

TEFRON LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2025

(UNAUDITED)

TEFRON LTD.

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

(Unaudited)

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

Introduction

We have reviewed the accompanying financial information of **Tefron Ltd.** and its subsidiaries (hereinafter - "the Company"), which includes the condensed consolidated statement of financial position as of September 30, 2025, and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of nine and three months ended on that date. The Board of directors and Management are responsible for the preparation and presentation of the financial information in accordance with International Accounting Standard IAS 34, "Financial Reporting for Interim Periods", and are also responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure requirements 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 20, 2025

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Tefron Ltd.**Condensed Consolidated Balance Sheets**

	<u>As of September 30,</u>		<u>As of</u>
	<u>2025</u>	<u>2024</u>	<u>December 31,</u>
	<u>(Unaudited)</u>		<u>Audited</u>
	<u>US dollars in thousands</u>		
ASSETS			
CURRENT ASSETS			
Cash	3,723	6,078	6,216
Trade receivables, net	37,566	52,077	49,582
Other receivables	7,022	5,927	4,237
Inventory	50,131	46,183	48,476
Total current assets	<u>98,442</u>	<u>110,265</u>	<u>108,511</u>
NON-CURRENT ASSETS			
Property, plant and equipment, net	36,299	24,671	25,781
Right-of-use asset, net	9,895	7,341	6,781
Intangible assets, net	6,885	8,897	8,375
Long-term receivables	440	346	339
Deferred taxes, net	430	-	-
Total non-current assets	<u>53,949</u>	<u>41,255</u>	<u>41,276</u>
Total Assets	<u>152,391</u>	<u>151,520</u>	<u>149,787</u>

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
	2025	2024	December 31,
	(Unaudited)		2024
	Audited		
	US dollars in thousands		
LIABILITIES			
CURRENT LIABILITIES			
Bank credit	6,020	7,000	5,000
Trade payables	36,030	43,931	44,726
Other payables	7,930	11,302	10,571
Current maturities of lease liabilities	3,313	2,583	2,141
Total current liabilities	53,293	64,816	62,438
NON-CURRENT LIABILITIES			
Loans from banks	8,725	-	-
Liabilities for benefits to employees, net	1,203	1,168	1,203
Long-term payables	3,572	4,962	4,095
Lease liabilities	6,445	5,064	4,950
Deferred taxes, net	-	401	309
Total non-current liabilities	19,945	11,595	10,557
EQUITY			
Share capital	35,982	35,680	35,753
Additional paid-in capital	101,523	101,245	101,401
Reserve for remeasurement of defined benefit plan	(2,314)	(2,299)	(2,314)
Accumulated deficit	(49,580)	(52,789)	(50,869)
Treasury shares	(7,408)	(7,408)	(7,408)
Other capital reserves	950	680	229
Total equity	79,153	75,109	76,792
Total liabilities and equity	152,391	151,520	149,787

November 20, 2025

**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,
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		(Audited)
	US dollars in thousands (Excluding data on earnings per share)				
Sales	182,443	230,431	54,560	76,382	293,863
Cost of sales	144,742	177,021	44,337	57,977	227,383
Gross profit	37,701	53,410	10,223	18,405	66,480
Development expenses	5,343	5,408	1,867	1,829	7,091
Selling and marketing expenses	20,702	22,687	7,405	8,151	29,684
General and administrative expenses	4,052	4,379	1,369	1,616	5,961
Operating profit (loss)	7,604	20,936	(418)	6,809	23,744
Financing income	77	155	-	60	167
Financing expenses	(2,783)	(3,512)	(1,166)	(1,176)	(4,352)
Financing expenses, net	(2,706)	(3,357)	(1,166)	(1,116)	(4,185)
Income (loss) before taxes on income	4,898	17,579	(1,584)	5,693	19,559
Tax on income	(1,549)	(4,387)	(316)	(1,323)	(4,447)
Net income (loss)	3,349	13,192	(1,900)	4,370	15,112
<u>Earnings per share (in dollars)</u>					
Basic earnings (loss) per share	0.26	1.05	(0.15)	0.35	1.20
Diluted earnings (loss) per share	0.25	0.98	(0.15)	0.32	1.13

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

Condensed Consolidated Statements of Comprehensive Income

Tefron Ltd.

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
Net income (loss)	3,349	13,192	(1,900)	4,370	15,112
Other comprehensive income (loss) (after the effect of the tax):					
<u>Amounts that will not be reclassified subsequently to the statements of income:</u>					
Loss from remeasurement of defined benefit plans	-	-	-	-	(15)
Subtotal of items that will not be reclassified subsequently to the statements of income	-	-	-	-	(15)
<u>Amounts that will be reclassified or are reclassified to the statements of income provided that specific terms are met:</u>					
Foreign currency translation differences in respect of foreign operations	721	71	(1)	286	(380)
Total items that shall be reclassified or are reclassified to the statements of income	721	71	(1)	286	(380)
Total other comprehensive income (loss)	721	71	(1)	286	(395)
Total comprehensive income (loss) attributed to the Company's shareholders	4,070	13,263	(1,901)	4,656	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

	Share capital	Additional paid in capital	Reserve for actuarial losses	Accumulated deficit	Treasury shares	Other capital reserves	Total Equity
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	-	-	-	3,349	-	-	3,349
Other comprehensive income	-	-	-	-	-	721	721
Share-based payment to employees and consultants	-	351	-	-	-	-	351
Issue of shares from options exercised	229	(229)	-	-	-	-	-
Dividend paid	-	-	-	(2,060)	-	-	(2,060)
<u>Balance as of September 30, 2025, (Unaudited)</u>	<u>35,982</u>	<u>101,523</u>	<u>(2,314)</u>	<u>(49,580)</u>	<u>(7,408)</u>	<u>950</u>	<u>79,153</u>

	Share capital	Additional paid in capital	Reserve for actuarial losses	Accumulated 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	-	-	-	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)
<u>Balance as of September 30, 2024, (Unaudited)</u>	<u>35,680</u>	<u>101,245</u>	<u>(2,299)</u>	<u>(52,789)</u>	<u>(7,408)</u>	<u>680</u>	<u>75,109</u>

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							
<u>Balance as of July 1, 2025</u>							
<u>(Unaudited)</u>	35,982	101,406	(2,314)	(47,680)	(7,408)	951	80,937
Net loss	-	-	-	(1,900)	-	-	(1,900)
Other comprehensive loss	-	-	-	-	-	(1)	(1)
Share-based payment to employees and consultants	-	117	-	-	-	-	117
<u>Balance as of September 30, 2025</u>							
<u>(Unaudited)</u>	35,982	101,523	(2,314)	(49,580)	(7,408)	950	79,153

	Share Capital	Additional paid in capital	Reserve for actuarial losses	Accum. deficit	Treasury Shares	Other capital reserves	Total equity
US dollars in thousands							
<u>Balance as of July 1, 2024</u>							
<u>(Unaudited)</u>	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)	-	-	-	-	-
<u>Balance as of September 30, 2024</u>							
<u>(Unaudited)</u>	35,680	101,245	(2,299)	(52,789)	(7,408)	680	75,109

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 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
Total 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.

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,
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
<u>Cash flows from operating activities</u>					
Net income (loss)	3,349	13,192	(1,900)	4,370	15,112
Adjustments required to present cash flows from operating activities:					
Adjustments to the statement of income items:					
Depreciation and amortization	5,386	6,045	1,759	2,059	8,108
Cost of share-based payment	33	981	140	350	1,370
Loss due to impairment of slow inventory	1,229	1,022	616	577	965
	<u>6,648</u>	<u>8,048</u>	<u>2,515</u>	<u>2,986</u>	<u>10,443</u>
Change in deferred taxes, net	(739)	1,892	(598)	308	1,800
Change in liabilities for benefits to employees, net	-	(131)	(3)	10	(111)
Recorded lease interest	414	208	134	60	300
Royalty interest	206	198	68	88	280
Taxes on income paid in cash, net	2,960	197	1,450	142	495
Interest expenses paid in cash	1,560	2,807	569	706	3,253
	<u>4,401</u>	<u>5,171</u>	<u>1,620</u>	<u>1,314</u>	<u>6,017</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables	12,157	(7,297)	14,193	(2,008)	(4,875)
Decrease (increase) in other receivables	(2,816)	(2,199)	(1,827)	936	(569)
Decrease (increase) in inventory	(2,624)	8,292	(3,062)	3,217	6,000
Increase (decrease) in trade payables	(8,331)	838	(11,017)	(8,407)	1,831
Increase (decrease) in other payables	(430)	1,560	(110)	480	699
	<u>(2,044)</u>	<u>1,194</u>	<u>(1,823)</u>	<u>(5,782)</u>	<u>3,086</u>
Cash paid and received during the period for:					
Interest paid	(1,560)	(2,807)	(569)	(706)	(3,253)
Taxes paid	(2,960)	(460)	(1,450)	(339)	(758)
Taxes received	-	263	-	197	263
	<u>(4,520)</u>	<u>(3,004)</u>	<u>(2,019)</u>	<u>(848)</u>	<u>(3,748)</u>
Net cash provided from (used for) operating activities	7,834	24,601	(1,607)	2,040	30,910

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,
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
<u>Cash flows from investing activities</u>					
Purchase of fixed assets	(13,033)	(6,332)	(5,025)	(2,779)	(8,362)
Purchase of intangible assets	(500)	(482)	(179)	(181)	(663)
Net cash used for investing activities	(13,533)	(6,814)	(5,204)	(2,960)	(9,025)
<u>Cash flows from financing activities</u>					
Short-term bank credit, net	-	1,000	(5,000)	-	(1,000)
Receipt of a long-term loan	10,000	-	10,000	-	-
Repayment of long-term loans	(255)	(9,107)	(255)	-	(9,107)
Repayment of a liability for the acquisition of operations	(960)	(683)	(584)	(189)	(987)
Repayment of long-term credit for fixed assets	(488)	(658)	(53)	(242)	(836)
Payment of dividend	(2,060)	(1,995)	-	-	(1,995)
Repayment of a lease liability	(2,141)	(2,095)	(735)	(653)	(2,747)
Repayment of royalties' liability	(833)	(1,623)	(203)	(843)	(2,214)
Net cash provided from (used for) financing activities	3,263	(15,161)	3,170	(1,927)	(18,886)
Exchange rate volatility	(57)	131	(147)	77	(104)
Increase (decrease) in cash and cash equivalents	(2,493)	2,757	(3,788)	(2,770)	2,895
Balance of cash and cash equivalents at beginning of period	6,216	3,321	7,511	8,848	3,321
Balance of cash and cash equivalents at end of period	3,723	6,078	3,723	6,078	6,216

Appendix a – Significant non-cash transaction:

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31,
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		Audited
	US dollars in thousands				
Recognition of right-of-use assets against a lease liability	4,393	3,065	-	3,065	3,065
Recognition of franchise assets against a liability for minimum royalty payments	535	5,684	535	-	5,684

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

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

Note 1 - General

- a. These financial statements were prepared in a condensed format, as of September 30, 2025, 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, 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 interim 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 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 September 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 3.28.

Debt to EBITDA ratio (as defined in the financing agreement) of no more than 3.50 times was 0.67.

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:

After the reporting date, on October 9, 2025, an agreement was signed to end the fighting in Gaza and to secure the return of the hostages, after more than two years of ongoing war that began on October 7, 2023, with a surprise attack by Hamas from the Gaza Strip on the State of Israel.

As of the approval date of these financial statements, the effects of the war and its conclusion on the Company's operating results are not material, as all sales and production are carried out abroad, except for the development activities, most of which are conducted in Israel, and these were also not impacted by the war. Nevertheless, as of the approval date of these financial statements, and given that this is a dynamic event characterized by significant uncertainty, the extent of the impact of various security scenarios - such as a breach of the ceasefire agreement and renewed fighting in Gaza, escalation in the West Bank, or any renewed escalation with Hezbollah or Iran - on the future operations of the Company is unknown.

Nevertheless, it should be noted that a renewed deterioration into an intense and prolonged war in particular, or a regional war in general, could affect the fabric of Israel's relations with Jordan and the Company's local production in Jordan, which could have material effects, especially for 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.

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

Tefron Ltd.

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.)

products to the United States (hereinafter: 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 holding 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. At the end of October 2025, a meeting was held between the president of the United States and the president of China, at the conclusion of which they announced a one-year trade agreement was signed, which will renew annually. The agreement includes, among other things, a 10% reduction in tariffs on imports from China to a rate of 27.5%, as of November 10, 2025.

In this context, it should be noted that on November 5, 2025, the U.S. Supreme Court commenced hearings on a petition filed by various business groups and states against the administration's new tariff policy, as described above.

As a result of the new U.S. tariff policy, the Company estimates, as of the date of publication of this report, that this policy will reduce the Company's pre-tax profit for 2025, with respect to sales to be made during the year, by an estimated amount of approximately USD 2.5-3 million. Out of this amount, approximately USD 1.2 million is attributable to the nine-month period ended September 30, 2025.

Initially, it appeared that the tariff order created a competitive advantage for the Company over its competitors that, similarly to the Company, manufacture Seamless products, due to the Company's plant in Jordan. However, as of the date of publication of this report, this competitive advantage stemming from the Jordan plant has been almost entirely eliminated due to the narrowing of the gap between the tariff rates applied to Jordan and those applied to certain East Asian countries, such as Vietnam, which is subject to a 20% tariff, and even China, whose tariff was reduced to 27.5%, as aforesaid.

As of the date of publication of this report, the Company is unable to assess the overall future implications of the tariff rates imposed by the United States on the Company's operations, due to the fact that frequent changes in this matter still occur, and there is no assurance that the issue has been fully resolved. At the same time, the Company continues to take measures aimed at reducing the impact of the new tariff policy on the Company, including transferring production from China to other countries and having suppliers and customers share part of the additional costs arising from the new tariff policy.

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Notes to the Condensed Consolidated Financial Statements

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

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).

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

On September 3, 2025, the Company's shareholder meeting approved the reappointment of Prof. Shoshana Anily for a third term as an external director of the Company as of September 5, 2025, after the Board of Directors, at its meeting dated July 21, 2025, proposed her candidacy for an additional term.

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

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

g. Dismissal of a claim against the Company

After a judgment was issued on August 12, 2024, by the Haifa District Court dismissing the claim filed on January 10, 2022, against the Company and other defendants by an agent of one of the Company's machine suppliers, Real.Tex Agencies Ltd., and its shareholders, in a total amount of NIS 9 million, on the grounds of commissions that the defendants allegedly owed him, and after an appeal was filed on November 14, 2024, with the Supreme Court by the plaintiffs in that claim against the Company and other defendants, on September 11, 2025, the Supreme Court issued its judgment, given following agreements reached by the parties during the hearing held before the Supreme Court in the aforementioned appeal. Pursuant to the judgment, the District Court's ruling is vacated, the claim filed with the District Court is dismissed by consent with full and final resolution of all claims between the parties in this matter, and the Company will return to the plaintiffs an amount of NIS 300,000 out of the NIS 380,000 that had been paid to the Company by the plaintiffs as reimbursement of legal expenses pursuant to the District Court's judgment.

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.

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 5 – Operating segments (Cont.)

b. Reporting in respect of operating segments:

	For the nine-month period ended September 30, 2025			For the nine-month period ended September 30, 2024		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited					
	US dollars in thousands					
Total segment revenues from external customers	42,471	139,972	182,443	66,932	163,499	230,431
Cost of goods sold	36,827	107,915	144,742	50,895	126,126	177,021
Gross profit	5,644	32,057	37,701	16,037	37,373	53,410
Segment results	(31)	7,635	7,604	8,645	12,291	20,936
Financing expenses, net			(2,706)			(3,357)
Tax expenses			(1,549)			(4,387)
Net income			3,349			13,192

	For the three-month period ended September 30, 2025			For the three-month period ended September 30, 2024		
	Brands	Retail	Total	Brands	Retail	Total
	Unaudited					
	US dollars in thousands					
Total segment revenues from external customers	16,077	38,483	54,560	28,014	48,368	76,382
Cost of goods sold	13,928	30,409	44,337	21,178	36,799	57,977
Gross profit	2,149	8,074	10,223	6,836	11,569	18,405
Segment results	(91)	(327)	(418)	3,241	3,568	6,809
Financing expenses, net			(1,166)			(1,116)
Tax expenses			(316)			(1,323)
Net income (loss)			(1,900)			4,370

Tefron Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 5 – Operating segments (Cont.)

b. Reporting in respect of operating segments:

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

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

Note 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.