 31, 2023.

** Less than \$ 1 thousand.

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

| | | | |
|--|---|--|-----------------|
| May 16, 2024 | | | |
| Date of approval of the financial statements | Karen Cohen Khazon Chair of the Board and CEO | Dr. Israel Leshem Director Authorized by the Board to sign the financial statements on May 16, 2024 | Guy Gill CFO |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Three months ended March 31, | | Year ended December 31, |
|---|--|---------|----------------------------|
| | 2024 | 2023 | 2023 |
| | Unaudited | | Audited |
| | U.S. dollars in thousands (except per share data) | | |
| Revenues from sales | 39,016 | 30,914 | 127,355 |
| Cost of sales | 24,620 | 19,095 | 77,742 |
| Gross profit | 14,396 | 11,819 | 49,613 |
| Research and development expenses | 1,407 | 1,094 | 4,923 |
| Selling and marketing expenses | 2,913 | 2,526 | 10,358 |
| General and administrative expenses | 4,330 | 3,863 | 15,695 |
| Other expenses (income) | 293 | 176 | 457 |
| Operating income | 5,453 | 4,160 | 18,180 |
| Finance expenses, net | 1,222 | 575 | 2,790 |
| Income before taxes on income | 4,231 | 3,585 | 15,390 |
| Taxes on income | 923 | 578 | 2,496 |
| Net income for the period | 3,308 | 3,007 | 12,894 |
| Other comprehensive income (loss) (net of tax effect): | | | |
| Amounts that will not be reclassified subsequently to profit or loss: | | | |
| Adjustments arising from translating financial statements from functional currency to presentation currency | (1,953) | (3,320) | (3,733) |
| Amounts that will be or that have been reclassified to profit or loss when specific conditions are met: | | | |
| Adjustments arising from translating financial statements of foreign operations | 122 | 3,475 | 5,259 |
| Total comprehensive income | 1,477 | 3,162 | 14,420 |
| Total net income attributable to: | | | |
| Equity holders of the Company | 3,043 | 2,976 | 12,393 |
| Non-controlling interests | 265 | 31 | 501 |
| | 3,308 | 3,007 | 12,894 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | 1,462 | 3,131 | 13,891 |
| Non-controlling interests | 15 | 31 | 529 |
| | 1,477 | 3,162 | 14,420 |
| Net earnings per share attributable to equity holders of the Company (in U.S. dollars): | | | |
| Basic and diluted net earnings per share | 0.03 | 0.03 | 0.12 |

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company | | | | | | | Non-controlling interests | Total equity |
|--|---|---------------|------------------------|---|-------------------|----------------|--------------|---------------------------|--------------|
| | Share capital | Share premium | Other capital reserves | Reserve in respect of translation differences | Retained earnings | Total | | | |
| | Unaudited | | | | | | | | |
| | U.S. dollars in thousands | | | | | | | | |
| Balance as of January 1, 2024 (audited) | 1 | 74,449 | (4,136) | (5,044) | 47,123 | 112,393 | 4,934 | 117,327 | |
| Net income | - | - | - | - | 3,043 | 3,043 | 265 | 3,308 | |
| Total other comprehensive loss | - | - | - | (1,581) | - | (1,581) | (250) | (1,831) | |
| Total comprehensive income (loss) | - | - | - | (1,581) | 3,043 | 1,462 | 15 | 1,477 | |
| Share-based payment | - | - | 149 | - | - | 149 | - | 149 | |
| Exercise of options | - | 149 | (33) | - | - | 116 | - | 116 | |
| Dividends to equity holders of the Company | - | - | - | - | (4,002) | (4,002) | - | (4,002) | |
| Balance as of March 31, 2024 | <u>1</u> | <u>74,598</u> | <u>(4,020)</u> | <u>(6,625)</u> | <u>46,164</u> | <u>110,118</u> | <u>4,949</u> | <u>115,067</u> | |

| | Attributable to equity holders of the Company | | | | | | | Non-controlling interests | Total equity |
|--|---|---------------|------------------------|---|-------------------|----------------|------------|---------------------------|--------------|
| | Share capital | Share premium | Other capital reserves | Reserve in respect of translation differences | Retained earnings | Total | | | |
| | Unaudited | | | | | | | | |
| | U.S. dollars in thousands | | | | | | | | |
| Balance as of January 1, 2023 (audited) | 1 | 74,449 | (4,857) | (6,542) | 39,633 | 102,684 | 841 | 103,525 | |
| Net income | - | - | - | - | 2,976 | 2,976 | 31 | 3,007 | |
| Total other comprehensive income | - | - | - | 155 | - | 155 | - | 155 | |
| Total comprehensive income | - | - | - | 155 | 2,976 | 3,131 | 31 | 3,162 | |
| Share-based payment | - | - | 247 | - | - | 247 | - | 247 | |
| Dividends to equity holders of the Company | - | - | - | - | (4,966) | (4,966) | - | (4,966) | |
| Balance as of March 31, 2023 | <u>1</u> | <u>74,449</u> | <u>(4,610)</u> | <u>(6,387)</u> | <u>37,643</u> | <u>101,096</u> | <u>872</u> | <u>101,968</u> | |

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended March 31, | | Year ended December 31, |
|--|---------------------------------|----------|----------------------------|
| | 2024 | 2023 | 2023 |
| | Unaudited | | Audited |
| | U.S. dollars in thousands | | |
| <u>Cash flows from operating activities:</u> | | | |
| Net income for the period | 3,308 | 3,007 | 12,894 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities (a) | 242 | (7,742) | 1,815 |
| Net cash provided by (used in) operating activities | 3,550 | (4,735) | 14,709 |
| <u>Cash flows from investing activities</u> | | | |
| Purchase of property, plant and equipment and other assets | (1,099) | (1,506) | (5,022) |
| Proceeds from sale of property, plant and equipment | 10 | 64 | 97 |
| Acquisition of initially consolidated subsidiaries (b) | (13,200) | (3,625) | (8,551) |
| Repayment of liability in respect of acquisition of activity | (1,515) | - | (125) |
| Net cash used in investing activities | (15,804) | (5,067) | (13,601) |
| <u>Cash flows from financing activities</u> | | | |
| Repayment of short-term credit | (3,274) | (7,469) | (2,060) |
| Acquisition of shares from non-controlling interests in subsidiary | - | - | (352) |
| Dividend paid to equity holders of the Company | - | - | (4,966) |
| Dividend paid to holders of non-controlling interests | - | - | (604) |
| Repayment of long-term lease liabilities | (617) | (542) | (2,128) |
| Receipt (repayment) of long-term loans | 35,776 | (811) | (2,325) |
| Net cash provided by (used in) financing activities | 31,885 | (8,822) | (12,435) |
| Exchange rate differences on balances of cash and cash equivalents | (511) | (245) | (531) |
| Increase (decrease) in cash and cash equivalents | 19,120 | (18,869) | (11,858) |
| Cash and cash equivalents at the beginning of the period | 23,817 | 35,675 | 35,675 |
| Cash and cash equivalents at the end of the period | 42,937 | 16,806 | 23,817 |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended | | Year ended |
|--|----------------------------------|----------------|---------------------|
| | March 31, | | December 31, |
| | 2024 | 2023 | 2023 |
| | Unaudited | | Audited |
| | U.S. dollars in thousands | | |
| (a) <u>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</u> | | | |
| Adjustments to profit and loss items: | | | |
| Depreciation and amortization | 2,463 | 2,015 | 8,180 |
| Capital loss (gain) from sale of property, plant and equipment | (12) | 5 | (7) |
| Change in employee benefit liabilities, net | (3) | (2) | 85 |
| Cost of share-based payment | 149 | 247 | 917 |
| Finance expenses, net | 1,222 | 575 | 2,790 |
| Taxes on income | 923 | 578 | 2,496 |
| | <u>4,742</u> | <u>3,418</u> | <u>14,461</u> |
| Changes in asset and liability items: | | | |
| Increase in trade receivables | (762) | (2,662) | (1,309) |
| Increase in other accounts receivable | (1,471) | (608) | (83) |
| Decrease (increase) in inventories | 2,230 | (804) | 4,246 |
| Decrease in trade payables | (1,391) | (5,542) | (5,708) |
| Decrease in other accounts payable | (1,216) | (281) | (5,116) |
| | <u>(2,610)</u> | <u>(9,897)</u> | <u>(7,970)</u> |
| | <u>2,132</u> | <u>(6,479)</u> | <u>6,491</u> |
| Cash paid and received during the period for: | | | |
| Taxes paid | (1,504) | (869) | (3,302) |
| Interest paid, net | (386) | (394) | (1,374) |
| | <u>242</u> | <u>(7,742)</u> | <u>1,815</u> |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended | | Year ended |
|---|----------------------------------|--------------|---------------------|
| | March 31, | | December 31, |
| | 2024 | 2023 | 2023 |
| | Unaudited | | Audited |
| | U.S. dollars in thousands | | |
| (b) <u>Acquisition of initially consolidated subsidiaries:</u> | | | |
| The subsidiaries' assets and liabilities at date of acquisition: | | | |
| Working capital (excluding cash and cash equivalents) | 5,303 | 308 | 990 |
| Property, plant and equipment | 6,195 | 303 | 6,625 |
| Right-of-use assets | 81 | 149 | 307 |
| Intangible assets | 31,960 | 5,119 | 11,500 |
| Financial derivative for acquisition of non-controlling interests | - | - | 672 |
| Lease liabilities | (81) | (149) | (307) |
| Other non-current liabilities | (6,114) | (20) | (2,731) |
| Payables for acquisition of investments in subsidiaries | (20,656) | (1,791) | (3,770) |
| Deferred taxes | (3,488) | (294) | (945) |
| Non-controlling interests | - | - | (3,790) |
| | <u>13,200</u> | <u>3,625</u> | <u>8,551</u> |
| (c) <u>Significant non-cash transactions:</u> | | | |
| Dividend payable | <u>4,002</u> | <u>4,966</u> | <u>-</u> |
| Right-of-use asset recognized with corresponding lease liabilities | <u>389</u> | <u>3,175</u> | <u>1,089</u> |

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

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

Turpaz Industries Ltd. ("**the Company**") is an Israeli-based company. The condensed interim consolidated financial statements of the Company as of March 31, 2024 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, production and marketing in three operating segments: (1) Taste; (2) Scent; (3) Specialty Fine Ingredients (see Note 5).

These financial statements have been prepared in a condensed format as of March 31, 2024 and for the period of three months then ended ("**interim consolidated financial statements**"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2023 and for the year then ended and accompanying notes ("**annual consolidated financial statements**").

- b. The effects of the Swords of Iron War:

On October 7, 2023, the Swords of Iron war broke out in Israel ("**the war**"). As of the date of this report, the war is still unfolding, and it is impossible to assess its duration, nature or scope. This is an unusual event, which is characterized with high levels of uncertainty, and its short and long-term effects on the Israeli economy are unknown.

The Company is of the opinion that the temporary loss of farming areas due to the war and the cutdown in budgets by the Ministry of Agriculture and in research budgets by the Volcani Center have led to increased prices of crops in Israel and reduced availability of the needed farming areas. As a result, the Company continues to examine the profitability of the products of SDA, a wholly owned subsidiary of the Company. As the war drags on and farming areas continue to be affected, the Company is looking to find alternative resources for the supply of raw ingredients needed for SDA's operation. The Company is of the opinion that this will not have a material effect on the Group's financial results.

The Company has liquidity, available financial means and sources of financing (as described in this report), which give it financial resilience and allow it to continue with its planned activity, including executing the acquisition of companies or activities.

The Company assessed the war's impact so far and in the foreseeable future in terms of its manufacturing capacity, sales, purchase of raw materials, cash flow and financing sources, the processes designed to expand the Company's activity, including by way of acquisition of companies, and other activities. In view of the Company's areas of activity, its global deployment, the fact that most of its sales are made to foreign customers, the identity of its customers and the nature of its products, the Company believes that the war does not have, and is not expected to have, a substantial impact on the Company's business and financial results (assuming that no substantial changes will take place in the scope and intensity of its activities, and that no substantial geopolitical changes will take place).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES

- a. 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, 2023.

- b. Disclosure of new financial reporting standard in the period before its adoption:

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

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

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

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

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

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- BUSINESS COMBINATION

Sunspray

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

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

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The fair value measurement of the assets and liabilities is subject to a final purchase price allocation (PPA) of the fair value of the assets and liabilities, which has not yet been completed as of the date of approval of these financial statements. The table below summarizes the purchase price and provisional PPA:

| | February 13, 2024 |
|---|--------------------------------------|
| | U.S. dollars in thousands |
| Working capital, net | 5,303 |
| Right-of-use asset | 81 |
| Property, plant and equipment | 6,195 |
| Deferred taxes | (3,488) |
| Lease liabilities | (81) |
| Other non-current liabilities | (6,114) |
| | <hr/> |
| Net identifiable assets | 1,896 |
| Intangible assets | 31,960 |
| Purchase price: | |
| Paid in cash less net cash in acquiree on acquisition date | 13,200 |
| Liability for symmetrical put option for non-controlling interests, contingent consideration and acquisition date adjustments | 20,656 |
| | <hr/> |
| Total purchase price | <u>33,856</u> |

From the consolidation date through March 31, 2024, the acquired operation has contributed approximately \$ 4,918 thousand to revenues and approximately \$ 458 thousand to net income. If the business combination has been completed at the beginning of the year, the contribution to revenues would have been approximately \$ 7,319 thousand.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- EVENTS DURING AND AFTER THE REPORTING PERIOD

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

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

- b. On January 25, 2024, a wholly owned subsidiary of the Company received a bank loan in a total of € 33 million (approximately \$ 36 million) for financing the acquisition of companies and operations around the world, including the acquisition of Sunspray Solutions Proprietary Limited in South Africa. The loan is for a period of five years and bears interest of Euribor + about 1.9% payable on a quarterly basis. The loan principal is repayable in equal quarterly instalments beginning 15 months from the grant date. The loan is governed by certain financial covenants, as detailed in Note 16c to the annual consolidated financial statements and in Note 4i below.
- c. On March 13, 2024, the Company increased its interests in the subsidiary Balirom by purchasing another 10% of its share capital from holders of non-controlling interests in return for approximately NIS 3,045 thousand (approximately \$ 834 thousand). Following the purchase, the Company holds 70% of Balirom's share capital.
- d. On March 19, 2024, the Company declared the distribution of a dividend of approximately \$ 4 million, representing \$ 0.040 per share. The dividend was distributed to the Company's entire shareholders on April 9, 2024.
- e. On March 28, 2024, as part of the allocation of options to a director in the Company in May 2021, about 50 thousand options were exercised into shares.
- f. Allocation of options to employees, officers and consultant in the Group:

In March 2024, the Company's Board approved the grant of 1,496,000 unregistered options, which are exercisable into an identical number of Ordinary shares, to employees, officers and a consultant in the Group. The exercise price of each option is NIS 14.16, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

The options were granted in accordance with a share-based payment plan adopted by the Company and related companies for employees, consultants, service providers and officers pursuant to the provisions of Sections 102 and 3(i) to the Ordinance. The options were allocated to a trustee on April 11, 2024.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The options vest over four years from the allocation date in two portions: the first portion (66.66% of the options) shall vest at the end of three years from the allocation date, and the second portion of the remaining options (33.33% of the options) shall vest at the end of four years from the allocation date. The first portion is exercisable over two years from the vesting date and the second portion is exercisable for one year from the vesting date on a cashless basis. The options are subject to various adjustments. Any options not exercised by the end of said period will expire, and no rights shall be conferred upon their holders.

The following table presents the inputs used in the measurement of the fair value of the Company's equity-settled financial instruments using the Black & Scholes model:

| | |
|---|-----------|
| Expected volatility in share price (%) | 43.76% |
| Risk-free interest rate (%) | 3.97% |
| Expected life of the share options (in years) | 5 years |
| Share price (NIS) | NIS 14.26 |
| Exercise price (NIS) | NIS 14.16 |

Based on the above inputs, the fair value of the options was determined at approximately \$ 2,560 thousand on the grant date.

Total salary expense carried by the Company in the period from the allocation date through March 31, 2024 in respect of the above plan approximated \$ 26 thousand.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The agreement consists of a symmetrical put/call option for the purchase of the sellers' remaining interests in FIT by the Company that can be exercised from the end of three years from the closing date until the end of five years from the closing date. The option exercise price is contingent on FIT's business performance from January 1, 2024 until the option exercise date, less FIT's net debt on the exercise date. In addition, a symmetrical put/call option has been given to Dandau that can be exercised from the end of five years from the closing date for that exercise price (instead of the former option detailed in Note 5g to the annual consolidated financial statements). On the date of exercise of the sellers' option, Dandau will purchase 9.8% of FIT's issued and outstanding share capital and voting rights for € 10 million with the addition of annual interest of 7% calculated from the closing date.

In the first quarter of 2024, the Company and Dandau agreed that the symmetrical put/call option for the purchase of the remaining shares of FIT will not be exercised before April 1, 2025 and accordingly the option is presented in non-current assets and liabilities.

The results of the Clarys & Willich Group will be consolidated in the Group's results from the second quarter of 2024.

The Company did not include the required business combination disclosures as per IFRS 3 since the initial accounting treatment of the business combination has not yet been completed and the Company has not yet obtained a final PPA for the identifiable assets and liabilities from the acquisition by an outside valuation expert.

- h. On May 8, 2024, wholly owned subsidiaries of the Company entered into a loan agreement with a European banking corporation for receiving a loan of up to € 25 million (approximately \$ 26.9 million) to be mainly used for financing the acquisition of companies, working capital and investments in property, plant and equipment. The loan includes a secured amount of up to € 17.4 million (approximately \$ 18.7 million) that can be withdrawn over a maximum period of one year from the signing date and another amount of up to € 7.6 million (approximately \$ 8.2 million) that is optional and can be withdrawn at the subsidiaries' request subject to obtaining the lender's consent.

The secured amount is repayable in eight equal semiannual instalments from the first interest payment date about a year from the signing date. The optional amount is repayable based on the amortization schedule agreed with the banking corporation on the actual date of receiving the loan. The loan amounts bear annual interest of Euribor plus a margin of 1.65% to be paid semiannually.

- i. In continuation of the matters discussed in Note 16c to the annual consolidated financial statements regarding financial covenants, the Company is meeting all its financial covenants.

In the first quarter of 2024, a financial covenant was updated to change the DSCR towards lending banks, financial institutions, holders of bonds and other lenders less cash and cash equivalents, as defined and carried in the financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS

a. General:

As described in the annual consolidated financial statements, the Group discloses three operating segments: (1) Taste; (2) Scent; and (3) Specialty Fine Ingredients.

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

b. Reporting on operating segments:

| | Three months ended March 31, 2024 | | | | |
|--|--|--------------|---|--------------------|---------------|
| | Taste | Scent | Specialty Fine Ingredients | Adjustments | Total |
| | | | Unaudited | | |
| | U.S. dollars in thousands | | | | |
| Revenues from external customers | 24,570 | 8,808 | 5,638 | - | 39,016 |
| Intersegment revenues | - | - | 3 | (3) | - |
| Total revenues | 24,570 | 8,808 | 5,641 | (3) | 39,016 |
| Segment operating income net of unallocated joint expenses | 4,369 | 2,581 | 210 | - | 7,160 |
| Unallocated joint expenses | | | | | 1,707 |
| Finance expenses, net | | | | | 1,222 |
| Income before taxes on income | | | | | 4,231 |

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

| | Three months ended March 31, 2023 | | | | |
|---|---|--------------|--------------------|--------------|---------|
| | Specialty Fine Ingredients | | | Total | |
| | Taste | Scent | Ingredients | | |
| | Unaudited | | | | |
| U.S. dollars in thousands | | | | | |
| Segment revenues | 16,145 | 7,968 | 6,801 | 30,914 | |
| Segment operating income net of unallocated joint expenses | 2,860 | 1,582 | 1,336 | 5,778 | |
| Unallocated joint expenses | | | | 1,618 | |
| Finance expenses, net | | | | 575 | |
| Income before taxes on income | | | | 3,585 | |
| | Year ended December 31, 2023 | | | | |
| | Specialty Fine Ingredients | | | Total | |
| | Taste | Scent | Ingredients | | |
| | Adjustments | | | | |
| | U.S. dollars in thousands | | | | |
| Revenues from external customers | 65,361 | 32,768 | 29,226 | - | 127,355 |
| Intersegment revenues | - | - | 141 | (141) | - |
| Total revenues | 65,361 | 32,768 | 29,367 | (141) | 127,355 |
| Segment operating income net of unallocated joint expenses | 9,449 | 8,025 | 6,702 | - | 24,176 |
| Unallocated joint expenses | | | | | 5,996 |
| Finance expenses, net | | | | | 2,790 |
| Income before taxes on income | | | | | 15,390 |

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS (Cont.)

- c. Geographic information:

Breakdown of the Company's revenues based on the location of the customers:

| | Three months ended | | Year ended |
|----------------------------|----------------------------------|---------------|---------------------|
| | March 31, | | December 31, |
| | 2024 | 2023 | 2023 |
| | Unaudited | | Audited |
| | U.S. dollars in thousands | | |
| Israel and the Middle East | 8,669 | 7,982 | 32,435 |
| Europe | 17,814 | 14,704 | 61,076 |
| North America | 4,764 | 4,378 | 17,197 |
| Africa | 4,918 | - | - |
| Asia and other | 2,851 | 3,850 | 16,647 |
| | <u>39,016</u> | <u>30,914</u> | <u>127,355</u> |

NOTE 6:- FINANCIAL INSTRUMENTS

- a. Fair value:

In the reporting period, the Company measured the fair value of financial assets and 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 executed by the Company include a mechanism whereby the previous owners have a put option to sell their remaining shares and the Company has a call option to buy those shares (symmetrical put/call options) while others include a contingent consideration mechanism based on the future operating results of the acquirees.

As of March 31, 2024, total liabilities amounted to \$ 58,606 thousand. The value of the liabilities was estimated in accordance with the average EBITDA achieved over the term of the agreement. The weighted annual discount rate of the options is 8.4%. The fair value is measured at level 3 in the fair value hierarchy. The key non-observable input used by the Company to assess the value of the option is the future EBITDA that will be achieved; in order to assess the liabilities in respect of the options and update their value, the Company used the companies' ongoing results and updated forecasts.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- FINANCIAL INSTRUMENTS (Cont.)

Adjustment for fair value measurements classified at Level 3 in the fair value hierarchy:

| | <u>March 31,</u> | | <u>December 31,</u> |
|--------------------------------------|----------------------------------|------------------|---------------------|
| | <u>2024</u> | <u>2023</u> | <u>2023</u> |
| | <u>Unaudited</u> | | <u>Audited</u> |
| | <u>U.S. dollars in thousands</u> | | |
| Balance as of January 1, | (39,051) | *(34,627) | (34,627) |
| Total gain (loss) recognized: | | | |
| Repayment | 834 | - | 648 |
| In profit or loss | (484) | (210) | (1,681) |
| In other comprehensive income (loss) | 751 | (531) | (952) |
| In business combinations | <u>(20,656)</u> | <u>(1,791)</u> | <u>(2,439)</u> |
| Balance at end of period | <u>(58,606)</u> | <u>*(37,159)</u> | <u>(39,051)</u> |

* Restated, see Note 5f to the annual consolidated financial statements.

Turpaz Industries Ltd.

Chapter C

Managers' statements



Quarterly report regarding the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 38C to the Securities Regulations (Periodic and Immediate Reports), 1970, for the first quarter of 2024:

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

For that purpose, members of management are:

1. Karen Cohen Khazon, CEO and Chairperson of the Board of Directors
2. Guy Gill, Chief Financial Officer
3. Shauli Eger, VP IT
4. Yoni Adini, Legal Counsel and Company Secretary
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, 2023 (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, 2023, 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):

Statement of the Chief Executive Officer

I, Karen Cohen Khazon, hereby declare that:

- (1) I have reviewed the quarterly report of Turpaz Industries Ltd. (hereafter – the “**Corporation**”) for the first quarter of 2024 (hereafter – the “**Reports**”).
- (2) To the best of my knowledge, the Reports do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;
- (3) To the best of my knowledge, the financial statements and other financial information included in the reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the corporation, the Board of Directors, and the Board of Directors’ Audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation’s ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - (b) any fraud, whether material or immaterial, in which the Chief Executive Officer, or anyone directly reporting to him, or any other employees are involved who have a significant function in the corporation’s financial reporting and in internal control over financial reporting and disclosure thereof.
- (5) I, severally or jointly with others in the corporation:
 - (a) have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the corporation and the consolidated companies, particularly during the Reports’ preparation period; and

- (b) have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
- (c) No event or matter that occurred during the period between the date of the latest Periodic Report and the date of this report was brought to my attention that may change the conclusion of the Board of Directors and Management regarding the effectiveness of the internal control over the corporation's financial reporting and disclosure.

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

May 16, 2024

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

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

Statement of the Most Senior Financial Officer:

I, Guy Gill, hereby declare that:

- (1) I have reviewed the interim financial statements and the other financial information included in the interim reports of Turpaz Industries Ltd. for the first quarter of 2024 (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.

May 16, 2024

Guy Gill, Chief Financial Officer