

Dear Shareholders,

First, I would like to express my deep hope for the return of the abductees soon - my heart goes out to their families, my sincere condolences to the bereaved families and my best wishes for recovery to all the wounded, who are in our hearts at all times. We all wish for a quieter, calmer and safer time in Israel and the world in general.

Today, I am happy to proudly share with you the results of the Turpaz Industries group for 2023 and the company's impressive achievements, which are based on its integrated growth strategy whose goals are double-digit growth, through mergers and acquisitions of companies leveraging synergistic actions for the activities of the Turpaz group and organic growth. The realization of the group's strategy is the one that successfully leads us to continued growth and expansion of our geographic distribution.

The Turpaz group engages, independently and via its subsidiaries in Israel, the USA, Poland, Belgium, Vietnam, Latvia, India, Romania and South Africa, in the development, production, marketing and sales of fragrances used in the production of cosmetics, toiletries, personal care products and atmospheric applications; flavors, sweet and savory, natural and synthetic; spice mixes; functional solutions for the baking sector and special flours (gluten-free) used mainly in the production of food and beverages; unique raw materials for the pharmaceutical industry agro industry, fine chemical industry and for the nutritional supplement industry; and citrus products and aroma chemicals for the flavor and fragrance industries.

Turpaz currently has a wide and diverse portfolio of products, which are developed in-house on an ongoing basis in innovative laboratories. As of this date, the group operates 16 R&D sites, production, laboratories and sales, marketing and regulatory offices in a global layout, where approximately 730 employees are employed. At the various development and production sites, the group develops, manufactures, markets and sells products to more than 2,650 customers from 60 countries around the world, where approximately 75% of the group's sales are to customers outside of Israel and the Middle East.

During the first quarter of 2024, as part of the growth strategy, Turpaz recruited a number of leading international experts, highly knowledgeable and experienced, who have worked for over 30 years in leading global companies in the flavor and fragrance industry. These recruitments allow Turpaz to expand and continue strengthen its global capabilities, both in development, as well as in technology and in meeting the needs of its customers, while strengthening its global position and deepening the relationship with its existing customers and communicating with new customers.

The group was joined by Master Global Perfumer, Pierre-Yves Cariou, an expert in the development and production of perfumes, and in the development of natural and synthetic



raw materials, as well as Global Senior Flavorist, Joris Matthijs, who has experience in developing a variety of sweet and savory flavors for both the food and beverage industries. Their broad experience is expected to contribute greatly to the development and increase of the group's capabilities in the field of Taste, Fragrance and Specialty fine ingredients.

In addition, Anna Corless, who has over 20 years of experience in the field of Taste and Fragrance, has joined the group in the capacity of Global Procurement Manager. Her vast experience, and her strategic abilities will assist Turpaz in expanding its procurement capabilities, while supporting the group's growth goals.

These recruitments are expected to enable Turpaz to strengthen and deepen the synergies between the group's companies and its activities in the various geographic regions, and position it as a leading company in the field of flavors and fragrances.

I would like to thank our investors for their confidence and support in the company and its management. As the leader of the Turpaz group, together with the professional and experienced management team and all of the group's employees, I work tirelessly to continue its growth and expand its geographic distribution, while building a partnership with our customers and meeting their needs today and in the future.

The year 2023 and a look to the future

The successful implementation of the growth strategy of the Turpaz group, resulted in Turpaz sales reaching a peak both in 2023 and in the fourth quarter of 2023. Turpaz sales in 2023 grew by 7.4% and amounted to \$127.4 million, and in the fourth quarter of 2023 they grew at a rate of 9.3% and amounted to \$33.3 million.

The adjusted EBITDA rate of the Turpaz group is one of the highest globally in the industry in which the company operates and stood at 21.8% and 22.7% in 2023 and in the fourth quarter of 2023, respectively. In 2023, adjusted EBITDA increased by 3.3% to \$27.8 million and in the fourth quarter of 2023, it increased by 15.1% to \$7.6 million.

The company has a solid capital structure, low leverage, cash in the amount of \$23.8 million, financial debt in the amount of \$14.7 million and cash flow from current operations in the amount of \$14.7 million as of December 31, 2023, which support Turpaz's ability to continue implementing the group's integrated growth strategy. We estimate that the continued implementation of the company's strategy will lead to the continuation of the growth trend in sales also in 2024, despite the existing challenges in the global market.

During the year 2023, we continued the implementation of the integrated growth strategy, within the framework of which Turpaz completed the acquisition of two synergistic companies for its fields of activity. The purchases made include the acquisition of control of Aromatique



Food in Romania, which specializes in raw materials and savory functional flavor mixtures (SAVORY) for the food industry, and the acquisition of control of Food-Base in Hungary, which specializes in the development, production, marketing and sale of flavor extracts and natural herbal extracts for the food and beverage industry, with an emphasis on the fields of convenience (convenience food), healthy drinks and snacks, as well as unique raw materials for the dietary supplement industry. In the first quarter of 2024, we also completed the acquisition of Sunspray in South Africa, which is a leading company in its field, providing exclusive solutions for the food and beverage sector, using customized spray drying technology for multinational and local companies.

The purchases made during the year 2023 were made while building a continuous competitive advantage and expanding the geographic distribution, leveraging synergies between the group companies in sales (cross selling), procurement, development and compliance with regulatory requirements which contribute to improving profitability, all while maintaining a strong cash flow and continuous growth.

According to international publications that cover the industry, the global flavor and fragrance markets are expected to continue the growth trend that characterized the last few years and reach a total of \$43.6 billion in 2032¹. I believe that this trend is expected to generate international business opportunities for the company, both in acquisitions and in expanding its range of customers around the world, as well as be a catalyst for its continued development and growth globally.

In 2024, we will continue the implementation of the company's strategy, while deepening the ties with our customers and expanding connections to new customers, developing new technologies and materials, constant operational efficiency, maintaining a good relationship with the suppliers and transparency with all the present and future shareholders of the company.

Also, in accordance with the company's policy regarding the distribution of dividends, we are pleased to share with you the profits of the year 2023 in the amount of 4 cents per share (0.15 NIS per share).

I would like to thank you from the bottom of my heart, for your support and the trust you express in me, in the company, its managers and employees, for our continued partnership and growth together, as well as in the years to come.

Sincerely,
Karen Cohen Khazon,

¹ <https://www.imarcgroup.com/flavors-fragrances-market>



CEO and Chairman of the Board of Directors
Turpaz Industries Ltd

The information contained in this letter is not exhaustive of all the data about the company and its activities and does not take the place of the data and information contained in the company's reports that are published according to law. In order to receive complete and comprehensive information about the company's situation, its business and its financial results, it is necessary to review its periodic and immediate reports, including the periodic report for 2023.

The information included in this letter above, regarding the company's estimates regarding market growth and the company's continued growth, is considered forward-looking information, as defined in the Securities Law of 2018-1068, which is based on the company's estimates regarding global trends in relation to the flavor and fragrance market and the realization of which is not is certain and may change, among other things, due to external factors, including regulatory changes in the field of activity, changes in the company's business plan, as well as the occurrence of additional risk factors, including as detailed in section 1.29 of the periodic report for 2023, which are not under the control of the company and which may have a material impact on the company's estimates the aforementioned.