TURPAZ

Annual Report

Turpaz Industries Ltd.
for the year ended December 31, 2024

This English translation accompanies the Hebrew report published simultaneously (the "Hebrew Version") and is provided for convenience only. It is not an official translation and has no binding force. While reasonable care has been taken in its preparation, no translation can perfectly reflect the Hebrew Version. In case of any discrepancy, the Hebrew Version shall prevail.

Table of contents

Chapter A

Chapter B

Chapter C

Chapter D

Chapter E

TURPAZ

CEO and Chairperson's Letter

In 2024, the Turpaz Industries group continued its growth momentum, emphasizing synergistic acquisitions for its operations while expanding its global footprint and strengthening its position globally.

I am proud to share with you Turpaz's record results for 2024, which reflect business resilience and growth - with double-digit growth in revenue, gross profit, operating profit, adjusted EBITDA and net profit.

Since the beginning of 2024 to date, we have significantly expanded our global operations through six merger and acquisition transactions, which have expanded and consolidated our global footprint in key markets including the UK, Belgium, Germany and South Africa. These transactions have allowed us to expand our customer base, increase our product and technology portfolio, strengthen our research and development and production capabilities and improve operational efficiency, while leveraging synergies between the group's companies.

Turpaz continues to realize its vision of becoming one of the ten leading companies in the world in the field of flavors and fragrance, and we are committed to continuing to act decisively to achieve this goal.

On behalf of myself and the Turpaz Board of Directors, I would like to thank all of the company's stakeholders, primarily our loyal customers, and of course, the management and the hundreds of our dedicated employees across the globe. Our success is the result of their investment, commitment and tireless efforts.

I will conclude with a prayer for the safe return of all the hostages, for the recovery of all those injured in body and mind, and support for the families of the fallen.

Best regards,

Karen Cohen Khazon,

CEO & Chairperson of the Board of Directors

TURPAZ

Chapter A

Description of the Company's Business

Description of the Company's Business - Table of Contents

This is an English translation of a Hebrew report that was published on March 18, 2025 (reference no.: 2025-01-017724) (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.

Chapter A - Description of the Company's Business

1.1. Introduction

The Company is pleased to submit the Company's periodic report for the period ended December 31, 2024 (hereinafter - the "**Reporting Period**") in accordance with the provisions of the Securities Law, 1968 (hereinafter - the "**Securities Law**"), and the Securities Regulations (Periodic and Immediate Reports), 1970.

The term Group will include the Company and any of the companies under its control.

This chapter of the Periodic Report, which describes the Company's businesses, should be read in conjunction with the other chapters of this Periodic Report, including the notes to the attached financial statements.

1.2. Terms

The "Stock Exchange" -	The Tel Aviv Stock Exchange Ltd.
The "Company"	Turpaz Industries Ltd.
"The Group" or "Turpaz Group"-	Turpaz Industries Ltd. and its consolidated companies
"Dollar" -	US Dollar
The "Companies Law" -	The Companies Law, 1999
The "Research and Development Law" -	The Law for the Encouragement of Industrial Research, Development and Technological Innovation, 1984, as amended from time to time
The "Securities Law" -	The Securities Law, 1968
"Israel Innovation Authority" -	The National Technological Innovation Authority (formerly - the Chief Scientist Office).

“Periodic and Immediate Reports Regulations”	Securities Regulations (Periodic and Immediate Reports), 1970.
“Chemada” -	Chemada Industries Ltd
“Pollena Aroma” -	Pollena Aroma SO z.o.o
"SDA" -	SDA Spice Industries Ltd.
“WFF”	Western Flavors Fragrances Production Joint Stock Company
“FIT”	Food Ingredients Technology
“LORI”	LORI RKF
“Balirom”	Balirom Ltd.
"Pentaor"	Pentaor Ltd.
“Klabin”	Klabin-Turpaz, Inc.
"Aromatique"	Aromatique Food SRL
“Food Base”	Food Base Kft.
"Sunspary"	Sunspray Solutions Proprietary Limited
“Clarys & Willich”	Cewecon GmbH, a privately-owned company incorporated in Germany, holding a group of Belgian and German companies
“F&E”	Flavours and Essences UK Limited
“Turpaz UK”	Turpaz UK Limited
“NGF”	New Generation Flavors Limited
“AFS”	Advance Flavour Solutions Limited
“Schumann”	Schumann & Sohn GmbH
“Doucy”	Ets Doucy SRL

1.3. The Company's Activity and Description of the Development of its Business

1.3.1. General

The Company was incorporated and registered in Israel on February 10, 2011, as a private company limited by shares in accordance with the Companies Law under the name BKF Perfume Compounding Ltd. On January 21, 2021, the Company changed its name to Turpaz Industries Ltd.

On May 23, 2021, the Company's shares were listed for the first time on the Tel Aviv Stock Exchange, and the Company became a public company, as this term is defined in the Companies Law.

The Company is a global company that operates independently and through its subsidiaries, in three segments - the Taste segment, the Fragrance segment and the Specialty Fine Ingredients segment.

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. 3,500 customers in more than 65 countries across the world, and operates approx. 22 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, the UK and South Africa which employ approx. 850 employees.

In view of its extensive product range, the extensive experience the Group gained over the years in its different areas of activity, its in-depth knowledge of the market, competitors, suppliers and most important - its customers, its flexible and focused management of its businesses, and its product development capabilities, the Company can offer a diverse range of products tailored to meet the customer's needs.

Furthermore, the Group's understanding of, and managerial experience in, the value chain and supply chain processes in its areas of activities, and its in-depth knowledge of most companies operating in the industry, open up to it many opportunities to expand into new geographic regions and to purchase companies and/or activities for the taste, fragrance, and the specialty fine ingredients segments, thereby allowing it to promote the implementation of its business strategy and maintain its long-standing competitive advantage, as elaborated in Section 1.25 below.

Turpaz Group's strategy is based on combined growth that includes targets of double-digit growth and improvement of the Group's geographic deployment through taking advantage of opportunities in growing markets, M&As of activities that are synergetic to Turpaz Group's activity and organic growth. Turpaz Group's works to leverage and improve the synergies between Group companies in the areas of cross sales, procurement, development, marketing and compliance with regulatory requirements, which contribute to the improvement in profits and profitability while increasing operational efficiency. The Company continues assessing options to acquire additional companies on an ongoing basis, noting the market conditions and the expected contribution from 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 sales, 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 fulfillment of the potential embodied in the acquisitions, the periods during which the potential embodied in the acquisitions and the new recruitments will be fulfilled, and as to the integration of the acquired companies into the Group constitutes forward-looking information, as defined in the Securities Law, which is based on Group management's assessments, and may not materialize or materialize in a manner different than expected, as a result of incorrect assessments, changes to the work plan, changes in the market, or the materialization of all or some of the risk factors listed in Section 1.28 below.

1.3.2. **Areas of activity**

As of the report date, the Company has three areas of activity that are reported as business segments in its financial statements, as follows:

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

The Taste segment - as part of the taste segment, Turpaz Group is engaged in the development, production, sale and marketing of natural and synthesized, sweet and savory taste extracts, seasonings, unique functional baking solutions and gluten free flours, which are used mainly in the production of food, including meat and egg substitutes, plant-based solutions, taste mixtures for snacks, ready-made meals, dairy products, ice creams, pharmaceuticals, organic colorings for the animal food and beverage industries, taste extracts for tobacco and vaping products, and food additives all tailored to meet customers' needs and regulatory requirements. Furthermore, the Group develops natural extracts and mixtures that allow, among other things, the production of "clean label" products, reducing quantities of fat, salt and sugar in snacks, food products and beverages, while retaining the desired taste and texture of those products.

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

1.3.3. **Chronological description of the development of the Company's businesses**

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
December 2017	Pollena Aroma	Purchase of the entire share capital of Pollena Aroma	Fragrance and taste	EUR 7.13 million	Poland	100%	
February 2018	Intuiscent (through Turpaz USA)	Acquisition of activity	Fragrance	Approx. USD 200 thousand	USA	100%	The company's activity was merged into Klabin's activity in the USA.
June 2019	Chemada	Acquisition of activity from a trustee, as part of receivership process.	Specialty fine ingredients	Approx. USD 4.1 million	Israel	100%	
August 2019	Flavor Associates (through Turpaz USA)	Acquisition of activity	Fragrance and taste	Approx. USD 1.5 million For more information, see Section 1.4.1.3 to the 2021 Periodic Report.	USA	100%	The company's activity was merged into Klabin's activity in the USA.
January 2020	Florasynth	Acquisition of activity	Taste	NIS 2.5 million	Israel	100%	The company's activity was merged into Balirom's activity in the USA.
July 2020	WFF	Purchase of 60% of the share capital of WFF, a	Fragrance	See Section 1.4.1.5 to the 2021 Periodic Report.	Vietnam	70%	10% of WFF's shares are held by two local investors,

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
		shareholders' loan and an option to purchase the remaining shares					including the Company's CEO, and further 10% are held by the founding shareholders. The local investor has an option to acquire from Turpaz further 20% of WFF's shares by November 17, 2025, and Turpaz has an option to acquire the founders' shares through that date. For more information about changes in the holding rate, see Note 1A to the financial statements.

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
November 2020	SDA	Acquisition of control (51%) in SDA.	Taste	NIS 12.2 million.	Israel	100%	On April 11, 2024, the merger of SDA with and into the Company was completed. Its activity was merged into the Company's activity in the taste factory in Afula.
August 2021		Acquisition of the remaining rights (49%) in SDA.		Approx. USD 7.5 million (approx. NIS 24.5 million).			
October 2021	FIT	Acquisition of control in FIT.	Taste	Approx. EUR 12.8 million (approx. USD 14.5 million), of which EUR 1.99 million (approx. USD 2.25 million) in cash, and the remaining balance by way of allocating Company shares.	Belgium	45.3%	For information regarding the updating of the holding and the terms of the options following the Clarys & Willich transaction, see Section 1.4.1.3 below.
October 2021	Pilpel - Food Industries Development Ltd. and FC Galilee Herbs Ltd.	Purchase of business activity and assets from Pilpel and Galilee Herbs.	Taste	NIS 12 million (approx. USD 3.75 million)	Israel	100%	

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
January 2022	LORI	Purchase of the entire issued and paid up share capital of Lori.	Fragrances	Approx. EUR 3.14 million (USD 3.6 million) plus net cash balances.	Latvia	100%	
March 2022	Balirom	Purchase of 60% of the issued and paid up share capital of Balirom.	Taste	NIS 14.5 million (approx. USD 4.6 million)	Israel	70%	For more information about the call options and the put option in relation to the remaining Balirom shares, see Section 1.4.1.2 below to Chapter A to the 2023 Periodic Report, as published on March 20, 2024 (Ref. No.: 2024-01-023989). On March 13, 2024, the Company increased its stake in the subsidiary Balirom by acquiring further 10% of Balirom's share capital from

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
							its minority shareholders, in consideration for approx. NIS 3,045 thousand (approx. USD 834 thousand), such that subsequent to the above the Company holds 70% of Balirom's share capital.
April 2022	Pentaor	Purchase of the entire issued and paid up share capital and voting rights of Pentaor.	Taste	NIS 10 million (approx. USD 3.1 million)	Israel	100%	On April 22, 2023, the merger of Pentaor with and into the Company was completed.
October 2022	Klabin Currently (Klabin-Turpaz, Inc.)	Purchase of the entire issued and paid up share capital and voting rights of Klabin.	Fragrance	Approx. USD 22.4 million. The consideration is subject to adjustments in accordance with Klabin's business performance in 2023-2025.	USA	100%	

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
January 2023	Aromatique	Purchase of 65% of the issued and paid up share capital of Aromatique.	Taste	Approx. RON 17 million (approx. USD 3.6 million).	Romania	100%	On February 24, 2025 the parties exercised an option (call/put) to acquire the remaining Aromatique shares (35%) by Turpaz, in consideration for USD 2.2 million.
August 2023	Food Base	Purchase of 60% of the issued and paid up share capital of Food Base.	Taste	Approx. HUF 3,300 (approx. USD 9.5 million) net of 60% of the debt on the transaction completion date, and future consideration which is based on Food Base's business performance in 2023-2024.	Hungary	60%	Turpaz was awarded a call option to purchase Food Base's remaining shares, which is exercisable starting from 3 years after the transaction's completion date and until the end of 5 years from that date, at a price based on Food Base's business performance during the period from the

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
							transaction's completion date through the option's exercise date.
February 2024	Sunspray	Purchase of 55% of the issued and paid up share capital of Sunspray.	Taste	USD 14.1 million (approx. ZAR 267.8 million). The consideration referred to above 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	South Africa	55%	For more information about the call options and the put option in relation to the remaining Sunspray shares, see Section 1.4.1.4 below.

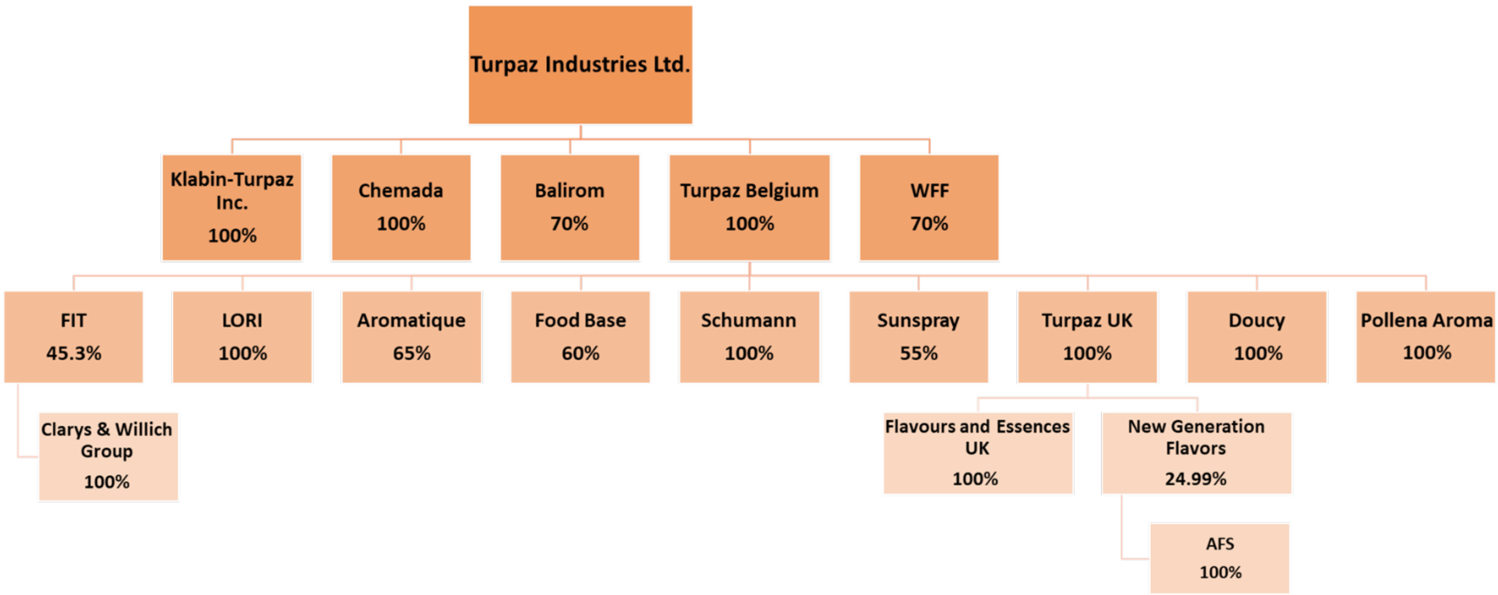
Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
				includes future consideration to the Sellers, which is based on Sunspray's business performance based on 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.			
April 2024	Clarys & Willich	Purchase of 100% of the issued and paid up share capital and voting rights of the Clarys & Willich group.	Taste	A total of 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.	Belgium and Germany	100%	FIT's issued and paid up share capital subsequent to the completion of the transaction is as follows: 45.3% are held by Turpaz, 30.2% are held by Dandau and 24.5%

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
				EUR 19 million) against allocation to the Sellers of 24.5% of the issued and paid up share capital and voting rights in FIT.			are held by the sellers. For more information, see Section 1.4.1.3 below.
September 2024	F&E	Purchase of 100% of the issued and paid up share capital and voting rights of F&E.	Taste	A total of approx. GBP 22 million (approx. USD 29 million).	UK	100%	
November 2024	Schumann	Purchase of 100% of the issued and paid up share capital and voting rights of Schumann.	Taste	A total of EUR 10.7 million (approx. USD 11.5 million).	Germany	100%	
February 2025	AFS	Indirect purchase of 24.99% of the issued and paid up share capital and voting rights of AFS	Taste	A total of GBP 4.5 million (approx. USD 5.7 million) and allocation of 75.01% of the shares of NGF.	UK	24.99%	See Note 28 to the financial statements.
February 2025	Doucy	Purchase of 100% of the issued and paid up share capital	Taste	A total of EUR 8.3 million (approx. USD 8.5 million).	Belgium	100%	

Acquisition date	The acquired company/activity	The nature of the transaction	Segment	The consideration	Geographic region of activity	Holding rate as of the report's date	Additional information
		and voting rights of Doucy and the real estate used by its factory.		In addition, the agreement includes an additional consideration based on Doucy's EBITDA during the period through February 28, 2027.			

1.3.4. The Group's Holdings Chart

Set forth below is the Group's holdings chart as of the report's date[1]:



1.4. Structural changes, mergers and material acquisitions

1.4.1. Acquisitions completed in 2024 and through the publication date of the report:

During the reporting period, Turpaz continued the implementation of its global growth strategy and expanded its activity in international markets, while enhancing its position as a leader in the field of flavor and fragrance solutions and its geographic deployment across the world. As part of the above, the Company made several strategic acquisitions and entered into several significant collaborations, which contributed to the achievement of the following advantages:

- **Penetration into and broadening of activities in international markets** - the acquisitions made by Turpaz enhanced its global presence; the Company entered the markets in South Africa and the British Isles for the first time and expanded its activity in Benelux[2] countries and in Germany.
- **Creating business and operational synergies** - the incorporation of the acquired companies enables the leveraging of the synergies arising from the development,

[1] The chart includes most of the Group companies. For more information regarding all of the Group's holdings, see Note 5 to the financial statements.
[2] Economic and political union in Western Europe, which includes Belgium, The Netherlands and Luxembourg.

manufacturing and marketing activities, enhancement of the supply chain, improvement of operational efficiency, and utilization of opportunities for cross-selling of various products.

- **Broadening the customer base and the product offering** - as a result of the acquisitions, Turpaz broadened its product portfolio, enhanced its presence in the field of sweet tastes, and improved its ability to address a range of needs in developing markets.
- **Enhancing the managerial platform and technological innovation** - Turpaz has placed an emphasis on incorporating the acquired companies' management and development teams, while creating a framework which supports innovation, research and development and adapting solutions to the changing needs of its customers across the world.

Set forth below are the details of the acquisitions made during the period:

1.4.1.1. **Acquisition of Doucy**

On February 24, 2025, the Company completed - through Turpaz Belgium[3] - the acquisition of 100% of the share capital of Ets Doucy SRL, a privately-owned Belgian company (hereinafter - "**Doucy**")[4] and the real estate used by its factory from its shareholders (hereinafter in this section - the "**Sellers**"), in consideration for EUR 8.3 million (approx. USD 8.5 million), and additional consideration based on Doucy's EBITDA during the period through February 28, 2027. The transaction was completed on the signing date and was funded through bank financing. Doucy, which was founded on 1968, has extensive experience and expertise in the field of sweet tastes for food, beverages (soft and alcoholic), colorings and additives for the animal food industry; the company is engaged in the development, manufacturing and marketing of sweet tastes and high-quality solutions for the food and food additives industry, mainly to Benelux markets. Doucy has a production facility, development laboratory and applications in Fernelmont, Belgium (about one hour's drive from Brussels), sprawling an area of 5,600 sq. m, of which 2,644 sq. m are built; the said area was purchased by the Group as part of the transaction. The Sellers, who have many years of experience in the sweet tastes

---

[3] Turpaz Belgium SRL, a privately-owned Belgian company, which is wholly owned by the Company.
[4] Turpaz Belgium holds Doucy through a direct holding in the share capital of Janodor SA, a Belgian holding company, held by Doucy's managers, and which holds the entire share capital of Doucy.

industry will continue functioning as Doucy's managers in the forthcoming years and will join Turpaz's management team. Doucy's results will be consolidated with the Group's financial statements as from the first quarter of 2025.

1.4.1.2. **Acquisition of Schumann & Sohn GmbH**

On November 7, 2024, the Company completed - through Turpaz Belgium, a wholly-owned subsidiary - the acquisition of 100% of the issued and paid up share capital and voting rights of Schumann & Sohn GmbH (hereinafter - "**Schumann**") from its shareholders (hereinafter in this section - the "**Sellers**"), in consideration for a total amount of EUR 10.7 million (approx. USD 11.5 million). Schumann, which was founded on 1948, has extensive experience and expertise in the field of sweet tastes and is engaged in the development, manufacturing and marketing of sweet tastes and high-quality solutions for the food and food additives industry. Schumann operates a production and R&D facility, and apps and sales functions in Karlsruhe, Germany. Schumann has a wide customer base, mostly in the German market. As of the report date, Schumann employes 21 employees. Schumann's results were consolidated with the Group's financial statements as from November 2024.

1.4.1.3. **Acquisition of Flavours and Essences UK Limited and strategic collaboration with AFS**

On September 1, 2024, the Company completed - through a wholly owned subsidiary - the acquisition of 100% of the issued and paid up share capital and voting rights in Flavours and Essences UK Limited, a privately-owned company incorporated in England (hereinafter - "**F&E**") in consideration for a total of GBP 22 million (approx. USD 29 million). F&E was established in 1998; it is engaged in the development, manufacturing and marketing of taste extracts. F&E operates a production and R&D facility, and apps and sales functions in Blackburn the UK, and a sales office in Belgium, and sells mainly to players in the fields of electronic vaping products, baking products, drinks, and other food products. F&E has a broad customer base, mainly in the British Isles and other countries in Europe and Asia. As of the report date, F&E employs 50 employees, which include a sales team in Belgium, which is in charge on sales outside the British Isles. F&E's results were consolidated with the Company's financial statements as from September 2024.

Further to its penetration to the taste market in England by purchasing F&E, the Company decided to transfer the taste extracts for vaping products activities in England to a dedicated subsidiary held by Turpaz UK - NGF. Subsequent to the report date, on February 19, 2025, the said subsidiary entered into an agreement for the acquisition of 100% of the shares of Advance Flavour Solutions Limited, a privately-owned company incorporated in England (hereinafter - "**AFS**") from its shareholders (hereinafter - the "**Agreement**" and the "**Sellers**", respectively), in consideration for GBP 4.5 million (approx. USD 5.7 million) and allocation of 75.01% of NGF's shares to the Sellers. As of the report date, subsequent to the completion of the transaction, Turpaz UK holds 24.99% of NGF's shares, and the remaining shares are held by the Sellers. AFS was established in 2017; it is a leading company in the field of development, manufacturing and marketing of taste extracts for vaping products, and operates an advanced manufacturing facility, which includes R&D laboratories, applications, and development and sales functions near Manchester, England (near F&E's plant in Blackburn). AFS has unique solutions and technologies, innovative products adapted to emerging market trends and wide customer base - mostly in the British Isles.

1.4.1.4. **Acquisition of the Clarys & Willich group**

On April 3, 2024, the Company completed - through the subsidiary Food Ingredients Technologies SA, 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. Subsequent to the completion of the transaction, Turpaz has a majority in FIT's Board of Directors, and has the voting rights arising from Dandau's[5] shares in the shareholders' meeting of FIT over the option period, such that it continues to control FIT and consolidates its results. FIT's issued and paid up share capital subsequent to the completion of the transaction is as follows:

[5] Dandau Holding SRL - a Belgian privately-owned company held by FIT's CEO, Mr. David Landau (hereinafter - "**Dandau**"), which holds 30.2% of the issued and paid up share capital and voting rights of FIT.

45.3% are held by Turpaz, 30.2% are held by Dandau and 24.5% are held by the sellers. 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. The agreement includes an option (call/put) for the acquisition of the remaining Seller's shares in FIT by Turpaz; the option may be exercised 3 years after the transaction completion date and up to 5 years from the transaction completion date (hereinafter - the "**Sellers' Option**"). The option's exercise price is based on FIT's business performance as from January 1, 2024 and through the option's exercise date, less FIT's net debt on the exercise date (hereinafter - the "**Exercise Price**"). At the same time, Dandau was awarded an option (call/put), which may be exercised 5 years after the transaction completion date for the Exercise Price. On the exercise date of the Sellers' Option, Dandau will acquire 9.8% of the issued and paid up share capital and voting rights of FIT in consideration for a total of EUR 10 million, plus annual interest of 7%, which is calculated as from the transaction completion date - April 3, 2024. Dandau and Turpaz will each be entitled to demand that the consideration for the exercise of the said options will be paid in Turpaz shares, at a price, which will be determined based on the average price of Turpaz's share on the Stock Exchange during the 30 calendar days, which preceded the exercise notice date. Clarys & Willich group has a broad customer base in Europe, mainly in Benelux, 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 1.20 below. The results of the Clarys & Willich group have been consolidated with the Group's financial statements as from April 2024.

1.4.1.5. **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 1.20 below. Sunspray's results were consolidated with the Group's results as from February 2024.

For more information regarding additional acquisitions completed in 2023, see Note 5 to the financial statements.

The company's assessments as to the improvement in the profits and profitability of the purchases and operations described in this section 1.4.1 constitutes forward-looking information as defined in the Securities Law, 1969, whose materialization depends, among other things, on factors outside the Company's control, and which may materialize in a manner different than that described in this report.

1.5. **<u>Investments in the Company's capital and transactions involving its shares</u>**

In the reporting period there were no investments in the Company's capital and transactions involving its shares

1.6. Dividend distributions

1.6.1. Set forth below are the dividend amounts distributed in the past two years:

One year	Dividend amount (millions of dollars)
2023	5.0
2024	8.0
Total	**13.0**

1.6.2. As of December 31, 2024, the Company has a retained earnings balance of USD 52,940 thousand in its financial statements.

1.6.3. As of the report's date, no restrictions are imposed on the distribution of dividends by the Company, other than those imposed by law; furthermore, no restrictions are placed due to financial covenants set in credit agreements with banks. For information about financing agreements, to which the Company is a party, see Notes 16 and 20C to the financial statements.

1.6.4. On May 13 2021, the Company's Board of Directors adopted a dividend distribution policy whereby the Company will distribute to its shareholders an annual dividend of no less than 30% of the annual net income in the preceding year, as reflected in the Company's audited consolidated annual financial statements, subject to fulfillment of the distribution criteria as per the Companies Law and subject to the provisions of any law. In accordance with the policy that was adopted, the Company's Board of Directors has the power to decide the distribution dates and amounts, taking into consideration the Company's liabilities, liquidity and business plans, including a potential change to the distribution amounts and a postponement of the distribution.

It should be clarified that the dividend distribution policy described above does not detract from the Company Board of Directors' power to approve the distribution and the actual distribution amounts, or to change the Company's dividend distribution policy, as it deems fit from time to time, and no undertaking is made under the policy to Company's shareholders and/or any other third party with regard to the distributions' amounts and dates.

Part B - Other Information

1.7. **Financial information regarding the Company's operating segments**

Set forth below are financial data for 2023 and 2024, by operating segments, based on the Company's consolidated financial statements (in USD thousands):

2024						
		Fragrance segment	**Taste segment**	**Specialty fine ingredients segment**	**Adjustments**	**Total**
Revenues	From external entities	34,945	135,542	18,461		188,948
	Intersegment			3	(3)	-
Total income		34,945	135,542	18,464	(3)	188,948
Cost of sales	To external entities	(16,296)	(85,746)	(13,247)	-	(115,289)
	Intersegment	(3)	-	-	3	-
Total cost of sales		(16,299)	(85,746)	(13,247)	3	(115,289)
Gross profit		18,646	49,796	5,217	-	73,659
Operating expenses		(9,554)	(26,217)	(2,165)	-	(37,936)
Unallocated joint expenses					(7,991)	(7,991)
Operating profit (loss)		9,092	23,579	3,052	(7,991)	27,732
Total liabilities		13,054	216,396	17,054		246,504
Total assets		100,423	265,301	25,026		390,750

2023						
		Fragrance segment	**Taste segment**	**Specialty fine ingredients segment**	**Adjustments**	**Total**
Revenues	From external entities	32,768	65,361	29,226		127,355
	Intersegment			141	(141)	-
Total income		32,768	65,361	29,367	(141)	127,355
Cost of sales	To external entities	(15,783)	(42,740)	(19,219)		(77,742)
	Intersegment	(141)			141	-
Total cost of sales		(15,924)	(42,740)	(19,219)	141	(77,742)
Gross profit		16,844	22,621	10,148	-	49,613
Operating expenses		(8,819)	(13,172)	(3,446)	-	(25,437)
Unallocated joint expenses					(5,996)	(5,996)

2023					
	Fragrance segment	**Taste segment**	**Specialty fine ingredients segment**	**Adjustments**	**Total**
Operating profit (loss)	8,025	9,449	6,702	(5,996)	18,180
Total liabilities	22,438	67,579	14,684		104,701
Total assets	89,182	102,415	30,431		222,028

For explanations regarding developments in the above financial data, see the Board of Directors' explanations in the Report of the Board of Directors attached to this report.

1.8. **General environment and external factors impacting all of the Company's operating segments**

Set forth below is a description of the key trends, events and developments in the Company's macroeconomic environment, which, to the best of the Company's knowledge and assessments, have a material effect on the Company's business results, or are expected to have such an effect:

1.8.1. **The global flavor and fragrance industry**

The global tastes and fragrances market was estimated at approx. USD 33.3 billion in 2024, and it is expected to grow by a compound annual growth rate (CAGR) of 3.15% between 2025 and 2033 and reach approx. USD 44.6 billion by 2030[6]. The growth in the market is expected to be driven by the increased demand for processed food, personal care products and cosmetics, and the increase in disposable income in developing countries such as India and China, and by population growth trends and growth in cities across the world.

The manufacturers operating in those markets are divided into two main groups: 1. large and medium global companies; 2. local and small companies.

The large leading global companies in the field of tastes and fragrances include IFF, Symrise, Kerry Group and Givaudan DSM-Firmenich, each of which has a sales turnover of over USD 5 billion. The other global companies, such as Sensient Technologies, Mane, Robertet, Takasago International and Bell Flavors & Fragrances have a sales turnover of approx. USD 0.5-2 billion. These companies market their products principally to large food manufacturers and large beverage multinationals, and

[6] https://www.imarcgroup.com/flavors-fragrances-market

manufacturers of cosmetics and personal care products, cleaning products and detergents, and air care & odor neutralizers. These companies focus on supply to large multinationals, such as Coca-Cola, PepsiCo, L'Oréal, Estée Lauder, Nestlé, Mondelēz, Procter & Gamble and more.

The medium global companies have a sales turnover of USD 300 million to USD 1 billion. Generally, these companies have development, marketing and sales activities that focus on one area of activity, or two at most.

Substantially all of the local and small companies have a sales turnover lower than USD 300 million. Those companies normally focus on small and medium local customers, and have restricted R&D, innovation and customer services capabilities. In the Company's opinion, this group of companies comprises more than 800 companies.

Over the last several decades, the sector has been undergoing an accelerated consolidation process, as part of which the sector's largest groups purchased large and medium companies, and at the same time medium companies, including the Group, also took advantage of market conditions, purchased small companies and integrated them into the Group while leveraging the synergies and benefiting from their rapid growth. In the opinion of the Company, as a result of the consolidation small and medium companies are expected to have a significant market share and play a material role in the global market in each country.

Furthermore, suppliers of taste and fragrance extracts normally have long-term relationships with manufacturers, as is the case in the Company's relationships with its customers. The need to meet quality and regulatory requirements, and the ability to provide services and quick solutions that require the use of complex technologies give rise to lower sensitivity to price and a competitive advantage to those who can meet those requirements and provide those services.

Taste and fragrance extracts have a decisive effect on the consumer's decision to purchase a product. Taste extracts are deemed the most significant component which affects consumer preferences; in the case of perfume products, fragrance extracts play an almost exclusive role in the purchase decision; those extracts constitute the most dominant parameter in a product selection process. This is despite the fact that they constitute a minimal portion of the product composition.

1.8.2. **Specialties chemicals market**

As of 2023, the global specialties chemicals market was estimated at USD 641.5 billion, and it is expected to grow at an average annual rate of 5.2% between 2023 to 2030.[7] The specialties chemicals market includes a wide range of raw materials and intermediates used in many industries, including the flavors & fragrances industry, which includes aroma chemicals (including citrus-based materials) and brominated products, and the pharma industry (which includes active pharmaceutical ingredients (APIs)), and fine chemicals. Most players in this market are medium and large companies that manufacture basic materials for the chemical industry. Those companies mostly offer the basic materials and their derivatives throughout all value chains. The specialty chemicals market in Israel is a small market with a small number of customers; therefore, most of the Company's sales are executed outside Israel. The Company focuses on the development of specialty chemicals with high added value, which are sold at small quantities and generate high profit levels to the tasters and fragrances industry and the pharma industry.

1.8.3. **Social-economic situation in Israel and across the world**

The Company's activity is impacted by macroeconomic factors, including the growth rate in Israel, the situation in the Israeli and global economies, rates of private consumption per capita and more. The demand for Company's products is affected by the economic situation in Israel and globally; economic growth that entails an increase in private consumption, in combination with increased awareness of the benefits of healthy lifestyle and increased demand for high-quality products and products offering added value, may result in increased demand to the Company's products. The Company's operating results might be adversely impacted by economic slowdown, social-economic instability, uncertainty in the Israeli and global markets and/or changes in indexes.

1.8.4. **The Iron Swords War**

The "Iron Swords" War broke out in Israel on October 7, 2023; the war led to mass recruitment of reservists and the evacuation of the Gaza Envelope settlements, and subsequently - due to the conflict in the northern front near the border with Lebanon -

[7] https://www.grandviewresearch.com/industry-analysis/specialty-chemicals-market

settlements located near the northern border were also evacuated. The fighting in Gaza and Lebanon continued during 2024 at various levels of intensity. At the same time, economic activity at the center of Israel was fully restored with no restrictions in place. However, some of the residents of settlements in the north and the Gaza Envelope returned to their homes as part of the ceasefire but the war has not ended yet. The Company is unable to estimate the duration, nature or scope of the war, and therefore it is impossible to assess its full effect on the Israeli economy.

As a result of the Iron Swords War, and due to the fact that the subsidiary Chemada is located at the Gaza Envelope area, some of that company's customers purchased materials from other suppliers, which led to a decline in Chemada's sales in 2024.

The last quarter of 2024 saw a trend of customers resuming the purchase of Chemada's products; this trend has increased in the first quarter of 2025; this was in addition to the positive effect of that company's streamlining moves, including the change to its product mix and focusing on expanding its offering of citrus-based products and aroma chemicals for the flavors and fragrances industries.

In October 2024, Chemada, which is located in Kibbutz Nir Yitzhak, received approx. NIS 6.3 million (approx. USD 1.7 million) grant as an advance on account of a compensation claim it filed to the Government, following the effect of the war on its activity. A further grant was received in January 2025 amounting to approx. NIS 4 million (approx. USD 1.1 million).

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

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, the improvement trend in sales of the specialty fine ingredients segment in the first quarter of 2025, 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, 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.

1.8.5. The effect of inflation and interest rates

As from the end of 2021 inflation rates in Israel and across the world have increased. In response to the increase in inflation rates, central banks across the world started implementing a contractionary monetary policy alongside interest rate hikes. These steps led to the curb of the price increase trend.

During 2024, with the recovery of economic activity to pre-war levels and the subsiding effect of the Iron Swords War on private consumption, annual inflation was 3.4% in 2024 compared to 3% in 2023 and 5.3% in 2022, and it is expected to reach 2.6% in 2025 and 2.3% in 2026.[8] The unemployment rate declined to 2.7% in December 2024, which is similar to the unemployment rate prior to the outbreak of the Covid-19 pandemic.

In January 2024, the Bank of Israel cut the basic interest rate in Israel by 0.25% from 4.75% to 4.5%. In accordance with up-to-date macro-economic forecasts published by

[8] Macro-economic forecast of the Bank of Israel's Research Division, January 2025.

the Bank of Israel, GDP is expected to grow by 4% in 2025, and the monetary interest rate is expected to decline to 4.00%-4.25% on average in the fourth quarter of 2025.[9]

As part of their policy for tackling increasing inflation rates across the world, central banks implemented a contractionary fiscal policy alongside interest rate hikes in 2022, which continued mainly in the first half of the year. In Europe, interest rates reached 4.5% in September 2023. As from June 2024, the interest rate was cut, and as of the report's publication date, the interest rate stands at 2.65%. In the USA too, interest rates reached 5.5% in July 2023. During 2024, the interest rate was cut, and as of the report's publication date, the interest rate stands at 4.5%.

Turpaz Group's sales across the world are carried out using the functional currency of the Group's companies, including the Euro, the NIS, US Dollar, South African Rand and Polish Zloty. Fluctuations in the exchange rates of those currencies may affect the Company's net income, which is calculated in NIS and presented in US Dollars; they may also affect the Company's financial position. In addition, the Company purchases some of its raw materials from various countries across the world, and it is exposed to an exchange rate risk stemming from the fluctuations in the value of various currencies, mainly the Euro, the NIS and the US Dollar.

The Company is a global company; in 2024, 84% of its sales were carried out outside Israel and the Middle East. Consequently, the effect of macro-economic conditions in Israel on the Company's results is limited.

The Company believes that a future increase in the Company's loans as part of the Group's combined growth strategy shall lead to an increase in the Group's financing costs. As of the report date, the Company is unable to assess the future impact of all of the above-mentioned factors, if any, on the markets in which it operates in general and on the Company's activity in particular. However, at this stage, the Company believes that those factors will not have a material effect on its results of operations and the implementation of its strategy.

All assumptions and data listed in Sections 1.8.1 through 1.8.5 above regarding the factors impacting the economic environment in which the Company operates constitute forward-looking forecasts, assessments and estimates, as defined in the

[9] Macro-economic forecast of the Bank of Israel's Research Division, January 2025.

Securities Law, which are based on the Company's assessments of developments and current and future events, whose date of occurrence, if any, is uncertain and outside the Company's control. These assessments may not materialize, in whole or in part, or may materialize in a manner different than that expected by the Company, due to, among other things, changes in the economic situation in Israel and in other countries in which the Company operates as part of its operating segments.

Part C - Description of the Corporation's Business by Operating Segments

1.9. The Fragrance segment

1.9.1. General information about the segment

1.9.1.1. Segment's structure and changes therein

The fragrance segment focuses on the development, production, marketing, sale and distribution of a wide range of natural and synthesized fragrance extracts. These extracts are mainly used in the fine-fragrances, cosmetics, toiletries, detergents, scented candles, air care & odor neutralizers and wet wipes industries. Many multinationals as well as local manufacturers operate in this segment. As of the date of this report, and in accordance with the demand and needs of Company's customers, the activity in this segment comprises mostly the production of synthesized extracts, compared with production of natural extracts where volume of activity is lower.

Market size is impacted by different factors, including increased awareness to odors, the increased importance of personal hygiene and care among men and women, alongside higher rates of daily use of deodorants and perfumes that play a significant role in personal care. Urbanization processes and improved living standards together with an increase in per capita income among the middle classes in developing countries such as India, China, Thailand, Vietnam, South East Asia, Brazil and Argentina are also expected to have a positive impact on growth rates in this segment. The increased demand for exotic and floral fragrances, mainly among young and adolescent consumers is also expected to have a positive impact on this sector. Furthermore, working women are increasingly aware of consumption of cosmetics, and this increases the demand for personal care products. Furthermore, increased awareness of the use of fragrances among consumers, both as a status indicator and as a means to deliver information and feelings, increases demand in new and developing markets.

The demand for Company's products is also impacted by consumer and marketing trends; various premium brands, including hotels, hair products, scented candles and cosmetic lines aim to have customized signature fragrances developed especially for them, in order to differentiate themselves from their competitors.

The demand for Company's products is also impacted by growth in Company customers' target markets and by various trends in those markets, including the "wellbeing" concept of the end customers of Company's products. Thus, for example, an increase in the number of launches of new products by manufacturers when seeking to increase their market share, the development of other applications of fragrance products, including sprays, candles, incense sticks, and gels for home use, and an increase in consumption of aromatherapy products all impact the demand for Company products that are used in the development and manufacturing of such products.

Due to the transition to remote working during the Covid-19 pandemic and thereafter, consumers opt to invest more in their home environment, by, among other things, buying fragrance diffusers and scented candles; therefore, demand for air care & odor neutralizers has increased.

In recent years and as a result of the Covid-19 crisis, there were significant changes in consumers' behavior, which affect the main components of the fragrance segment. Cosmetics and personal care consumers are much more aware of the issue of personal care, and use many more different product types compared with their use of such products prior to the pandemic. Furthermore, in view of the forced decline in visits to hair and beauty saloons during the Covid-19 pandemic, manufacturers have set up online sale platforms for end customers; this allowed them to maintain sale levels of cosmetics and hair care products that were previously sold to the commercial market; the online platforms allowed manufacturers to sell those products directly to the end customers; this led to a growth both in hair and beauty saloons and in daily use by consumers at home. These trends lead to an increase in demand for Company's products incorporated into hair, cosmetics and body care products that are targeted both at the domestic and the commercial markets; furthermore, those trends increase the need by Company's customers to develop and update their products thereby increasing their demand for Company's products.

1.9.1.2. **<u>Legislative restrictions, standards and special constraints to which the segment is subject</u>**

The Group's fragrance segment and the products it produces as part of this segment are subject to laws, regulations, orders and standards applicable in each of the countries in which it operates Furthermore, the Company operates under various rules stemming from health and safety regulations across the world, including rules relating to the operations of its laboratories and plants. For more information, see Section 1.22 below.

The Group's products are manufactured in accordance with international regulations set by the International Fragrance Association (IFRA), and in accordance with customers' requirements in different territories. In Poland, the Group has a Good Manufacturing Practice (GMP) designation and the kashruth permits required for the manufacturing of cosmetics.

During 2024, there were changes in regulatory requirements in connection with the licensing of products in Europe and Israel; as part of these changes, companies are required to list and disclose additional allergens in fragrance extracts. The Company adapts the fragrance extracts it manufactures to the regulatory requirements across the world in accordance with the requirements of the target country and customers' requirements, and supplies the required evidence to that effect to its customers upon the supply of the products. The perfumers and the Company's development and regulation departments enable it to supply its customers with high-quality fragrance extracts, which meet both regulatory requirements and market expectations.

1.9.1.3. **<u>Changes in the segment's scope of activity and profitability</u>**

The Group operates as a global company that customizes its products to meet customers' needs in the different territories in which it operates. The Group has the agility to respond swiftly to changes in demand for Company's products in each of the markets in which it operates, and to adapt them to the relevant regulations in that territory and to evolving customer needs and tastes.

Set forth below are the key trends in the field of fragrance extracts:

- Awareness among consumers and corporations regarding the environmental impact of certain ingredients used in the field of fragrance extracts.

- The influence of celebrities and influencers with respect to the effectiveness of certain ingredients and trends relating to the end products.
- The increasing impact of social media on consumers, internet advertising in the field of personal care, health and various trends in the fashion world, alongside a "back to nature" and wellbeing trend.
- Awareness among consumers of the need for transparency regarding the ingredients of fragrance extracts used in different products.
- The fragrance extracts market expands in two directions; firstly, increased use of fragrance extracts in many products, and secondly, increased demand to natural fragrance extracts.
- Keeping up-to-date with international regulatory requirements, including safety, labeling and consumer protection regulations, require the companies to develop formulae that comply with the different regulatory requirements in each country.

1.9.1.4. **Segment's critical success factors**

In the opinion of the Company, the key success factors in the segment are as follows:

- Close and long-term relationships with customers around the world, and partnering with customers in the development of their products, from the inception of the idea to product launch.
- An orderly growth and development strategy alongside geographic expansion, in combination with a highly skilled and experienced team in the segment.
- A central R&D center alongside local development laboratories in each of the Company's plants worldwide. Synergy between the development centers and local development laboratories, which enable rapid development of products customized to customers and market's needs, while maintaining profitability and creating unique product offerings.
- Development and production of high-quality fragrance extracts, while complying with global and local regulations, in accordance with market demands in the relevant territory, and adapting the scents to the leading products and tastes in that territory.
- Highly-skilled and experienced workforce that possesses the required knowledge and exceptional technological, marketing, sale and management capabilities.
- Leveraging of synergies in the supply chain, procurement, development and cross-selling options between companies in different geographic regions.

- Business partnerships with global market leaders.
- Efficient management of supply chains allowing production at competitive costs, while ensuring the availability of raw materials, means of production and transportation.
- Creating and nurturing networks for the distribution, marketing and sale of Company's products to global and local customers in various geographic regions.

1.9.1.5. **Entry and exit barriers**

Entry barriers -

1.9.1.5.1 **Long-term relationships** - the market is characterized by long-term relationships between manufacturers and customers. In these industries, the reliability of suppliers, the quality of services and the reproducibility of the products are paramount.

1.9.1.5.2 **Research and development** - due to the ever-evolving preferences of end customers, and since the markets in which the Group's customers operate are dynamic and competitive, the market is characterized by a large number of new and innovative products. Accordingly, manufacturers need to invest in R&D, possess the ability to respond swiftly to evolving customer needs, and have a wide product offering.

1.9.1.5.3 **The importance of fragrance extracts in the end product** - fragrance extracts determine the character and uniqueness of the end product, and therefore play a crucial role in its success. Fragrance extracts play a very important role when it comes to customers and end consumers. Fragrance extracts are composed of many raw materials, which is why it is very difficult to accurately reproduce them, and therefore customers will normally avoid replacing their supplier of fragrance extracts.

1.9.1.5.4 **Highly-skilled workforce and cumulative knowhow** - the Company's activity requires a highly-skilled team possessing in-depth understanding of and extensive experience in chemistry, various technologies, formulation and regulation. Furthermore, the Company is required to possess extensive capabilities and many years of experience in international management and business development in this industry.

1.9.1.5.5 **Establishing a stable supply chain** - engagements with suppliers of raw materials, manufacturers and providers of logistics services, which enable continuous production and supply of products at the required quality, or setting up independent production and logistics functions.

Exit barriers -

In the opinion of the Company, there are no significant exit barriers in this segment.

1.9.2. **Alternatives for segment's products**

Most of the fragrance extracts marketed by the Group are composed of a combination of natural and synthetic materials. Sometime essential plant oils can be used as a natural substitute for the fragrance extracts manufactured by the Company. However, the use of these oils is limited and even problematic since in order to reach the concentration required for the end product, the oil should have a concentration that does not meet generally accepted regulations; furthermore, such oils may be allergenic. Furthermore, the extraction of such oils is very expensive, and will therefore increase the price of the end product. In addition, not every synthetic fragrance can be manufactured using natural materials.

1.9.3. **Products and services**

In this area of activity, the Group develops, produces, markets and sells natural and synthesized fragrance extracts to manufacturing companies (B2B) operating in the fine extracts, cosmetics, toiletries, detergents, scented candles, air care & odor neutralizers and wipes industries, which incorporate those extracts into the products they sell.

The Group has a "formulations bank" containing tens of thousands of fragrance extracts it developed. The formulations are developed by the Company's development teams (perfumers); they are produced using natural and synthesized raw materials without triggering a chemical reaction.

The formulations are developed in collaboration between the customer, the Group's sales personnel and perfumers in each country and the R&D center. Once the extract is approved by a panel of testers and by the lab, and the required regulatory paperwork is prepared, the extract is delivered to be tested by customers in their products. The Group, through its employees, provides its customers with full technical support to incorporate the extracts in their products. As of December 31, 2024, the Group markets and sells in approx. 40 countries.

The success of the fragrance extracts developed by the Group is impacted from its knowledge and understanding of the local culture and tastes, and its ability to adapt fragrance extracts to those preferences.

1.9.4. Breakdown of revenues and profitability of products and services

The products of the fragrance segment are produced specifically for Group's customers in accordance with the specific requirements of each of the customers. Furthermore, the relevant regulations and standards vary from one territory to another and make it impossible to globally classify a product as synthesized or natural. Therefore, it is impossible to classify them into product groups, and there is no single product which is material.

Furthermore, the segments described in Section 1.9.1.1 above do not represent product groups in the Company, and no revenues and profitability information is available in respect thereof.

1.9.5. New products and services

The Company develops fragrance extracts as part of its operating activities in the fragrance extracts segment. A new product is normally developed in collaboration with the customer, and customized to the needs of a customer in a specific market. None of the new products developed by the Company is material in terms of expected volume of sales and/or development expenses.

1.9.6. Customers

The Company manufactures and sells its products to customers in local and global markets independently (domestic manufacturing in Israel) and through the subsidiaries across the world. The Company's main customers are SMEs, which benefit from tailored solutions with unique ingredients of high added value. The Company also works with large multinationals, mainly through collaborations with their local subsidiaries and by offering innovative and unique solutions tailored to their needs. This model allows the Company to express its flexibility, development capabilities and its ability to accurately meet the needs of a range of customers from different markets.

For information about the revenues from external parties by sales to end customers based on their geographic location, see Section 1.27 below.

In most cases, the Group does not have fixed term contracts with its customers; sales are based on orders placed by customers and swift supply of products by the Company in accordance with the customer's requirements. This requires agility in preparing for the supply of extracts to Company's customers as well as in the management of supply chains and inventory planning.

As of the report's date, the Company is not dependent on a single customer in this segment.

1.9.7. Orders backlog

Customers in the fragrance extracts segment do not normally enter into agreements or place in advance orders for large volumes of extracts. Most of the Group's products are typically supplied within a week to 3 weeks from the moment an order is placed. Large Group customers provide only estimated forecasts as to the expected annual volume of the materials they normally order; those companies place monthly or bi-monthly orders in respect of quantities they actually need. Therefore, in this segment the Group does not have a cumulative orders backlog that can be estimated in advance.

1.9.8. Competition

In the fragrance extracts segment, the Company competes with large multinational and local manufacturers of fragrance extracts, in accordance with the region in which it operates. Such multinational manufacturers include Givaudan, DSM Firmenich, IFF-DuPont Nutrition & Biosciences, Symrise, Robertet and Mane. The local manufacturers operate in limited markets, and in the Company's opinion there are hundreds of companies with varying scopes of activity, from companies operating in a single country to companies operating in a small number of countries.

The Group currently operates in four geographic regions, with the European and American markets constituting approx. 50% of the global fragrance extracts market. Furthermore, the Company operates in the South East Asia market, which is experiencing accelerated growth. In view of the market's structure, the Group is unable to estimate its market share. In accordance with its global expansion strategy, the Company takes steps to penetrate into new markets and increase its market share in existing markets by way of adding new customers and increasing the volume of its activity among existing customers and growing with those customers.

In the fragrance segment, the Group deals with competitors by remaining agile and maintaining its ability to rapidly develop and customize its products to the needs of its customers in the different countries in which they operate, without adversely impacting the global nature of the Company's activity. Furthermore, the Company is able to develop and supply fragrance extracts to customers within a number of days or weeks from the start of the product development. The Group takes steps to purchase companies whose activity is synergetic to that of the segment, thereby creating a sustained competitive advantage and expanding its geographic deployment. The Company's development centers and its marketing, manufacturing, sales and distribution functions in the different markets in which it operates provide it with customer proximity and better knowledge of the unique characteristics of local culture.

1.10. The Taste segment

1.10.1. General information about the segment

1.10.1.1. Segment's structure and changes therein

The taste segment focuses on the development, production, marketing, sale and distribution of a wide range of natural and synthesized, sweet and savory taste extracts and seasonings, which are used mainly in the production of food, including dairy, meat, fish, proteins used as substitutes for meat, fish and eggs, snacks and pastries, beverages, animal food, pharmaceuticals, tobacco, and vaping products. Many multinationals as well as local manufacturers operate in this segment.

Food tastes are used, among other things, to add and enhance the taste of foods that tend to lose their taste over time after processing and preserving and to conceal other tastes. The taste materials include both natural flavors and plant extracts, and synthetic flavors, which were leading in 2023 in terms of overall market share. However, there is a marked trend of transition to natural and organic products, specifically in the food and beverages industries, against the backdrop of increased consumer awareness of health and sustainability issues.

This trend is expected to further increase the demand for clean label components and environmentally friendly manufacturing processes.

The demand for taste extracts in the food (processed food, sweets, pastries, dairy products and ice cream) and beverages industry stems from a number of factors. Those factors include the continuous need to innovate, which drives the development of new products and changes and diversification of taste in existing products, the increase in demand for processed food and drinks, the increase in the demand for unique tastes in various food applications, and the increase in the popularity of exotic tastes. As is the case in the fragrance extracts market, the taste extracts market has also benefited from growth, urbanization processes, improved living standards and an increase in per capita income among the middle classes in developing countries such as India, China, Thailand, Vietnam, South East Asia, Brazil and Argentina, which also increase the demand for processed food and in the range of products available in those markets.

The increasing demand for taste extracts in recent ears is attributed, among other things, to the increase in consumers' demand for convenience (ready-to use) food and fast food, that require very little or are ready to it with no preparation before consumption. The increase in the number of hours people spent at their workplace, and the increase in the disposable income of middle-class consumers are expected to increase demand for tasty and healthy convenience food; this demand will, in turn, increase demand to taste extracts.

The rise of awareness among consumers regarding the long-term health-related consequences of artificial ingredients and additives in food products propels the demand for natural and healthy ingredients in food products, this applies specifically to lower levels of sugar and salt, which, in turn, increase the demand for taste extracts based on natural tastes and extraction processes, rather than synthesized taste extracts. Furthermore, there has been an increase in demand for organic, vegetarian and vegan food products (including meat and egg substitutes), and clean label products.

Manufacturers of taste extracts adopt new technologies in order to create improved natural and synthesized taste that enhance their stability and suitability; for example, when creating fruit taste extracts, it is very difficult to retain the original taste. Therefore, in order to maintain the taste of products, manufactures invent and adopt advanced taste extraction technologies, that improve the products. The applications of advanced technologies provide innovative and novel tastes in food that help companies to adapt to the ever-changing customer tastes, which, in turn, drive the growth of the food tastes industry.

The food tastes market is normally segmented by type, end-user and region. By type, it is segmented into natural and artificial tastes; by end user, it is divided into beverages, dairy and frozen products, bakery and confectionery, savory and snacks, and animal and pet food and tobacco; the beverages market is further classified into hot drinks, soft drinks, and alcoholic drinks. The frozen products segment is segmented into dairy products and meat; the bakery and confectionery segment is further categorized as chocolate, bakery, confectionery, and ice cream; the savory and snacks market is divided into savory, pickles and snacks; animal and pet food is classified into animal feed and pet food; the tobacco market covers the use of taste extracts in a range of tobacco and vaping products. By region, it is mostly analyzed across North America, Europe, Asia-Pacific, Latin America, the Middle East and Africa. The Company does not always know in which segment a certain customer uses a specific extract, and sometimes a specific extract may be used in several segments at the same time, in accordance with the customer's use and changing market needs.

1.10.1.2. **Legislative restrictions, standards and special constraints to which the segment is subject**

The Group's taste segment and the products it produces as part of this segment are subject to laws, regulations, orders and standards applicable in each of the countries in which it operates Furthermore, the Company operates under various health and safety rules, including rules relating to the operations of its laboratories and plants. For more information, see Section 1.22 below.

The Group's products are manufactured in accordance with international regulations set by the Flavor and Extract Manufacturers Association (FEMA) and/or under a Generally Recognized as Safe (GRAS) designation, and in accordance with customers' requirements in different territories. Furthermore, in each of the countries in which it operates, Company's plants in this segment hold a permit issued by the local Ministry of Health, as well as veterinary approvals as required in the relevant country.

The Company holds the kashruth permits required for its activity, if any, in each of the territories in which it operates; furthermore, most subsidiaries hold voluntary permits including kashruth permits, HASSP, BRC, GMP, ISO and Halal certifications.

1.10.1.3. <u>Changes in the segment's scope of activity and profitability</u>

Alongside the requirement to obtain regulatory approvals (such as GMO-Free products and limiting the level of pesticides), there is also an increasing demand for full transparency throughout the supply chain. Consumer and food companies require detailed information regarding the sources of raw materials, the manufacturing processes and their environmental impacts. Accordingly, manufactures are required to provide evidence and approvals to demonstrate that the raw materials comply with the relevant standards and regulations.

Set forth below are the key trends in the taste extracts segment:

- **Rise in healthy eating awareness** - an increase in the demand for food products with natural and healthy ingredients and low fat, salt or sugar levels increases the demand for taste extracts that help food manufacturers to maintain the original taste, while reducing salt or sugar/oil levels in their products and consequently also their calorie content.
- **Customers' preference of natural ingredients (rather than synthetized ingredients)** - many customers believe that natural ingredients are safer, heathier and more environmentally friendly than synthesized ingredients. A rise in demand for food and beverages, that have no synthetic or chemical ingredients, including artificial tastes, food coloring and sweeteners.
- Increased demand for convenience food and fast food, including ready-to-eat microwave meals, both in developing and in developed markets. This trend increased the demand for taste extracts.
- Increase in the demand for food delivery services and eating out - the increase in use of food delivery platforms such as Uber Eats, Wolt and Deliveroo, and the increase in eating out in restaurants, cafe and convenience food have led to an increase in demand for ready-made food. This trend requires food manufacturers to adapt tastes and textures, and also to develop taste extracts, which are adapted to portions consumed in various ways.

- **The requirement to label food products and marketing restrictions** - many countries require broader disclosure of components on product packaging, which leads companies to manufacture taste formulae which are more consumer friendly (clean label products) and organic products. Adding the label "organic product" on food labels indicates that the food or agricultural product was produced using approved techniques and consumers tend to pay more for products with an "organic product" label.
- **Diversification of distribution channels** - companies, which operate in the field of taste extracts also expand to tobacco and tobacco substitutes markets and to the field of regulated cannabis (where this is legal), and (plant-based) meat substitutes. These trends may potentially lead to an increase in volume of activity in areas of activity which have higher profitability. However, to achieve such expansion, companies operating in the field of taste extracts will be required to invest in the development of unique extraction formulations and technologies.
- Increased interest by consumers in daring and novel tastes, and consumers' increased willingness to try out new and synthetic foods that have unconventional or exotic taste profiles.
- Increased popularity of food programs and a rise in consumers' interest in home cooking, gourmet food, as well as consumers' willingness to try out new tastes, increase the demand for taste extracts.

1.10.1.4. Segment's critical success factors

In the opinion of the Company, the key success factors in the segment are as follows:

- The capability to develop tastes which match the customer's needs.
- The capability to develop unique products for the food and beverages markets, that meet the needs of those markets, and the ability to identify trends and needs in the markets in which the Company operates.
- Close and long-term relationships with customers around the world, and partnering with customers in the development of their products, from the inception of the idea to product launch.
- Development and production of high-quality taste extracts, while complying with global and local regulations, in accordance with market demands in the relevant

territory, and adapting the taste extracts to the various products and tastes in that territory.

- Highly-skilled and experienced workforce that possesses the required knowledge and exceptional technological, marketing, sale and management capabilities.
- Leveraging of synergies in the supply chain, procurement, development and cross-selling options between companies in different geographic regions.
- Business partnerships with global market leaders
- Efficient management of supply chains allowing production at competitive costs, while ensuring the availability of raw materials, means of production and transportation. The Company has a significant advantage in the area of procurement as a result of its close relationships with suppliers across the world, and its in-depth knowledge of natural and synthesized raw materials available in different territories.
- Creating and nurturing networks for the distribution, marketing and sale of Company's products to global and local customers in various geographic regions.

1.10.1.5. **Entry and exit barriers**

Entry barriers -

1.10.1.5.1 **Long-term relationships** - the market is characterized by long-term relationships between manufacturers and customers. In these industries, the reliability of suppliers, the quality of services and the reproducibility of the products are paramount.

1.10.1.5.2 **Research and development** - due to the ever-evolving preferences of end customers, and since the markets in which the Group's customers operate are dynamic and competitive, the market is characterized by a large number of new and innovative products. Accordingly, manufacturers need to invest in R&D, possess the ability to respond swiftly to evolving customer needs, and have a wide product offering.

1.10.1.5.3 **The importance of taste extracts in the end product** - taste extracts determine the character and uniqueness of the end product, and therefore play a crucial role in its success. Taste extracts play a very important role when it comes to customers and end consumers. Taste extracts are composed of many raw materials (between 30 to 100 different raw materials per every taste extract), which is why it is very difficult to accurately reproduce them, and therefore customers will normally avoid replacing their supplier of taste extracts.

1.10.1.5.4 **Highly-skilled workforce and cumulative knowhow** - the Company's activity requires a highly-skilled team possessing in-depth understanding of and extensive experience in chemistry, various technologies and regulation. Furthermore, the Company is required to possess extensive capabilities and many years of experience in international management and business development in this industry.

1.10.1.5.5 **Establishing a stable supply chain** - engagements with suppliers of raw materials, manufacturers and providers of logistics services, which enable continuous production and supply of products at the required quality, or setting up independent production and logistics functions.

1.10.1.5.6 **A range of strains and crops -** the seasonings and herb mixes activity requires access to a wide range of crops and strains that will allow the Company to have an extensive and diverse product offering that will meet the needs of the different customers. For that purpose, the Company is required to have access to many strains, including new developments in the field of herbs that enable growers to change the characteristics of herbs and lead to a diversification of the Company's product offering.

Exit barriers -

In the opinion of the Company, there are no significant exit barriers in this segment.

1.10.1.6. **Alternatives for segment's products**

To the best of the Company's knowledge, to date there are no commercially feasible products that can fully replace the taste extracts.

1.10.2. **Products and services**

1.10.2.1. **Taste extracts**

As of the date of this report, the Company markets and sells thousands of taste extracts in more than 50 countries. The success of the taste extracts developed by the Company relies on highly experienced flavorists, knowledge of local tastes and Company's ability to adapt its taste extracts to those tastes. The Company's global deployment allows the Group to address the needs of brands of global food and beverage companies while adapting its products to the relevant market and its tastes.

As part of its taste activity, the Company offers a wide range of taste solutions designed to create new taste, enhance existing taste and/or conceal certain tastes in processed food and beverage products. Furthermore, the Company provides solutions to global companies that wish to have another supplier of taste extracts used in their existing products.

Most taste products contain a large number of natural and synthesized ingredients that are incorporated using unique formulae developed in Company's laboratories by the segment's R&D teams (flavorists) (extracts, for example, normally contain about 30-100 different ingredients, including fruit and vegetable extracts and spices). The development of a new taste product is carried out at the initiative of the Company itself, or in accordance with specific customer requirements and in close collaboration therewith. Furthermore, the Company also offers its customers a solution that includes not only tastes, but also natural functional ingredients that contribute to the nutritional and health benefits of the product, protect the consumer's health, prolong the shelf life of the product and of natural and synthesized colors. Those ingredients have a positive effect on the branding of the end product, and enhance the long-term relationships and dependency between the Company and its customers.

The taste products manufactured by the Company serve mainly as ingredients in consumer products manufactured by food and beverage manufacturers; those products are suitable for different applications, such as soft drinks, juices, dairy products, ice creams, pastries, confectionary products, chewing gum, and a range of savory products, such as snacks, convenience food, ready-made soups, salad dressings, and processed meat and fish, meat substitutes, animal and pet food, and food additives. In addition, some of the taste products are used as taste substances for the tobacco, tobacco substitutes and vaping products.

The Company offers natural, organic and artificial taste products. The natural tastes are manufactured using only natural ingredients, that include, among other things, natural extracts, essential oils, spices and fruit and vegetable ingredients. Some of the taste products manufactured by the Company contain raw materials manufactured by various Group companies for the taste extracts segment.

The Company manufactures both sweet and savory tastes. The sweet tastes are mainly used in beverages, dairy products, ice creams, pastries, confectionary, food additives, tobacco applications and vaping products. The savory tastes are mainly used in the production of snacks, soups, sauces, coatings, savory pastries, processed meat and fish, convenience food, and a range of plant-based taste extracts that are used both to imitate the taste of meat in meat substitutes and as egg substitutes for vegetarian and vegan products.

The Company's taste products are sold in the form of liquid, powder and emulsion; sometimes the products are mixed with stabilizers and emulsifiers (ingredients that enable the stabilization of the texture and characteristics of the products into which they are incorporated).

1.10.2.2. **Spices, seasonings and special (gluten-free) flours**

The Company operates independently and through subsidiaries in the production of spices, unique seasonings and gluten-free flours. The Company manufactures both organic and non-organic spices and seasonings; these are sold in various forms (ground up to a powder). In addition, some of the spices are used as ingredients in specialty mixtures for natural food colorings used in the food industry and the animal and pet food industry. The gluten-free flours are sold as a powder for use in the food industry and for home baking; they are also sold in a dedicated version adapted for the needs of customers in the snacks industry.

Seasonings usually also contain savory taste extracts composed of different tastes, which are combined at different ratios (changed per each seasoning) in accordance with the required application. In addition to the spices, the Company adds to the seasonings other ingredients in the form of liquid or powder; the role of those ingredients is to enable the incorporation into the end food product. In the past two decades, the use of seasonings has been on the rise in view of the change in trends in the food and beverages markets worldwide. Food seasonings are added to ready-to-eat and drink products, such as instant soup mixes, microwave meals, real pastries, cured meats, smoked fish and snacks.

1.10.3. Breakdown of revenues and profitability of products and services

Set forth below is a breakdown of the segment's products and services, the rate of Company's revenues derived therefrom was 10% or more of total Company revenues in 2023 and 2024 (in USD thousands):

Product	2023		2024	
	Revenues	Rate out of consolidated revenues	Revenues	Rate out of consolidated revenues
Sweet tastes	14,292	11%	51,345	27%
Spices and seasonings	49,357	39%	81,123	43%

1.10.4. New products and services

As part of the taste activity, the Company develops new and innovative products on an ongoing basis. A new product is normally developed in collaboration with the customer, and customized to the needs of that customer or to market trends, such as demand for products with reduced sugar and salt levels. None of the new products developed by the Company is material in terms of expected volume of sales and/or development expenses.

1.10.5. Customers

The taste extracts manufactured by the Company are sold to an extensive customer base comprising multinational and local customers of all sizes. The customers are manufacturers of food and beverages, and they are deployed in more than 50 countries across the world.

The Company's main customers are SMEs, which benefit from tailored solutions with unique ingredients of high added value. As mentioned above, the Company also works with large multinationals, mainly through collaborations with their local subsidiaries and by offering innovative and unique solutions tailored to their needs. This model allows the Company to express its flexibility, development capabilities and its ability to accurately meet the needs of a range of customers from different markets.

For information about the revenues from external parties by sales to end customers based on their geographic location, see Section 1.27 below.

In most cases, the Group does not have fixed term contracts with its customers in the taste segment; sales are based on orders placed by customers and swift supply of products by the Company in accordance with the customer's requirements. This requires agility in preparing for the supply of extracts to Company's customers.

As of the report date, the Company has a material customer in the taste segment; Company's revenues from this customer constitute approx. 11.8% of total Company revenues (approx. USD 22.3 million in 2024). As in the case of most of its customers in the taste segment, the engagement with this customer is conducted based on orders received from time to time.

As of the report's date, the Company is not dependent on a single customer in this segment.

1.10.6. Orders backlog

Most customers in the taste extracts segment do not normally enter into agreements or place in advance orders for large volumes of extracts. Most of the Group's products in this segment are typically supplied within several days to 3 weeks from the moment an order is placed. Large Group customers provide only estimated forecasts as to the expected annual volume of the materials they normally order; those companies place monthly or bi-monthly orders in respect of the quantities they actually need. Therefore, in this segment the Group does not have an orders backlog that can be estimated in advance.

1.10.7. Competition

In the taste segment, the Company's main competitors are multinational, medium-sized and local manufacturers of taste extracts and seasonings including Givaudan, DSM-Firmenich, IFF, Solina, Symrise, Robertet, Mane, Dohler, ADM, McCormick, Takasago Internationa, Sensient, Kerry, and other - mostly local - SMEs.

The Company's competitors are multinational manufacturers of tastes, as well as medium and small companies, that operate in their domestic market. The competition is based, to a large extent, on innovation capabilities, product quality, the ability to provide customers with services of added value, creating and maintaining long-term relationships, reliability, customizing products to specific customer needs and adapting to market trends.

Tastes manufacturers differentiate themselves by developing close relationships with their customers, developing in-depth knowledge and understanding of the target markets, possessing excellent innovation and R&D capabilities and an excellent reputation, which is based on consistent, reliable and efficient customer service.

The Group currently operates in four geographic regions, with the European and American markets constituting approx. 50% of the global taste extracts market, and the South East Asia market is experiencing accelerated growth. In view of the market's structure, the Group is unable to estimate its market share. However, in view of the Company's global expansion strategy, the Company takes steps to penetrate into new markets and increase its market share in existing markets by way of adding new customers and increasing the volume of its activity among existing customers.

In the taste segment, the Group deals with competitors by remaining agile and maintaining its ability to rapidly develop and customize its products to the needs of its customers in the different countries in which it operates, without adversely impacting the global nature of the Company's activity. Furthermore, the Company is able to develop and supply taste extracts to customers within a number of days or weeks from the start of the product development. The Group takes steps to purchase companies whose activity is synergetic to that of the segment, thereby creating a sustained competitive advantage and expanding its geographic deployment in markets in which it operates. The Company's development centers and its marketing, manufacturing, sales and distribution functions in the different markets in which it operates provide it with customer proximity and better knowledge of the unique characteristics of local culture and tastes.

1.10.8. <u>Seasonality</u>

As of the date of this report, there is an immaterial seasonality, mainly in the taste segment, such that the second and third quarters are stronger compared to the first and fourth quarter; this seasonality stems from demand by Company customers in the food industry - affected by the seasons of the year.

1.11. <u>Specialty Fine Ingredients segment</u>

1.11.1. <u>General information about the segment</u>

1.11.1.1. <u>Segment's structure and changes therein</u>

The Group's activity in this segment is carried out at the Group's site in Nir Yitzhak, which specializes in the manufacturing of high-quality products, which are based mainly on brominated fine-chemicals.[10] The Group is engaged in the development, production, marketing and sale of specialty fine ingredients used as intermediates and raw materials in the pharma industry, fine specialty ingredients used in various manufacturing processes to be used in a range of industries, mainly flavors and fragrances, polymers and catalysts. The Group serves as a supplier of chemicals to a range of customers worldwide from the pharma industries, mainly polymers, catalysts and specialty and fine chemicals industries, and markets its products across the world.

In addition, the Group expanded its activity and entered into the field of development and production of citrus products and aroma chemicals for the flavor and fragrance industry. This expansion is based on the Group's development and production capabilities, alongside an investment in new production infrastructures. This activity is caried out in the Group's production sites in Nir Yitzhak and Zarzir, and through strategic collaborations with production sites in India and Romania. The incorporation of these capabilities allows the Company to expand its presence it global markets, provide advanced solutions to the flavor and fragrance industries, and leverage the knowledge and experience gained in the development of specialty chemicals.

The aroma chemicals market continues to grow, and in 2024 it was estimated at approx. USD 5.56 billion, and expected to reach approx. USD 9.00 billion by 2034,[11] with a compound annual growth rate (CAGR) of 4.93%. Growth is driven by increasing demand for aroma chemicals in the food, beverages, cosmetics and toiletries industries and by increased consumer awareness of the use of natural ingredients. In terms of market share, synthesized aroma chemicals had the largest market share in 2024 with 69.2% of the revenues, due to their high availability and relatively low production costs. However, the natural aroma chemicals market is expected to grow by a compound annual growth rate (CAGR) of 6.8% between 2025 and 2034, in line with the increasing demand for natural ingredients.

Manufacturing of fine chemicals used as raw materials and intermediates in the pharma industry is characterized with sales to manufacturers of intermediates and

[10] Brominated products are products based on bromide compounds.
[11] https://www.precedenceresearch.com/aroma-chemicals-market

active pharmaceutical ingredients. The market growth is driven mainly by an increase in R&D activities related to the development of drugs, increasing incidence of chronic diseases, an increase in geriatric population across the world, increasing importance of generic drugs, and increased consumption of biological therapies. On the other hand, restrictions placed on prices of drugs in different countries, the high manufacturing costs of drugs and the long time it takes to get from development to launch of new drugs restrain market growth.

The Group also manufactures specialty chemicals characterized with higher levels of technical service and expertise for industries such as food additives, aroma compounds, water treatment, textiles, construction, paper, oil, gas, ink additives and more.

1.11.1.2. **Legislative restrictions, standards and special constraints to which the segment is subject**

The specialty fine ingredients activity is subject to laws, regulations, orders and standards that apply to the products in this segment. Furthermore, the Group operates under various health and safety rules, including rules relating to the operations of its laboratories and plants. For more information, see Section 1.22 below.

The Group applies to its products and manufacturing processes voluntary quality standards required by its customers worldwide. Those standards dictate management and quality requirements from the planning stage (R&D, sales, supply chain, handling orders, planning production) to the implementation stage (production, laboratory, logistics and transportation to the end destination). As a supplier of intermediates that operates as part of the supply chain of the pharma industry, the Group's activity in its Nir Yitzhak plant is ISO 9001:2015 certified (a quality standard), ISO 14001:2015 certified ISO 45000 certified (health and safety standards). Furthermore, the Group's plant in Nir Yitzhak holds the "Gold Standard" awarded by the Standards Institution of Israel to customers maintaining a comprehensive quality management system under the three standards listed above.

1.11.1.3. **Changes in the segment's scope of activity and profitability**

Most of the products manufactured by the Group's customers in this area of activity require preliminary approvals and compliance with the highest quality standards as part of the development and manufacturing of those products; this also applies to the intermediates used in the end product. Therefore, in this field, suppliers of intermediates used in the production of drugs that have development capabilities, and are able to support companies developing drugs in the early stages of the process have a significant advantage over other suppliers. The initial quantities normally manufactured for customers are tens of kilograms; these quantities increase gradually and reach up to tens of tons as the development of the drugs advances, and until the drug is launched and establishes itself in the market. In the early stages and along the way, the manufacturer and the customer coordinate expectations as to quality and optimize costs.

As a result of the Iron Swords War, and due to the fact that the subsidiary Chemada is located at the Gaza Envelope area, some of that company's customers purchased materials from other suppliers, which led to a decline in Chemada's sales in 2024.

The last quarter of 2024 saw a trend of customers resuming the purchase of Chemada's products; this trend has increased in the first quarter of 2025; this was in addition to the positive effect of that company's streamlining moves, including the change to its product mix and focusing on expanding its offering of citrus-based products and aroma chemicals for the flavors and fragrances industries.

1.11.1.4. **Segment's critical success factors**

In the opinion of the Company, the key success factors in the segment are as follows:

- Many years of experience and proven reputation in the field of fine chemicals.
- Production capabilities, innovative facilities, which comply with regulatory requirements, and extensive professional knowledge.
- Long-term relationships with customers in terms of marketing, development and procurement; such relationships allow for the development of products starting with the customer's preliminary development stages and along the other stages of customers' product development.
- Extensive knowhow and experience in the development and manufacturing of products at varying quantities, from a few kilograms to tens and hundreds of tons; this allows market players to support customers throughout the development processes of customers' products; manufacturers also have to have the agility to respond swiftly to customers' needs starting with the customer's

development stage, and until the product is launched and establishes itself in the market.

- Products are manufactured exclusively for specific customers under confidentiality agreements; in most cases, these products are not sensitive to market competition and have high profit margins.
- The ability to comply with varying regulations and successfully pass audits conducted by the pharma companies.
- Product's quality, both in terns of its characteristics and in terms of its suitability to customer's needs.
- Agile and focused management that combines many years of experience in the Group's areas of activity.
- Efficient management of supply chains allowing production at competitive costs, while ensuring the availability of raw materials, means of production and transportation.
- Creating business partnerships with global market leaders, and the ability to engage in distribution agreements with leading entities.
- Direct access and ongoing supply of a key raw material - Bromine.

1.11.1.5. **Entry and exit barriers**

Entry barriers -

1.11.1.5.1 **Long-term relationships** - the market is characterized by long-term relationships between manufacturers and customers, and long-term relationships with suppliers of strategic and specialty raw materials from across the world. As part of the engagement with customers from the pharma industry, the development and production process is generally approved by the pharma companies in the preliminary stages of drug development; the data as to the specialty intermediates manufactured by the Company are included in the regulatory approval process pertaining to the drug; therefore, there is a barrier to replacing the manufacturer of the specialty intermediates, and this constitutes an entry barrier to new players wishing to enter this field of activity.

1.11.1.5.2 **Development customized to customer's needs -** products developed in close collaboration with Group's customers, and in accordance with their specifications. Therefore, the Company needs to employ skilled development teams, and have access to manufacturing techniques and previous developments, on the basis of which new products can be manufactured.

1.11.1.5.3 **Regulation, licenses and approvals** - obtaining all licenses and approvals required for operating in this area of activity, and compliance with strict rules applicable to this area of activity.

1.11.1.5.4 **Financial strength** - high financing capabilities for the purpose of building, maintaining and operating the required logistic infrastructures. The need to have in place advanced manufacturing technologies, investment in innovative laboratories and highly skilled employees possessing specific expertise lead to high manufacturing costs in this segment.

1.11.1.5.5 **Establishing a stable supply chain** - engagements with suppliers of raw materials, manufacturers and providers of logistics services, which enable continuous production and supply of products at the required quality, or setting up independent production and logistics functions. Operating the logistic function requires knowhow, skill and operational excellence.

<u>Exit barriers -</u>

The Company is engaged in agreements with its customers for periods of more than one year, which may include undertakings on behalf of customers to purchase minimum quantities of the Company's products.

1.11.1.6. <u>Alternatives for segment's products</u>

The bromine-based fine chemicals may be replaced by customized fine chemicals based on chlorination processes. However, chlorine-related regulations are stricter and therefore bromine-based chemicals, such as the Company's products, have a significant advantage.

1.11.2. <u>Products and services</u>

As of December 31, 2024, the Company markets and sells more than 75 products in this segment, to approx. 100 customers located in approx. 20 countries; the products are customized to meet the needs of each and every customer through the R&D team, the production function and the laboratories.

For details regarding the products and services, see Section 1.11.1.1 to this report.

1.11.3. **Breakdown of revenues and profitability of products and services**

Most of the products of the segment are produced specifically for Group's customers in accordance with the specific requirements of each of the customers; therefore, it is impossible to classify them into product groups, and there is no single product which is material.

1.11.4. **New products and services**

As part of its operating activities, the Group develops from time-to-time new products of high added value for its existing and new customers; such development is carried out based on existing technologies, in accordance with the specific needs of the relevant customer and at the customer's request. None of the new products developed by the Company is material in terms of expected volume of sales and/or development expenses.

1.11.5. **Customers**

The company's customers in this segment include leading companies in their respective industries. Most of the Company's customers are manufactures of intermediates and active raw materials for the pharmaceuticals industry, customers operating in the field of agrochemicals and specialty chemicals and leading fragrance and taste manufacturers.

As of the report's date, the Group does not have a single customer, the rate of the Company's sales to whom exceeds 10% of total Company revenues; in the Group's opinion it is not dependent on any of its customers.

For information about the characteristics of the activity with customers in this segment, see Section 1.11.1.3 above.

For information about the revenues from external parties by sales to end customers based on their geographic location, see Section 1.27.1 below.

1.11.6. **Orders backlog**

1.11.7. In this area of activity, the manufacturing process of the chemicals may take several weeks. Therefore, the Company's orders backlog comprises orders received from its customers several months in advance, as well as orders based on annual supply contracts that the Company signed in advance. As of December 31, 2024, the orders backlog amounted to approx. USD 7.2 million, and as of December 31, 2023, the orders backlog amounted to approx. USD 4.8 million.

1.11.8. **Competition**

The activity in the markets in which the Group operates is characterized with a range of manufacturers and suppliers, that produce the products using similar and known technologies. In recent years, new manufacturers started entering the market; these included mainly manufacturers from India and China, where labor costs are lower; this triggered a decrease in the prices of products offered to the market in large quantities. The spread across the world of manufacturing knowhow pertaining to the products in this area of activity creates an ongoing process whereby products that were previously considered high-tech products and were priced accordingly are subject to competition which leads to erosion in prices.

After a significant decline in the scope of their activities in recent years due to strict measures taken to tackle the Covid-19 virus (mainly through extensive and long lockdowns), the Chinese manufacturers resumed their activity in this area of activity. The Chinese manufacturers find themselves in direct competition with the Indian market, which enjoys a high-rate growth; they also face tariffs in the USA. These restrictions force the Chinese competitors to significantly reduce their prices, sometimes even below the direct costs threshold. Accordingly, global manufacturers are subject to significant pressure to reduce prices in all markets.

In the field of aroma chemicals, the market is also characterized with intensifying competition with the entry of new manufacturers and increased production capability of Indian and Chinese companies, which leads to increased supply and to a decline in prices. Despite this, customers in this market seek western manufacturers, sophisticated materials with high added value and natural ingredients; this gives an advantage to companies with advanced research and development capabilities, which offer innovative and natural solutions to the flavor and fragrance industry. Leading market players include global companies such as Symrise, Givaudan, Firmenich and International Flavors & Fragrances (IFF), which incorporate advanced technologies and natural products, alongside SMEs, which focus on specific market segments.

As part of the Company's growth and differentiation strategy, it endeavors to develop and manufacture new and complex products of higher added value; the Company also works to improve manufacturing processes of existing products in order to improve productivity and increase profit margins. The Company assessed its products range and focused on high-quality and unique products that generate higher profit margins.

Company's markets are highly competitive; most of the Company's competitors have manufacturing capacities that are larger than those of the Company; and they focus on products of lower value and on manufacturing high volumes. To the best of the Company's knowledge, as of the report date, its principal competitors in this area of activity are Weylchem (Vyonova), PALCHEM, Tosoh, Manac, Neogen and Agrocel Industries. In addition, there is significant competition due to multiple Chinese suppliers. The Company's advantage is its focus on high value products, which positions it as the supplier of choice among customers. The Company is unable to estimate its market share; however, it believes that its share in the global market is small.

Other competitive advantages of the Company include the fact that it is a western manufacturer, which customers tend to prefer over competitors who manufacture in India or China, high quality of products and high manufacturing levels, flexibility in terms of quantities and the supply of products in accordance with complex specifications, compliance with all regulatory requirements, supply of products packaged in accordance to international standards, providing documentation for purposes of quality control, experience, and more.

Part D - Information Relating to the Activity of the Company as a Whole

1.12. Marketing and Distribution

The sales, distribution and marketing activity involving the Group's products is based on local marketing, sales and development teams in the primary target markets. As of the report's date, the Group's sales and marketing function comprises 87 employees located in its primary target markets, in proximity to its customers.

The Group's sales, distribution and marketing activity involve approx. 3,500 customers in the various territories in which the Group operates.

The Company's sales and marketing teams across the world form the link between the Group's customers and its R&D teams. The Group's sales and marketing function works closely with customers in order to understand their specific needs; this information is delivered to the R&D teams, that develop products customized to meet the customer's needs in close collaboration with the customer's development and application teams. In addition, the marketing and sales function works to promote a range of cross-selling options between Group companies in Israel and abroad.

In the specialty fine ingredients segment, substantially all of the Group's sales are made to customers outside Israel. The Group has an independent marketing and distribution function, which is managed on a territory-by-territory basis; regional sales managers work directly with local customers, and through local agents and distributors in the target countries. Orders placed with agents and distributors are approved by the Company's local sales manager, and the engagement is a direct engagement between the Company and the customer; distributors with which the Group works receive a fixed-rate commission, in accordance with the marketing agreement that was signed with them. Generally, the distributors with which the Company works are granted exclusive rights to act as the distributor of the Company's products in certain territories, such that the Company will not compete with the distributor, and the distributor has undertaken to the Company not to market competitors' products in the relevant territory.

1.13. Ingredients and suppliers

1.13.1. The Fragrance and Taste segments

1.13.1.1. The Company purchases thousands of ingredients that include, among other things, fine and unique chemicals, both synthetic and natural, natural and essential oils, stabilizers and antioxidants, solvents, natural colors and extracts from which the Company produces its fragrance and taste extracts; and spices and herbs from which the Company produces its seasonings and herb mixes.

1.13.1.2. The Group purchases natural and synthetic ingredients from hundreds of local and international suppliers, with whom it entered into long-term engagements. Some of the ingredients are purchased by the Group's global procurement function, and each Group company has a local procurement department that is managed and monitored by the global procurement department. The ingredients are purchased for the different manufacturing sites across the world in accordance with the requirements of local regulations, the level of convenience of the work with local suppliers, and consumers' preferences in the different geographic regions. Purchasing the ingredients through the Group's central procurement function allows the Group to maintain the quality of the ingredients and their cost levels, while leveraging the synergies between Group companies.

1.13.1.3. Managers of supply chains and the Group's procurement departments regularly monitor trends in ingredients' prices, and where needed the Group works to revise the sale prices of its products, such that they reflect the changes in ingredients' prices.

1.13.1.4. The ingredients undergo a series of quality, analytical, olfactive and organoleptic tests (color, taste and smell tests). The ingredients are stored in the sites' warehouses, and are then transferred to manufacturing.

1.13.1.5. In view of the large number of ingredient suppliers used by the Company as of the report's date, the Company is not dependent on any of its suppliers in the fragrance and taste segments.

1.13.1.6. In addition to its agreements for the purchase of goods from different suppliers in Israel and abroad, the Group also engages in agreements with owners of farmland in Israel; under those agreements, the farmers sow, grow and harvest for the Company the spices used as ingredients in its activity. In addition to the cost of purchased ingredients, the Company also sometimes bears the costs of harvesting and transporting the spices to its plants.

1.13.2. **Specialty fine ingredients segment**

1.13.2.1. Approx. 100 different ingredients are used in this segment, including, among other things, solvents, acids and alcohols, purchased from tens of suppliers worldwide.

1.13.2.2. Most of the products of the specialty fine ingredients segment, that are manufactured in the Group's plant in Nir Yitzhak, are based on specialty chemicals including brominated products. The expansion of the Group's activity to the field of aroma chemicals led to lower dependency on brominated products, while expanding the range of solutions offered by the Company to its customers in this segment.

1.14. **Property, plant and equipment, land and manufacturing capacity**

As of the report's date, the Group operates 22 manufacturing sites across the world. The following table lists the Group's principal manufacturing sites and the activity conducted in each of the sites:

<table>
<tr><th>Country</th><th>Location</th><th>Segment</th><th>Size of buildings and land in sq. m</th><th>Buildings - rented/owned</th><th>Land - rented/owned/leased</th><th>Year of commencement of activity[12]</th></tr>
<tr><td>Israel</td><td>The Group's site in Holon</td><td>Fragrance segment</td><td>1.023 sq. m built area</td><td>Rented</td><td>Rented</td><td>2022</td></tr>
<tr><td colspan="7"><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week, including overtime. Following the move to the new plant and the addition of equipment, the manufacturing capacity increased by approx. 50% for the same amount of work. The plant can increase its manufacturing capacity by further 50% if it starts manufacturing 6 days a week in three shifts, and an extra partial shift.</td></tr>
<tr><td>Israel</td><td>The Group's site in Kibbutz Nir Yitzhak</td><td>Specialty fine ingredients activity</td><td>Area of land - 135,000 sq. m
Area of building - 2,100 sq. m</td><td>Rented</td><td>Rented</td><td>2019</td></tr>
<tr><td colspan="7"><u>Manufacturing capacity and shifts</u> - the plant works 7 days a week, in three shifts. The plant can increase its manufacturing capacity by further 40% by investing in the expansion of the tools and utilizing the plant's existing area.</td></tr>
<tr><td>Israel</td><td>The Group's site in Afula</td><td>The taste segment</td><td>Area of land - 9,240 sq. m</td><td>Rented</td><td>Rented</td><td>2021</td></tr>
</table>

[12] The year of commencement of activity is the later of the date on which the plant was purchased by the Group, the date on which it was built, or the commencement of a lease period.

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity[12]
			Area of building - 3,200 sq. m			
Manufacturing capacity and shifts - the plant works 5 days a week, mostly in one shift. The plant can increase its manufacturing capacity by further 100% if it starts manufacturing in 2 shifts and employs are its workforce in all departments on a full-time basis.						
Israel	The Group's site in Be'er Tuvia	The taste segment	Area of land - 3,000 sq. m Area of building - 1,300 sq. m	Rented	Rented	2022
Manufacturing capacity and shifts - the plant works 5 days a week, mostly in one shift. The plant can increase its manufacturing capacity by further 100% if it starts manufacturing in 2 shifts and employs are its workforce in all departments on a full-time basis.						
Poland	The Group's site near Warsaw	The taste and fragrance segments	Area of land - 21,500 sq. m Area of building -	Owned	Owned	2017

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity[12]
			10,000 sq. m			
Manufacturing capacity and shifts - the plant works 6 days a week, in one shift. The plant can increase its manufacturing capacity by further 100% if it starts manufacturing 6 days a week in three shifts.						
USA	The Group's site in New Jersey	Fragrance segment	Area of land -	Rented	Rented	2022
Manufacturing capacity and shifts - the plant works 5 days a week, including overtime. The plant can increase its manufacturing capacity by further 100% if it starts manufacturing 5 days a week in two shifts.						
Vietnam	The Group's site in Ho Chi Minh City	The taste and fragrance segment	Area of land - 4,000 sq. m Area of building - 3,000 sq. m	Owned	Leased	2020
Manufacturing capacity and shifts - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by further 200% if it starts manufacturing 5 days a week in three shifts.						

<table>
<tr><th>Country</th><th>Location</th><th>Segment</th><th>Size of buildings and land in sq. m</th><th>Buildings - rented/owned</th><th>Land - rented/owned/leased</th><th>Year of commencement of activity[12]</th></tr>
<tr><td>Belgium</td><td>The Group’s site near Brussels</td><td>The taste segment</td><td>Area of land - 3,000 sq. m

Area of building - 2,700 sq. m</td><td>Owned</td><td>Leased</td><td>2021</td></tr>
<tr><td colspan="7"><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.</td></tr>
<tr><td>Belgium</td><td>The Group’s site near Bruges</td><td>The taste segment</td><td>Area of land - 19,000 sq. m

Area of building - 12,500 sq. m</td><td>Owned</td><td>Owned</td><td>2024</td></tr>
<tr><td colspan="7"><u>Manufacturing capacity and shifts</u> - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.</td></tr>
<tr><td>Germany</td><td>The Group’s</td><td>The taste segment</td><td>Area of land -</td><td>Owned</td><td>Owned</td><td>2024</td></tr>
</table>

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity[12]
	site in Versmold		12,000 sq. m Area of building - 2,000 sq. m			
<u>Manufacturing capacity and shifts</u> - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.						
Germany	The Group's site in Karlsruhe	The taste segment	Area of land and building - 2,284 sq. m	Rented	Rented	2024
<u>Manufacturing capacity and shifts</u> - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.						
Romania	The Group's site in Bucharest	The taste segment	Area of land and building - 884 sq. m	Rented	Rented	2022
<u>Manufacturing capacity and shifts</u> - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.						

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity[12]
Latvia	The Group's site in Riga	Fragrances segment	Area of land - 6,264 sq. m Area of building - 1,424 sq. m	Rented	Rented	2022
Manufacturing capacity and shifts - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.						
Hungary	The Group's site in Budapest	The taste segment	Area of land - 8,309 sq. m Area of building - 4,535 sq. m	Owned	Owned	2023
Manufacturing capacity and shifts - the plant works 5 days a week, mainly in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.						
England	The Group's site in Blackburn	The taste segment	Area of land and building - 8,645 sq. m	Rented	Rented	2024

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity[12]
Manufacturing capacity and shifts - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.						
South Africa	Sunspray's site near Johannesburg	The taste segment	Area of land - 24,309 sq. m Area of building - 5,805 sq. m	Owned	Owned	2024
Manufacturing capacity and shifts - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.						
South Africa	Sunspray's site near Johannesburg	The taste segment	Area of land - 16,703 sq. m Area of building - 9,636 sq. m	Owned	Owned	2024
Manufacturing capacity and shifts - the plant works 5 days a week, in three shifts. The plant can increase its manufacturing capacity by further 40% by investing in the expansion of the production lines.						

Country	Location	Segment	Size of buildings and land in sq. m	Buildings - rented/owned	Land - rented/owned/leased	Year of commencement of activity[12]
Belgium	Doucy's site	Tastes	Area of land - 5,600 sq. m Area of building - 2,644 sq. m	Owned	Owned	2025
Manufacturing capacity and shifts - the plant works 5 days a week, in one shift. The plant can increase its manufacturing capacity by up to further 100% if it starts manufacturing in two shifts.						

* The additional potential manufacturing capacity in the plants reflects the potential increase in revenues as a result of increasing the quantities of products manufactured.

The Company's lease of the Beit Kama and Sde Eliyahu sites ended during 2024, and the activity was transferred to the Company's plant in Afula.

1.14.1. In December 2020, the approval for a plan for investment in property, plant and equipment by the Authority for Investments and Development of the Industry and Economy was received; the NIS 11 million investment plan was approved pursuant to the Law for the Encouragement of Capital Investments, 1959, for the purpose of expanding the Group's plant in Kibbutz Nir Yitzhak; the execution of the investments in accordance with the plan will entitle Chemada with a grant accounting for 20% of the said investment amount. The instrument of approval is subject to generally accepted conditions, including achieving business targets that were set therein. The plan may be executed by December 30 2026. As of the report date, the Group takes steps to expand the plant in accordance with the approved plan.

1.14.2. In December 2024, The Authority for Investments and Development of the Industry and Economy approved an investment plan designed to retain the business activity in the

Tkuma Region settlements. As part of the plan, capital investments will be made in machinery and equipment at the total amount of approx. NIS 12.6 million In accordance with the terms of the approval, Chemada will be entitled to a grant at a total amount equal to 50% of the investment amount. The instrument of approval is subject to generally accepted terms and conditions, including compliance with undertakings set forth as part thereof, and the last date for completion of the investments under the plan is September 30, 2027.

1.15. **Research and development**

1.15.1. The Group has always placed great importance on research, development and innovation, as part of its wish to provide solutions and meet the needs of its current of future customers; the Group does this by expanding its range of technologies and productsה and incorporating them into the industries in which it operates.

1.15.2. 84 of the Group's employees are engaged in the development of new products, improvement of existing products and adapting them to the ever-evolving needs and preferences of its customers, and of the end consumers; those employees are also engaged in the development and improvement of processes the Company uses in the manufacturing of its products, and the leveraging of R&D synergies between Group companies. As of the Report date, the Group has 21 research, development and quality control laboratories located in Israel and in countries in which the Group operates. The Group collaborates with local laboratories, that provide the Company research and development services and applications.

In the opinion of the Company, it will increase its investments in R&D in the next few years, in order to expand its product offering and retain its competitive advantage in the markets in which it operates. Furthermore, as part of its implementation of the strategy to achieve external growth by purchasing companies in its different areas of activity, the Company takes steps to identify and assess companies that possess unique technologies, the purchase of will expand the range of possibilities arising from the Company's development activities.

For more information about the Company's R&D expenses, see Note 2 to the Company's financial statements.

1.16. **Intangible assets**

The Company is working to establish its competitive advantage and its market position by, among other things, protecting such competitive advantages through the retainment of knowhow within the Company.

The Group's intellectual property mainly includes the knowhow pertaining to the formulae used to create the taste and fragrance extracts, and the development and manufacturing processes of ingredients. Those formulae are strictly confidential; they are considered to be a trade secret that is only known to a small number of people within the Group. Retaining the formulae as a trade secret rather than registering a patent in respect thereof is a normal practice in the industry, since upon the registration of a patent the formulae will be in the public domain, and they will no longer be protected once the patent expires.

Pollena Aroma has a registered trademark in Poland; the trademark is used for a line of products in the field of aromatherapy; Pollena Aroma also has a patent that protect the composition of fragrances (in effect until June 2025).

The Company's name is registered as a trademark in Isarel, the EU and the USA, and the Company takes steps to renew the registration from time to time.

1.17. **Human capital**

1.17.1. **The Company's organizational structure chart**

As of the report date, most of the Company's activities are carried out through its subsidiaries, which have an independent management. The subsidiaries' CEOs report to the Company's CEO or to the relevant heads of divisions.

As of the report's publication date, The following report directly to the CEO, who - as of the report date - serves as the Chairperson of the Company's Board of Directors in addition to her service as the Group's CEO:

1. VP Finance and Deputy to the CEO
2. Head of the Taste Division
3. Deputy Head of the Fragrance Division
4. Head of Business Development
5. VP Mergers & Acquisitions
6. Legal Counsel and Company Secretary

7. Chief IT Officer

Each of the VPs is in charge to additional departments in accordance with their area of activity.

1.17.2. Workforce

As of the date of this report, the Company employed (consolidated) 847 employees, as described below (on a full-time basis):

	Manufacturing	R&D	Marketing	Management	Total
Taste	439	44	56	74	**613**
Fragrance	58	37	29	23	**147**
Specialty fine ingredients	61	3	2	9	**75**
Headquarters				12	**12**
Total	**558**	**84**	**87**	**118**	**847**

As of the report's publication date, the Company employs approx. 850 employees.

One of the Group's key assets is its human capital. Accordingly, and taking into account the number of Group employees, the Group is highly dependent on maintaining a regular workforce. Nevertheless, the Group is of the opinion that it is not dependent to a material extent on a specific employee, other than Ms. Keren Cohen Khazon, as described below in this Section.

The Company's controlling shareholder, Ms. Keren Cohen Khazon, serves as the Company's CEO and Chairperson of its Board of Directors; Ms. Cohen Khazon possesses in-depth understanding of all of the Company's areas of activity, technology and products that are manufactured and developed by the Company. Furthermore, Ms. Keren Cohen Khazon possesses a thorough and long-standing understanding and knowledge of the market and its trends, including all aspects of the Company's commercial activities.

1.17.3. Employment agreements and employees' compensation

1.17.3.1. Employment agreements

All Company employees are employed by the Company on the basis of standard personal employment agreements. With regard to the employees in Israel, those agreements include provisions about the employee's salary (monthly, global or hourly, including overtime and shifts), working hours, social benefits, such as managers insurance and/or pension fund, advanced education fund, annual leave, recreation pay, sick leave, travel expenses, entitlement to a company car or reimbursement of vehicle expenses (to some of the employees), mobile phone (to some of the employees), advance notice in respect of resignation or dismissal in accordance with the law, and a confidentiality and non-competition undertakings.

Employees of subsidiaries abroad are employed in accordance with labor practices in the country in which they are employed.

1.17.4. **Collective labor agreement - Chemada**

Chemada's employees are employed in accordance with a special collective labor agreement of May 31, 2016, as amended and extended on September 17, 2018, and on September 22, 2022. The key points of the collective agreement are as follows:

1.17.4.1.1 The agreement applies to all Chemada's non-managerial employees. Furthermore, pursuant to the agreement, Chemada may exclude other positions from its scope, provided that the ratio between those Chemada employees to whom the agreement applies and those to whom the agreement does not apply shall not be less than 1:3.

1.17.4.1.2 The agreement covers work in shifts, annual leave, compensation in respect of unscheduled work and overtime, and contributions to an advanced education fund as from the date on which an employee completed 18 full months of employment by the plant (2.5% by the employee and 4%-5% by Chemada), depending on the employee's position.

1.17.4.1.3 In addition to the said collective labor agreement, employees of Group companies in Israel are also covered by the collective agreement regarding comprehensive pension in the industry, which was signed between the Manufacturers Association of Israel and the General Organization of Workers in Israel (Histadrut).

1.17.4.2. **Training and courses**

From time to time, the Company holds training to employees in connection with various topics, such as safety, professional courses, procedure refreshment courses, emergency exercises and prevention of sexual harassment.

Furthermore, with the aim of supporting employees' personal development and assisting them to fulfill their potential, the Company supports training and courses, including external training and/or studies, and also participates in the funding thereof.

In addition, the Group's site in Nir Yitzhak has a wide range of training sessions and courses, whose aim is to support employees in become familiar with and understand the Company's work procedures, means of command and control, mechanisms of preparedness for emergencies, and means of production. The training and certification function includes documentation of qualifying courses and certifications for operational segments in accordance with the qualifications required by law for each and every position. In accordance with normal practice in the chemistry industry, in view of the complexity and risks involved in the activity, the process of employee training is a gradual and ongoing process, that involves successfully passing tests in each and every stage and the assessing employee's performances in accordance with their role. On average, the process of training employees until they obtain all certifications takes more than 12 months; training is carried out during the course of the employee's work in accordance with his/her qualifications.

1.17.4.3. **Employee compensation plan**

In February 2021, the Company adopted an equity-based compensation plan (hereinafter - the "**Plan**"), where under some or all employees, directors, officers, advisors, service providers in the Company and related companies (hereinafter - the "**Offerees**") are allocated, from time to time, without consideration, at the recommendation of the Company's CEO and as approved by the Company's Board of Directors, (1) registered options for the purchase of Company ordinary shares of no par value (hereinafter - the "**Options**"); (2) restricted shares, and (3) restricted share units. The term of the plan is 10 years from the date of its adoption by the Board of Directors, that is to say, through February 2031.

For information about the Company's equity-based compensation plan, see Note 21 to the financial statements.

1.17.4.4. **Management and senior officers**

As of the Report's date, the Company has 15 senior officers of whom four serve as directors (who do not serve in other positions in the Company), a director who serves as the head of operations in the fragrance segment in Israel, and a CEO who serves as the Chairperson of the Board of Directors. For information about the Company's senior officers, see Regulation 26A to Chapter D (Additional Details).

For information about exemption, indemnification and insurance to Company's directors and officers, see Regulation 29A to Chapter D (Additional Details).

For information about key details of the Company's engagements with senior officers, who serve in the Company as of the Report's date, see Regulation 21 to Chapter D (Additional Details).

1.18. Working capital

1.18.1. The Company's working capital (in USD thousands) is as follows:

December 31, 2024	December 31, 2023
53,583	38,319

(*) The working capital, as presented in the above table, includes the following financial statement items: current assets less current liabilities.

1.18.2. Customers credit (USD thousand):

	December 31, 2024	December 31, 2023
Credit amount(*)	38,587	28,165

(*) This data includes an immaterial balance of customer debts in arrears, that is to say, customers that exceeded the payment terms agreed upon.

As of December 31, 2023 and 2024, Company customers' credit days (including trade receivable in arrears) stood at approx. 77 days and approx. 63 days, respectively.

1.18.3. Suppliers credit

The Company receives credit from suppliers; as of December 31, 2023 and 2024, the average number of credit days is approx. 68 credit days and approx. 52 credit days, respectively.

1.19. Investments

For information regarding investment and collaboration agreements with companies, which are not Company subsidiaries, see Notes 5D-E and 28A to the financial statements.

1.20. **Financing**

1.20.1. **General**

As of the Report's date, the Group finances its activity using its shareholders' equity, credit facilities (secured and unsecured), and long-term and on-call loans provided by a number of Israeli and foreign banks. For more information about the financing of the Company's activities, see Notes 13 and 16 to the financial statements as of December 31, 2024.

1.20.2. Set forth below is the average (weighted) interest rate on bank loans in accordance with the Company's consolidated financial statements as of December 31, 2024.

Average and effective interest			
	Short-term loans	**Long-term loans**	**Average rate**
From banks - NIS-denominated credit	5.86%	5.71%	5.76%
From banks - Euro-denominated credit	4.3%	4.45%	4.45%
Banking sources - credit denominated in other currencies	6.61%	7.71%	7.51%
Weighted average interest rate	**6.39%**	**5.52%**	**5.59%**

For information regarding material loans in accordance with the reportable credit directive, see Section 7 to the Board of Directors' Report attached to this report. For information regarding the Company's liability to the bank, see Note 16 to the financial statements.

Financial covenant	Description	As of December 31, 2024
Equity to asset ratio	The Company's equity shall not be lower than 25% of total assets at any given time	36.9%
Net debt coverage ratio[13]	Shall not exceed 3.5 at any time	1.6

As of the Report's date, the Company complies with the financial covenants described above.

[13] 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 divided by the annual EBITDA, on a pro forma basis.

1.20.3. **Credit facility**

As of the end of 2024, the Company has unutilized credit facilities totaling approx. USD 16.8 million (compared to approx. USD 1.2 million as of the end of 2023).

1.21. **Taxation**

For information about the tax laws applicable to the Company and its subsidiaries, see Note 23 to the Company's consolidated financial statements as of December 31, 2024.

The Company has final tax assessments until 2019.

1.22. **Restrictions of and supervision of segment activities**

The Group is subject to restrictions and supervision requirements in each of its operating segments, as described below:

1.22.1. **The Taste segment -** the Group is subject to process supervision and quality-assurance requirements in the food industry. The Group is required to maintain appropriate manufacturing conditions, including compliance with the guidelines of the National Food Service for Food Additives - and Fragrance; it is also required to hold a valid food manufacturer license issued by the Ministry of Health. Furthermore, the Company opted to voluntarily comply with food safety standards, including the Hazard Analysis and Critical Control Point (HACCP) principles, voluntary food standards (ISO 22000 FSSC), GMPP, the British Retail Consortium (BRC) food standard, IFS and SQS, and is taking steps to implement these principles in companies purchased as of the date of this report and in future purchases.

As part of its activity in this segment, the Group is required to comply with food labelling standards, provide allergens information, and comply with standards pertaining to products that are not labeled in accordance with the GHS (Global Harmonized System) provisions regarding the labelling of chemicals. The ingredients used in taste extracts require licensing under toxin permits both in Israel and across the world.

The Company ensures to act in compliance with guidance and requirements of the legislation applicable in each territory in which it develops, manufactures and markets its products, including labeling, licensing and ingredients reporting requirements, in accordance with the specific regulations in each of the countries in which it operates.

For information about material permits in this segment, see Section 1.22.8 below.

1.22.2. **The Fragrance segment -** unlike in the taste segment, the activity conducted in the fragrance segment is not subject to the directives of the Ministry of Health. The Group's activity in this segment is subject to international regulations set by the International Fragrance Association (IFRA), which defines safe application of products in accordance with risk assessments of dermal exposure. The directives of the International Fragrance Association (IFRA) are applied by the Group to all products in this segment. Furthermore, the Group opted to apply the ISO standards, and the requirements as to supervision of manufacturing, control and quality-assurance processes as per those standards. Furthermore, the Group complies with the European quality regulations (EU Cosmetic Regulation) and the Proposition 65 California Law, that sets allowed levels of ingredients in end products. As in the case of the taste segment, the ingredients used in the fragrance extracts segment require licensing under toxin permits both in Israel and across the world. For information about material permits in this segment, see Section 1.22.8 below.

1.22.3. **The Specialty Fine Ingredients segment** - the products of these segments are subject to laws, regulations and supervision applicable in each of the countries in which it operates. Sale of Company's products requires registration in advance and obtaining permits from the authorities in the relevant territories, or compliance with the rules set in the relevant regulations in each territory. Therefore, the Company works to obtain regulatory approvals and/or comply with relevant regulatory provisions through its regulations function; this is done in collaboration with local advisors in each territory in which the Company wishes to market its products. Material regulations with which the Company is required to comply include the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) in territories in which the Company operates, including the TSCA in the USA, K REACH, and UK REACH. To the best of the Company's knowledge, the Israeli government published a law memorandum on the Registration of Industrial Chemicals, 2020, whose objective is to register the chemicals manufactured in Israel or imported into the country - Israel REACH.

1.22.4. Set forth below is additional information about the relevant regulations and standards applicable in the key markets in which the Company operates, as of the Report's date:

1.22.5. The Group manufactures, develops and markets its products in a number of countries across the world, and is subject to laws, standards and oversight in each of those countries. These laws and regulations include, among other things, the regulations promulgated by the U.S. Food and Drug Administration (FDA) in relation to the Company's activity in the USA, the EU Directives that are applied in EU countries in which the Company operates, and rules set by the Israeli Ministry of Health. These laws and regulations set standards as to the manufacturing and labelling of food, and regarding the manufacturing facilities, equipment and manpower required for the manufacturing of products consumed by humans.

1.22.6. Furthermore, the Group operates under various health and safety rules, including rules relating to the operations of its laboratories and plants, and rules relating to environmental aspects of its activity, both locally and across the world. The Group's manufacturing facilities are subject to manufacturing rules and to environmental laws, laws pertaining to hazardous substances, waste treatment, and cleaning up of existing pollution. For information about environmental risks pertaining to the Group's activity, see Section 1.22.9 below.

1.22.7. Group's ingredients and products are imported and exported under importation and exportation permits, and the packaging and transportation conditions are set in accordance with the provisions of the law and the manufacturers' recommendations.

1.22.8. Set forth below is a list of the material permits in the Group's areas of activity in Israel.

1.22.8.1. **Business license** - the Group holds business licenses for its manufacturing sites in Israel. The issuance of those licenses is subject to compliance with material conditions, such as conditions regarding environmental issues and requirements by the Ministry of Health regarding sanitation, adequate conditions for food manufacturing, and HACCP principles regarding hazardous substances.

The business license of Group's plant in Nir Yitzhak is subject to compliance with other environmental conditions, including requirements on management of hazardous substances, waste, smell, noise, wastewater and emissions. The current business license also includes an undertaking by the Group as part of the agreement for the purchase of Chemada Chemicals for removal of waste and conducting a soil survey.

1.22.8.2. **Toxins permit -** a toxins permit is required in Israel under the Hazardous Substances Law, 1993, as a condition for operating and maintaining some of the Group's ingredients and raw materials that are considered "hazardous substances" by law. Group's plants abroad have in place corresponding permits in accordance with the local law. Each of the toxins permits includes am appendix comprising of specific conditions for each of the Group's plants; such an appendix includes, among other things, the types of substances and quantities thereof that may be stored, requirements as to safe use of the substances, and the means to achieve such safe use, required measures that need to be in place in both routine and emergency situations, the duty to hold a fire extinguishing permit, required safety information, prohibition on sale to unauthorized parties, and in relation to the Group's plant in Nir Yitzhak - also provisions regarding the removal of waste, addressing cyber risks, an integrated procedure for hazardous substances events (SEVESO), and preparedness for an earthquake.

1.22.8.3. **Ministry of Health's manufacturer permit** - in the taste segment, the Group is required to obtain a regulatory permit from the Israeli Ministry of Health and corresponding entities in the countries in which it operates, for the purpose of manufacturing, storing and selling tastes and fragrances. This permit defines the requirements a manufacturing site needs to comply with in connection with appropriate manufacturing and sanitary **conditions**, a list of approved ingredients and the use of FEMA-registered ingredients, restrictions on the presence of various substances, and the duty to record them (such as allergens, and a declaration that products do not contain parabens and gluten).

1.22.8.4. **Emission Permit** - the Group's plant in Nir Yitzhak has an emission permit in accordance with the Clean Air Regulations (Emission Permits), 2010. The Company's current emission permit is in effect until July 2030. In order to comply with the requirements of the permit, the Company is required to set up a system to address emissions - RTO. For more information regarding the installation of the system, see Section 1.22.16 below.

1.22.8.5. **REACH EU** - the Group's plant in Nir Yitzhak has an "Only Representative" approval (OR) as defined in the Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**"). The representative represents Chemada with regard to the registration and documentation with REACH of the Group's products exported to Europe. The Group has more than 50 substances, which are registered in accordance with the said European regulations, as well as some substances registered in the UK.

1.22.8.6. <u>The R&D Law</u>

The R&D law regulates the Israel Innovation Authority's powers to set, change and manage the function charged with supporting R&D activity under various benefit tracks. The Israel Innovation Authority also published procedures pertaining to, among other things, the transfer - both within Israel and outside Israel - of knowhow that was funded by government support, and procedures regarding the rate of royalties payable, and the rules applicable to their payment (all of the above-mentioned directives and procedures shall be named hereinafter - the "**Directives for Using Knowhow**").

Under the Directives for Using Knowhow, R&D activity of companies receiving support shall be carried out in Israel by an Israeli resident, and the products developed using funding from the Israel Innovation Authority shall be fully or partly manufactured in Israel, as approved by the Israel Innovation Authority's research committee. The Directives for Using Knowhow allow the transfer of the manufacturing rights of products that will be developed through support from the Israel Innovation Authority outside Israel; such transfer is subject to certain conditions, including, among other things, obtaining the approval for such tranfer from the Israel Innovation Authority's research committee (except for transfer of less than 10% of the original manufacturing activity carried out in Israel), and payment of increased royalties to the Israel Innovation Authority, at rates set in the directives (amounting to 120% to 300% of the grant amount, in accordance with the percentage of the manufacturing activity that is expected to be conducted outside Israel, net of royalties that had already been paid to the Israel Innovation Authority), and increasing the rate of the grant amount that is to be repaid based on mechanisms set in the Directives for Using Knowhow.

The Directives for Using Knowhow allow the transfer of knowhow that was developed through support from the Israel Innovation Authority outside Israel under certain conditions, subject to, among other things, advance approval of the transfer by the Israel Innovation Authority's research committee, payment to the government of up to six times the funding amount received (plus interest), and under no circumstances no less than the total funding amount received (plus interest), net of the royalties paid to the Israel Innovation Authority, or alternatively, by transferring alternative knowhow to Israel in consideration for the knowhow transferred outside the country, subject to other conditions listed in the above-mentioned directives.

Failure to comply with the provisions of the R&D Law and the Directives for Using Knowhow might result in a demand for immediate repayment of the grants paid to the supported company, and in certain cases to the imposition of monetary or criminal sanctions on the company; this might happen, among other things, in instances where knowhow or intellectual property that were developed through grants awarded by the Israel Innovation Authority are transferred outside Israel without obtaining the approval of the Israel Innovation Authority's research committee, or in breach of the terms of the instrument of approval or the Directives for Using Knowhow.

1.22.8.7. **Health and safety in the workplace**

As part of its activities, the Group is required to comply with health and safety rules in accordance with the laws of the State of Israel, including the Work Safety Ordinance [New Version], 1970, and the Labor Inspection (Organization) Law, 1954, including the regulations and order promulgated thereunder, and any corresponding laws and regulations in the different countries in which Group companies operate. The Group has a detailed health and safety policy and it operates in accordance with the relevant laws and regulations under dedicated and detailed work procedures. Mainly Group companies have an officer in charge of health and safety and environmental issues; in all relevant matters, Group companies operate through those officers and through health trustees. Among other things, the Group holds employee training activities in accordance with an annual plan; the Group is regularly audited as required by law with respect to various issues; tests and audits include an environmental monitoring testing, audit of fire extinguishing equipment and lifting equipment and noise tests.

1.22.9. **Environmental risks arising from the Group's activity**

1.22.9.1. **The Taste and Fragrance segments**

1.22.9.1.1 This activity involves work with ingredients that comprise various chemical substances, some of which may be hazardous or have an environmental impact. In order to manufacture the products in these segments, a number of ingredients are mixed into a single compound, which is the end product. These activities are characterized by small quantities that suit customer's needs; therefore, the size of the tools used, the quantity of the hazardous substances used and the level of hazard that may arise from the mixing of such materials is limited. However, in view of the scope of activity and the type of the Company's customers in the

USA and Eastern Europe, the Company has the capability to manufacture larger quantities of up to 5 tons, while using suitable production containers.

1.22.9.1.2 In the opinion of the Company, the above characteristics significantly reduce the environmental risks of those activities, and therefore the scope of such risks is limited. Most of the ingredients are, indeed, defined as "hazardous" in terms of the law and their classification; however, they are substances approved for use in food products, and therefore the environmental risk arising therefrom is low.

1.22.9.2. **Specialty Fine ingredients segment**

1.22.9.2.1 The activity in the chemistry industry in general and the specialty chemicals and brominated products industries in particular, involve significant potential environmental risks arising from operating activities, and from the risk for safety incidents due to an accident or malfunction in the environmental manufacturing or leveling systems.

1.22.9.2.2 The substances used by the Group as part of its manufacturing processes are defined as hazardous substances; therefore, a leak or emission of those substances might cause an environmental incident whereby toxins are emitted into the air or leak into the soil.

1.22.9.2.3 The Group's activity in the Nir Yitzhak site generates industrial wastewater that are taken for treatment in licensed sites. Sanitary wastewater, and drainage products of cooling towers are piped locally to the local sanitation system under approvals and permits issued by the Ministry of Health.

1.22.10. The Group's plant in Nir Yitzhak operates under an emission permit under the provisions of the Clean Air Law; the Company's current emission permit is in effect until July 2030. The emission of odors might cause an odor environmental nuisance.

1.22.11. **Environmental laws relevant to the Group's activities**

1.22.11.1. Group companies are subject to comprehensive environmental regulations. Over the years, environmental requirements and regulations have become continuously stricter, including by way of introducing new environmental legislation, the interpretation of relevant laws and the enforcement of environmental standards. As a result of the fact that regulations have become stricter, the Group might incur expenses and be required to make investments of large amounts. Failure to identify those requirements or to comply therewith might expose the Group to administrative and/or criminal sanctions and/or lawsuits.

The Group has various permits and licenses pertaining to environmental issues, that set the conditions for the management of its activity. The breach of the terms of the licenses, permits or other regulatory provisions, may result in the imposition of penalties, criminal or administrative sanctions, cancellation of licenses and the imposition of restrictions on the operation of facilities and in some cases the closure thereof, non-renewal of licenses and permits required for the Group, or imposition of stricter conditions, revocation or change to the terms of such permits and licenses.

In view of the substances used in the specialty fine ingredients segment, and in view of the manufacturing processes used in this segment, its activity is subject to environmental laws pertaining to air quality, wastewater quality, hazardous substances and prevention of pollution of soil and ground water. The key laws that apply to these areas include the Clean Air Law, 2008, the Prevention of Hazards Law, 1961, the Hazardous Substances Law, 1993, and directives included in the permits and licenses, including the business licenses and emission permits issued to those segments for the purpose of their activity.

Group companies' regulation departments are in charge of managing compliance with the relevant regulatory and legal requirements; the departments implement a proactive approach that is aimed at preventing clashes with regulators and legal requirements.

1.22.11.2. In view of the nature of its activities, the Group is required to provide regulatory documents to Company's customers. The Group has in place a function ensuring compliance with regulatory and quality requirements; this function addresses the regulatory requirements of the customers of each Group company by providing documents showing compliance with various regulatory requirements of regulators and customers in the target countries of the end products.

1.22.12. **Mitigation of environmental risks and environmental impacts on Group activity**

Group companies have in place an emergency procedure that reflects the nature of the activity of those companies, and the risks to which their different plants are exposed. The emergency procedure provides the infrastructure for the management of environmental and safety incidents and any other serious failures.

The Group's plant in Nir Yitzhak has a fire extinguishing function and emergency teams that are highly qualified in dealing with fires or uncontrolled emission of hazardous substances.

1.22.13. **Group's policy for mitigating environmental risks**

The management of the Group's environmental risks is carried out by the regulation and safety departments in each the Company's sites. The Company implements a proactive approach whereby the relevant employees assess the potential future regulatory environment by analyzing the requirements of customers from across the world as a measure of forecasting future regulatory requirements.

All regulatory requirements are integrated into the manufacturing processes, the controls and work directives, which translate the requirements into operating parameters in all areas of activity, in accordance with the provisions of the laws to which each area of activity is subject.

The Group has in place environmental management systems that are integrated into operating activities in accordance with the scope and type of activity in each of the segments.

The Company's work directives and procedures, its means of command and control, its preparedness mechanisms and means of production take into account the risks described above, both in terms of the ongoing management of environmental aspects of the Company's activity, and in terms of preventing significant environmental issues and addressing deviations.

The material requirements are part of the set of regulatory requirements; they are managed by the quality functions in accordance with the provisions of all relevant laws and regular management surveys.

The Group's plant in Nir Yitzhak has an environmental management system in accordance with the relevant regulations.

1.22.14. **Material legal proceedings relating to environmental issues**

As of the Report's date, there are no environmental events that required the instigation of legal proceedings or administrative procedures against Group companies.

1.22.15. **Environmental events that had a material effect on the Group**

As part of the acquisition of Chemada, the Group and the State of Israel reached an understanding whereby the Group undertook to rectify the historical environmental breaches that occurred as a result of the activities of all previous owners of the site; this undertaking mainly entails the removal of historical waste, renovation and maintenance of the evaporation ponds, and issuance of a new emissions permit when the current permit expires. As of the report date, following the Iron Swords War and the demands of the Home Front Command and the Ministry of Environmental Protection, the Company accelerated the process of removing the historical waste that was supposed to end in 2027, and completed the removal of the historical waste accumulated in the Group's plant in Nir Yitzhak. The Company continues working to renovate and treat the evaporation pond as part of its undertakings at the time of purchase of Chemada.

1.22.16. **Material environmental costs**

The Group's site in Nir Yitzhak has scrubbers and a polisher that address emissions, in accordance with the site's current emission permit. Accordingly, the Company is required to invest in the upgrading of the function that addresses emissions in order to comply with standards generally accepted for similar facilities in the chemicals industry, and is making such investments. The Company invested and signed an agreement with an international supplier to supply and build an emissions control system (RTO) in Chemada's site, with an investment of approx. USD 2.9 million, most of which has already been made. The system's equipment has reached the Group's site in Nir Yitzhak in April 2024, but due to the Iron Swords War the supplier has not yet installed it. The system, which is expected to be installed during the second half of 2025, will address both emissions of organic compounds and emissions of inorganic compounds, and will reduce the odors and hazardous substances emitted to the environment.

1.23. Insurance

The material insurance policies that cover Group companies are drawn up in accordance with the characteristics of their activities, and in accordance with the Group's risk management policy as of the Report's date; those policies include, among other things an extended fire insurance, loss of profits insurance, war and terrorism insurance, third party liability insurance, employers liability insurance, product liability insurance, professional liability insurance, officers' insurance, property insurance, equipment insurance, goods in consignment insurance, professional liability insurance of the officer in charge of safety, and insurance covering risks from contract work.

The above insurance policies are subject to the terms of the policy, which change from time to time, and to the indemnification limit set in relation to each policy.

In the opinion of Company's management, based, among other things, on advice it received and on the insurance policies it is covered under, the terms of the Group's insurance policies are appropriate.

1.24. Legal proceedings

As of the Report's date, the Group does not have material legal proceedings

1.25. Objectives and business strategy

The Group's strategy focuses on expanding its activity and its geographic deployment, through mergers and acquisitions and purchases of activities that are related to and synergetic with its own activities and through organic growth. The Group's activity comprises three pillars that complement and support one another: the fragrance segment, the taste segment, and the specialty fine ingredients segment.

As part of the business strategy, the Group has set itself a target of doubling its revenues every four years, while taking advantage of opportunities in growing markets and improving the synergies between its activities.

Mergers and acquisitions - the Group intends to accelerate its growth and its global expansion by M&As with companies operating in the Group's areas of activity and in related areas of activity, while utilizing the synergies between the different activities, their integration into the Group and their improvement. The Company's strategy is to focus on small and medium-sized companies operating in North America, Europe, Asia, and Africa. Those companies have a loyal customer base and a significant growth potential. The Group has the knowledge and experience required to identify opportunities to purchase companies and to efficiently conduct negotiations; accordingly, from time to time the Group assesses opportunities to expand its activity through mergers and acquisitions with companies whose products are synergistic with those of the Group.

Organic growth - the Group takes steps to expand its activity through organic growth in each of the markets in which it operates, through the enhancement of the research, development and innovation functions, the improvement of the supply chain processes, the production functions, the deployment of a global marketing and sales network, and the improvement of the response to customers' needs both in Israel and around the world based on Company management's vast experience over many years. In order to achieve that, the Group works to improve and increase the efficiency of the said processes and the synergies between Group's plants, and to unlock value.

The Group's objectives and business strategy constitutes forward-looking information, as defined in the Securities Law, which is based on Group management's estimates and its understanding of the situation in the market in Israel and abroad, as of the Report's date. These intentions and objectives might not materialize in whole or in part, or may materialize in a manner different and even materially different than expected, due to wrong assessments, changes in the Group's working plans, unexpected changes in the market and/or the materialization of some or all of the risk factors listed in Section 1.28 to this chapter.

1.26. **Projected developments in the forthcoming year**

1.26.1. As of the Report's date, the Group is conducting negotiations with a number of companies operating in its area of activity, for the purpose of purchasing those companies. Those acquisitions will expand the Group's activities and allow the expansion of its geographic deployment across the world in the relevant manufacturing, marketing and sales functions of its different operating segments; such acquisitions will complement the Group's product offering and will allow it to expand its marketing activities to other territories.

1.26.2. In the fragrance and taste segments - in these segments, the Group intends to improve the geographic mix, while focusing on growth in markets that have higher-than-average growth rate, with an emphasis on emerging markets. Furthermore, the Group intends to continue its R&D activities in order to provide customers with taste extracts of high added value, that meet their current and future needs and tastes; this applies specifically to taste extracts that allow reducing sugar, saturated fat and salt levels in products. In the fragrance extracts segment, the Company intends to introduce to its customers fragrance extracts with health benefits, and extracts that significantly improve customers' wellbeing.

1.26.3. The Company intends to continue the development and expansion of the development and manufacturing activities of citrus products and aroma chemicals in Israel and across the world for fragrance and taste extracts. As part of the above, the Company has a plan to expand its manufacturing and research activities while cooperating with companies from India, China and Romania. These collaborations are expected to increase the manufacturing capacity and enhance the Company's global presence in strategic markets.

1.26.4. The Company works to improve Group companies' profits and profitability. Among other things, the Company takes steps to improve the activities' profits and profitability by developing new and innovative products, including plant-based solutions, expanding the product range for its existing customer, improving the manufacturing processes and adapting them such that they meet the Group's standards, and control over and improvement of the Company's procurement processes. Furthermore, the Company takes steps to streamline its operations by leveraging the synergy between Group companies in terms of procurement of raw materials, development activities and cross-selling to Group customers.

All assumptions and data listed in this Section 1.27 regarding projected developments in the Company in the forthcoming year constitute forward-looking forecasts, assessments and estimates, as defined in the Securities Law, which are based on the Company's assessments of developments and current and future events, whose date of occurrence, if any, is uncertain and outside the Company's control. These assessments may not materialize, in whole or in part, or may materialize in a manner different than that expected by the Company, due to, among other things, technological changes in the Company's area of activity, and changes in market trends and customer preferences.

1.27. **Financial data regarding geographical segments**

The Company manufactures, markets and sells its products across the world.

1.27.1. Set forth below is the breakdown of the revenues from external parties by sales to end customers based on their geographic location in 2023-2024 (in USD thousands):

	2024	**(%) of total sales in 2024**	**2023**	**(%) of total sales in 2023**
Israel and the Middle East*	30,855	16%	32,435	25%
Europe	97,375	52%	61,076	48%
North America	17,220	9%	17,197	14%
Africa	28,913	15%	-	-
Asia and other	14,585	8%	16,647	13%
Total	**188,948**	**100%**	**127,355**	**100%**

The changes in the Company's activity in Israel and the Middle East were mainly affected by the decline in sales in the specialty fine ingredients segment.

1.27.2. Analysis by geographic location of principal manufacturing sites.

Set forth below is the segmentation of sales by principal manufacturing sites in 2023-2024 (in USD thousands):

	2024			
	Fragrance	**Taste**	**Specialty fine ingredients**	**Total**
Israel and the Middle East	16,202	24,282	18,905	59,389
Europe	12,473	79,514	-	91,987
USA	5,740	204	-	5,944
South Africa	-	28,898	-	28,898
South East Asia	89	2,641	-	2,730
Company's explanations	Revenues increased by approx. **6.6%**; the increase stems from organic growth of approx. **7.0%**. The effect of exchange rates of foreign currencies reduced sales by approx. 0.3%. The increase in profitability stems from operational streamlining alongside the increase in sales and the fixed expenses component.	Revenues increased by approx. **107.4%**, mainly as a result of acquisitions completed during 2023 and 2024, and as a result of organic growth of approx. **8.5%**. The effect of exchange rates of foreign currencies contributed approx. 0.4% of sales. The increase in profitability stems from operational streamlining in view of the leveraging of synergies and the increase in sales alongside the fixed expenses component.	Organic decline of approx. 37.1% in sales, which stems mainly from the continued competition in the segment. The Company operates to change the products mix in this segment, while focusing on the introduction of citrus products and aroma chemicals to the flavor and fragrance industries. As part of this process, the Company completed the construction and conversion of existing production lines into production lines of aroma chemicals. The fixed expenses component led to a decline in profitability due to the decline in sales.	

2023				
	Fragrances	**Taste**	**Specialty fine ingredients**	**Total**
Israel and the Middle East	17,175	25,970	29,367	72,512
Europe	9,441	36,651	-	46,092
USA	5,921	276	-	6,197
South East Asia	89	2,465	-	2,554
Company's explanations	Revenues increased by approx. 19.2%; the increase stems mainly from organic growth of 3.3%, and from the completion of the acquisition of Klabin in the fourth quarter of 2022, which was partially offset by the effects of exchange rates that reduced sales by 1.7%.	The revenues increased by approx. 10.2% - a change that stems from acquisitions completed in 2022 and 2023, and from an organic decline of approx. 3.9%. The effect of exchange rates of foreign currencies reduced sales by approx. 0.5%.	Revenues declined by approx. 7.5%; the decrease stems mainly from an organic decrease of approx. 6.4%, which stems mainly from the continued decline in customers' inventory levels due to interest rate hikes across the world and the economic unclarity in the markets. The effect of exchange rates of foreign currencies reduced sales by 1.2%.	

1.27.3. Total current assets (excluding intercompany balances) by geographic location of principal manufacturing sites in 2023-2024 (in USD thousands):

	2024	2023
Israel and the Middle East	40,412	44,907
Europe	66,443	30,812
North America	1,552	1,735
Africa	12,911	-
Asia and other	2,401	2,328

1.28. Risk factors - discussion

In the opinion of the Company, its activity is exposed to the following main risk factors:

1.28.1. Macroeconomic risk factors

1.28.1.1. **Slowdown and economic uncertainty** - the Group's products are used in a range of industries and for numerous applications, mainly in the food, pharmaceuticals, cosmetics and other industries. Global and/or local economic slowdown might cause a decrease in demand in the different industries, and as a result trigger varying rates of decrease in demand to Group's products, in the prices of those products, and in profit margins, thereby adversely affecting the scope of its activity and operating results. Furthermore, economic slowdown or a recession might expose the Group to an increase in financial risks in connection with its customers. Furthermore, inflation might lead to erosion of the profitability of Group companies due to an increase in raw materials prices, and supply chain costs.

In addition, an economic crisis might lead credit providers to apply stricter criteria to borrowers, and make it difficult for corporations to raise financing for investment, development, working capital and refinancing. Should the Group need external financing resources, it might encounter difficulties in obtaining substantial amounts in financing from banks or non-banking entities; furthermore, there might be a deterioration in credit terms obtainable by the Group.

1.28.1.2. **Changes and/or deterioration in the security-political situation in Israel** - Changes and/or deterioration in the security-political situation in Israel and in Israel's position in the world, wars, military clashes, and terror attacks in Israel impact - to some extent and for variable periods - on demand for the Group's products in its areas of activity. Such a deterioration in the security situation might cause partial or full shutdown of the Group's plants due to unavailability of raw materials and/or a physical damage to its plants or to infrastructures it uses or to facilities located in proximity thereto. Furthermore, terror attacks targeting the Group's assets might force the Group to suspend activity or shutdown some or all of its plants. Such events may have a material adverse effect on the Group's businesses, financial results and activity. Furthermore, Chemada's plant is located in proximity to the Gaza Strip.

Furthermore, the Group has international customers, and some of its activities are conducted in territories outside Israel (mainly Europe). Certain countries forbid business relations with Israel or with Israeli companies. A deterioration in the political-security situation in Israel, negative public opinion about Israel, or the expansion of the boycott of Israel to other countries and other customers that trade with Israeli companies, might have an adverse effect on the Group's scope of activity and results of operations.

1.28.1.3. **Financial risks** - the Group's activity exposes it to a range of financial risks, including foreign currency risks, interest risks, prices risks, credit risks and liquidity risks. The Group's activity is impacted by fluctuations in foreign currencies' exchange rates. Company's sales are made in a range of currencies, in accordance with the countries in which the Group operates, mainly the NIS, the US Dollar and the Euro, while its financial statements are drawn up in US Dollars; therefore, changes in exchange rates of foreign currencies impact the financial statements. However, the exposure to exchange rates of foreign currencies is small, since most of the raw materials are purchased in US Dollars and Group companies' operating expenses are denominated in the functional currency in the country in which they operate.

In addition, the Group has loans and liabilities denominated in different currencies; those loans and liabilities bear interest at variable rates plus the bank's margin. An increase in interest rates across the world shall trigger an increase in the Group's financing expenses.

1.28.1.4. **Deterioration in geopolitical and security conditions** - deterioration in geopolitical conditions, instability and security crises in countries in which Group companies operate may have an adverse effect on the economy in those countries and in neighboring countries, as well as on international trade and global economy, including in markets in which the Company operates. The Group's activity in developing markets is exposed to risks arising from the type and structure of the regimes in those countries. The continued conflict between Russia and the Ukraine, attacks by the Houthis in Yemen, and the possibility that the conflict will also involve Eastern Europe or South East Asia, might have an adverse effect on air and sea freight capabilities and costs, and the prices of raw materials and goods. Group subsidiaries that have business activity in Asia and Eastern Europe might be adversely affected from the instability of our customers' economic system in the said countries and from restrictions on trade and financial restrictions.

1.28.2. Sectoral risk factors

1.28.2.1. **Changes in raw materials prices** - the Group is exposed to changes in raw materials prices, some of which are set in the international market and impacted from macroeconomic changes. The Company operates to mitigate the effect of the increase in raw materials prices by updating the prices of the products it supplies to its customers. Some of the Group's raw materials are agricultural products, whose prices, quality and availability might be affected, among other things, from weather conditions. In order to reduce the exposure, the Group normally maintains inventory for its operating activities based on expected supply in accordance with past experience.

1.28.2.2. **Inventory management** - one of the characteristics of the industries in which the Group operates is that in some of the segments it is difficult to estimate customers' demand for products, and therefore it is also difficult to estimate the Group's demand for raw materials. Sometimes there is not enough information about projected orders by customers, changes occur with customers and/or seasonal assessments materialize in a manner that is materially different than estimated, normally due to factors that are outside the Group's control. This might cause a situation where inventory is not managed in an optimal manner, since shortages of inventory available for production and/or finished goods available to customers might cause a decrease in the Group's revenues from sales, and lead to loss of future sales due to customers' entering into engagements with competitors. On the other hand, inventory levels that are too high might expose the Group to changes in raw material prices and to finance expenses; therefore, the Group changed its inventory management in a manner that gives it a relative advantage over its competitors; its value chain and supply chain are highly agile and allow it to have products available for customers, as well as relatively quick manufacturing processes (other than in the activity of the plant in Nir Yitzhak), so that it is able to provide the best possible and flexible service to its customers.

1.28.2.3. **Closure of ports and airports** - strikes and/or closures of ports located along shipping lines of the Group's raw materials and end products might cause delays in the shipping services provided to the Group, and force the Group to find other alternatives to transport and supply its raw materials and end products, and/or cancel orders, which will lead customers to seek alternative suppliers. In such cases, freight prices will increase. Under such circumstances, raw material prices might also be significantly higher. The temporary closure of airports, as was the case during the Covid-19 pandemic, might cause delays in the supply of end products.

1.28.2.4. **Stricter licensing and regulation requirements and compliance therewith -** Company's products are subject to regulation and licensing requirements that regulate their production, marketing, sale and distribution. Stricter regulation, or failure to obtain the required approval in new territories, might impact the Company's growth rate.

Stricter regulation and/or interpretation of relevant laws and/or enforcement as mentioned above in connection with the Group's or the Company's activities might result in the Group's incurring significant expenses and having to make significant investments. Failure to fully identify or comply with those requirements might expose the Group to administrative and/or criminal sanctions and/or to lawsuits.

1.28.2.5. **Environmental laws and damages -** the activity of the Group's plant in Nir Yitzhak is subject to comprehensive regulation in the field of environmental laws and damages. Over the years, environmental requirements and regulations have become continuously stricter, including by way of introducing new environmental legislation, the interpretation of relevant laws and the enforcement of environmental standards. Such stricter regulation and/or interpretation and/or enforcement might affect the Group's activity. As a result of the fact that regulations have become stricter, the Group might incur expenses and be required to make investments of large amounts. Failure to identify those requirements or to comply therewith might expose the Group to administrative and/or criminal sanctions and/or lawsuits. The Group has various permits and licenses pertaining to environmental issues, that set the conditions for the management of its activity. The breach of the terms of the licenses, permits an/or other regulatory provisions, may result in the imposition of penalties, criminal or administrative sanctions, cancellation of licenses and the imposition of restrictions on the operation of facilities and in some cases the closure thereof, non-renewal of licenses and permits required for the Group, or imposition of stricter conditions, revocation or change to the terms of such permits and licenses.

1.28.2.6. **Cyber risks** - most of the risk factors and threats the Group faces in this context are general risk factors such as malware, database hacking, data leak, ransom and shutdowns. Some of those risks, among other things, are specific risk factors arising from the fact that the Group is mainly Israeli; this includes the possibility of an attack by anti-Israeli campaigns, and risk factors stemming from the decentralization of the activity to a number of plants and subsidiaries in Israel and abroad. The materialization of such risks may damage the business activity, including cessation or disruption of activities, loss or theft of information, breach of privacy, damage to reputation, loss of profits, etc.

The Group mitigates the cyber risks in accordance with generally accepted methodologies and work procedures; it also promotes steps to improve its IT function across the entire organization. The Company's IT systems are managed and located in a secure environment on internal servers in each of the Group's sites. IT systems in the Group's sites may only be accessed by entering a user name and password; some of the IT systems also have other access restrictions; access to sensitive information is restricted only to the required personnel, and in accordance with specific authentication requirements.

1.28.2.7. **Competition** - see Section 1.10.7 above.

1.28.2.8. **The occurrence of accidents during the course of the Group's activity** - the Group's activity involves, by nature, various occupational risks; the Company is therefore required to take special precautions in order to maintain a safe and healthy work environment in order to ensure the safety of employees and other parties in the Group's facilities. The Group is subject to occupational health and safety standards in accordance with local and international laws, regulations and standards. The Group is also exposed to operational risks relating to industrial or engineering activity, such as maintenance issues or equipment malfunction. Failure to implement the Group's safety measures and standards or deviation therefrom, such as failure to prevent a safety incident or other operational risks or failure to properly address them might lead to injuries or even the death of employees, disrupt activity and to the Group's incurring legal and financial liabilities of substantial amounts.

1.28.2.9. **Legal proceedings** - taking into account the nature of the Group's activity and the scope of its customer base, the Group has an exposure to lawsuits and various sanctions, due to, among other things, potential damages to third parties, breach of environmental rules, or of the terms of any of the Group's licenses, lawsuits by employees, enforcement procedures of various authorities, and licensing consequences arising from a change in the position of government authorities in connection with the Group's activity.

1.28.2.10. **Fluctuations in supply and demand** - the Group is exposed to changes in demand to Group's products and services and/or the availability of its raw materials and/or their prices. the Group's businesses are exposed to fluctuations that arise partly from the demand side of its businesses, such as new market players and new products, mergers of key market players, and the expansion of the production, storage, transportation, and logistics capacities of the Group's key suppliers and customers. As part of its manufacturing activities, especially in the fragrance and taste segment, the Group uses many natural ingredients, and it is dependent on the availability of those ingredients and is affected therefrom. It should also be clarified that the closure of plants supplying ingredients to the Group might trigger an increase in the price of the ingredients.

1.28.3. <u>Company-specific risk factors</u>

1.28.3.1. **Employees possessing unique knowhow and dependency on key personnel** - the Company's activity in the fragrance and taste segments relies on perfumers (employees who develop fragrance extracts) and flavorists (employees who develop taste extracts). In the specialty fine ingredients segment, employees need to have the qualifications required to work in the area of chemistry. Therefore, in view of the fact that the Company has employees possessing specific expertise, retaining those employees is critical to the success of the Company. Furthermore, as of the report's date, the Company is dependent on its controlling shareholder, as described in Section 1.17.2 above.

1.28.3.2. **Labor disputes** - Chemada's employees are employed in accordance with a special collective labor agreement, and the Company has no guarantees that this agreement will be renewed, from time to time, without a strike. If industrial action will take place that will involve a shutdown or a damage to the Company's activities, this might have an adverse effect on the Company's business, its financial position and results of operations. Furthermore, the reopening of the collective agreements may lead to pay rises to employees.

1.28.3.3. **Dependence on the Group's principal activity sites** - the Group is dependent to a certain extent on the Nir Yitzhak site operating in the specialty fine ingredients segment. Damage to the production facilities as described above or shutdown of these facilities might cause a reduction and even a cessation of the Company's activities in the above areas of activity; however, in the taste and fragrance segments, the Group has some flexibility and is able to divert manufacturing capacity between Group's plants in different countries, thereby enabling continuous activity in these segments. even if some of its plants have been shutdown.

1.28.3.4. **Proximity to the Gaza Strip** - the Group's plant in Nir Yitzhak is located in the Gaza Envelope. Due to the plant's location, it might be exposed to terror attacks.

1.28.3.5. **Growth through acquisition of companies and activities** - the Group's strategy is to achieve growth, among other things, through mergers and acquisitions with companies operating in the Group's areas of activity. If the Group is unsuccessful in identifying acquisition opportunities that are in line with the nature of its activity under satisfactory conditions, or if it fails to obtain the financing required to make the acquisitions, this might have an adverse effect on the implementation of the Group's strategy, its ability to grow and its financial results. Furthermore, if a certain acquisition will take place but will not be optimally aligned with the Group's activity, or if the integration process of the acquired company will not be effective, the Group may encounter operational challenges and unexpected costs.

1.28.3.6. **Integration of purchased activities** - in recent years, the Group acquired a number of companies and activities. The integration of these activities into the Group requires efficient management to ensure that the Group's makes the most of the financial advantages, and utilizes the synergies and the economies of scale. The Group's inability to adapt itself to higher growth rates, or a delay in the integration of the new activities into existing Group companies, might lead to expenses or losses, which may have an adverse effect on the Company's financial results.

The following table presents the Company's existing risk factors by type and impact on the Company's businesses, as assessed by the Company:

	The extent of the risk factor's impact on the Company		
	Large	**Medium**	**Small**
Macro risks			
Economic slowdown and uncertainty		V	
Changes and/or deterioration in the security-political situation in Israel		V	
Financial risks			V
Deterioration in global geopolitical and security conditions	V		
Sectoral risks			
Changes in raw materials prices		V	
Inventory management			V
Closure of ports and airports	V		
Stricter licensing and regulation requirements and compliance therewith		V	
Environmental laws and damages		V	
Cyber risks			V
Competition		V	
The occurrence of accidents during the course of the Group's activity			V
Legal proceedings			V
Fluctuations in supply and demand			V
Company-specific risks			
Employees possessing unique knowhow and dependency on key personnel		V	
Labor disputes			V
Dependence on the Group's principal sites		V	
Proximity to the Gaza Strip			V
Growth through acquisition of companies and activities		V	
Integration of purchased activities		V	

TURPAZ

Chapter B

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

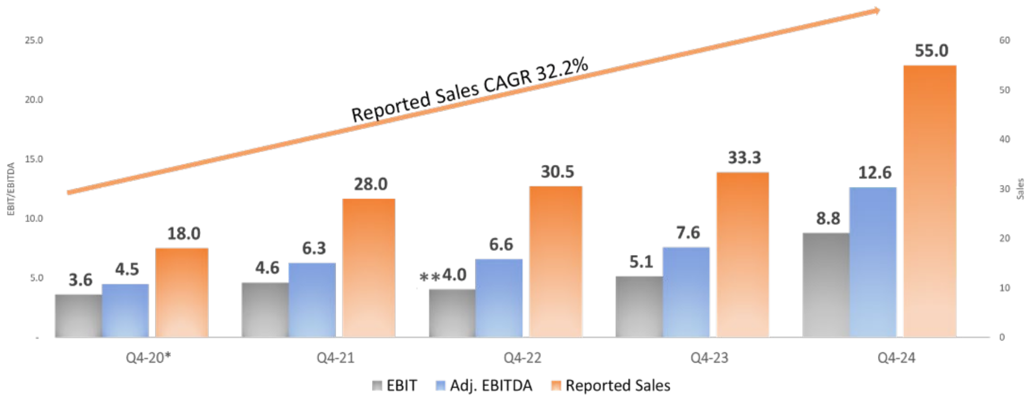
<u>Directors' Report on the State of the Company's Affairs</u>

For the year ended December 31, 2024

The Company's Board of Directors is pleased to submit the Board of Directors' Report on the state of affairs of Turpaz Industries Ltd. (hereinafter - the "**Company**" or "**Turpaz**"), for the year ended December 31, 2024, all in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

The implementation of Turpaz's mergers and acquisitions strategy in combination with organic growth, led to record results in 2024, and results continued strengthening in the fourth quarter of 2024, with a double-digit increase in revenues, gross profit, operating profit, adjusted EBITDA[1] and net income:

- In the fourth quarter of 2024, Turpaz's sales increased by approx. **64.9%** and reached a record level of approx. **USD 55.0 million**, adj. EBITDA increased by approx. **66.7%** and amounted to approx. **USD 12.6 million**, the rate of adj. EBITDA reached to approx. **23.0%**, operating profit increased by approx. **71.1%** and amounted to approx. **USD 8.8 million**, and net income increased by approx. **34.5%** and totaled approx. **USD 4.5 million**.



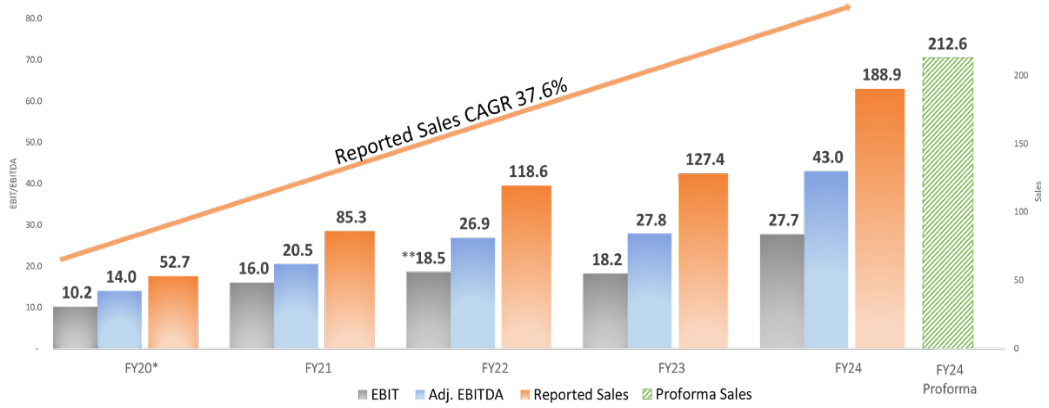
- In 2024 as a whole, sales on a pro forma[2] basis amounted to approx. **USD 212.6 million**; sales increased by approx. **48.4%** and reached a record high of approx. **USD 188.9 million**; adj. EBITDA increased by approx. **54.8%** and amounted to approx. **USD 43.0 million**; the adj. EBITDA rate, which is one of the highest in the industry, reached approx. **22.7%**; operating profit increased by approx. **52.5%** and

---

[1] **Adjusted EBITDA** means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses. For details, see sections 8 and 9 below. It is emphasized that this metric is not based on generally accepted accounting principles; it is a generally accepted metric used to measure the operational efficiency of companies operating in the Company's area of activity.

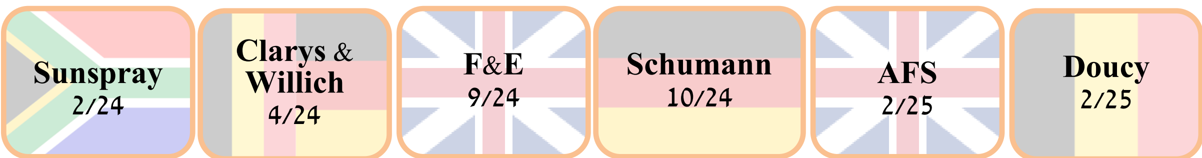
[2] For details regarding pro forma data, see section 2 below.

amounted to approx. **USD 27.7 million**; and net income increased by approx. **23.4%** and amounted to approx. **USD 15.9 million**.



(*) The above data are based on internal Company data and are not reviewed or audited. (**) EBIT net one-off income from the fire event.[3]

- In the fourth quarter of 2024, Turpaz's core activity, which includes the Taste and Fragrance segments, achieved a growth of approx. **99.5%**, of which organic growth of approx. **10.3%**, and in 2024 - a growth of **73.7%**, of which organic growth of approx. **8.2%**.
- The Specialty Fine Ingredients segment started recovering in the fourth quarter of 2024, with sales reaching approx. USD 5.3 million. The Company believes that the recovery trend will continue and even strengthen in 2025[4].
- Since the beginning of 2024 and through the report publication date, Turpaz completed 6 acquisition transactions in England, Germany, Belgium and South Africa, which expanded and established its geographic deployment, both by entering into new territories and by establishing and expanding existing activities, which allow the leveraging of synergy with the Company's activity.



[3] For details regarding the fire event, see Note 27 to the financial statements.

[4] The Company's assessments in this section above in connection with the improvement trend in sales of the specialty fine ingredients segment in the first quarter of 2025, 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.

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 is a global company that operates, independently and through its subsidiaries ("**Turpaz**" or the "**Group**"), in three operating segments - the Fragrance segment, the Taste segment, and the Specialty Fine Ingredients segment. As part of this activity, Turpaz is engaged in the development, production, marketing, distribution and sale of **fragrance extracts**, 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, raw materials for the meat and baking industries, special (gluten free) flours, which are used mainly in the production of food and beverages; and **specialty fine ingredients** which include citrus products and aroma chemicals used in the taste and fragrance industries, and raw materials for the pharma and fine chemicals industries.

For more information regarding those segments, see Section 1.3.2 to Chapter A to the 2024 Periodic Report.

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. 3,500 customers in more than 65 countries across the world, and operates 22 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, the UK and South Africa which employ approx. 850 employees.

Combined growth strategy:

Turpaz Group's strategy is based on combined growth that includes targets of double-digit growth and improvement of the Group's geographic deployment through M&As and acquisitions of activities that are synergetic to the Group'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 an ongoing basis, noting the market conditions and the expected contribution from the acquisition, as estimated by the Company. During the reporting period, Turpaz continued the implementation of its growth strategy and expanded its activity in international markets, while enhancing its position in the field of taste and fragrance solutions and its geographic deployment across the world. **For information regarding acquisitions completed in 2024 and through the report publication date, see Section 1.4 to Chapter A to the 2024 Periodic Report.**

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, which are mostly led by the previous owners for a number of years 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 sales, 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 fulfillment of the potential embodied in the acquisitions, the periods during which the potential embodied in the acquisitions and the new recruitments will be fulfilled, and as to the integration of the acquired companies into the Group constitutes forward-looking information, as defined in the Securities Law, which is based on Group management's assessments, and may not materialize or materialize in a manner different than expected, as a result of incorrect assessments, changes to the work plan, changes in the market, or the materialization of all

or some of the risk factors listed in Section 1.28 to Chapter A of the 2024 Periodic Report.

2. **<u>Pro forma data</u>**

Had the acquisitions that were executed in 2023 and 2024 taken place on January 1, 2023, based on unaudited data provided by the sellers of the activities acquired during this period, the Group's revenues, net income and operating profit plus depreciation and amortization excluding none-recurring expenses (adjusted EBITDA[5]) as described in the following table (USD in thousands).

Pro forma data	**For the year ended December 31 2024 (Unaudited)**						
	Core businesses*	(% of sales)	Specialty fine ingredients	(% of sales)	Unallocated joint expenses	**Total**	(% of sales)
Sales	194,148	91.3%	18,464	8.7%		**212,612**	100%
Net income	21,959	11.3%	2,251	12.2%	(6,153)	**18,057**	8.5%
Adj. EBITDA	54,087	27.9%	3,099	16.8%	(7,695)	**49,491**	23.3%

Pro forma data	**For the year ended December 31, 2023 (Unaudited)**						
	Core businesses*	(% of sales)	Specialty fine ingredients	(% of sales)	Unallocated joint expenses	**Total**	(% of sales)
Sales	180,747	86.0%	29,367	14.0%		**210,114**	100%
Net income	13,363	7.4%	6,055	20.6%	(4,617)	**14,801**	7.0%
Adj. EBITDA	45,953	25.4%	8,197	27.9%	(5,809)	**48,341**	23.0%

Pro forma data	**For the three months ended December 31, 2024 (Unaudited)**						
	Core businesses*	(% of sales)	Specialty fine ingredients	(% of sales)	Unallocated joint expenses	**Total**	(% of sales)
Sales	50,388	90.4%	5,328	9.6%		**55,716**	100%
Net income	5,157	10.2%	1,154	21.7%	(1,595)	**4,716**	8.5%
Adj. EBITDA	12,940	25.7%	1,970	37.0%	(1,991)	**12,919**	23.2%

[5] See footnote 1 above.

Pro forma data	For the three months ended December 31, 2023 (Unaudited)						
	Core businesses*	(% of sales)	Specialty fine ingredients	(% of sales)	Unallocated joint expenses	**Total**	(% of sales)
Sales	45,782	84.4%	8,465	15.6%		**54,247**	100%
Net income	2,822	6.2%	2,261	26.7%	(1,124)	**3,959**	7.3%
Adj. EBITDA	11,371	24.8%	2,795	33.0%	(1,424)	**12,741**	23.5%

*The Group's Fragrance and Taste segments.

The above data include expenses that would have been recorded accordingly had the acquisitions made in 2023 and 2024 been carried out on January 1, 2023 - interest expenses in respect of loans to finance the acquisitions and in respect of updating non-cash put options, depreciation and amortization in respect of non-cash intangible assets, and excluding non-recurring expenses that were recorded. The data presented above in this section do not take into account synergies, which would have arisen from the merger of the acquisitions with the Company's activity.

3. Events during the reporting period and subsequent to balance sheet date

3.1. For more information regarding material acquisitions through the report publication date, see Section 1.4 to Chapter A to this Periodic Report.

3.2. For information regarding investment and collaboration agreements with companies, which are not Company subsidiaries, see Notes 5D-E and 28A to the financial statements.

3.3. On March 19, 2024, the Company's Board of Directors approved the distribution of an approx. USD 4 million dividend (approx. NIS 14.6 million) to the Company's shareholders, which was paid to the shareholders on April 9, 2024; for more information, see immediate report of March 20, 2024 (Ref. No.: 2024-01-023998).

3.4. On December 5, 2024, the Company's Board of Directors approved the distribution of an approx. USD 4 million dividend (approx. NIS 14.4 million) to the Company's shareholders, which was paid to the shareholders on December 30, 2024; for more information, see immediate report of December 5, 2024 (Ref. No.: 2024-01-622389).

3.5. For details regarding issues approved by the meeting of the Company's shareholders of May 26, 2024, see immediate report of May 26, 2024 (Ref. No.: 2024-01-051988).

3.6. For information regarding material credit taken by the Company in the reporting period, see Section 7 below.

3.7. For information regarding additional events, see Note 28 to the financial statements.

4. **Financial position**

The total amount of assets and liabilities in 2024 was mainly affected by two factors - an increase due to completion of acquisition of companies during the year, and a decrease due to the strengthening of the dollar against other currencies compared to December 31, 2023.

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

	December 31, 2024	December 31, 2023	Company's explanations
Current assets	123,719	79,782	The increase stems mainly from consolidation of companies acquired in the period and an increase in the scope of the Group's activity.
Non-current assets	267,031	142,246	
Total assets	**390,750**	**222,028**	
Current liabilities	70,136	41,463	The increase stems mainly from an increase in current maturities in respect of loans and from consolidation of companies acquired in the period.
Non-current liabilities	176,368	63,238	The increase stems mainly from taking long-term loans to finance the acquisitions, from the recognition of a liability in respect of the put options for the purchase of the shares of companies, whose acquisition was completed in 2024, and from long-term loans of those companies, offset against the classification of a liability in respect of a put option to the Company's capital.
Total equity	**144,246**	**117,327**	The increase arises mainly from a net income of approx. USD 15.9

	December 31, 2024	December 31, 2023	Company's explanations
			million in the period, the classification of a liability in respect of a put option to non-controlling interests and other capital reserves whose effect on the equity is approx. USD 21.6 million, and exercise of non-marketable employee options offset against an approx. USD 8 million dividend to the shareholders, which was paid in 2024, and translation differences due to changes in exchange rates of currencies.
Total liabilities and equity	**390,750**	**222,028**	

5. Operating results

5.1. Set forth below is an analysis of the 2024 operating results in accordance with the financial statements, and the explanations for the key changes in those data (in USD thousand):

Line item	For the period ended December 31, 2024	For the period ended December 31, 2023	Company's explanations compared to the corresponding period last year
Revenues from sales	**188,948**	**127,355**	Revenues from sales increased by **approx. 48.4%** - an increase that stems from organic growth[6] in the Group's core businesses - the taste and fragrance segments, at a rate of approx. **8.5%** and approx. **7.0%**, respectively, and from companies, whose acquisition was completed in 2023 and 2024, which is offset against an organic decline of approx. **37.2%** in the specialty fine ingredients segment (total organic growth of the Group - approx.

[6] 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 2024 were consolidated in a similar way in 2023.

Line item	**For the period ended December 31, 2024**	**For the period ended December 31, 2023**	**Company's explanations compared to the corresponding period last year**
			1.1%). The effect of exchange rates increased sales by approx. 0.2%.
Cost of sales	115,289	77,742	The gross profit increased by approx. 48.5%, mainly in view of the increase in sales.
Gross profit (% of sales)	73,659 39.0%	49,613 39.0%	
Research and development expenses (% of sales)	7,034 3.7%	4,923 3.9%	The increase in research and development expenses arises from acquisitions, which were completed during 2023 and 2024, depreciation of intangible assets in respect of these acquisitions, and the recruitment of a Global Master Perfumer and a Global Senior Flavorist to manage and improve the Group's R&D function.
Selling and marketing expenses (% of sales)	16,273 8.6%	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 2024, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	22,124 11.7%	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 2024.
Company's share in losses (profits) of companies accounted for by the equity method, net	(36)	-	In respect of investees, see Note 5D and 5E to the financial statements.
Other expenses (income)	532	457	These expenses mainly include non-recurring expenses in respect of the acquisition of companies, net of a grant in respect of the Iron Swords War.
Income from ordinary operations (% of sales)	**27,732 14.7%**	**18,180 14.3%**	The increase stems mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in 2024.

Line item	For the period ended December 31, 2024	For the period ended December 31, 2023	Company's explanations compared to the corresponding period last year
Financing expenses, net	6,680	2,790	The increase stems mainly from interest expenses in respect of loans taken by the Company from banking corporations to finance acquisitions.
Taxes on income (Effective tax %)	5,307 25.2%	2,496 16.2%	The change arises from changes in the pre-tax profit mix between the different countries in which the Group operates
Net income from continued operations (% of sales)	**15,745** **8.3%**	**12,894** **10.1%**	The net income increased by approx. 23.4%, mainly due to the growth in core activity, completed acquisitions and the synergy arising therefrom.
Net income from discontinued operation[7] (% of sales)	**165** **0.1%**	-	The decrease in profitability arises from an increase in amortization expenses of intangible assets in respect of acquisitions, an increase in finance expenses, and an increase in the effective tax rate as a result of changes in the pre-tax profit mix between the various countries in which the Group operates, as described above.
Total net income for the period (% of sales)	**15,910** **8.4%**	**12,894** **10.1%**	
EBITDA[8]	41,599	27,277	The adjusted EBITDA increased by approx. 54.8% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stemmed from the reasons listed above in this table.
Adj. EBITDA[9] **(% of sales)**	**42,975** **22.7%**	**27,761** **21.8%**	

5.2. Set forth below is an analysis of the operating results in accordance with the financial statements for the three months ended December 31, 2023, and 2024, and the explanations for the key changes in those data (in USD thousand):

---

[7] The discontinued operation - the taste extracts activity for the Group's electronic vaping products, which - as of the report publication date - was transferred to AFS. For information regarding the AFS transaction, see Note 28A to the financial statements.

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

[9] See footnote 1 above.

Line item	For the three-month period ended December 31, 2024	For the three-month period ended December 31 2023	Company's explanations
Revenues from sales	**54,975**	**33,339**	Revenues from sales increased by **approx. 64.9%** - an increase that stems from organic growth[10] in the Group's core businesses - the taste and fragrance segments, at a rate of approx. **11.4%** and approx. **5.0%**, respectively, and from companies, whose acquisition was completed in 2024, which is offset against an organic decline of approx. **37.1%** in the specialty fine ingredients segment (total organic growth of the Group - approx. **2.8%**). The effect of exchange rates of foreign currencies contributed approx. 0.4% of sales.
Cost of sales	33,546	19,741	The gross profit increased by approx. 57.6%, mainly in view of the increase in sales.
Gross profit (% of sales)	21,428 39.0%	13,598 40.8%	
Research and development expenses (% of sales)	1,932 3.5%	1,395 4.2%	The increase arises from the consolidation of the results of companies, whose acquisition was completed during 2024, amortization of intangible assets in respect of these acquisitions, and the recruitment of a Global Master Perfumer and a Global Senior Flavorist to manage and improve the Group's R&D function. The percentage of R&D expenses of sales has decreased due to synergies, which were reflected in the reporting period.
Selling and marketing expenses (% of sales)	5,041 9.2%	2,668 8.0%	The increase arises mainly from the consolidation of companies, whose acquisition was completed during 2024, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses (% of sales)	6,405 11.7%	4,309 12.9%	The increase in general and administrative expenses arises from the consolidation of companies, the

[10] 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 2024 were consolidated in a similar way in 2023.

Line item	For the three-month period ended December 31, 2024	For the three-month period ended December 31 2023	Company's explanations
			acquisition of which was completed during 2024.
Company's share in losses (profits) of companies accounted for by the equity method, net	(36)	-	In respect of investees, see Note 5D and 5E to the financial statements.
Other expenses (income)	(690)	97	These expenses mainly include non-recurring expenses in respect of the acquisition of companies, net of a grant in respect of the Iron Swords War.
Income from ordinary operations (% of sales)	**8,776** 16.0%	**5,129** 15.4%	The increase stems mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in 2024.
Financing expenses, net	2,641	1,112	The increase stems mainly from interest expenses in respect of loans taken by the Company from banking corporations during the reporting period.
Taxes on income (Effective tax %)	1,676 27.3%	647 16.1%	The change arises from changes in the pre-tax profit mix between the different countries in which the Group operates.
Net income for the period from continued operations (% of sales)	**4,459** 8.1%	**3,370** 10.1%	The net income increased by approx. 34.5%, mainly due to the growth in core activity, completed acquisitions and the synergy arising therefrom. The decrease in profitability arises from an increase in amortization expenses of intangible assets in respect of acquisitions, an increase in finance expenses, and an increase in tax expenses as a result of changes in the pre-tax profit mix between the various countries in which the Group operates, as described above.
Net income from discontinued operation[11] (% of sales)	**74** **0.1%**	-	
Total net income for the period	**4,533** 8.1%	**3,370** 10.1%	

[11] See footnote 6 above.

Line item	For the three-month period ended December 31, 2024	For the three-month period ended December 31 2023	Company's explanations
(% of sales)			
EBITDA[12]	12,399	7,476	The adjusted EBITDA increased by approx. 66.7% compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stemmed from the reasons listed above in this table.
Adj. EBITDA[13] (% of sales)	**12,632** 23.0%	**7,580** 22.7%	

5.3. Set forth below is a breakdown of operating results by segments for the years ended December 31, 2023, and 2024 (USD thousand):

Segment		2024	2023	Company's explanations
Fragrance segment	**Revenues**	**34,945**	**32,768**	Revenues increased by approx. **6.6%**; the increase stems from organic growth of approx. **7.0%**. The effect of exchange rates of foreign currencies reduced sales by approx. 0.3%. The increase in profitability stems from operational streamlining alongside the increase in sales and the fixed expenses component.
	Operating profit (% of sales)	**9,092** 26.0%	**8,025** 24.5%	
Taste segment	**Revenues**	**135,542**	**65,361**	Revenues increased by approx. **107.4%**, mainly as a result of acquisitions completed during 2023 and 2024, and as a result of organic growth of approx. **8.5%**. The effect of exchange rates of foreign currencies contributed approx. 0.4% of sales. The increase in profitability stems from operational streamlining in view of the leveraging of synergies and the increase in sales alongside the fixed expenses component.
	Operating profit (% of sales)	**23,579** 17.4%	**9,449** 14.5%	

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

[13] Adjusted EBITDA means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses. For details, see section 8 below.

Segment		2024	2023	Company's explanations
Specialty fine ingredients segment	**Revenues**	**18,464**	**29,367**	Organic decline of approx. 37.1% in sales, which stems mainly from the continued competition in the segment. The Company operates to change the products mix in this segment, while focusing on the introduction of citrus products and aroma chemicals to the flavor and fragrance industries. As part of this process, the Company completed the construction and conversion of existing production lines into production lines of aroma chemicals. The fixed expenses component led to a decline in profitability due to the decline in sales.
	Operating profit (% of sales)	**3,052** 16.5%	**6,702** 22.8%	
Unallocated joint expenses	**Revenues**	**(3)**	**(141)**	
	Operating profit	(7,991) 4.2%	(5,996) 4.7%	
Total	**Revenues**	**188,948**	**127,355**	
	Operating profit	**27,732** 14.7%	**18,180** 14.3%	

5.4. Set forth below is an analysis of operating results by segments for the three-month period ended December 31, 2023, and 2024, by segments (in USD thousand):

Segment		For the three-month period ended December 31, 2024	For the three-month period ended December 31 2023	Company's explanations of the increase in the fourth quarter of 2023 compared with the fourth quarter of 2024
Fragrances segment	**Revenues**	**8,376**	**8,133**	Revenues increased by approx. 3.0%; the change stems from organic growth of approx. 5.0%. The effect of exchange rates of foreign currencies reduced sales by approx. 1.9%. The increase in profitability stems from operational streamlining alongside the increase in sales and the fixed expenses component.
	Operating profit (% of sales)	**1,804** 21.5%	**1,638** 20.1%	

Segment		**For the three-month period ended December 31, 2024**	**For the three-month period ended December 31 2023**	**Company's explanations of the increase in the fourth quarter of 2023 compared with the fourth quarter of 2024**
Taste segment	**Revenues**	**41,271**	**16,758**	Revenues increased by approx. 146.3%, mainly as a result of acquisitions completed during 2024, and as a result of a double-digit organic growth of approx. 11.4%. The effect of exchange rates of foreign currencies contributed approx. 1.0% of sales. The increase in profitability stems from operational streamlining alongside the increase in sales and the fixed expenses component.
	Operating profit (% of sales)	**7,528** 18.2%	**2,562** 15.3%	
Specialty fine ingredients segment	**Revenues**	**5,328**	**8,465**	Organic decline of approx. 37.1%, which stems mainly from the continued competition in the segment. The Company operates to change the products mix in this segment, while focusing on the introduction of citrus products and aroma chemicals to the taste and fragrance industries. As part of this process, the Company completed the construction and conversion of existing production lines into production lines of aroma chemicals.
	Operating profit (% of sales)	**1,516** 28.5%	**2,389** 28.2%	
Unallocated joint expenses	**Revenues**	**-**	**(17)**	.
	Operating profit	(2,072) 3.8%	(1,460) 4.4%	
Total	**Revenues**	**54,975**	**33,339**	
	Operating profit (% of sales)	**8,776** 16.0%	**5,129** 15.4%	

6. Liquidity

As of December 31, 2024, the Company had a cash balance of USD 25,926 thousand; set forth below are the key components of the cash flows and the way they were utilized (in USD thousand):

Line item	December 31, 2024	December 31, 2023	Company's explanations
Net cash provided by operating activities	**21,116**	**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	**(84,081)**	**(13,601)**	The change arises mainly from completion of acquisition of companies and repayment of an undertaking in respect thereof (totaling USD approx. 76.2 million) compared to approx. USD 8.7 million in the corresponding period last year, and from an approx. USD 8.3 million investment in property, plant and equipment compared to an approx. USD 5 million in the corresponding period last year.
Net cash used in financing activities	**66,160**	**(12,435)**	The change stems mainly from receipt of an approx. USD 81 million in long-term loans, an approx. USD 8 million in dividend paid compared to approx. USD 5 million in the corresponding period last year and exercise of non-marketable options amounting to approx. USD 0.9 million.
Exchange differences in respect of cash and cash equivalents	**(1,086)**	**(531)**	
Total change in cash and cash equivalents	**2,109**	**(11,858)**	

Line item	For the three-month period ended December 31, 2024	For the three-month period ended December 31, 2023	Company's explanations
Net cash provided by operating activities	5,419	8,121	The change arises mainly from an increase in net income for the period offset against a change in working capital balances compared to the corresponding period last year, mainly an increase in inventory of the specialty fine ingredients division due to the expected increase in activity.
Net cash used in investing activities	(11,153)	(1,631)	The change arises mainly from completion of acquisition of companies and repayment of an undertaking in respect thereof (totaling USD approx. 8.7 million) compared to approx. USD 0.1 million in the corresponding period last year, and from an approx. USD 2.8 million investment in property, plant and equipment compared to an approx. USD 1.6 million in the corresponding period last year.
Net cash used in financing activities	9,854	(2,689)	The change stems mainly from receipt of a long-term loan of approx. USD 37 million offset against repayment of short-term credit totaling approx. USD 22.2 million compared to approx. USD 1 million in the corresponding period last year, and approx. USD 4 million in dividend paid.
Exchange differences in respect of cash and cash equivalents	(1,366)	699	
Total change in cash and cash equivalents	**2,754**	**4,500**	

7. Financing sources

The Company funds its activities mainly from cash flows from operating activities; it finances the acquisition of the companies through long-term loans and short-term credit. For information about the Company's main financing sources, see Section 1.20 to Chapter A (Description of the Company's Business), and Note 16 to the financial statements.

Line item	Data as of December 31, 2024		Data as of December 31, 2023	
	USD thousand	% of total balance sheet	USD thousand	% of total balance sheet
Equity	144,246	36.9%	117,327	52.8%
Other long-term liabilities	102,592	26.3%	59,799	26.9%
Long-term liabilities from banks, net of current maturities	73,776	18.9%	3,439	1.5%
Short-term credit	27,772	7.1%	10,977	4.9%
Suppliers credit	19,402	5.0%	14,679	6.6%
Other long-term payables	22,962	5.9%	15,807	7.1%
Total	**390,750**	**100%**	**222,028**	**100%**

The average amount of the long-term loans in 2024 was approx. USD 26,954 thousand.

The average amount of the short-term credit in 2024 was approx. USD 16,968 thousand.

For more information regarding the average amount of suppliers and customers credit in 2024, see Section 1.19.3 to Chapter A (Description of the Company's Business).

As of December 31, 2024, the Company's working capital is approx. USD 53.6 million (approx. 24.4%), compared to working capital of approx. USD 38.3 million as of December 31, 2023 (approx. 28.7%).

As of December 31, 2024, the Company's operating working capital[14] is approx. USD 60.7 million (approx. 27.2% of the sales), compared to operating working

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

capital of approx. USD 38.1 million (approx. 28.6% of sales) as of December 31, 2023.

Furthermore, as of December 31, 2024, the Company's net debt[15] balance is approx. USD 76 million.

<u>Disclosure in accordance with the reportable credit directive:</u>

Original loan amount	Balance of loan as of 31.12.2024	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[16]
Credit from an Israeli bank						
EUR 33,000 thousand	EUR 33,000 thousand	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 December 31, 2024, the equity amounts to 36.9% of total assets.
25,000 EUR in thousands	EUR 10,700 thousand[18]	November 5, 2024	The loan amount includes a secured amount of up to	EURO LIBOR interest plus a	-	

[15] Debt net of cash.

[16] Subsequent to the report date, in March 2025, the financial covenant the Company is required to comply with in respect of a banking corporation was revised such that the rate of equity of total balance sheet will not fall below 20% and USD 80 million a any given time.

[16] See footnote 14 above.

[18] The entire secured amount - totaling EUR 17.4 million - was withdrawn in March 2025.

Original loan amount	Balance of loan as of 31.12.2024	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[16]
			EUR 17.4 million (approx. USD 18.7 million), of which a total of EUR 10.7 million (USD 11.7 million) was withdrawn as of the report date. The loan amount includes 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	1.65% margin, which will be paid on a semi-annual basis.		Debt coverage ratio[17] - shall not exceed 3.5 at any given time. As of December 31, 2024, the debt coverage ratio is 1.6.

Original loan amount	Balance of loan as of 31.12.2024	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[16]
			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.			
GBP 17,000 thousand	GBP 17,000 thousand	December 19, 2024	The loan term is 4 years; it will be repaid in equal quarterly installments (starting three months after the loan withdrawal date).	SONIA interest plus a margin of 1.7%-2.5%, which is paid on a quarterly basis.		

8. Adjusted EBITDA

Adjusted EBITDA means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses as described below. This metric is a generally accepted metric used to measure the operational efficiency of companies operating in the Company's area of activity.

Set forth below is a breakdown of the adjustments between the operating profit and adjusted EBITDA (USD in thousands):

	Year ended December 31		**For the three-month period ended December 31**	
Section	**2024**	**2023**	**2024**	**2023**
Operating profit presented in the financial statements	**27,732**	**18,180**	**8,776**	**5,129**
Depreciation expenses in respect of property, plant and equipment, intangible assets and leases	12,462	8,180	3,176	2,125
Depreciation expenses in respect of share-based payment to employees	1,186	917	348	222
Companies acquisition expenses	1,375	307	233	104
Site closure expenses	-	177	-	-
Income before income tax - discontinued operation	220	-	99	-
Adjusted EBITDA (% of sales)	**42,975 22.7%**	**27,761 21.8%**	**12,632 23.0%**	**7,580 22.7%**

Clarifications: This metric is based on data presented in the Company's audited financial statements as described above; however, it is not based on generally accepted accounting principles and it is not audited or reviewed by the Company's independent auditors, nor does it constitute a substitute for the information included in the Company's financial statements.

In the Company's area of activity, it is normal practice to base the valuation and acquisitions of companies in the field of taste and fragrance extracts on the adjusted EBITDA metric. Turpaz Group's strategy is based, among other things, on improving its geographic deployment through mergers and acquisitions and acquisitions of activities that are synergetic to the Group's activities. The purchase price of the companies is determined mainly based on this metric, and therefore Company's management believes that it is essential to present it.

This metric is a generally accepted metric used to measure the operational efficiency of companies operating in the Company's area of activity; it is used by Company's management to assess its operational performance. In addition, the Adjusted EBITDA metric provides information in a transparent manner, which is useful for investors as part of the review of the Company's operational performance and its comparison to that of other companies operating in the same area of activity or in other industries with different capital structures, different debt levels and/or different tax rates.

9. For more information regarding the "Iron Swords War", see Section 1.8.4 to Chapter A to the 2024 Periodic Report.

10. For more information regarding the effects of inflation and interest rates, see Section 1.8.6 to Chapter A to the 2024 Periodic Report.

Part B - Corporate Governance Aspects

11. Report on directors possessing accounting and financial expertise

The Company's Board of Directors decided that the minimum number of directors possessing accounting and financial expertise that is suitable for the Company as per Section 92(A)(12) to the Companies Law is 2.

As of the report's publications date, the Company has three directors possessing accounting and financial expertise: Ms. Karen Cohen Khazon, Mr. Erez Meltzer and Mr. Mordechai Peled. For information regarding the qualifications, education and experience of those directors, see Regulation 26 in Part D to the report (Additional Details).

12. The corporation's donations policy

As of the report date the Company did not adopt a donations policy.

13. Independent directors

As of the report date, the Company did not adopt in its Articles of Association provisions regarding the number of independent directors. As of the report date, two external directors and one independent director serve in the Company.

14. Internal Auditor

14.1. Details regarding the Company's internal auditor:

The Company's Internal Auditor in 2024 was Mr. Noam Farkash of Fahn Kanne Control Management Ltd., who was appointed as the Company's Internal Auditor by the Company's Board of Directors on August 17 2021.

Mr. Farkash renders the internal audit services as a personal appointment (an external service provider), through Fahn Kanne Control Management Ltd.; during the course of his audit the Internal Auditor is supported by his firm's employees, such as auditors and IT personnel.

To the best of the Company's knowledge, and as it was informed by the Internal Auditor, the latter complies with all the provisions of Section 3(A) to the Internal Audit Law, 1992 (hereinafter - the "**Internal Audit Law**").

To the best of the Company's knowledge, and as it was informed by the Internal Auditor, the latter complies with the provisions of Section 146(B) to the Companies Law and Section 8 to the Internal Audit Law; the Internal Auditor does not hold any securities of the Company or a related entities thereof, and has not material business relations with the Company or related entities thereof.

14.2. Manner of appointment:

Mr. Farkash was appointed by the Company's Board of Directors to the role of Company's Internal Auditor on August 17 2021, after he was found suitable to serve as the Company's Internal Auditor, in view of, among other things, his education, qualifications and experience in the field of internal audit, and in analysis of internal audit procedures, and taking into account the scope and complexity of the Company's activities.

14.3. The Internal Auditor reports to the Chairperson of the Company's Board of Directors.

14.4. Scope of Internal Auditor work

The scope of the Internal Auditor's work varies in accordance with the annual audit plan. In 2024, a 430-hour annual audit plan was executed.

14.5. The Internal Auditor's report: The date on which the Internal Auditor's report was submitted in 2024, and discussed by the Audit Committee, is February 10, 2025.

14.6. Conducting the audit and access to information:

The Internal Auditor conducts the audit in accordance with generally accepted professional standards as prescribed in Section 4(B) to the Internal Audit Law and the Companies Law.

The Internal Auditor has free access as per Section 9 to the Internal Audit Law, including ongoing and direct access, as required, to the Company's IT systems, including its financial data.

14.7. Compensation:

In consideration for his work, the Company pays the Internal Auditor an annual fee, which is determined in advance in accordance with the work plan. In the opinion of the Company's Board of Directors, the compensation is reasonable and will not impact the Internal Auditor's judgement when conducting the audit in the Company.

The compensation paid to the Internal Auditor is an annual and fixed compensation that was agreed in advance and does not change in accordance with the audit's results. The compensation in respect of 2024 totaled approx. NIS 90,300. In the opinion of the Board of Directors, the scope, nature and continuity of the Internal Auditor's work and his work plan are reasonable considering the scope and complexity of the activity, and are sufficient to achieve the goals of internal audit in the Company.

15. Independent auditor

The Company's independent auditor is EY Israel (Ernst & Young - Cost, Forer, Gabbay & Kasierer) (hereinafter - the "**Independent Auditor**").

The fees paid to the Company's independent auditor in respect of audit and related services, including tax services and other services related to the audit of the financial statements for 2023 and 2024 in all of the Group's companies amounted to NIS 971 thousand and NIS 1,221 thousand, respectively.

The independent auditor's fees is calculated as a function of the audited hours it invested. The Board of Directors is the organ approving the independent auditor's fees.

Company's management negotiated the fee with the independent auditor. The proposed fee was brought for approval by the Company's Board of Directors. The Company's Board of Directors was of the opinion that the said fee is reasonable and acceptable considering the nature and scope of the Company's activities.

Part C - Disclosure Provisions in Connection with the Corporation's Financial Reporting

16. Valuations and estimates

Disclosure regarding very material valuation

Information regarding appraisal of the acquisition of Clarys & Willich, that was carried out by an external appraiser

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 62,868 thousand A. Cash consideration - EUR 25,000 thousand B. Value of purchase option - EUR 37,868 2. Customer relations: EUR 8,221 thousand 3. Knowhow: EUR 7,809 thousand
Details abut the appraiser:	This valuation was carried out by Ziv Haft Consulting and Management Ltd., BDO. 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.
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:	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.

Identifying the valuation's subject matter:	Purchase price allocation of Clarys & Willich
	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 10% Attrition rate 20% Useful life - 10 years <u>Key assumptions in the valuation of a knowhow intangible asset</u> Discount rate 10% Royalties rate 5% Useful life - 20 years

<u>Disclosure regarding material valuation not attached to the report</u>

<u>Information regarding appraisal of the acquisition of Sunspray, that was carried out by an external appraiser</u>

Identifying the valuation's subject matter:	Purchase price allocation of Sunspray
Valuation date:	February 13, 2024
Value of the valuation's subject matter as per the valuation:	1. Total purchase consideration: ZAR 605,833 thousand A. Cash consideration - ZAR 267,825 thousand B. Contingent consideration - ZAR 31,128 thousand C. Value of purchase option - ZAR 306,880 thousand 2. Customer relations - ZAR 120,264 thousand 3. Knowhow - ZAR 113,448 thousand
Details abut the appraiser:	This valuation was carried out by Ziv Haft Consulting and Management Ltd., BDO. 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.
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:	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.

Identifying the valuation's subject matter:	Purchase price allocation of Sunspray
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 13.25% Attrition rate 20% Useful life - 10 years <u>Key assumptions in the valuation of a knowhow intangible asset</u> Discount rate 13.25% Royalties rate 5.5% Useful life - 20 years

<u>Information regarding valuation of the acquisition of F&E, that was carried out by an external appraiser</u>

Identifying the valuation's subject matter:	Purchase price allocation of F&E
Valuation date:	1.9.2024
Value of the valuation's subject matter as per the valuation:	1. Total cash purchase consideration: GBP 22,000 thousand 2. Customer relations: GBP 4,496 thousand 3. Knowhow: GBP 2,946 thousand
Details abut the appraiser:	This valuation was carried out by Moore Corporate Finance Ltd., which specializes in valuations, due diligences, economic opinions on legal proceedings and other economic works, both for public companies and for private companies. The work was carried out by a team headed by Asaf Ravkaie (CPA), a partner in Moore Corporate Finance Ltd., who has more than 20 years of experience in advising local and international companies; Mr. Ravkaie has a BA in Economics and Accounting from the Tel Aviv University, and an MA in Economics from the Tel Aviv University.
Is there an indemnification agreement with the appraiser?	In accordance with the engagement agreement, if the appraiser will be required to pay any amount to a third party in connection with the performance of the services, whether as part of a legal proceeding, or any other binding proceeding, the commissioner of the 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:	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>

Identifying the valuation's subject matter:	Purchase price allocation of F&E
	Discount rate 13% Attrition rate 20% Useful life - 10 years <u>Key assumptions in the valuation of a knowhow intangible asset</u> Discount rate 13% Royalties rate 6.5% Useful life - 20 years

The Board of Directors wishes to thank the Company's management and its employees for the results achieved in 2024.

____

Dr. Israel Leshem, Director[19]

____

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

Date: March 17, 2025

[19] Director authorized by the Board of Directors to sign.

TURPAZ

Chapter C

Financial Statements

as of December 31, 2024

TURPAZ INDUSTRIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

U.S. DOLLARS IN THOUSANDS

INDEX

- - - - - - - - - - -

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

AUDITORS' REPORT

To the Shareholders of

TURPAZ INDUSTRIES LTD.

We have audited the accompanying consolidated statements of financial position of Turpaz Industries Ltd. ("the Company") as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2024. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of subsidiaries, whose assets included in consolidation constitute about 4.5% and about 8.3% of total consolidated assets as of December 31, 2024 and 2023, respectively, and whose revenues included in consolidation constitute about 8%, about 7.1% and about 6.9% of total consolidated revenues for the years ended December 31, 2024, 2023 and 2022, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2024, in conformity with IFRS Accounting Standards and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Key Audit Matters

The key audit matters described below are those matters that were communicated, or should have been communicated, to the Company's board of directors and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) which relates, or may relate, to significant accounts or disclosures in the financial statements and (2) that involved our professional judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures to which they relate.

Business combinations and subsequent measurement of symmetrical put/call options on non-controlling interests

As described in Notes 3 and 5 to the financial statements, in 2024, the Company completed certain acquisitions of companies as a result of which it achieved control in those companies. Moreover, as of December 31, 2024, the carrying amount of the liability for symmetrical put/call options on non-controlling interests approximates $ 71.4 million, which accounts for 29% of the Company's total liabilities. We identified the accounting treatment of business combinations and subsequent measurement of liabilities for symmetrical put/call options on non-controlling interests as a key audit matter due to the following reasons: the material impact of the acquisitions on the Company's financial statements; the judgment exercised by management in allocating the purchase price in the acquisitions to the assets and liabilities based on their fair value; the identification of the intangible assets acquired and valuations of the liability in respect of the symmetrical put/call options on non-controlling interests, the put option on non-controlling interests and the contingent consideration on the date of achieving control and at the end of each reporting period all of which rely on estimates and assumptions.

How we addressed the matter in our audit

The primary procedures we performed to address this key audit matter included: reading and understanding the acquisition agreements and the major terms and conditions therein; assessing the adequacy of the accounting treatment and allocation of the purchase price; evaluating and identifying the fair value of the assets acquired and liabilities assumed including intangible assets; measuring the fair value of symmetric put/call options on non-controlling interests and put options on non-controlling interests, including updates in subsequent periods; examining the valuation methodology used by the Company; evaluating the reasonableness of the assumptions underlying the valuation; assessing the adequacy of the disclosures of the acquisitions and liabilities for symmetrical put/call options on non-controlling interests in the financial statements.

Tel-Aviv, Israel
March 17, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2024	December 31, 2023
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	25,926	23,817
Trade receivables	7	38,587	28,165
Other accounts receivable	8	4,748	3,168
Inventories	9	41,544	24,632
Assets held for sale	28a	12,914	-
		123,719	79,782
NON-CURRENT ASSETS:			
Deferred taxes	23	1,321	352
Property, plant and equipment, net	10	52,193	30,678
Right-of-use assets, net	12	17,263	16,541
Intangible assets, net	11	193,550	93,792
Investment in companies accounted for at equity		1,871	-
Financial derivative		833	883
		267,031	142,246
		390,750	222,028

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2024	December 31, 2023
		U.S. dollars in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans from banks and others	13	27,772	10,977
Trade payables	14	19,402	14,679
Other accounts payable	15	15,445	11,773
Short-term liabilities in respect of acquisition of activity	5	3,525	1,723
Current maturities of lease liabilities	12e	2,828	2,311
Liabilities attributable to assets held for sale	28a	1,164	-
		70,136	41,463
NON-CURRENT LIABILITIES:			
Long-term loans from banks, less current maturities	16	73,776	3,439
Long-term loans from others, less current maturities	17	370	236
Provision for waste removal	17	1,176	455
Leases liabilities	12	15,509	15,240
Long-term liabilities in respect of acquisition of activity	17	72,773	39,051
Deferred taxes	23	12,333	4,355
Employee benefit liabilities	19	431	409
Other long-term payables	17	-	53
		176,368	63,238
COMMITMENTS, CHARGES AND CONTINGENT LIABILITIES	20		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	21		
Share capital		1	1
Share premium		75,552	74,449
Other capital reserves		(6,023)	(4,136)
Reserve in respect of translation differences		(7,369)	(5,044)
Retained earnings		52,940	47,123
		115,101	112,393
Non-controlling interests		29,145	4,934
Total equity		144,246	117,327
		390,750	222,028

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

March 17, 2025			
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 March 17, 2025	Guy Gill CFO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2024	2023	2022
		U.S. dollars in thousands (except per share data)		
Revenues from sales	25d	188,948	127,355	118,556
Cost of sales	22a	115,289	77,742	70,897
Gross profit		73,659	49,613	47,659
Research and development expenses	22b	7,034	4,923	3,607
Selling and marketing expenses	22c	16,273	10,358	10,016
General and administrative expenses	22d	22,124	15,695	15,055
Company's share of earnings of companies accounted for at equity		(36)	-	-
Other expenses (income)	22e	532	457	(8,349)
Operating income		27,732	18,180	27,330
Finance expenses	22f	6,680	2,790	1,513
Income before taxes on income		21,052	15,390	25,817
Taxes on income	12g	5,307	2,496	4,486
Net income from continuing operations		15,745	12,894	21,331
Income from discontinued operation	28a	165	-	-
Net income for the year		15,910	12,894	21,331
Other comprehensive income (loss) (net of tax effect):				
Amounts that will not be reclassified subsequently to profit or loss:				
Adjustments arising from translating financial statements from functional currency to presentation currency		(1,113)	(3,733)	(12,216)
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		(3,320)	5,259	3,891
Total comprehensive income		11,477	14,420	13,006
Total net income attributable to:				
Equity holders of the Company		13,819	12,393	21,174
Non-controlling interests		2,091	501	157
		15,910	12,894	21,331
Total comprehensive income attributable to:				
Equity holders of the Company		11,494	13,891	12,849
Non-controlling interests		(17)	529	157
		11,477	14,420	13,006
Net earnings per share attributable to equity holders of the Company (in U.S. dollars):	24			
Basic and diluted net earnings per share		0.14	0.12	0.21

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands							
Balance as of January 1, 2024	1	74,449	(4,136)	(5,044)	47,123	112,393	4,934	117,327
Net income	-	-	-	-	13,819	13,819	2,091	15,910
Total other comprehensive loss	-	-	-	(2,325)	-	(2,325)	(2,108)	(4,433)
Total comprehensive income	-	-	-	(2,325)	13,819	11,494	(17)	11,477
Share-based payment	-	-	1,186	-	-	1,186	-	1,186
Exercise of options	-	1,103	(244)	-	-	859	-	859
Reclassification of put options to equity *)	-	-	(2,829)	-	-	(2,829)	24,449	21,620
Dividends distributed	-	-	-	-	(8,002)	(8,002)	(221)	(8,223)
Balance as of December 31, 2024	1	75,552	(6,023)	(7,369)	52,940	115,101	29,145	144,246

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

*) See Note 5b regarding Dandau option updates.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands							
Balance as of January 1, 2022	1	74,449	(6,228)	1,783	22,430	92,435	681	93,116
Net income	-	-	-	-	21,174	21,174	157	21,331
Total other comprehensive loss	-	-	-	(8,325)	-	(8,325)	-	(8,325)
Total comprehensive income (loss)	-	-	-	(8,325)	21,174	12,849	157	13,006
Share-based payment	-	-	1,371	-	-	1,371	-	1,371
Dividends distributed	-	-	-	-	(3,971)	(3,971)	(8)	(3,979)
Non-controlling interests created in newly consolidated companies	-	-	-	-	-	-	11	11
Balance as of December 31, 2022	1	74,449	(4,857)	(6,542)	39,633	102,684	841	103,525

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income for the year	15,910	12,894	21,331
Adjustments to reconcile net income to net cash provided by operating activities (a)	5,206	1,815	10,607
Net cash provided by operating activities	21,116	14,709	31,938
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets	(8,320)	(5,022)	(5,850)
Proceeds from sale of property, plant and equipment	440	97	55
Acquisition of initially consolidated subsidiaries (b)	(72,065)	(8,551)	(32,995)
Acquisition of companies accounted for at equity	(1,866)	-	-
Repayment of liability in respect of acquisition of activity	(2,270)	(125)	(1,012)
Net cash used in investing activities	(84,081)	(13,601)	(39,802)
Cash flows from financing activities			
Receipt (repayment) of short-term credit	(843)	(2,060)	2,967
Acquisition of shares from non-controlling interests in subsidiary	-	(352)	-
Dividend paid to equity holders of the Company	(8,002)	(4,966)	(3,971)
Dividend paid to holders of put options and to holders of non-controlling interests	(295)	(604)	(8)
Repayment of long-term lease liabilities	(2,910)	(2,128)	(2,358)
Repayment of long-term loans	(3,594)	(2,325)	(4,149)
Receipt of long-term loans	80,945	-	-
Exercise of share options	859	-	-
Net cash provided by (used in) financing activities	66,160	(12,435)	(7,519)
Exchange rate differences on balances of cash and cash equivalents	(1,086)	(531)	(4,843)
Increase (decrease) in cash and cash equivalents	2,109	(11,858)	(20,226)
Cash and cash equivalents at the beginning of the year	23,817	35,675	55,901
Cash and cash equivalents at the end of the year	25,926	23,817	35,675

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
(a) Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit and loss items:			
Depreciation and amortization	12,340	8,180	6,338
Capital gain from sale of property, plant and equipment	(59)	(7)	(12)
Change in employee benefit liabilities, net	57	85	(326)
Cost of share-based payment	1,186	917	1,371
Company's share of earnings of companies accounted for at equity, net	(36)	-	-
Finance expenses, net	6,680	2,790	1,513
Taxes on income	5,307	2,496	4,486
	25,475	14,461	13,370
Changes in asset and liability items:			
Increase in trade receivables	(149)	(1,309)	(3,372)
Decrease (increase) in other accounts receivable	(311)	(83)	9,144
Decrease (increase) in inventories	(3,171)	4,246	(8,929)
Increase (decrease) in trade payables	(1,005)	(5,708)	2,801
Increase (decrease) in other accounts payable	(5,010)	(5,116)	1,499
	(9,646)	(7,970)	1,143
	15,829	6,491	14,513
Cash paid and received during the year for:			
Taxes paid	(6,463)	(3,302)	(2,869)
Interest paid, net	(4,160)	(1,374)	(1,037)
	5,206	1,815	10,607

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
(b) Acquisition of initially consolidated subsidiaries:			
The subsidiaries' assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents)	11,467	990	2,585
Property, plant and equipment	20,247	6,625	964
Right-of-use assets	1,596	307	5,069
Intangible assets	123,700	11,500	36,014
Financial derivative for purchase of non-controlling interests	-	672	-
Lease liabilities	(1,600)	(307)	(5,069)
Other non-current liabilities	(12,271)	(2,731)	(806)
Payables for acquisition of investments in subsidiaries	(60,050)	(3,770)	(4,959)
Deferred taxes	(11,024)	(945)	(792)
Non-controlling interests	-	(3,790)	(11)
	72,065	8,551	32,995
(c) Significant non-cash transactions:			
Right-of-use asset recognized with corresponding lease liabilities	2,267	1,089	4,518
Reclassification to net assets held for sale	11,750	-	-
Reclassification of put option to equity	21,620	-	-

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

NOTE 1:- GENERAL

a. General description of the Group and its activity:

Turpaz Industries Ltd. ("the Company") was incorporated and registered in Israel in February 2011 under the name BKF Perfume Compounding Ltd. In January 2021, the Company changed its name to Turpaz Industries Ltd.

The Company operates, by itself and through subsidiaries in Israel, the U.S., Southeast Asia and Europe in the development, production and marketing in three operating segments: (1) Taste; (2) Fragrance; (3) Specialty Fine Ingredients.

The listing of the Company's securities on the TASE was completed on May 23, 2021, and the Company became a publicly traded company.

The address of the Company's registered office is 2 Halahav St. Holon.

Ms. Karen Cohen Khazon is the Company's controlling shareholder and serves as the Company's CEO and Chair of the Company's Board of Directors.

Merger between the Company and Turpaz Extracts:

On December 16, 2021, a merger agreement was signed between the Company and Turpaz Extracts Ltd. ("Turpaz Extracts") as per the provisions of Section 103C to Israeli Income Tax Ordinance (Revised), 1961 ("the Ordinance") after obtaining the approval of the board of directors of each company. Under the merger agreement, the companies will be merged by way of share swap as per Section 103C to the Ordinance so that following the merger, the entire operations of Turpaz Extracts will be merged into the Company. The approval of the Israeli Tax Authority ("the ITA") for the merger was obtained on May 2, 2022 and on August 10, 2022, the merger was registered at the Registrar of Companies and the merger of Turpaz Extracts into the Company was completed.

Merger between the Company and Pentaor Ltd.:

On September 21, 2022, a merger agreement was signed pursuant to the provisions of Section 103C to the Ordinance between the Company and Pentaor Ltd. ("Pentaor") after obtaining the approval of the board of directors of each company. In accordance with the merger agreement, the companies will be merged through a share swap pursuant to Section 103C to the Ordinance, so that upon completion of the merger transaction, the entire operations of Pentaor will be merged into the Company. The final approval for the merger was obtained from the Registrar of Companies on June 22, 2023 and Pentaor was merged into the Company's operations.

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. ("SDA") as the transferor in accordance with the provisions of Section 103C to 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 SDA was merged into the Company's operations.

NOTE 1:- GENERAL (Cont.)

Change in interests in subsidiary, WFF:

On August 28, 2023, the Company increased its interests in a subsidiary, WFF, by purchasing another 10% of the latter's share capital from holders of non-controlling interests in return for approximately $ 352 thousand. Following the purchase, the Company holds 70% of WFF's share capital.

As for a change in the interests in the subsidiary, Balirom, see Note 5i.

b. The effects of the Swords of Iron War:

In October 2023, the Swords of Iron war broke out in Israel ("the war"). The ongoing war has led to a slowdown in business activity throughout the Israeli economy, as a result, among others, of the shutdown of enterprises in the south and north of Israel, the damage to local infrastructures, the nationwide military reserve draft for an indefinite period and the disruption of economic activity in the entire country. The prolongation of the war is likely to have extensive nationwide effects on numerous business and geographic segments.

The potential fluctuations in commodity prices, foreign currency exchange rates, availability of materials and manpower, local services and access to local resources are all liable to affect entities whose main operations are conducted in or with Israel.

As a result of the war and due to the location of the subsidiary, Chemada Industries Ltd. ("Chemada"), near the southern border of Israel in the midst of the war zone, some of its customers began purchasing materials from other suppliers, which led to a decline in the subsidiary's sales in 2024.

In the last quarter of 2024, however, Chemada's customers returned to purchasing its products, a trend which was even enhanced in the first quarter of 2025 in addition to the positive effect of the cost efficiency measures adopted by the Company such as changing its product mix and focusing on expanding the offering of its citrus products and aromatic chemicals for the taste and fragrance industries.

In October 2024, Chemada received a grant of approximately NIS 6.3 million (approximately $ 1.7 million) from the State as prepayment for an indemnification claim filed by it for war related damages caused to Chemada, which is located in Kibbutz Nir Yitzhak near Israel's southern border. In January 2025, Chemada received another grant of approximately NIS 4 million (approximately $ 1.1 million).

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).

NOTE 1:- GENERAL (Cont.)

c. Effects of inflation and increase in interest rate:

Following the global macroeconomic developments in 2022, there was an increase in rates of inflation in Israel and worldwide. As part of the measures taken to restrain inflationary price increases, central banks around the world, including the Bank of Israel, began raising their benchmark interest rates. These actions assisted in halting the markups and in the first quarter of 2024, the Bank of Israel began lowering the benchmark interest rate.

The Company estimates that a future increase in its debt as part of practicing the Group's integrated business strategy will likely lead to an increase in the Group's finance expenses.

As of the financial statement date, the Company is unable to assess the future effects of all the factors discussed above, if any, on the markets in which it operates and specifically on its activities. Notwithstanding the aforesaid, the Company estimates that they will not have a material impact on its operating results and ability to realize its business strategy.

d. Definitions:

In these financial statements:

The Company	-	Turpaz Industries Ltd.
The Group	-	The Company and its subsidiaries, as detailed in Note 5l below.
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Related parties	-	As defined in IAS 24.
Interested parties and controlling shareholders	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Dollar	-	United States Dollar.
CPI	-	Consumer Price Index published by the Israel Central Bureau of Statistics.

NOTE 2:- ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with IFRS Accounting Standards. Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements have been prepared on a cost basis.

The Company has elected to present the profit or loss items using the function of expense method.

b. The operating cycle:

The Company's normal operating cycle does not exceed one year. Consequently, current assets and current liabilities include items that are expected to be disposed of within the Company's normal operating cycle.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company concluded that is has the power to influence the Group's entities owing to its interests therein and voting power in their shareholders' assemblies and therefore has de facto control in the Group's subsidiaries.

d. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

A put option granted by the Group to non-controlling interests is accounted for using the expected purchase approach under the presumption that the put option will be exercised, and therefore the parent effectively holds an interest in the subsidiary's shares as if the put option had been exercised. A put option granted by the Group to non-controlling interests for which the consideration to be paid in cash or other financial asset is recognized as a liability in the amount of the present value of the option's exercise price.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

The value of the liability is measured based on the average EBITDA that will be achieved over the agreement period. In transactions which entitle the Group to settle the put option in its shares instead of cash payment, no liability is recognized in respect of this component to non-controlling interests and the Company continues to allocate to the holders of non-controlling interests their share of the subsidiary's earnings or losses and accounts for the put option as a derivative financial instrument. See Note 3 below regarding estimates and Note 18 below regarding financial instruments.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. See Note 18 below regarding financial instruments.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

e. Functional currency, presentation currency and foreign currency:

The presentation currency of the financial statements is the dollar.

The financial statements are presented in dollar since the Company believes that a multinational enterprise's financial statements in dollar provide more relevant information to the investors and users of the financial statements.

The Group determines the functional currency of each Group entity.

The Company's functional currency is the New Israeli Shekel ("NIS").

f. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

Raw materials - using the weighted average cost method.

Work in progress and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.

Purchased merchandise and products - using the weighted average cost method.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

g. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer.

Revenue from sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

The Company determines the transaction price separately for each contract with a customer. When exercising this judgment, the Company evaluates the effect of each variable amount in the contract, taking into consideration volume discounts.

h. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

i. Leases:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in IFRS 16 and does not separate the lease components from the non-lease components.

On the commencement date, the lease liability includes all unpaid lease payments discounted using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term. The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

Lease extension and termination options:

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

The Company has leases that include both extension and termination options. The Company exercises significant judgement in deciding whether it is reasonably certain that the extension options will be exercised.

In leases that contain noncancelable lease periods in excess of three years, the Company generally includes in the lease term the exercise of extension options existing in the lease agreements.

j. Property, plant and equipment:

Items of property, plant and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, less accumulated impairment losses and excluding day-to-day servicing expenses.

Depreciation is calculated at constant annual rates on a straight-line basis over the useful life of the assets as follows:

	%
Buildings	2-5
Machinery and equipment	5-15
Computers and peripheral equipment	25-33
Office equipment and furniture	10
Vehicles	15
Leasehold improvements	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

k. Intangible assets:

Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

The useful life and amortization and production method of intangible assets:

	Goodwill	Customer relations	Product formulae	Brand name	Order backlog
Useful life	Indefinite	10 years	10-20 years	4-15 years	0.25 years
Amortization method	Undepreciated	Straight-line	Straight-line	Straight-line	Straight-line
Inhouse development or purchase	Purchase	Purchase	Purchase	Purchase	Purchase

Research and development costs:

Research and development costs are recognized in profit or loss when incurred.

Development costs are not capitalized to an intangible asset since the Company cannot measure reliably the expenditures attributable to the intangible asset during its development and cannot assess if and when future cash flow will be received in respect of the asset.

l. Testing the impairment of goodwill in respect of subsidiaries:

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated.

Each cash-generating unit or group of cash-generating units which are expected to benefit from the synergy of the business combination to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and which cannot be larger than an operating segment. See Notes 3a and 11c below for information of impairment of goodwill.

An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

m. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

The Company has short-term financial assets such as trade receivables in respect of which the Company applies the simplified approach in IFRS 9 and measures the loss allowance in an amount equal to the lifetime expected credit losses.

The Group applies a practical approach for measuring the allowance for loss in respect of trade receivables: it prepares a debt aging report and based on the information acquired in the past on debt collection and a future assessment, it creates an allowance for loss.

3. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for:

(a) Financial liabilities measured at fair value through profit or loss such as symmetrical put-call options on non-controlling interests;

(b) Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

4. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or canceled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

n. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The value of the put options issued by the Group to non-controlling interests is measured at level 3 in the fair value hierarchy.

The principal non-observable data used by the Company to measure the value of the options is the future EBIDTA. To evaluate and adjust the liabilities for the options, the Company relies on current results and updated forecasts of the companies.

o. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

The amount recognized as a provision is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.

Following are the types of provisions included in the financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Costs of removing waste:

The provision was recognized in the context of the acquisition of the operations of a subsidiary (Chemada Industries Ltd.) in respect of those agreements for which it is obligated to bear the costs of removal of organic chemical waste on the plant site. The Group regularly examines the remaining plant waste and creates a provision accordingly.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

p. Employee benefit liabilities:

Post-employment benefits:

The plans are normally financed by contributions to insurance companies or funds and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

q. Share-based payment transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

r. Changes in accounting policies and initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

NOTE 2:- ACCOUNTING POLICIES (Cont.)

According to the Subsequent Amendment:

- Only financial covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability. The Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment were both applied retrospectively from annual periods beginning on January 1, 2024.

The above Amendments did not have a material impact on the Company's consolidated financial statements.

NOTE 3:- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. In determining its accounting estimates, management relies on past experience, various underlying facts, external factors and reasonable assumptions, based on the relevant circumstances. Changes in accounting estimates are reported in the period of the change in estimate.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

- Symmetrical put/call options on non-controlling interests:

  In acquisitions of non-controlling interests in subsidiaries, the Company has a call option to purchase the remaining shares in the subsidiary and the holders of non-controlling interests have a put option to sell their shares in the subsidiary to the Company. If the Company does not recognize the non-controlling interests, it recognizes the entire liability arising from the exercise of the call option at its discounted amount. The discount rate and average profit forecasts used to derive the exercise price of the option are based on management's evaluation and are periodically tested for their adequacy. Changes in these evaluations are likely to affect the amount of the liability and the finance expenses in its respect.

- Business combinations:

  In connection with the acquisition of companies in which the Company achieves control, the Company exercises judgment in allocating the purchase price to the assets and liabilities based on their fair value, identifying the intangible assets acquired and calculating the liability in respect of symmetrical put/call options on non-controlling interests and contingent consideration on the date of achieving control. The allocation of the purchase price of material transactions is based on a valuation by an independent external valuation expert.

- Impairment of goodwill:

  The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit (or a group of cash-generating units) to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows. The potential possible effects on the financial statements are the recording of impairment losses in profit or loss in the period in which they are incurred. The valuation is performed by an external independent valuation expert.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR 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. As per the ISA Staff position, it can be adopted early from the period beginning on January 1, 2025 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.

NOTE 5:- 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.

In 2024, the Company made certain adjustments to the provisional amounts recognized following the provisional PPA on the purchase date. As a result, the Company reduced the liability for the put option in respect of the purchase of the remaining shares of Sunspray and contingent consideration amounting to approximately \$ 3.7 million against goodwill amounting to \$ 3.5 million and the balance against customer relations and product formulas.

The valuation was performed by an independent valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and PPA:

	February 13, 2024
	U.S. dollars in thousands
Working capital, net	5,304
Right-of-use asset	81
Property, plant and equipment	6,195
Customer relations	6,326
Product formulas	5,966
Deferred taxes	(3,319)
Lease liabilities	(81)
Other non-current liabilities	(6,114)
Net identifiable assets	14,358
Goodwill arising from acquisition	16,621
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	17,779
Total purchase price	30,979

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

From the consolidation date through December 31, 2024, the acquired operation has contributed approximately $ 28,898 thousand to revenues and approximately $ 3,279 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 $ 31,283 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 the 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 as of December 31, 2023).

On August 29, 2024, the Dandau put/call option terms were updated so that each party may demand that the option exercise price be paid in Company shares based on the average quoted market price of the Company's share on the TASE in the 30 calendar days before the exercise notice date. As a result, the liability for the option and the financial asset representing Dandau's liability in a net amount of approximately $ 21.6 million was reclassified to non-controlling interests and other capital reserves and the Company's equity increased by the above amount.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

In 2024, the Company made certain adjustments to the provisional amounts recognized following the provisional PPA on the purchase date. As a result, the Company increased the value of the liability for the put option in respect of the purchase of the remaining shares amounting to approximately $ 11.2 million against goodwill amounting to approximately $ 7.9 million and the balance against customer relations and product formulas.

The valuation was performed by an independent valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and PPA:

	April 3, 2024
	U.S. dollars in thousands
Working capital, net	2,051
Right-of-use asset	308
Property, plant and equipment and other assets	13,769
Customer relations	8,832
Product formulas	8,389
Deferred taxes	(4,478)
Lease liabilities	(308)
Other non-current liabilities	(6,157)
Net identifiable assets	22,406
Goodwill arising on acquisition	42,971
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	40,682
Total purchase price	65,377

From the consolidation date through December 31, 2024, the acquired operation has contributed approximately $ 28,014 thousand to revenues and approximately $ 5,475 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 $ 36,841 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.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

c. Flavours and Essences UK Limited

On September 1, 2024, the Company, through a wholly owned subsidiary, completed the purchase of 100% of the issued and outstanding share capital and voting rights of Flavours and Essences UK Limited, a private company incorporated in the UK which is a subsidiary of IFF ("F&E"), in return for £ 22 million (approximately $ 29 million). F&E develops, manufactures and markets flavors and essences.

The valuation was performed by an independent external valuation expert. The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price paid and the PPA:

	September 1, 2024
	U.S. dollars in thousands
Working capital, net	1,566
Right-of-use asset	269
Property, plant and equipment	126
Customer relations	5,901
Product formulas	3,867
Deferred taxes	(2,510)
Lease liabilities	(273)
Net identifiable assets	8,946
Goodwill arising on acquisition	19,062
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	28,008

From the consolidation date through December 31, 2024, the acquired operation has contributed approximately $ 4,630 thousand to revenues and approximately $ 568 thousand to net income and income of approximately $ 165 thousand from discontinued operation. If the business combination had been completed at the beginning of the year, the contribution to revenues would have been approximately $ 12,388 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.

See Note 28a for information on assets classified as held for sale and the liabilities attributable thereto.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

d. Schumann & Sohn GmbH

On November 7, 2024, the Company completed the purchase of 100% of the issued and outstanding share capital and voting rights of Schumann & Sohn GmbH ("Schumann") from its shareholders ("the sellers") for approximately € 10.7 million (approximately $ 11.5 million). Schumann was founded in 1948 and has vast experience and expertise in the field of sweet flavors, and is engaged in the development, production and marketing of flavors and quality solutions for the food industry and nutritional supplements. Schumann operates a production, R&D, applications and sales site in Karlsruhe, Germany. Schumann has a wide customer base, mostly in the German market.

As per the transaction, the Company purchased 75% of the share capital of Lebensmittel-Sprühtrocknungs- Industrie-System ATOM GmbH ("ATOM") from the sellers in consideration of approximately € 0.3 million. The remaining 25% in ATOM are held by another shareholder in ATOM ("the other shareholder"). As per the agreement between the parties, the Company's shares in ATOM were transferred to Schumann and the latter was granted a call option to purchase the remaining 25% in ATOM from the other shareholder at the end of 18 months from the acquisition date in return for approximately € 87,500 thousand plus an earnout based on the increase in sales. Since the approval of the other shareholder in ATOM is needed for appointing ATOM's key management personnel and for approving its business plan, the accounts of ATOM are not consolidated in the Company's financial statements but instead are presented at equity.

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 valuation of the 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:

	November 7, 2024
	U.S. dollars in thousands
Working capital, net	2,546
Right-of-use asset	938
Property, plant and equipment	423
Customer relations	1,011
Product formulas	1,379
Investment in company accounted for at equity	286
Deferred taxes	(717)
Lease liabilities	(938)
Net identifiable assets	4,928
Goodwill arising on acquisition	3,109
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	6,448
Liability for contingent consideration and acquisition date adjustments	1,589
Total purchase price	8,037

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

From the consolidation date through December 31, 2024, the acquired operation has contributed approximately $ 1,478 thousand to revenues and approximately $ 389 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 $ 9,139 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.

e. Frutol

On November 27, 2024, the Company, through a wholly owned subsidiary, completed the purchase of 24% of the share capital of Frutol Flavours d.o.o. ("Frutol"), a private company incorporated in Slovenia which manufactures and markets a variety of flavors in the Balkan countries, against an investment into the Company of approximately € 1.5 million. The agreement includes an option to purchase the remaining 76% of Frutol based on an EV/EBITDA ratio set forth in the agreement whereby 25% will be purchased after five years (November 27, 2029) ("the first option"), 24% after nine years and 25% after 12 years. If the Company does not exercise the first option within 60 business days from the first exercise date, the other shareholders in Frutol will be able to repurchase the Company's shares for a minimum price of € 1.5 million. The acquisition is accounted for at equity.

f. Aromatique

On January 9, 2023, after obtaining the regulatory approvals in Romania, the Company, through a wholly owned subsidiary, completed the purchase of 65% of the issued and outstanding share capital and voting rights of Aromatique Food SRL, a private company incorporated in Romania ("Aromatique"), from its single shareholder ("the seller"), in return for RON 17 million (approximately $ 3.6 million). On February 24, 2025, the parties exercised call/put options for purchasing the remaining shares of Aromatique by the Company for approximately $ 2.2 million.

Aromatique was founded in 2013 and is engaged in the research, development, production, marketing, sale and supply of savory functional ingredients and flavor mixtures mainly for the Romanian food industry.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date based on a purchase price allocation ("PPA"). The table below summarizes the purchase price and PPA:

	January 9, 2023
	U.S. dollars in thousands
Working capital, net	325
Right-of-use asset	149
Property, plant and equipment	303
Customer relations	1,117
Product formulas	705
Deferred taxes	(292)
Lease liabilities	(149)
Net identifiable assets	2,158
Goodwill arising on purchase	3,649
Purchase price:	
Amount paid in cash	3,625
Liability for contingent consideration and acquisition date adjustments	2,182
Total purchase price	5,807

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.

g. Food Base

On August 14, 2023, the Company, through a wholly owned subsidiary, completed the purchase of 60% of the issued and outstanding share capital and voting rights of Food Base KFT ("Food Base"), a private company incorporated in Hungary, from its single shareholder ("the seller") in return for approximately HUF 3,300 million (approximately $ 9.3 million), less 60% of Food Base's net debt on the closing date and a future earnout based on Food Base's business performances in 2023-2024. According to the agreement, the Company was granted a call option to purchase the remaining shares of Food Base from the seller which can be exercised at the end of three years from the closing date (until five years have elapsed from the closing date) for a price based on Food Base's business results in the period from the closing date to the option exercise date.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

Food Base was founded in 2004. It develops, manufactures, markets and sells flavors and herbal extracts for the food and beverage industries focusing on convenience foods, health drinks and snacks as well as raw materials for the food supplement industry. Food Base's results have been consolidated since August 2023.

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and PPA:

	August 14, 2023
	U.S. dollars in thousands
Working capital, net	665
Right-of-use asset	158
Property, plant and equipment and other assets	6,328
Customer relations	2,759
Product formulas	1,721
Deferred taxes	(653)
Lease liabilities	(158)
Other non-current liabilities	(2,731)
Net identifiable assets	8,089
Goodwill arising on purchase	1,543
Financial derivatives for purchase of non-controlling interests	672
Non-controlling interests	(3,790)
Purchase price:	
Amount paid in cash less net cash in acquiree on acquisition date	4,926
Liability for contingent consideration and acquisition date adjustments	1,588
Total purchase price	6,514

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.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

h. LORI

On January 17, 2022, the Company, through a wholly owned company, completed a transaction to acquire the entire share capital of LORI RKF ("LORI"), a private company incorporated in Latvia and operating in the fragrances industry, from its shareholders.

The Company acquired LORI shares for approximately € 3.1 million (approximately $ 3.6 million) plus net cash balance.

LORI manufactures fragrances and markets them in Eastern Europe and has a wide range of development and application capabilities. The acquisition of LORI will expand the Group's sales in the field of fragrances, their development and marketing in Central and Eastern Europe and its customer base in the regions where LORI operates, while leveraging synergies between the Group's companies in Israel and around the world.

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and the purchase price allocation (PPA):

	January 17, 2022
	U.S. dollars in thousands
Working capital, net	65
Right-of-use asset	533
Property, plant and equipment	354
Net identifiable assets	952
Customer relations	395
Product formulae	211
Software	50
Goodwill arising on acquisition	2,582
Lease liability	(533)
Deferred taxes	(97)
Total purchase price	3,560

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

i. Balirom

On March 31, 2022, the Company completed a transaction to acquire 60% of the issued and outstanding share capital and voting rights in Balirom Ltd., a private company incorporated in Israel ("Balirom acquisition agreement" and "Balirom", respectively) from its shareholders, for approximately NIS 14.5 million (approximately $ 4.6 million). The Balirom acquisition agreement contains certain adjustments as of the acquisition date and a symmetrical put/call option to acquire the remaining shares of Balirom which can be exercised over 12 months beginning 4 years from the transaction completion date, namely until March 31, 2027, at a price that will be determined based on the business performance of the Company's activity in the sweet taste extracts field in Israel combined with Balirom's activity during eight (8) calendar quarters prior to the exercise of the option.

On March 13, 2024, the Company increased its interests in Balirom by purchasing another 10% of its share capital from one of the 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.

Based on the option terms that were similar for all parties to the transaction, the Group recorded the acquisition of full control (100%) of Balirom as well as the full liability implied from exercising the option at its discounted value.

Balirom, which was founded in 2001, is engaged in research, development, production, marketing, sales and supply of flavor extracts and non-sweet savory flavor as well as accessories and supplements for the food industry. The facility of Balirom is located in Beer Tuvia.

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and the PPA:

	March 31, 2022
	U.S. dollars in thousands
Working capital, net	2,233
Right-of-use asset	2,228
Property, plant and equipment	466
Net identifiable assets	4,927
Customer relations	1,123
Product formulae	1,089
Goodwill arising on acquisition	4,765
Lease liability	(2,228)
Deferred taxes	(473)
Other non-current liabilities	(734)
Total purchase price	8,469
Purchase price:	
Amount paid in cash	4,580
Liability for contingent consideration and acquisition date adjustments	3,889
Total purchase price	8,469

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

j. Pentaor

On April 12, 2022, the Company completed the acquisition of all the issued and outstanding share capital and voting rights of Pentaor Ltd., a private company incorporated in Israel ("Pentaor acquisition agreement" and "Pentaor", respectively), from its shareholders, for NIS 10 million (approximately $ 3.1 million).

Pentaor, which was merged into the Company on June 22, 2023, is engaged in development, production, marketing and sale of unique functional solutions for the baking industry, utilizing state-of-the-art technology, under the PentaCake brand, which combines advantages such as softness, moisture, volume, texture, and long shelf life. Pentaor exports almost all of its products to emerging markets, such as Vietnam, India and Southeast Asia.

The purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price and the PPA:

	April 12, 2022 U.S. dollars in thousands
Working capital, net	504
Right-of-use asset	141
Property, plant and equipment	40
Net identifiable assets	685
Product formulae	2,955
Deferred taxes	(222)
Lease liability	(141)
Other non-current liabilities	(83)
Total purchase price	3,194
Purchase price:	
Amount paid in cash	3,149
Acquisition date adjustments	45
Total purchase price	3,194

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

k. Klabin

In keeping with the Company's immediate report of September 18, 2022 (TASE reference: 2022-01-118207) regarding the acquisition, through Turpaz USA, a wholly owned subsidiary of the Company, of 81% of the issued and outstanding share capital and voting rights of Klabin Fragrances, Inc. ("Klabin"), a private company incorporated in the United States, from Klabin's shareholders ("the sellers") in return for $ 24.3 million, subject to adjustments based on Klabin's operating results for 2022 ("the acquisition agreement") and with the Company's immediate report of October 3, 2022 (TASE reference: 2022-01-100530) regarding the closing of the acquisition agreement, the Company reported the following developments:

From the date of its acquisition and in the first quarter of 2023, Klabin focused on expanding its production line and invested resources in integrating and consolidating the activity of Turpaz USA into its own activities at its innovative production site in New Jersey, USA. In this context, Klabin assimilated Turpaz USA's production, development, IT and finance functions. As of the financial statement date, the consolidation of Turpaz USA's operations with Klabin's operations has been completed.

Klabin's operations in the fourth quarter of 2022 were affected by reduced inventories of customers as part of the inventory reduction trend currently practiced in this industry due to interest rises around the world and market uncertainty, which impaired Klabin's EBITDA in 2022.

Consequently, the parties set forth the adjustment of the purchase price and transaction terms and agreed that instead of adjusting the purchase price, the acquisition agreement will be amended as follows: (i) the remaining issued and outstanding share capital and voting rights in Klabin (19%) will be immediately transferred to Turpaz USA so that the latter will hold 100% of Klabin's shares and rights; (ii) the immediate purchase price for 100% of the shares of Klabin will be reduced to $ 22.4 million; (iii) the sellers will be entitled to an earnout of up to $ 3 million based on Klabin's business results in 2023-2025.

Klabin began operating in 1998 and is engaged in research, development, production, marketing, sale and supply of custom fragrances, natural oils, essences, natural and synthetic ingredients, functional solutions and applications for the cosmetic industry, toiletries, candles, body and hair products, ambiance fragrances, detergents and fine fragrances. The acquisition of Klabin represents a strategic acquisition for Turpaz USA's operations by allowing the expansion of the Group's fragrance product portfolio and clientele while leveraging the development, procurement, marketing and sale synergies between the Group companies.

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

Based on the external valuation, the purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value on the purchase date. The table below summarizes the purchase price paid and the PPA:

	October 3, 2022
	U.S. dollars in thousands
Working capital, net	458
Right-of-use asset	2,167
Lease liability	(2,167)
Property, plant and equipment	104
Net identifiable assets	562
Goodwill arising on purchase	16,878
Customer relations	3,640
Product formulas	2,326
Total purchase price	23,406
Purchase price:	
Amount paid in cash less refund for adjustments	22,381
Liability for contingent consideration	1,025
Total purchase price	23,406

NOTE 5:- BUSINESS COMBINATIONS (Cont.)

l. Table of the Company's holdings as of December 31, 2024:

Company name	Country of incorporation	Holding rate	
		Voting rights	Equity rights
Turpaz Industries Ltd.	Israel	100%	100%
Chemada Industries Ltd.	Israel	100%	100%
Balirom Ltd.	Israel	70%	70%
Klabin-Turpaz, Inc	USA	100%	100%
Pentanov Ingredients Private Limited	India	93%	93%
Fabryka Substancji Zapachowych "Pollena-Aroma" Sp. z o.o	Poland	100%	100%
Western Flavors Fragrances Production JSC	Vietnam	70%	70%
Turpaz Belgium SRL	Belgium	100%	100%
Sunspray Solutions Proprietary Limited	South Africa	55%	55%
Lori RKF SIA	Latvia	100%	100%
Aromatique Food SRL	Romania	65%	65%
Turpaz Romania SRL	Romania	100%	100%
Food Base Kft	Hungary	60%	60%
Schumann & Sohn GmbH	Germany	100%	100%
Atom Gmbh	Germany	75%	75%
Food Ingredients Technologies SA (*)	Belgium	45.3%	45.3%
Cewecon GmbH	Belgium and Germany	100%	100%
Frutol Flavours, tovarna arom, d.o.o.	Slovenia	24%	24%
Turpaz UK Limited	England	100%	100%
Flavours and Essences UK Limited	England	100%	100%
New Generation Flavors Limited	England	100%	100%

(*) As of December 31, 2024, the remaining non-controlling interests approximate $ 24,194 thousand.

NOTE 6:- CASH AND CASH EQUIVALENTS

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Cash and deposits for immediate withdrawal in NIS	3,146	2,459
Cash and deposits for immediate withdrawal in USD	1,885	6,290
Cash and deposits for immediate withdrawal in Zloty	2,520	3,094
Cash and deposits for immediate withdrawal in Euro	12,601	10,685
Cash and deposits for immediate withdrawal in South African Rand	3,002	-
Cash and deposits for immediate withdrawal in GBP	781	-
Cash and deposits for immediate withdrawal - other	1,991	1,289
	25,926	23,817

NOTE 7:- TRADE RECEIVABLES

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Open debts	38,109	27,314
Checks receivable	1,296	1,261
	39,405	28,575
Less – allowance for doubtful accounts	818	410
Trade receivables, net	38,587	28,165

Movement in allowance for doubtful accounts:

	2024	2023
	U.S. dollars in thousands	
Balance as of January 1	410	130
Provision for the year	408	280
Balance as of December 31	818	410

NOTE 7:- TRADE RECEIVABLES (Cont.)

Following is information about the credit risk exposure of the Company's trade receivables:

December 31, 2024:

	Not past due	Past due trade receivables < 30 days	31- 60 days	61 - 90 days	91 - 120 days	>120 days	Total
	U.S. dollars in thousands						
Gross carrying amount	30,761	5,578	1,511	389	162	1,004	39,405
Allowance for doubtful accounts	-	-	-	82	96	640	818

December 31, 2023:

	Not past due	Past due trade receivables < 30 days	31- 60 days	61 - 90 days	91 - 120 days	>120 days	Total
	U.S. dollars in thousands						
Gross carrying amount	18,535	7,072	1,538	341	267	822	28,575
Allowance for doubtful accounts	-	-	-	38	35	337	410

NOTE 8:- OTHER ACCOUNTS RECEIVABLE

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Prepaid expenses and advances to suppliers	1,515	1,434
Government institutions	1,011	1,329
Grant receivable	1,449	352
Other	773	53
	4,748	3,168

NOTE 9:- INVENTORIES

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Raw materials	28,027	14,654
Work in process	3,339	2,447
Finished goods	10,178	7,531
	41,544	24,632

As of December 31, 2024, the provision for slow-moving inventory approximates $ 853 thousand (compared to approximately $ 1,483 thousand as of December 31, 2023).

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

2024

	Land, buildings	Leasehold improvements	Vehicles	Computers and office equipment and furniture	Machinery and equipment	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2024	17,801	3,027	980	3,232	27,801	52,841
Purchases	212	443	148	507	6,185	7,495
Newly consolidated company and purchase of activity	19,348	779	490	2,174	16,116	38,907
Adjustments from translating financial statements from functional currency to presentation currency	308	18	4	27	199	556
Adjustments from translating financial statements of foreign operations	(1,912)	(323)	(115)	(255)	(1,360)	(3,965)
Disposals in the year	(10)	-	(154)	(50)	(467)	(681)
Balance at December 31, 2024	35,747	3,944	1,353	5,635	48,474	95,153
Accumulated depreciation:						
Balance at January 1, 2024	4,223	729	696	2,234	14,281	22,163
Depreciation	1,259	281	104	523	2,084	4,251
Newly consolidated company and purchase of activity	6,019	477	443	1,830	9,891	18,660
Adjustments from translating financial statements from functional currency to presentation currency	133	11	4	27	110	285
Adjustments from translating financial statements of foreign operations	(591)	(182)	(87)	(200)	(1,039)	(2,099)
Disposals in the year	(3)	-	(137)	(33)	(127)	(300)
Balance at December 31, 2024	11,040	1,316	1,023	4,381	25,200	42,960
Depreciated cost at December 31, 2024	24,707	2,628	330	1,254	23,274	52,193

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2023

	Land, buildings	Leasehold improvements	Vehicles	Computers and office equipment and furniture	Machinery and equipment	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2023	10,479	3,169	712	2,659	22,326	39,345
Purchases	777	472	-	301	3,190	4,740
Newly consolidated company and purchase of activity	5,573	25	597	263	1,873	8,331
Adjustments from translating financial statements from functional currency to presentation currency	(271)	(694)	(255)	(56)	(149)	(1,425)
Adjustments from translating financial statements of foreign operations	1,243	55	121	98	577	2,094
Disposals in the year	-	-	(195)	(33)	(16)	(244)
Balance at December 31, 2023	17,801	3,027	980	3,232	27,801	52,841
Accumulated depreciation:						
Balance at January 1, 2023	3,017	791	493	1,673	12,012	17,986
Depreciation	440	244	70	355	1,422	2,531
Newly consolidated company and purchase of activity	522	-	333	208	643	1,706
Adjustments from translating financial statements from functional currency to presentation currency	(32)	(371)	(135)	(32)	(14)	(584)
Adjustments from translating financial statements of foreign operations	276	65	43	61	225	670
Disposals in the year	-	-	(108)	(31)	(7)	(146)
Balance at December 31, 2023	4,223	729	696	2,234	14,281	22,163
Depreciated cost at December 31, 2023	13,578	2,298	284	998	13,520	30,678

b. In December 2020, the subsidiary, Chemada Industries Ltd., was granted approval for a plan for investment in property, plant and equipment by the Authority for Investments and Development of the Industry and Economy pursuant to the Law for the Encouragement of Capital Investments, 1959, for the purpose of expanding Chemada's plant in Kibbutz Nir Yitzhak. The execution of investments in a total of approximately NIS 11 million in accordance with the plan will entitle Chemada to a grant accounting for 20% of said investments. The instrument of approval is subject to generally accepted conditions, including achieving business targets that were set therein. The plan may be executed by December 30, 2026. The Company commenced the construction of part of the planned extension, and the remaining part of the expansion is in the planning stage. As of the financial statement approval date, the Company has not yet received grants.

c. See information of charges in Note 20.

NOTE 11:- GOODWILL AND OTHER INTANGIBLE ASSETS

a. Composition and movement:

2024

	Customer relations	Product formulae	Trademark	Order backlog	Non-compete	Goodwill	Software	Total
	U.S. dollars in thousands							
Cost:								
Balance at January 1, 2024	23,569	15,077	249	2,230	10	64,555	545	106,235
Additions	-	-	-	-	-	-	826	826
Additions for purchase of activities	22,070	19,602	-	-	-	81,763	1,216	124,651
Disposals in the year:								
Reclassification to assets held for sale	(1,589)	(1,875)	-	-	-	(9,245)	-	(12,709)
Adjustments from translating financial statements of foreign operations	(1,710)	(1,290)	-	-	-	(5,646)	(117)	(8,763)
Adjustments from translating financial statements from functional currency to presentation currency	181	220	-	-	-	944	32	1,377
Balance at December 31, 2024	42,521	31,734	249	2,230	10	132,371	2,502	211,617
Accumulated depreciation and impairment losses:								
Balance at January 1, 2024	7,974	1,837	249	2,230	10	-	143	12,443
Depreciation in the year	3,435	1,418	-	-	-	-	274	5,127
Depreciation for purchase of activities	-	-	-	-	-	-	951	951
Disposals in the year:								
Reclassification to assets held for sale	(53)	(31)	-	-	-	-	-	(84)
Adjustments from translating financial statements of foreign operations	(250)	(85)	-	-	-	-	(70)	(405)
Adjustments from translating financial statements from functional currency to presentation currency	5	10	-	-	-	-	20	35
Balance at December 31, 2024	11,111	3,149	249	2,230	10	-	1,318	18,067
Net balance at December 31, 2024	31,410	28,585	-	-	-	132,371	1,184	193,550

NOTE 11:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

2023

	Customer relations	Product formulae	Trademark	Order backlog	Non-compete	Goodwill	Software	Total
	U.S. dollars in thousands							
Cost:								
Balance at January 1, 2023	19,354	12,420	224	2,230	10	57,994	221	92,453
Additions	-	-	-	-	-	-	282	282
Additions for purchase of activities	3,876	2,426	-	-	-	5,192	33	11,527
Adjustments from translating financial statements of foreign operations	2,486	603	32	-	-	3,111	11	6,243
Adjustments from translating financial statements from functional currency to presentation currency	(2,147)	(372)	(7)	-	-	(1,742)	(2)	(4,270)
Balance at December 31, 2023	23,569	15,077	249	2,230	10	64,555	545	106,235
Accumulated depreciation and impairment losses:								
Balance at January 1, 2023	5,964	938	224	2,230	10	-	31	9,397
Depreciation in the year	1,932	819	-	-	-	-	92	2,843
Depreciation for purchase of activities	-	-	-	-	-	-	27	27
Adjustments from translating financial statements of foreign operations	224	98	32	-	-	-	2	356
Adjustments from translating financial statements from functional currency to presentation currency	(146)	(18)	(7)	-	-	-	(9)	(180)
Balance at December 31, 2023	7,974	1,837	249	2,230	10	-	143	12,443
Net balance at December 31, 2023	15,595	13,240	-	-	-	64,555	402	93,792

NOTE 11:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

b. Amortization expenses:

Amortization expenses of intangible assets are classified in profit or loss under research and development expenses and selling and marketing expenses.

c. Impairment of goodwill:

For the purpose of testing for impairment of goodwill, the goodwill was allocated to the operating segments which consist of the following two cash-generating units ("CGUs"):

- Taste segment
- Fragrance segment

The carrying amount of the goodwill allocated to each CGU (constituting a segment) as of December 31, 2024 is as follows:

	Taste	Fragrance	Total
	U.S. dollars in thousands		
Goodwill	111,227	21,144	132,371

A valuation was prepared by an independent external valuation expert for the two CGUs. The valuation expert relied on the following assumptions: a pretax WACC rate of 12% based on the valuation model, an average growth rate of about 5% for years 1-3, about 4.5% for year 4, about 3% for year 5 and about 2% from year 6 and onwards. The comparison of the fair value as per the external valuation to the carrying amount as of December 31, 2024 indicates that no provision for impairment is needed.

Sensitivity analysis for changes in assumptions:

Regarding the assumptions that have been used in the determination of the cash-generating unit's value in use, management is of the opinion that there are no possible changes in the key assumptions, which have been set forth above, which may cause the carrying amount of the cash-generating unit to materially exceed its recoverable amount.

NOTE 12:- LEASES

Disclosures for leases in which the Company acts as lessee:

The Company has entered into leases of buildings and vehicles which are used for the Company's operations.

Leases of buildings have lease terms of between 2 and 25 years whereas leases of vehicles have lease terms of 3 years.

Some of the leases entered into by the Company include extension and/or termination options and variable lease payments.

a. Information on leases:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Interest expense on lease liabilities	761	917	625
Expenses relating to short-term leases	466	584	85
Repayment of lease liability	2,910	2,128	2,358
Total cash outflow for leases	4,137	3,629	3,068

b. Lease extension and termination options:

The Company has leases that include extension and termination options. These options provide flexibility in managing the leased assets and align with the Company's business needs.

In leases that contain noncancelable lease periods of between 3 and 10 years, the Company generally includes in the lease term the exercise of extension options existing in the lease agreements. In these leases, the Company usually exercises the extension option to avoid a negative impact to its operating activities in the event that an alternative asset is not available immediately upon termination of the noncancelable lease period.

In leases of vehicles, the Company does not include in the lease term the exercise of extension options since the Company does not ordinarily exercise options that extend the lease period beyond 3 years (without exercising the extension option).

Lease terms that include termination options will include the period covered by the termination option when it is reasonably certain that the termination option will not be exercised.

NOTE 12:- LEASES (Cont.)

c. Disclosure of right-of-use assets:

2024

	Land and buildings	Vehicle	Total
	U.S. dollars in thousands		
Cost:			
Balance as of January 1, 2024	18,428	4,452	22,880
Additions during the year:			
New leases	701	1,758	2,459
Newly consolidated company	1,164	1,137	2,301
Adjustments for indexation	123	69	192
Adjustments from translating financial statements of foreign operations	1,034	386	1,420
Adjustments from translating financial statements from functional currency to presentation currency	(389)	(525)	(914)
Disposals during the year	(812)	(390)	(1,202)
Balance as of December 31, 2024	20,249	6,887	27,136
Accumulated depreciation:			
Balance as of January 1, 2024	3,413	2,926	6,339
Additions during the year:			
Depreciation and amortization	1,524	1,438	2,962
Initially consolidated company	496	209	705
Adjustments from translating financial statements of foreign operations	737	180	917
Adjustments from translating financial statements from functional currency to presentation currency	(22)	(209)	(231)
Disposals during the year	(507)	(312)	(819)
Balance as of December 31, 2024	5,641	4,232	9,873
Depreciated cost at December 31, 2024	14,608	2,655	17,263

NOTE 12:- LEASES (Cont.)

2023

	Land and buildings	Vehicle	Total
	U.S. dollars in thousands		
Cost:			
Balance as of January 1, 2023	19,839	3,198	23,037
Additions during the year:			
New leases	3,040	1,232	4,272
Newly consolidated company	93	214	307
Adjustments for indexation	511	54	565
Adjustments from translating financial statements of foreign operations	252	79	331
Adjustments from translating financial statements from functional currency to presentation currency	(912)	(89)	(1,001)
Disposals during the year	(4,395)	(236)	(4,631)
Balance as of December 31, 2023	18,428	4,452	22,880
Accumulated depreciation:			
Balance as of January 1, 2023	2,534	1,940	4,474
Additions during the year:			
Depreciation and amortization	1,701	1,105	2,806
Adjustments from translating financial statements of foreign operations	61	41	102
Adjustments from translating financial statements from functional currency to presentation currency	(110)	(50)	(160)
Disposals during the year	(773)	(110)	(883)
Balance as of December 31, 2023	3,413	2,926	6,339
Depreciated cost at December 31, 2023	15,015	1,526	16,541

NOTE 12:- LEASES (Cont.)

d. Lease liabilities:

	2024	2023
	U.S. dollars in thousands	
Balance as of January 1,	17,551	18,531
Additions	2,460	4,272
Initial consolidation	1,600	307
Disposals	(371)	(3,748)
Interest expenses	761	917
Lease payments	(3,671)	(3,045)
Other changes	7	317
Balance as of December 31,	18,337	17,551

e. Maturity analysis of lease liabilities:

	2024	2023
	U.S. dollars in thousands	
First year – current maturities	2,828	2,311
Second year	2,217	1,837
Third year	2,132	1,364
Fourth year	1,276	1,119
Fifth year	1,297	1,136
Sixth year and thereafter	8,587	9,784
Balance as of December 31,	18,337	17,551

f. The Company has leases for a period of up to 12 months and low value leases of office equipment. The Company applies the practical expedient in IFRS 16 in respect of these leases and recognizes lease payments as an expense using the straight-line method over the lease term

NOTE 13:- CREDIT FROM BANKS

a. Composition:

December 31, 2024

	Linkage terms	Effective interest rate 31.12.2024	Balance U.S. dollars in thousands
Current maturities of long-term loans from banks and others		See Note 16a	19,320
Loans from banks	Euro-linked	4.3%	132
Loans from banks	GBP-linked	SONIA+1.9%	6,272
Loans from banks	Unlinked	P-0.1%	2,048
			27,772

December 31, 2023

	Linkage terms	Effective interest rate 31.12.2023	Balance U.S. dollars in thousands
Current maturities of long-term loans from banks and others		See Note 16a	3,669
Loans from banks	Euro-linked	Euribor+1.55%	6,395
Loans from banks	Unlinked	P+0.05%	913
			10,977

b. See Note 16 for the Company's credit terms, financial covenants and other liabilities.

c. At the end of 2024, the Company has unutilized credit facilities totaling approximately $ 16.8 million (compared with approximately $ 1.2 million at the end of 2023).

d. For collaterals, see Note 20.

e. For charges, see Note 20.

NOTE 14:- TRADE PAYABLES

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Open debts	19,396	14,674
Notes payable	6	5
	19,402	14,679

Trade payables do not bear interest. The average supplier credit days are 52 days.

NOTE 15:- OTHER ACCOUNTS PAYABLE

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Employees and payroll accruals	5,782	3,471
Government institutions	3,919	2,970
Provision for waste removal	67	800
Accrued expenses (a)	4,427	4,255
Other	1,250	277
	15,445	11,773

(a) Includes interested party, companies owned by the interested party and related parties (see Note 26).

NOTE 16:- LONG-TERM LOANS FROM BANKS

a. Composition:

December 31, 2024

	Linkage terms	Effective interest rate 31.12.2024	Balance U.S. dollars in thousands
Loans from banks	Euro-linked	Euribor+1.65%-1.95%, 0.89%-4.6%	59,998
Loans from banks	GBP-linked	SONIA+1.7%-2.5%	21,322
Loans from banks	Unlinked	P-0.1%, 2.3%	4,178
Loans from banks	Linked to other currency	Jibar 3%-3.5%, 0.5%	7,598
Less - current maturities (see also Note 13 above)			(19,320)
			73,776

December 31, 2023

	Linkage terms	Effective interest rate 31.12.2023	Balance U.S. dollars in thousands
Loans from banks	Euro-linked	Euribor+1.5% 1.1%-3%	1,760
Loans from banks	Unlinked	P+0.6%-P+1.5% 2.3%-3.1%	3,371
Loans from banks	Linked to other currency	0.5%	1,926
Less - current maturities (see also Note 13 above)			(3,618)
			3,439

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 paragraph f below.

NOTE 16:- LONG-TERM LOANS FROM BANKS (Cont.)

c. 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. The loan is governed by financial covenants as described in paragraph f below. In November 2024, the Company withdrew approximately € 10.7 million from the secured loan amount. After the reporting date, in March 2025, the Company withdrew the remaining secured loan amount.

d. On December 19, 2024, a wholly owned subsidiary of the Company entered into a loan agreement with a European banking corporation for receiving a loan of £ 17 million (approximately $ 21.5 million). The loan is for a period of four years and bears interest of SONIA plus a margin ranging between 1.7% and 2.5% and is payable on a quarterly basis. The loan principal is repayable in equal quarterly instalments beginning three months from the loan withdrawal date. The loan is governed by financial covenants as described in paragraph f below.

e. For collaterals, see Note 20.

f. Financial covenants:

   <u>The Company</u>

   The Company has undertaken to meet the following financial covenants in connection with liabilities to lenders:

   1. The ratio of the Company's equity to total balance sheet will not be lower than 25% at all times.

   2. The debt coverage ratio (total net debt to financial institutions and other lenders including debt to shareholders to EBITDA) (on a proforma basis) will not exceed 3.5 at all times.

   As of December 31, 2024, the Company is meeting the above financial covenants: the ratio of equity to total balance sheet is 36.9% and the net debt coverage ratio is 1.6.

   After the reporting date, in March 2025, the financial covenant agreed with a lending bank was updated whereby the ratio of equity to total balance sheet will not be lower than 20% and $ 80 million at all times.

NOTE 17:- OTHER LIABILITIES

	December 31,	
	2024	2023
	U.S. dollars in thousands	
Liabilities for waste removal	1,176	455
Other long-term payables	-	53
Loans from others less current maturities	370	236
Liabilities for purchase of activities	72,773	39,051
	74,319	39,795

NOTE 18:- FINANCIAL INSTRUMENTS

a. Financial risks factors:

The Group's activities expose it to various financial risks such as market risk (foreign currency risk, CPI risk and interest rate risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

Risk management is performed by the Company's Finance Department which assesses and hedges financial risk in collaboration with the Group's operating units. The Board sets forth the overall risk management policy and specific policies for certain exposures to risks such as exchange rate risk, interest rate risk and credit risk. The policies also cover areas such as cash management and raising short-term and long-term debt.

1. Market risks:

a) Foreign currency risk:

The Company is a global Group and therefore its sales are made in the functional currencies of the different Group companies, mainly Euro, NIS, USD, South African Rand and Polish Zloty. Exchange rate fluctuations impact the Group's net income and financial position, which are denominated in NIS and presented in USD. The Company purchases some of its raw materials from various countries across the world and is exposed to an exchange rate risk stemming from exposure to various currencies, mainly the Euro, NIS and USD.

Exchange rate risk stems from future commercial transactions and assets and liabilities recognized, which are denominated in foreign currency other than the functional currency. Exposure to change in exchange rates may also arise in the process of consolidating the financial statements of consolidated companies presented in foreign currencies. The impact of this exposure on the Group's comprehensive income is presented as currency translation differences.

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

	NIS representative exchange rate	Euro representative exchange rate
	U.S. dollar	
As of		
December 31, 2024	0.274	1.041
December 31, 2023	0.276	1.106
December 31, 2022	0.284	1.066

	%	
Rate of change in the year ended		
December 31, 2024	(0.55)	(5.88)
December 31, 2023	(2.98)	3.71
December 31, 2022	(11.8)	(5.83)

b) Interest rate risk:

Since the Group has no material interest-bearing assets, its revenues and operating cash flows are not dependent on interest rates. The Group's interest rate risk derives from exposure to changes in market interest on short-term and long-term loans received bearing variable interest rates.

2. Credit risk:

The Group does not have significant concentrations of credit risks. The Group has a policy ensuring that wholesales of products are carried out with customers with good credit history.

The Group's revenues stem from customers in Israel and across the world. The Group monitors customer debts on a regular basis, and the financial statements include allowances for doubtful accounts, which, in Group management's opinion, reflect fairly the potential loss from debts doubtful of collection.

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

b. Concentration of liquidity risk:

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2024

	Less than 1 year	1-5 years	5 years and onwards	Total
	U.S. dollars in thousands			
Trade payables	19,402	-	-	19,402
Other payables	11,459	-	-	11,459
Lease liability	3,542	8,532	10,501	22,575
Liability in respect of purchase of activity	3,525	82,085	-	85,610
Provision for waste removal	67	1,176	-	1,243
Credit from banks and others	32,913	80,014	2,169	115,096
Other	-	-	431	431
	70,908	171,807	13,101	255,816

December 31, 2023

	Less than 1 year	1-5 years	5 years and onwards	Total
	U.S. dollars in thousands			
Trade payables	14,679	-	-	14,679
Other payables	8,003	-	-	8,003
Lease liability	2,774	7,144	11,312	21,230
Liability in respect of purchase of activity	1,723	43,139	-	44,862
Provision for waste removal	800	455	-	1,255
Credit from banks and others	11,548	2,867	947	15,362
Other	-	-	462	462
	39,527	53,605	12,721	105,853

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

c. Fair value:

1. The carrying amount of cash and cash equivalents, trade receivables, other accounts receivable, credit from banks and others (mostly bearing variable interest), trade payables and other accounts payable approximates their fair value.

2. 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 other business combinations include a contingent consideration mechanism that is based on future performance of the acquiree.

   As of December 31, 2024, the total liabilities for put options and contingent consideration amounted to $ 74,779 thousand. The value of the put options and contingent consideration was estimated in accordance with the average EBITDA achieved over the term of the agreement. The weighted annual discount rate is 6.1%. The fair value is measured at level 3 of the fair value hierarchy. The key non-observable input used by the Company to assess the value of the liabilities is the future EBITDA that will be achieved; in order to assess the liabilities and update their value, the Company used the companies' ongoing results and updated forecasts.

Sensitivity test of changes in EBITDA:

	Sensitivity test to changes in EBITDA	
	Gain (loss) from change	
	5% increase in EBITDA	**5% decrease in EBITDA**
	U.S. dollars in thousands	
2024	(1,747)	1,747
2023	(1,138)	1,138

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

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

	2024	2023
	U.S. dollars in thousands	
Balance at beginning of year	(39,051)	(34,627)
Total gain (loss) recognized:		
Repayment	834	648
In profit or loss	(1,468)	(1,681)
In other comprehensive income (loss)	1,747	(952)
Update of terms of symmetrical put/call options for non-controlling interests *)	(11,278)	-
Reclassification of symmetrical put/call options on non-controlling interests *)	32,898	-
Business combinations	(58,461)	(2,439)
Balance at end of year	(74,779)	(39,051)

*) Concurrently with the adjustment of the terms of symmetrical put/call options, as discussed in Note 5b 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 as of June 30, 2024. See Note 5b above regarding the update of the Dandau option terms.

d. Sensitivity tests of changes in market factors:

	Sensitivity test to changes in USD exchange rate in relation to other currencies	
	Gain (loss) from change	
	10% increase in exchange rate	10% decrease in exchange rate
	U.S. dollars in thousands	
2024	13,410	(13,410)
2023	10,400	(10,400)

	Sensitivity test to changes in interest	
	Gain (loss) from change	
	0.5% increase in interest rate	0.5% decrease in interest rate
	U.S. dollars in thousands	
2024	(460)	460
2023	(49)	49

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity tests and key work assumptions:

The changes selected for the relevant risk factors were determined in accordance with management's estimates of potential reasonable changes in these risk factors. The Company conducted sensitivity tests to key market risk factors that may affect the reported operating results or financial position. The sensitivity tests present the pre-tax comprehensive income for each financial instrument in respect of the relevant risk factor, that was selected for it as of each reporting date. The assessment of the risk factors was carried out based on the materiality of the operating results or financial position's exposure in respect of each risk factor, in relation to the functional currency and assuming that all other parameters remain constant: In long-term loans with fixed interest the Group does not have an exposure to interest risk.

NOTE 19:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

Post-employment benefits

According to labor laws and effective labor agreements in Israel and overseas, the Company and some of the subsidiaries are required to pay retirement and/or pension accruals to employees who are dismissed or who retire under certain circumstances. The liability of the Group companies is mainly covered by current contributions to defined contribution plans (as per Section 14 to the Israeli Severance Pay Law and applicable labor laws abroad). The amounts contributed as above are not included in the statements of financial position as they are not controlled or managed by the companies.

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS, CHARGES AND GUARANTEES

a. Commitments:

Collective labor agreement

Chemada's employees who are non-management personnel are employed in accordance with a special collective labor agreement. The agreement addresses work in shifts, annual vacation, callback benefits, overtime and advanced study fund. Pursuant to the agreement, Chemada may exclude other positions from its scope, provided that the ratio between those Chemada employees to whom the agreement applies and those to whom the agreement does not apply shall not be less than 1:3.

b. Contingent liabilities:

In 2024, there are no pending claims against the Group (2023 – claims totaling $ 48 thousand).

NOTE 20:- CONTINGENT LIABILITIES, COMMITMENTS, CHARGES AND GUARANTEES (Cont.)

c. Charges:

The Company undertook towards four lending banks not to place and not to undertake to place any floating charges on some or all or part of its assets, of any type or kind, without the banks' advance written consent.

d. Guarantees:

The Group provided guarantees in a total amount of approximately $ 336 thousand, mainly in respect of customs duty on alcohol.

NOTE 21:- EQUITY

a. Composition of share capital:

	December 31, 2024		December 31, 2023	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	No. of shares with no par value		No. of shares of NIS 1 par value	
Ordinary shares	1,000,000,000	100,463,556	1,000,000,000	100,084,776

As to the exercise of options, see paragraph b below.

b. Allocation of options to a Company director:

In May 2021, the Company's Board and the general meeting of the Company's shareholders approved a plan whereby a Company director will be awarded - without consideration - 757,560 unlisted options, which are exercisable into an identical number of shares. The option exercise price shall be equal to the share price as determined in the IPO.

The options award plan complies with the provisions of Section 102 to the Ordinance. The options were allocated to a trustee on May 23, 2021 ("the allocation date").

The options vest in equal tranches over four years from the allocation date; the first tranche (25% of the options) vest a year after the allocation date, and all remaining options vest in six semi-annual tranches (12.5% of the option in each such tranche) starting 18 months after the allocation date. The first tranche is exercisable over two years from vesting date, and each further tranche is exercisable over a year from vesting date, including on a cashless basis. Any options not exercised by the end of the said period expire, and no rights are conferred upon their holders.

On November 24, 2023, 94,695 options granted to a director expired. In 2024, some 379 thousand options were exercised into shares.

NOTE 21:- EQUITY (Cont.)

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:

Dividend yield per share (%)	34.83%-39.26%
Risk-free interest rate (%)	0.52%-0.25%
Expected life of the share options (in years)	As per vesting dates
Share price (NIS)	NIS 8.91

Based on the above inputs, the fair value of the share options was determined at approximately $ 575 thousand on the grant date.

Total salary expense carried by the Company in the year ended December 31, 2024 approximated $ 45 thousand (compared to salary expense of approximately $ 96 thousand in the year ended December 31, 2023).

c. Allocation of options to employees, executives and consultants in the Group:

In March 2022, the Company's Board approved the grant of 1,396,000 unlisted options, which are exercisable into an identical number of shares, to employees, executives and consultants in the Group. As of the report date, 237,500 options expired. The Board also approved the grant of 262,000 unlisted options, which are exercisable into an identical number of shares, to Mr. Shay Khazon, Director, Israeli Fragrance Operations, and to Ms. Shir Kesselman, VP Fragrance Division, following the approval of the grant by the general meeting of the Company's shareholders in May 2022. The exercise price of each option is NIS 23.51, representing the average share price in the 30 trading days before the Board's grant approval date.

The options were granted in accordance with a share-based payment plan adopted by the Company and related companies for employees, service providers and officers pursuant to the provisions of Sections 102 and 3(i) to the Income Tax Ordinance. The options were allocated to a trustee on May 8, 2022.

The options vest in equal tranches over four years from the allocation date; the first tranche (25% of the options) shall vest a year after the allocation date, and all remaining options shall vest in six semi-annual tranches (12.5% of the option in each such tranche) starting 18 months after the allocation date. The options are exercisable over two years from vesting date, inclduing on a cashless basis. Any options not exercised by the end of the said period will expire, and no rights shall be conferred upon their holders.

NOTE 21:- EQUITY (Cont.)

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 (%)	32.96%-27.89%
Risk-free interest rate (%)	0.69%-0.22%
Expected life of the share options (in years)	As per vesting dates
Share price (NIS)	NIS 23.78

Based on the above inputs, the fair value of the share options was determined at approximately $ 3,119 thousand on the grant date.

Total salary expense carried by the Company in the year ended December 31, 2024 in respect of the above plan approximated $ 393 thousand (compared to salary expense of approximately $ 748 thousand in the year ended December 31, 2023).

In keeping with the Remuneration Committee's recommendation and with the Company's share-based payment policy and plan, the Board's meeting of September 21, 2022 approved an immaterial and ordinary private placement of 105,000 unlisted options to an officer who is an employee of the Company under the same terms as the grant from March 2022 described above, except for an exercise price of NIS 20.37 per option, representing the average share price in the 30 trading days before the Board's grant approval date. The fair value of the options was determined as approximately $ 169 thousand on the grant date.

Total salary expense carried by the Company in the year ended December 31, 2024 in respect of the above grant approximated $ 37 thousand (compared to salary expense of approximately $ 74 thousand in the year ended December 31, 2023).

d. 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 unlisted 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 unlisted 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%.

NOTE 21:- EQUITY (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, including 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.

Moreover, in May 2024, the Company's Board approved an immaterial and non-extraordinary private placement of 30,000 unlisted options to an employee in the Company under the same terms as the grant of March 2024 mentioned above, other than an exercise increment of NIS 17.88, representing the average share price in the 30 trading days before the Board's approval for the grant of the options plus 5%. The fair value of the options approximates $ 59 thousand on the grant date.

Total salary expenses carried by the Company in the period from the grant date to December 31, 2024 for said plan approximated $ 711 thousand.

e. Rights attached to shares:

Right to vote in general meetings, right to receive dividends and rights upon a deemed liquidation event.

NOTE 21:- EQUITY (Cont.)

f. Dividend distributions:

In March 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 in April 2024.

In December 2024, the Company declared and distributed a dividend of approximately $ 4 million, representing $ 0.040 per share, to its entire shareholders.

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

a. Cost of sales and services:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Materials consumed	81,936	55,427	52,639
Wages and related expenses	15,786	10,657	9,668
Depreciation and amortization	5,758	4,238	3,361
Energy expenses	4,095	2,027	1,682
Building and equipment maintenance	2,246	1,256	1,190
Other	5,468	4,137	2,357
	115,289	77,742	70,897

b. Research and development expenses:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Wages and related expenses	4,664	3,375	2,437
Depreciation and amortization	1,615	976	595
Other	755	572	575
	7,034	4,923	3,607

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

c. Selling and marketing expenses:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Wages and related expenses	4,701	2,870	2,677
Marketing commissions	2,735	1,922	1,645
Transport	3,488	2,048	2,933
Depreciation and amortization	3,693	2,166	1,556
Other	1,656	1,352	1,205
	16,273	10,358	10,016

d. General and administrative expenses:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Wages and related expenses	13,754	9,609	8,527
IT, office and media expenses	1,614	1,175	833
Professional consulting	1,437	1,136	1,347
Depreciation and amortization	2,460	1,717	2,195
Foreign travel	820	499	484
Other	2,039	1,559	1,669
	22,124	15,695	15,055

e. Other expenses (income):

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Income from insurance compensation for fire incident (see Note 27)	-	-	(8,794)
Grant	(1,097)	-	-
Purchase expenses	1,375	306	617
Other	254	151	(172)
	532	457	(8,349)

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

e. Finance income (expenses):

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Finance income:			
Exchange rate differences	225	395	306
Interest income	498	165	114
	723	560	420
Finance expenses:			
Finance expenses in respect of banks	4,308	585	573
Exchange rate differences	369	183	205
Finance expenses on lease liability	761	917	625
Finance expenses on financial assets and liabilities designated to fair value through profit or loss	1,408	1,486	307
Other	557	179	223
	7,403	3,350	1,933

NOTE 23:- TAXES ON INCOME

a. Tax laws applicable to the Group companies:

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the Israeli parliament passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal. Since 2008, the amendment to the law includes, among others, the cancellation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year).

NOTE 23:- TAXES ON INCOME (Cont.)

The Law for the Encouragement of Capital Investments, 1959 ("the Encouragement Law"):

According to the Encouragement Law, the companies are entitled to various tax benefits by virtue of the "approved enterprise" and/or "beneficiary enterprise" status granted to part of their enterprises, as implied by the Encouragement Law.

Amendment 73 to the Encouragement Law:

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016, which includes Amendment 73 to the Encouragement Law ("Amendment 73") was enacted. According to Amendment 73, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

Also, according to Amendment 73, dividends distributed to individuals or foreign residents from the preferred enterprise's earnings as above will be subject to tax at a rate of 20%.

The Law for the Encouragement of Industry (Taxation), 1969:

The Company has the status of an "industrial company", as defined by this law. According to this status and by virtue of regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Adjustments Law.

b. Tax rates applicable to the Group companies:

1. In Israel:

The Israeli corporate income tax rate was 23% in 2024, 2023 and 2022.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

2. The following are the main tax rates that apply to subsidiaries which are incorporated outside of Israel:

	Tax rate
USA	30%
Latvia	20%
Poland	19%
India	30%
Vietnam	20%
Belgium	25%
Romania	16%
Hungary	9%
South Africa	27%
Germany	30%
England	25%

NOTE 23:- TAXES ON INCOME (Cont.)

c. Final tax assessments:

The Company has prepared its own tax assessments that are deemed final through the 2019 tax year.

d. Carryforward losses for tax purposes:

Carryforward business losses and capital losses of the Group total approximately $ 11,390 thousand as of December 31, 2024. A deferred tax asset of approximately $ 2,651 thousand relating to carryforward losses of approximately $ 9,792 thousand was recognized in the financial statements.

e. Deferred taxes:

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Deferred tax liabilities:		
Property, plant and equipment	181	374
Right-of-use assets	2,755	2,761
Business combinations	12,361	3,896
Other assets	2,093	811
	17,390	7,842
Deferred tax assets:		
Carryforward losses	2,651	342
Allowance for ECLs	130	58
Lease liability	2,928	2,943
R&D expenses	244	262
Employee accruals	313	199
Other	112	35
	6,378	3,839
Deferred tax liabilities, net	11,012	4,003

Deferred taxes are presented in the statement of financial position as follows:

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Non-current assets	1,321	352
Non-current liabilities	(12,333)	(4,355)
	(11,012)	(4,003)

NOTE 23:- TAXES ON INCOME (Cont.)

Movement in deferred taxes:

	2024	2023
	U.S. dollars in thousands	
Balance at beginning of year	(4,003)	(3,296)
Acquisition of initially consolidated subsidiary and activity	(10,523)	(945)
Disposals – reclassification to assets held for sale	1,164	-
Changes carried to profit or loss	1,829	333
Changes carried to other comprehensive income	521	(95)
Balance at end of year	(11,012)	(4,003)

f. Taxes on income included in profit or loss:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Current taxes	7,190	2,980	4,914
Deferred taxes	(1,829)	(333)	(428)
Taxes in respect of previous years	(54)	(151)	-
	5,307	2,496	4,486

g. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in the statement of comprehensive income is as follows:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Income before taxes on income	21,052	15,390	25,817
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	4,842	3,540	5,938
Tax benefit from beneficiary tax rates as per the Encouragement Law	(405)	(1,036)	(1,754)
Different tax rate in foreign subsidiary	73	(129)	2
Nondeductible expenses	157	109	121
Losses and benefits for tax purposes for which no deferred taxes were created	627	210	247
Taxes in respect of previous years	(54)	(151)	-
Other differences, net	67	(47)	(68)
Taxes on income	5,307	2,496	4,486

NOTE 24:- NET EARNINGS PER SHARE

Details of the number of shares and income used in the computation of net earnings per share:

	Year ended December 31,					
	2024		2023		2022	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
For computation of basic net earnings per share	100,464	13,819	100,085	12,393	100,085	21,174
Effect of potentially dilutive Ordinary shares	141	-	203	-	422	-
For computation of diluted net earnings per share	100,605	13,819	100,288	12,393	100,507	21,174

NOTE 25:- OPERATING SEGMENTS

a. General:

The Group applies the provisions of IFRS 8, "Operating Segments", according to which operating segments are reported in a manner consistent with the internal reporting regarding the Group's components which are regularly reviewed by the Group's chief operating decision maker ("CODM") for the purpose of allocating resources and assessing performance of the operating segments.

The operating segments were determined based on the information assessed by the CODM for the purpose of making decisions regarding the allocation of resources and assessment of the performance of the operating segments. Accordingly, the Group has been organized for management purposes into three operating segments based on the products and services of its business units, as described below: Taste, Fragrance and Specialty Fine Ingredients.

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

NOTE 25:- OPERATING SEGMENTS (Cont.)

Segment results include items that can be directly allocated to the segment as well as those that can be allocated on a reasonable basis.

Unallocated items, which include mainly the Group's headquarters assets, certain general and administrative costs attributable to the Group's headquarters and finance costs which are managed by the Group's headquarters.

The accounting policy of the operating segments is identical to the accounting policy presented in Note 2.

b. Operating segment reporting:

	Year ended December 31, 2024				
	Taste	Fragrance	Specialty Fine Ingredients	Adjustments	Total
	U.S. dollars in thousands				
Revenues from external customers	135,542	34,945	18,461	-	188,948
Intersegment revenues	-	-	3	(3)	-
Total revenues	135,542	34,945	18,464	(3)	188,948
Segment gross profit	49,796	18,646	5,217	-	73,659
Segment operating income net of unallocated joint expenses	23,579	9,092	3,052	-	35,723
Unallocated joint expenses					7,991
Finance expenses, net					6,680
Income before taxes on income					21,052

NOTE 25:- OPERATING SEGMENTS (Cont.)

	Year ended December 31, 2023				
	Taste	Fragrance	Specialty Fine Ingredients	Adjustments	Total
	U.S. dollars in thousands				
Revenues from external customers	65,361	32,768	29,226	-	127,355
Intersegment revenues	-	-	141	(141)	-
Total revenues	65,361	32,768	29,367	(141)	127,355
Segment gross profit	22,621	16,844	10,148	-	49,613
Segment operating income net of unallocated joint expenses	9,449	8,025	6,702	-	24,176
Unallocated joint expenses					5,996
Finance expenses, net					2,790
Income before taxes on income					15,390

	Year ended December 31, 2022			
	Taste	Fragrance	Specialty Fine Ingredients	Total
	U.S. dollars in thousands			
Segment revenues	59,325	27,490	31,741	118,556
Segment gross profit	21,099	13,152	13,408	47,659
Segment operating income net of unallocated joint expenses	17,667	7,390	9,086	34,143
Unallocated joint expenses				6,813
Finance expenses, net				1,513
Income before taxes on income				25,817

NOTE 25:- OPERATING SEGMENTS (Cont.)

c. Additional information on revenues:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Revenues from a customer accounting for more than 10% of total revenues:			
Customer A – taste segment	22,269	15,896	12,270

d. Geographical information:

The revenues reported in the financial statements based on customer location are as follows:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Israel and the Middle East	30,855	32,435	29,099
North America	17,220	17,197	21,555
Europe	97,375	61,076	48,922
Africa	28,913	-	-
Asia and other	14,585	16,647	18,980
	188,948	127,355	118,556

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS

a. Related and interested party balances:

1. Composition:

December 31, 2024

	For terms, see paragraphs	Controlling shareholder and companies owned by controlling shareholder	Interested parties and other related parties	Highest balance in the year
		U.S. dollars in thousands		
Payables	(a)-(e)	906	138	906

December 31, 2023

	For terms, see paragraphs	Controlling shareholder and companies owned by controlling shareholder	Interested parties and other related parties	Highest balance in the year
		U.S. dollars in thousands		
Payables	(a)-(e)	842	100	842

2. Management and employment agreement, rental agreements and other:

a) Ms. Karen Cohen Khazon, Chair of the Company's Board of Directors and Company CEO:

As from January 1, 2021, Ms. Karen Cohen Khazon, the Company's controlling shareholder, provides the Company her services as Chair of the Company's Board of Directors and Company CEO through a privately held company she owns ("Ms. Cohen Khazon" and "the management agreement", respectively). In consideration for the management services, Ms. Cohen Khazon is entitled to monthly management fees of NIS 220,000 linked to the CPI in respect of November 2020 ("the management fees").

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

Furthermore, every year, Ms. Cohen Khazon is entitled to a performance-based consideration equal to 5% of the aggregate operating income of the Company and its subsidiaries; this consideration will not exceed the amount of the annual management fees paid in respect of that year (and in respect of part of a year, the performance-based consideration will be paid proportionately to Ms. Cohen Khazon's term in office during that year). For purposes of the payment of the said consideration the operating income of each subsidiary shall be calculated in accordance with the Company's stake in that subsidiary.

Furthermore, the Company provides Ms. Cohen Khazon with a car, and bears all expenses pertaining to its maintenance, including the grossing up of the tax in respect thereof.

The term of the management agreement is not limited in time, and each of the parties may terminate it by giving a six-month advance notice in writing. The management agreement includes a confidentiality clause whereby Ms. Cohen Khazon undertook to maintain confidentiality with regard to the Company; furthermore, under the agreement, upon the end of the engagement with Ms. Cohen Khazon , the Company may require Ms. Cohen Khazon not to compete with the Company for a 12-month period that will start at the end of the engagement period, in consideration for a monthly amount equal to half the monthly management fees amount as they will be as of that date.

b) Engagement with Ms. Shir Kesselman, VP Fragrance Division:

Ms. Shir Kesselman ("Ms. Kesselman"), the daughter in law of the Company's controlling shareholder, has been employed by the Company since 2014, and from January 2021 as Head of Sales and Development of the Fragrance Division. On June 29, 2023, Ms. Kesselman was appointed as VP Fragrance Division. On May 26, 2024, the meeting of the Company's shareholders approved an update to Ms. Kesselman's monthly salary to NIS 55,000 for a period of three years from the meeting approval date. Ms. Kesselman is entitled to an annual bonus in accordance with the Company's remuneration policy. Furthermore, Ms. Kesselman is entitled to annual leave, recreation pay, pension fund and managers insurance, social benefits that do not exceed those that are normally acceptable, and to other benefits normally provided by Company to its employees.

Furthermore, the Company provides Ms. Kesselman with a car as is generally accepted in the Company, and bears all expenses pertaining to its maintenance and the tax in its respect.

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving advance notice in writing in accordance with the law. Ms. Kesselman's employment agreement includes a confidentiality clause.

As part of the Company's share option plan for 2022, following the approval of the Company's Board and Remuneration Committee, a special general meeting of the Company's shareholders approved the grant of 105,000 unlisted options which are exercisable into 105,000 Ordinary shares of the Company to Ms. Kesselman for an exercise price of NIS 23.51 per share, subject to the terms of the Company's option plan.

In April 2024, the Company's Board approved the grant of 105,000 unlisted options which are exercisable into an identical number of Ordinary shares of the Company to Ms. Kesselman, which was approved by the meeting of the Company's shareholders in May 2024. The options are exercisable for an exercise price of NIS 15.96 per share, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

c) Engagement with Mr. Shay Khazon, Director, Israeli Fragrance Operations:

As from March 15, 2015, Mr. Shay Khazon, the husband of Ms. Karen Cohen Khazon, the Company's controlling shareholder, provides the Company services relating to operation, supply chain and maintenance through a privately held company he owns ("Mr. Khazon " and "the management agreement", respectively), at an average scope of four days a week. On May 26, 2024, the meeting of the Company's shareholders approved an adjustment of the monthly management fees paid to Mr. Khazon 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 term of the management agreement is not limited in time, and each of the parties may terminate it by giving a 90-day advance notice in writing. Mr. Khazon's employment agreement includes a confidentiality clause.

As part of the Company's share option plan for 2022, following the approval of the Company's Board and Remuneration Committee, a special general meeting of the Company's shareholders approved the grant of 157,000 unlisted options which are exercisable into 157,000 Ordinary shares of the Company to Mr. Khazon for an exercise price of NIS 23.51 per share, subject to the terms of the Company's option plan.

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

In April 2024, the Company's Board approved the grant of 105,000 unlisted options which are exercisable into an identical number of Ordinary shares of the Company to Mr. Khazon, which was approved by the meeting of the Company's shareholders in May 2024. The options are exercisable for an exercise price of NIS 15.96 per share, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

d) Engagement with Mr. Alon Granot, business consultant:

Mr. Alon Granot holds 7.16% of the Company's issued and outstanding share capital with his spouse, Rivka Granot.

As from September 1, 2021, Mr. Alon Granot provides the Company consulting and management services at a 50% position in return for monthly management fees of NIS 50,000, linked to the CPI of January 15, 2021 ("Mr. Granot" and "the management agreement", respectively).

Furthermore, the Company provides Mr. Granot with a car as is generally accepted in the Company, and bears all expenses pertaining to its maintenance and the tax in its respect.

The term of the management agreement is not limited in time, and each of the parties may terminate it by giving a 90-day advance notice in writing. The management agreement with Mr. Granot includes confidentiality and non-compete clauses towards the Company.

As part of the Company's share option plan for 2022, following the approval of the Company's Board and Remuneration Committee, a special general meeting of the Company's shareholders approved the grant of 521,000 unlisted options which are exercisable into 521,000 Ordinary shares of the Company to Mr. Granot for an exercise price of NIS 23.51 per share, subject to the terms of the Company's option plan.

In April 2024, the Company's Board approved the grant of 521,000 unlisted options which are exercisable into an identical number of Ordinary shares of the Company to Mr. Granot. The options are exercisable for an exercise price of NIS 14.16 per share, representing the average share price in the 30 trading days before the Board's grant approval date plus 5%.

NOTE 26:- RELATED AND INTERESTED PARTY BALANCES AND TRANSACTIONS (Cont.)

b. Related and interested party transactions:

Year ended December 31, 2024

	Controlling shareholder	Other interested and related parties
	U.S. dollars in thousands	
Cost of sales	-	157
Selling and marketing expenses	-	114
General and administrative expenses	1,658	1,205
	1,658	1,476

Year ended December 31, 2023

	Controlling shareholder	Other interested and related parties
	U.S. dollars in thousands	
Cost of sales	-	138
Selling and marketing expenses	-	77
General and administrative expenses	1,590	936
	1,590	1,151

Year ended December 31, 2022

	Controlling shareholder	Other interested and related parties
	U.S. dollars in thousands	
Cost of sales	-	153
Selling and marketing expenses	-	168
General and administrative expenses	1,748	1,108
	1,748	1,429

General and administrative expenses in 2022, 2023 and 2024 include share-based payment of approximately \$ 428 thousand, \$ 456 thousand and \$ 674 thousand, respectively.

NOTE 27:- FIRE INCIDENT

On November 24, 2021, a fire broke out in SDA's spices plant in Beit Kama. The damage caused to buildings and property including loss of earnings was covered by an insurance policy.

The insurance compensation in an aggregate of $ 39.6 million was received in the course of 2022. Following the insurance arrangement, the Company recognized a nonrecurring pretax gain of approximately $ 8.8 million.

NOTE 28:- EVENTS AFTER THE REPORTING PERIOD

a. On February 19, 2025, NGF, a subsidiary of the Company incorporated in England to which F&E's electronic vaping operation in the flavor essence market was transferred, entered into a strategic partnership agreement for the purchase of 100% of the shares of Advance Flavour Solutions Limited, a private company incorporated in England ("AFS"), from its shareholders for £ 4.5 million (approximately $ 5.7 million) and allocation of 75.01% of NGF's shares to the sellers. Following the transaction, Turpaz England holds 24.99% of NGF shares.

Due to the Company's decision in 2024 to transfer the the above operation and close the transaction after the reporting date, the operation was classified as held for sale and as a discontinued operation.

Following are the main groups of assets and liabilities classified as held for sale:

	December 31, 2024
	U.S. dollars in thousands
Assets held for sale	
Inventories	289
Customer relations and product formulas	3,380
Goodwill	9,245
Total assets held for sale	12,914
Liabilities attributable to assets held for sale	
Deferred tax liability	1,164
Total liabilities attributable to assets held for sale	1,164
Net assets held for sale	11,750

NOTE 28:- EVENTS AFTER THE REPORTING PERIOD (Cont.)

b. On February 24, 2025, the Company completed the purchase of 100% of the share capital of Ets. DOUCY S.R.L., a private company incorporated in Belgium ("DOUCY"), and of the real estate used by its enterprise from its shareholders for € 8.3 million (approximately $ 8.5 million) and an earnout based on DOUCY's EBITDA in the period until February 28, 2027.

DOUCY has vast experience and expertise in sweet flavorings for the food and beverage industries (soft and alcoholic drinks), colorings and additives to the animal food industry. It is engaged in developing, making and marketing sweet flavorings and quality solutions for the food and food additive industries. The transaction was closed on the signing date and financed using a bank loan.

The Company did not include the disclosures required per IFRS 3 for the above business combination since the acquisition was completed near the date of approval of the financial statements and the initial accounting treatment of the business combination and PPA (including provisional) of the identifiable assets and liabilities in respect of the acquisition will be finalized and reported for the first time in the interim financial statements for the first quarter of 2025.

- - - - - - - - - - -

F:\W2000\w2000\61679069\M\24\EC12-Turpaz Industries.docx

TURPAZ INDUSTRIES LTD.

FINANCIAL INFORMATION FROM

THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2024

U.S. DOLLARS IN THOUSANDS

INDEX

\- - - - - - - - - - -

Kost Forer Gabbay & Kasierer
144A Menachem Begin Road
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

To:
The Shareholders of
Turpaz Industries Ltd.

Special Auditors' Report on the Separate Financial Information pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the accompanying separate financial information presented pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Turpaz Industries Ltd. ("the Company") as of December 31, 2024 and 2023, and for each of the three years the last of which ended on December 31, 2024. This separate financial information is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on this separate financial information based on our audits.

We did not audit the separate financial information derived from the financial statements of investees, for which the assets net of liabilities attributable to them total approximately $ 7,270 thousand and $ 6,754 thousand as of December 31, 2024 and 2023, respectively, and the Company's share of their earnings amounted to approximately $ 2,889 thousand, $ 2,082 thousand and $ 677 thousand for the years ended December 31, 2024, 2023 and 2022, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the separate financial information referred to above has been prepared, in all material respects, pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
March 17, 2025

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

Special Report Pursuant to Regulation 9C

Financial Data and Financial Information from the

Consolidated Financial Statements Attributable to the Company

Below are separate financial data and financial information attributable to the Company from the Group's consolidated financial statements as of December 31, 2024, published as part of the periodic reports ("consolidated financial statements"), presented pursuant to Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied in the presentation of these financial data are detailed in Note 2 to the consolidated financial statements.

Investees are defined in Note 1d to the consolidated financial statements.

Financial Data from the Consolidated Statements of Financial Position Attributable to the Company

	See item	December 31, 2024	December 31, 2023
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1	3,539	1,727
Trade receivables		9,991	6,314
Other accounts receivable		880	382
Inventories		6,486	4,548
		20,896	12,971
NON-CURRENT ASSETS:			
Property, plant and equipment, net		5,997	3,217
Right-of-use assets, net		7,115	6,658
Intangible assets, net		5,290	4,393
Assets less liabilities attributable to investees, net, including goodwill		91,424	107,168
		109,826	121,436
		130,722	134,407
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term credit		220	10,284
Trade payables		4,122	2,065
Other accounts payable	2	3,658	1,950
Current maturities of lease liabilities		991	567
		8,991	14,866
NON-CURRENT LIABILITIES:			
Long-term loans from banks, less current maturities		-	416
Leases liabilities		6,553	6,378
Employee benefit liabilities		36	-
Deferred taxes	3e	41	354
		6,630	7,148
EQUITY:			
Share capital		1	1
Share premium		75,552	74,449
Other capital reserves		(6,023)	(4,136)
Reserve in respect of translation differences		(7,369)	(5,044)
Retained earnings		52,940	47,123
		115,101	112,393
		130,722	134,407

The accompanying additional information forms an integral part of the financial data and financial information.

March 17, 2025			
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 March 17, 2025	Guy Gill CFO

Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income Attributable to the Company

	See item	Year ended December 31, 2024	2023	2022
		U.S. dollars in thousands		
Revenues from sales		40,185	25,519	21,535
Cost of sales		29,455	16,415	12,564
Gross profit		10,730	9,104	8,971
Research and development expenses		893	729	710
Selling and marketing expenses		2,600	983	1,125
General and administrative expenses		9,636	7,101	7,472
Other expenses		203	274	485
Operating income (loss)		(2,602)	17	(821)
Finance expenses, net		627	994	122
Loss before taxes on income		(3,229)	(977)	(943)
Taxes on income	3g	(185)	46	73
Equity in earnings of investees, net		16,863	13,416	22,190
Net income attributable to the Company		13,819	12,393	21,174
Other comprehensive income (loss) (net of taxes):				
Amounts that will not be reclassified subsequently to profit or loss:				
Adjustments from translating financial statements from functional currency to presentation currency		(1,198)	(3,761)	(12,216)
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:				
Adjustments from translating financial statements of foreign operations		(1,127)	5,259	3,891
Total comprehensive income attributable to the Company		11,494	13,891	12,849

The accompanying additional information forms an integral part of the financial data and financial information.

Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Cash flows from operating activities			
Net income for the year	13,819	12,393	21,174
Adjustments to reconcile net income to net cash provided by (used in) operating activities (a)	(14,225)	(13,163)	(20,349)
Net cash provided by (used in) operating activities	(406)	(770)	825
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets	(1,004)	(1,097)	(1,699)
Proceeds from sale of property, plant and equipment	178	-	-
Change in assets less liabilities attributable to investees	12,392	1,480	(39,273)
Dividend received from subsidiary	8,002	4,966	3,843
Repayment of liability in respect of acquisition of activity	-	(39)	(100)
Net cash provided by (used in) investing activities	19,568	5,310	(37,229)
Cash flows from financing activities			
Receipt (repayment) of short-term credit	(7,164)	3,361	5,994
Repayment of long-term loans	(3,110)	(2,207)	(3,668)
Dividend paid	(8,002)	(4,966)	(3,971)
Exercise of options	859	-	-
Repayment of long-term lease liabilities	(1,218)	(550)	(647)
Net cash used in financing activities	(18,635)	(4,362)	(2,292)
Exchange rate differences on balances of cash and cash equivalents	(9)	(55)	(3,283)
Increase (decrease) in cash and cash equivalents	518	123	(41,979)
Cash and cash equivalents of merged subsidiaries (c)	1,294	-	1,683
Cash and cash equivalents at the beginning of the year	1,727	1,604	41,900
Cash and cash equivalents at the end of the year	3,539	1,727	1,604

The accompanying additional information forms an integral part of the financial data and financial information.

Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
(a) Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Adjustments to profit and loss items:			
Depreciation and amortization	2,279	1,383	1,077
Change in employee benefit liabilities, net	-	(56)	(6)
Earnings of companies accounted for at equity, net	(16,863)	(13,416)	(22,190)
Finance expenses, net	627	994	126
Cost of share-based payment	1,186	917	1,371
Taxes on income	(185)	46	103
	(12,956)	(10,132)	(19,519)
Changes in asset and liability items:			
Decrease (increase) in trade receivables	123	(793)	(914)
Decrease (increase) in other accounts receivable	(158)	34	(266)
Decrease (increase) in inventories	1,064	101	(1,801)
Increase (decrease) in trade payables	(859)	(1,859)	2,064
Increase (decrease) in other accounts payable	(279)	202	814
	(109)	(2,315)	(103)
	(13,065)	(12,447)	(19,622)
Cash paid and received during the year for:			
Taxes paid	(546)	-	(322)
Interest paid, net	(614)	(716)	(405)
	(14,225)	(13,163)	(20,349)
(b) Significant non-cash transactions:			
Right-of-use asset recognized with corresponding lease liabilities	1,043	636	2,631

The accompanying additional information forms an integral part of the financial data and financial information.

Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company

	Year ended December 31, 2024	2023	2022
	U.S. dollars in thousands		
(c) Merged subsidiaries:			
Assets and liabilities of the subsidiaries as of the date of the merger:			
Working capital (excluding cash and cash equivalents)	1,877	-	2,949
Property, plant and equipment	2,955	-	222
Right-of-use assets	602	-	456
Intangible assets	1,069	-	1,340
Assets less liabilities in respect of investees	(6,927)	-	(4,823)
Deferred taxes	(12)	-	(146)
Lease liabilities	(821)	-	(352)
Other non-current liabilities	(36)	-	(1,329)
	1,294	-	1,683

The accompanying additional information forms an integral part of the financial data and financial information.

Additional Information

1. Cash and cash equivalents attributable to the Company (excluding amounts in respect of investees)

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Cash and deposits for immediate withdrawal	3,539	1,727

2. Disclosure of financial liabilities attributable to the Company (excluding amounts in respect of investees)

a. Accounts payable attributable to the Company:

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Employees and payroll accruals	1,376	791
Government institutions	915	54
Related parties	1,024	958
Accrued expenses	335	141
Other payables	8	6
	3,658	1,950

b. Liquidity risk attributable to the Company:

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2024

	Less than one year	1 to 5 years	5 years and onwards	Total
	U.S. dollars in thousands			
Trade payables	4,122	-	-	4,122
Other accounts payable	2,743	-	-	2,743
Long-term loans from banks	223	-	-	223
Lease liabilities	1,292	3,147	5,006	9,445
	8,380	3,147	5,006	16,532

Additional Information

2. Disclosure of financial liabilities attributable to the Company (excluding amounts in respect of investees) (Cont.)

December 31, 2023

	Less than one year	1 to 5 years	5 years and onwards	Total
	U.S. dollars in thousands			
Trade payables	2,065	-	-	2,065
Other accounts payable	1,896	-	-	1,896
Long-term loans from banks	10,721	425	-	11,147
Lease liabilities	775	2,482	5,140	8,396
	15,457	2,907	5,140	23,504

3. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees)

a. Tax laws applicable to the Company:

Income Tax (Inflationary Adjustments) Law, 1985

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the "Knesset" (Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal. Since 2008, the amendment to the law includes, among others, the cancellation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year).

The Law for the Encouragement of Capital Investments, 1959 ("the Encouragement Law")

According to the Encouragement Law, the companies are entitled to various tax benefits by virtue of the "approved enterprise" and/or "beneficiary enterprise" status granted to part of their enterprises, as implied by the Encouragement Law.

Additional Information

3. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees) (Cont.)

Amendment 73 to the Encouragement Law

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016, which includes Amendment 73 to the Encouragement Law ("Amendment 73") was enacted. According to Amendment 73, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

Also, the amendment states that dividends distributed to an individual or to "foreign companies", deriving from income from the preferred enterprise will be subject to tax at a rate of 20%.

The Law for the Encouragement of Industry (Taxation), 1969

The Company has the status of an "industrial company", as defined by this law. According to this status and by virtue of regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Adjustments Law.

b. Tax rates applicable to the Company:

The Israeli corporate income tax rate is 23%.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

c. Final tax assessments:

The Company's tax assessment for the 2019 tax year is considered final.

d. Carryforward tax losses and other temporary differences attributable to the Company:

The Company has business losses and capital losses that can be carried forward for tax purposes totaling approximately $ 2,588 thousand as of December 31, 2024.

The Company created a deferred tax asset totaling approximately $ 178 thousand in respect of carryforward losses totaling approximately $ 990 thousand which it believes will be utilized in the following year.

Additional Information

3. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees) (Cont.)

e. Deferred taxes - composition:

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
Non-current assets	-	-
Non-current liabilities	41	354
	(41)	(354)

f. Deferred taxes - movement:

	2024	2023
	U.S. dollars in thousands	
Balance at the beginning of the year	(354)	(330)
Merger with subsidiaries	(12)	-
Changes to profit or loss	325	(24)
Balance at the end of the year	(41)	(354)

g. Taxes on income included in profit or loss:

	Year ended December 31, 2024	2023	2022
	U.S. dollars in thousands		
Current tax expenses	140	81	80
Deferred tax expenses (income)	(325)	24	(7)
Taxes in respect of previous years	-	(59)	-
Taxes on income	(185)	46	73

Additional Information

3. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees) (Cont.)

h. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Loss before taxes on income	(3,229)	(977)	(943)
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	(743)	(225)	(217)
Nondeductible expenses	308	208	403
Difference in tax rates	(161)	(68)	(66)
Losses and benefits for tax purposes for which no deferred taxes were created (utilized)	288	175	(112)
Other differences, net	124	(44)	65
Taxes on income	(185)	46	73

4. Material balances, transactions and commitments with investees

a. Balances with investees:

	December 31,	
	2024	2023
	U.S. dollars in thousands	
Assets less liabilities attributable to investees	28,969	33,890

b. Transactions with investees:

	Year ended December 31,		
	2024	2023	2022
	U.S. dollars in thousands		
Intercompany sales	60	143	20
Cost of sales	5,054	4,988	1,827

5. Material events during the reporting period

a. Merger between the Company and Turpaz Extracts:

On December 16, 2021, a merger agreement was signed between the Company and Turpaz Extracts Ltd. as per the provisions of Section 103C to Israeli Income Tax Ordinance (Revised), 1961 ("the Ordinance") after obtaining the approval of the board of directors of each company. Under the merger agreement, the companies will be merged by way of share swap as per Section 103C to the Ordinance so that following the merger, the entire operations of Turpaz Extracts Ltd. will be merged into the Company. The approval of the Israeli Tax Authority ("the ITA") in the form of a pre-ruling for the merger was obtained on May 2, 2022 and on August 10, 2022, the merger was registered at the Registrar of Companies and the merger was completed. As per the pre-ruling obtained from the ITA, the merger applies retroactively from January 1, 2022.

b. Merger between the Company and Pentaor Ltd.:

On September 21, 2022, a merger agreement was signed pursuant to the provisions of Section 103C to the Ordinance between the Company and Pentaor Ltd. after obtaining the approval of the board of directors of each company. In accordance with the merger agreement, the companies will be merged through a share swap pursuant to Section 103C to the Ordinance, so that upon completion of the merger transaction, the entire operations of Pentaor Ltd. will be merged into the Company. The final approval for the merger was obtained from the Registrar of Companies on June 22, 2023 and Pentaor Ltd. was merged into the Company's operations. As per the approval, the merger applies retroactively from October 1, 2022.

c. 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 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 S.D.A Spice Industries Ltd. was merged into the Company's operations.

\- - - - - - - - - - -

Chapter D

Additional details

Chapter D - Additional Details About the Company

Company's name: Turpaz Industries Ltd

Company's number: 514574524

Address: 2 Halahav St. Holon, Israel

Telephone: 03-5560913

Fax: 03-5560915

Email address: yoni.adini@turpaz-group.com

Balance sheet date: December 31, 2024

Report date: March 17, 2025

Regulation 9D: Report on the Status of Liabilities according to Repayment Dates

See immediate report (T126) published by the Company simultaneously with this report. The information included in the said report is incorporated herein by way of reference.

Regulation 10A: Condensed quarterly statements of income

Condensed semi-annual income statements on a quarterly basis for the year ended December 31, 2024 (USD thousand):

	For the year ended December 31, 2024	For the three months			
		10-12/24	7-9/24[1]	4-6/24	1-3/24
Revenues from sales	188,948	54,975	48,192	46,765	39,016
Cost of sales	115,289	33,546	28,444	28,679	24,620
Gross profit	**73,659**	**21,428**	**19,749**	**18,086**	**14,396**
Research and development expenses	7,034	1,932	1,797	1,898	1,407
Selling and marketing expenses	16,273	5,041	4,282	4,037	2,913
General and administrative expenses	22,124	6,405	5,492	5,897	4,330
Company's share in losses (profits) of companies accounted for by the equity method,	(36)	(36)	-	-	-

[1] The figures of the third quarter of 2024 have been restated due to reclassification of a discontinued operation - the taste extracts activity for the Group's electronic vaping products, which, as of the report publication date, was transferred to AFS. For information, see Note 28A to the financial statements.

	For the year ended December 31, 2024	For the three months			
		10-12/24	7-9/24[1]	4-6/24	1-3/24
net					
Other expenses	532	(690)	586	343	293
Income from ordinary operations	**27,732**	**8,776**	**7,592**	**5,911**	**5,453**
Financing expenses, net	6,680	2,641	1,580	1,237	1,222
Taxes on income	5,307	1,676	1,467	1,241	923
Net income from continued operations	**15,745**	**4,459**	**4,545**	**3,433**	**3,308**
Net income from discontinued operation	**165**	**74**	**91**	-	-
Total net income	**15,910**	**4,533**	**4,636**	**3,433**	**3,308**

Regulation 11: List of Investments in Subsidiaries and Key Associates

Set forth below is a list of the Company's material investments as of December 31, 2024, in each of its subsidiaries and associates:

Company's name	Security type	Par value	Number held	Rate of holdings in equity and voting rights	Value as per separate financial statements (USD thousand)	Loans' balances and key terms (USD thousand)
Companies held directly by the Company						
Chemada Industries Ltd.	Ordinary	NIS 0.01 par value	860	100%	11,288	USD 6,007 thousand, 5.9% interest
Pollena Aroma SP. z.o.o	Ordinary	50 Zloty	13,928	100%	13,678	-
Turpaz Belgium	Ordinary	of no-par value	1,000	100%	124,829	Approx. USD 95,459 thousand, at average interest of approx. 5.6%.

Regulation 12: List of Investments in Subsidiaries and Associates

As of December 31, 2024, there were no changes in the investments in subsidiaries and related companies, other than the increase in the Company's holdings in Balirom Ltd. by way of purchase of further 10% from one of the minority shareholders. Subsequent to the report date, the Company increased its holding in Aromatique Food SRL by acquiring further 35% from the minority shareholder.

Regulation 13: Income of Subsidiaries and Key Associates and Income Therefrom

Company's name	Comprehensive income		Company's revenues in 2024		
	Income (loss)	Other comprehensive income	Dividend	Management fees	Interest
	USD thousand				
Companies held directly by the Company					
Chemada Industries Ltd	2,443	2,443	7,816	-	-
Pollena Aroma SP. z.o.o	2,098	2,019	-	-	-
Turpaz Belgium	11,884	11,334	1,081	-	-

Regulation 20: Trading on the Stock Exchange

In 2024 and through the report publication date, 686,273 shares were listed as a result of the exercise of options by employees.

Regulation 21: Compensation of Interested Parties and Senior Officers

The following is a breakdown of the compensation paid to each of the five highest paid senior executives of the Company or companies under its control paid to them in connection with their service in the Company or companies under its controlled in 2024 and compensation paid to interested parties in the Company (USD thousand):

Details of compensation recipient		Compensation* for services									Other compensation*			Total
Name	**Title**	**Appointment percentage**	**Percentage of holding in corporation's share capital**[2]	**Salary**	**Bonus**	**Share-based payment**	**Management fees**	**Advisory fees**	**Fees**	**Other***	**Interest**	**Rent**	**Other**	
Karen Khazon Cohen (1)	Chairperson of the Company's Board of Directors and Company's CEO	100%	44.04%	851	809	-	-	-	-	-	-	-	-	1,660
Michael Reiss	CEO of Pollena Aroma	100%	-	247	60	86	-	-	-	-	-	6	-	399
Zvi Manor	CEO of Chemada Industries	100%	-	412	54	43								509
Guy Gill	Chief Financial Officer	100%	-	317	81	80								478

[2] Holdings as of the report's publication date.

Details of compensation recipient				Compensation* for services							Other compensation*			Total
Name	Title	Appointment percentage	Percentage of holding in corporation's share capital[2]	Salary	Bonus	Share-based payment	Management fees	Advisory fees	Fees	Other*	Interest	Rent	Other	
Ari Rosenthal	VP Taste Division	100%	-	261	59	136	-	-	-	-	-	-	-	456
Directors[(5)]				103	-	-	-	-	-	-	-	-	-	103
Erez Meltzer[3]	Advisor, a Company director	25%	-	-	-	45	16	-	-	-	-	-	-	61
Interested parties														
Shay Khazon [(2)]	Chief Operating Officer - fragrance segment Israel	80%	-	172	49	111	-	-	-	-	-	-	-	332
Shir Kesselman [(3)]	VP Fragrance Division	100%	-	209	44	89	-	-	-	-	-	-	-	342
Alon Granot [(4)]	Advisor	50%	7.16%	-	-	429	220	-	-	-	-	-	-	649

* The compensation amounts are in terms of cost to the Company.

[3] As from December 1, 2022, Mr. Meltzer is entitled to directors fees as is generally accepted in the Company and to a monthly compensation of NIS 5,000 per month for his service as a company advisor. On March 19, 2024 the Compensation Committee and Board of Directors approved Mr. Meltzer's terms of service as mentioned above, and immediately prior to the publication of this report the Company will act to convene a shareholders meeting for the approval of the said compensation.

(1) The Company's controlling shareholder. For more information about her terms of employment, see Regulation 21(1.1) below.

(2) Husband of Ms. Karen Cohen Khazon, the Company's controlling shareholder. Chief Operating Officer at the fragrance segment in Israel through a company under his ownership. For more information about the terms of the engagement with him, see Regulation 22(2) below.

(3) Daughter in law of Ms. Karen Cohen Khazon, the Company's controlling shareholder. For more information about her terms of employment, see Regulation 22(1) below.

(4) Interested party in the Company by virtue of holdings therein, holds the Company's shares together with his wife, Rivka Granot. Renders management and advisory services to the Company and subsidiaries for an unlimited period. Mr. Granot serves as a director in Chemada, Balirom, Pollena Aroma, FIT, Food-Base, Aromatique Food, Turpaz Belgium, Turpaz Romania, Turpaz UK, F&E, NGF and Doucy.

(5) Ms. Limor Avidor, external director in the Company, holds 0.01% of the Company's issued and paid-up share capital

1. <u>Additional details about the terms to which the above-mentioned recipients of compensation are entitled:</u>

1.1. <u>Karen Cohen Khazon, Chairperson of the Company's Board of Directors and Company's CEO</u>

Ms. Karen Cohen Khazon, the Company's controlling shareholder, serves as Chairperson of the Company's Board of Directors and Company's CEO since 2011 (hereinafter - "**Ms. Cohen Khazon**"). As from January 1, 2021, Ms. Cohen Khazon provides the Company her services as Chairperson of the Company's Board of Directors and Company's CEO through a privately held company she owns as described below (hereinafter - the "**Management Agreement**"). In consideration for the management services, Ms. Cohen Khazon is entitled to monthly management fees of NIS 220,000 linked to the CPI in respect of November 2020 (hereinafter - the "**Management Fees**").

Furthermore, every year Ms. Cohen Khazon will be entitled to a performance-based consideration equal to 5% of the aggregate operating income of the Company and its subsidiaries; this consideration will not exceed the amount of the annual management fees paid in respect of that year (and in respect of part of a year, the performance-based consideration will be paid proportionately to Ms. Cohen Khazon's term in office during that year). The operating profit shall be determined in accordance with the Company's audited financial statements in respect of the year ended immediately before the date of calculation of the annual bonus and only in relation to that year. In relation to each subsidiary that is not wholly owned by the Company the operating income of that subsidiary shall be calculated in accordance with the Company's stake in that subsidiary. The amount of the annual bonus in 2024 was approx. USD 809 thousand.

Furthermore, the Company provides Ms. Cohen Khazon with a car, and bears all expenses pertaining to its maintenance, including the grossing up of the tax in respect thereof.

The term of the Management Agreement is not limited in time, and each of the parties may terminate it by giving a six-month advance notice in writing[4]. The Management Agreement includes a confidentiality clause whereby Ms. Cohen Khazon undertook to maintain confidentiality with regard to the Company; furthermore, under the agreement, upon the end of the engagement with Ms. Cohen Khazon, the Company may require Ms. Cohen Khazon not to compete with the Company for a 12-month period that will start at the end of the engagement period, in consideration for a monthly amount equal to half the monthly Management Fees amount as they will be as of that date.

1.2. Mr. Zvi Manor, CEO of Chemada

Mr. Zvi Manor (hereinafter - "**Mr. Manor**") has been serving as CEO of Chemada since January 1, 2023, in consideration for a monthly salary of NIS 100,000, of which 70% were taken into account for the purpose of calculating his social benefits. In addition, Mr. Manor is entitled to an annual bonus of up to six salaries, in accordance with the recommendation of the Company's CEO and the decision of the Board of Directors. The amount of the annual bonus in 2023 was approx. 6 salaries, and in 2024 it amounted to 2 salaries.

Furthermore, Mr. Manor is entitled to annual leave, recreation pay, comprehensive pension fund and/or managers insurance, advanced education fund, social benefits that do not exceed those that are normally acceptable for employees in his position, and to other benefits normally provided by Chemada to its employees. In addition, Chemada

[4] In accordance with the provisions of the Companies Law, 1999, and the regulations promulgated thereunder as they may be as of the date of this report, the Company will bring the engagement forward for reapproval 5 years after the IPO date, if the engagement is not terminated earlier in accordance with its terms.

provides Mr. Manor with a car, as is generally accepted in Chemada, and bears all expenses pertaining to its maintenance.

On March 19, 2024, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options to Mr. Manor, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 14.16 per share, in accordance with and subject to the Company's option plan.

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving a 90-day advance notice in writing. The employment agreement includes a confidentiality clause whereby Mr. Manor undertook to maintain confidentiality with regard to Chemada, and a 12-month non-competition period that will start on termination date.

1.3. Mr. Guy Gill, Chief Financial Officer

Mr. Guy Gill has been employed by the Company since April 4, 2022. He has been serving as the Company's Chief Financial Officer since September 18, 2022, and as from March 18, 2025 he has also been serving as the Company's Deputy CEO. As from March 26, 2023, Mr. Gill's monthly salary amounts to NIS 70,000. In addition, Mr. Gill is entitled to an annual bonus of up to 4 salaries, in accordance with achievement of targets and subject to the resolution of the Company's Board of Directors. In respect of 2023 and 2024, the Company's Compensation Committee and Board of Directors approved an annual bonus of 4 salaries.

Furthermore, Mr. Gill is entitled to annual leave, recreation pay, comprehensive pension fund and/or managers insurance, advanced education fund, social benefits that do not exceed those that are normally acceptable for employees in his position, and to other benefits normally provided by the Company to its employees. In addition, the Company bears all the expenses pertaining to Mr. Gill's car

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving a 60-day advance notice in writing. The employment agreement includes a confidentiality clause whereby Mr. Gill undertook to maintain confidentiality with regard to the Company, and a 6-month non-competition period that will start on termination date.

In September 2022, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options to Mr. Gill, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 20.37

per share, in accordance with and subject to the Company's option plan. In March 2024, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 14.16 per share, in accordance with and subject to the Company's option plan.

1.4. <u>Mr. Michael Reiss, Chief Executive Officer Pollena Aroma</u>

Mr. Michael Reiss (hereinafter - "**Mr. Reiss**") serves as the CEO of Pollena Aroma since April 1, 2018. Mr. Reiss is entitled to a monthly salary of USD 20,000.

Furthermore, Mr. Reiss is entitled to an annual bonus at an amount equal to: (1) 2% of the increase in the annual profit in any year compared to the annual profit of the previous year; plus (2) 3% of the increase in the annual EBIT compared to the previous year's EBIT[5]. Furthermore, Mr. Reiss will be entitled to another annual bonus at a rate of 2% of the increase in the annual profit in any year compared to the annual profit of the previous year in connection with business development activity in the field of fragrance extracts in Europe, in which he was involved directly. The bonuses shall be calculated based on Pollena Aroma's consolidated financial statements, and will be paid in April of each year, after the publication of the previous year's financial statements.

In respect of 2023 and 2024, Company's management approved an annual bonus of 3 salaries to be awarded to Mr. Reiss.

Furthermore, Mr. Reiss is entitled to annual leave, including the right to redeem unutilized annual leave, USD 500 in monthly participation in accommodation expenses in Poland, and health insurance as is generally accepted in the Company. Furthermore, the Company provides Mr. Reiss with a car, as is generally accepted in the Company, and bears all expenses pertaining to its maintenance. Mr. Reiss's employment agreement includes a confidentiality clause, and a non-competition undertaking for 12 months from termination of employment. Starting on employment termination date and over the entire non-competition period, Pollena Aroma has undertaken to pay Mr. Reiss monthly payments, each of which will be equal to 25% of his latest monthly salary prior to termination.

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving a 3-month advance notice in writing.

[5] In order to calculate Mr. Reiss' bonus, the "increase in profit" and the "annual EBIT" shall be calculated based on Pollena Aroma's consolidated financial statements for that year, drawn up in accordance with IFRS.

1.5. Mr. Ari Rosenthal, VP Taste Division

Mr. Ari Rosenthal (hereinafter - "**Mr. Rosenthal**"), has been employed by the Company since May 1, 2020. As from March 13, 2022, Mr. Rosenthal's monthly salary is NIS 55,000.

Furthermore, Mr. Rosenthal is entitled to annual leave, recreation pay, comprehensive pension fund and/or managers insurance, advanced education fund, social benefits that do not exceed those that are normally acceptable for employees in his position, and to other benefits normally provided by the Company to its employees.

Furthermore, the Company provides Mr. Rosenthal with a car as is generally accepted in the Company, and bears all expenses pertaining to its maintenance, including the grossing up of the tax in respect thereof.

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving a 180-day advance notice in writing. The employment agreement includes a confidentiality clause whereby Mr. Rosenthal undertook to maintain confidentiality with regard to the Company, and a 12-month non-competition period that will start on termination date.

In March 2022, The Company's Compensation Committee and Board of Directors approved the allocation of 225,000 non-marketable options, which are exercisable into 225,000 ordinary Company shares, at an exercise price of NIS 23.51 per share, in accordance with and subject to the Company's option plan. In March 2024, The Company's Compensation Committee and Board of Directors approved the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 14.16 per share, in accordance with and subject to the Company's option plan. In respect of 2023 and 2024, the Company's Compensation Committee and Board of Directors approved an annual bonus of 4 salaries.

2. Directors' fees

On May 18 2021, the General Meeting of the Company's shareholders approved that as from the date of the listing of the Company's securities (i.e., May 25 2021), all directors serving in the Company or that will serve in the Company from time to time, except for the directors for whom specific compensation terms were set (as of the report date: Ms. Karen Cohen Khazon and Mr. Shay Khazon), will be entitled to participation compensation in respect of participation in meetings and to an annual compensation in accordance with the rules set in the Companies Regulations (Rules Regarding Compensation and Expenses for External Director), 2000 (hereinafter - the "**Compensation Regulations**"). The compensation will be equal to the "fixed amount", as it shall be from time to time, in accordance with the Company's rank. In 2024, Dr. Israel Leshem waived his entitlement to directors fees. In addition, Mr. Erez Meltzer provides the Company with advisory services of 10 hours per month in consideration for NIS 5,000 per month in addition to directors' fees in accordance with the Compensation Regulations.

Regulation 21A: Control of the Corporation

The Company's controlling shareholder is Ms. Karen Cohen Khazon, who holds approx. 44.14% of the Company's issued and paid up share capital.

Regulation 22: Transactions with the controlling shareholder or in which the controlling shareholder has a vested interest

Other than Ms. Karen Cohen Khazon's service and employment conditions, including her entitlement to officers and directors insurance, indemnification and exemption undertaking, and except as described below, the Company has no transactions with the controlling shareholder, or in which the controlling shareholder has a vested interest:

For information about the terms of employment of Ms. Karen Cohen Khazon as the Company's CEO, see Regulation 20(1.1) above.

1. Engagement with Ms. Shir Kesselman, VP Fragrance Division

   Ms. Shir Kesselman (hereinafter - "**Ms. Kesselman**"), the daughter in law of the Company's controlling shareholder, has been employed by the Company since 2014, and as from January 2021, she has been serving as the Head of Sales and Development in the fragrance segment. On June 29, 2023, Ms. Kesselman was appointed as VP Fragrances Division of the Company. As from June 2024, Ms. Kesselman is entitled to NIS 55 thousand per month. Furthermore, Ms. Kesselman is entitled to annual leave, recreation pay, pension funds and managers insurance, social benefits that do not exceed those that are normally acceptable, and to other benefits normally provided by Company to its employees.

Furthermore, the Company provides Ms. Kesselman with a car as is generally accepted in the Company, and bears all expenses pertaining to its maintenance, including grossing up of the tax in respect thereof.

The term of the employment agreement is not limited in time, and each of the parties may terminate it by giving advance notice in writing in accordance with the law.[6] Ms. Kesselman's employment agreement includes a confidentiality clause.

In May 2022, an extraordinary meeting of the Company's shareholders approved, after approval by the Company's Compensation Committee and Board of Directors, the allocation of 105,000 options to Ms. Kesselman, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 23.51 per share, in accordance with and subject to the Company's option plan. Furthermore, in April 2024, an extraordinary meeting of the Company's shareholders approved, after approval by the Company's Compensation Committee and Board of Directors, the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 15.96 per share, in accordance with and subject to the Company's option plan. In March 2024, the Company's Compensation Committee and Board of Directors approved an annual bonus of 2.86 salaries in respect of 2023, based on measurable targets approved for Ms. Kesselman, and in March 2025 an annual bonus of 2.94 salaries in respect of 2024 based on measurable targets.

2. <u>Engagement with Mr. Shay Khazon, Chief Operating Officer of the Fragrance Segment in Israel</u>

As from March 15, 2015, Mr. Shay Khazon, the husband of Ms. Karen Cohen Khazon, the Company's controlling shareholder, has been providing the Company services relating to operation, supply chain and maintenance through a privately held company he owns (hereinafter - "**Mr. Khazon**" and the "**Management Agreement**", respectively). As from April 2024, in consideration for the management services provided over 4 days a week, on

[6] In accordance with the provisions of the Companies Law, 1999, and the regulations promulgated thereunder as they may be as of the date of this report, the Company will bring the engagement forward for reapproval 5 years after the IPO date, if the engagement is not terminated earlier in accordance with its terms.

average, Mr. Khazon is entitled to monthly management fees of NIS 61,740 linked to the CPI in respect of April 2024, and reimbursement of car maintenance expenses for a period of 3 years.

Mr. Khazon is entitled to the funding of his trips abroad on behalf of the Group, including accommodation and sustenance, provided that any such expense shall be approved in advance and in writing by the Company's CEO. The term of the Management Agreement is not limited in time, and each of the parties may terminate it by giving a 90-day advance notice in writing.[7] Mr. Khazon's employment agreement includes a confidentiality clause.

In May 2022, an extraordinary meeting of the Company's shareholders approved, after approval by the Company's Compensation Committee and Board of Directors, the allocation of 157,000 options to Mr. Shay Khazon, which are exercisable into 157,000 ordinary Company shares, at an exercise price of NIS 23.51 per share, in accordance with and subject to the Company's option plan. Furthermore the meeting approved that Mr. Khazon will be entitled to annual bonuses in respect of the years 2022 through 2025 in accordance with the Company's Compensation Policy. In March 2024, the Company's Compensation Committee and Board of Directors approved an annual bonus of 2.91 salaries, based on measurable targets, and in March 2025 an annual bonus of 2.91 salaries in respect of 2024 based on measurable targets.

In addition, in April 2024, an extraordinary meeting of the Company's shareholders approved, after approval by the Company's Compensation Committee and Board of Directors, the allocation of 105,000 non-marketable options, which are exercisable into 105,000 ordinary Company shares, at an exercise price of NIS 15.96 per share, in accordance with and subject to the Company's option plan.

<u>Regulation 24: Holdings of Interested Parties and Senior Officers</u>

[7] In accordance with the provisions of the Companies Law, 1999, and the regulations promulgated thereunder as they may be as of the date of this report, the Company will bring the engagement forward for reapproval 5 years after the IPO date, if the engagement is not terminated earlier in accordance with its terms.

For information about the holdings of interested parties and officers in the Company, see the Company's immediate report of January 6, 2025 (Ref. No.: 2025-01-001625). The information included in the said report is incorporated herein by way of reference.

Regulation 24A: **Registered Capital, Issued Capital and Convertible Securities of the Corporation**

For information about registered capital, issued capital and convertible securities of the Company, see the Company's immediate report of March 4, 2025 (Ref. No.: 2025-01-014348). The information included in the said report is incorporated herein by way of reference.

Regulation 24B: **The Corporation's Shareholder Register**

For information about the Company's shareholder register, see the Company's immediate report of March 4, 2025 (Ref. No.: 2025-01-014348). The information included in the said report is incorporated herein by way of reference.

Regulation 25A: Registered Address - for information about the Company's address and the ways of making contacts therewith, see the top of this chapter.

Regulation 26: The Corporation's Directors

Set forth below are details regarding the Company's directors:

	Karen Khazon Cohen	Israel Leshem	Erez Meltzer	Shay Shlomo Khazon	Ohad Finkelstein	Limor Avidor	Mordechai Peled
I.D. Number	**024429227**	051210177	065861338	**058641549**	**057180127**	022772628	056092711
Date of Birth	25.8.1969	26.4.1952	30.7.1957	5.2.1964	25.1.1961	07.09.1967	21.10.1959
Address for service of legal documents	2 Halahav St. Holon	16 Abba Hillel Silver, Ramat Gan 5250608	55 Ha'Maayan, Ra'anana	23 Iytzhar, Ramat HaSharon, 4721563	67 Ha'Shahar, Ra'anana	255A Dizengoff St. Flat 17, Tel Aviv	47 Ha'Nesher, Ra'anana, 4372633
Citizenship	Israel	Israel	Israel, USA	Israel	Israel	Israel	Israel
Membership in Board of Directors committees	No	No	No	No	The Audit Committee and the Compensation Committee	The Audit Committee and the Compensation Committee	The Audit Committee and the Compensation Committee
External director	No	No	No	No	No	Yes	Yes
Independent director	No	No	No	No	Yes	No	No
Director with accounting and financial expertise or professional qualification	Accounting and financial expertise	No	Accounting and financial expertise	No	No	No	Accounting and financial expertise
Employee of the corporation, subsidiary, related company or of an interested party	Chairperson of the Company's Board of Directors, CEO of the Company, and director in subsidiaries of the Company.	Director in Chemada, WFF, Turpaz UK, and Klabin.	Director in Chemada.	Chief Operating Officer at the fragrance segment in Israel	No	No	No
The date on which he/she began his/her term as a director	1.1.2011	1.1.2011	18.5.2021	18.5.2021	30.5.2021	4.7.2021	4.7.2021

	Karen Khazon Cohen	Israel Leshem	Erez Meltzer	Shay Shlomo Khazon	Ohad Finkelstein	Limor Avidor	Mordechai Peled
Education	B.Sc. Organic Medicinal Chemistry, Bar Ilan University MBA - Strategic Planning, London Business School MBA - Financing - Tel Aviv University The PON Program, Harvard Law and Business Administration School	LLB, Tel Aviv University, Doctor of Juridical Science (SJD), Harvard University	BA and MA in Economics, Mathematics and Business Administration, Hebrew University of Jerusalem and Boston University; Advanced Management Course, Harvard University.	B.Sc. Civil Engineering, expertise in construction and management, the Technion. M.Sc. Civil Engineering, expertise in management, the Technion.	Graduate of PoliSci and Marketing. UCLA	BA in Behavioral Sciences, Ben Gurion University	BA in Economics and Management, Tel Aviv University MBA, Tel Aviv University
Occupation in the past five years:	Chairperson of the Company's Board of Directors and Company CEO.	Partner in Meitar Law Offices	Chairman of the Board of Directors and director in various companies: The Hadassah Medical Center (PBC), Hadasit Ltd. Hadasit Bio-Holdings, Hadassah Medical, SupPlant Technologies, SupPlant Agro-Projects, Plantis Agro, Ericom Software, Eltek,	**Chief** Operating Officer at the fragrance segment in Israel	Partner - Market LLC (2011 to date); managing partner - Danli Capital Ltd. (2007 to date)	Deputy CEO and Company Secretary, Mivtach Shamir Holdings Ltd. (32 years).	CEO, Pelgo Ltd. since 1999. CEO of Maccabi Tel Aviv Basketball Club 1995 Ltd.

	Karen Khazon Cohen	Israel Leshem	Erez Meltzer	Shay Shlomo Khazon	Ohad Finkelstein	Limor Avidor	Mordechai Peled
			Resdevco, Jem Pharma, Capital Nature, Xenia, ATLASense Biomed, Tevel Aerobotics, Smart Agro, Nano-X Imaging, Mentfield, Rivulis, Diesenhaus Group, Ud Nof, Atid-M, lecturer at the Tel Aviv University, and at the Peres Academic Center				
Other corporations in which he/she serves as a director	Chairperson of the Board of Directors of the Company, Chemada, Balirom, WFF, Pollena Aroma, Turpaz USA, FIT, Lori, Klabin, Turpaz Belgium, Pentanov, Turpaz UK, NGF, K-Vision Holdings and BKF Medical.	Dr. Israel Leshem, Law Firm, Chemada, WFF, Turpaz UK, Corinthus, Meitar Trust Services Ltd.	Nano-X Imaging, Hadasit Bio-Holdings, ATLASense Biomed, Resdevco, Jem Pharma, Eltek, SupPlant, Rivulis, Tevel Aerobotics, Capital Nature, Xenia, Chemada, Mentfield, Diesenhaus Group, Ud Nof, Atid-M, Friends of Loewenstein		Qwilt, Idomoo, Overwolf, Dropitshopping, KWSC, BankM, Team8, Cosmose Wakelet	Hod Ha'Sharon Towers Ltd., Jarvinia Holdings Ltd., Mivtach Or (2021) for the Elderly (Gedera) Ltd., Kesem Energy Ltd., Mivtach Shamir Finance Ltd., Chan Hanamal Ltd., M.B.S.T Real Estate Ltd., Mivtach Shamir Energy 2022 Ltd., M.S.N.M Real	Pelgo Ltd. and Razor Labs Ltd.

	Karen Khazon Cohen	Israel Leshem	Erez Meltzer	Shay Shlomo Khazon	Ohad Finkelstein	Limor Avidor	Mordechai Peled
			Rehabilitation Medical Center, the Or Movement NGO			Estate Ltd., Galum Investments Ltd., Ili Investments Ltd., Sanlakol Ltd. and Shamir Energy Group (2023) Ltd.	
Relative of an interested party	Wife of Mr. Shay Khazon, Chief Operating Officer	No	No	Husband of Ms. Karen Khazon Cohen, CEO and Chairperson of the Company's Board of Directors	No	No	No

Regulation 26A: Senior Officers

Set forth below is information about each of the Company's officers, whose details were not provided in accordance with Regulation 26:

	Ari Rosenthal	Guy Gill	Shir Kesselman	Shauli Eger	Tamar Wolf	Ariel Lavi	Yoni Adini	Idan Shabtay
I.D. Number	057197550	24223380	204330757	027384460	514574524	043367838	204270623	308408194
Date of Birth	15.5.1961	2.2.1969	21.6.1993	9.12.1974	5.5.1976	8.9.1981	20.6.1992	18.2.1993
Date of start of service as an officer	1.5.2020	18.9.2022	16.11.2022	26.3.2023	26.3.2023	19.3.2024	26.3.2023	11.12.2022
Position in the Company, subsidiary, related company of the Company or an interested party thereof:	VP Taste Division	CFO	VP Fragrance Division	Chief IT Officer	VP Business Development	VP Mergers & Acquisitions	Legal Counsel and Company Secretary	Group's Comptroller
Relative of another senior officer or another interested party in the Company:	No	No	Yes, Daughter in law of Ms. Karen Cohen Khazon, the controlling shareholder	No	No	No	No	No

	Ari Rosenthal	Guy Gill	Shir Kesselman	Shauli Eger	Tamar Wolf	Ariel Lavi	Yoni Adini	Idan Shabtay
Education	BA, Science and Economics, University of Haifa; MA Public Administration, Haifa University	BA, Economics and Accounting, University of Haifa CPA - Israel CPA Council	BA, Economics and Business Administration, College of Management Academic Studies	Certified Systems Engineer	BA, Economics and Business Administration, University of Haifa MBA, The Technion	BA Economics and LLB, University of Haifa	LL.B, expertise in Governance, Reichman University MBA, Bar-Ilan University.	BA, Economics and Accounting, University of Haifa CPA - Israel CPA Council LL.M, University of Haifa
Business experience in the past five years:	CEO, Israel emerging markets in Frutarom Industries Ltd.	Head of PMI in the Company, and VP Finance in Frutarom Industries Ltd.	Head of Global Sales in Turpaz Group	IT business partner at Philips Medical, Head of IT at Wavelength	CFO of the Savory Division in IFF	Owners of Ariel Lavi Law Firm.	Attorney at Naschitz, Brandes, Amir Co.	KPMG - CPA.

<u>Regulation 26: The Corporation's Authorized Signatory</u>

As of the report's date, the Company does not have independent authorized signatories.

<u>Regulation 27: The Company's Independent Auditor</u>

EY - Ernst & Young, of 144A Menachem Begin Road, Tel Aviv Yaffo.

<u>Regulation 28: Change in the Memorandum or Articles of Association of the Corporation</u>

During the reporting period, no changes were approved in the Company's Memorandum or Articles of Association.

<u>Regulation 29: Recommendations and Resolutions of the Board of Directors</u>

<u>The Board of Directors' recommendations to the General Meeting and their resolutions that do not require the approval of the General Meeting:</u>

1. In a meeting held on December 5, 2024, the Company's Board of Directors approved the distribution of an approx. USD 4 million dividend (approx. NIS 14.4 million) to the Company's shareholders, which was paid to the shareholders on December 30, 2024.
2. In a meeting held on March 19, 2024, the Company's Board of Directors approved the distribution of an approx. USD 4 million dividend (approx. NIS 14.6 million) to the Company's shareholders, which was paid to the shareholders on April 9, 2024.

<u>Regulation 29A</u>: <u>Company's Resolutions</u>

1. <u>Directors and officers liability insurance:</u>

   On November 14, 2024, the Company's Compensation Committee approved, in accordance with the Compensation Policy, the renewal of the purchase of a professional liability insurance policy covering Company's directors and officers as they may be from time to time in effect through May 16, 2026. The terms of the said insurance policies are as follows: Liability limit of up to USD 25 million per claim and per period, plus reasonable legal expenses in excess of the insurer's liability limit. The deductible amount is USD 7.5 thousand, except for claims in the USA and Canada, in respect of which the deductible amount will be USD 35 thousand, and claims concerning the breach of the Israeli securities law, in respect of which the deductible amount will be USD 75 thousand; the annual premium in respect of the policy amounts to USD 45,000 thousand.

2. Indemnification and exemption:

On May 13 2021, the Company's Board of Directors approved the award of indemnification to any person serving as a Company officer (including directors), including a Company officer who serves on behalf of the Company in a subsidiary and/or related corporation of the Company and/or another corporation (including a foreign corporation), the securities and/or voting rights and/or right to appoint directors in which the Company holds and/or will hold from time to time; the Board of Directors' resolution was approved by the General Meeting of the Company's shareholders on May 18 2021. The indemnification undertaking was granted in respect of liabilities and expenses in accordance with the Companies Law, in connection with a series of events (grounds for indemnification) listed in the letter of indemnity. The maximum cumulative indemnification amount that the Company may pay to all officers in accordance with the letter of indemnity shall not exceed the higher of: (1) USD 20 million or (2) 25% of the Company's shareholders' equity in accordance with its latest financial statements as they will be as of the indemnification's payment date; to all directors and officers. Furthermore, the Company decided to exempt its officers as aforesaid (including directors) in advance from a liability in respect of damage that was caused and/or will be caused to the Company by the officer due to breach of his/her duty of care to the Company, except in a case of breach of duty of care in distribution, as defined in the Companies Law.

Turpaz Industries Ltd.

Date: March 17, 2025

Names of signatories:	Titles:
Karen Cohen Khazon	**Chairperson of the Company's Board of Directors & CEO**
Dr. Israel Leshem	**Director[8]**

[8] Director authorized by the Board of Directors to sign.

TURPAZ

Chapter E

Effectiveness of internal control over financial reporting

Annual report regarding the effectiveness of internal control over financial reposting and disclosure in accordance with Regulation 9B(a) to the Securities Regulations (Periodic and Immediate Reports), 1970, for 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 Egar, VP IT
4. Yoni Adini, General counsel
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.

Management, under the supervision of the Board of Directors, tested and assessed the internal control over financial reporting and disclosure, and its effectiveness. The assessment of the effectiveness of internal control over financial reporting and disclosure executed by management under the supervision of the Board of Directors included:

Mapping and identifying those accounts and processes which the Company views as very material to financial reporting and disclosure. Assessing key controls and the effectiveness of the controls: These components of internal controls included controls on the closing of the financial reporting for the period, including drawing up and preparing financial statements and disclosures, entity level controls and general controls of information systems, and controls over business processes: (1) controls over the procurement process, materials consumed and inventory; (2) sales and receivables processes; (3) the process of intangible assets' impairment testing.

Based on the assessment of the effectiveness of internal controls carried out by management under the supervision of the Board of Directors as described above, the Corporation's management and Board of Directors reached the conclusion that the internal controls over financial reporting and disclosure in the Corporation as of December 31, 2024, is effective.

Statement of the Chief Executive Officer in accordance with Regulation 9B(D)(1):

Statement of the Chief Executive Officer

I, Karen Cohen Khazon, hereby declare that:

(1) I have reviewed the periodic report of Turpaz Industries Ltd. (hereafter – the "**Corporation**") for the year 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) have assessed the effectiveness of internal controls over financial reporting and disclosure, and presented in this report the Board of Directors and management's conclusions as to the effectiveness of such internal controls as of the Reports' date.

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

March 17, 2025

____

Karen Cohen Khazon,

CEO and Chairperson of the Board of Directors

Statement of the Most Senior Financial Officer Pursuant to Regulation 9B(D)(2):

Statement of the Most Senior Financial Officer:

I, Guy Gill, hereby declare that:

(1) I have reviewed the financial statements and other financial information included in the reports of Turpaz Industries Ltd. for the year 2024 (hereafter – the "**Reports**").

(2) To the best of my knowledge, the financial statements and other financial information included in 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 insofar as they relate to the financial statements and the other financial information included in the reports 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, to the extent that it is relevant to the financial statements and the other financial information included in the Reports 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) have assessed the effectiveness of internal controls over financial reporting and disclosure, to the extent that they relate to the financial statements and the other financial information included in the Reports as of the Reports' date; my conclusions as to my assessment as stated above were presented to the Board of Directors and management and integrated into this report.

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

March 17, 2025

____

Guy Gill, Chief Financial Officer

Turpaz Industries Ltd.

Purchase Price Allocation Study – Cewecon GmbH.

As of April 3, 2024

Convenience translation only.

BDO Consulting
Amot BDO House
Menachem Begin Road
48 Menachem Begin Road
Tel Aviv 6618001
Israel
www.bdo.co.il

Turpaz Industries Ltd.

In accordance with a request by Turpaz Industries Ltd (Hereinafter: "**the Client**" and/or "**the group**" and/or "**Turpaz**"), BDO Ziv Haft Consulting & Management Ltd. (hereinafter: "**BDO**") has performed a Purchase Price Allocation Study (hereinafter: "**PPA Study**") according to IFRS 3 Business Combination, in connection with the acquisition (hereinafter: the "**Transaction**") of 100% ordinary shares of Cewecon GmbH (hereinafter: **"Cewecon**" and/or the "**The company**") a private company incorporated in Germany, which owns a group of Belgian and German companies (hereinafter: the "**Clarys & Willich group"**) From its shareholders (hereinafter: the "**The sellers"**). The acquisition was carried out by Food Ingredients Technologies SA (Hereinafter: "**Acquiring Entity**" and/or "**FIT**") which is held by Turpaz Belgium, a subsidiary of Turpaz, as of April 3, 2024 (hereinafter: the "**Closing Date**" and/or "**Valuation Date**" and/or "**Acquisition Date**").

The engagement between BDO Ziv Haft Consultation and Management Ltd. (hereinafter: "**BDO**") and Turpaz was approved and signed by Mr. Guy Gil, Turpaz CFO, on September 25, 2024.

Our findings will be used by the Turpaz, its management, and its auditors, for financial reporting purposes within the framework of generally accepted Israeli accounting and financial reporting principles required by law including in accordance with International Accounting 3 Business Combination (IFRS 3). This paper is for the exclusive use of Turpaz, its management and its independent auditors, in accordance with all applicable laws.

In order to prepare this paper, we relied on the accuracy, comprehensiveness and timeliness of the information received from the Company and from various elements connected to the Company's activity. We have no reason to believe that the data at the basis of our work is not reliable, complete or fair, and we did not conduct our own independent examination of this information with the exception of examination of its reasonability. Reliance on this information does not constitute verification or confirmation of its veracity. No due diligence was carried out during the preparation of this opinion, and it has no pretense of including all of the information, tests and checks or any other information included in due diligence.

Economic opinions are not a precise science and are supposed to provide a reasonable and fair reflection of a certain situation at a certain time, on the basis of known data, basic assumptions made, and forecasts assessed. Changes to key variables and/or information may alter the basis of the base assumptions and accordingly, the conclusions.

Calculations in this paper were performed using an electronic spreadsheet, and therefore rounding errors are possible.

Non-dependence

We hereby note that we are not dependent on Turpaz and/or the Company, and we are not interested parties nor are we expected to become interested parties in any of the Group companies or in their assets in the future. In addition, we have no personal interest in the Turpaz's securities. We are not dependent on Turpaz as this term is defined in the Securities Law, 1955 and resulting regulations, including the Accountants' Regulations (Conflict of Interest and Harm to Independence as a Result of Other Occupation), 2009, in the auditing standards and rules of professional behavior of the Israeli Institute of Certified Public Accountants, and in accordance with the ruling of the Securities Authority (on the subject of independence), in accordance with Section H(b) of the Securities Law 1968.

We should also note that no stipulations were made the for the receipt of our fee contingent on the results of this opinion.

Disclosure on the Indemnification of the Appraiser for Their Work

In accordance with the Engagement Agreement, if we are required to pay any sum to any third party pertaining to the performance of the services specified in the Engagement Agreement, via legal proceeding or some other binding proceeding, Turpaz undertakes to indemnify us for any such sum we pay, beyond a sum equal to three times our fee, so long as Turpaz is given the right to defend itself, and all with the exception of cases of negligence or malice on behalf of BDO, in which case no indemnification or compensation shall apply.

Disclosure on the Indemnification of the Appraiser for Their Work

We are aware of the fact and that we agree that this paper will be used in and/or be included in the Turpaz's December 31 2024 reports, including reports included within the framework of shelf prospectuses or shelf offering reports published by the Turpaz, as well as in any immediate report in accordance with the Securities Law, 1968 and its regulations, which according to legal requirements the companies in question will be required to include the economic paper. No other use may be made of this opinion except for that noted above, including publishing it or quoting it in full or in part, and it may not be transferred to any third party without our express advance approval.

Details on the Appraiser and Their Expertise

BDO Consulting and Management Ltd – founded by the partners of the BDO accounting firm. BDO Consulting and Management is part of the international BDO Network, which provides a broad variety of business services needed for national and international businesses in any sector. Our company has extensive experience in the following areas: Business valuation, financial and taxation due diligence, valuation of goodwill and intangible assets, financial analysis, creating business plans, consulting on PFI/PPP project financing, M&A, investment banking and so forth.

The leading team

Mr. Moti Dattelkramer, C.P.A., Partner, Head of Corporate Finance

Moti has a B.A. in Economics and Computer Sciences and an MBA from Bar Ilan University. Moti has over 17 years of experience consulting companies and government ministries. In his current role with the consulting company, Moti is a partner, managing dozens of economists and CPAs involved in teams involved in valuation, PPA, business plans, due diligence, impairment assessment, evaluation of financial instruments etc. As part of his work, Moti was involved in a broad variety of valuations, business plans, strategic plans, and due diligence in a variety of areas of activity such as communications, media, technology, traditional industry, food, real estate, medical equipment, and finance. Prior to joining BDO, Moti managed the Economic Department of Tavor Economics and Finance. Previously, Moti was a lecturer at the Technion and at Tel Aviv University, in the Accounting Department, as well as at the Hebrew University in Jerusalem.

Mr. Sagiv Mizrahi, CPA, Partner, Team Leader in the Corporate Finance Department

The work was prepared by a team led by Mr. Sagiv Mizrahi, CPA, partner, and team leader in the Corporate Finance Department. Sagiv has an undergraduate degree in Practical Mathematics from Bar Ilan University, and an MBA (Summa cum Laude), specialized in financial management from Tel Aviv University. Sagiv has over 10 years' experience in economic and business consulting, valuations of companies and financial instruments and diverse economic-accounting work, in conformity with international accounting standards (IFRS) and with US accounting standards (US GAAP). Previously, Sagiv was lecturer on accounting and valuations at Bar Ilan University.

Results

The following table provides details regarding the PPA summary of Cewecon:

In Thousands EURO	100%	Lifespan (years)
Cash paid	25,000	
Liability for a PUT option (24.5%)	37,868	
Total consideration	**62,868**	
Equity	**11,949**	
Excess to allocation	**50,918**	
Allocation		
Customer relations	8,221	10
Know-How	7,809	20
Deferred tax liability	(4,168)	
Balances related to Transferred companies	(942)	
Goodwill (P.N)	**39,998**	

Respectfully,

Sagiv Mizrahi, C.P.A.

BDO Ziv Haft Consulting and Management Ltd.

Signed on: 20.2.2025

Sources of Information

The principal sources of information used in performing our PPA Study include:

- Unaudited consolidated financial statements of the Company for the years 2022-2023, as well as unaudited consolidated financial statements as of March 31, 2024;
- The Sales and Purchase Agreement (hereinafter: "**SPA**");
- Company's financial due diligence that included financial data for the years 2021-2023;
- Company's P&L and investments forecast starting the Closing date until the end of 2028;
- Cash flow Forecast for FIT for the years 2024-2026, consolidated with the Company's results;
- Publicly available information;

Meetings, conversations and correspondences with key employees:

- Guy Gil, CFO, Turpaz;
- Idan Shabtay, Controller, Turpaz

Section 1

The Acquiring Entity

The Acquiring Entity

Turpaz Group

Turpaz Industries Ltd. is a publicly traded company incorporated in Israel on February 10, 2011, and listed on the stock exchange on May 23, 2021.

Turpaz group operates, independently and through its subsidiaries, 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.

As of the valuation date, The group has more than 3,000 customers in more than approx. 60 countries across the world, and operates 18 manufacturing facilities, including R&D centres, 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 has three areas of activity that are reported as business segments in its financial statements, as follows:

- The fragrance segment - in this segment, Turpaz Group is engaged in the development, production, marketing and sale of natural and synthesized fragrance extracts for customers in the cosmetics, toiletries, detergents, wet wipes, scented candles, hair care, air care & odor neutralizers industries for hotels and households. Furthermore, Turpaz Group operates to manufacture specialty ingredients of high added value, whose purpose is to conceal bad Odors, and give and enhance desired scents in consumer or industrial products. The fragrance extracts developed by the perfumers are tailored to customers' requirements while creating long-term relationship between Turpaz Group and its customers across the world. When they select a supplier, customers focus on the suppliers' innovation, uniqueness, high quality, compliance with international and domestic regulatory requirements, the suppliers' reliability and the excellence of their services and their knowledge of the needs of the customers for whom the specialty extracts were developed.
- The taste segment - as part of the taste segment, Turpaz Group is engaged in the development, production, sale and marketing of natural and synthesized, sweet and savory flavor extracts, seasonings and gluten free flours, which are used mainly in the production of food, including meat and egg substitutes, plant-based solutions, snacks, ready-made meals, dairy products, ice creams, pharmaceuticals, food and organic colorings for the animal food, beverages and food supplements industries, all tailored to meet customers' needs and regulatory requirements. Furthermore, the Group develops extracts and mixtures that allow the production of "clean label" products, reducing quantities of fat, salt and sugar in snacks, food products and beverages, while retaining the desired taste and texture of those products.
- Specialty fine ingredients segment - in this segment, Turpaz Group is engaged in the development, production, marketing and sale of specialty fine ingredients used as intermediates and raw materials in the pharma industry, fine specialties ingredients used in various manufacturing processes to be used in a range of industries, mainly flavors and fragrances, agrochemicals, polymers and catalysts, and citrus products and aromatic chemicals for the flavor and fragrance industry. In this segment, Turpaz Group focuses on the production of high-quality products of high added value and develops and manufactures tailor made products that meet the needs of its customers and comply with prevailing regulations through its development, manufacturing and engineering departments.

The Acquiring Entity

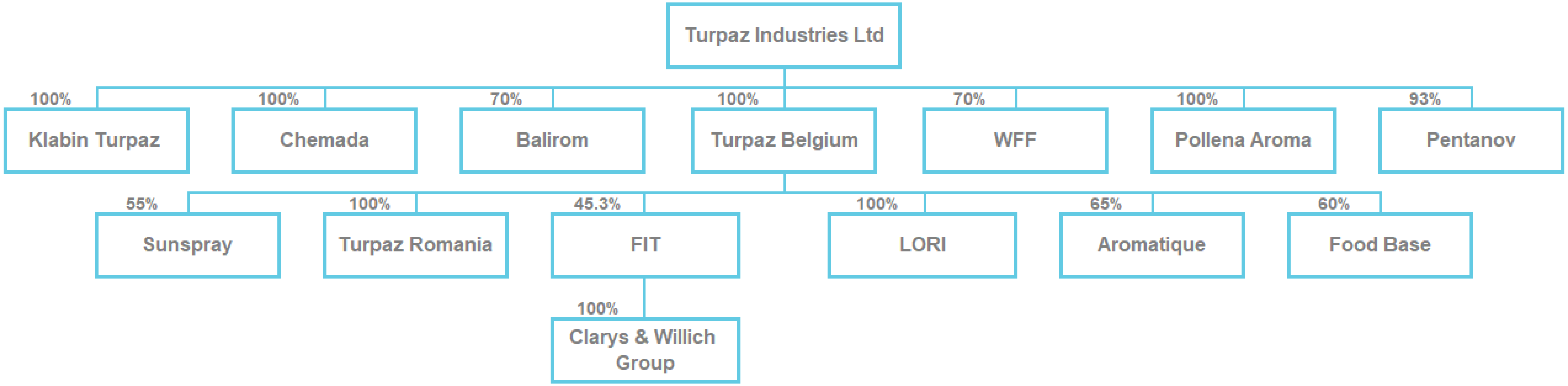
Turpaz Group (cont.)

Turpaz is working to expand its operations into new markets and increase its market share in existing ones by acquiring new customers and growing its business with current clients. Turpaz's competitors include multinational flavor manufacturers, mid-sized producers, and small local manufacturers. Competition is largely based on innovation capabilities, product quality, the ability to provide value-added customer service, building and maintaining long-term relationships, reliability, and the development of tailored products that meet specific customer needs and future market trends.

The Acquiring Entity

Holdings Structure – Turpaz Group

The following is the holdings Structure of Turpaz Group as of the valuation date:



Section 2

Acquired Entity

Acquired Entity

Cewecon

Cewecon is a private company incorporated in Germany that owns the Clarys Willich Group, which consists of two groups of companies: the Clarys Group, comprising several Belgian and Brazilian companies, and the Willich Group, comprising several German companies. Cewecon was founded in 2015 following the merger of the Clarys and Willich groups.

The Clarys & Willich Group operates in the fields of savory flavors, functional solutions, and specialty raw materials for the meat processing and baking industries, as well as in the production of customized nutritional solutions and food additives for the food market.

The Company owns two manufacturing facilities and development laboratories in Belgium and Germany, covering a total area of 19,000 square meters, with 12,500 square meters of built-up space in Belgium and 12,000 square meters, of which 2,000 square meters are built-up, in Germany. The larger of the two is a state-of-the-art facility in Belgium, completed in 2022 with an investment of approximately €12 million.

The Clarys & Willich Group has a broad customer base across Europe, primarily in Belgium, the Netherlands, and Germany, and offers a wide range of solutions and products. As of the acquisition date, the Company employs approximately 70 people.

The Company's operations are carried out through the Clarys and Willich groups as follows:

- Clarys specializes in the production of powders for the fermented meat processing industry and the bakery industry. Clarys' manufacturing facility is located in Oostkamp, Belgium.
- Willich specializes in the production of custom liquid coatings for meat and cheese products. Willich's manufacturing facility is located in Wermelskirchen, Germany.

Section 3

The Transaction

The Transaction

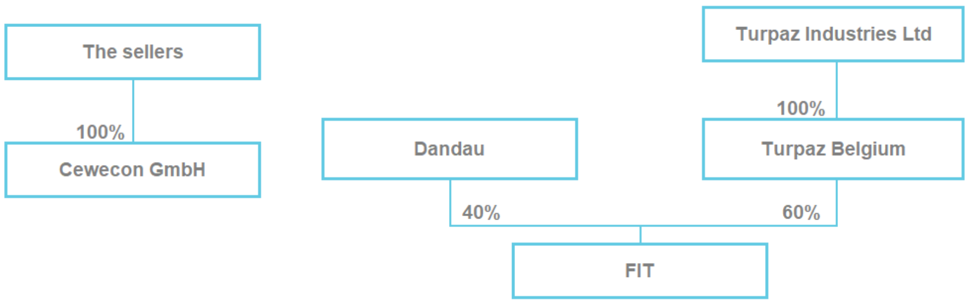
The Purchase Agreement

On April 3, 2024, Turpaz, through FIT, a subsidiary of Turpaz Belgium which is wholly owned by Turpaz, completed the acquisition of 100% of the issued and paid-up share capital and voting rights of Cewecon from the Sellers, for a consideration of approximately 44 million euros, which was paid in cash to the sellers at the Closing Date. Of this consideration, approximately 19 million euros will be reinvested by the sellers back into FIT in exchange for the issuance of shares representing approximately 24.5% of the issued and paid-up share capital of FIT.

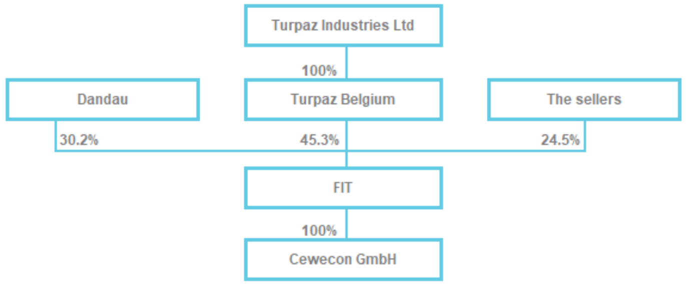
Prior to the acquisition, Turpaz Belgium held 60% of FIT's share capital, and 40% was held by Dandau Holding SRL, a private Belgian company owned by the CEO of FIT, (hereinafter: "**Dandau**"). After the completion of the acquisition and the share issuance in FIT, the issued and paid-up share capital of FIT will be as follows: 45.3% will be held by Turpaz Belgium, 30.2% will be held by Dandau, and 24.5% will be held by the sellers.

Furthermore, following the completion of the transaction, Turpaz will hold the majority on FIT’s board of directors and will be entitled to vote in Dandau's shares at FIT's shareholders' meeting during the option period (as further explained below), ensuring that it maintains control over FIT and consolidates its financial results.

Below is the ownership structure in FIT and the Company before the business combination date:



Below is the ownership structure in FIT and the Company after the business combination date:



CALL/PUT Option:

As part of the acquisition agreement, Turpaz Belgium was granted a Call option, and the Sellers were granted a Put option for the purchase/sale of the remaining shares of the sellers in FIT, representing 24.5% of the issued and paid-up share capital of FIT, which is held by the sellers. The Call/Put option is exercisable from April 1, 2027, to April 1, 2029.

The exercise price of the option is based on the business performance of FIT (consolidated with the company) according to the formula below:

$$I/T \times [(9 \times A \times 4) - D]$$

Where I/T represents the sellers' ownership percentage in FIT at the time of exercise, A represents the average EBITDA of FIT for the quarters from January 1, 2024, until the exercise date, and D represents the net debt of FIT as of the end of the quarter immediately preceding the exercise date.

According to the acquisition agreement, the exercise amount for the PUT option may be paid in cash or through shares of Turpaz, according to the Sellers discretion. In the case of payment through shares, the share value will be determined based on the average quoted price of Turpaz's shares on the stock exchange over the 30 calendar days preceding the exercise date, converted into euros.

The Transaction

Carved Out

According to the transaction's structure and the acquisition agreement, the acquisition includes the purchase of 100% of the share capital of the Company and the entire Clarys & Willich Group, excluding two companies from the Willich Group and another company from the Clarys Group, which were excluded from the acquisition (hereinafter: "Excluded Companies"). These are special project companies with operations that differ from the core business of the Company and therefore are not part of the acquisition.

Additionally, according to Turpaz's management, as part of the acquisition agreement and the parties' arrangements for the transaction, it was agreed that two other companies owned by the Company would be transferred to the sellers without compensation (for a very nominal amount) for the same reason that the Excluded Companies were removed from the deal. These companies are part of the Clarys Group: M4E VN (Belgium), which is held by the Company at approximately 35%, and Global Direct LTDA (Brazil), which is held by the Company at approximately 95% (hereinafter: "Transferred Companies").

It should be noted that, according to Turpaz's management, as of the Closing Date, there is no significant activity in the Excluded Companies or the Transferred Companies.

Purchase Price Allocation (PPA)

As mentioned above, the transaction structure includes a call/put option mechanism for purchasing the remaining shares of the sellers in FIT. Accordingly, and in line with Turpaz's management, the purchase price allocation was performed from the perspective of Turpaz Belgium.

The rationale for the transaction

According to Turpaz's management, the rationale for the transaction is as follows:

- The acquisition of Cewecon is a strategic purchase for Turpaz, aligning with the group's strategy to expand its operations in the flavors and food solutions sector, with a focus on developing natural, healthy, innovative, and unique products with high added value.
- The operations of the Cewecon Group are highly synergistic with Turpaz's activities, particularly with the operations of FIT. This acquisition is expected to enable Turpaz to strengthen its product offerings, leverage, and capitalize on the cross-selling opportunities created by this acquisition, both by expanding its customer base and broadening its product range. Additionally, the acquisition will allow Turpaz to promote operational efficiency by leveraging synergies with FIT's activities.

Section 4

Financial Statements

Financial Statements

Balance Sheet

The following presents the Company's unaudited balance sheet as of December 31, 2023, and as of March 31, 2024 (Thousands of EURO) (*) (**) (***):

Thousands in EURO	31.12.23	31.3.2024
Current Assets		
Cash and cash equivalents	1,523	2,013
Customers	3,845	3,130
Other receivables	831	474
Inventory	4,471	4,276
Accrued income	60	–
Total current assets	**10,729**	**9,893**
Non current assets		
Fixed Assets, net	12,346	12,569
Right of use assets	268	247
Investment in companies	735	410
Total Non current assets	**13,349**	**13,226**
Total assets	**24,078**	**23,119**

Thousands in EURO	31.12.23	31.3.2024
Current liabilities		
ST credit	186	7
Suppliers	2,123	1,965
Accrued expenses	55	259
Other payables	50	541
Current maturities of loans	1,578	1,524
Income tax	422	490
Salaries and related costs	774	653
Total current liabilities	**5,189**	**5,439**
Non-Current Liabilities		
Loans from banking institutions	5,894	5,731
Other long-term payables	588	–
Total non-current liabilities	**6,482**	**5,731**
Equity	**12,407**	**11,949**
Total liabilities and Equity	**24,078**	**23,119**

(*) According to Turpaz's management, the Company's balance sheet as of March 31, 2024 (hereinafter: the "Purchase Balance Sheet") is prepared in accordance with International Financial Reporting Standards (IFRS).

(**) According to Turpaz's management, there has been no material change in the Company's financial position from March 31, 2024, to the date of the business combination. Accordingly, the purchase price allocation was based on this balance sheet.

(***) According to Turpaz's management, the purchase balance sheet does not include the Excluded Companies but does include the Transferred Companies (for further details, see Section 3 "The Acquisition Transaction").

Financial Statements

Balance Sheet (cont.)

The following table presents Cewecon Economic Balance Sheet as of March 31, 2024 (Thousands of EURO):

Thousands in EURO	31.3.2024
Working Capital	4,914
Net Debt	(6,579)
Other operating assets	12,672
Balances related to divested companies	942
Total Economic Balance sheet	**11,949**

The following table presents Cewecon Working Capital as of March 31, 2024 (Thousands of EURO):

Thousands in EURO	31.3.2024
Customers	3,130
Inventory	4,115
Suppliers	(1,965)
Other Working capital	(366)
Total Working capital	**4,914**

The following table presents Cewecon Net Debt as of March 31, 2024 (Thousands of EURO):

Thousands in EURO	31.3.2024
Cash and cash equivalents	1,820
Loans from banking institutions	(7,255)
ST credit	2
Income tax	(377)
Employee bonus	(247)
Related parties	19
Other payables	(541)
Total Net debt	**(6,579)**

The following table presents Cewecon Other Operating Assets as of March 31, 2024 (Thousands EURO):

Thousands in EURO	31.3.24
Fixed Assets, net	12,425
Right of use assets	247
Total Other operating assets	**12,672**

Financial Statements

Profit and Loss

The following table presents the unaudited income statements of the Company for the years 2022 and 2023 (Thousands of EURO):

Thousands in EURO	2022	2023
Revenues	28,216	32,516
% Growth rate		15.2%
Cost of sales	(18,785)	(21,617)
Gross Profit	**9,431**	**10,899**
% Gross margin	33.4%	33.5%
Operating expenses	(6,001)	(6,969)
Operating profit	**3,430**	**3,930**
% of revenues	12.2%	12.1%
Finance expenses	(187)	(268)
Profit before tax	**3,243**	**3,662**
Tax expenses	(834)	(985)
Net Income	**2,409**	**2,677**

Section 5

Methodology

Methodology

The Acquisition Method

According to IFRS3, an entity shall account for each business combination by applying the acquisition method.

Applying the acquisition method requires:

a) Identifying the acquirer;

b) Determining the acquisition date;

c) Recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire, and;

d) Recognizing and measuring goodwill or a gain from a bargain purchase.

Identifying the acquirer

An entity is required to identify one of the combining entities in each business combination as the acquirer.

Determining the acquisition date

The acquirer shall determine the acquisition date, which is the date on which it obtains control of the acquiree.

The date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree - the closing date.

Recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Classifying identifiable assets acquired and liabilities assumed in a business combination.

Identifiable assets acquired and liabilities assumed are classified based on the economic conditions, operating and accounting policies, contract terms, and other relevant factors that exist as of the acquisition date.

Methodology

The Acquisition Method (cont.)

Measurement principle

The acquirer is required to measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Recognizing and measuring goodwill or a gain from a bargain purchase

The acquirer shall recognize goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) the aggregate of:

1. The consideration transferred measured in accordance with IFRS3, which generally requires acquisition-date fair value;
2. The amount of any non-controlling interest in the acquiree measured.
3. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS3.

Bargain purchases

Bargain purchases occur if the acquisition-date amounts of the identifiable net assets acquired, excluding goodwill, exceed the sum of (i) the fair-value of consideration transferred, (ii) the fair-value of any non-controlling interest in the acquiree, and (iii) the fair value of any previously held equity interest in the acquiree.

Bargain purchase represents an economic gain, which should be immediately recognized by the acquirer in profit or loss.

If a bargain purchase is initially identified, the acquirer should reassess whether all of the assets acquired and liabilities assumed have been identified and recognized, including any additional assets and liabilities not previously identified or recognized in the acquisition accounting. Once completed, the acquirer should review the procedures used to measure the following items:

- Identifiable assets acquired and liabilities assumed;
- Non-controlling interest in the acquiree, if any;
- Acquirer's previously held equity interest in the acquiree, if any;
- Consideration transferred.

The objective of the review is to ensure that the measurements appropriately reflect consideration of all available information as of the acquisition date.

Methodology

Approaches to Valuation

In order to arrive at estimate value, the three generally accepted approaches to valuation were considered as described below.

The generally accepted approaches to valuation are commonly referred to as the following:

1. Market approach;
2. Income approach;
3. Asset-based approach;

Within each category, a variety of methodologies exists to assist in the estimation of fair value. The following contain a brief overview of the theoretical basis of each approach, as well as a discussion of the specific methodologies relevant to the analyses performed.

Market Approach

The market approach references actual transactions in the assets of the enterprise being valued or transactions in similar assets that are traded in the public markets. Third-party transactions in the assets of an enterprise generally represent the best estimate of fair market value if they are done at arm's length.

Income Approach

The income approach is based on the premise that the value of a security or asset is the present value of the future earning capacity that is available for distribution to investors in the security or asset. A commonly used methodology under the income approach is a discounted cash flow analysis. A discounted cash flow analysis involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate.

This discount rate should consider the time value of money, inflation, and the risk inherent in ownership of the asset or security interest being valued.

Asset-Based Approach

A third approach to the valuation is the asset-based approach. The discrete valuation of an asset using an asset-based approach is based upon the concept of replacement as an indicator of value. A prudent investor would pay no more for an asset than the amount for which he or she could replace the asset new. The asset-based approach establishes value based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional obsolescence, if present and measurable. This approach generally provides the most reliable indication of the value of land improvements, special-purpose buildings, special structures, systems, and special machinery and equipment.

Methodology

Valuation of the Intangible Assets

The valuation of the intangible assets of acquired companies is particularly important since the most valuable assets of this type of company generally are not recorded on the balance sheet before acquisition. Intangibles that may exist at the time of the acquisition include: (a) current and in-process technologies; (b) customer- related intangibles (such as a distribution network or a customer base); (c) trademark(s), trade name(s), and related intellectual property; (d) distribution rights; (e) backlog; and (f) covenants not-to-compete.

In the determination of the Fair Value for each intangible asset, each assessment should consider specific factors of the asset, including (but not limited to):

- The value of economic or monetary benefit to market participants;
- The remaining economic life;
- The relative risk profile;

Assembled workforce was also identified for the valuation analysis but was incorporated as part of goodwill. IFRS3 - Business Combinations, requires that the assembled workforce shall not be recognized as an intangible asset apart from goodwill in a business combination. Nevertheless, the assembled workforce was identified separately for the purpose of calculating the appropriate contributory charge needed to arrive at the Fair Value of each of the Intangible Assets on a standalone basis.

Relief from Royalty Method

The premise of the relief from royalty method is that ownership of the subject asset relives the owner of the need to license the assets from a third party. Thus, by owning the intangible asset, the owner avoids the royalty payments required to license the asset.

The relief from royalty method is often appropriate for certain types of intangible assets. For example: trademarks and trade names, patents and developed product technology are examples of intangible assets that frequently are licensed in exchange for royalty payment.

Methodology

Multi-Period Excess Earning Method ("MPEEM")

The application of the income approach to the valuation of intangible assets acquired is typically performed using the Multi-Period Excess Earnings Method ("**MPEEM**"). The fundamental premise of the multi-period excess earnings method is that the value of an intangible asset is equal to the present value of the net cash flows attributable to the subject intangible asset. The net cash flows attributable to the subject asset are those in excess of fair returns on all the assets that are necessary to the realization of the cash flows. The contributory asset charges would be based on the fair value of the contributing assets.

The principal behind a contributory asset charge is that each valued asset "rents" or "leases" from a hypothetical third party only the needed assets, and that each project pays the owner of the assets a fair return on the fair value of the rented assets. Thus, any net cash flows remaining after such charges are attributed to the subject-valued asset.

Fixed Assets

Fixed assets allow the workspace for the marketing sales and logistics functions for both tangible and intangible products. In order to evaluate the assets in a stand-alone basis, a market participant will have to theoretically rent such fixed assets.

Working Capital

Realizing cash flows from the commercialization of new products or services requires working capital for investment in receivables, inventory and other short-term assets. Working capital contributes to the project by allowing and supporting the normal business cycle.

Workforce

The value of the workforce asset is estimated according to the Cost Approach and is calculated as the cost of recruiting and training personnel.

Tax Amortization Benefits ("TAB")

An additional adjustment is added to the indicated values derived to the Company's intangible assets. Under the assumption of future amortization of the asset for tax purposes, tax amortization benefits reflect the hypothetical tax benefits associated with amortizing the asset for income tax purposes.

Section 6

Valuation - Intangible Assets

valuation - intangible assets

Intangible Assets Recognized

In our opinion, we have considered the existence of the following intangible assets:

- Customer relations;
- Know How;

We identified and evaluated the intangible assets, know-How, and customer relationships.

Know-How

As mentioned, the core of the business is based on the Company's know-how, as it is involved in the development, production, and marketing of manufacturing processes, flavor formulas, and unique raw materials, tailored primarily for the meat processing and baking industries. The Company's knowledge is an intangible asset representing knowledge that was developed internally by the company. Ownership of the accumulated knowledge essentially frees the owner from the need to develop product formulas, thereby enabling profit generation from the products. Based on information provided by the management of Turpaz and to our analysis, we concluded that the knowledge meets the accounting definitions of an intangible asset and is considered an intangible asset acquired as part of a business combination.

Valuation of the intangible asset "Know-How" was based on the income approach method, the RFR method, with the asset valued based on the capitalization of "worthwhile royalties" payments saved from the Company and based on the Company's revenues.

Customer relations

International standards define "Customer relationships" as agreements, relationships with customers or list of customers of the acquired entity, which have a material value for the acquiring entity. Agreements or relationships with customers have an economic value, as their absence would impact on the future cash flows of the business.

Relationships with customers/distributors may result from contracts, but customer/distributor relationships may also derive from other types of business relationships, such as an ordinary relationship arising from supplier-customer sales.

According to international standards, the customer list does not typically arise from contractual or other legal rights. However, customer lists are often leased or exchanged. Therefore, the customer list, acquired in a business combination, normally meets the separable criterion and is identifiable separately from goodwill.

The Company's customer portfolio consists of a variety of customers across Europe, most of whom are in Belgium, Germany, and the Netherlands. The field of flavor production for food and beverages is characterized by its complexity, importance of quality, and level of bureaucracy, which dictate a conservative and long-term working relationship with suppliers. Even the slightest changes in raw materials can affect product quality, and as a result, food manufacturers tend not to change suppliers. According to the management of Turpaz the existing customer relationships within the Company meet the conditions outlined above in order to be recognized as a separate asset from goodwill, as there are ongoing relationships with the company's customers and the company has readily available and accessible information about these customers.

Valuation of the intangible asset "customer relationships" was based on the income approach, the MPEEM method, with the asset valued based on the future cash flow arising from Company revenues.

valuation - intangible assets

Customer Relations

The table below shows the valuation of customer relationships, as of the business closing date (thousands of EURO):

In Thousands EURO		4-12/2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues - Base Case		25,671	36,008	37,751	39,461	40,771	41,605	42,456	43,324	44,210	45,114
% Churn rate		*15.0%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
Revenues from customer relations, net		**21,821**	**23,275**	**18,620**	**14,896**	**11,917**	**9,534**	**7,627**	**6,101**	**4,881**	**3,905**
Cost of sales		(14,279)	(15,000)	(11,834)	(9,268)	(7,285)	(5,828)	(4,662)	(3,730)	(2,984)	(2,387)
Gross profit		**7,542**	**8,275**	**6,787**	**5,628**	**4,632**	**3,706**	**2,965**	**2,372**	**1,897**	**1,518**
Gross margin %		***34.6%***	***35.6%***	***36.4%***	***37.8%***	***38.9%***	***38.9%***	***38.9%***	***38.9%***	***38.9%***	***38.9%***
Research and development		(1,042)	(1,079)	(839)	(654)	(513)	(410)	(328)	(263)	(210)	(168)
% of revenues		*-4.8%*	*-4.6%*	*-4.5%*	*-4.4%*	*-4.3%*	*-4.3%*	*-4.3%*	*-4.3%*	*-4.3%*	*-4.3%*
Sales and marketing		(1,900)	(1,976)	(1,544)	(1,209)	(951)	(761)	(609)	(487)	(390)	(312)
% of revenues		*-8.7%*	*-8.5%*	*-8.3%*	*-8.1%*	*-8.0%*	*-8.0%*	*-8.0%*	*-8.0%*	*-8.0%*	*-8.0%*
General and administrative		(1,567)	(1,609)	(1,243)	(962)	(751)	(601)	(481)	(384)	(308)	(246)
% of revenues		*-7.2%*	*-6.9%*	*-6.7%*	*-6.5%*	*-6.3%*	*-6.3%*	*-6.3%*	*-6.3%*	*-6.3%*	*-6.3%*
Total operating expenses		**(4,509)**	**(4,664)**	**(3,626)**	**(2,825)**	**(2,215)**	**(1,772)**	**(1,418)**	**(1,134)**	**(907)**	**(726)**
% of revenues		*-20.7%*	*-20.0%*	*-19.5%*	*-19.0%*	*-18.6%*	*-18.6%*	*-18.6%*	*-18.6%*	*-18.6%*	*-18.6%*
Royalties for Know-How		(1,091)	(1,164)	(931)	(745)	(596)	(477)	(381)	(305)	(244)	(195)
% of revenues		*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Operating profit before tax		**1,942**	**2,448**	**2,229**	**2,058**	**1,821**	**1,457**	**1,165**	**932**	**746**	**597**
% operating profit		***8.9%***	***10.5%***	***12.0%***	***13.8%***	***15.3%***	***15.3%***	***15.3%***	***15.3%***	***15.3%***	***15.3%***
Tax expenses		(505)	(636)	(580)	(535)	(473)	(379)	(303)	(242)	(194)	(155)
Operating profit after tax		**1,437**	**1,811**	**1,650**	**1,523**	**1,347**	**1,078**	**862**	**690**	**552**	**442**
Contributory charges:	**After tax**										
Working capital	-0.29%	(63)	(67)	(53)	(43)	(34)	(27)	(22)	(17)	(14)	(11)
Workforce	-0.75%	(163)	(174)	(139)	(111)	(89)	(71)	(57)	(46)	(36)	(29)
Fixed Assets	-0.51%	(110)	(118)	(94)	(75)	(60)	(48)	(39)	(31)	(25)	(20)
Total contributory charges		**(336)**	**(358)**	**(287)**	**(229)**	**(183)**	**(147)**	**(117)**	**(94)**	**(75)**	**(60)**
Debt free cash flow		**1,101**	**1,453**	**1,363**	**1,294**	**1,164**	**931**	**745**	**596**	**477**	**381**
Discount period		0.38	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25
Discounted cash flow		**1,063**	**1,290**	**1,100**	**949**	**776**	**565**	**411**	**299**	**217**	**158**

Value of customer relations before TAB	**6,827**
Value of customer relations after TAB	**8,221**

valuation - intangible assets

Customer Relations (Cont.)

The following shall be the key assumptions when building the projection of cash flows deriving from the Company's customer relationships:

Economic lifespan – Based on the analysis we conducted, the estimated customer relationship lifespan is approximately 10 years as of the valuation date.

Abandonment rate – According to Turpaz management, the industry-standard annual churn rate is approximately 20%, and this rate is likely applicable to the acquired company as well.

Revenues – The revenues from customer relationships were determined based on the company's revenue forecast as outlined in the base case (for further details, see the appendix section). These revenues then decline over the forecast years (starting from April 2024) in accordance with an annual churn rate of approximately 20%, as described above.

Discount Rate – The discount rate used for the discounted cash flow valuation of customer relationships is approximately 10%, based on the company's weighted average cost of capital (WACC). The discount rate was chosen with consideration to the WARA analysis, which assessed the reasonableness of the estimated return rates.

Cost of sales – The cost of sales was determined based on the cost of sales rate as assumed in the base case.

Sales, administrative and general expenses – the operational expenses were determined according to their rate of revenues from existing customers, as assumed in the base case.

Charge for Know-How - Charges for Know-How were calculated based on the royalty rate of 5%. For more details, please see the Know-How valuation hereinafter.

Tax expenses – Based on the effective tax rate applied to the company's revenues, which is 26%.

Contributory charges – Contributory charges reflect the use of other assets which contributed to creating the value of the intangible asset. From after-tax operating income we deducted contributory charges due to personnel, fixed assets and working capital as follows:

In Thousands EURO	Balance	Return Rate (After Tax)	Contributory Charge	Yearly Revenue	% Charge of Revenues
Working capital	6,789	1.37%	93	32,516	0.29%
Workforce	2,430	10.00%	243	32,516	0.75%
Fixed Assets	12,425	1.32%	164	32,516	0.51%

Fixed assets - The value of the fixed assets as of the acquisition date is approximately 12.42 million euros. The pre-tax return rate was determined based on the company's long-term real debt price, estimated at 1.79%, and 1.32% after tax. The contributing charge rate was set at approximately 0.51% of the annual revenues from customer relationships.

Working capital – For the calculation of the contributing charge for working capital, the forecasted working capital balance for 2024, according to the base case, was taken as the normative working capital balance. The pre-tax return rate was determined based on the company's short-term debt rate, estimated at 1.86%, and 1.37% after tax. The contributing charge rate for working capital was set at approximately 0.29% of the annual revenues from customer relationships.

workforce – The value of the skilled workforce asset was estimated using the cost approach and calculated based on the recruitment and training costs of the employees (for further details, see Appendix D of this work). This cost was estimated at approximately 2.43 million euros. The contributing charge for the skilled workforce was calculated based on the company's WACC. The contributing charge rate was estimated at approximately 0.75% of the annual revenues from customer relationships.

valuation - intangible assets

Customer Relations (Cont.)

Tax asset (TAB) – The useful life of the customer relationship asset was estimated by us to be 10 years. This asset is depreciated for tax purposes, and based on our understanding, according to German regulations, it is depreciated over its useful life. Therefore, the discounting of the annual depreciation rate multiplied by the effective tax rate applied to the company's revenues constitutes a tax benefit for the cash flows generated by the asset. It should be noted that this does not constitute tax advice.

Based on the above, the value of the tax benefit is estimated at approximately 17%, as follows:

TAB	Period	Depreciation %	Tax rate	% Benefit	Discounted
1	0.38	10%	26%	2.6%	2.5%
2	1.38	10%	26%	2.6%	2.3%
3	2.38	10%	26%	2.6%	2.1%
4	3.38	10%	26%	2.6%	1.9%
5	4.38	10%	26%	2.6%	1.7%
6	5.38	10%	26%	2.6%	1.6%
7	6.38	10%	26%	2.6%	1.4%
8	7.38	10%	26%	2.6%	1.3%
9	8.38	10%	26%	2.6%	1.2%
10	9.38	10%	26%	2.6%	1.1%
		100.0%		**26.0%**	**17.0%**

Below is a summary of valuation of customer relationships, after tax benefit:

In Thousands EURO	03/04/2024	%
Value of customer relations before TAB	6,827	83.0%
TAB	1,394	17.0%
Value of customer relations	**8,221**	**100%**

Sensitivity Analysis

The following is a sensitivity analysis examining the change in the value of customer relationships in response to a 1% change in the discount rate versus a 1% change in the churn rate (Thousands of euros):

Customer Relations - Discount Rate

Churn Rate	12.00%	11.00%	10.00%	9.00%	8.00%
22.0%	7,015	7,255	7,512	7,788	8,084
21.0%	7,328	7,584	7,857	8,151	8,466
20.0%	7,658	7,930	8,221	8,533	8,870
19.0%	8,005	8,294	8,604	8,937	9,295
18.0%	8,371	8,678	9,008	9,363	9,745

valuation - intangible assets

Know-How

The table below shows the valuation of know-how, as of the business closing date (thousands of EURO):

In Thousands EURO	4-12/2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Revenues - Base Case	25,671	36,008	37,751	39,461	40,771	41,605	42,456	43,324	44,210	45,114	46,036	46,978	47,938	48,918	49,919	50,939	51,981	53,044	54,129	55,235
% Revenues from Know-How	92.5%	83.3%	74.9%	67.4%	60.7%	54.6%	49.2%	44.2%	39.8%	35.8%	32.3%	29.0%	26.1%	23.5%	21.2%	19.0%	17.1%	15.4%	13.9%	12.5%
Revenues from Know-How	**23,746**	**29,977**	**28,285**	**26,610**	**24,744**	**22,725**	**20,871**	**19,168**	**17,604**	**16,167**	**14,848**	**13,636**	**12,524**	**11,502**	**10,563**	**9,701**	**8,910**	**8,183**	**7,515**	**6,902**
% Royalties fees	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Royalties fees	**1,187**	**1,499**	**1,414**	**1,330**	**1,237**	**1,136**	**1,044**	**958**	**880**	**808**	**742**	**682**	**626**	**575**	**528**	**485**	**445**	**409**	**376**	**345**
Tax expenses	**(309)**	**(390)**	**(368)**	**(346)**	**(322)**	**(295)**	**(271)**	**(249)**	**(229)**	**(210)**	**(193)**	**(177)**	**(163)**	**(150)**	**(137)**	**(126)**	**(116)**	**(106)**	**(98)**	**(90)**
Royalties fees after tax	**879**	**1,109**	**1,047**	**985**	**916**	**841**	**772**	**709**	**651**	**598**	**549**	**505**	**463**	**426**	**391**	**359**	**330**	**303**	**278**	**255**
Discount period	**0.38**	**1.25**	**2.25**	**3.25**	**4.25**	**5.25**	**6.25**	**7.25**	**8.25**	**9.25**	**10.25**	**11.25**	**12.25**	**13.25**	**14.25**	**15.25**	**16.25**	**17.25**	**18.25**	**19.25**
Discounted cash flow	**848**	**985**	**845**	**722**	**611**	**510**	**426**	**355**	**297**	**248**	**207**	**173**	**144**	**120**	**100**	**84**	**70**	**58**	**49**	**41**

Value of Know-how before TAB	**6,892**
Value of Know-how after TAB	**7,809**

valuation - intangible assets

Know-How (Cont.)

We estimated the fair value of the knowledge at the Company using the "**Relief from Royalty**" method. The approach in question is carried out in three stages:

1. Establishing a flow of royalties revenues – in Stage A we examined the flow of revenues and as a result, the imputed royalties payments were calculated. In our examination, we relied on the base case forecast as a whole. However, in general know-how fades in light of migration, meaning gradual fading of existing know-how and its replacement with new know-how. Therefore, across the forecast we recognized revenues decreasing by 10% per year.

2. Setting royalties rate – the royalties rate was set at a level of 5% of revenues, based on our experience in similar valuations and the specific business environment in which the Company is active, as well as based on management's estimates regarding appropriate royalties for this know-how in the market in which it is active. The reasonability of this royalties rate was also tested on the basis of the "Rule of Thumb - 25%1", which states that royalties will generally be paid at a value of 25% of operating profits

3. Calculating the current value of the know-how – the contribution of know-how to the Company was carried out by capitalizing the imputed cash flows of the know-how to the Company, over the course of the forecast years in accordance with the life span accepted in the industry. Based on our familiarity with the knowledge and the market, it was assumed that the life span would amount to 20 years.

Tax expenses – A tax of 26% was deducted from the royalty cash flow, in accordance with the effective tax rate applied to the company's revenues.

Discount Rate – The discount rate used for the discounted cash flow valuation of Know-How is approximately 10%, based on the company's weighted average cost of capital (WACC). The discount rate was chosen with consideration to the WARA analysis, which assessed the reasonableness of the estimated return rates.

[1] Use Of The 25 Per Cent Rule In Valuing IP- ROBERT GOLDSCHEIDER, JOHN JAROSZ AND CARLA MULHERN

valuation - intangible assets

Know-How (Cont.)

Tax asset (TAB) – The useful life of the customer relationship asset was estimated by us to be 20 years. This asset is depreciated for tax purposes, and based on our understanding, according to German regulations, it is depreciated over its useful life. Therefore, the discounting of the annual depreciation rate multiplied by the effective tax rate applied to the company's revenues constitutes a tax benefit for the cash flows generated by the asset. It should be noted that this does not constitute tax advice.

Based on the above, the value of the tax benefit is estimated at approximately 11.7%, as follows:

TAB	Period	Depreciation %	Tax rate	% Benefit	Discounted
1	0.38	5%	26%	1.3%	1.3%
2	1.38	5%	26%	1.3%	1.1%
3	2.38	5%	26%	1.3%	1.0%
4	3.38	5%	26%	1.3%	0.9%
5	4.38	5%	26%	1.3%	0.9%
6	5.38	5%	26%	1.3%	0.8%
7	6.38	5%	26%	1.3%	0.7%
8	7.38	5%	26%	1.3%	0.6%
9	8.38	5%	26%	1.3%	0.6%
10	9.38	5%	26%	1.3%	0.5%
11	10.38	5%	26%	1.3%	0.5%
12	11.38	5%	26%	1.3%	0.4%
13	12.38	5%	26%	1.3%	0.4%
14	13.38	5%	26%	1.3%	0.4%
15	14.38	5%	26%	1.3%	0.3%
16	15.38	5%	26%	1.3%	0.3%
17	16.38	5%	26%	1.3%	0.3%
18	17.38	5%	26%	1.3%	0.2%
19	18.38	5%	26%	1.3%	0.2%
20	19.38	5%	26%	1.3%	0.2%
		100.0%		**26.0%**	**11.7%**

Below is a summary of valuation of customer relationships, after tax benefit:

In Thousands EURO	03/04/2024	%
Value of Know-how before TAB	6,892	88.3%
TAB	917	11.7%
Value of Know-How	**7,809**	**100%**

Sensitivity Analysis

The following is a sensitivity analysis examining the change in the value of customer relationships in response to a 1% change in the discount rate versus a 1% change in the royalties fees rate (Thousands of euros):

	Know-How - Discount Rate					
Royalties fees rate		12.00%	11.00%	10.00%	9.00%	8.00%
	7.0%	9,858	10,367	10,932	11,562	12,269
	6.0%	8,450	8,886	9,371	9,911	10,516
	5.0%	7,042	7,405	7,809	8,259	8,763
	4.0%	5,633	5,924	6,247	6,607	7,011
	3.0%	4,225	4,443	4,685	4,955	5,258

Section 7

Purchase Price Allocation Summary

Purchase Price Allocation Summary

Findings

The following table represents the attribution of the consideration for the purchased company as of the closing date (thousands of EURO):

In Thousands EURO	Note	100%	Lifespan (years)
Cash paid	1	25,000	
Liability for a PUT option (24.5%)	2	37,868	
Total consideration		**62,868**	
Equity	3	**11,949**	
Excess to allocation		**50,918**	
Allocation			
Customer relations	4	8,221	10
Know-How	5	7,809	20
Deferred tax liability	6	(4,168)	
Balances related to Transferred companies	7	(942)	
Goodwill (P.N)	8	**39,998**	

(1) Cash paid

According to the acquisition agreement, the consideration for 100% of the company's share capital is approximately 44 million euros. The cash payment of approximately €25 million represents the net cash consideration paid to the sellers, approximately €44 million less the approximately 19 million euros reinvested in FIT by the sellers.

(2) Liability for a PUT option

As stated in the "The Transaction" section, the sellers were granted a PUT option (and Turpaz Belgium was granted a CALL option) concerning the remaining 24.5% of the sellers' holdings in FIT. According to the accounting treatment chosen by Turpaz's management, the acquisition was accounted for as a purchase of 100% of the company's shares, from the perspective of Turpaz Belgium, while recognizing a financial liability equal to the liability value of the PUT option. The option is exercisable after three years from the acquisition date and up to five years from the acquisition date, from April 1, 2027, to April 1, 2029.

According to the acquisition agreement, the exercise price will be determined based on the business performance of FIT (consolidated with the company) over the three-year period preceding the exercise. The exercise price includes a component based on the average EBITDA and a debt component. Under the acquisition agreement, the average EBITDA will be calculated from January 1, 2024, until the exercise date, assuming that the acquisition date is January 1, 2024 (including for the measurement period). The debt component is the net debt of FIT at the end of the quarter preceding the exercise date.

In order to estimate the liability value for the PUT option, we calculated the exercise premium based on the formula outlined in the acquisition agreement (for further details, see Chapter 2 – The Acquisition Transaction). Our calculation relied on the projected income statement and cash flow forecast for FIT (consolidated with the company), covering the period from January 1, 2024, to April 1, 2027, as provided by Turpaz management.

Purchase Price Allocation Summary

Findings (Cont.)

The following is the calculation performed to estimate the value of the liability for the PUT option under the assumption that the option will be exercised within three years, on April 1, 2027.

In Thousands EURO	2024	2025	2026
EBITDA	**16,428**	**19,284**	**22,035**
Discount period	0.38	1.25	2.25
Discounted EBITDA	**15,864**	**17,165**	**17,871**

Average EBITDA (A)	**16,967**
Multiple	9
Total (A*9)	**152,702**
Total net debt on the exercise date (D)	5,436
Total (A*9-D)	**158,138**
Ownership percentage (I/T)	24.50%
Consideration to be paid on the exercise date	**38,744**
Duration	3.08
RF rate	0.75%
Value of the PUT liability	**37,868**

The average EBITDA (A) was calculated based on the forecasted EBITDA for the years 2024-2026 in FIT and the present value, using a real WACC adjusted for the duration and with deduction of the risk-free interest rate, reflecting the operational risk in the forecast, approximately 9.76%. It is noted that the valuation of the liability is as of the Closing Date, and therefore, in the first period, a discounting period reflecting the risk for quarters 2-4 of 2024.

The multiple is a multiple of 9, as per the purchase agreement, and in total, the discounted average EBITDA multiplied by the multiple is approximately 152.7 million euros.

The net debt at the time of exercise (D) is calculated as the aggregate net debt of FIT and the company as of the closing date, plus the net projected cash flow of FIT (consolidated with the company) from the closing date to the exercise date, i.e., from April 1, 2024, to April 1, 2027.

I/T represents the percentage of the sellers' ownership in FIT shares at the time of exercise, 24.5%. To calculate the total consideration expected to be paid at the time of exercise, we multiplied the average EBITDA by the multiple, deducted the debt, and then multiplied by 24.5%, totalling approximately 38.74 million euros.

Next, to calculate the value of the liability, the total consideration to be paid was discounted using a risk-free real interest rate for euros for a period of 3.1 years, approximately 0.75%, which represents the period from the acquisition date to the payment date, which, according to the management of Turpaz, is expected to be about one month after the exercise. It should be noted that since the sellers have the option to request payment in Turpaz shares, at the exercise price and converted to euros, it was assumed that there is no credit risk exposure with respect to Turpaz Belgium, and therefore the exercise addition was discounted at a risk-free rate.

As can be seen, the value of the PUT liability is approximately 37.87 million euros.

Purchase Price Allocation Summary

Findings (Cont.)

(*) The calculation for the net debt in FIT as of the date of exercise, March 31, 2027, is as follows:

In Thousands EURO	Q2-Q4/2024	2025	2026	Q1 2027
Net cash flow	**7,331**	**11,968**	**14,011**	**3,671**
Discount period	0.38	1.25	2.25	2.88
Net discounted cash flow	**7,080**	**10,653**	**11,364**	**2,809**

Total net discounted cash flow until exercise	**31,906**
Plus net debt as of the acquisition date	
Net debt in Clarys	(6,579)
Net debt in FIT	(19,891)
Total net debt on the acquisition date	**(26,470)**
Total net debt on the exercise date (D)	**5,436**

The net cash flow (after financing, taxes, and investments in working capital and fixed assets) was calculated based on the forecast provided by the management of Turpaz and discounted to present value using a real WACC adjusted for the duration, with a risk-free rate deduction of approximately 9.76%.

The net debt at the time of acquisition includes net debt in the company of approximately 6.58 million euros (see Financial Statements section) and net debt in FIT of approximately 19.89 million euros, totaling approximately 26.47 million euros.

As can be seen, the total net debt in FIT at the time of exercise is expected to be approximately 5.44 million euros.

(3) Acquired Equity

Approximately 11.9 million euros, according to the company's balance sheet as of March 31, 2024 (for the company, see the Financial Statements section).

(4) Customer Relations

The value of customer relations was estimated at 8.22 Million euros (for more see Chapter 6). Additionally, the recommended useful life of customer relationships is approximately 10 years.

(5) Know-How

The value of know-how is estimated at 7.81 Million euros (for more see Section 6). Additionally, the recommended useful life of know-how is approximately 20 years.

(6) Deferred tax liability

A Deferred tax liability was opened for the assets related to customer relationships and knowledge. The liability for the original differences was opened based on the effective tax rate applicable to the company’s revenues as of the date of the valuation (26%).

(7) Balances related to transferred companies

The write-off of balance sheet amounts belonging to companies that were transferred, totalling approximately 942 thousand euros.

(8) Goodwill

Goodwill is the difference between the consideration in the transaction and the fair value of identified tangible and intangible assets, and amounts to a total of 40 Million euros.

Section 8

Appendixes

Appendix A – Base Case Scenario

Base Case Scenario

The following is the purchase mode, meaning the Cewecon valuation (thousands of EURO):

In Thousands EURO	Q2-Q4/2024	2025	2026	2027	2028	Terminal
Revenues	25,671	36,008	37,751	39,461	40,771	41,605
Growth rate		*5.2%*	*4.8%*	*4.5%*	*3.3%*	*2.0%*
Cost of sales	(16,799)	(23,206)	(23,992)	(24,553)	(24,923)	(25,433)
% of revenues	-65%	-64%	-64%	-62%	-61%	-61%
Gross profit	**8,873**	**12,803**	**13,759**	**14,909**	**15,848**	**16,172**
% Gross margin	***34.6%***	***35.6%***	***36.4%***	***37.8%***	***38.9%***	***38.9%***
Research and development	(1,226)	(1,669)	(1,702)	(1,732)	(1,755)	(1,791)
% of revenues	*-4.8%*	*-4.6%*	*-4.5%*	*-4.4%*	*-4.3%*	*-4.3%*
Sales and marketing	(2,235)	(3,057)	(3,131)	(3,202)	(3,255)	(3,322)
% of revenues	*-8.7%*	*-8.5%*	*-8.3%*	*-8.1%*	*-8.0%*	*-8.0%*
General and administrative	(1,843)	(2,489)	(2,519)	(2,548)	(2,569)	(2,622)
% of revenues	*-7.2%*	*-6.9%*	*-6.7%*	*-6.5%*	*-6.3%*	*-6.3%*
Operating profit	**3,568**	**5,587**	**6,407**	**7,426**	**8,268**	**8,437**
% operating profit	***13.9%***	***15.5%***	***17.0%***	***18.8%***	***20.3%***	***20.3%***
Tax expenses	(928)	(1,453)	(1,666)	(1,931)	(2,150)	(2,194)
Operating profit after tax	**2,641**	**4,134**	**4,741**	**5,495**	**6,119**	**6,244**
Cash flow adjustments						
Change in WC	(1,875)	(299)	(292)	(255)	(187)	(160)
Depreciation and Amortisation	915	1,220	1,220	1,220	1,220	1,220
CapEx	–	(220)	(470)	(720)	(970)	(1,220)
Total cash flow adjustments	**(960)**	**701**	**458**	**245**	**63**	**(160)**
Free cash flow	**1,681**	**4,835**	**5,199**	**5,740**	**6,182**	**6,084**
Discount period	0.38	1.25	2.25	3.25	4.25	4.25
Value from operations	**1,622**	**4,292**	**4,195**	**4,211**	**4,123**	**51,004**
Value of Activity	**69,447**					
Net debt	**(6,579)**					
Equity value	**62,868**					

Key Assumptions

- **The forecast years** – Representing the period from April 1, 2024, to December 31, 2028, as well as the representative year;
- **Forecast** – The projected revenues and expenses are presented in real terms and are based on the forecast provided by the company's management. It should be noted that, according to management, the expected improvement in profitability is due to the presence of fixed cost components, both in the cost of sales and in operating expenses. As a result, throughout the forecast period, profitability margins are expected to improve alongside the growth in operations;
- **Long-term growth rate** – A real growth rate of approximately 2% was assumed in the representative year.
- **discount rate** – The discount rate was estimated at approximately 10%, based on the WACC model, as detailed later in this section. The discount rate is presented in real terms, aligning with the real forecast, and is adjusted to the euro currency.
- **Tax rate** – The tax rate taken into account is the effective tax rate applied to the company's revenues, which is 26%;
- **Depreciation and CapEx** – The depreciation and capex forecast is based on the company's management projections and reflects lower investments in the initial years due to the new plant in Belgium, which was completed in 2022.

Appendix A – Base Case Scenario

Key Assumptions (Cont.)

- **Changes in working capital** – the Company's projected working capital forecast was determined based on the normative working capital days for activity, as provided by Company management.
    - 40 customer days;
    - 110 inventory days;
    - 55 supplier days;
    - Other (negative) working capital of 0.99% of revenues.

Net Debt – for more, see section on Financial Statements.

Appendix B – WACC

WACC

The capitalization rate as of the closing date was set at 10%, based on the WACC model and based on the following parameters:

Parameter	Symbol	Value	Source
Equity	E/V	15.50%	According to the leverage rates of the comparison group members
Debt	D/V	84.50%	According to the leverage rates of the comparison group members
Cost of Debt	Kd	1.79%	company's real cost of debt for a 15-year period
Tax Rate	1-T	74.00%	Company's Tax Rate
Beta	β	0.26%	Comparison Companies
Risk Free Rate	Rf	4.68%	Real risk free rate (EUR) for a 15-year period
Market Risk Premium	Rm-Rf	78.85%	Weighted risk premium according to the operating regions
Size Premium Rate	SRP	7.64%	Duff& Phelps 2024
Cost of Equity	Ke	11.59%	Rf +β*(Rm-Rf)+SCP+SRP
Average Weighted Capital Price After Tax	**WACC**	**10.00%**	**(D/V)(1-T)*Kd + (E/V)*Ke**

Chapter C – WARA Analysis

WARA Analysis

The following table presents the feasibility test for the yield rates estimated by us via WARA (weighted average return on assets) analysis.

In Thousands EURO	Value	Discount Rate (%)	WARA
Customer relations	8,221	10.00%	822
Know-How	7,809	10.00%	781
Fixed Assets, net	12,425	1.32%	164
WC	6,789	1.37%	93
Workforce	2,430	10.00%	243
Goodwill	35,960	14.63%	5,260
Total Value of Activity	**73,633**	**10.00%**	**7,363**

The following table presents the composition of the value of activity:

In Thousands EURO	Value
Value of Activity	69,447
Value of Customer relations	1,394
Value of Know-How TAB	917
Normative WC	1,875
Total	**73,633**

Not that the composition of the value of activity includes adjustment to the normative working capital balance relative to the Company's working capital balance as of the closing date.

Appendix D – Work Force Analysis

Work Force Analysis

The table below presents the value of the workforce, based on the recruitment and training costs of all employees in the company, categorized by department (thousands of euros):

Department	Total employer cost	Totaal gross salary	Training period (months)	Total training cost	Total recuitment cost	Total
production	150	125	3	450	125	575
Research and development	60	175	6	360	175	535
Sales and marketing	55	138	3	165	138	303
General and administrative	185	463	3	555	463	1,018
Total				**1,530**	**900**	**2,430**

As seen in the table, the value of the workforce in the company as of the acquisition date is approximately 2.43 million euros.