

TEFRON LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2020

(UNAUDITED)

TEFRON LTD.

Condensed Consolidated Financial Statements as at March 31, 2020

Unaudited

Contents

	<u>Page</u>
Review Report of the Auditors	2
Condensed consolidated balance sheets	3-4
Condensed consolidated statements of income	5
Condensed consolidated statements of comprehensive income	6
Condensed consolidated statements of changes in shareholders' equity	7-8
Condensed consolidated statements of cash flows	9-10
Notes to the condensed consolidated financial statements	11-17



Review Report of the Auditors to the Shareholders of Tefron Ltd.

Preface

We have reviewed the attached financial information of Tefron Ltd. and its subsidiaries (hereinafter - "the Group"), which includes the condensed consolidated balance sheet as at March 31, 2020, and the condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the period of three months then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for this interim period, in accordance with International Accounting Standard IAS 34 - "Financial Reporting for Interim Periods", and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of the review

We have performed our review in accordance with Review Standard (ISRE) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor". A review of financial information for interim periods consists of making inquiries, primarily with persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is considerably more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to obtain assurance that we will be aware of all significant matters which might have been identified in an audit. Consequently, we are not expressing an opinion of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the aforesaid in the previous paragraph, based on our review, nothing has come to our attention which would cause us to believe that the above financial information does not comply, in all material respects, with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Date: June 24, 2020

Tefron Ltd.

Condensed Consolidated Balance Sheets

	<u>As at</u>		<u>As at</u>
	<u>March 31,</u>		<u>December</u>
	<u>2020</u>	<u>2019</u>	<u>31,</u>
	<u>Unaudited</u>		<u>2019</u>
	<u>Audited</u>		
	<u>US dollars in thousands</u>		
<u>Current assets</u>			
Cash	4,783	2,453	3,854
Trade receivables, net	22,138	24,517	29,841
Other receivables	11,242	5,225	4,164
Inventory	23,784	32,360	29,968
Total current assets	61,947	64,555	67,827
<u>Non-current assets</u>			
Property, plant and equipment, net	15,947	17,977	16,578
Goodwill and intangible assets, net	121	128	121
Software, net	2,090	1,739	2,033
Deferred taxes, net	2,554	2,890	2,754
Total non-current assets	20,712	22,734	21,486
Total assets	82,659	87,289	89,313

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

Tefron Ltd.

Condensed Consolidated Balance Sheets

	As at March 31,		As at December 31,
	2020	2019 (*)	2019
	Unaudited		Audited
	US dollars in thousands		
<u>Current Liabilities</u>			
Bank credit	23,480	21,662	22,122
A loan from the controlling shareholders	2,000	2,000	2,000
Trade payables	21,462	26,297	28,469
Other payables	3,860	3,649	4,008
Total current liabilities	50,802	53,608	56,599
<u>Non-current liabilities</u>			
Loans from banks	6,509	7,030	6,509
Liabilities for bank options	28	77	28
Liabilities for benefits to employees, net	1,122	1,267	1,188
Long-term payables	1,919	1,092	2,068
Total non-current liabilities	9,578	9,466	9,793
<u>Equity</u>			
Share capital	33,617	33,617	33,617
Additional paid-in capital	99,898	99,686	99,866
Capital reserve for remeasurement of defined benefit plan	(2,080)	(2,072)	(2,080)
Accumulated deficit	(101,798)	(99,907)	(101,278)
Treasury shares	(7,408)	(7,408)	(7,408)
Capital reserve for hedging transactions	(466)	(142)	(293)
Other capital reserves	516	441	497
Total equity	22,279	24,215	22,921
Total liabilities and equity	82,659	87,289	89,313

(*) See Note 5 - Immaterial adjustment of comparative figures

June 24, 2020	Arnon Tiberg	Ben Lieberman	Gregory Davidson
Date of approval of the financial statements	Chairman of the Board	CEO	CFO

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

Tefron Ltd.

Condensed Consolidated Statements of Income

	For the three months ended		For the year ended
	March 31,		December 31
	2020	2019 (*)	2019
	Unaudited		Audited
US dollars in thousands (excluding data on loss per share)			
Sales	34,636	37,516	155,383
Cost of sales	<u>28,824</u>	<u>30,133</u>	<u>128,174</u>
Gross profit	5,812	7,383	27,209
Development expenses	624	862	3,290
Selling and marketing expenses	3,956	4,173	17,493
General and administrative expenses	998	858	3,408
Other expenses (income)	<u>(6)</u>	<u>1,018</u>	<u>1,854</u>
Operating profit	<u>240</u>	<u>472</u>	<u>1,164</u>
Financing income	75	65	436
Financing expenses	<u>(635)</u>	<u>(876)</u>	<u>(3,219)</u>
Financing expenses, net	(560)	(811)	(2,783)
Loss before taxes on income	(320)	(339)	(1,619)
Taxes on income	<u>(200)</u>	<u>-</u>	<u>(91)</u>
Loss	<u>(520)</u>	<u>(339)</u>	<u>(1,710)</u>
<u>Loss per share (in dollars)</u>			
Basic and diluted loss per share	<u>(0.04)</u>	<u>(0.03)</u>	<u>(0.14)</u>

(*) See Note 5 - Immaterial adjustment of comparative figures

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

Tefron Ltd.

Condensed Consolidated Statements of Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	Unaudited		Audited
	US dollars in thousands		
Loss	(520)	(339)	(1,710)
Other comprehensive income (loss) (after the effect of the tax):			
<u>Amounts that will not be reclassified thereafter to the statements of income:</u>			
Loss from remeasurement of a defined benefit plan	-	-	(8)
Subtotal of items that will not be reclassified thereafter to the statements of income	-	-	(8)
<u>Amounts that will be reclassified or are reclassified to the statements of income provided that specific terms are met:</u>			
Unrealized gain on cash flows hedge transaction	89	83	-
Unrealized loss due to interest rate swap transaction	(262)	(81)	(149)
Total items that shall be reclassified or are reclassified to the statements of income	(173)	2	(149)
Total other comprehensive income (loss)	(173)	2	(157)
Total comprehensive loss	(693)	(337)	(1,867)

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

Tefron Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Share capital	Additional paid in capital	Reserve for actuarial losses	Accum. deficit	Treasury shares	Capital reserve for hedging transactions	Other capital reserves	Total Equity
Unaudited								
US dollars in thousands								
<u>Balance as at January 1, 2020 (audited)</u>	33,617	99,866	(2,080)	(101,278)	(7,408)	(293)	497	22,921
Loss	-	-	-	(520)	-	-	-	(520)
Total other comprehensive loss	-	-	-	-	-	(173)	-	(173)
Share based payment to employees and consultants	-	32	-	-	-	-	-	32
Benefit from a controlling shareholder	-	-	-	-	-	-	19	19
<u>Balance as at March 31, 2020</u>	<u>33,617</u>	<u>99,898</u>	<u>(2,080)</u>	<u>(101,798)</u>	<u>(7,408)</u>	<u>(466)</u>	<u>516</u>	<u>22,279</u>

	Share capital	Additional paid in capital	Reserve for actuarial losses	Accum. deficit	Treasury shares	Capital reserve for hedging transactions	Other capital reserves	Total Equity
Unaudited								
US dollars in thousands								
<u>Balance as at January 1, 2019 (audited)</u>	33,617	99,686	(2,072)	(99,568)	(7,408)	(144)	422	24,533
Loss	-	-	-	(339)	-	-	-	(339)
Total other comprehensive income	-	-	-	-	-	2	-	2
Benefit from a controlling shareholder	-	-	-	-	-	-	19	19
<u>Balance as at March 31, 2019 (*)</u>	<u>33,617</u>	<u>99,686</u>	<u>(2,072)</u>	<u>(99,907)</u>	<u>(7,408)</u>	<u>(142)</u>	<u>441</u>	<u>24,215</u>

(*) See Note 5 - Immaterial adjustment of comparative figures

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

Tefron Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Share capital	Additional paid in capital	Reserve for actuarial losses	Accum. deficit	Treasury shares	Capital reserve for hedging transactions	Other capital reserves	Total Equity
US dollars in thousands								
<u>Balance as at January 1, 2019</u>	33,617	99,686	(2,072)	(99,568)	(7,408)	(144)	422	24,533
Loss	-	-	-	(1,710)	-	-	-	(1,710)
Total other comprehensive loss	-	-	(8)	-	-	(149)	-	(157)
Share based payment to employees and consultants	-	180	-	-	-	-	-	180
Benefit from a controlling shareholder	-	-	-	-	-	-	75	75
<u>Balance as at December 31, 2019</u>	<u>33,617</u>	<u>99,866</u>	<u>(2,080)</u>	<u>(101,278)</u>	<u>(7,408)</u>	<u>(293)</u>	<u>497</u>	<u>22,921</u>

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

Tefron Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three months		For the year
	ended		ended
	March 31,		December 31
	2020	2019 (*)	2019
	Unaudited		Audited
	US dollars in thousands		
<u>Cash flows from operating activities:</u>			
Loss	(520)	(339)	(1,710)
Adjustments required to present cash flows from operating activities:			
Adjustments to statement of income items:			
Depreciation and amortization of fixed assets and intangible assets	814	1,358	6,001
Capital gain on sale of fixed assets	(6)	-	(24)
Benefit from a controlling shareholder	19	19	75
Cost of share-based payment	32	-	180
Loss due to impairment of slow inventory	111	160	472
	<u>970</u>	<u>1,537</u>	<u>6,704</u>
Change in deferred taxes, net	200	-	136
Change in liabilities for benefits to employees, net	(66)	(29)	(116)
Change in fair value of a liability for bank options	-	40	(9)
Taxes on income	2	2	(89)
Financing expenses, net	457	693	2,459
	<u>593</u>	<u>706</u>	<u>2,381</u>
Changes in assets and liabilities items:			
Decrease (increase) in trade receivables	7,703	(3,602)	(8,926)
Increase in other receivables	(6,989)	(1,193)	(337)
Decrease (increase) in inventory	6,073	(3,035)	(955)
Increase (decrease) in trade payables	(7,018)	4,194	6,163
Increase (decrease) in other payables	(410)	391	563
	<u>(641)</u>	<u>(3,245)</u>	<u>(3,492)</u>
Cash paid and received during the period for:			
Interest paid	(434)	(675)	(2,356)
Taxes paid	(2)	(2)	(66)
Taxes received	-	-	155
	<u>(436)</u>	<u>(677)</u>	<u>(2,267)</u>
Net cash provided from (used for) operating activities	<u>(34)</u>	<u>(2,018)</u>	<u>1,616</u>

(*) See Note 5 - Immaterial adjustment of comparative figures

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

Tefron Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three months ended March 31,		For the year ended December 31
	2020	2019	2019
	Unaudited	Unaudited	Audited
	US dollars in thousands		
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	(106)	(283)	(1,367)
Purchase of software	(145)	(89)	(745)
Proceeds from disposal of fixed assets	17	-	31
Net cash used for investing activities	(234)	(372)	(2,081)
<u>Cash flows from financing activities:</u>			
Short term bank credit, net	1,358	3,077	4,444
Repayment of long-term loans	-	-	(1,428)
Repayment of lease liability	(161)	(110)	(573)
Net cash provided from financing activities	1,197	2,967	2,443
Increase in cash and cash equivalents	929	577	1,978
Cash and cash equivalents at beginning of period	3,854	1,876	1,876
Cash and cash equivalents at end of period	4,783	2,453	3,854
 <u>Appendix a – Significant non-cash transactions</u>			
Purchase of fixed assets on credit	-	-	676

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

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 1 - General

- a. These financial statements were prepared in a condensed form as at March 31, 2020 and for the three months period then ended (hereinafter - "interim consolidated financial statements"). These statements should be read together with Tefron Ltd.'s (hereinafter: "the Company") annual financial statements as at December 31, 2019 and for the year then ended, and the notes accompanying them (hereinafter: "annual financial statements").
- b. The Company did not include separate financial information in the interim financial statements in accordance with Regulation 38d of the Securities Regulations ("Periodic and Immediate Reports"), 1970, since it believes that including such information shall not carry with it any additional material information to the investor.
- c. **Coronavirus**

In continuation to the aforesaid in Note 1c to the annual financial statements as at December 31, 2019, regarding the impact of Coronavirus pandemic on the Company, the time that has passed since the said report confirms the trends on which the Company indicated, according to which the effects on the Company due to the ongoing pandemic are demonstrated in a decline in sales of the Company's products, due to a decrease in the ability to purchase such products during the pandemic. On the other hand, upon the recovery trends in China, the production capabilities have stabilized at the Company's subcontractors in China. Furthermore, in relation to the production of the Company's products in Jordan, after a total shutdown of two weeks in April, this production line has also slowly returned to regular operation.

Accordingly, the Company is updating its work plans when, as at the date of this report, the Company estimates that the impact of the crisis in 2020 will be reflected as a decrease of 20% in sales compared to the Company's original work plan; this decrease is not spread out evenly among the Company's customers.

In light of the aforesaid, the Company has taken and continues to take streamlining measures which are aimed at reducing the Company's expenses, in a manner that is compatible, as much as possible, with the said changes and with the Company's latest work plans. This includes, among other things, a reduction in the number the Company's employees, along with a reduction in the expenses of employees' wages and putting employees on furlough, in the various territories in which the Company operates.

Moreover, the Company's estimates regarding its ability to cope with the aforementioned crisis also take into account the cooperation with the Company's financing bank, which was demonstrated during the pandemic by the Bank that allowed the Company to defer the current and accelerated payments of the long-term loan principal and provided reliefs in the financial covenants that allow to increase the credit days of the Company's customers (as described in Note 6 below).

However, considering the uncertainty concerning when a future solution for this crisis is found, the future effects of the crisis cannot be fully estimated as the crisis worsens or continues.

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 2 - Significant accounting principles

a. Basis for the preparation of the financial statements

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Financial Reporting for Interim Periods", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports) 1970.

During the preparation of these interim financial statements, the Group implemented accounting policies, presentation rules and calculation methods identical to those applied in its financial statements as at December 31, 2019, and for the year then ended.

b. Taxes on income in interim financial reports

The tax expenses (income) for the presented periods include the total current taxes, taxes in respect of previous years as well as the total change in the balances of deferred taxes.

Current tax expenses (income) in interim periods are accrued using the average effective annual income tax rate. For the purpose of calculating the effective income tax rate, tax losses for which deferred tax assets were not recognized, which are expected to reduce the tax liability in the reporting year are deducted.

Note 3 – Amendments to standards which have been published and are not in effect, and were not adopted early by the Group, which are expected or likely to have an effect on future periods

Amendment IAS 1 "Presentation of Financial Statements" (concerning the classification of liabilities as current or non-current)

The amendment clarifies the existing requirements for classifying liabilities as current or non-current in the balance sheets statements as follows:

- Clarification has been added to paragraphs 69 and 73 of the Standard which emphasizes that in order for a liability to be classified as non-current, the right to postpone the settlement should exist at the end of the reporting period.
- The words "unconditional" were removed from paragraph 69 of the amendment and a new paragraph was added clarifying that if the right to postpone the settlement is contingent on financial covenants, the right exists if the entity meets the criteria set at the end of the reporting period, even if the examination of whether the covenants are met, is done by the lender at a later date.
- It has been clarified that the classification of the liability as non-current will be examined with reference to the right the entity has and not according to its expectation whether this right will be exercised.
- A definition has been added to the term "disposal". According to the definition, "for the purpose of classifying a liability as current or non-current, disposal refers to a transfer to a counterparty that results in the extinguishment of the liability". Transfer can be cash, goods and services or equity instruments of the entity itself. In this context, it has been clarified that if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

The amendment will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022. Early application is possible

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 4 – Critical accounting considerations and key sources for uncertainty estimates

a. General:

During the implementation of the Group's accounting policies, as described in Note 2 above and Note 2 to the financial report as at December 31, 2019, the Company's management is required, in some cases, to exercise comprehensive accounting discretion concerning the accounting estimates and assumptions regarding the carrying amounts of assets and liabilities that are not necessarily available from other sources. The related estimates and assumptions are based on past experience as well as other relevant factors. It should be noted that actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly by the management. Revisions to the accounting estimates are recognized only at the period of time in which a change in the estimate was carried out, provided that the change has an impact only on that period of time or alternatively, are recognized at the aforementioned period of time and in future periods of time, provided that the change has an impact on both the current period and future periods.

In light of the outbreak of the Coronavirus epidemic in Israel, the Company's management examined whether it is necessary to update relevant estimates that may be affected by the outbreak of the virus.

b. Key factors for uncertainty estimates

(1) Depreciation of a cash-generating unit

In continuation of the aforesaid in Note 8c to the annual financial statements, due to the spread of the Coronavirus and its impact on the global economy and the Company (as described in Note 1c above), the Company through its external appraiser reviewed the underlying assumptions and estimates at the base of the most recent appraisal of the machinery and equipment. It was found that there is a need to reduce the value of use that had been determined by 10%. However, the above value is about 50% higher than the carrying amount in the Company's books and therefore it has been determined that no impairment is required.

(2) Taxes on income

The Company relies on the management's estimates concerning future earnings forecasts in calculating deferred tax balances for utilizing carryforward losses for income tax purposes. Following the outbreak of the Coronavirus, the Company updated its profit and loss forecasts and accordingly reduced its tax asset.

(3) Provision for doubtful debts

In continuation to the aforesaid in to Note 2e to the annual financial statements, in light of the spread of the Coronavirus, the Company's management has assessed the debts of customers affected by the spread of the virus, and concluded that the Company is not materially exposed to customers affected by the Coronavirus and therefore the effect on the provision for doubtful debts is immaterial.

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 5 – Immaterial adjustment of comparative figures

An immaterial adjustment of the comparative figures was carried out as at March 31, 2019, due to the presentation of the investment in the joint company C&T for Piece Works Private Shareholding Company Ltd (hereinafter: "C&T"), as a joint operation in lieu of the merger thereof as of January 1, 2019.

The impact of the immaterial adjustment on items of the balance sheets and the statements of income:

	As at March 31, 2019		
	As previously reported	The change	As reported in these financial statements
	US dollars in thousands		
<u>Current assets</u>			
Other payables	3,440	209	3,649
Equity			
Non-controlling interest	209	(209)	-
Loss	(130)	(209)	(339)

Note 6 – Significant events during the period of the report and thereafter

On June 23, 2020, an addendum to the financing agreement with the Company's financing bank (HSBC) was signed, the principals thereof are as follows:

- (1) Deferring the current long-term loan principal payments which was provided by the bank HSBC Israel that was scheduled to be paid in 2020, in one year, in such a manner that it would be evenly divided among the following five annual current repayments (alternatively, it was agreed upon that subject to the approval of EDC (Export Development Canada) which guarantees the loan, the loan will be extended for a year and the payment for 2020 will be carried over to the end of the loan period, hence, the year 2026). Additionally, the accelerated repayment of the loan, which was due in 2020, was also canceled
- (2) Amending the commitment to comply with the financial covenant of the debt to EBITDA ratio that according to the financing agreement was 3.50 times to a ratio of no more than 4.75 times for the quarters ending on June 30 and September 30, 2020.
- (3) Amending the commitment to comply with the financial covenant of the debt service cover ratio which was 1.25 times to no more than 1.00 times for the quarters ending on June 30 and September 30, 2020.

As at March 31, 2020, the Company met all of the financial covenants, as detailed above, as follows:

Debt service cover ratio of at least 1.25 times, was 1.52.

Debt to EBITDA ratio of no more than 3.50 times was 3.22.

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 6 – Significant events during the period of the report and thereafter (Cont.)

Additionally, the Company has applied through the bank for the provision of an additional line of credit to the Company's Canadian subsidiary, Tefron Canada Inc., according to the Canadian Government's Special Assistance Program due to the Coronavirus pandemic, in the amount of up to CA \$ 5 million dollars (equivalent to US \$ 3,700,000) (hereinafter: "the additional credit line"). The purpose of the additional credit line is to help finance the borrower's business operations as detailed in the additional credit line's documents. This credit line will be set with a guarantee of 80 percent of the amount provided by the EDC (Export Development Canada), which assists on behalf of the Canadian Government, in financing Canadian companies' export activities.

The terms of the additional credit line, insofar as approved, shall be as follows:

1. The additional credit line can be utilized once or several times, provided that the first utilization thereof will be made within 60 days of its issuance.
2. The repayment thereof can be made at any time however, once an amount has been repaid it will not be set out as credit again.
3. The additional credit line will be granted for a period of 12 months and it can be extended at the sole discretion of the bank in 4 additional periods of 12 months each. Nevertheless, the bank may demand immediate repayment of the credit line at its discretion,
4. As part of the request for an additional credit line, the Company agreed that as long as the additional credit line is not repaid in full, annual investments will not be made without the approval of the bank, subject to the fact the Group will be able to carry out annual investments for the purpose of maintaining its existing assets, insofar as these investments are included in the budget plan submitted by the Company to the bank, from time to time, in accordance with the terms of the financing agreement and the amendment thereto.

The bank has approved the application for an additional line of credit and it is subject to the approval of EDC.

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 7 - Operating segments

a. General

The information that the Company provides in accordance with the IFRS 8 definitions is based on the available financial information which is reviewed regularly and is used by the Company's CEO who is the Company's chief operating decision maker (CODM), for the purpose of making decisions regarding the resources to be allocated to the segment and in order to evaluate the segment's performance.

Based on the criteria in IFRS 8 for determining reportable operating segments, and the available financial information, which is reviewed regularly by the Company's CEO, the Company has determined that it operates in two reportable operating segments:

- (a) Brands – This segment engages in the design, development, production and marketing of seamless intimate apparel and activewear and leisurewear, which are manufactured in the Company's plants and through subcontractors and are sold to customers with leading brands.
- (b) Retail – This segment engages in the design, development, production and marketing of seamless intimate apparel and activewear and leisurewear which are sold worldwide to customers in the retail market and are characterized by purchasing large quantities of less complex products compared to the products of the brands segment.

b. Reporting in respect of operating segments

	For the three-month period ended March 31, 2020			For the three-month period ended March 31, 2019 (*)		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited			Unaudited		
	US dollars in thousands			US dollars in thousands		
Total segment revenues	9,980	24,656	34,636	12,984	24,532	37,516
Direct profit (loss)	(284)	1,624	1,340	(1,092)	2,504	1,412
Indirect costs	(316)	(784)	(1,100)	(325)	(615)	(940)
Segment results	<u>(600)</u>	<u>840</u>	<u>240</u>	<u>(1,417)</u>	<u>1,889</u>	<u>472</u>
Financing expenses, net			<u>(560)</u>			<u>(811)</u>
Tax expenses			<u>(200)</u>			<u>-</u>
Loss			<u>(520)</u>			<u>(339)</u>

(*) See Note 5 - Immaterial adjustment of comparative figures

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 7 - Operating segments (Cont.)

b. Reporting in respect of operating segments (Cont.)

	For the year ended December 31, 2019			
	Brands	Retail	Adjustments	Total
	US dollars in thousands			
Total segment revenues	<u>58,595</u>	<u>96,788</u>		<u>155,383</u>
Direct profit (loss)	(3,471)	8,309		4,838
Indirect costs	(1,385)	(2,289)		(3,674)
Segment results	<u>(4,856)</u>	<u>6,020</u>		<u>1,164</u>
Financing expenses, net				<u>(2,783)</u>
Tax expenses				<u>(91)</u>
Loss				<u>(1,710)</u>

- c. Regarding splitting revenue from contracts with customers into groups which detail how the nature of the amount, timing and uncertainty of revenue and cash flows are affected by economic factors, see the Note related to segments above.

Note 8 - Financial instruments

Fair Value

The carrying amount of cash, trade receivables, other receivables, banks' credit and long-term loans, trade payables and other payables matches or approximates their fair value.