

TEFRON LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2025
(UNAUDITED)

TEFRON LTD.

Condensed Consolidated Financial Statements **as of June 30, 2025**

(Unaudited)

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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 June 30, 2025, and the condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the periods of six 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, August 13, 2025

Tel Aviv – Headquarters

Azrieli Center 1, Tel Aviv, P.O.B. 16593, Tel Aviv 6116402 | Tel: 03-6085555 | info@deloitte.co.il

TEFRON LTD.
Condensed Consolidated Balance Sheets

	As of June 30,		As of
	2025	2024	December 31,
	(Unaudited)		2024
			Audited
	US dollars in thousands		
ASSETS:			
CURRENT ASSETS			
Cash	7,511	8,848	6,216
Trade receivables, net	51,802	50,034	49,582
Other receivables	5,248	6,897	4,237
Inventory	47,635	49,955	48,476
Total current assets	112,196	115,734	108,511
NON-CURRENT ASSETS			
Property, plant and equipment, net	32,209	22,687	25,781
Right-of-use asset, net	10,350	4,851	6,781
Intangible assets, net	6,473	9,322	8,375
Long-term receivables	438	330	339
Total non-current assets	49,470	37,190	41,276
Total Assets	161,666	152,924	149,787

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

TEFRON LTD.
Condensed Consolidated Balance Sheets

	As of June 30,		As of
	2025	2024	December 31,
	(Unaudited)		2024
	Audited		
	US dollars in thousands		
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES			
Bank credit	10,000	7,000	5,000
Trade payables	47,119	52,565	44,726
Other payables	8,200	11,523	10,571
Current maturities of lease liabilities	3,332	2,157	2,141
Total current liabilities	68,651	73,245	62,438
NON-CURRENT LIABILITIES			
Liabilities for benefits to employees, net	1,206	1,158	1,203
Long-term payables	3,678	4,959	4,095
Lease liabilities	7,026	3,229	4,950
Deferred taxes, net	168	93	309
Total non-current liabilities	12,078	9,439	10,557
EQUITY			
Share capital	35,982	35,601	35,753
Additional paid-in capital	101,406	101,111	101,401
Reserve for remeasurement of defined benefit plan	(2,314)	(2,299)	(2,314)
Accumulated deficit	(47,680)	(57,159)	(50,869)
Treasury shares	(7,408)	(7,408)	(7,408)
Other capital reserves	951	394	229
Total equity	80,937	70,240	76,792
Total liabilities and equity	161,666	152,924	149,787

August 13, 2025			
Date of approval of the financial statements	Yossi Shachak	Ben Lieberman	Gregory Davidson
	Chairman of the Board	CEO	CFO

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

TEFRON LTD.

Condensed Consolidated Statements of Income

	For the six-month period ended June 30,		For the three-month period ended June 30,		For the year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)				
	US dollars in thousands				
	(excluding data on income per share)				
Sales	127,883	154,049	68,824	78,469	293,863
Cost of sales	100,405	119,044	54,173	61,373	227,383
Gross profit	27,478	35,005	14,651	17,096	66,480
Development expenses	3,476	3,579	1,829	1,766	7,091
Selling and marketing expenses	13,297	14,536	6,567	7,112	29,684
General and administrative expenses	2,683	2,763	1,448	1,442	5,961
Operating profit	8,022	14,127	4,807	6,776	23,744
Financing income	77	95	7	58	167
Financing expenses	(1,617)	(2,336)	(844)	(1,138)	(4,352)
Financing expenses, net	(1,540)	(2,241)	(837)	(1,080)	(4,185)
Income before taxes on income	6,482	11,886	3,970	5,696	19,559
Tax income	(1,233)	(3,064)	(576)	(1,180)	(4,447)
Net income	5,249	8,822	3,394	4,516	15,112
<u>Income per share (in dollars)</u>					
Basic income per share	0.41	0.70	0.27	0.35	1.20
Diluted income per share	0.39	0.66	0.26	0.33	1.13

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

TEFRON LTD.

Condensed Consolidated Statements of Comprehensive Income

	For the six-month period ended June 30,		For the three-month period ended June 30,		For the year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
Net income	5,249	8,822	3,394	4,516	15,112
Other comprehensive income (loss)					
<u>Amounts that will not be reclassified</u> <u>thereafter to the statements of income (net</u> <u>of tax):</u>					
Loss from remeasurement of defined benefit plans	-	-	-	-	(15)
Subtotal of items that will not be reclassified thereafter to the statements of income	-	-	-	-	(15)
<u>Amounts that will be reclassified or are</u> <u>reclassified to the statements of income</u> <u>provided that specific terms are met:</u>					
Foreign currency translation differences in respect of foreign operations	722	(215)	484	(215)	(380)
Total items that shall be reclassified or are reclassified to the statements of income	722	(215)	484	(215)	(380)
Total other comprehensive income (loss)	722	(215)	484	(215)	(395)
Total comprehensive income attributed to the Company's shareholders	5,971	8,607	3,878	4,301	14,717

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

TEFRON LTD.

Condensed Consolidated Statements of Changes in Shareholders' Equity

	For the six-month period ended June 30, 2025						Total Equity
	Share capital	Additional paid in capital	Reserve for the remeasurement of defined benefit plan	Accumulated deficit	Treasury shares	Other capital reserves	
	US dollars in thousands						
<u>Balance as of January 1, 2025</u>	35,753	101,401	(2,314)	(50,869)	(7,408)	229	76,792
Net income	-	-	-	5,249	-	-	5,249
Other comprehensive income	-	-	-	-	-	722	722
Share based payment to employees and consultants	-	234	-	-	-	-	234
Issue of shares from the exercise of options	229	(229)	-	-	-	-	-
Dividend paid	-	-	-	(2,060)	-	-	(2,060)
<u>Balance as of June 30, 2025 (Unaudited)</u>	<u>35,982</u>	<u>101,406</u>	<u>(2,314)</u>	<u>(47,680)</u>	<u>(7,408)</u>	<u>951</u>	<u>80,937</u>
	For the six-month period ended June 30, 2024						Total Equity
	Share capital	Additional paid in capital	Reserve for the remeasurement of defined benefit plan	Accumulated deficit	Treasury shares	Other capital reserves	
	US dollars in thousands						
<u>Balance as of January 1, 2024</u>	35,065	101,201	(2,299)	(63,986)	(7,408)	609	63,182
Net income	-	-	-	8,822	-	-	8,822
Other comprehensive loss	-	-	-	-	-	(215)	(215)
Share based payment to employees and consultants	-	446	-	-	-	-	446
Issue of shares from the exercise of options	536	(536)	-	-	-	-	-
Dividend paid	-	-	-	(1,995)	-	-	(1,995)
<u>Balance as of June 30, 2024 (Unaudited)</u>	<u>35,601</u>	<u>101,111</u>	<u>(2,299)</u>	<u>(57,159)</u>	<u>(7,408)</u>	<u>394</u>	<u>70,240</u>

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

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Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three-month period ended June 30, 2025

	Share capital	Additional paid in capital	Reserve for the remeasurement of defined benefit plan	Accumulated deficit	Treasury shares	Other capital reserves	Total Equity
US dollars in thousands							
<u>Balance as of April 1, 2025 (Unaudited)</u>	35,982	101,289	(2,314)	(51,074)	(7,408)	467	76,942
Net income	-	-	-	3,394	-	-	3,394
Other comprehensive income	-	-	-	-	-	484	484
Share based payment to employees and consultants	-	117	-	-	-	-	117
<u>Balance as of June 30, 2025 (Unaudited)</u>	<u>35,982</u>	<u>101,406</u>	<u>(2,314)</u>	<u>(47,680)</u>	<u>(7,408)</u>	<u>951</u>	<u>80,937</u>

For the three-month period ended June 30, 2024

	Share capital	Additional paid in capital	Reserve for the remeasurement of defined benefit plan	Accumulated deficit	Treasury shares	Other capital reserves	Total Equity
US dollars in thousands							
<u>Balance as of April 1, 2024 (Unaudited)</u>	35,153	101,345	(2,299)	(61,675)	(7,408)	609	65,725
Net income	-	-	-	4,516	-	-	4,516
Other comprehensive loss	-	-	-	-	-	(215)	(215)
Share based payment to employees and consultants	-	214	-	-	-	-	214
Issue of shares from the exercise of options	448	(448)	-	-	-	-	-
<u>Balance as of June 30, 2024 (Unaudited)</u>	<u>35,601</u>	<u>101,111</u>	<u>(2,299)</u>	<u>(57,159)</u>	<u>(7,408)</u>	<u>394</u>	<u>70,240</u>

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

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Condensed Consolidated Statements of Changes in Shareholders' Equity

As of December 31, 2024

	Share capital	Additional paid in capital	Reserve for the remeasurement of defined benefit plan	Accum. deficit	Treasury shares	Other capital reserves	Total Equity
	US dollars in thousands						
<u>Balance as of January 1, 2024</u>	35,065	101,201	(2,299)	(63,986)	(7,408)	609	63,182
Net income	-	-	-	15,112	-	-	15,112
Other comprehensive loss	-	-	(15)	-	-	(380)	(395)
Issue of shares from the exercise of options	688	(688)	-	-	-	-	-
Share based payment to employees and consultants	-	888	-	-	-	-	888
Dividend paid	-	-	-	(1,995)	-	-	(1,995)
<u>Balance as of December 31, 2024</u>	<u>35,753</u>	<u>101,401</u>	<u>(2,314)</u>	<u>(50,869)</u>	<u>(7,408)</u>	<u>229</u>	<u>76,792</u>

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

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Condensed Consolidated Statements of Cash Flows

	For the six-month period ended June 30,		For the three-month period ended June 30,		For the year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
<u>Cash flows from operating activities</u>					
Net income	5,249	8,822	3,394	4,516	15,112
Adjustments required to present cash flows from operating activities:					
Adjustments to the statement of income items:					
Depreciation and amortization	3,627	3,986	1,697	2,045	8,108
Cost of share-based payment	(107)	631	238	252	1,370
Loss due to impairment of slow inventory	613	445	469	349	965
	4,133	5,062	2,404	2,646	10,443
Change in deferred taxes, net	(141)	1,584	(86)	575	1,800
Change in liabilities for benefits to employees, net	3	(141)	47	(157)	(111)
Lease interest	280	148	142	68	300
Royalty interest	138	110	62	62	280
Taxes on income paid in cash, net	1,510	55	1,401	117	495
Interest expenses paid in cash	991	2,101	448	821	3,253
	2,781	3,857	2,014	1,486	6,017
Changes in asset and liability items:					
Increase in trade receivables	(2,036)	(5,289)	(11,701)	(3,209)	(4,875)
Decrease (increase) in other receivables	(989)	(3,135)	475	(2,082)	(569)
Decrease (increase) in inventory	438	5,075	1,758	(1,098)	6,000
Increase in trade payables	2,686	9,245	4,154	7,142	1,831
Increase in other payables	(320)	1,080	(575)	766	699
	(221)	6,976	(5,889)	1,519	3,086
Cash paid and received during the period for:					
Interest paid	(991)	(2,101)	(448)	(821)	(3,253)
Taxes paid	(1,510)	(121)	(1,401)	(117)	(758)
Taxes received	-	66	-	-	263
	(2,501)	(2,156)	(1,849)	(938)	(3,748)
Net cash provided from operating activities	9,441	22,561	74	9,229	30,910

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

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Condensed Consolidated Statements of Cash Flows

	For the six-month period ended June 30,		For the three-month period ended June 30,		For the year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
Cash flows from investing activities					
Purchase of fixed assets	(8,008)	(3,553)	(4,202)	(1,905)	(8,362)
Purchase of intangible assets	(321)	(301)	(67)	(198)	(663)
Net cash used for investing activities	(8,329)	(3,854)	(4,269)	(2,103)	(9,025)
Cash flows from financing activities					
Short-term bank credit, net	5,000	1,000	8,000	7,000	(1,000)
Repayment of long-term loans	-	(9,107)	-	(8,743)	(9,107)
Repayment of a liability for the acquisition of operations	(376)	(494)	(178)	(235)	(987)
Repayment of long-term credit for fixed assets	(435)	(416)	(201)	(183)	(836)
Payment of dividend	(2,060)	(1,995)	(2,060)	(1,995)	(1,995)
Repayment of lease liability	(1,406)	(1,442)	(720)	(709)	(2,747)
Repayment of royalty liability	(630)	(780)	(78)	(254)	(2,214)
Net cash used for financing activities	93	(13,234)	4,763	(5,119)	(18,886)
Exchange rate volatility	90	54	42	54	(104)
Increase in cash and cash equivalents	1,295	5,527	610	2,061	2,895
Balance of cash and cash equivalents at beginning of period	6,216	3,321	6,901	6,787	3,321
Balance of cash and cash equivalents at end of period	7,511	8,848	7,511	8,848	6,216
Appendix a – Significant non-cash transactions					
Recognition of right-of-use assets against a lease liability	4,393	-	695	-	3,065
Recognition of franchise assets against a liability for minimum royalty payments	-	5,684	-	1,311	5,684

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

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Notes to the Condensed Consolidated Financial Statements

Note 1 – General

- a. These financial statements were prepared in a condensed format as of June 30, 2025, and for the periods of six months and three months then ended (hereinafter – “interim consolidated financial statements”). These statements should be read together with Tefron Ltd.'s (hereinafter - “the Company”) annual financial statements as of December 31, 2024, 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 the provisions of Regulation 5D(6) and 5E(c) of the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter: “the reporting regulations”). In addition, in accordance with Regulation 9C(c) of the reporting regulations, the Company believes that the separate financial data of the Company is negligible from a qualitative standpoint, despite its quantitative scope, the reason for which is mainly due to the fact that as stated in Note 14(2) to the annual consolidated financial statements, the Group’s credit agreement with the lending bank refers to Tefron Group as a whole with cross-guarantees between the entities of the Group and providing information regarding separate financial statements will not carry with it any additional material information to the reasonable investor (shareholder) or to the creditors regarding the liquidity risk of the parent company, that is not already included in the framework of the consolidated financial statements of the Company.

Note 2 – Significant accounting principles

a. Basis for the preparation of the financial statements:

The consolidated financial statements (hereinafter – “interim financial statements”) have been prepared in accordance with International Accounting Standard IAS 34 – “Financial Reporting for Interim Periods” (hereinafter – “IAS 34”).

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, 2024, and for the year then ended.

The consolidated financial statements were prepared in accordance with the disclosure requirements in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

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.

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Notes to the Condensed Consolidated Financial Statements

Note 3 – Meeting the financial covenants

As of June 30, 2025, the Company met the financial covenants set forth in the financing agreement with the Company's financing bank, CITIBANK CANADIAN BRANCH, as detailed as follows:

Debt service cover ratio of at least 1.20 times, was 3.22.

Debt to EBITDA ratio (as defined in the financing agreement) of no more than 3.50 times was 0.23.

Note 4 - Significant events during the period of the report and thereafter

a. Dividend distribution:

On March 23, 2025, the Company announced, after receiving the 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). On April 23, 2025, the dividend was paid.

b. “Iron Swords” War:

On October 7, 2023, the “Iron Swords” War (“the war”) broke out in Israel following a surprise attack by Hamas from the Gaza Strip on the State of Israel. This war has been ongoing as of the date of publication of this report. On June 13, 2025, Israel launched an attack on Iran, as part of operation “Rising Lion” which lasted 12 days, with the aim of causing damage and destroying Iranian nuclear infrastructure and weapons. In response, Iran attacked military and civilian targets in Israel with hundreds of ballistic missiles and unmanned aerial vehicles. On June 24, 2025, following a U.S. strike in Iran, the parties entered into a ceasefire agreement.

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 experience during the ongoing war till these days, 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 long and intensive war in particular, and a regional war in general, 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.

c. Imposing additional tariffs on products imported from China to the United States

At the beginning of March 2025, the president of the United States announced the implementation of an additional tariff of 10% on products imported from China to the United States (hereinafter: the "additional tariff order"), after an additional tariff of 10% had already been imposed at the beginning of February 2025. Therefore, as of the beginning of 2025, a total of 20% tariffs were imposed on products imported from China to the United States. Once the new order was published, the Company estimated that the additional tariff order may reduce the Company's profitability with respect to sales of products sold by the Company and manufactured in China. Assuming that these sales will be similar to the Company's sales of these products in 2024, the aforementioned reduction in profitability may affect the Company's pre-tax profit in 2025 by an estimated amount of USD 2-3 million. The aforementioned depends on the pace of the Company's ability to transfer the production process of these products from China to other countries, as it is carried out by

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Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant events during the period of the report and thereafter (Cont.)

c. Imposing additional tariffs on products imported from China to the United States (Cont.)

the Company and on the results of negotiations with both the suppliers of these products and the customers who purchase these products regarding changes in the purchase prices of the products and their selling prices to customers, and accordingly, the Company assessed that a material change may occur in the aforementioned estimation.

On April 2, 2025, the president of the United States signed an order, according to which the United States imposed additional tariffs at various rates on countries that export their products to the United States (hereinafter: the "tariff order"). On the surface, the tariff order appears to create a competitive advantage for the Company over its competitors that, similarly to the Company, manufacture seamless products, due to the location of the Company's plant in Jordan. Since the date of the tariff order on April 9, 2025, the additional tariffs have been reduced to a rate of 10% for all of the countries for 90 days, excluding China, in order to hold negotiations between the United States and the producing countries. On May 12, 2025, the additional tariffs between the United States and China were reduced to 30% for 90 days for the purpose of negotiations between the United States and China. Since that date, the United States has reached specific agreements with certain countries regarding the tariff rates applicable to them, at varying percentages. At the same time, the negotiations with China continue, as well as negotiations with other countries. In addition, during this period, the United States has unilaterally announced various tariff rates in relation to other countries; for example, the tariff rate imposed on Israel is 15%, which is also the tariff rate applicable to Jordan. However, it is not certain that the issue of tariff rates has been fully resolved.

It appears that as of the date of publication of the report, the competitive advantage mentioned above that relates to the plant in Jordan is still valid, although the narrowing of the gap between the tariff rates applicable to Jordan and those applicable to certain East Asian countries, such as Vietnam, which is subject to a 20% tariff, may reduce this advantage in comparison with these specific countries. Nevertheless, as of the date of this report, the Company is unable to assess the overall effects of the tariff rates imposed by the United States in its relations with countries around the world on the Company's operations, due to the frequent changes in this matter and the large number of countries affected by this matter.

d. Convening of an extraordinary general meeting of the shareholders

On March 19, 2025, the extraordinary general meeting of the shareholders of the Company approved the renewal of the indemnity letters of Messrs. Ben and Martin Lieberman, directors and officers of the Company, who are the controlling shareholders of the Company.

e. Amendment to the Company's financing agreement with the financing bank CITIBANK CANADIAN BRANCH

On June 30, 2025, an amendment was signed to the Company's financing agreement with the bank which finances its operations, Citibank Canadian Branch (hereinafter: the "financing agreement" and the "amendment", respectively).

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Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant events during the period of the report and thereafter (Cont.)

e. Amendment to the Company's financing agreement with the financing bank CITIBANK CANADIAN BRANCH (Cont.)

Under the amendment, several provisions of the financing agreement were revised as follows:

1. In accordance with the financing agreement, the eligibility for withdrawals from the credit line (as defined in the financing agreement) shall be based, among other things, on 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. Pursuant to the amendment, the cap for inventory in transit was increased to USD 10,000,000.
2. In lieu of the long-term loan mentioned in the financing agreement, a long-term loan in the same amount of USD 10,000,000 was received on July 2, 2025, and it shall be repaid in 48 equal monthly installments of USD 85,000 each, the first of which shall be due 30 days from the loan disbursement date, and the remaining balance of the loan, including interest, shall be repaid in a single payment on July 9, 2029. The loan bears interest based on the SOFR rate, with a margin of 2.15% above the base rate.
3. The cap on the Company's annual investments under the financing agreement was set at USD 12,000,000 per year during the first two years following the execution of the financing agreement. Pursuant to the amendment, the investment cap for 2025 was increased to USD 17,000,000.

f. Convening of an Extraordinary General Meeting for the reappointment of an external director

Subsequent to the reporting date, on July 24, 2025, the Company announced the convening of an Extraordinary General Meeting to be held on September 3, 2025, to approve the reappointment of Prof. Shoshana Anily for a third term as an external director of the Company, after the Board of Directors resolved on July 21, 2025, to propose her candidacy for an additional term. It should be noted that Prof. Anily's second term as an external director is set to expire on September 4, 2025.

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Notes to the Condensed Consolidated Financial Statements

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 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 six-month period ended June 30, 2025			For the six-month period ended June 30, 2024		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited					
	Dollars thousand					
Total segment revenues	<u>26,394</u>	<u>101,489</u>	<u>127,883</u>	<u>38,918</u>	<u>115,131</u>	<u>154,049</u>
Cost of goods sold	<u>22,899</u>	<u>77,506</u>	<u>100,405</u>	<u>29,717</u>	<u>89,327</u>	<u>119,044</u>
Gross profit	<u>3,495</u>	<u>23,983</u>	<u>27,478</u>	<u>9,201</u>	<u>25,804</u>	<u>35,005</u>
Segment results	<u>60</u>	<u>7,962</u>	<u>8,022</u>	<u>5,404</u>	<u>8,723</u>	<u>14,127</u>
Financing expenses, net			<u>(1,540)</u>			<u>(2,241)</u>
Tax expenses			<u>(1,233)</u>			<u>(3,064)</u>
Net income			<u>5,249</u>			<u>8,822</u>

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Notes to the Condensed Consolidated Financial Statements

Note 5 - Operating segments (Cont.)

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

	For the three-month period ended June 30, 2025			For the three-month period ended June 30, 2024		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited					
	Dollars thousand					
Total segment revenues	13,730	55,094	68,824	17,828	60,641	78,469
Cost of goods sold	11,903	42,270	54,173	13,751	47,622	61,373
Gross profit	1,827	12,824	14,651	4,077	13,019	17,096
Segment results	38	4,769	4,807	2,287	4,489	6,776
Financing expenses, net			(837)			(1,080)
Tax expenses			(576)			(1,180)
Net income			3,394			4,516

	For the year ended December 31, 2024		
	Brands	Retail	Total
	Audited		
	Dollars thousand		
Total segment revenues from external customers	94,250	199,613	293,863
Cost of goods sold	72,692	154,691	227,383
Gross profit	21,558	44,922	66,480
Segment results	11,400	12,344	23,744
Financing expenses, net			(4,185)
Tax expenses			(4,447)
Net profit			15,112

- c. Regarding splitting revenue from contracts with customers into groups that 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 6 - 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.