TEFRON LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2024

(UNAUDITED)

TEFRON LTD.

Condensed Consolidated Financial Statements as of September 30, 2024

(Unaudited)

Contents

	Page
Review report of the auditor	3
Condensed consolidated balance sheets	4-5
Condensed consolidated statements of income	6
Condensed consolidated statements of comprehensive income	7
Condensed consolidated statements of changes in shareholders' equity	8-10
Condensed consolidated statements of cash flows	11-12
Notes to the condensed consolidated financial statements	13-22

Review Report of the Auditor to the Shareholders of

Tefron Ltd.

Preface

We have reviewed the attached financial information of **Tefron Ltd.** and its subsidiaries (hereinafter - "the Company"), which includes the condensed consolidated balance sheet as of September 30, 2024, and the condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the periods of nine months and three months then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for these interim periods, in accordance with International Accounting Standard IAS 34, "Financial Reporting for Interim Periods", and are also responsible for the preparation of financial information for these interim periods 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 these interim periods 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 that 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 that 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

Haifa, November 21, 2024

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem	Haifa	Eilat	Nazareth	Beit Shemesh
3 Kiryat Ha'Mada Har Hotzvim Tower Jerusalem, 914510	5 Ma'aleh Hashichrur P.O.B. 5648 Haifa, 3105502	The City Center P.O.B. 583 Eilat, 8810402	9 Marj Ibn Amer St. Nazareth, 16100	Yigal Alon 1 St. Beit Shemesh, 9906201
Tel: +972 (2) 501 8888 Fax: +972 (2) 537 4173 info-jer@deloitte.co.il	Tel: +972 (4) 860 7333 Fax: +972 (4) 867 2528 info-haifa@deloitte.co.il	Tel: +972 (8) 637 5676 Fax: +972 (8) 637 1628 info-eilat@deloitte.co.il	Tel: +972 (73) 399 4455 Fax: +972 (73) 399 4455 info-nazareth@deloitte.co.il	

Tefron Ltd.

Condensed Consolidated Balance Sheets

	As of September 30,		As of December 31,
	2024	2023	2023
	(Unaudited)		Audited
	US dollars in thousands		
ASSETS			
CURRENT ASSETS			
Cash	6,078	7,683	3,321
Trade receivables, net	52,077	37,475	44,797
Other receivables	5,927	4,640	3,734
Inventory	46,183	56,763	55,523
Total current assets	110,265	106,561	107,375
NON-CURRENT ASSETS			
Property, plant and equipment, net	24,671	20,736	20,744
Right-of-use asset, net	7,341	6,181	6,317
Intangible assets, net	8,897	5,064	4,575
Long-term receivables	346	339	342
Deferred taxes, net	-	2,553	1,491
Total non-current assets	41,255	34,873	33,469
Total Assets	151,520	141,434	140,844

The notes to the condensed consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Balance Sheets

	As of September 30,		As of December 31,
	2024	2023	2023
	(Unaudited)		Audited
	US dollars in thousands		
LIABILITIES			
CURRENT LIABILITIES			
Bank credit	7,000	13,457	7,457
Trade payables	43,931	40,218	43,274
Other payables	13,885	10,629	10,829
Total current liabilities	64,816	64,304	61,560
NON-CURRENT LIABILITIES			
Loans from banks	-	8,014	7,650
Liabilities for benefits to employees, net	1,168	1,087	1,299
Long-term payables	10,026	7,692	7,153
Deferred taxes, net	401	-	-
Total non-current liabilities	11,595	16,793	16,102
EQUITY			
Share capital	35,680	35,048	35,065
Additional paid-in capital	101,245	101,078	101,201
Reserve for remeasurement of defined benefit plan	(2,299)	(2,257)	(2,299)
Accumulated deficit	(52,789)	(66,733)	(63,986)
Treasury shares	(7,408)	(7,408)	(7,408)
Other capital reserves	680	609	609
Total equity	75,109	60,337	63,182
Total liabilities and equity	151,520	141,434	140,844

November 21, 2024			
Date of approval of the financial statements	**Yossi Shachak Chairman of the Board**	**Ben Lieberman CEO**	**Gregory Davidson CFO**

The notes to the condensed consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Income

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		(Audited)
	US dollars in thousands (Excluding data on earnings per share)				
Sales	230,431	181,634	76,382	61,230	243,463
Cost of sales	177,021	140,199	57,977	46,763	188,322
Gross profit	53,410	41,435	18,405	14,467	55,141
Development expenses	5,408	4,172	1,829	1,368	5,702
Selling and marketing expenses	22,687	18,817	8,151	6,228	25,116
General and administrative expenses	4,379	3,343	1,616	1,148	4,779
Operating profit	20,936	15,103	6,809	5,723	19,544
Financing income	155	187	60	61	337
Financing expenses	(3,512)	(4,005)	(1,176)	(1,348)	(5,425)
Financing expenses, net	(3,357)	(3,818)	(1,116)	(1,287)	(5,088)
Income before taxes on income	17,579	11,285	5,693	4,436	14,456
Tax on income	(4,387)	(3,099)	(1,323)	(1,096)	(3,523)
Net income	13,192	8,186	4,370	3,340	10,933
Earnings per share (in dollars)					
Basic earnings per share	1.05	0.66	0.35	0.27	0.89
Diluted earnings per share	0.98	0.64	0.32	0.26	0.85

The notes to the condensed consolidated financial statements are an integral part thereof

Tefron Ltd.

Condensed Consolidated Statements of Comprehensive Income

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
Net income	13,192	8,186	4,370	3,340	10,933
Other comprehensive income (loss) (after the effect of the tax):					
Amounts that will not be reclassified subsequently to the statements of income:					
Loss from remeasurement of defined benefit plans	-	-	-	-	(42)
Subtotal of items that will not be reclassified subsequently to the statements of income	-	-	-	-	(42)
Amounts that will be reclassified or are reclassified to the statements of income provided that specific terms are met:					
Realized gain due to interest rate swap transaction	-	(95)	-	-	(95)
Foreign currency translation differences in respect of foreign operations	71	-	286	-	-
Total items that shall be reclassified or are reclassified to the statements of income	71	(95)	286	-	(95)
Total other comprehensive income (loss)	71	(95)	286	-	(137)
Total comprehensive income attributed to the Company's shareholders	13,263	8,091	4,656	3,340	10,796

The notes to the condensed consolidated financial statements are an integral part thereof

Tefron Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Share capital	Additional paid in capital	Reserve for actuarial losses	Accumulated deficit	Treasury shares	Other capital reserves	Total Equity
	US dollars in thousands						
Balance as of January 1, 2024	35,065	101,201	(2,299)	(63,986)	(7,408)	609	63,182
Net income	-	-	-	13,192	-	-	13,192
Other comprehensive income	-	-	-	-	-	71	71
Share-based payment to employees and consultants	-	659	-	-	-	-	659
Issue of shares from options exercised	615	(615)	-	-	-	-	-
Dividend paid	-	-	-	(1,995)	-	-	(1,995)
Balance as of September 30, 2024, (Unaudited)	35,680	101,245	(2,299)	(52,789)	(7,408)	680	75,109

	Share capital	Additional paid in capital	Reserve for actuarial losses	Accumulated deficit	Treasury shares	Capital reserve for hedging transactions	Other capital reserves	Total Equity
	US dollars in thousands							
Balance as of January 1, 2023	34,995	101,035	(2,257)	(74,919)	(7,408)	95	609	52,150
Net income	-	-	-	8,186	-	-	-	8,186
Other comprehensive loss	-	-	-	-	-	(95)	-	(95)
Share-based payment to employees and consultants	-	96	-	-	-	-	-	96
Issue of shares from options exercised	53	(53)	-	-	-	-	-	-
Balance as of September 30, 2023, (Unaudited)	35,048	101,078	(2,257)	(66,733)	(7,408)	-	609	60,337

The notes to the condensed consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Share Capital	Additional paid in capital	Reserve for actuarial losses	Accum. deficit	Treasury Shares	Other capital reserves	Total equity
	US dollars in thousands						
Balance as of July 1, 2024 (Unaudited)	35,601	101,111	(2,299)	(57,159)	(7,408)	394	70,240
Net income	-	-	-	4,370	-	-	4,370
Other comprehensive income	-	-	-	-	-	286	286
Share-based payment to employees and consultants	-	213	-	-	-	-	213
Issue of shares from options exercised	79	(79)	-	-	-	-	-
Balance as of September 30, 2024 (Unaudited)	35,680	101,245	(2,299)	(52,789)	(7,408)	680	75,109

	Share Capital	Additional paid in capital	Reserve for actuarial losses	Accum. deficit	Treasury Shares	Other capital reserves	Total equity
	US dollars in thousands						
Balance as of July 1, 2023 (Unaudited)	35,039	101,065	(2,257)	(70,073)	(7,408)	609	56,975
Net income	-	-	-	3,340	-	-	3,340
Share-based payment to employees and consultants	-	22	-	-	-	-	22
Issue of shares from options exercised	9	(9)	-	-	-	-	-
Balance as of September 30, 2023 (Unaudited)	35,048	101,078	(2,257)	(66,733)	(7,408)	609	60,337

The notes to the condensed consolidated financial statements are an integral part thereof.

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							
Balance as of January 1, 2023	34,995	101,035	(2,257)	(74,919)	(7,408)	95	609	52,150
Net income	-	-	-	10,933	-	-	-	10,933
Other comprehensive loss	-	-	(42)	-	-	(95)	-	(137)
Share based payment to employees and consultants	-	236	-	-	-	-	-	236
Issue of shares from the exercise of options	70	(70)	-	-	-	-	-	-
Balance as of December 31, 2023	35,065	101,201	(2,299)	(63,986)	(7,408)	-	609	63,182

The notes to the condensed consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Cash Flows

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
Cash flows from operating activities					
Net income	13,192	8,186	4,370	3,340	10,933
Adjustments required to present cash flows from operating activities:					
Adjustments to the statement of income items:					
Depreciation and amortization	6,045	4,931	2,059	1,813	6,896
Cost of share-based payment	981	96	350	22	292
Loss due to impairment of slow inventory	1,022	1,138	577	405	1,389
	8,048	6,165	2,986	2,240	8,577
Change in deferred taxes, net	1,892	1,428	308	491	2,490
Change in liabilities for benefits to employees, net	(131)	(224)	10	(151)	(54)
Recorded lease interest	406	314	148	118	422
Taxes on income paid in cash, net	197	1,152	142	-	448
Interest expenses paid in cash	2,807	3,419	706	1,307	4,174
	5,171	6,089	1,314	1,495	7,480
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(7,297)	7,157	(2,008)	2,842	(165)
Decrease (increase) in other receivables	(2,199)	182	936	4,041	1,088
Decrease (increase) in inventory	8,292	14,456	3,217	(586)	15,445
Increase (decrease) in trade payables	838	1,855	(8,407)	(501)	5,415
Increase in other payables	1,560	1,996	480	2,228	2,225
	1,194	25,646	(5,782)	8,024	24,008
Cash paid and received during the period for:					
Interest paid	(2,807)	(3,419)	(706)	(1,037)	(4,174)
Taxes paid	(460)	(1,152)	(339)	-	(1,262)
Taxes received	263	-	197	-	814
	(3,004)	(4,571)	(848)	(1,037)	(4,622)
Net cash provided from operating activities	24,601	41,515	2,040	14,062	46,376

The notes to the condensed consolidated financial statements are an integral part thereof.

Tefron Ltd.

Condensed Consolidated Statements of Cash Flows

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
Cash flows from investing activities					
Purchase of fixed assets	(6,332)	(3,662)	(2,779)	(1,580)	(4,377)
Purchase of intangible assets	(482)	(129)	(181)	(13)	(248)
Acquisition of operations (appendix a)	-	(1,390)	-	(1,281)	(2,047)
Long-term deposits	-	(339)	-	(13)	(342)
Net cash used for investing activities	(6,814)	(5,520)	(2,960)	(2,887)	(7,014)
Cash flows from financing activities					
Short-term bank credit, net	1,000	(32,995)	-	(10,837)	(38,996)
Receipt of a long-term loan	-	10,200	-	-	10,200
Repayment of long-term loans	(9,107)	(5,872)	-	(365)	(6,236)
Repayment of a lability for the acquisition of operations	(683)	-	(189)	-	-
Repayment of long-term credit for fixed assets	(658)	(882)	(242)	(235)	(1,301)
Payment of dividend	(1,995)	-	-	-	-
Repayment of a lease liability	(2,095)	(1,731)	(653)	(629)	(2,422)
Repayment of royalties' liability	(1,623)	(722)	(843)	(339)	(976)
Net cash used for financing activities	(15,161)	(32,002)	(1,927)	(12,405)	(39,731)
Exchange rate volatility	131	-	77	-	-
Increase (decrease) in cash and cash equivalents	2,757	3,993	(2,770)	(1,230)	(369)
Balance of cash and cash equivalents at beginning of period	3,321	3,690	8,848	8,913	3,690
Balance of cash and cash equivalents at end of period	6,078	7,683	6,078	7,683	3,321

Appendix a – Acquisition of operations

Inventory	-	1,240	-	1,240	1,240
Fixed assets	-	1,793	-	1,793	1,793
Intangible assets	-	982	-	982	982
Advance payment paid	-	-	-	(109)	-
Other payable	-	(1,169)	-	(1,169)	(944)
Long-term payables	-	(1,456)	-	(1,456)	(1,024)
Total cash paid, net	-	(1,390)	-	(1,281)	2,047

The notes to the condensed consolidated financial statements are an integral part thereof.

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 1 - General

a. These financial statements were prepared in a condensed format, as of September 30, 2024, and for the periods of nine months and three months then ended (hereinafter: "consolidated financial statements"). These statements should be read together with Tefron Ltd.'s (hereinafter: "the Company") annual financial statements as of December 31, 2023, and for the year then ended, and the notes accompanying them (hereinafter: the "annual consolidated financial statements").

b. The Company did not include separate financial information in the financial statements in accordance with Regulation 5D(6) and Regulation 9C(c) of the Securities Regulations ("Periodic and Immediate Reports"), 1970, since the Company is a "small corporation" as well as due to the fact the Company believes that the inclusion of such information shall not constitute as additional material information to the investor.

Note 2 – Significant accounting principles

a. Basis for the preparation of the financial statements:

The 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 of December 31, 2023, 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 financial reporting standards

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

In 2020, an amendment to IAS1 concerning the classification of liabilities as current or non-current (hereinafter: Amendment 2020) was published. The amendment clarified that the classification of liabilities as current or non-current is based on the existing rights at the end of the reporting period and is not affected by the entity's estimation concerning the exercise of this right.

The amendment removed the reference to the existence of an unconditional right and clarified that if the right to defer the settlement is contingent on financial covenants, the right

Note 3 – Amendments to financial reporting standards (Cont.)

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

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.

In addition, as part of the amendment, a definition has been added to the term "disposal" in order to clarify that disposal can be a transfer of cash, goods and services or equity instruments of the entity itself to the opposite party. 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 entity'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 as current or non-current.
The amendment only affects the classification of liabilities as current or non-current in the balance sheet and not on the amount or timing of the recognition of those liabilities or the income and expenses related thereto.

An additional amendment regarding the classification of obligations with financial covenants was published in October 2022 (hereafter: Amendment 2022), which clarified that only financial covenants that the entity is required to meet before or at the end of the reporting period affect the entity's right to defer the settlement of an obligation for at least 12 months after the reporting period, even if the examination of whether the covenants are met, is done after the reporting period. On the other hand, financial covenants that an entity is required to meet at a later date than the end of the reporting period do not affect the existence of the aforementioned right at the end of the reporting period.

In addition, Amendment 2022 states that if the entity's right to defer the settlement of the obligation for at least 12 months after the reporting period is subject to the entity meeting financial covenants within 12 months after the reporting period, the entity is required to provide a disclosure that will allow the readers of the financial statements to understand the risk inherent in this.

The other amendments that were published as part of the 2020 Amendment have not changed. The 2020 Amendment and the 2022 Amendment have entered into force for annual reporting periods beginning on or after January 1, 2024.

The aforesaid amendment has had no material effect on the Company's interim consolidated financial statements.

International Financial Reporting Standard 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18")

On April 9, 2024, the IASB published IFRS 18, which replaces IAS 1 "Presentation of Financial Statements" (IAS 1). The standard aims to improve how information is communicated by entities in their financial statements.

The standard focuses on the following topics:

Note 3 – Amendments to financial reporting standards (Cont.)

International Financial Reporting Standard 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18") (Cont.)

1. Statement of Profit or Loss structure - presentation of defined subtotals and classification of income and expenses into specified categories.
2. Improvements to the aggregation and disaggregation of information in both the primary financial statements and the accompanying notes.
3. Disclosing information on management-defined performance measures (MPMs), which are non-GAAP measures, in the notes to the financial statements.

Furthermore, amendments to other IFRS standards become effective when applying IFRS 18, including changes to IAS 7 "Statement of Cash Flows", which will enhance comparability between entities. The amendments mainly include: using the operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities, and removing the presentation alternatives for cash flows related to interest and dividends paid and received. Consequently, except in specific cases, interest and dividends received will be classified as cash flows from investing activities, while interest and dividends paid will be classified as cash flows from financing activities.

The standard will be applied for annual reporting periods beginning on or after January 1, 2027, and will be applied retrospectively with specific transition requirements. Earlier application is permitted; however, according to the Israel Securities Authority's decision, earlier application is allowed for reporting periods beginning on January 1, 2025 (interim financial reporting for Q1 2025).

The Company is currently assessing the impact of adopting IFRS 18, including the impact of amendments to additional IFRS standards impacted by the adoption of IFRS 18, on the financial statements.

Note 4 – Meeting the financial covenants

As of September 30, 2024, the Company met the financial covenants set forth in the new financing agreement with the Company's financing bank, CITIBANK CANADIAN BRANCH (regarding the new financing agreement, see Note 5e as follows).

Note 5 – Significant events during the period of the report and thereafter

a. Statements of claim against the Company

1. On February 18, 2024, the Company was presented with a legal claim which was submitted to the District Court in Tel Aviv by REIT 1 Ltd., which leases to the Company the property where the Company is located as a tenant in the Teradion industrial area in Misgav. The claim is in the amount of NIS 3,255,055 (including VAT), in respect of the rent fee differences that REIT 1 Ltd. claims are due to it according to the rental agreement between the parties. Based on its legal advisors, the Company estimates that at this stage, it is impossible to assess the claim's chances. However, at first glance, it seems that the Company has good defense arguments against the claim.

Note 5 – Significant events during the period of the report and thereafter (Cont.)

a. Statements of claim against the Company (Cont.)

2. On August 12, 2024, the Court issued a judgment rejecting the claim filed on January 10, 2022, against the Company and other defendants in Haifa District Court by an agent of the Company's machine supplier, Real.Tex Agencies Ltd., and the shareholder thereof, in a total amount of NIS 9 million on the grounds of commissions that the defendants allegedly owe him. Subsequent to the date of the report, on November 14, 2024, the plaintiffs in the aforesaid claim submitted an appeal to the Supreme Court against the Company and the additional defendants. At this stage, the Company is studying the details of the appeal and in light of the preliminary stage of the process, it is impossible to assess the chances thereof.

b. Employee and consultant options:

1. Exercising options

During the reporting period, 284,744 of the Company’s employee and consultant options allocated by the Company were exercised into 229,401 ordinary shares of the Company. In addition, 53,334 employee and consultant options allocated by the Company expired during the reporting period.

2. Allocation of options

Subsequent to the date of the report, on October 29, 2024, the Company's Board of Directors decided, after receiving the approval of the Company's Remuneration Committee, to allocate 35,000 non-tradeable options to the Company's CFO, Mr. Gregory Davidson (hereinafter in this sub-section - "the options" and "the offeree", respectively), exercisable for up to 35,000 ordinary shares of NIS 10 par value each of the Company’s shares, in accordance with the cashless method. The economic value of each option offered to the offeree (in an average calculation of the three series) is NIS 15.7. On November 3, 2024, the options were allocated to the offeree without consideration as part of the offeree’s remuneration in respect of his position in the Company. The exercise price of each option determined by the Company's Board of Directors is NIS 31.05. The offeree will be entitled to exercise the options in 3 series, which will be exercisable for a period of five years each, as of the following dates and in accordance with the principles detailed as follows: first series of 11,667 as of December 1, 2025, second series of 11,667 options as of December 1, 2026, and third series of 11,666 options as of December 1, 2027.

Note 5 – Significant events during the period of the report and thereafter (Cont.)

c. Dividend distribution:

On March 17, 2024, the Company announced, after receiving approval from the Board of Directors, the distribution of a cash dividend to the Company's shareholders in an aggregate amount of USD 2 million (USD 0.16 per share). The dividend was paid on April 9, 2024.

d. "Swords of Iron" War:

On October 7, 2023, the "Swords of Iron" war ("the war") began in Israel following a surprise attack by the Hamas organization from the Gaza Strip on the State of Israel. Since the beginning of the war, it has also expanded to the northern front against the terrorist organization Hezbollah and led to direct confrontations with Iran. The ongoing fighting against the terrorist organization Hezbollah on the northern front, the continuation of fighting in Gaza and the West Bank, as well as the escalation with Iran all continue to impact the Israeli economy, the capital market, and the cost of living.

The Houthi threat to the ships of the shipping companies along the Red Sea sailing routes affected the activity of the port of Aqaba in Jordan. As a result, the duration of the arrival of some of the raw materials from the East to Jordan, as well as the delivery of shipments to customers, was extended by 10-14 days. This extension did not materially affect the Company's results. In addition, due to the aforementioned Houthi threat, marine transportation costs gradually increased during the second half of the fourth quarter of 2023 and during the first nine months of 2024 until their price was 3-4 times higher compared to the price prior to the war. With the exception of the above, there are no additional effects due to the war on the supply chain and the Company's costs.

The war has had no material effect on the Company since all the sales and production processes are carried out overseas, with the exception of the development stage, which is mostly carried out in Israel and which was also not affected by the war. Based on the period of the war that is still going on, the Company does not expect the events of the war to have a material impact on the Company. Nevertheless, it should be noted that a deterioration into a regional war could affect Israel's relationship with Jordan and the Company's local production in Jordan, something that could have significant effects, particularly in regard to the brands segment.

In the context of the war, it should be noted that during 2024, the international credit rating companies decided to downgrade Israel's credit rating. Nevertheless, the Company estimates, especially considering the fact the Company does not work with the Israeli banking system, that the effect of said downgrade will not be material to the Company.

e. A new financing agreement for the Company's operations with CITIBANK CANADIAN BRANCH:

Subsequent to the date of the report, on July 4, 2024, the Company and CITIBANK CANADIAN BRANCH signed a new financing agreement to finance the Company's operations (hereinafter in this clause: "the agreement" and "the bank", respectively), which replaced the Company's financing with the bank that financed its operations during

Note 5 – Significant events during the period of the report and thereafter (Cont.)

e. A new financing agreement for the Company’s operations with CITIBANK CANADIAN BRANCH (Cont.)

the past six years, HSBC CANADA (hereinafter in this clause: "HSBC" and "HSBC financing"). It should be noted that recently, the acquisition of HSBC by the ROYAL BANK OF CANADA was completed (following which HSBC financing was carried out through this bank), and in order to continue financing the Company's international activity through an international bank, the Company chose to replace the financing, as aforesaid.

It should be noted that, in general, the principles of the agreement are similar to the principles of the Company's financing agreement with HSBC.

The total financing with the bank is in a total sum of up to USD 64,425,000. The parties to the agreement are, on the one hand, the Company, TEFRON CANADA INC (a wholly owned Canadian subsidiary of the Company) (hereinafter: "Tefron Canada"), and TEFRON USA INC (a wholly owned American subsidiary of the Company) (hereinafter: "Tefron USA"), all three of them as borrowers and as guarantors, and on the other hand, the bank as the lender.

1. The financing, generally speaking, is divided as follows:

1.1 A credit line for Tefron Canada and Tefron USA (jointly) in a total amount of up to USD 50 million, which will be provided based on the amount of collateral, which will be reviewed on a monthly basis (hereinafter: the "credit line’s limit").
The eligibility for withdrawals from the credit line’s limit will be based on eligibility amounts as follows:
  a. Aggregate debt amounts of the trade receivables of Tefron Canada and Tefron USA, all in accordance with the terms of the agreement (with a multiplier of 75% - 90% according to the type of customer); plus
  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 (with a cap of USD 3,000,000 for inventory in transit); and (2) USD 25 million; plus
  c. 100% of the value of the cash in the bank accounts of Tefron Canada and Tefron USA; less
  d. Amounts guaranteed by a pledge that has priority or may have priority over the collateral given to the bank pursuant to the agreement.

1.2 A credit line for the Company in a total amount of USD 3 million

1.3 A long-term loan to the Company in the amount of USD 10 million to be repaid in 84 equal monthly payments starting one month after the completion of the agreement.

1.4 A letter of credit in the amount of USD 1,000,000 to the Company.

1.5 A Credit line for credit cards in the amount of USD 425,000.

The interest on the financing will be variable interest, which will include a margin above the base interest rate, such as SOFR and/or ABR or Canadian Prime rate on Canadian dollar loans, as detailed below:

Note 5 – Significant events during the period of the report and thereafter (Cont.)

e. A new financing agreement for the Company's operations with CITIBANK CANADIAN BRANCH (Cont.)

Level	Total net debt to EBITDA ratio	ABR rate loans and Canadian prime rate loans	SOFR loans and CORRA loans
1	<1.50:1	0.50%	1.25%
2	≥1.50:1 to <2.0:1	0.75%	1.50%
3	≥2.0:1 and <3.0:1	1.00%	1.75%
4	≥ 3.0	1.25%	2.00%

"ABR rate loans" means loans bearing an ABR rate, which is the higher of (i) the prime rate (as published by the bank in New York); and (ii) the effective interest rate of the federal funds (the relevant interest rate published by the FEDERAL RESERVE (the Central Bank of the United States) as defined in the agreement) from time to time (provided that it is not lower than zero at any given time) plus 0.5%;

"SOFR loans" means loans bearing a SOFR rate that has replaced the LIBOR rate.

"CORRA loans" means loans bearing interest related to the rate published by the BANK OF CANADA (the Central Bank of Canada), all as defined in the agreement.

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

2.1 First ranking charge in Canada and the United States by Tefron Canada and Tefron USA, respectively, on all of their assets;
2.2 Floating and fixed charge first in rank in Israel on all assets of the Company;
2.3 First ranking charge on all the shares held by the Company in Tefron Canada and Tefron USA and in Lamour Hosiery (a wholly-owned subsidiary of Tefron USA).
2.4 The guarantee of the Company and its material subsidiaries (as defined in the agreement) to the debts to the bank.

3. The financing is subject to the fulfillment of the financial covenants, which will be examined quarterly on the basis of the financial statements of the Company on a consolidated basis, as follows:

a. Debt service cover ratio of at least 1.20 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 3.5 times

4. In accordance with the agreement, the Company and its material subsidiaries (as defined in the agreement) in connection with the financing are subject, *inter alia*, to the following restrictions:

a. A negative pledge by the Company and its material subsidiaries (excluding pledges permitted under the agreement);

Note 5 – Significant events during the period of the report and thereafter (Cont.)

e. A new financing agreement for the Company's operations with CITIBANK CANADIAN BRANCH (Cont.)

b. Until full repayment of the provided credits, the Company will continue to hold, directly or indirectly, full ownership of each of its subsidiaries;
c. The Lieberman family will continue to hold control of the Company;
d. The total amount of annual investments of the Company and its subsidiaries that are party to the agreement shall not exceed USD 12 million per year during the first two years after the completion of the agreement and USD 9 million per year thereafter;
e. Taking any loans as defined in the agreement is not permitted;
f. The total amount of dividends to be distributed by the Company, to the extent that they are distributed, will not cumulatively exceed (i) USD 2,000,000 in 2024, (ii) USD 2,000,000 in 2025, (iii) USD 4,000,000 in 2026, and (iv) Any amount agreed upon annually by the bank for each subsequent year during the term of this agreement, provided that in any case after each distribution of the aforementioned dividend, the debt to EBITDA ratio shall not exceed 3 times.

5. The agreement determines that the financing is at the bank's full discretion, and accordingly, the bank may demand its repayment at any time. Notwithstanding the aforementioned and additionally, in the framework of the agreement, accepted grounds for immediate repayment were determined, granting the bank the right to call for immediate repayment of all liabilities to it, including upon the occurrence of a breach of the agreement and/or a breach of agreements or other documents relating to the provision of the credit in an amount exceeding USD 2,000,000.

On July 11, 2024, the provision of the aforementioned alternative financing was completed, and the repayment of the aforementioned HSBC financing was carried out.

Note 6 – 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 nine-month period ended September 30, 2024			For the nine-month period ended September 30, 2023		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited					
	US dollars in thousands					
Total segment revenues from external parties	66,932	163,499	230,431	44,070	137,564	181,634
Direct profit	10,274	15,451	25,725	6,020	12,736	18,756
Indirect costs	(1,629)	(3,160)	(4,789)	(1,080)	(2,573)	(3,653)
Segment results	8,645	12,291	20,936	4,940	10,163	15,103
Financing expenses, net			(3,357)			(3,818)
Tax expenses			(4,387)			(3,099)
Net income			13,192			8,186

Note 6 – Operating segments (Cont.)

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

	For the three-month period ended September 30, 2024			For the three-month period ended September 30, 2023		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited					
	US dollars in thousands					
Total segment revenues from external parties	28,014	48,368	76,382	15,353	45,877	61,230
Direct profit	3,940	4,620	8,560	2,248	4,723	6,971
Indirect costs	(699)	(1,052)	(1,751)	(354)	(894)	(1,248)
Segment results	3,241	3,568	6,809	1,894	3,829	5,723
Financing expenses, net			(1,116)			(1,287)
Tax expenses			(1,323)			(1,096)
Net income			4,370			3,340

	For the year ended December 31, 2023		
	Brands	Retail	Total
	Audited		
	US dollars in thousands		
Total segment revenues from external parties.	66,701	176,762	243,463
Direct profit	11,527	13,215	24,742
Indirect costs	(1,670)	(3,528)	(5,198)
Segment results	9,857	9,687	19,544
Financing expenses, net			(5,088)
Tax expenses			(3,523)
Net income			10,933

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 7 – 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.