Quarterly Report

for the period ended March 31, 2025

Turpaz Industries Ltd.

This English translation accompanies the Hebrew immediate 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.

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TURPAZ

Chapter A

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

This is an English translation of a Hebrew report that was published on May 21, 2025 (reference no.: 2025-01-035425) (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.

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

For the period ended March 31, 2025

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 - "**Turpaz**" or the "**Company**"), for the three months ended March 31, 2025, all in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

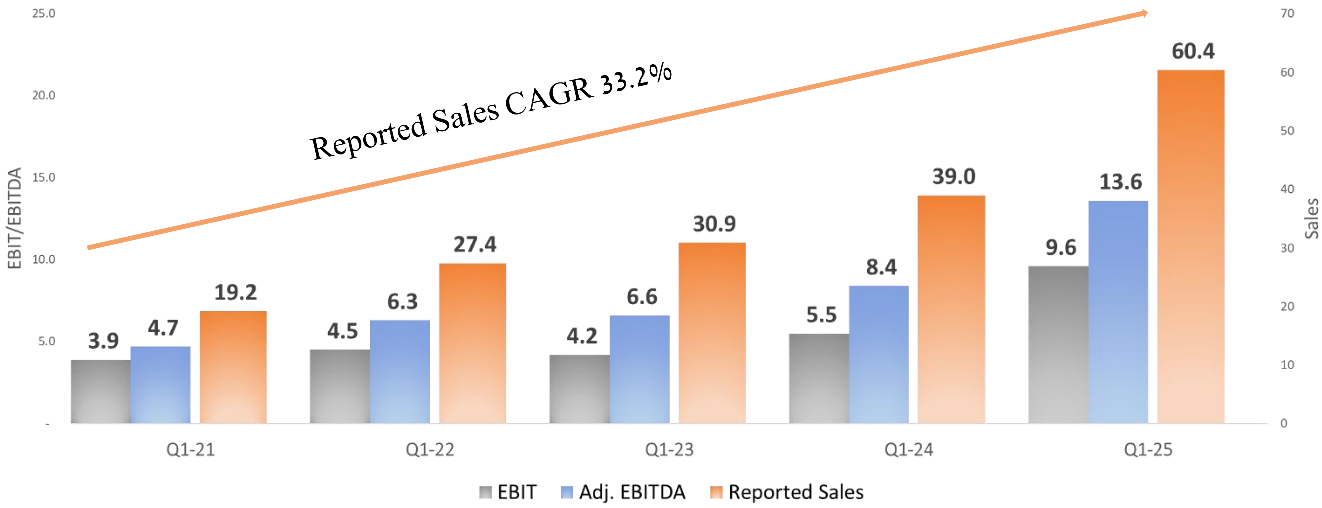
This report was drawn out assuming that the Description of the Corporation's Business chapter as included in Chapter A to the 2024 Periodic Report, which was published on March 18, 2025 (Ref. No.: 2025-01-017724) (hereinafter - the "**2024 Periodic Report**") is available to the reader. Unless otherwise stated, terms included in this report shall have the meaning assigned to them in the 2024 Periodic Report.

The implementation of Turpaz's mergers and acquisitions strategy in combination with organic growth, led to record results in the first quarter of 2025, with a double-digit increase in sales, gross profit, operating profit, adjusted EBITDA[1] and net income as detailed below:

- Turpaz's sales grew by approx. **54.7%** reaching a record level of approx. **USD 60.4 million**, an increase arising from organic growth of approx. **9.1%** and from acquisitions completed in 2024 and the first quarter of 2025.
- Adjusted EBITDA increased by approx. **62.7%** and amounted to approx. **USD 13.6 million,** the rate of adjusted EBITDA of sales amounted to approx. **22.6%**, operating profit increased by approx. **76.7%** and amounted to approx. **USD 9.6 million**, and net income grew by approx. **63.6%** and amounted to approx. **USD 5.4 million**.

[1] **Adjusted EBITDA** means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses. 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. For more information regarding the metric and the use thereof, see Section 8 to the Board of Directors' Report, which is attached to the 2024 annual report.

- Cash flow from operating activities amounted to approx. **USD 7.6 million** compared to approx. **USD 3.6 million** in the corresponding period last year.
- Since the beginning of 2025, Turpaz completed 2 merger and acquisition transactions in England and Belgium, which expanded and established its geographic deployment, both by entering into new territories and by establishing and expanding activities in existing territories, which allow the leveraging of synergy with the Company's activity and the expansion of the product offering.



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

1. **General**

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

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

The Company operates, independently and through its subsidiaries (hereinafter - "**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 research, development, production, marketing, distribution and sale of natural and synthetic sweet and savory **taste extracts**, seasonings, unique functional solutions for the field of baking, raw materials for the meat and baking industries, special (gluten free) flours, which are used mainly in the production of food and beverages; **fragrance extracts**, used in the production of cosmetics, toiletries, personal care, air care & odor neutralizers products; and **specialty fine ingredients** which include citrus products and aroma chemicals used in the flavor 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. 870 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 and expanding the product offering and expanding the 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 and maximize 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.

Mergers and acquisitions completed since the beginning of 2025:

AFS transaction

Further to its entry into the flavor 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 - [2]NGF. 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. The transaction was completed on the signing date and was funded through bank financing. 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. For more information, see immediate report of February 19, 2025 (Ref. No.: 2025-01-011694).

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

[2] New Generation Flavors Limited
[3] Turpaz Belgium SRL, a privately-owned Belgian company, which is wholly-owned by the Company.

Belgian company (hereinafter - "**Doucy**") 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 in 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 industry will continue functioning as Doucy's managers in the forthcoming years and will join Turpaz's management team. For more information, see immediate report of February 25, 2025 (Ref. No.: 2025-01-012757).

2. **<u>Events during the reporting period and subsequent to balance sheet date</u>**

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

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

3. <u>Financial position</u>

The total amount of assets and liabilities in the first quarter of 2025 was mainly affected by two factors - an increase due to completion of acquisition of companies during the period, and an increase due to the weakening of the dollar, mainly against the euro compared to December 31, 2024.

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

	March 31, 2025	March 31, 2024	December 31, 2024	Company's explanations compared to December 31, 2024
Current assets	126,785	109,268	123,719	The increase stems mainly from consolidation of a company acquired in the period and an increase in the scope of the Group's activity, offset against classification of assets held for sale to the investments in companies accounted for by the equity method line item.
Non-current assets	303,137	177,045	267,031	The increase stems mainly from consolidation of a company acquired in the period, including intangible assets. In addition, the acquisition of a company accounted for by the equity method, and classification of assets held for sale in respect thereof.
Total assets	**429,922**	**286,313**	**390,750**	
Current liabilities	80,311	46,421	70,136	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	196,261	124,825	176,368	The increase stems mainly from taking long-term loans to finance the acquisitions, from the long-term loans of companies acquired in the period, and from recognition of a liability in respect of the put options.
Total equity	**153,350**	**115,067**	**144,246**	The increase arises mainly from an approx. USD 5.4 million net income in the period, exercise of non-tradable options of employees, and translation differences due to changes in exchange rates of currencies.
Total liabilities and equity	**429,922**	**286,313**	**390,750**	

4. Operating results

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

Line item	For the three-month period ended March 31, 2025	For the three-month period ended March 31, 2024	For the period ended December 31, 2024	Company's explanations compared to the corresponding period last year
Revenues from sales	**60,359**	**39,016**	**188,948**	Revenues from sales increased by approx. **54.7%** due to an organic growth[4] of approx. **9.1%** and growth due to acquisitions completed in 2024 and the first quarter of 2025. The growth trend continues into the second quarter of 2025. The effect of exchange rates of foreign currencies reduced sales by approx. 1.5%.
Cost of sales	36,840	24,620	115,289	The gross profit increased by approx. **63.4%**, mainly in view of the increase in sales.
Gross profit (% of sales)	23,519 39.0%	14,396 36.9%	73,659 39.0%	
Research and development expenses (% of sales)	2,170 3.6%	1,407 3.6%	7,034 3.7%	The increase arises from the consolidation of the results of operations of companies, whose acquisition was completed during 2024 and the first quarter of 2025, and amortization of intangible assets in respect of those acquisitions.
Selling and marketing expenses (% of sales)	5,563 9.2%	2,913 7.5%	16,273 8.6%	The increase arises mainly from the consolidation of companies, whose acquisition was completed during 2024 and in the first quarter of 2025, and amortization of intangible assets in respect of those acquisitions.
General and administrative expenses	6,521 10.8%	4,330 11.1%	22,124 11.7%	The increase in general and administrative expenses arises from the consolidation of

[4] 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 and in the first quarter of 2025 were consolidated in a similar way in 2024.

Line item	For the three-month period ended March 31, 2025	For the three-month period ended March 31, 2024	For the period ended December 31, 2024	Company's explanations compared to the corresponding period last year
(% of sales)				companies, the acquisition of which was completed during 2024 and in the first quarter of 2025.
Company's share in losses (profits) of companies accounted for by the equity method, net	(369)	-	(36)	Gains in respect of non-consolidated investees.
Other expenses (income)	-	293	532	
Income from ordinary operations (% of sales)	**9,634** 16.0%	**5,453** 14.0%	**27,732** 14.7%	The increase stems mainly from an increase in sales and the steps taken to increase efficiency and synergies that were reflected in 2024 and the first quarter of 2025.
Financing expenses, net	2,487	1,222	6,680	The increase stems mainly from interest expenses in respect of loans taken by the Company from banking corporations to finance acquisitions, and finance expenses in respect of put options.
Taxes on income (Effective tax %)	1,737 24.3%	923 21.8%	5,307 25.2%	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)	5,410 9.0%	3,308 8.5%	15,745 8.3%	The net income increased by approx. **63.6%**, mainly due to the growth in profits, completed acquisitions and the synergy arising therefrom.
Net income from discontinued operation	-	-	165 0.1%	

Line item	For the three-month period ended March 31, 2025	For the three-month period ended March 31, 2024	For the period ended December 31, 2024	Company's explanations compared to the corresponding period last year
Net income for the period (% of sales)	**5,410** 9.0%	**3,308** 8.5%	**15,910** 8.4%	
Non-GAAP net income[5] (% of sales)	7,877 13.1%	4,858 12.5%	23,317 12.3%	
EBITDA[6]	13,615	8,065	41,599	The adjusted EBITDA increased by approx. **62.7%** compared to the corresponding period last year. The increase in the rate of adjusted EBITDA stemmed from the reasons listed above in this table.
Adjusted EBITDA[7] (% of sales)	**13,615** **22.6%**	**8,371** **21.5%**	**42,975** **22.7%**	

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

Segment		For the three-month period ended March 31, 2025	For the three-month period ended March 31, 2024	For the 12-month period ended December 31, 2024	Company's explanations to the change in the first quarter of 2025 compared to the first quarter of 2024
Taste segment	Revenues (% of Group sales)	**43,501** 72.1%	**24,570** 63.0%	**135,542** 71.7%	Revenues increased by approx. **77.0%**, mainly as a result of acquisitions completed during 2024 and the first quarter of 2025, and as a result of organic growth of approx. **6.2%**. The effect of exchange rates of foreign currencies reduced sales by approx. 1.8%. The increase in profitability stems from operational streamlining alongside the increase in sales and the fixed expenses component.
	Operating profit (% of sales)	8,158 18.8%	4,369 17.8%	23,579 17.4%	

[5] See Section 7.2 below.
[6] See Section 7.1 below.

Segment		For the three-month period ended March 31, 2025	For the three-month period ended March 31, 2024	For the 12-month period ended December 31, 2024	Company's explanations to the change in the first quarter of 2025 compared to the first quarter of 2024
Fragrances segment	Revenues (% of Group sales)	**9,122** 15.1%	**8,808** 22.6%	**34,945** 18.5%	Revenues increased by approx. **3.6%**; the change stems from organic growth of approx. **3.9%**. The effect of exchange rates of foreign currencies reduced sales by approx. 0.3%.
	Operating profit (% of sales)	2,666 29.2%	2,581 29.3%	9,092 26.0%	
Specialty fine ingredients segment	Revenues (% of Group sales)	**7,736** 12.8%	**5,641** 14.4%	**18,464** 9.8%	Revenues increased by approx. **37.1%** as a result of organic growth of approx. **38.2%**, arising from successful implementation of steps taken by the Company to streamline its product portfolio by focusing on citrus and aroma chemicals products for the flavor and fragrance industries alongside a positive trend of customers returning to purchase from Chemada plant located in the Gaza Envelope area, after temporarily switched to alternative suppliers during the Iron Swords War. The improvement in sales is expected to continue in 2025. The effect of exchange rates of foreign currencies reduced sales by approx. 0.7%.
	Operating profit (% of sales)	1,014 13.1%	210 3.7%	3,052 16.5%	
Unallocated joint expenses	Revenues	-	(3)	(3)	
	Operating profit	(2,204)	(1,707)	(7,991)	
Total	**Revenues**	**60,359**	**39,016**	**188,948**	
	Operating profit (% of sales)	**9,634** 16.0%	**5,453** 14.0%	**27,732** 14.7%	

5. Liquidity

As of March 31, 2025, the Company has a cash balance of USD 31,470 thousand; set forth below are the key components of the cash flows and the way they were utilized (in USD thousand):

	For the three-month period ended March 31, 2025	For the three-month period ended March 31, 2024	For the 12-month period ended December 31, 2024	Company's explanations to the change in the first quarter of 2025 compared to the first quarter of 2024
Net cash provided by operating activities	7,564	3,550	21,116	The change arises mainly from an increase in net income for the period and a change in working capital balances compared to the corresponding period last year.
Net cash used in investing activities	(13,754)	(14,970)	(83,247)	The change arises mainly from cash used to complete the acquisition of companies and the repayment of liabilities in respect thereof totaling approx. USD 11.6 million compared to approx. USD 13.9 million in the corresponding period last year, offset against an approx. USD 2.3 million investment in property, plant and equipment compared to an approx. USD 1.1 million in the corresponding period last year.
Net cash provided by financing activities	10,878	31,051	65,326	The change stems mainly from receipt of an approx. USD 36 million long-term loan in the corresponding period last year compared to loans totaling approx. USD 13.4 million in the current period. This, in addition to receipt of short-term credit totaling approx. USD 0.7 million in the current period, compared to repayment of approx. USD 3.3 million in the corresponding period last year, and the exercise of non-marketable options by employees at the total amount of approx. USD 1.4 million.
Exchange differences in respect of cash and cash equivalents	856	(511)	(1,086)	
Total change in cash and cash equivalents	**5,544**	**19,120**	**2,109**	

6. 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 attached to the 2024 Periodic Report.

Line item	Data as of March 31, 2025		Data as of December 31, 2024	
	USD thousand	% of total balance sheet	USD thousand	% of total balance sheet
Equity	153,350	35.7%	144,246	36.9%
Other long-term liabilities	111,172	25.9%	102,592	26.3%
Long-term liabilities from banks, net of current maturities	85,089	19.8%	73,776	18.9%
Short-term credit	34,218	8.0%	27,772	7.1%
Suppliers credit	21,732	5.1%	19,402	5.0%
Other long-term payables	24,361	5.7%	22,962	5.9%
Total	**429,922**	**100%**	**390,750**	**100%**

The average amount of the long-term loans in the first quarter of 2025 was approx. USD 79,433 thousand.
The average amount of the short-term credit in the first quarter of 2025 was approx. USD 30,995 thousand.

As of March 31, 2025, the Company's working capital is USD 46.5 million (approx. 19.2%), compared to working capital of USD 62.8 million (approx. 40.3%) as of March 31, 2024, and working capital of approx. USD 53.6 million as of December 31, 2024 (approx. 24.4%).

As of March 31, 2025, the Company's operating working capital[8] is approx. USD 68.5 million (approx. 28.4% of sales), compared to operating working capital of approx. USD 45.3 million (approx. 27.3% of sales) as of March 31, 2024, and approx. USD 60.7 million (approx. 27.2% of sales) as of December 31, 2024.

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

The Company's net debt balance[9] as of March 31, 2025 is approx. USD 88,332 thousand.

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

Original loan amount	**Balance of loan as of March 31, 2025**	**Date on which the loan was actually taken out**	**Amortization schedule (loan principal)**	**Interest**	**Collaterals provided in respect of the loan**	**Financial covenants in relation to loan**
Credit from an Israeli bank						
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 equity shall not be lower than USD 80 million and 20% of total assets at any given time. As of March 31, 2025, the equity amounts to 35.7% of total assets. Debt coverage ratio[10] - shall not
25,000 EUR in thousands	EUR 17,400 thousand	EUR 10,700 thousand as of November 5, 2024 EUR 6,700 thousand as	The loan amount includes a secured amount of up to EUR 17.4 million (approx. USD 18.7 million), which was withdrawn in	EURO LIBOR interest plus a 1.65% margin, which will be paid on	-	

[9] Debt net of cash.
[10] See footnote 9 above.

Original loan amount	Balance of loan as of March 31, 2025	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
		of March 13, 2025	full 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 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	a semi-annual basis.		exceed 3.5 at any given time. As of March 31, 2025, the debt coverage ratio is 1.7.

Original loan amount	**Balance of loan as of March 31, 2025**	**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**
			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.		Equity to assets - the Company's equity shall not be lower than 25% of total assets at any given time. Debt coverage ratio[11] - shall not exceed 3.5 at any given time.

[11] See footnote 9 above.

7. Non-GAAP data

7.1. Adjusted EBITDA

Adjusted EBITDA means - earnings before interest, taxes, depreciation and amortization, net of non-recurring expenses as described below.[12] Set forth below is a breakdown of the adjustments between the operating profit and adjusted EBITDA (USD in thousands):

Line item		For the three-month period ended March 31	
		2025	**2024**
Operating profit presented in the financial statements		**9,634**	**5,453**
Depreciation expenses	property, plant and equipment	1,261	871
	Intangible asset	1,595	943
	Leases	838	649
Amortization expenses in respect of share-based payment to employees		287	149
Non-recurring expenses		-	306
Adjusted EBITDA **(% of sales)**		**13,615** **22.6%**	**8,371** **21.5%**

7.2. Non-GAAP net income

Non-GAAP net income - means net income plus amortization in respect of intangible assets and share-based payment to employees, financing expenses in respect of put options and non-recurring expenses net of the tax in respect of those expenses.[13]Set forth below is a breakdown of the adjustments between the net income and non-GAAP net income (USD in thousands):

Section	For the three-month period ended March 31	
	2025	**2024**
Net income presented in the financial statements	**5,410**	**3,308**
Amortization expenses in respect of intangibles and share-based payment to employees[14]	1,763	985

[12] This metric is a generally accepted metric used to measure the operational efficiency of companies operating in the Company's area of activity. 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.

[13] 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.

[14] For details regarding amortization expenses see Section 7.1 above.

Section	For the three-month period ended March 31	
	2025	**2024**
Financing expenses in respect of put options	1,022	478
Non-recurring expenses	-	306
Net of tax expenses	(318)	(219)
Non-GAAP net income (% of sales)	**7,877 13.1%**	**4,858 12.5%**

The Company presents its non-GAAP net income in order to more accurately reflect its net profitability given its acquisition-led growth strategy. This data neutralizes non-cash expenses, and specifically amortization of intangible assets - amortization of customer relations and knowhow and amortization in respect of share-based payment to employees and revaluation expenses in respect of options given to sellers.

8. For more information regarding the President Trump's tariffs policy, see Note 1 to the financial statements.
9. For more information regarding the effects of inflation and interest rates and the Iron Swords War and, see Sections 1.8.5 and 1.8.6 to Chapter A to the 2024 Periodic Report.

The Board of Directors wishes to thank the Company's management and its employees for the results achieved in the first quarter of 2025.

Dr. Israel Leshem, Director[15]

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

Date: May 20, 2025

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

TURPAZ

Chapter B

Financial Statements

as of March 31, 2025

TURPAZ INDUSTRIES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2025

UNAUDITED

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Auditors' review report to the shareholders of Turpaz Industries Ltd.

Introduction

We have reviewed the accompanying financial information of Turpaz Industries Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of March 31, 2025 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the period of three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 2.4% of total consolidated assets as of March 31, 2025, and whose revenues included in consolidation constitute approximately 3.9% of total consolidated revenues for the period of three months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

Scope of review

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

Conclusion

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

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

Tel-Aviv, Israel
May 20, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2025	**2024**	**2024**
	Unaudited		**Audited**
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	31,470	42,937	25,926
Trade receivables	46,174	33,619	38,587
Other accounts receivable	5,071	5,261	4,748
Inventories	44,070	27,451	41,544
Assets held for sale	-	-	12,914
	126,785	109,268	123,719
NON-CURRENT ASSETS:			
Deferred taxes	1,636	336	1,321
Property, plant and equipment, net	57,631	36,458	52,193
Right-of-use assets, net	17,365	16,210	17,263
Intangible assets, net	205,525	123,202	193,550
Investment in companies accounted for at equity	20,087	-	1,871
Financial derivative	893	839	833
	303,137	177,045	267,031
	429,922	286,313	390,750

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2025	March 31, 2024	December 31, 2024
	Unaudited		Audited
	U.S. dollars in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans from banks and others	34,218	8,565	27,772
Trade payables	21,732	15,722	19,402
Other accounts payable	20,079	16,710	15,445
Short-term liabilities in respect of acquisition of activity	1,276	3,080	3,525
Current maturities of lease liabilities	3,006	2,344	2,828
Liabilities attributable to assets held for sale	-	-	1,164
	80,311	46,421	70,136
NON-CURRENT LIABILITIES:			
Long-term loans from banks, less current maturities	85,089	44,788	73,776
Long-term loans from others, less current maturities	495	209	370
Provision for waste removal	1,217	393	1,176
Long-term leases liabilities	15,480	14,895	15,509
Long-term liabilities in respect of acquisition of activity	79,741	56,445	72,773
Deferred taxes	13,766	7,690	12,333
Employee benefit liabilities	473	391	431
Other long-term payables	-	14	-
	196,261	124,825	176,368
EQUITY:			
Equity attributable to equity holders of the company:			
Share capital (*)	1	1	1
Share premium	77,550	74,598	75,552
Other capital reserves	(6,345)	(4,020)	(6,023)
Reserve in respect of translation differences	(6,135)	(6,625)	(7,369)
Retained earnings	57,291	46,164	52,940
	122,361	110,118	115,101
Non-controlling interests	30,989	4,949	29,145
Total equity	153,350	115,067	144,246
	429,922	286,313	390,750

(*) Less than $ 1 thousand.

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

May 20, 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 May 20, 2025*	Guy Gill Executive Vice President and CFO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31,		Year ended December 31,
	2025	2024	2024
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues from sales	60,359	39,016	188,948
Cost of sales	36,840	24,620	115,289
Gross profit	23,519	14,396	73,659
Research and development expenses	2,170	1,407	7,034
Selling and marketing expenses	5,563	2,913	16,273
General and administrative expenses	6,521	4,330	22,124
Company's share of earnings of companies accounted for at equity, net	(369)	-	(36)
Other expenses (income)	-	293	532
Operating income	9,634	5,453	27,732
Finance expenses, net	2,487	1,222	6,680
Income before taxes on income	7,147	4,231	21,052
Taxes on income	1,737	923	5,307
Net income from continuing operations	5,410	3,308	15,745
Income from discontinued operation	-	-	165
Total net income	5,410	3,308	15,910
Other comprehensive income (net of tax effect):			
Amounts that will not be reclassified subsequently to profit or loss:			
Adjustments arising from translating financial statements from functional currency to presentation currency	(5,883)	(1,953)	(1,113)
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	8,332	122	(3,320)
Total comprehensive income	7,859	1,477	11,477
Net income attributable to:			
Equity holders of the Company	4,351	3,043	13,819
Non-controlling interests	1,059	265	2,091
	5,410	3,308	15,910
Total comprehensive income attributable to:			
Equity holders of the Company	5,585	1,462	11,494
Non-controlling interests	2,274	15	(17)
	7,859	1,477	11,477
Earnings per share attributable to equity holders of the Company (in U.S. dollars):			
Basic and diluted earnings per share	0.04	0.03	0.14

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited							
	U.S. dollars in thousands							
Balance as of January 1, 2025 (audited)	1	75,552	(6,023)	(7,369)	52,940	115,101	29,145	144,246
Net income	-	-	-	-	4,351	4,351	1,059	5,410
Other comprehensive income	-	-	-	1,234	-	1,234	1,215	2,449
Total comprehensive income	-	-	-	1,234	4,351	5,585	2,274	7,859
Share-based payment	-	-	287	-	-	287	-	287
Exercise of options	-	1,997	(609)	-	-	1,388	-	1,388
Dividends distributed	-	-	-	-	-	-	(430)	(430)
Balance as of March 31, 2025	1	77,549	(6,345)	(6,135)	57,291	122,361	30,989	153,350

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Other capital reserves	Reserve in respect of translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Audited							
	U.S. dollars in thousands							
Balance as of January 1, 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
Other comprehensive loss	-	-	-	(2,325)	-	(2,325)	(2,108)	(4,433)
Total comprehensive income (loss)	-	-	-	(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
Classification 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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2025	2024	2024
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income for the period	5,410	3,308	15,910
Adjustments to reconcile net income to net cash provided by operating activities (a)	2,154	242	5,206
Net cash provided by operating activities	7,564	3,550	21,116
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets	(2,252)	(1,099)	(8,320)
Proceeds from sale of property, plant and equipment	65	10	440
Acquisition of initially consolidated subsidiaries (b)	(6,071)	(13,200)	(72,065)
Acquisition of companies accounted for at equity	(5,496)	-	(1,866)
Repayment of liability in respect of acquisition of activity	-	*(681)	*(1,436)
Net cash used in investing activities	(13,754)	*(14,970)	*(83,247)
Cash flows from financing activities			
Receipt (repayment) of short-term credit	742	(3,274)	(843)
Dividend paid to equity holders of the Company	-	-	(8,002)
Dividend paid to holders of put options and to holders of non-controlling interests	(487)	-	(295)
Repayment of long-term lease liabilities	(780)	(617)	(2,910)
Repayment of long-term loans	(1,097)	(169)	(3,594)
Receipt of long-term loans	13,351	35,945	80,945
Exercise of share options	1,388	-	859
Repayment of liability in respect of acquisition of activity	(2,239)	*(834)	*(834)
Net cash provided by financing activities	10,878	*31,051	*65,326
Exchange rate differences on balances of cash and cash equivalents	856	(511)	(1,086)
Increase in cash and cash equivalents	5,544	19,120	2,109
Cash and cash equivalents at the beginning of the period	25,926	23,817	23,817
Cash and cash equivalents at the end of the period	31,470	42,937	25,926

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2025	2024	2024
	Unaudited		Audited
	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	3,694	2,463	12,340
Capital gain from sale of property, plant and equipment	(3)	(12)	(59)
Change in employee benefit liabilities, net	22	(3)	57
Cost of share-based payment	287	149	1,186
Company's share of earnings of companies accounted for at equity, net	(369)	-	(36)
Finance expenses, net	2,487	1,222	6,680
Taxes on income	1,737	923	5,307
	7,855	4,742	25,475
Changes in asset and liability items:			
Increase in trade receivables	(6,408)	(762)	(149)
Increase in other accounts receivable	(216)	(1,471)	(311)
Decrease (increase) in inventories	(942)	2,230	(3,171)
Increase (decrease) in trade payables	1,869	(1,391)	(1,005)
Increase (decrease) in other accounts payable	2,062	(1,216)	(5,010)
	(3,635)	(2,610)	(9,646)
	4,220	2,132	15,829
Cash paid and received during the period for:			
Taxes paid	(813)	(1,504)	(6,463)
Interest paid, net	(1,253)	(386)	(4,160)
	2,154	242	5,206

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2025	Three months ended March 31, 2024	Year ended December 31, 2024
	Unaudited	Unaudited	Audited
	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)	1,002	5,303	11,467
Property, plant and equipment	3,432	6,195	20,247
Right-of-use assets	-	81	1,596
Intangible assets	7,315	31,960	123,700
Lease liabilities	-	(81)	(1,600)
Other non-current liabilities	(728)	(6,114)	(12,271)
Payables for acquisition of investments in subsidiaries	(3,868)	(20,656)	(60,050)
Deferred taxes	(1,082)	(3,488)	(11,024)
	6,071	13,200	72,065
(c) Significant non-cash transactions:			
Dividend payable	-	4,002	-
Right-of-use asset recognized with corresponding lease liabilities	1,021	389	2,267
Classification to net assets held for sale	-	-	11,750
Acquisition of associate in exchange for assets	11,806	-	-
Classification of put option to equity	-	-	21,620

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

NOTE 1:- GENERAL

a. General description of the Group and its activity:

Turpaz Industries Ltd. ("the Company") is an Israeli-based company. The condensed interim consolidated financial statements of the Company as of March 31, 2025 include those of the Company and its subsidiaries (collectively, "the Group").

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

These financial statements have been prepared in a condensed format as of March 31, 2025 and for the period of three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2024 and for the year then ended and accompanying notes ("annual consolidated financial statements").

b. U.S. President Trump's tariff plan:

In April 2025, the Trump administration announced the imposition of reciprocal tariffs on imports of goods from many countries around the world to the U.S., with a total tariff of 17% imposed on imports from Israel. The tariff applies only to goods and not to services.

As of the reporting date, the Company is unable to assess the future effects of all the aforementioned factors, to their full potential extent, on the markets in which it operates, in general, and on the Company's operations, in particular. However, given that the Group's total sales to the U.S. are not material, the Company estimates, at this time, that these tariffs will not have a material effect, if any, on its operating results.

NOTE 2:- ACCOUNTING POLICIES

Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements as of December 31, 2024.

NOTE 3:- BUSINESS COMBINATION

a. On February 19, 2025, NGF, a subsidiary of Turpaz 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.

   As of December31, 2024, this activity was classified as held for sale and as a discontinued operation. On the acquisition date, these groups of assets and liabilities were classified to the item investment in companies accounted for at equity, thereby constituting part of the purchase consideration.

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 purchase price was allocated to tangible assets, intangible assets and liabilities acquired at their fair value at the purchase date. The fair value measurement of these assets and liabilities is subject to a final valuation of the PPA of the fair value of the assets and liabilities, which has not been completed as of the date of approval of these financial statements.

NOTE 3:- BUSINESS COMBINATION (Cont.)

The table presented below summarizes the purchase price and the provisional PPA:

	February 24, 2025
	U.S. dollars in thousands
Working capital, net	1,002
Property, plant and equipment and other assets	3,434
Customer relations	1,844
Product formulas	1,157
Deferred taxes	(1,082)
Other non-current liabilities	(728)
Net identifiable assets	5,627
Goodwill arising on acquisition	4,313
Purchase price:	
Paid in cash less net cash in acquiree on acquisition date	6,071
Liability for contingent consideration and acquisition date adjustments	3,868
Total purchase price	9,939

Through March 31, 2025, the acquired activity has contributed approximately $ 1,028 thousand to revenues and approximately $ 118 thousand to net income.

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

NOTE 4:- EVENTS DURING AND AFTER THE REPORTING PERIOD

a. On February 24, 2025, the Company exercised call/put option to purchase the remaining shares of Aromatique for approximately $ 2.2 million. As a result, the Company holds 100% of the share capital of Aromatique.

b. During the reporting period, 311 thousand options were exercised into shares for approximately $ 1,388 thousand. This occurred as part of options granted to the Company's director in May 2021 and to the Group's employees, managers and a consultant in March 2022. After the reporting date, an additional 99 thousand options have been exercised.

c. In furtherance to Note 16c to the annual financial statements regarding a loan agreement with a European bank for a loan of up to € 25 million (approximately $ 26.9 million), in March 2025, the Company withdrew approximately € 6.7 million (approximately $ 7.3 million) from the secured loan amount. Consequently, as of the reporting date, the Company has fully drawn down the secured loan amount.

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

d. In furtherance to Note 16c to the annual financial statements regarding financial covenants, the Company is meeting all the required financial covenants.
As of March 2025, and up until the report publication date, the Company obtained approval from its lending banks for an updated covenant stipulating that the equity-to-total-assets ratio shall not fall below 20% and $80 million at any time, except for one bank where the approval process is expected to be completed shortly.

NOTE 5:- OPERATING SEGMENTS

a. General:

As stated in the annual consolidated financial statements, the Group has three operating segments as follows: (1) taste; (2) fragrances and (3) specialty fine ingredients.

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

b. Reporting on operating segments:

	Three months ended March 31, 2025				
	Taste	Fragrances	Specialty fine ingredients	Adjustments	Total
	Unaudited				
	U.S. dollars in thousands				
Revenues from external customers	43,501	9,122	7,736	-	60,359
Intersegment revenues	-	-	-	-	-
Total revenues	43,501	9,122	7,736	-	60,359
Segment operating income net of unallocated joint expenses	8,158	2,666	1,014	-	11,838
Unallocated joint expenses					2,204
Finance expenses, net					2,487
Income before taxes on income					7,147

NOTE 5:- OPERATING SEGMENTS (Cont.)

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

	Year ended December 31, 2024				
	Tastes	Fragrances	Specialty fine ingredients	Adjustments	Total
	Audited				
	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 5:- OPERATING SEGMENTS (Cont.)

c. Geographic information:

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

	Three months ended March 31,		Year ended December 31,
	2025	2024	2024
	Unaudited		Audited
	U.S. dollars in thousands		
Israel and the Middle East	8,392	8,669	30,855
North America	4,607	4,764	17,220
Europe	36,105	17,814	97,375
Africa	6,833	4,918	28,913
Asia and other	4,422	2,851	14,585
	60,359	39,016	188,948

NOTE 6:- FINANCIAL INSTRUMENTS

a. Fair value:

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

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

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

As of March 31, 2025, total liabilities amounted to $ 79,439 thousand. The value of these liabilities was estimated using the average EBITDA to be achieved over the term of the agreement. A weighted annual discount rate of 6.4% was applied to the options. The fair value measurement is classified as Level 3.

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

NOTE 6:- FINANCIAL INSTRUMENTS (Cont.)

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

	March 31,		December 31,
	2025	2024	2024
	Unaudited		Audited
	U.S. dollars in thousands		
Balance as of January 1,	(74,779)	(39,051)	(39,051)
Total gain (loss) recognized:			
Repayment	2,816	834	834
In profit or loss	(1,032)	(484)	(1,468)
In other comprehensive income (loss)	(2,575)	751	1,747
Update of terms of symmetrical put/call options on non-controlling interests	-	-	(11,278)
Classification of symmetrical put/call options on non-controlling interests	-	-	32,898
Business combinations	(3,868)	(20,656)	(58,461)
Balance at end of period	(79,439)	(58,606)	(74,779)

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Chapter C

Effectiveness of Internal Control Over Financial Reporting

Quarterly report regarding the effectiveness of internal control over financial reposting and disclosure in accordance with Regulation 38C to the Securities Regulations (Periodic and Immediate Reports), 1970, for the first quarter of 2025:

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, Executive Vice President and CFO

3. Shauli Eger, VP IT

4. Yoni Adini, Legal Counsel and Company Secretary

5. Idan Shabtay, Group Comptroller

Internal control over financial reporting and disclosure includes controls and procedures maintained by the Corporation, and designed by the CEO and the most senior financial officer or under their supervision, or by those who effectively execute the said offices, under the supervision of the Corporation's Board of Directors, which were designed to obtain reasonable assurance as to the reliability of the financial reporting and preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in the reports it publishes in accordance with the provisions of the law is collected, processed, summarized and reported on the date and in the format prescribed by law.

The internal control, includes, among other things, controls and procedures that were designed to ensure that information that the Corporation is required to disclose as stated above, is collected and transferred to the Corporation's management, including to the CEO and to the most senior financial officer, or to those who effectively execute the said offices, in order to allow making decisions in the appropriate date in connection with the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that a misstatement or omission of information in the reports will be prevented or detected.

In the annual report regarding the effectiveness of the internal control over the financial reporting and the disclosure, which was attached to the Periodic Report for the period ended December 31, 2024 (hereinafter – "**the Latest Annual Report regarding Internal Control**"), the Board of Directors and Management assessed the corporation's internal control; based on this assessment, the corporation's Board of Directors and Management reached the conclusion that the internal control as stated, as of December 31, 2024, is effective.

Through the date of the report, no event or matter was brought to the attention of the Board of Directors or Management that may change the assessment of the effectiveness of internal control, as presented in the Latest Annual Report regarding Internal Control.

As at the date of the report, based on the assessment of the effectiveness of internal control in the Latest Annual Report regarding Internal Control, and based on information brought to the attention of Management and the Board of Directors as stated above, the internal control is effective.

Statement of the Chief Executive Officer in accordance with Regulation 38C(D)(1):

I, Karen Cohen Khazon, hereby declare that:

(1) I have reviewed the quarterly report of Turpaz Industries Ltd. (hereafter – the "**Corporation**") for the first quarter of 2025 (hereafter – the "**Reports**").

(2) To the best of my knowledge, the Reports do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;

(3) To the best of my knowledge, the financial statements and other financial information included in the reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and periods covered by the Reports;

(4) I have disclosed to the independent auditor of the corporation, the Board of Directors, and the Board of Directors' Audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:

(a)All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

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

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

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

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

(c) No event or matter that occurred during the period between the date of the latest Periodic Report and the date of this report was brought to my attention that may change the conclusion of the Board of Directors and Management regarding the effectiveness of the internal control over the corporation's financial reporting and disclosure.

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

May 20, 2025

Karen Cohen Khazon,

CEO and Chairperson of the Board of Directors

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

I, Guy Gill, hereby declare that:

(1) I have reviewed the interim financial statements and the other financial information included in the interim reports of Turpaz Industries Ltd. for the first quarter of 2025 (hereafter – the "**Interim Reports**");

(2) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports do not include any misrepresentation of a material fact, nor do they omit any representation of a material fact so that the representations included therein, in view of the circumstances in which such representations have been included, shall not be misleading with regard to the period covered by the Reports;

(3) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports, reflect fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and periods covered by the Reports;

(4) I have disclosed to the independent auditor of the corporation, the Board of Directors, and the Board of Directors' Audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:

(a)All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

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

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

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

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

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

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

May 20, 2025

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Guy Gill, Executive Vice President and CFO