

TEFRON LTD

Number at the Registrar: 520043407

To: Israel Securities Authority To: Tel Aviv Stock Exchange Ltd. T081 (Public)
www.isa.gov.il www.tase.co.ilTransmitted via MAGNA: 17/03/24
Reference: 2024-01-022744**Immediate Report on the Distribution of a Cash Dividend on Securities**

Regulation 37 (a) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

1. We hereby report that on March 14, 2024 it was resolved to pay a dividend on securities of the Company.
2. The total amount of the dividend to be paid is: USD 1,995,281.40
3. The balance of the profits of the corporation, as defined in Section 302 of the Companies Law, 5759-1999, after the distribution which is the subject of this report, amounts to:
USD 16,385,000
4. Dividend distribution approval process:

The dividend distribution was approved by the Board of Directors of the Company on March 14, 2024, after it was satisfied that the distribution meets the profit test and the solvency test, as these terms are defined in Section 302 of the Companies Law, 5759-1999 ("distribution tests"), that the distribution is being made out of the balance of surpluses accumulated in the last two years, and that there is no reasonable concern that the distribution will prevent the Company from being able to meet its existing and anticipated obligations, as known on the date of adoption of the resolution, when they become due. Pursuant to the Israel Securities Authority directive on the subject of "Disclosure when resolving on the distribution of a dividend" – see below further information on the parameters that were considered by the Board of Directors in approving the distribution of the dividend. The amount approved for distribution is the amount per share. Therefore, if convertible securities of the Company are exercised up to the record date, the total amount of the dividend paid will be adjusted accordingly.

The above distribution has been approved by the court, in accordance with Section 303 of the Companies Law: No

5. Record date (cum-date): March 26, 2024
Ex-date: March 26, 2024
Payment date: April 9, 2024

6. Payment details:

- Dividend distributed by a company resident in Israel (for the composition of the sources of the dividend and the tax rates, see Section 7A).
- Dividend distributed by a real estate investment fund (for the composition of the sources of the dividend and the tax rates, see Section 7C).

Number of eligible security	Name of security	Amount of dividend on one security	Currency / amount of dividend	Payment currency	Representative rate at date of payment	Individual tax %	Corporate tax%
1082585	Ordinary share	0.16	USD	NIS	March 25, 2024	25%	0%

○ Dividend distributed by a foreign resident company (for tax rates, see Section 7B).

1	Number of security	Name of security	Gross amount on one security	Currency / amount	Foreign tax %	Tax under treaty %	Balance of individual tax for deduction in Israel %	Balance of corporate tax for deduction in Israel %
	_____	_____	_____	_____	_____	_____	_____	_____
			Amount payable in Israel on one security	Payment currency	Representative rate at date of payment		Actual individual tax in Israel %	Actual corporate tax in Israel %
			_____	_____	_____		_____	_____

The amount of the dividend to be paid should be accurately stated to 7 decimal places for a payment in NIS, and to 5 decimal places in case of a payment in another currency

Is the amount of the dividend on one security final: Yes

The amount of the dividend on one security is subject to changes due to: _____

7. The withholding tax rates listed below are for the deduction of tax at source by the stock-exchange members.

7A. Composition of sources, where the dividend is distributed by a company resident in Israel from shares and financial instruments, except for a REIT fund:

	% of dividend	Individuals	Companies	Foreign residents
Income subject to corporate tax (1)	100%	25%	0%	25%
Income from foreign sources (2)	0	25%	23%	25%
Income of an approved enterprise/benefited income (3)	0	15%	15%	15%
Income of an Ireland benefited enterprise up to 2013 (4)	0	15%	15%	4%
Income of an Ireland benefited enterprise from 2014 (5)	0	20%	20%	4%
Preferred income	0	20%	0%	20%
Income of an approved tourism/agriculture enterprise (6)	0	20%	20%	20%
Income of an approved/benefited enterprise that issued a waiver notice (7)	0	15%	0%	15%
Distribution classified as a capital gain	0	25%	23%	0%
Distribution by way of participation units	0	0	0	0
Other	0	0	0	0

Explanation:

- (1) Income subject to corporate tax – income from the distribution of profits or from dividends derived from income generated or accrued in Israel, which is received directly or indirectly from another body of persons that is subject to corporate tax.
- (2) Income from foreign sources is income generated or accrued outside Israel that is not taxed in Israel.
- (3) Including income from a benefited tourism enterprise for which the year of election/operation is up to 2013.
- (4) An Ireland benefited enterprise for which the year of election is up to 2013.
- (5) An Ireland benefited enterprise for which the year of election is 2014 and later.
- (6) Including income from a benefited tourism enterprise for which the year of election/operation is 2014 and later.
- (7) An approved or benefited enterprise that issued a waiver notice up to June 30, 2015, after deduction of the corporate tax payable by it.

7B. Dividend distributed by a foreign resident company:

	Individuals	Companies	Foreign residents
Dividend distributed by a foreign resident company	25%	23%	0%

7C. Dividend distributed by a real estate investment fund:

	% of dividend	Individuals (1)	Companies	Foreign resident companies	Exempt mutual fund	Provident fund (2)
From real estate appreciation, capital gains and depreciation (3)	---	25%	23%	23%	0%	0%
Other taxable income (such as rent)	---	47%	23%	23%	23%	0%
From income-producing real estate for rental housing	---	20%	20%	20%	0%	0%
Income charged tax by the fund (4)	---	25%	0%	25%	0%	0%
Exceptional income	---	70%	70%	70%	60%	70%
Other	---	---	---	---	---	---
Weighted % of withholding tax	100%	---	---	---	---	---

- (1) Individuals – including income of a taxable mutual fund and foreign resident individuals.
 - (2) A pension fund, savings benefit fund or severance pay fund, as defined in the Income Tax Ordinance, and a foreign provident or pension fund that is a resident of a reciprocating country.
 - (3) From real estate appreciation or from capital gains, excluding from the sale of real estate held short-term, and from income in the amount of the depreciation expenses.
 - (4) Distribution from income charged tax by the fund pursuant to Section 64A4(e).
8. Number of dormant securities of the corporation which are not eligible for dividend payments and for which a letter of waiver must be provided to receive the dividend payment: ---

9. Effect of the distribution of the dividend on convertible securities:

- The Company has no convertible securities.
- The distribution of the dividend has no effect on the convertible securities.
- The effect of the distribution of the dividend on the convertible securities is as follows:

Name of security	Number of security	Comments
TEFRON 03/19	1158054	Other
		The exercise price of each warrant will be reduced by the amount of the dividend in New Israeli Shekels, according to the value of the dividend payment in NIS.
TEFRON 04/21	1175215	Other
		The exercise price of each warrant will be reduced by the amount of the dividend in New Israeli Shekels, according to the value of the dividend payment in NIS.
TEFRON 11/23	1201409	Other
		The exercise price of each warrant will be reduced by the amount of the dividend in New Israeli Shekels, according to the value of the dividend payment in NIS.
TEFRON 11/23	1201417	Other
		The exercise price of each warrant will be reduced by the amount of the dividend in New Israeli Shekels, according to the value of the dividend payment in NIS.

10. Recommendations and resolutions of the directors in connection with the distribution of the dividend in accordance with Regulation 37(a)(1) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:

Below are details of the examination carried out by the Board of Directors in connection with the resolution adopted for the distribution of the above dividend:

- A. The Board of Directors examined the Company's compliance with the profit test, the solvency test and the distribution restrictions established in Section 302(a) of the Companies Law, 5759-1999, and pursuant to its examination it confirmed the Company's compliance with those tests with respect to the distribution of the said dividend.
- B. Regarding compliance with the profit test, the Board of Directors approved the distribution of the said dividend based on the Company's accumulated surpluses in the two years ended December 31, 2023, which exceed the amount of the approved dividend.
- C. Regarding compliance with the solvency test, the Board of Directors considered the following matters: information on the Company's financial position as of December 31, 2023, including information on the balance of the Company's financial debt; the Company's unutilized bank credit facilities; restrictions on the distribution of dividends imposed by the bank financing the Company's operations; and calculations relating to the covenants binding the Company. Pursuant to the examination of the above matters, the Board of Directors confirmed that the Company complies with the solvency test with respect to the said distribution.
- D. The Board of Directors believes that the distribution of the dividend will not have a material adverse effect on the financial position of the Company, including on its capital structure, liquidity and ability to continue operating within the existing structure of operations.

Details of the authorized signatories on behalf of the corporation:

	Name of signatory	Position
1	Ben Lieberman	CEO and director
2	Gregory Davidson	CFO

Explanation: In accordance with Regulation 5 of the Periodic and Immediate Reports Regulations (5730-1970), a report filed under those Regulations must be signed by the authorized signatories on behalf of the corporation. The ISA staff position on the subject can be viewed on the ISA website: [Click here](#).

Reference numbers of previous documents on the subject (their mention does not constitute their inclusion by way of reference): ---

The securities of the corporation are not listed on the Tel Aviv Stock Exchange.

Date of revision of form structure: 20/02/2024

Abbreviated name: TEFRON

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Previous names of the reporting entity:

Name of electronic reporter: Keren Kantargy Position: Controller Name of employing company:

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