



# **Turpaz Industries Ltd.**

## **Periodic report for the quarter ended June 30, 2024**

This is an English translation of a Hebrew Periodic report that was published on August 15, 2024 (reference no.: 2024-01-087562) (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.

**Table of Contents**

<b><u>Chapter</u></b>	<b><u>Page</u></b>
<b>A. Board of Directors' Report on the State of the Corporation's Affairs...</b>	<b>A-1</b>
<b>B. Financial Statements as of June 30, 2024.....</b>	<b>B-1</b>
<b>C. Managers' statements.....</b>	<b>C-1</b>

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

**For the period ended June 30, 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 and six-month periods ended June 30, 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 approx. 17 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. The Company operates to merge the production sites in order to promote operational streamlining and synergies between Group companies<sup>1</sup>.

**Key operating results and business environment of Turpaz for the first half and second quarter of 2024:**

- Turpaz Group continues to present record results for the first half and second quarter of 2024 in terms of sales, gross profit, and adjusted<sup>2</sup> EBITDA.
- **In the first half of 2024, Turpaz' sales** increased by approx. 39.4% and amounted to approx. USD 85.8 million, compared to a total of approx. USD 61.5 million in the corresponding half last year. The increase stems from organic growth<sup>3</sup> in the Group's core businesses - the Taste and Scent segments, at a rate of approx. 10.2% and 10.6%, respectively, and from a growth arising from the acquisition of Food-Base in Hungary, Sunspray in South Africa and Clarys & Willich in Belgium and Germany, which is offset against an organic decline in the Specialty Fine Ingredients segment (total organic growth of approx. 3.4%).
- **In the second quarter of 2024, Turpaz' sales increased** by approx. 52.7% and amounted to approx. USD 46.8 million, compared to a total of approx. USD 30.6 million in the corresponding quarter last year. The increase stems from organic growth in the Group's core businesses - the Taste and Scent segments, at a rate of approx. 9.5% and approx. 10.1%, respectively, and from a growth arising from the acquisition of Food-Base, Sunspray and Clarys & Willich, which is offset against an organic decline in the Specialty Fine Ingredients segment (total organic growth of approx. 1.3%).
- In the first half of 2024, **adjusted EBITDA** increased by approx. 45.0% and amounted to approx. USD 18.3 million compared to approx. USD 12.6 million in the corresponding half last year. In the second quarter of 2024, **adjusted EBITDA** increased by approx. 64.7% and amounted to approx. USD 9.9 million, compared to approx. USD 6.0 million in the corresponding quarter last year.
- **The cash flows from operating activities** in the first half of 2024 amounted to approx. USD 11.3 million, and in the second quarter of 2024 it amounted to approx. USD 7.7 million.
- The Group's strong equity structure, net debt coverage ratio lower than 1.1, the cash flows from operating activities, 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

---

<sup>1</sup> As part of the above, in April 2024, the merger of SDA Spice Industries Ltd. with and into the Company was completed. Furthermore, in June 2024 the merger of Klabin Fragrances, Inc. with and into Turpaz Fragrances and Flavor Aroma Inc. was completed (company's name after the merger - Klabin-Turpaz Inc.).

<sup>2</sup> **Adjusted EBITDA** means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses in respect of acquisition of companies.

<sup>3</sup> **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 half of 2024 were consolidated in a similar way in 2023.

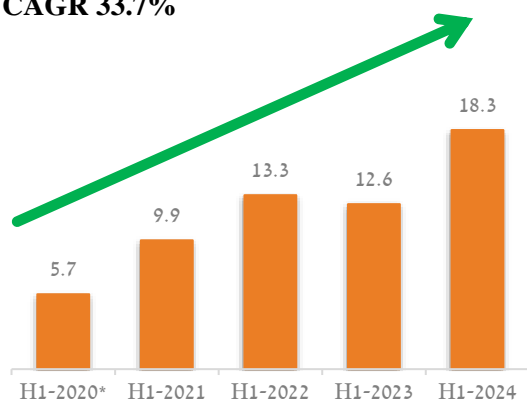
based on organic growth and mergers and acquisitions, which are synergistic to the Group's activity.

- As of the report date, the Company - through wholly-owned subsidiaries thereof - engaged in an agreement for the provision of a loan from a European banking corporation, at the total amount of up to EUR 25 million, which will be used mainly to finance the acquisitions and growth strategy, working capital and investments in property, plant and equipment. For more information, see immediate report of May 9, 2024 (Ref. No.: 2024-01-045742) and section 5 below.
- 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 has been consolidated with the Group's results since February 1, 2024, and the acquisition of the **Clarys & Willich** group in **Belgium and Germany**, whose results have been consolidated with the Group's results as from the second quarter of 2024. These acquisitions broadened the Group's global deployment and sales. In the second quarter of 2024, **Turpaz Group's sales outside Israel and the Middle East was approx. 84% of the Group's sales**. 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.

### First half 2020-2024 (USD million)

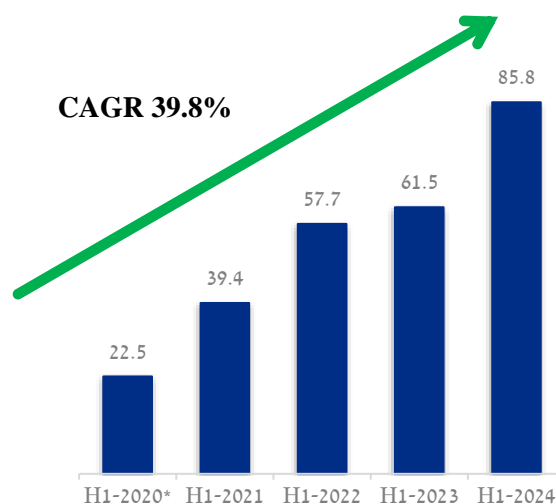
#### Adjusted EBITDA

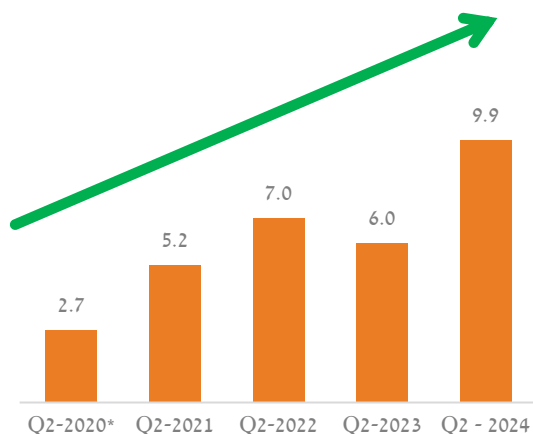
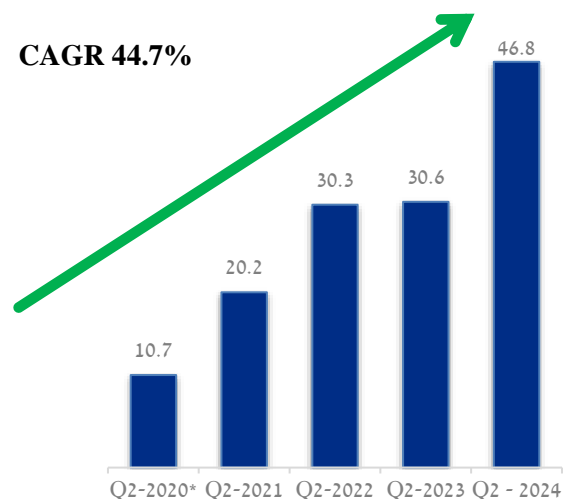
CAGR 33.7%



#### Sales

CAGR 39.8%



**Second quarter 2020-2024 (USD million)****Adjusted EBITDA****CAGR 37.9%****Sales****CAGR 44.7%**

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

Turpaz Group is engaged in three operating segments - the Scent segment and the Taste segment, which constitute the Group's core businesses, and the Specialty Fine Ingredients segment. For more information regarding those segments, see Section 1.3.2 to Chapter A to the 2023 Periodic Report.

**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 options to acquire additional companies on a daily basis, 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 full potential of the

acquisitions it made in recent years, and that it is taking action on a current basis to fully utilize the potential of those acquisitions.

**Company's assessments as to the Group's growth rate, the 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,<sup>4</sup> 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. For information regarding arrangements between the shareholders, which confer upon the Company a majority in the Board of Directors of FIT and its voting rights, and a put/call option, see immediate report of March 28, 2024 (Ref. No.: 2024-01-027772). 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,<sup>5</sup> 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 have been consolidated with the Group’s financial statements as from the financial statements attached to this report.

Set forth below are the results of Clarys & Willich for the years ended December 31, 2022 and 2023, in accordance with unaudited financial statements, which were drawn up by the Sellers’ advisors for the purpose of the sale. The expenses were classified into profit centers (production, research and development, selling and marketing and general and administration expenses), such that they will be presented under Turpaz Group in accordance with the classification method on the consolidation date (EURO thousand).

---

<sup>4</sup> 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”).

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



Line item	For the year ended December 31, 2023	For the year ended December 31 2022
<b>Revenues from sales</b>	<b>32,446</b>	<b>28,216</b>
Cost of sales	21,377	18,458
Gross profit	11,069	9,758
Research and development expenses	865	768
Selling and marketing expenses	2,583	2,292
General and administrative expenses	3,590	3,185
Other expenses (income)	101	85
<b>Income from ordinary operations</b>	<b>3,930</b>	<b>3,428</b>
Financing expenses, net	268	187
<b>Income before tax</b>	<b>3,662</b>	<b>3,241</b>
Taxes on income	984	834
<b>Net income for the period</b>	<b>2,678</b>	<b>2,407</b>

If the acquisitions made in 2023 and 2024 had taken place on January 1, 2023, based on unaudited data provided by the sellers of the acquired operations in this period, the Group's revenues, net income and adjusted EBITDA<sup>6</sup> would have been as follows (USD thousand):.

On Proforma basis	Six months ended June 30,		Three months ended June 30,	
	2024	2023	2024	2023
	Unaudited			
Sales*	96,997	94,088	46,765	46,693
Net income	6,702	4,509	3,433	1,924
Adjusted EBITDA	19,966	18,545	9,925	8,886

The above data include expenses that would have been adjusted had the acquisitions been made on January 1, 2023 – interest expenses on loans for financing the acquisitions and for updating non-cash put options, non-cash depreciation and amortization of intangible assets and excluding non-recurring expenses. The above calculation does not account for the synergies that would have been obtained from the merger of the acquisitions into the Company's operations.

\*The currency effect impaired about 0.6% of sales in the first half of 2024 and about 1.1% of sales in the second quarter of 2024. The proforma data do not include these impairments.

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

- 1.1. On May 26, 2024, an extraordinary general meeting of the Company's shareholders approved (1) the reappointment of Mr. Mordechai Peled and Ms. Limor Avidor for a further term in office as external Company directors; (2) a revision to the terms of service and employment of Mr. Shay Khazon, which include revision to the monthly management fees and the award of options; (3) the revision of the employment terms of Ms. Shir Kesselman, which include the revision of the monthly salary and the award of options, and (4) the revision of the terms of the advisory services agreement with Mr. Erez Meltzer - a Company director. For more information see supplementary

<sup>6</sup> See footnote 2 above.

report regarding the meeting summons, which was published on May 20, 2024 (Ref. No.: 2024-01-049384) and is incorporated into this report by way of reference.

- 1.2. For information regarding other 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 and the Clarys & Willich group with the Group's results.

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

	June 30, 2024	June 30, 2023 <sup>7</sup>	December 31, 2023	Company's explanations compared to December 31, 2023
Current assets	90,351	72,370	79,782	The increase stems mainly from consolidation of companies acquired in the period.
Non-current assets	252,014	131,458	142,246	
<b>Total assets</b>	<b>342,365</b>	<b>203,828</b>	<b>222,028</b>	
Current liabilities	50,896	33,202	41,463	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 and the Clarys & Willich group, whose acquisition was completed in the first half of 2024, and long-term loans of those companies.
Non-current liabilities	172,268	66,068	63,238	
<b>Total equity</b>	<b>119,201</b>	<b>104,558</b>	<b>117,327</b>	The increase arises mainly from an approx. USD 6.7 million net income in the period and exercise of non-marketable options of employees, offset against an approx. USD 4 million dividend to the shareholders in respect of 2023, which was paid in April 2024, and translation differences due to changes in exchange rates of currencies.
<b>Total liabilities and equity</b>	<b>342,365</b>	<b>203,828</b>	<b>222,028</b>	

<sup>7</sup> 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 for the six months ended June 30, 2023 and 2024 (in accordance with the financial statements, and the explanations for the key changes in those data in USD thousand):

Line item	For the six months ended June 30, 2024	For the six months ended June 30, 2023	For the period ended December 31, 2023	Company's explanations compared to the corresponding period last year
<b>Revenues from sales</b>	<b>85,781</b>	<b>61,540</b>	<b>127,355</b>	Revenues from sales increased by approx. 39.4% - an increase that stems from organic growth <sup>8</sup> in the Group's core businesses - the Taste and Scent segments, at a rate of approx. 10.2% and approx. 10.6%, respectively, and from a growth arising from the acquisition of Food-Base, Sunspray and Clarys & Willich, which is offset against an organic decline of approx. 32.1% in the Specialty Fine Ingredients segment (total organic growth of approx. 3.4%). The effect of exchange rates of foreign currencies reduced sales by approx. 0.6%.
Cost of sales	53,299	38,506	77,742	The gross profit increased by approx. 41.0%, mainly in view of the increase in sales. Gross profitability was mainly affected by a different sales mix and the results of the Specialty Fine Ingredients segment.
Gross profit (% of sales)	32,482 37.9%	23,034 37.4%	49,613 39.0%	
Research and development expenses (% of sales)	3,305 3.9%	2,297 3.7%	4,923 3.9%	The increase in research and development expenses arises from acquisitions, which were completed during 2023 and in the first half 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)	6,950 8.1%	5,099 8.3%	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 half of 2024, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	10,227 11.9%	7,494 12.2%	15,695 12.3%	The increase in general and administrative expenses arises from the consolidation of companies, the acquisition of which was completed during 2023 and in the first half of 2024.
Other expenses (income)	636	304	457	These expenses mainly include non-recurring expenses in respect of the acquisition of companies.
<b>Income from ordinary operations (% of sales)</b>	<b>11,364 13.2%</b>	<b>7,840 12.7%</b>	<b>18,180 14.3%</b>	The increase stems mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in the first half of 2024.
Financing expenses, net	2,459	1,269	2,790	The increase stems mainly from non-cash finance expenses in respect of put options, and finance expenses in respect of loans.
Taxes on income	2,164	1,052	2,496	The change arises from changes in the pre-tax profit mix between the different countries in which the Group operates.
<b>Net income for the period (% of sales)</b>	<b>6,741 7.9%</b>	<b>5,519 9.0%</b>	<b>12,894 10.1%</b>	
EBITDA <sup>9</sup>	17,605	12,343	27,277	The adjusted EBITDA increased by approx. 45.0% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stemmed from the reasons listed above in this table.
<b>Adjusted EBITDA<sup>10</sup> (% of sales)</b>	<b>18,296 21.3%</b>	<b>12,620 20.5%</b>	<b>27,761 21.8%</b>	

<sup>8</sup> See footnote 3 above.

<sup>9</sup> EBITDA means - earnings before interest, taxes, depreciation and amortization. This is a data normally used to measure the operational efficiency of companies.

<sup>10</sup> Non-recurring expenses in the first half of 2024 included legal expenses and other expenses in respect of acquisition of activities amounting to approx. USD 691 thousand.

3.2. Set forth below is an analysis of the operating results for the three months ended June 30, 2023 and 2024 in accordance with the financial statements, and the explanations for the key changes in those data (in USD thousand):

Line item	For the three months period ended June 30, 2024	For the three months period ended June 30, 2023	Company's explanations compared to the corresponding period last year
<b>Revenues from sales</b>	<b>46,765</b>	<b>30,626</b>	The revenues from sales increased by approx. 52.7% - an increase that stems mainly from organic growth <sup>11</sup> in the Group's core businesses - the Taste and Scent segments, at a rate of approx. 9.5% and approx. 10.1%, respectively, and from a growth arising from the acquisition of Food-Base, Sunspray and Clarys & Willich, which is offset against an organic decline of approx. 47.3% in the Specialty Fine Ingredients segment (total organic growth of approx. 1.3%). The effect of exchange rates of foreign currencies reduced sales by approx. 1.1%.
Cost of sales	28,679	19,411	The gross profit increased by approx. 61.3%, mainly in view of the increase in sales.
Gross profit (% of sales)	18,086 38.7%	11,215 36.6%	
Research and development expenses (% of sales)	1,898 4.1%	1,203 3.9%	The increase in research and development expenses arises from the consolidation of the results of companies, whose acquisition was completed during 2023 and in the first half 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)	4,037 8.6%	2,573 8.4%	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 half of 2024, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	5,897 12.6%	3,631 11.9%	The increase in general and administrative expenses arises from the consolidation of companies, the acquisition of which was completed during 2023 and in the first half of 2024.
Other expenses (income)	343	128	These expenses include non-recurring expenses in respect of the acquisition of companies.
<b>Income from ordinary operations (% of sales)</b>	<b>5,911 12.6%</b>	<b>3,680 12.0%</b>	The increase stems mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in the second quarter of 2024.
Financing expenses, net	1,237	694	The increase stems mainly from non-cash finance expenses in respect of put options, and finance expenses in respect of loans.
Taxes on income	1,241	474	The change arises from changes in the pre-tax profit mix between the different countries in which the Group operates.
<b>Net income for the period (% of sales)</b>	<b>3,433 7.3%</b>	<b>2,512 8.2%</b>	
EBITDA <sup>12</sup>	9,540	5,921	The adjusted EBITDA increased by approx. 64.7% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stems from the reasons listed above in this table.
<b>Adj. EBITDA<sup>13</sup> (% of sales)</b>	<b>9,925 21.2%</b>	<b>6,026 19.7%</b>	

<sup>11</sup> See footnote 3 above.

<sup>12</sup> See footnote 9 above.

<sup>13</sup> Non-recurring expenses in the second quarter of 2024 included legal expenses and other expenses in respect of acquisition of activities amounting to approx. USD 385 thousand.

3.3. Set forth below is an analysis of the operating results for the six months ended June 30, 2023 and 2024, by segments (in USD thousand):

Segment		For the six months ended June 30, 2024	For the six months ended June 30, 2023	For the 12-month period ended December 31, 2023	Company's explanations to changes between H1 2024 and H1 2023
Scent segment	Revenues (% of Group sales)	17,758 20.7%	16,107 26.2%	32,768 25.7%	Revenues increased by approx. 10.3%; the increase stems from organic growth, net of the effects of exchange rates of approx. 10.6%. The effect of exchange rates of foreign currencies reduced sales by approx. 0.3%. The increase in profitability in the segment arises from the increase in sales.
	Operating profit (% of sales)	4,873 27.4%	3,693 22.9%	8,025 24.5%	
Taste segment	Revenues (% of Group sales)	58,741 68.5%	31,807 51.7%	65,361 51.3%	Revenues increased by approx. 84.7%, mainly as a result of acquisitions completed during 2023 and in the first half of 2024, and as a result of organic growth, net of the effects of exchange rates of approx. 10.2%. The effect of exchange rates of foreign currencies reduced sales by approx. 0.7%.
	Operating profit (% of sales)	10,288 17.5%	4,275 13.4%	9,449 14.5%	
Specialty Fine Ingredients segment	Revenues (% of Group sales)	9,285 10.8%	13,712 22.2%	29,367 23.0%	Revenues declined by approx. 32.3%; the decrease stems mainly from an organic decline, net of the effects of exchange rates of approx. 32.1%. The decline 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 and conversion of existing production lines designated for the production of aromatic chemicals, and works to commission them. The effect of exchange rates reduced sales by approx. 0.2%. The change in profitability stems mainly from a decline in sales and the fixed operating costs component.
	Operating profit (% of sales)	(25) (0.3%)	3,011 22.0%	6,702 22.8%	
Unallocated joint expenses	Revenues	(3)	(86)	(141)	In the first half of 2024, the expenses constituted approx. 4.4% of the turnover, compared to approx. 5.1% in the corresponding period last year.
	Operating profit	(3,772)	(3,139)	(5,996)	
Total	Revenues	85,781	61,540	127,355	
	Operating profit (% of sales)	11,364 13.2%	7,840 12.7%	18,180 14.3%	

3.4. Set forth below is an analysis of the operating results for the three months ended June 30, 2023 and 2024, by segments (in USD thousand):

Segment		For the three months period ended June 30, 2024	For the three months period ended June 30, 2023	Company's explanations
Scent segment	Revenues (% of Group sales)	8,950 19.1%	8,139 26.6%	Revenues increased by approx. 10.0%; the increase stems from organic growth, net of the effects of exchange rates of approx. 10.1%. The effect of exchange rates of foreign currencies reduced sales by approx. 0.2%.
	Operating profit (% of sales)	2,292 25.6%	2,111 25.9%	
Taste segment	Revenues (% of Group sales)	34,171 73.1%	15,662 51.1%	Revenues increased by approx. 118.2%, mainly as a result of acquisitions completed during 2023 and in the first half of 2024, and as a result of organic growth, net of the effects of exchange rates of approx. 9.5%. The effect of exchange rates of foreign currencies reduced sales by approx. 1.6%.
	Operating profit (% of sales)	5,919 17.3%	1,415 9.0%	
Specialty Fine Ingredients segment	Revenues (% of Group sales)	3,644 7.8%	6,911 22.3%	Revenues declined by approx. 47.3%; the decrease stems mainly from an organic decline, net of the effects of exchange rates of approx. 47.3%. The decline stems mainly from the continued 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 and conversion of existing production lines designated for the production of aromatic chemicals, and works to commission them. The effect of exchange rates increased sales by approx. 0.1%. The change in profitability stems mainly from a decline in sales and the fixed operating costs component.
	Operating profit (% of sales)	(235) (6.4%)	1,675 24.2%	
Unallocated joint expenses	Revenues	-	(86)	In the second quarter of 2024, the expenses constituted approx. 4.4% of the turnover, compared to approx. 5.0% in the corresponding period last year.
	Operating profit	(2,065)	(1,521)	
Total	Revenues	46,765	30,626	
	Operating profit (% of sales)	5,911 12.6%	3,680 12.0%	

#### 4. Liquidity

As of June 30, 2024, the Company has a cash balance of USD 18,693 thousand; set forth below are the key components of the cash flows and the way they were utilized (in USD thousand):

	For the six months ended June 30, 2024	For the six months ended June 30, 2023	For the 12-month period ended December 31, 2023	Company's explanations to changes between H1 2023 and H1 2024
Net cash provided by operating activities	11,254	218	14,709	The increase arises mainly from an increase in net income for the period and an improvement in working capital balances compared to the corresponding period last year.
Net cash used in investing activities	(43,683)	(6,277)	(13,601)	The change arises mainly from completion of acquisition of companies and repayment of an undertaking in respect thereof (totaling USD approx. 39.5 million) compared to approx. USD 3.6 million in the corresponding period last year, and from an approx. USD 4.2 million investment in property, plant and equipment compared to an approx. USD 2.7 million in the corresponding period last year.
Net cash provided by (used in) financing activities	27,938	(14,192)	(12,435)	The change stems mainly from receipt of an approx. USD 36 million loan, repayment of credit totaling approx. USD 3.3 million compared to approx. USD 8.3 million in the corresponding period last year, and an approx. USD 4 million in dividend paid compared to approx. USD 5 million in the corresponding period last year.
Exchange differences in respect of cash and cash equivalents	(633)	(460)	(531)	
<b>Total change in cash and cash equivalents</b>	<b>(5,124)</b>	<b>(20,711)</b>	<b>(11,858)</b>	

	For the three months period ended June 30, 2024	For the three months period ended June 30, 2023	Company's explanations to the changes between the second quarter of 2023 and the second quarter of 2024
Net cash provided by operating activities	7,704	4,953	The increase arises mainly from an increase in net income for the period and an improvement in working capital balances compared to the corresponding period last year.
Net cash used in investing activities	(27,879)	(1,210)	The change arises mainly from completion of acquisition of companies and repayment of an undertaking in respect thereof (totaling USD approx. 24.8 million), and from an approx. USD 3.1 million investment in property, plant and equipment compared to an approx. USD 1.2 million in the corresponding period last year.
Net cash provided by financing activities	(3,947)	(5,370)	The change stems mainly from an approx. USD 4 million in dividend paid compared to approx. USD 5 million in the corresponding period last year, and from the exercise of options at the total amount of approx. USD 0.6 million.

	For the three months period ended June 30, 2024	For the three months period ended June 30, 2023	Company's explanations to the changes between the second quarter of 2023 and the second quarter of 2024
Exchange differences in respect of cash and cash equivalents	(122)	(215)	
<b>Total change in cash and cash equivalents</b>	<b>(24,244)</b>	<b>(1,842)</b>	

## 5. Financing sources

The Company funds its activity mainly from its equity, 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 June 30, 2024		Data as of December 31, 2023	
	USD thousand	% of total balance sheet	USD thousand	% of total balance sheet
Equity	119,201	34.8%	117,327	52.8%
Other long-term liabilities	125,057	36.5%	59,799	26.9%
Long-term liabilities from banks, net of current maturities	47,211	13.8%	3,439	1.5%
Short-term credit	13,592	4.0%	10,977	4.9%
Suppliers credit	19,074	5.6%	14,679	6.6%
Other long-term payables	18,230	5.3%	15,807	7.1%
<b>Total</b>	<b>342,365</b>	<b>100%</b>	<b>222,028</b>	<b>100%</b>

The average amount of the long-term loans in the first half of 2024 was approx. USD 25,325 thousand.

The average amount of the short-term credit in the first half of 2024 was approx. USD 12,285 thousand.

As of June 30, 2024, the Company's working capital is approx. USD 39,455 thousand, compared to working capital of approx. USD 39,168 thousand as of June 30, 2023.

As of June 30, 2024, the Company's operating working capital<sup>14</sup> is approx. USD 48,108 thousand (approx. 25.7% of the sales), compared to operating working capital of approx. USD approx. 39,770 thousand (approx. 32.5% of sales) as of June 30, 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 balance<sup>15</sup> as of June 30, 2024 is approx. USD 42,293 thousand.

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

<sup>15</sup> Debt net of cash.



## Disclosure in accordance with the reportable credit directive:

Original loan amount (EUR thousand)	Loan balance as of 30.6.2024 (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
<b>Credit from an Israeli bank</b>						
33,000	33,329	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	-	Equity to assets - the Company's equity shall not be lower than 25% of total assets at any given time.  As of June 30, 2024, the equity amounts to 34.8% of total assets.
25,000 <sup>17</sup>	-	-	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 period of up to one year from May 8, 2024 (hereinafter - the " <b>Secured Amount</b> "), and a further amount of up to EUR 7.6 million (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 May 8, 2024.	EURO LIBOR interest plus a 1.65% margin, which will be paid on a semi-annual basis.	-	Debt coverage ratio <sup>16</sup> - shall not exceed 3.5 at any given time.  As of June 30, 2024, the debt coverage ratio is 1.1.

<sup>16</sup> 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.

<sup>17</sup> As of the report date, the loan amount has not yet been withdrawn; the loan constitutes a facility for withdrawal of up to EUR 25 million.

## 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.

The Company assessed the effects of the war 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 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, as of the report date the war does not have a material effect on its businesses and financial results. Nevertheless, an escalation of the war and/or its expansion to other fronts may have a material adverse effect on the Company's businesses; such effect cannot be currently assessed. For more information, see Section 1.8.5 to Chapter A to the 2023 Periodic Report and Section 6 to the Board of Directors' Report for the first quarter of 2024.

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.

**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 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 an external appraiser\*

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:	<ol style="list-style-type: none"> <li>1. Total purchase consideration: ZAR 676,907 thousand <ol style="list-style-type: none"> <li>a. Cash consideration - ZAR 267,825 thousand</li> <li>b. Contingent consideration - ZAR 38,566 thousand</li> <li>c. Value of purchase option - ZAR 370,516 thousand</li> </ol> </li> <li>2. Customer relations - ZAR 122,926 thousand</li> <li>3. Knowhow - ZAR 116,106 thousand</li> </ol>
Details about the appraiser:	<p>This temporary appraisal was carried out by Ziv Haft Consulting and Management Ltd., BDO.</p> <p>The work was conducted by a team headed by Sagiv Mizrahi (CPA), a partner and team leader in the Corporate Finance Department; Mr. Mizrahi has a BA in Applied Mathematics and an MBA (specializing in finance management); he has more than ten years of experience in advising businesses. The team specializes in valuations, PPAs, impairment testing, financial instruments, due diligence works, accounting and economic consultation and more.</p>
Is there an indemnification agreement with the appraiser?	In accordance with the engagement agreement, if the appraiser will be required to pay any amount to a third party in connection with the performance of the services, whether as part of a legal proceeding, or any other binding proceeding, the commissioner of the appraisal undertakes to indemnify the appraiser in respect of any such amount it will pay, in excess of an amount equal to three times the appraiser's fees, unless it is determined that the appraiser acted maliciously and/or negligently, in which case no indemnification obligation will apply.
The valuation model used by the appraiser:	<p>The purchase price allocation was carried out in accordance with the provisions and principles of IFRS 3.</p> <p>Customer relations the income approach the MPEEM method.</p> <p>Knowhow the income approach the royalty relief method.</p>
The assumptions, based on which the appraiser carried out the valuation, in accordance with the valuation model:	<p><u>Key assumptions in the valuation of a customer relations intangible asset</u></p> <p>Discount rate 13.25%</p> <p>Attrition rate 20%</p> <p>Useful life - 10 years</p> <p><u>Key assumptions in the valuation of a knowhow intangible asset</u></p> <p>Discount rate 13.25%</p> <p>Royalties rate 5.5%</p> <p>Useful life - 20 years</p>

\* 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.

Information regarding temporary appraisal of the acquisition of Clarys & Willich, that was carried out by the Company\*

Identifying the valuation's subject matter:	Purchase price allocation of Clarys & Willich
Valuation date:	April 3, 2024
Value of the valuation's subject matter as per the valuation:	1. Total purchase consideration: EUR 52,086 thousand a. Cash consideration - EUR 25,000 thousand b. Value of purchase option - EUR 27,086 2. Customer relations: EUR 5,329 thousand 3. Knowhow: EUR 7,711 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 12% Attrition rate 20% Useful life - 10 years <u>Key assumptions in the valuation of a knowhow intangible asset</u> Discount rate 12% 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 half and the second quarter of 2024.**

\_\_\_\_\_  
**Dr. Israel Leshem, Director**<sup>18</sup>

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

Date: August 14, 2024

\_\_\_\_\_  
<sup>18</sup> Director authorized by the Board of Directors to sign.



## **Chapter B**

# **Financial Statements as of June 30, 2024**



**TURPAZ INDUSTRIES LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2024**

**UNAUDITED**

**INDEX**

	<u>Page</u>
<b>Review of Interim Consolidated Financial Statements</b>	<b>2</b>
<b>Consolidated Statements of Financial Position</b>	<b>3 - 4</b>
<b>Consolidated Statements of Profit or Loss and Other Comprehensive Income</b>	<b>5</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>6 - 8</b>
<b>Consolidated Statements of Cash Flows</b>	<b>9 - 11</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>12 - 24</b>

-----

## **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 June 30, 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the periods of six and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 4.1% of total consolidated assets as of June 30, 2024, and whose revenues included in consolidation constitute approximately 6.3% and approximately 6% of total consolidated revenues for the periods of six and three months then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

### **Scope of review**

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

### **Conclusion**

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

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>June 30,</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>			
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	18,693	14,964	23,817
Trade receivables	33,659	27,872	28,165
Other accounts receivable	4,476	3,127	3,168
Inventories	33,523	26,407	24,632
	<u>90,351</u>	<u>72,370</u>	<u>79,782</u>
<b>NON-CURRENT ASSETS:</b>			
Deferred taxes	229	520	352
Property, plant and equipment	51,384	23,227	30,678
Right-of-use assets, net	16,357	20,603	16,541
Intangible assets, net	171,920	*)87,108	93,792
Financial assets	12,124	-	883
	<u>252,014</u>	<u>*)131,458</u>	<u>142,246</u>
	<u>342,365</u>	<u>*)203,828</u>	<u>222,028</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**

	<b>June 30,</b>		<b>December 31,</b>
	<b>2024</b>	<b>2023</b>	<b>2023</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks and current maturities of long-term loans from banks and others	13,592	5,940	10,977
Trade payables	19,074	14,509	14,679
Other accounts payable	12,941	10,411	11,773
Short-term liabilities in respect of acquisition of activity	2,772	366	1,723
Current maturities of lease liabilities	2,517	1,976	2,311
	<u>50,896</u>	<u>33,202</u>	<u>41,463</u>
<b>NON-CURRENT LIABILITIES:</b>			
Long-term loans from banks, less current maturities	47,211	1,558	3,439
Long-term loans from others, less current maturities	183	477	236
Provision for waste removal	389	3,480	455
Long-term lease liabilities	14,893	19,327	15,240
Long-term liabilities in respect of acquisition of activity	98,362	*)37,207	39,051
Deferred taxes	10,817	3,810	4,355
Employee benefit liabilities	410	144	409
Other long-term payables	3	65	53
	<u>172,268</u>	<u>*)66,068</u>	<u>63,238</u>
<b>EQUITY:</b>			
Equity attributable to equity holders of the Company:			
Share capital (**)	1	1	1
Share premium	75,270	74,449	74,449
Other capital reserves	(3,823)	(4,371)	(4,136)
Reserve in respect of translation differences	(6,761)	(6,548)	(5,044)
Retained earnings	49,363	40,132	47,123
	<u>114,050</u>	<u>103,663</u>	<u>112,393</u>
Non-controlling interests	5,151	895	4,934
	<u>119,201</u>	<u>104,558</u>	<u>117,327</u>
<b>Total equity</b>	<u>342,365</u>	<u>*)203,828</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.

August 14, 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 August 14, 2024	Guy Gill CFO

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2024	2023	2024	2023	2023
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales	85,781	61,540	46,765	30,626	127,355
Cost of sales	53,299	38,506	28,679	19,411	77,742
Gross profit	32,482	23,034	18,086	11,215	49,613
Research and development expenses	3,305	2,297	1,898	1,203	4,923
Selling and marketing expenses	6,950	5,099	4,037	2,573	10,358
General and administrative expenses	10,227	7,494	5,897	3,631	15,695
Other expenses	636	304	343	128	457
Operating income	11,364	7,840	5,911	3,680	18,180
Finance expenses, net	2,459	1,269	1,237	694	2,790
Income before taxes on income	8,905	6,571	4,674	2,986	15,390
Taxes on income	2,164	1,052	1,241	474	2,496
Net income for the period	6,741	5,519	3,433	2,512	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	(4,775)	(6,085)	(2,822)	(2,765)	(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	2,776	6,079	2,654	2,604	5,259
Total comprehensive income	4,742	5,513	3,265	2,351	14,420
Total net income attributable to:					
Equity holders of the Company	6,242	5,465	3,199	2,489	12,393
Non-controlling interests	499	54	234	23	501
	6,741	5,519	3,433	2,512	12,894
Total comprehensive income attributable to:					
Equity holders of the Company	4,525	5,459	3,063	2,328	13,891
Non-controlling interests	217	54	202	23	529
	4,742	5,513	3,265	2,351	14,420
Net earnings per share attributable to equity holders of the Company (in U.S. dollars):					
Basic and diluted net earnings per share	0.06	0.05	0.03	0.02	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	-	-	-	-	6,242	6,242	499	6,741	
Total other comprehensive loss	-	-	-	(1,717)	-	(1,717)	(282)	(1,999)	
Total comprehensive income (loss)	-	-	-	(1,717)	6,242	4,525	217	4,742	
Share-based payment	-	-	490	-	-	490	-	490	
Exercise of options	-	821	(177)	-	-	644	-	644	
Dividends distributed to equity holders of the Company	-	-	-	-	(4,002)	(4,002)	-	(4,002)	
Balance as of June 30, 2024	1	75,270	(3,823)	(6,761)	49,363	114,050	5,151	119,201	

	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	-	-	-	-	5,465	5,465	54	5,519	
Total other comprehensive loss	-	-	-	(6)	-	(6)	-	(6)	
Total comprehensive income (loss)	-	-	-	(6)	5,465	5,459	54	5,513	
Share-based payment	-	-	486	-	-	486	-	486	
Dividends distributed to equity holders of the Company	-	-	-	-	(4,966)	(4,966)	-	(4,966)	
Balance as of June 30, 2023	1	74,449	(4,371)	(6,548)	40,132	103,663	895	104,558	

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total				
	Unaudited									
	U.S. dollars in thousands									
Balance as of April 1, 2024	1	74,598	(4,020)	(6,625)	46,164	110,118	4,949	115,067		
Net income	-	-	-	-	3,199	3,199	234	3,433		
Total other comprehensive loss	-	-	-	(136)	-	(136)	(32)	(168)		
Total comprehensive income (loss)	-	-	-	(136)	3,199	3,063	202	3,265		
Share-based payment	-	-	341	-	-	341	-	341		
Exercise of options	-	672	(144)	-	-	528	-	528		
Balance as of June 30, 2024	<u>1</u>	<u>75,270</u>	<u>(3,823)</u>	<u>(6,761)</u>	<u>49,363</u>	<u>114,050</u>	<u>5,151</u>	<u>119,201</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 April 1, 2023	1	74,449	(4,610)	(6,387)	37,643	101,096	872	101,968		
Net income	-	-	-	-	2,489	2,489	23	2,512		
Total other comprehensive loss	-	-	-	(161)	-	(161)	-	(161)		
Total comprehensive income (loss)	-	-	-	(161)	2,489	2,328	23	2,351		
Share-based payment	-	-	239	-	-	239	-	239		
Balance as of June 30, 2023	<u>1</u>	<u>74,449</u>	<u>(4,371)</u>	<u>(6,548)</u>	<u>40,132</u>	<u>103,663</u>	<u>895</u>	<u>104,558</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)	
Acquisition of non-controlling interests in newly consolidated subsidiaries	-	-	-	-	-	-	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**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2024	2023	2024	2023	2023
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from operating activities:</u>					
Net income for the period	6,741	5,519	3,433	2,512	12,894
Adjustments to reconcile net income to net cash provided by operating activities (a)	4,513	(5,301)	4,271	2,441	1,815
Net cash provided by operating activities	11,254	218	7,704	4,953	14,709
<u>Cash flows from investing activities</u>					
Purchase of property, plant and equipment and other assets	(4,173)	(2,716)	(3,074)	(1,210)	(5,022)
Proceeds from sale of property, plant and equipment	28	64	18	-	97
Acquisition of initially consolidated subsidiaries (b)	(37,895)	(3,625)	(24,695)	-	(8,551)
Repayment of liability in respect of acquisition of activity	(1,643)	-	(128)	-	(125)
Net cash used in investing activities	(43,683)	(6,277)	(27,879)	(1,210)	(13,601)
<u>Cash flows from financing activities</u>					
Receipt (repayment) of short-term credit	(1,066)	(7,291)	2,208	178	(2,060)
Acquisition of shares from non-controlling interests in subsidiary	-	-	-	-	(352)
Dividend paid to equity holders of the Company	(4,002)	(4,966)	(4,002)	(4,966)	(4,966)
Dividend distributed to holders of put option and to non-controlling interests	(74)	-	(74)	-	(604)
Repayment of long-term lease liabilities	(1,271)	(1,012)	(654)	(470)	(2,128)
Repayment of long-term loans	(2,238)	(923)	(2,069)	(112)	(2,325)
Receipt of long-term loans	35,945	-	-	-	-
Exercise of options	644	-	644	-	-
Net cash provided by (used in) financing activities	27,938	(14,192)	(3,947)	(5,370)	(12,435)
Exchange rate differences on balances of cash and cash equivalents	(633)	(460)	(122)	(215)	(531)
Decrease in cash and cash equivalents	(5,124)	(20,711)	(24,244)	(1,842)	(11,858)
Cash and cash equivalents at the beginning of the period	23,817	35,675	42,937	16,806	35,675
Cash and cash equivalents at the end of the period	18,693	14,964	18,693	14,964	23,817

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2024	2023	2024	2023	2023
	Unaudited				Audited
	NIS in thousands				
(a) <u>Adjustments to reconcile net income to net cash provided by operating activities:</u>					
Adjustments to profit and loss items:					
Depreciation and amortization	5,751	4,017	3,288	2,002	8,180
Capital loss (gain) from sale of property, plant and equipment	(60)	5	(48)	-	(7)
Change in employee benefit liabilities, net	21	4	24	6	85
Cost of share-based payment	490	486	341	239	917
Finance expenses, net	2,459	1,269	1,237	694	2,790
Taxes on income	2,164	1,052	1,241	474	2,496
	<u>10,825</u>	<u>6,833</u>	<u>6,083</u>	<u>3,415</u>	<u>14,461</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables	2,194	(2,443)	2,956	219	(1,309)
Decrease (increase) in other accounts receivable	(318)	(80)	1,153	528	(83)
Decrease (increase) in inventories	451	79	(1,779)	883	4,246
Increase (decrease) in trade payables	(24)	(5,239)	1,367	303	(5,708)
Decrease in other accounts payable	(3,684)	(2,210)	(2,468)	(1,929)	(5,116)
	<u>(1,381)</u>	<u>(9,893)</u>	<u>1,229</u>	<u>4</u>	<u>(7,970)</u>
Cash paid and received during the period for:					
Taxes paid	(3,544)	(1,505)	(2,040)	(636)	(3,302)
Interest paid, net	(1,387)	(736)	(1,001)	(342)	(1,374)
	<u>(4,931)</u>	<u>(2,241)</u>	<u>(3,041)</u>	<u>(978)</u>	<u>(4,676)</u>
	<u>4,513</u>	<u>(5,301)</u>	<u>4,271</u>	<u>2,441</u>	<u>1,815</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2024	2023	2024	2023	2023
	Unaudited				Audited
	NIS in thousands				
(b) <u>Acquisition of initially consolidated subsidiaries:</u>					
The subsidiaries' assets and liabilities at date of acquisition:					
Working capital (excluding cash and cash equivalents)	6,633	323	1,329	-	990
Property, plant and equipment	19,698	303	13,503	-	6,625
Right-of-use assets	389	149	308	-	307
Intangible assets	81,490	4,821	48,762	-	11,500
Financial derivative for acquisition of non-controlling interests	-	-	-	-	672
Lease liabilities	(389)	(149)	(308)	-	(307)
Other non-current liabilities	(12,271)	-	(6,157)	-	(2,731)
Payables for acquisition of investments in subsidiaries	(50,617)	(1,565)	(29,099)	-	(3,770)
Deferred taxes	(7,038)	(257)	(3,643)	-	(945)
Non-controlling interests	-	-	-	-	(3,790)
	<u>37,895</u>	<u>3,625</u>	<u>24,695</u>	<u>-</u>	<u>8,551</u>
(c) <u>Significant non-cash transactions:</u>					
Right-of-use asset recognized with corresponding lease liabilities	<u>1,108</u>	<u>3,775</u>	<u>719</u>	<u>600</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 June 30, 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 June 30, 2024 and for the periods of six and 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 COMBINATIONS

#### a. 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:

	<b>February 13, 2024</b>
	<b>U.S. dollars in thousands</b>
Working capital, net	5,304
Right-of-use asset	81
Property, plant and equipment	6,195
Customer relations	6,466
Product formulas	6,107
Deferred taxes	(3,395)
Lease liabilities	(81)
Other non-current liabilities	(6,114)
	<hr/>
Net identifiable assets	14,563
Goodwill arising from acquisition	20,155
	<hr/>
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	21,518
	<hr/>
Total purchase price	<u>34,718</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 3:- BUSINESS COMBINATIONS (Cont.)**

From the consolidation date through June 30, 2024, the acquired operation has contributed approximately \$ 12,641 thousand to revenues and approximately \$ 1,183 thousand to net income. If the business combination had been completed at the beginning of the year, the contribution to revenues would have been approximately \$ 15,026 thousand.

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

**b. Clarys & Willich**

On April 3, 2024, the Company, through the subsidiary Food Ingredients Technology ("FIT"), completed the purchase of 100% of the issued and outstanding share capital and voting rights of Cewecon GmbH, a private company incorporated in Germany which holds a group of Belgian and German companies ("the Clarys & Willich Group") from the latter's shareholders (in this paragraph - "the sellers") in return for approximately \$ 47.7 million (approximately € 44 million), of which the sellers reinvested in FIT approximately \$ 20.6 million (approximately € 19 million) against the allocation of 24.5% of FIT's issued and outstanding share capital and voting rights. 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.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 3:- BUSINESS COMBINATIONS (Cont.)**

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The fair value measurement of the assets and liabilities is subject to a 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:

	<u>April 3, 2024</u> <u>U.S. dollars</u> <u>in thousands</u>
Working capital, net	1,329
Right-of-use asset	308
Property, plant and equipment	13,503
Deferred taxes	(3,643)
Lease liabilities	(308)
Other non-current liabilities	<u>(6,157)</u>
Net identifiable assets	5,032
Intangible assets	48,762
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	24,695
Liability for symmetrical put option for non-controlling interests and acquisition date adjustments	<u>29,099</u>
Total purchase price	<u><u>53,794</u></u>

From the consolidation date through June 30, 2024, the acquired operation has contributed approximately \$ 9,040 thousand to revenues and approximately \$ 1,392 thousand to net income. If the business combination had been completed at the beginning of the year, the contribution to revenues would have been approximately \$ 17,871 thousand.

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

**NOTES TO 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. 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%.

Moreover, in April 2024, the Company's Board approved the grant of 210,000 unregistered options, which are exercisable into an identical number of Ordinary shares, to Mr. Shay Khazon, the spouse of the controlling shareholder in the Company, and VP Israeli Taste Division, and to Ms. Shir Kesselman, the daughter-in-law of the controlling shareholder in the Company, and VP Global Fragrance Division. The grant was approved by the meeting of the Company's shareholders of May 2024. The exercise price of each option is NIS 15.96, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4:- EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)**

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

The options vest over four years from the allocation date in two portions: the first portion (66.66% of the options) shall vest at the end of three years from the allocation date, and the second portion of the remaining options (33.33% of the options) shall vest at the end of four years from the allocation date. The first portion is exercisable over two years from the vesting date and the second portion is exercisable for one year from the vesting date 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.

The fair value of the options granted to Mr. Shay Khazon and Ms. Shir Kesselman was determined at approximately \$ 417 thousand on the grant date.

Total salary expense carried by the Company in the period of six months ended June 30, 2024 in respect of the above plans approximated \$ 249 thousand.

- f. In the reporting period, 284 thousand options were exercised into shares as part of the option grant to a director in the Company in May 2021.
- g. 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. As of the date of publication of these interim consolidated financial statements, the Company has not yet withdrawn the loan amount.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

- h. On May 26, 2024, the meeting of the Company's shareholders approved an adjustment of the monthly management fees paid to Mr. Shay Khazon, the spouse of the controlling shareholder in the Company, to NIS 61,740, linked to the Israeli CPI for April 2024 including reimbursement of vehicle upkeep expenses for a period of three years from the date of the meeting's approval. The shareholders' meeting also approved an adjustment of the monthly salary paid to Ms. Shir Kesselman, the daughter-in-law of the controlling shareholder in the Company, to NIS 55,000 for a period of three years from the date of the meeting's approval.
- 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:

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

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5:- OPERATING SEGMENTS (Cont.)

	Six months ended June 30, 2023				
	Taste	Scent	Specialty	Adjustments	Total
			Fine		
	Ingredients				
Unaudited					
U.S. dollars in thousands					
Revenues from external customers	31,807	16,107	13,626	-	61,540
Intersegment revenues	-	-	86	(86)	-
Total revenues	<u>31,807</u>	<u>16,107</u>	<u>13,712</u>	<u>(86)</u>	<u>61,540</u>
Segment operating income net of unallocated joint expenses	<u>4,275</u>	<u>3,693</u>	<u>3,011</u>	<u>-</u>	10,979
Unallocated joint expenses					3,139
Finance expenses, net					<u>1,269</u>
Income before taxes on income					<u>6,571</u>

	Three months ended June 30, 2024				
	Taste	Scent	Specialty	Adjustments	Total
			Fine		
	Ingredients				
Unaudited					
U.S. dollars in thousands					
Revenues from external customers	34,171	8,950	3,644	-	46,765
Intersegment revenues	-	-	-	-	-
Total revenues	<u>34,171</u>	<u>8,950</u>	<u>3,644</u>	<u>-</u>	<u>46,765</u>
Segment operating income net of unallocated joint expenses	<u>5,919</u>	<u>2,292</u>	<u>(235)</u>	<u>-</u>	7,976
Unallocated joint expenses					2,065
Finance expenses, net					<u>1,237</u>
Income before taxes on income					<u>4,674</u>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5:- OPERATING SEGMENTS (Cont.)

	Three months ended June 30, 2023				
	Taste	Scent	Specialty	Adjustments	Total
			Fine		
	Ingredients				
Unaudited					
U.S. dollars in thousands					
Revenues from external customers	15,662	8,139	6,825	-	30,626
Intersegment revenues	-	-	86	(86)	-
Total revenues	<u>15,662</u>	<u>8,139</u>	<u>6,911</u>	<u>(86)</u>	<u>30,626</u>
Segment operating income net of unallocated joint expenses	<u>1,415</u>	<u>2,111</u>	<u>1,675</u>	<u>-</u>	5,201
Unallocated joint expenses					1,521
Finance expenses, net					<u>694</u>
Income before taxes on income					<u>2,986</u>
	Year ended December 31, 2023				
	Taste	Scent	Specialty	Adjustments	Total
			Fine		
			Ingredients		
Audited					
U.S. dollars in thousands					
Revenues from external customers	65,361	32,768	29,226	-	127,355
Intersegment revenues	-	-	141	(141)	-
Total revenues	<u>65,361</u>	<u>32,768</u>	<u>29,367</u>	<u>(141)</u>	<u>127,355</u>
Segment operating income net of unallocated joint expenses	<u>9,449</u>	<u>8,025</u>	<u>6,702</u>	<u>-</u>	24,176
Unallocated joint expenses					5,996
Finance expenses, net					<u>2,790</u>
Income before taxes on income					<u>15,390</u>

**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:

	<b>Six months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>December 31,</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2023</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>U.S. dollars in thousands</b>				
Israel and the Middle East	16,029	15,989	7,360	8,007	32,435
Europe	42,723	29,045	24,909	14,341	61,076
North America	8,262	8,825	3,498	4,447	17,197
Africa	12,650	-	7,732	-	-
Asia and other	6,117	7,681	3,266	3,831	16,647
	<u>85,781</u>	<u>61,540</u>	<u>46,765</u>	<u>30,626</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 June 30, 2024, total liabilities amounted to \$ 100,517 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 11%. 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:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2024	2023	2024	2023	2023
	Unaudited				Audited
	U.S. dollars in thousands				
Balance at beginning of period	(39,051)	*) (34,627)	(58,606)	*) (37,159)	(34,627)
Total gain (loss) recognized:					
Repayments	834	-	-	-	648
In profit or loss	(680)	(674)	(196)	(464)	(1,681)
In other comprehensive income (loss)	275	(384)	(1,338)	147	(952)
Adjustment of terms of symmetrical put/call options for non-controlling interests **)	(11,278)	-	(11,278)	-	-
In business combinations	(50,617)	(1,522)	(29,099)	269	(2,439)
Balance at end of period	<u>(100,517)</u>	<u>*) (37,207)</u>	<u>(100,517)</u>	<u>(37,207)</u>	<u>(39,051)</u>

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

\*\*\*) Concurrently with the adjustment of the terms of symmetrical put/call options, as discussed in Note 3b regarding the acquisition of the Clarys & Willich Group, on the date of exercise of the option by the sellers, 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. This amount was presented in financial assets in the statement of financial position.

-----

# **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 second 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
6. Ariel Lavi, VP Legal and M&A

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 second 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.

August 14, 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 second 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.

August 14, 2024

---

Guy Gill, Chief Financial Officer