

This is an English translation of a Hebrew immediate report that was published on December 1724, 2023 (reference no.: 2023-01-1160172023-01-113575) (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.



TURPAZ

Turpaz Industries Ltd.
(the "Company")

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December 1724, 2023

To:
Israel Securities Authority ("ISA")
Reported Via Magna

To:
Tel Aviv Stock Exchange Ltd. ("TASE")
Reported Via Magna

Re: **Acquisition of control of Sunspray in South Africa**

Turpaz Industries Ltd. ("Turpaz") is honored to announce that on December 15, 2023, through a wholly owned subsidiary, it signed an agreement to purchase 55% of the issued and paid-up share capital and voting rights in Sunspray Solutions Proprietary Limited ("Sunspray"), a private company incorporated in South Africa, from its shareholders - leading funds in South-Africa (Private equity) (the "Sellers"), in exchange for a total of 14.2 million dollars (269.6 million rand) which will be linked to the prime interest rate in South Africa minus 2% from 30 in June, 2023 until the completion date.

The afore mentioned consideration is subject to adjustment¹ according to Sunspray's business performance based on the increase in EBITDA -during the years 2024 and 2025, the adjustment of which, will not exceed a total of about 52.4 million rand (about 2.8 million dollars). ~~and~~ In addition, the agreement includes future consideration for the Sellers based on Sunspray's business performance, based on the increase in average EBITDA between the years 2023-2025, compared to an agreed total of 79.4 million rand (4.2 million dollars), with the increase multiplied by 1.65. Completion of the transaction is expected during the first quarter of 2024 subject conditions precedents typical for transactions of this nature. Turpaz intends to finance the transaction through bank financing, the scope and terms of which, have not yet been decided as of the date of the report.

The agreement includes options (put/call) for the purchase of the remaining shares of Sunspray by Turpaz, exercisable starting January 1, 2027. The option exercise price is based on Sunspray's business performance during the 12 quarters preceding the option exercise date.

¹The adjustment will be linked to the prime interest rate in South Africa minus 2% from the date of completion of the transaction until the actual payment.

Rene Cross, Sunspray's CEO since 2018, has many years of management experience in the flavors, food and beverage industries. Rene will continue to manage and lead Sunspray in the coming years, together with Sunspray's management team, and will join the management team of the Turpaz group.

Sunspray is a leading company in its field, providing exclusive solutions for the food and beverage sectors, using customized spray drying technology for multinational and local companies. Sunspray has two state-of-the-art factories and development laboratories located in South Africa, which include eight spray drying towers. Sunspray has hundreds of products, natural and synthetic, which are used, among others, in the market sectors of meat, baking, snacks, spices, drinks, sauces, dairy products and animal feed. As of the date of the report, Sunspray employs 265 people.

The acquisition of Sunspray is a strategic purchase for Turpaz, which enables geographic expansion while increasing the portfolio of innovative products and solutions offered to existing and new customers of the group in the rapidly developing market, all while leveraging synergies between the group's companies in development, procurement, marketing and sales.

According to the audited financial data that Turpaz received from Sunspray, based on its financial reports for the years 2021 and 2022 based on IFRS, Sunspray's revenue turnover amounted to 25.1 million dollars (371.1 million rand), and 26.6 million dollars (436.3 million rand), respectively; The operating profitability amounted to 3.9 million dollars (57.2 million rand) and 4.3 million rand (69.5 million rand) respectively; The adjusted EBITDA² amounted to 4.8 million dollars (71.0 million rand) and 5.2 million dollars (84.8 million rand) respectively. Sunspray's total assets for 31.12.2021 and 31.12.2022 were 19.6 million dollars (311.6 million rand) and 21.7 million dollars (369.9 million rand) respectively, and the total liabilities were 10.0 million dollars (159.2 million rand) and 12.0 million dollars (203.6 million rand), respectively. Sunspray's net debt as of June 30, 2023, amounts to 6.6 million dollars (124.8 million rand).

It should be noted that Sunspray prepares annual financial reports only. As part of the due diligence, Turpaz received unreviewed and unaudited management data compiled by Sunspray's management for the first ten months of 2023. Based on this data, Turpaz anticipated that Sunspray's results for 2023 are not expected to differ substantially from the results for 2022.

It should be clarified that the completion of the transaction is dependent on the existence of conditions, the realization of which depends, among other things, on factors beyond the control of Turpaz and which may be realized differently from what is stated in this report, and therefore, there is no certainty that the transaction will be completed and when.

Respectfully,

Turpaz Industries Ltd.

By: Karen Cohen Khazon, CEO and Chairperson.

² EBITDA excluding one-time expenses (income) in 2021 and 2022, mainly included management fees for the Sellers and one-time provisions in the amount of 94 thousand dollars (1.4 million rand) and 71 thousand dollars (1.2 million rand).