TEFRON LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2018

TEFRON LTD.

Interim Consolidated Financial Statements as at March 31, 2018

Unaudited

Contents

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Deloitte.

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, 2018, 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 1 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
Member of Deloitte Touche Tohmatsu Limited

Date: May 31, 2018

Tefron Ltd.

Consolidated Balance Sheets

	As at March 31, 2018	As at March 31, 2017	As at December 31, 2017
	Unaudited	Unaudited	Audited
	Dollars thousands		
Current assets			
Cash	581	4,987	1,220
Trade receivables, net	17,619	15,180	17,714
Other receivables	3,350	4,021	3,244
Inventory	26,852	26,481	25,684
	48,402	50,669	47,862
Non-current assets			
Property, plant and equipment, net	20,487	23,759	21,554
Goodwill and intangible assets, net	69	178	75
Software, net	1,630	1,234	1,612
Long-term receivables	90	-	118
Deferred taxes, net	2,890	2,890	2,890
	25,166	28,061	26,249
	73,568	78,730	74,111

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

Tefron Ltd.

Consolidated Balance Sheets

	As at March 31,		As at December 31,
	2018	2017	2017
	Unaudited		Audited
	Dollars thousands		
Current Liabilities			
Bank credit	11,581	15,142	14,185
Subordinated loan from the controlling shareholders	1,888	-	-
Trade payables	23,740	21,853	21,854
Other payables	3,415	2,612	2,136
	40,624	39,607	38,175
Non-current liabilities			
Long-term loans from banks	7,281	10,415	9,202
Subordinated loan from the controlling shareholders	-	-	1,852
Liabilities for bank options	40	129	20
Liabilities for benefits to employees, net	892	810	1,000
Long-term payables	-	494	-
	8,213	11,848	12,074
Equity attributed to the Company's shareholders			
Share capital	33,617	33,617	33,617
Additional paid-in capital	99,686	99,686	99,686
Capital reserve for remeasurement of defined benefit plan	(1,541)	(1,259)	(1,541)
Accumulated deficit	(99,961)	(97,551)	(100,830)
Treasury shares	(7,408)	(7,408)	(7,408)
Other capital reserves	338	190	338
Total equity	24,731	27,275	23,862
	73,568	78,730	74,111

May 31, 2018			
Date of approval of the financial statements	**Arnon Tiberg Chairman of the Board**	**Ben Lieberman CEO**	**Eliezer Parnafes CFO**

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

Tefron Ltd.

Consolidated statements of income

	For the three months ended March 31,		For the year ended December 31
	2018	2017	2017
	Unaudited		Audited
	Dollars thousands (excluding data on income (loss) per share)		
Sales	32,972	33,106	121,499
Cost of sales	28,124	26,738	99,103
Gross profit	4,848	6,368	22,396
Development expenses	1,093	1,130	4,468
Selling and marketing expenses	3,930	3,626	15,479
General and administrative expenses	858	712	2,985
Other income	-	-	(235)
Operating profit (loss)	(1,033)	900	(301)
Net Income due to debt recycling	2,818	-	-
Financing income	-	-	75
Financing expenses	(896)	(786)	(2,892)
Financing income (expenses), net	1,922	(786)	(2,817)
Income (loss) before taxes on income	889	114	(3,118)
Tax expenses	(20)	(34)	(81)
Net income (loss)	869	80	(3,199)
Income (loss) per share attributable to the Company's shareholders (in dollars)			
Basic and diluted income (loss) per share	0.07	0.01	(0.27)

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

Tefron Ltd.

Consolidated statements of comprehensive income

	For the three months ended March 31		For the year ended December 31
	2018	2017	2017
	Unaudited		Audited
	Dollars thousands		
Net income (loss)	869	80	(3,199)
Other comprehensive loss (after the effect of the tax):			
Amounts that will not be reclassified thereafter to the statements of income:			
Loss from remeasurement of a defined benefit plan	-	-	(282)
Subtotal of items that will not be reclassified thereafter to the statements of income	-	-	(282)
Total other comprehensive loss	-	-	(282)
Total comprehensive income (loss) attributable to the Company's shareholders	869	80	(3,481)

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

Tefron Ltd.

Consolidated statements of changes in shareholders' equity

	Relating to the Company's shareholders						
	Share capital	Additional paid-in capital	Capital reserve for actuarial losses	Accum. deficit	Treasury shares	Other capital reserves	Total equity
	Unaudited						
	Dollars thousands						
Balance as at January 1, 2018 (Audited)	33,617	99,686	(1,541)	(100,830)	(7,408)	338	23,862
Net income	-	-	-	869	-	-	869
Balance as at March 31, 2018	33,617	99,686	(1,541)	(99,961)	(7,408)	338	24,731

	Relating to the Company's shareholders						
	Share capital	Additional paid in capital	Capital reserve for actuarial losses	Accum. deficit	Treasury shares	Other capital reserves	Total Equity
	Unaudited						
	Dollars thousands						
Balance as at January 1, 2017 (Audited)	33,617	99,686	(1,259)	(97,631)	(7,408)	190	27,195
Net income	-	-	-	80	-	-	80
Balance as at March 31, 2017	33,617	99,686	(1,259)	(97,551)	(7,408)	190	27,275

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

Tefron Ltd.

Consolidated statements of changes in shareholders' equity

	Relating to the Company's shareholders						
	Share capital	Additional paid in capital	Capital reserve for actuarial losses	Accum. deficit	Treasury shares	Other capital reserves	Total Equity
	Audited						
	Dollars thousands						
Balance as at January 1, 2017 (Audited)	33,617	99,686	(1,259)	(97,631)	(7,408)	190	27,195
Loss	-	-		(3,199)	-	-	(3,199)
Total other comprehensive loss	-	-	(282)	-	-	-	(282)
Subordinated loan from the shareholders	-	-	-	-	-	148	148
Balance as at December 31, 2017	33,617	99,686	(1,541)	(100,830)	(7,408)	338	23,862

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

Tefron Ltd.

Consolidated statements of cash flows

	For the three months ended March 31, 2018	For the three months ended March 31, 2017	For the year ended December 31 2017
	Unaudited	Unaudited	Audited
	Dollars thousands		
Cash flows from operating activities:			
Net income (loss)	869	80	(3,199)
Adjustments required to present cash flows from operating activities:			
Adjustments to statement of income items:			
Depreciation and amortization of fixed assets and intangible assets	1,263	1,197	4,940
Gain due to the cancellation of a provision for impairment	-	-	(351)
Net profit due to debt recycling	(2,818)	-	-
Loss due to impairment of slow inventory	380	144	627
	(1,175)	1,341	5,216
Change in liabilities for benefits to employees, net	(108)	14	(79)
Change in fair value of liabilities for bank options	4	34	(75)
Taxes on income	71	2	415
Financing expenses, net	612	385	1,998
	579	435	2,259
Changes in assets and liabilities items:			
Decrease (increase) in trade receivables	95	1,500	(1,033)
Decrease (increase) in other receivables	(78)	108	767
Increase in inventory	(1,548)	(2,051)	(1,737)
Increase in trade payables	2,039	3,994	4,124
Increase in other payables	134	66	(410)
	642	3,617	1,711
Cash paid and received during the period for:			
Interest paid	(576)	(383)	(1,972)
Taxes paid	(71)	(2)	(415)
	(647)	(385)	(2,387)
Net cash provided from operating activities	268	5,088	3,600

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

Tefron Ltd.

Consolidated statements of cash flows

	For the three months ended March 31,		For the year ended December 31
	2018	2017	2017
	Unaudited		Audited
	Dollars thousands		
Cash flows from investing activities			
Purchase of property, plant and equipment	(128)	(376)	(1,491)
Purchase of software	(80)	(64)	(411)
Net cash used for investing activities	(208)	(440)	(1,902)
Cash flows from financing activities:			
Short term bank credit, net	(236)	(117)	(971)
Repayment of long term loans	(310)	(310)	(1,650)
Repayment of long-term credit for property, plant and equipment	(153)	(588)	(1,211)
Subordinated loan for the controlling shareholders	-	-	2,000
Net cash used for financing activities	(699)	(1,015)	(1,832)
Increase (decrease) in cash and cash equivalents	(639)	3,633	(134)
Cash and cash equivalents at beginning of period	1,220	1,354	1,354
Cash and cash equivalents at end of period	581	4,987	1,220

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

Note 1 - General

a. These financial statements were prepared in a condensed form as at March 31, 2018 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, 2017 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.

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.
The accounting policy used in preparing the interim consolidated financial statements is consistent with the one used in preparing the consolidated annual financial statements. Apart for changes in the accounting policy that resulted from the implementation of new standards, amendments to standards and interpretations thereof which took effect for annual reporting periods beginning on January 1, 2018 or thereafter, as detailed in note 4a and 4b to the consolidated annual financial statements and as detailed as follows:

IFRS 9 – "Financial Instruments"

International Financial Reporting Standard (IFRS 9) "Financial Instruments" (hereinafter: the "standard") is the final standard of the financial Instruments project. The standard presents a new model to examine a forecasted loss from impairment in value as detailed as follows.

The new model for impairment which is based on expected credit losses will be applied to debt instruments measured at amortized cost or at fair value through other comprehensive income, receivables in respect of lease, contract assets recognized under IFRS 15 and written obligations to provide loans and financial guarantee contracts. The provision for impairment shall be for expected losses according to the probability of default in the following 12 months (the coming year), or according to the probability of default throughout the lifetime of the instrument (lifetime). Examination over the lifetime of the instrument is required if the credit risk has increased significantly from the initial recognition date of the asset. Another approach applies regarding purchased or originated credit-impaired financial assets. The standard adds presentation guidelines and disclosure relating to the impairment of financial instruments.

The effect of the initial implementation of this standard on the Group's financial statements is not material.

Note 2 - Significant accounting principles (cont.)

a. Basis for the preparation of the financial statements (cont.)

IFRS 15 – "Revenue from Contracts with Customers"

The standard replaced the directives regarding the recognition of income from contracts with customers and presented a new model for recognition of this revenue. According to the standard, revenue from contracts is recognized in the statement of income when the control of the asset is transferred to the customer.

In order to determine the point in time at which the customer obtains control over a promised asset and the Group has satisfied a performance obligation, the Group considers indicators of the transfer of control, which mainly include the following:

- The Group has a present right to payment for the asset;
- The customer has legal title to the asset;
- The Group has transferred physical possession of the asset;
- The customer has the significant risks and rewards of ownership of the asset;
- The customer has accepted the asset;

Revenue is measured and recognized according to the fair value of the consideration expected to be received in accordance with the terms of the contract, net of the amounts collected in favor of third parties (such as taxes). Revenue is recognized in the consolidated statements of income to the extent that the economic benefits are expected to flow to the Group, and the revenue and costs, if relevant, can be measured reliably.

For the purpose of splitting the revenues of contracts with customers into groups that describe how the nature of the amount, timing and uncertainty of revenues and cash flows are affected by economic factors, see segments note, Note 5 as follows.

The effect of the initial implementation of this standard on the Group's financial statements is not material.

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 - Standards, interpretations and amendments thereto 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

IFRS 16 – "Leases"

For details regarding the new standard concerning leases, which will take effect in regard to annual reporting periods beginning on January 1, 2019 or thereafter, see Note 4c to the consolidated annual financial statements as at December 31, 2017.

Note 4 – Significant events during and subsequent to the period of the report

a. On March 22, 2018, the Company received the consent of the banks which finance the Company's operations, Bank Leumi Le-Israel Ltd., Israel Discount Bank Ltd. and Bank Hapoalim Ltd. (hereinafter: the "banks") according to which for the purpose of replacing the financing of the Company's operations in financing led by a foreign bank and/or banks (if and to the extent that such financing is received), the banks agree that the Company will repay its debts to the banks in an early repayment in such a manner that 82% of the debts will be repaid and the remaining 18% will be forgiven by the banks (hereinafter: the "early repayment"). A condition for the early repayment is a change in the exercise price of 300,000 options allocated by the Company to the banks, so the exercise price shall be US 1 dollar instead of US 1.43 dollars. The aforesaid consent is subject to the early repayment being made no later than April 26, 2018. If such repayment as aforesaid is not carried out, the existing debt arrangement between the Company and the banks will remain in effect. The total debt of the Company to the banks as at March 20, 2018 amounted to US 23.6 million dollars. The early repayment, if carried out, will include a payment to the banks of an estimated early repayment fee of approximately US 160,000 dollar.

   On March 29, 2018, a financing agreement was signed (for details see Clause b as follows) which enabled the execution of the early repayment. Immediately following the Passover holiday, on April 10, 2018, the early repayment to the financing banks was carried out in accordance with the conditions detailed above.

b. On March 29, 2018, the financing agreement was signed with the following parties: Tefron Canada Inc., a private Canadian subsidiary wholly-owned by the Company, as the borrower (hereinafter: "Tefron Canada"), the Company, as the parent company (hereinafter: "Tefron Israel") and the bank HSBC Canada (hereinafter: "the bank"), for the purpose of providing alternative financing to the current bank financing (hereinafter: the "agreement") whose principal terms are as follows:

   1. The financing that will be provided will amount to a total cumulative fund of up to US 38 million dollars (hereinafter: "**dollars**") which will be divided as follows:

      (1) Credit to Tefron Canada in the amount of 13 million dollars by means of a bank guarantee that shall guarantee credit to Tefron Israel, through HSBC Israel (hereinafter: the "**bank in Israel**"), as follows: (a) a long-term loan in the principal amount of US 10 million dollars (hereinafter: the "**long-term loan**"), and (b) credit for working capital in the principal amount of 3 million dollars. It should be noted that any repayment of the long-term loan, in whole or in part, as applicable, will reduce the amount of the credit line in the sum of 13 million dollars, respectively;

      (2) Credit up to an amount of 25 million dollars that shall be provided to Tefron Canada by the bank on the basis of volume of collateral, which will be examined monthly. The eligibility for credit withdrawals will be based on the following eligibility amounts:

         a. Cumulative debt amounts of the trade receivables of Tefron Canada and the trade receivables of Tefron Israel's subsidiary, Tefron USA Inc. (hereinafter: "**Tefron USA**"), all in accordance with the terms of the agreement (with a multiplier of 75% - 90% according to the type of customer); plus;

Note 4 – Significant events during and subsequent to the period of the report (cont.)

b. (cont.)

b. The lower of: (1) 50% of the inventory value of the finished goods of Tefron Canada and Tefron USA, subject to pledges under the agreement; and (2) US 10 million dollars; plus;

c. 100% of the value of the cash in the bank accounts of Tefron Canada and Tefron USA; plus;

d. 50% of the appraised value of 2 real estate properties owned by Tefron USA in North Carolina, USA, after these properties are pledged in accordance with the provisions of the agreement;

Less amounts secured by a pledge which has priority or may have priority over the collateral given to the bank pursuant to the agreement.

2. In addition to the financing mentioned in Clause 1 above, the bank will provide, at its discretion, a facility for the execution of hedging transactions on interest differentials in the amount of 4 million dollars and a facility for the execution of hedging transactions on currency exchange differences in the amount of 2.3 million dollars.

3. The long-term loan will be repaid in seven equal annual payments, when in any case there is free cash flow, the repayment will be accelerated (within 120 days as of the end of the calendar year) at a rate of one percent of the free cash flow determined by Tefron Israel's annual EBITDA (on consolidated basis), based on the ratio of debt to EBITDA[1] of Tefron Israel, on a consolidated basis, as follows:

When R represents the ratio of debt to EBITDA:	Percentage of repayment out of the free cash flow
R ≤ 1.00	0%
1.00 < R ≤ 2.00	15%
2.00 < R ≤ 3.00	25%
R > 3.00	40%

When for this purpose the "free cash flow" is the amount of EBITDA less interest payments, tax payments, unfinanced investments and principal payments of the long-term loan according to its amortization schedule.

4. The interest on the financing will be variable interest, which will include a margin above the base interest rate, such as LIBOR or prime as detailed as follows:

When R represents the ratio of debt to EBITDA:	Percentage of margin
R ≤ 1.50	2.25% - 1.25%
1.50 < R ≤ 2.00	2.5% - 1.5%
2.00 < R ≤ 3.00	2.75% - 1.75%
R > 3.00	3% - 2%

[1] In the framework of the agreement, it was agreed upon that in respect of the period of up to September 30, 2018, to the calculation of EBITDA according to the financial statements and in accordance with the terms of the agreement, will be added an amount of 2 million dollars.

Note 4 – Significant events during and subsequent to the period of the report (cont.)

b. (cont.)

5. The collateral for the financing will be as follows:

   a. First ranking charge in Canada by Tefron Canada on all of its assets.
   b. Floating and fixed charge first in rank in Israel on all assets of Tefron Israel.
   c. First ranking charge on all shares held by Tefron Israel in Tefron Canada Inc. and Tefron US Holdings Inc. (a subsidiary holding Tefron USA).
   d. First ranking charge on the bank accounts of Tefron Israel and its subsidiaries.
   e. Tefron Israel and its subsidiaries' guarantee to the debts of Tefron Canada to the bank.
   f. The guarantee of EDC - Export Development Canada, which assists the Canadian government in financing the export activities of Canadian companies, in an amount equal to 75% of the credit line on the sum of 13 million dollars given to the bank in Israel by the bank.

6. The financing is subject to the fulfillment of the financial covenants which will be examined on a quarterly basis on the basis of the financial statements of Tefron Israel, on a consolidated basis, as follows:
   a. Debt service cover ratio of at least 1.25 times.
   "Debt service cover ratio" means - for the last consecutive twelve months preceding the calculation date, the ratio between the total payments to the bank (principal and interest) and net EBITDA (as defined in the agreement).
   b. Debt to EBITDA ratio of no more than:
      (1) 6.00 times for the quarter ending March 31, 2018.
      (2) 4.00 times for the quarter ending June 30, 2018.
      (3) 3.50 times at any time thereafter.

7. In accordance with the agreement, Tefron Israel and its subsidiaries in connection with the financing are subject, *inter alia*, to the following restrictions:
   a. A negative pledge by Tefron Israel and its subsidiaries (excluding pledges permitted under the agreement);
   b. Until full repayment of the provided credit, Tefron Israel will continue to hold, directly or indirectly, full ownership of each of its subsidiaries;
   c. The Lieberman family will continue to hold the control of the Company;
   d. The total amount of annual investments of the Group shall not exceed 2 million dollars;
   e. Prohibition on taking loans as defined in the agreement;
   f. Prohibition of dividend distribution.

8. The agreement determines that the financing is at the bank's full discretion at any time, and in addition, in the framework of the agreement accepted grounds for immediate repayment were determined, granting the bank the right to call for an immediate repayment of Tefron Canada's liabilities to it, including upon the occurrence of a breach of Tefron Israel's loan agreements with HSBC Israel and/or a breach by any party of Tefron Group of the agreements or other documents relating to the provision of the credit and/or in an amount exceeding 750,000 dollars.

The financing was provided immediately after Passover, on April 10, 2018.

c. On March 29, 2018, the Company's Board approved the updating of the terms of the 300,000 options allocated on July 9, 2014, to Bank Leumi Le-Israel Ltd., Israel Discount Bank Ltd. and Bank Hapoalim Ltd., in such a manner that the exercise price of each option shall be US 1 dollars (instead of US 1.43 dollars). The other terms of the options remained unchanged.

Note 5 - 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 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, 2018			For the three-month period ended March 31, 2017		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited			Unaudited		
	Dollars thousand			Dollars thousand		
Total segment revenues	10,553	22,419	32,972	12,741	20,365	33,106
Direct profit (loss)	(1,368)	1,390	22	(998)	2,950	1,952
Indirect costs	(337)	(718)	(1,055)	(405)	(647)	(1,052)
Segment results	(1,705)	672	(1,033)	(1,403)	2,303	900
Financing income (expenses), net			1,922			(786)
Tax expenses			(20)			(34)
Net profit			869			80

Note 5 - Operating segments (cont.)

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

	For the year ended December 31, 2017		
	Brands	**Retail**	**Total**
		Audited	
		Dollars thousand	
Total segment revenues	38,926	82,573	121,499
Direct profit (loss)	(8,642)	12,548	3,906
Indirect costs	(1,349)	(2,858)	(4,207)
Segment results	(9,991)	9,690	(301)
Financing expenses, net			(2,817)
Tax expenses			(81)
Loss			(3,199)

Note 6 - Financial Instruments

a. 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.

b. In continuation to that stated in Note 5 to the annual financial statements as at December 31, 2017, in relation with the Company's engagement in factoring transactions, as at March 31, 2018, the Company deducted debts of trade receivables in the amount of US 2.2 million dollars (US 2.5 million dollars as at December 31, 2017). The balance of trade receivables is presented net of such amounts, as aforesaid.