Delta Galil Industries Ltd.

2021 Periodic Report

February 14, 2022

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2021 Periodic Report

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Introduction

The Company, Delta Galil Industries Ltd., hereby submits a report describing the Corporation's business as of December 31st 2021, which reviews the description of the Corporation and the development of its business, as they occurred in 2021 ("**the Reporting Period**"). The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

The materiality of the data included in this periodic report, including the description of material transactions, has been assessed from the Company's point of view, while in some cases, additional descriptive information is given in order to provide a comprehensive picture of the matter being described.

Glossary

For the sake of convenience, in this periodic report, the following abbreviations shall be assigned the meaning listed alongside them:

"The Company" or "Delta"	Delta Galil Industries Ltd.
"The Group" or "the Delta Group"	Delta Galil Industries Ltd. and its subsidiaries
"Delta USA"	Delta Galil USA Inc.
"Delta Israel"	Delta Israel Brands Ltd.
"Schiesser"	Schiesser Group
"Eminence"	Eminence Group
"Bogart"	Bogart Group
"Dollar"	US dollar

Description of the Corporation's Business

Chapter A – Description of the General Development of the Corporation's Business

1. The Corporation's Activity and Description of the Development of its Business

The following is information on the Corporation's business, as of February 14, 2022.

1.1 The Company was incorporated in Israel in 1975 as a private company in accordance with the Companies Order. In 1982 the Company went public on the Tel Aviv Stock Exchange Ltd. On March 25, 1999, the Company issued American Depositary Shares ("**ADS**") in such manner that each ADS represents a single ordinary Company share of 1 NIS par value. ADS may be traded on the United States OTC trading arena, or on the Tel Aviv Stock Exchange Ltd. (subject to their conversion to regular Company shares). On July 31, 2020, trading in the Company's ADSs on the OTC Pink List was discontinued and the Company's ADS program was canceled.

1.2 In July 2019 the Company acquired the Bogart Group, a vertical manufacturer engaged in development and marketing of intimate apparel, mainly brassieres and swimwear for private brands of leading customers in the upper market segment in the US and Europe. Bogart was established in 1993 and is one of the largest brassiere manufacturers in the world. Bogart Group holds a number of subsidiaries in the Far East (China, Thailand, Myanmar) and owns cutting and sewing factories for the manufacture of apparel products and the manufacture of raw materials (lace and pads) for self-use and for external customers. For details regarding the total acquisition cost, see Note 6 to the Financial Statements included in Part C of this periodic report.

The Bogart Group's results were consolidated in Delta's financial statements as of the third quarter of 2019 and are included within the Private Label operating segment.

1.3 On October 1, 2020, the Company acquired Bare Necessities, a leading United States e-commerce company that markets branded intimate apparel and offers over 160 leading brands and 6,400 styles in the intimate apparel, shapewear, sleepwear, socks and swimwear categories for women.

Bare Necessities' results have been consolidated in Delta's financial statements as of October 1, 2020. For details regarding the acquisition cost, see Note 6 to the Financial Statements included in Part C of this periodic report.

1.4 On September 30, 2020, the Company announced that Delta Israel Brands Ltd., a subsidiary of the Company (hereinafter the "**Subsidiary**"), submitted an application to the Securities Authority for permission to publish a prospectus together with a draft prospectus for supplementation and a shelf prospectus. The Company further announced that on the same day, before submitting the permit application and the draft prospectus, the Company had entered into a conditional split agreement with the Subsidiary ("**the Split Agreement**"), according to which - shortly before the completion of the IPO according to the draft prospectus, the Company will transfer to the Subsidiary the Company's "Delta Israel" operating segment (excluding non-material activities), in exchange for shares issued to it by the Subsidiary.

On March 5, 2021, the Split Agreement and the transfer of the said operating segment for tax purposes was completed, retroactively as of September 30th, 2020.

On March 9, 2021, the Subsidiary shares began trading on the Tel Aviv Stock Exchange.

For further details see the immediate report dated March 4, 2021 (reference no. 2021-01-026811) included in this report by way of reference, and the Subsidiary's immediate report dated March 7, 2021 (reference no. 2021-01-027303).

1.5 Effect of the COVID-19 spread

In December 2019, or thereabouts, a pandemic caused by the Novel Coronavirus (hereinafter "**the Virus**" or "**Coronavirus**") broke out in the city of Wuhan in China.

For further details regarding the effect of the Corona Virus and the actions taken by the Company, see section 1.3.2 of the Board of Directors' Report, in Part B of this periodic report.

1.6 The Group’s sales are divided as follows:

1.6.1 <u>Sales of Branded Products</u>

Branded product sales are divided as follows:

a. Sale of products bearing brands owned by the Company such as 7 For All Mankind, Splendid, Schiesser, P.J. Salvage, Karen Neuburger, Eminence, Athena, Liabel, Delta and Fix.

The products sold within this framework largely consist of intimate apparel, socks, children’s wear, loungewear, activewear, denim and women’s outerwear.

These products are sold through chain stores owned by the Group as well as to leading retail chains such as Nordstrom, Galeria Karstadt Kaufhof, Leclerc and Carrefour.

b. Sale of products bearing brands to which the Company holds a license, such as, Converse, Wilson, Tommy Hilfiger, Columbia, Original Penguin, Calvin Klein, Spalding, Disney and more. Furthermore, the Company signed franchise agreements with adidas, Wolford and Ralph Lauren Polo in 2021.

The products sold within the framework of license agreements largely consist of intimate apparel, socks, children’s wear, loungewear and activewear. The Company pays royalties to the licensor in return for use of the brand name.

1.6.2 <u>Sale of Products bearing the Private Labels of the Customers</u>

Sales of products bearing the customer's private labels are made to leading customers such as Walmart, Target, Victoria's Secret, Athleta, Skims, Marks & Spencer, Primark, Amazon, Macy’s, Kohl's, Hema, Nike, Calvin Klein, Maidenform, Tommy Hilfiger, Spanx, Lululemon, Mack Weldon, Me Undies, Sportmaster, Under Armour, Hanes, Jockey, Adore Me, Techstyle Fashion Group, Inditex Clothing Company.

The products sold in this method mainly consist of intimate apparel, socks and activewear.

These products are sold to the customer who owns the brand, who then sells them to the consumers through their own distribution channels.

1.7 <u>Marketing, Development and Manufacturing Activity</u>

The Company markets its products in the geographic regions in which it is active in retail, through its retail chains and online – in the United States, Europe and Israel.

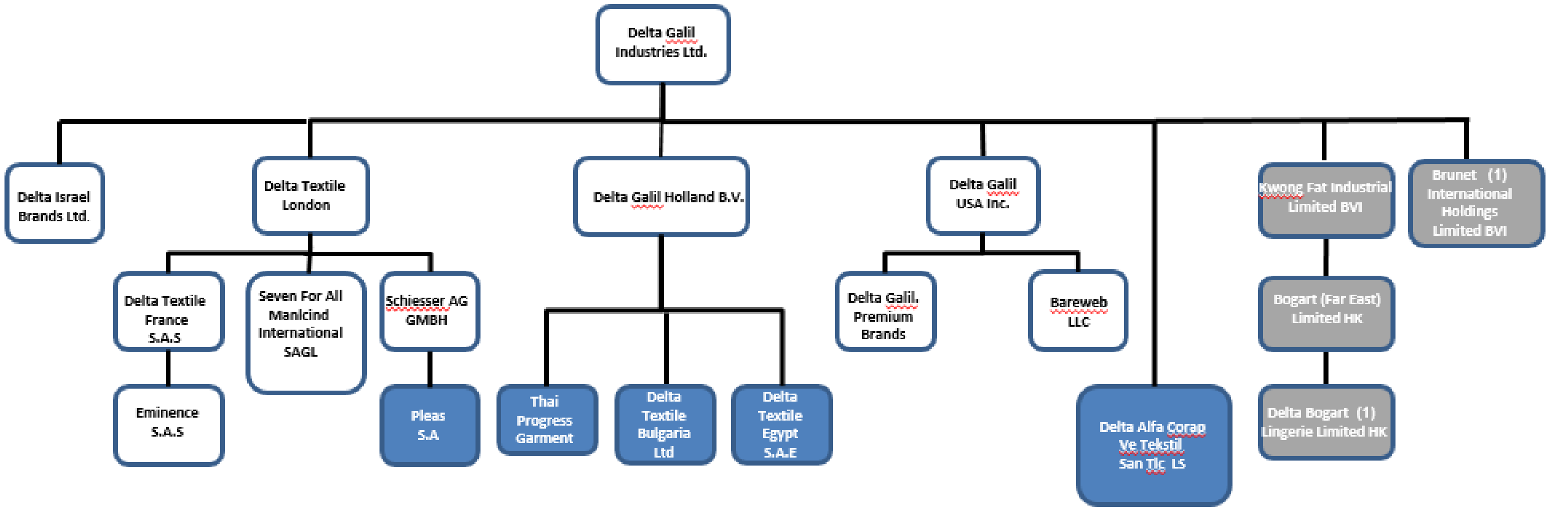
The Company designs and develops its products primarily in Israel, Germany, Switzerland, France, the US, China and Hong Kong. The Company manufactures the products it sells both via subcontracting and in its factories in the Middle East, Europe, Central America and the Far East.

Following is a chart of the structure of the Company's holdings in key subsidiaries as of December 31st 2021. All of the stakes in the following countries are 100%, with the exception of Delta Israel Brands Ltd., in which the stake is 80%.

A selection of the entities comprising Bogart Group

Manufacturing Companies

(1) These companies hold all the stakes in subsidiaries in which manufacturing operations are carried out in China, Thailand and Myanmar.



2. The Corporation’s Operating Segment

Over the past decade, the Company had five main operating segments reportable as defined in the IFRS 8 standard: Delta USA; Global Upper Market; Delta European Brands; Delta Premium Brands and Delta Israel, (each hereinafter: “Previous Area of Activity”). These Previous Areas of Activity were reportable operating segments in the Company's financial statements for the past decade, including in its statements as of March 31, 2021.

From the beginning of 2021, and in particular since the beginning of the second quarter of 2021, the Company has undergone changes--including a change in its organizational structure, its remuneration plan and its internal financial reporting method--as part of the Company’s strategic plan to market its products.

As a result of the above stated changes, the Company examined the old business segmentation. Due to the above stated changes in the Company’s financial statements, starting with the reports for the second quarter of 2021, a change was made in the segment reporting basis, so that the Company’s operations are now divided into the following operating segment: Brands, Private Label, 7 For All Mankind, Delta Israel and Online Retailer (each of which hereinafter is – “Current Operating Segment”).

Furthermore, from the second quarter of 2021, the Company CEO serves as the Chief Operating Decision Maker (CODM). Until the second quarter of 2021, the Company's CEO and Board of Directors were identified as CODM. The Company’s CEO, in his role as CODM, reviews sales and profit from operations before non-recurring items of each reportable segment. In the current financial statements, the segment information is restated for corresponding periods in 2020 and 2019 to reflect the change in the segment reporting basis.

The change in the organizational structure of the Company, which was followed by the change in the reporting segments, was made primarily to adapt the managerial and organizational structure of the Company to its strategy and improve its business and operational efficiency.

The new structure creates a distinction between the branded activity of the Company (Brands) and Private Label activity, each of which has different characteristics such as sales channels, risks, and competitors. The Company includes in Brand operations sales of products under its own brands (both in its own stores or via the internet), to wholesale customers, as well as sales under brands for which it has been granted a license.

Private Label operations include sales to retail chains and to leading brands under the customer’s private label. The Company develops, designs and manufactures the products at the customer’s request and under its private label while the customers, the brand owners, sell the products to the end customer, through their distribution channels.

The Company is of the opinion that the new segmentation method better reflects the way and the manner it executes its business and allows a better comparison of results to other companies in the industry.

Below is a summary of the Company’s various activities with the current operating segments, as they now appear in the Company’s financial statements:

Brands Operating Segment – This operating segment includes the operations of Schiesser and Eminence (which, prior to the change, were included in the European Brands division), the activity of the P.J. Salvage brand (which, prior to the change, was included in the US Delta Division), the Splendid brand (which, prior to the change, was included in the Premium Brands division) as well as activity under brands in license agreements such as Tommy Hilfiger, Columbia and others, in the categories of lingerie, intimates, loungewear and sleepwear.

Private Labels Operating Segment – This operating segment includes private label operations in all markets in which the Company operates, including the operations of the Bogart Group which, prior to the change, was included in a Global Upper Market division and operates in private label for lingerie, loungewear, and sleepwear products. Customers in this operating segment include Nike, Victoria's Secret, Walmart, Target and others.

7 For All Mankind Operating Segment – This operating segment includes the operation of the 7 For All Mankind denim brand, which, prior to the change, was included in the Delta Premium Brands segment.

The 7 For All Mankind brand operations is in the premium denim category for women and men, and has significantly different characteristics from the other branded products that are in the intimates, lingerie and loungewear categories such as underwear, bras, pajamas. The difference is also reflected in different production processes, different selling prices, different suppliers and competitors, different marketing and advertising efforts. In light of the above, the Company presents this activity separately from the other brands it manages.

The Delta Israel Operating Segment – This operating segment remains unchanged.

Under this segment the Company engages in the development, design and marketing of branded intimate apparel for women and men, sleepwear, socks, activewear as well as children's wear, mainly under the “Delta” and “Fix” brands, distributed via the Company’s chain of retail stores in Israel, its websites and in wholesale activity to Israeli retail chains.

Online Retailer Operating Segment - This operating segment includes the Bare Necessities activity that previously appeared in the segment report under "Others".

The operations of this Segment are fundamentally different from the operations carried out on the Company’s online websites in its other operating segments. While the Company’s other owned online sites constitute an incremental sales channel of Company products to customers, Bare Necessities primarily purchases ready-made third-party branded product-- mainly in lingerie and swimwear--and sells them to end customers through BareNecessities.com.

For an analysis of the business results of the operating segments, see section 2.3.5 in the report of the Board of Directors, in Part B of this periodic report.

3. Investments in the Corporation’s Equity and Transactions in its Shares

In the last two years no investments were made in the Corporation's capital, and the Corporation is unaware of any other material transaction carried out in the past two years by an interested party in the Corporation or in the Corporation's shares outside the stock exchange.

For details regarding the exercise of options and restricted share units by Company employees, see Note 14 to the Financial Statements in Chapter C of this periodic report.

4. Distribution of Dividends

4.1 As of this periodic report, the Company has no dividend distribution policy. From time to time, the Company’s Board of Directors examines the distribution of dividends in accordance with the Company’s financial results and financial and other needs, subject to the provisions of the law.

4.2 In 2021 the Company distributed dividends, with no need for court approval, as follows:

Decision Date	Sum Distributed (in USD)	Distribution Date
May 11, 2021	3.5 million	June 1, 2021
August 10, 2021	5.0 million	August 26, 2021
November 3, 2021	7.0 million	November 23, 2021

On February 14, 2022, the Company’s Board of Directors approved a dividend of 39 cents per share, or approximately $ 10.0 million, which will be distributed on March 8, 2022. For details, see section 1.3.4 of the Board of Directors’ report, in Chapter B of this periodic report.

In 2020 the Company made, with no need for court approval, a dividend distribution of 25.5 cents per share or about $ 6.5 million, paid on March 17, 2020.

4.3 As of the date of the report, the balance of profits eligible for distribution (unassigned retained earnings less treasury shares), as this term is defined in the Companies Law, 1999 is $ 416.9 million.

4.4 For details regarding restrictions on the Company’s ability to distribute dividends, by virtue of the provisions of the deeds of trust regarding the Company's debentures (Series A and F), see Note 11 to the Financial Statements, Chapter C of this periodic report.

For details regarding restrictions on the Company's ability to distribute dividends by virtue of agreements with banks, see Note 19 E to the financial statement, Chapter C of this report.

Chapter B – Other Information

5. Financial Information Regarding the Corporation's Operating Segments

For financial information regarding the Corporation's operating segments see explanations in sections 2.3.4 and 2.3.5 of the Board of Directors' report (Chapter B of this periodic report) and Note 5 to the Financial Statements (Chapter C of this periodic report).

6. General Environment and Impact of External Factors on the Corporation's Activity

Description of Market Risks to Which the Group is Exposed

The Group, in its activity, is exposed to multiple market risk factors, including the economic state in target markets in which the Company operates, fluctuations in cotton prices as well as fluctuations in exchange rates in those markets vs. the Company's functional currency, the USD.

The Group's activity is exposed to macroeconomic risks, to industry risks and to risks unique to its activity. Full details of these risk factors, to which the Group is exposed, can be found in section 48 below.

Chapter C – Description of the Corporation's Business by Operating Segment

Following is a detailed description of the Company's operating segments:

Private Label Operating Segment

7. General Information

The following is a description of the operating segments regarding matters where there are business characteristics which are different from the characteristics of the Company's other operating segments.

7.1 Structure of the Operating Segment and Changes Occurring Therein

This operating segment deals in the development, design, manufacture and marketing of men's and women's intimate apparel and activewear products and socks, most of which are manufactured in the Company's owned factories while the remainder are manufactured by subcontractors, for leading brands and retail chains in Europe, North America and other countries.

The development, design, marketing and sales activities for this operating segment are carried out in Israel, the United States, Hong Kong and China. The manufacturing activity is carried out in the Company's factories in the Far East, Egypt, Bulgaria, and Turkey, through joint ventures in China and via subcontracting in the Middle East and the Far East.

7.2 Changes in Scope of Activity and Profitability of the Operating Segment

Changes in global trade laws and the effects of the Coronavirus crisis have increased competition in the operating segment and have caused the Company to restructure the Group. The restructuring steps taken by the Company, including related expenses, impacted the Company's results, as described in the Board of Directors Report, Paragraphs 1.3.2 and 2.3.3.2 in Chapter B of this periodic report.

7.3 Developments in Markets of the Operating Segment or Changes in Customer Characteristics

The primary target markets of the Company's products in the above operating segment are North America and Europe. The changes in the economic condition in these markets as expressed in recent years, by way of a reduction in consumption and pressure to reduce prices, as well as the effects of the Coronavirus crisis, may impact consumers' consumption habits and levels. In addition, the garment industry is subject to changes in fashion preferences and consumer fashion trends, which by their nature change, leading to an increase in the number of product collections needed.

7.4 Critical Success Factors in the Operating Segment and Changes Therein

The Company estimates that success in the operating segment depends on several key factors, the primary of which are as follows:

7.4.1 Innovation – investing resources in design and development of fashion collections while simultaneously focusing on domestic and global developments and customer preferences in intimate apparel.

7.4.2 Maintaining long-term relationships with customers.

7.4.3 Fabric development – the Company operates a special fabric development center in Carmiel (Israel), which constitutes added value in the product development function.

7.4.4 Adapting products to changing fashions and to the needs of the relevant consumers, while ensuring constant innovation.

7.4.5 Upholding a marketing and distribution platform that allows the Company to penetrate new markets and establish itself there.

7.4.6 Maintaining a wide variety of suppliers providing high-quality raw materials and finished products.

7.4.7 Upholding an independent manufacturing infrastructure through subcontractors, which is robust, reliable and flexible and will enable competitiveness and meeting short lead times.

7.4.8 Assuring product manufacturing quality and quality control for products in accordance with specifications and Company and customer demand.

7.4.9 Using the Company's size as an advantage, both in the scope of purchase orders by customers and in the number of items ordered of each style, which helps reduce manufacturing costs.

7.4.10 An efficient operational infrastructure and supply chain providing full support for sales' needs and meeting short supply times.

The Company believes that these success factors have helped it excel in light of the changes to its business environment, expressed in increased competition, the erosion of sales prices and in shortening required delivery lead times.

7.5 Main Entry and Exit Barriers

The Company believes the main entry barriers for this operating segment are as follows:

Familiarity and understanding of the fashion industry's requirements and preferences of the end consumer tastes.

Stable, long-term relationships with large customers (retail fashion outfits and companies owning fashion labels).

Innovation in the development and design of fashion products.

Large customers usually require a commitment on behalf of the manufacturer to uphold the compliance process testing the fitness of the factory and its compliance with strict standards based on customers' requirements. In addition, during the commitment period, these customers often conduct periodic inspections of the production infrastructure. Failure to meet the quality requirements and standards set by customers may lead to termination of the engagement.

The existence of efficient operational infrastructure, supply chains and logistical centers providing full support for sales needs, meeting quality requirements and meeting short supply times.

The Company estimates that there are no material exit barriers from this operating segment.

7.6 Alternatives for Products of the Operating Segment

There are many alternatives to the Company's products, offered both by wholesalers and manufacturers marketing products similar in quality to those of the Company. The Company acts to reinforce and preserve its products' advantage over alternative products, by differentiating itself through innovation, cutting edge fashion and quality, developing special fabrics.

8. Customers in the Operating Segment

8.1 As of the date of this report and in 2020 and 2021, the Group has no material customers, defined as customers to whom sales constitute 10% or more of the Group's total consolidated sales. Until 2018, Walmart was a material customer, however in light of the increase in the Company's business operations, and a decline in the sales to Walmart, sales to Walmart declined to under 10% of total sales. However, this customer remains an important customer of the Company and of the operating segment, and the Company believes that a drop in sales to Walmart may have a material negative impact on its financial results.

Other important Group customers in the operating segment include Target, Kohl's, Ross Stores, Macy's, Skims, Marks & Spencer, Primark, Victoria's Secret, Calvin Klein, Tommy John, Lululemon, Nike, Hema, Spanx, Mack Weldon, Me Undies, Athleta and

Wacoal. Bogart's customers include Hanes, Jockey, MGF, AdoreMe, Techstyle Fashion Group and Inditex Clothing Company.

8.2 For a breakdown of sales by geography see Note 5c to the Company's December 31st 2021 Financial Statements, Chapter C of this periodic report and section 2.3.2 of the Board of Directors' report, in Chapter B of this report.

8.3 Characteristics of Contractual Associations with Major Customers

The Group maintains long-term relationships with its customers. The relationship between the Group and its primary customers is typically regulated by a general framework agreement and the customer's purchase orders from the Group. The framework agreement includes general provisions pertaining to the relationship between the customer and the Group, including commitments required from the manufacturer to meet compliance requirements, testing the factories' compatibility with the customer's needs, periodic inspections and so on.

Merchandise amounts and supply dates to customers are established in the purchase orders and change from order to order.

In most cases the Company's agreements with its customers are carried out on the basis of preparing a product collection for a specific season.

9. Marketing and Distribution in the Operating Segment

The Company adapts its marketing and sales strategy to its customers based on the geographic region each operates in and according to the market segment it addresses. Thus, for instance, one marketing and sales group is responsible for customers in the upper market segment in Europe and the United States while a second marketing and sales group is responsible for customers in the United States low-end market segment. The Company has sales offices in the United States, the United Kingdom, Hong Kong and Israel, and these set its marketing strategy in coordination with Company headquarters. The Company's sales offices are operated by professional staff who maintain long-term relationships with customers, keeping in direct contact responding immediately and directly to customer requirements.

The Company distributes its products in the United States through distribution centers as well as through direct supply from manufacturing facilities based on purchase orders. To its European customers, the Company mainly distributes its products directly from its factories. The Company takes care to maintain a sufficient inventory level at its distribution centers in order to satisfy its customers' demands.

The Company is not dependent on any particular one of its marketing channels.

10. Order Book in the Operating Segment

The Company employs two sales methods: Ad hoc (specific) orders and replenishment-type sales.

In replenishment-type sales, the Company holds inventory in its distribution centers for a period of 8-12 weeks and the customer issues purchase orders immediately before withdrawing merchandise. The Company recognizes income on the date of delivery to its customers.

Due to the structure of the industry and the method of engagement characterized by ad hoc orders and replenishment type sales, the Company has a relatively short duration order book. Therefore, the Company believes that the order book does not provide a full indication of the scope of orders that will be placed.

Below is a breakdown of the Company's order book in the operating segment, in the coming quarters in which recognition of revenues is expected (in millions of dollars):

	Order Book as of February 7th 2022	Order Book as of December 31st 2021
First quarter	131.8	158.4
Second quarter	113.8	65.9
Third quarter	13.1	6.2
Fourth quarter	1.0	0.4
Total	259.7	230.9

11. Competition in the Operating Segment:

11.1 General

The operating segment in which the Company operates is considered competitive. In recent years, production costs have begun to increase, which caused consumer prices to gradually rise. Competition in the category of intimate apparel turns on three main parameters: product price, product quality and the level of customer service. The Company believes that it has several advantages over its competitors, among other things, due to the reasons detailed below:

11.1.1 Innovative and high-quality product lines – the Company manufactures a wide variety of fashionable, high-quality product lines, and packages its items in attractive packaging. The Company invests significantly in innovative design and in developing fabrics and products. For further details, see section 41 below.

11.1.2 Long-term relationships with retailers and leading brands – the Company has cultivated long-term relationships with its customers. Despite the fact that the Company’s agreements with its customers are largely short-term and do not include any obligations for minimum orders, the Company has maintained business relationships with most of its key customers for more than ten years. The Company’s design, development and technology teams work in conjunction with customers with the goal of providing a comprehensive service package that includes, among other things, designing, developing, manufacturing and marketing new product lines.

11.1.3 Unique status of free trade zones – the Company’s activities in Israel, Egypt, and Myanmar allow it to benefit from favorable trade agreements.

11.2 Competitive Conditions in the Operating Segment

In recent years, retail chains have trended away from outsourcing design and development of intimate apparel to third parties in favor of entering direct relationships with manufacturers in order to reduce product costs. For details see section 48.3.3 below.

11.3 Names of Main Competitors in the Operating Segments and Market Size

The operating segment has dozens of competitors, mainly private companies from the United States and Far East.

The Company’s material competitors in this operating segment include, among others, Ariella Intimates, Saramax Apparel Group Inc., Komar Company, Jockey, Fruit of the Loom, MAS Holdings, Brandix Lanka Limited, Richard Leeds, Tefron, Gelmart, Clover, Regina Miracle, Renfro Corporation, Fillnet, Gildan Activewear Inc., Haiyan Walt and Interloop.

The market relevant to this operating segment consists of different markets and spans various categories, market segments and geographical regions. As a result, the Company is unable to estimate its market share.

11.4 Methods for Dealing with the Competition

The Company invests a great deal of resources in the design and development of its products in order to provide innovation and cutting-edge fashion to its customers, with the understanding that this innovation is what differentiates it from its many competitors.

Furthermore, in order to differentiate and create a competitive edge, the Company acts to increase its activewear, brassiere and men's and women's undergarments and swimwear sales with existing customers. In addition, the Company invests in establishing new factories and joint ventures in order to strengthen connections with its customers and improve its level of service.

12. Production Capabilities in the Operating Segment

12.1 About 40% of sales in the operating segment are of products purchased from subcontractors and about 60% of sales are of products manufactured in the company's factories.

In the event of increased manufacturing needs, the process of entering into agreements with and qualifying additional subcontractors requires preparations, including approval by the end customer of the new factory as well as the new factory's compliance with quality standards defined by the Company regarding product quality, timetables and working conditions. The Company believes such preparations do not take so much time that they limit its ability to grow.

12.2 The Company has manufacturing factories in the Far East (China, Myanmar, Thailand and Vietnam), Egypt, Turkey and Bulgaria, as detailed in Paragraph 14.4 below. The company is expanding its manufacture of socks and seamless knitting in Egypt and Vietnam.

The Company estimates that it has no restrictions on increasing production capabilities in its factories.

13. Intangible Assets in the Operating Segment

Intangible assets attributed to the operating segment as of December 31st 2021 mainly include $ 62.4 million for goodwill and $ 51.4 million for customer relationships.

13.1 Goodwill

The Company's goodwill balance created over several years, mainly due to the purchase of three American companies and the acquisition of Bogart, is not amortized on an ongoing basis. For details, see Note 8 to the financial statements in Chapter C of this periodic report.

In 2021, 2020 and 2019, the Company's annual examinations (including one conducted in March 2020 following the Coronavirus crisis) did not result in a write down of the goodwill attributed to this operating segment.

13.2 Customer Relationships

The Company's customer relationships in the operating segment were created over the years upon the acquisitions of various United States companies, Gibor in 2009 and Bogart in 2019.

The balance of customer relationships is amortized over 20 years and, as at December 31, 2021, amounted to approximately $51.4 million.

14. Raw Materials and Suppliers in the Operating Segment

14.1 Main Raw Materials Used in the Operating Segment

As noted, most of the Group's owned manufacturing activity is carried out in this operating segment. The raw materials and accessories required for the Company's manufacturing activity are purchased from subcontractors and suppliers.

The raw materials used by the Group for owned manufacturing are mainly cotton threads, cotton mixes, synthetic threads (such as cotton-Spandex, cotton-Lycra, cotton-Viscose, nylon threads and polyester) as well as additional materials such as elastic bands, lace and other textile components, which are sold at a wide price range. The Group purchases the raw materials from a number of international and local suppliers and has not encountered any difficulties in the past in securing raw materials appropriate for manufacturing requirements.

Due to varying supply and demand conditions and other market factors out of the Company's control, raw material prices are subject to fluctuations. The Company tracks these price fluctuations and adapts its thread and finished product inventory levels to meet sales projections at lower costs.

With the exception of cotton threads, the Company purchases raw materials only after receiving purchase orders from its customers. As a rule, the Company does not hold raw materials inventory for more than eight weeks. In purchasing basic cotton threads, Company practice is to enter into agreements, from time to time and when market conditions are in its favor, with a number of cotton thread suppliers for a period of between three and six months.

14.2 Relationships with Suppliers

The Company maintains ties with dozens of vendors, most through regular accounts, and some through letters of credit. Usually, as is customary in the industry, and except as noted above, the Company does not enter into agreements with these suppliers. Some of the Company's suppliers are approved by customers and some are mandated by them.

14.3 Dependence on Suppliers and Products in which Dependence Exists on Suppliers

The Company has no material dependence on the various suppliers of raw and finished materials due to a large and fragmented supplier base. However, the process of locating and onboarding a replacement supplier that meets the standards of the Company and the customer may take several months

14.4 Manufacturing Process at the Company's Factories

The Company provides its customers with a broad array of high-quality products in accordance with their specific requirements, at competitive prices. The Company manufactures some of these products itself and purchases the remainder from subcontractors. The stages of the production process are outlined below:

14.4.1 Purchase and Manufacturing of Raw Materials

The Group purchases the raw materials it uses to manufacture its products mainly from international and domestic suppliers. The Company has not encountered any difficulties in the past in finding raw materials meeting its manufacturing requirements.

As part of its acquisition of Bogart in July 2019, the Company acquired padding and lace operations for the production of bras. These raw materials are also sold to external customers. This production activity is carried out in China and Thailand.

14.4.2 Knitting

The Company knits most of its fabric in-house and purchases the rest of its fabrics from suppliers.

14.4.3 Sock Knitting

The Company operates sock knitting machines in its Turkey, Bulgaria and Vietnam factories and through a Chinese joint venture. The company is also setting up a new sock-knitting factory socks in Egypt.

14.4.4 Dyeing

The Company dyes most of the products it manufactures using its owned dye-houses in Egypt and Vietnam, and through subcontractors.

14.4.5 Cutting

The Company operates computerized cutting equipment in its factories in Egypt, Thailand, China, Myanmar and Vietnam.

14.4.6 Sewing

After the cutting stage, products are sewed at Company factories in Egypt, Thailand, China, Myanmar and Vietnam as well as through subcontractors.

14.4.7 Manufacture of Seamless Clothing

The Company utilizes "Santoni" brand knitting machines to apply a special "seamless" knitting technology, creating clothing in the undergarment, shapewear and sportswear categories. These products are manufactured in the Company's factory in Vietnam and through subcontractors in China. The company is opening a new factory for seamless knitting in Egypt.

14.4.8 Outsourcing

The Company engages subcontractors for the purpose of manufacturing some of its products. The Company has ties with subcontractors in China, Turkey, Pakistan and Bulgaria for the manufacture of socks, and in Egypt and a number of Far East countries (mainly in China and Bangladesh) for the manufacture of intimate apparel and seamless clothing for its other operating segments. The Company is not dependent on any one of these subcontractors.

14.4.9 Quality Assurance

The Company places a great deal of emphasis on the quality of the garments it manufactures. For this purpose, it employs quality assurance ("QA") teams that examine the products throughout the manufacturing process. The Company's QA procedures are set considering the strictest standards demanded by its customers.

15. Working Capital in the Operating Segment

Below are details regarding the average inventory used by the operating segment and inventory days for 2021 and 2020:

	2021	2020
Average inventory (million USD)	103.6	86.4
Inventory days (average)	66	72

The increase in average inventory in 2021 compared to 2020 was due to an increase in sales.

For information regarding working capital see section 33 below.

16. Restrictions and Supervision of the Corporation's Activity in the Operating Segment

16.1 Legality in the Countries in which the Company is Active

The Company is subject to relevant laws in the countries in which it operates, including general laws pertaining to imports, quotas, consumer protection, product labelling (if relevant), licensing and labor (in the countries in which it employs workers).

16.2 Free Trade Agreements

The Company currently enjoys free trade agreements between Israel, the United States, Canada and the EU. The trade agreements allow the Company to sell products manufactured in Israel to the countries in question (according to the terms of the agreement) exempt from customs and quotas. The United States has expanded the benefits covered by the U.S – Israel free trade agreement to goods processed in the Company's factories in Egypt, so these products (which include some Israeli content) are exempt from customs and quotas as well.

Following the free trade agreement between the European Union and Egypt, the Company's products manufactured in Egypt are exempt from customs upon entry into European Union member states.

Sales of this operating segment included in the free trade agreements detailed above constitute about 8% of total segment sales in 2021. The balance of sales, which constitute about 92% of 2021 total sales, and which are not included above, are subject to customs.

16.3 Activity Subject to Specific Laws/ Business Licenses/ Export Licenses

The Company holds appropriate licenses and operates according to the specific laws of the countries in which it operates.

Brands, 7 For All Mankind and Delta Israel Operating Segments

17. General Information

Below is a description of the operating segments noted in the above heading, in matters in which these segments have similar business characteristics, which are different from the characteristics of others operating segments.

17.1 Structure of the Operation segments and Changes Occurring Therein

17.1.1 Brands Operating Segment

This operating segment includes the activity of the Schiesser Group, which was acquired in 2012, and the activity of the Eminence Group, which was purchased in July 2018. Brand activities also included in the operating segment are Splendid, which was acquired during 2016, P.J. Salvage, which was acquired in 2015, and activity under licensed brands.

In this operating segment, the Group markets branded intimate apparel for men, women and children as well as socks, sleepwear, swimwear and activewear, with activity beginning from the designing and planning of the collection, through purchasing, manufacturing and finishing, to the marketing and distribution of the products.

Schiesser sells most of its products under its core brand – Schiesser, mainly in Germany, and in other German-speaking countries, such as Switzerland and Austria, as well as in Belgium, the Netherlands and Luxembourg. In addition, Schiesser manufactures and markets intimate apparel under the licensed brand name, Marc O’Polo.

Eminence sells most of its products under the Eminence and Athena brands in France and the Liabel brand in Italy.

Most sales of the P.J. Salvage and Splendid brands as well as sales under license agreements are made to customers in the United States.

The sales in the operating segment are carried out both through the Schiesser and Eminence store chains in Europe, through their e-commerce websites as well as to wholesale customers.

In the operating segment, the Group provides its products through the wholesale channel to thousands of customers in Europe, including specialty retailers, hypermarkets, online marketplaces and department stores. In the retail channel, the operating segment sells its products through 102 Schiesser stores, 6 Eminence stores in France, 2 Liabel stores in Italy and 18 Splendid stores in the United States, as well as through each brand’s own e-commerce site.

The Schiesser undergarment products are sold in the upper-market segment, and deliver a high level of comfort, durability, and product quality as well as fashion innovation. Undergarments sold under the Eminence brand are marketed to customers in the upper and mid-market segment. Products under the Athena brand are sold to customers in the mid- and mass-market segments. Products under the Liabel brand are sold to customers in the mass-market segment.

Outerwear products under the Splendid brand are sold in the premium market and primarily focus on women's apparel.

About 46% of 2021 operating segment sales were in the women’s underwear category and about 35% were in the men’s underwear category.

In this operating segment, approximately 84% of the Company's sales are of products purchased from subcontractors in the Far East, Eastern Europe and North Africa, while the balance (approximately 16%) is produced at the Company's own production sites in the Czech Republic and France.

17.1.2 7 For All Mankind Operating Segment

Within the framework of this operating segment, which was purchased in August 2016 (together with the Splendid operation, which was split off and incorporated within the Brands Operating Segment as stipulated above), the Group engages in developing, designing, marketing, distributing and selling premium products under the "7 For All Mankind" brand.

The “7 For All Mankind” brand is a leading global denim brand. The products of this operating segment are sold both through 7 For All Mankind’s retail chain in the United States, in Europe and in Brazil, through the brand’s e-commerce website and through the wholesale channel to specialty and department stores.

In this operating segment, the Group provides its products to thousands of wholesale points of sales in the United States and Europe. In the retail sector, 7 For All Mankind sells its products through 78 self-operated stores, of which 53 are in the United States and 20 are in Europe, and 5 stores in Brazil (as of December 31st 2021), as well as through the brand’s e-commerce site.

About 62% of products in the operating segment are for women and the rest are for men.

The Group sells the products of this operating segment to customers in the upper market, maintaining a high level of comfort, durability, and product quality as well as fashion innovation.

In 2019, the Company launched the Jen7 brand, under which quality products are sold at lower prices, directed toward the mid-market segment.

The manufacture of products sold in the United States is carried out by subcontractors in Mexico and the United States, while the manufacture of products sold in Europe is largely carried out by subcontractors in Italy, Turkey and Eastern Europe.

17.1.3 Delta Israel Operating Segment

In the Delta Israel Operating Segment, the Company designs, markets and sells a variety of intimate apparel, leisurewear, activewear, socks and footwear. In the direct-to-consumer channel the Company sells products through its chain of “Delta” and “Fix” retail stores, most of which it operates and some of which are operated by third parties. Furthermore, in the direct-to-consumer channel the Company operates e-commerce websites. In addition, this operating segment sells through the wholesale channel, marketing to retail chains, specialty stores and department stores.

Most of the Delta and Fix products are purchased from suppliers in the Far East. The Company also markets a number of other brands in Israel, some of which it owns and some of which are covered under license agreements.

As of this report date, there are 205 stores in this operating segment, including 174 Delta stores and 31 Fix stores. 168 of these are operated by the Company and 37 are operated by third parties who bear the costs of leasing the stores.

As stated in section 1.4 above, the activity of this operation was transferred, on March 5, 2021--effective retroactively from September 30, 2020--to the subsidiary Delta Israel Brands Ltd. In this context, details and data contained in this chapter and referring to the operating segment do not reconcile to those published in Delta Israel Brands Ltd., among other things, as a result of the fact that non-material activity under the licensed Puma brand was not transferred as part of the split , due to the fact that Delta Israel's reports are in NIS and Delta Galil’s reports are translated into USD, as well as for other reasons.

17.2 Changes in the Scope of Activity in the Operating Segment and their Profitability

17.2.1 Brands Operating Segment

Sales in this operating segment are mainly to wholesale customers in Europe and the U.S. The fashion market is characterized by increasing competition and a decrease in points of sale.

The continued trend towards concentration in these markets--characterized by a reduction in the number of chains and points of sale and the strengthening of those remaining and those characterized by full verticality--coupled with the strengthening of online sales, have precipitated significant challenges for the Company in this operating segment. As detailed above, Delta's operating segment includes premium brands and also operations under license agreements.

During 2021 the company signed global franchise agreements with the adidas and Wolford brands, under which sales will be launched in spring 2022, and Polo Ralph Lauren, under which sales are expected in 2023.

17.2.2 7 For All Mankind Operating Segment

In this operating segment, the Group markets leading clothing labels in the categories of denim, outerwear and accessories. The products of this operating segment are sold both through the retail chain deployed in the United States, in Europe and in Brazil; through the brand’s websites; and through wholesale activity to leading retailers. In the course of 2021, the Company opened 4 stores (2 in Europe and 2 in Brazil), and shuttered 4 stores (in the United States).

Products are purchased from suppliers in Mexico, the United States, Italy, Turkey and Eastern Europe.

17.2.3 The Delta Israel Operating Segment

Delta Israel sales have increased in recent years, mainly due to an increase in Delta’s same store retail sales, an increase in online sales as well as an expansion product categories sold. In addition, the “Fix” brand has grown since its 2015 launch due to an expansion of its retail footprint and the launch of its website.

17.2.3.1 The Opening of the Panta Rei Sports Apparel Chain of Stores

At the beginning of 2022, Delta Israel announced the planned opening of a new sportswear chain under the brand “Panta Rei.” Delta Israel plans to open 7 stores in 2022 as well as a separate e-commerce website. The total anticipated investment is about $1.25 million.

17.2.3.2 Agreement to Open and Operate Stores and a Commercial Website for the Victoria’s Secret brand in Israel

In addition, Delta Israel announced that it had signed an agreement with Intimate Apparel Management LP, under which it was granted an exclusive franchise to open and operate stores and an e-commerce website in Israel for the sale of lingerie and cosmetics under the “Victoria’s Secret” brand.

The first agreement period is set at 10 years, until the beginning of 2032. Delta Israel estimates that over the next 5 years, it will invest approximately $22M (NIS 70 million) of its capital to open stores, establish a dedicated website, and fund working capital

17.2.3.3 Agreement to Open and Operate Stores and a Commercial Website for the Bath & Body Works® brand in Israel

On December 24, 2020, the Company entered into an agreement in connection with the establishment and operation of stores and a commercial website for the Bath & Body Works® brand in Israel.

The agreement was signed between Delta Galil and Amarla Retail S.A. ("Amarla"), and established a joint venture called DNA International Brands Ltd., which is held by the Delta Galil (60%) and Amarla (40%).

As a result of a dispute between the parties, there is an agreement in principle between the parties as of the date of this report that Amarla will work to ensure that the license to operate the stores is granted during the next 18 months, directly to Delta Galil, subject to the brand owner's agreement.

Details of the agreement (including the financial arrangements between the parties) have not yet been finalized, and the Company estimates that a binding agreement between the parties will be signed in the coming weeks (subject to requisite approvals).

It would be prudent to clarify that the above stated is forward-looking information as defined in the Securities Law, 5725 - 1968, based on the information available to the Company at the date of the report and in the Company's assessments at the date of the report.

The above stated may not materialize, or may materialize in a materially different way from the Company's forecasts, due in part to the failure to formulate a final agreement with Amarla and the potential disagreement of the brand owner.

17.3 Developments in Markets of the Operating Segment or Changes in Customer Characteristics

The primary target markets of the Company's products in the above operating segments are North America, Europe and Israel. The changes in the economic condition in these markets as expressed in recent years, by way of a financial crisis and concerns of a recession, reduction in consumption and pressure to reduce prices, may impact consumption habits and levels. In addition, the garment industry is subject to changes in consumer fashion preferences and trends, which by their nature change, leading to an increase in the number of product collections needed.

17.4 Critical Success Factors in the Operating Segments and Changes Occurring Therein

The Company estimates that success in the operating segment depends on several key factors, as detailed below:

17.4.1 Marketing and reinforcing of the Company brands through constant investment in advertising in order to differentiate the brands and emphasize their advantages, innovation and cutting-edge fashion.

17.4.2 Investing resources in design and development to produce innovative fashion collections while focusing on local and global developments in intimate apparel and shifts in customer taste.

17.4.3 Contractual engagement in license agreements that demonstrate the value-add brand owners receive from leveraging the Company's capabilities in developing, manufacturing and designing the products under their owned brands.

17.4.4 Wide deployment of store and strategic location placements.

17.4.5 Maintaining a steadfast, reliable and flexible manufacturing infrastructure at competitive costs through overseas subcontractors.

17.4.6 The existence of an effective product QA system.

17.4.7 The existence of efficient operational infrastructure, supply chains and distribution systems providing full support for sales needs and meeting supply times which have shortened in recent years.

17.5 Main Entry and Exit Barriers in the Operating Segments and Changes Occurring Therein

The Company believes the main entry barriers for the operating segments are as follows:

17.5.1 Development of brands with significant awareness in the fashion market and maintaining them on a long-term basis through significant investments in marketing and advertising.

17.5.2 Capital investments in the establishment of a retail chain and store maintenance.

17.5.3 The need for a critical mass of sales to allow a competitive operational cost structure.

17.5.4 The difficulty in establishing long-term relationships with primary wholesale customers.

The Company estimates that there are no material exit barriers from these operating segments, with the exception of exiting long-term rental agreements.

17.6 Alternatives for the Products of the Operating Segments and Changes Occurring Therein

There are many alternatives to the Company's products in the operating segment offered by local manufacturers and importers marketing at a variety of points of sale. The Company attempts to reinforce and preserve its products' advantage over alternative products, by differentiating itself in terms of fashion, quality and cutting-edge design, development, competitive pricing, product variety and advertising on various media.

18. Customers in the Operating Segment: Brands, 7 For All Mankind and Delta Israel

18.1 Brands Operating Segment

The Company's customers in the operating segment include wholesale customers and retail customers, through its chain stores attributed to this operating segment in Western Europe and in the United States. Sales in the operating segment in 2021 amounted to $650.3 million, compared to $538.9 million in 2020 and 633.4 million in 2019. The increase in sales in the Brands Operating Segment in 2021 compared to 2019 resulted mainly from an increase in the Schiesser, Splendid and P.J. Salvage brands. The decrease in sales in 2020 compared to 2019 was due to the Coronavirus crisis and was offset partially by an increase in sales of masks to the French market and an increase in online sales.

Approximately 75% of 2021 sales were made through the wholesale channel to department stores, supermarkets and hypermarkets, and 25% of sales were through retail stores and the Schiesser, Eminence, Splendid and P.J. Salvage websites. The United States, Germany and France constitute the largest markets of the operating segment, and sales therein constituted approximately 43%, 29% and 13%, respectively, of 2021 sales. The remaining sales were in other Western European countries, mainly Switzerland, Belgium, Italy and the Netherlands.

Important customers in the operating segment include Galeria Karstadt Kaufhof, Leclerc, Carrefour, Amazon, Zalando, Nordstrom, Bloomingdales, Costco, Dillard's and TJX.

18.2 7 For All Mankind Operating Segment

The Company's customers in the operating segment include wholesale customers and retail customers, through its United States, European and Brazilian retail chains. Sales in the operating segment are primarily to the upper market, with the sales under the "Jen7" brand to the mid-market. Approximately 44% of sales in the operating segment are through the wholesale channel.

Sales for the operating segment in 2021 amounted to $198.3 million, of which 64% was in the United States, 31% in Europe and 5% in other regions.

In 2020 and in 2019 sales in the operating segment amounted to $143.5 million and $222.2 million, respectively.

The decrease in operating segment sales in 2020 compared to 2019 was primarily caused by a decrease in tourism in the United States due to the Coronavirus crisis.

2021 sales of $198.3 million increased, supported by an increase in retail and wholesale sales in all markets. See section 2.3.5 of the Board of Directors' report, included in Part B of this periodic report.

Important customers in the operating segment in the United States include: Nordstrom, Bloomingdale's, Neiman Marcus, Macy’s and Saks Fifth Avenue.

18.3 Delta Israel Operating Segment

The Company’s customers in this operating segment are all located in Israel, and consist of retail and wholesale customers. The Company’s retail customers are the consumers shopping at the "Delta" and "Fix" retail stores and through our branded e-commerce sites.

The Company’s wholesale customers in Israel include department stores, supermarkets and fashion chains. The total sales of the operating segment in Israel in 2021, 2020 and 2019 amounted to $281.2 million, $215.8 million and $214.8, million, respectively. 13% of 2021 sales were through the wholesale channel, and 87% of sales were through the retail channel.

The Company does not believe it is dependent on any one customer in this operating segment.

19. Marketing and Distribution in the Operating Segment: Brands, 7 For All Mankind and Delta Israel

The Company markets its products in the operating segment through the following two channels: wholesale and retail, through its retail outlets and website that it owns.

19.1 Wholesale Marketing

19.1.1 Brands Operating Segment

The wholesale channel is the largest sales channel in the operating segment. About 75% of 2021 sales were carried out through the wholesale channel. Customers in the wholesale sales channel are mainly specialty clothing stores, department stores, supermarkets and hypermarkets, offering the operating segment's products to their customers.

Schiesser and Eminence handle wholesale distribution themselves in Germany, France and Italy. Sales outside these countries (with respect to each company, separately) are mainly carried out by subsidiaries and through external commercial agents.

Schiesser develops its wholesale sales concept using the “shop-within-a-shop” method at primary customers, while Eminence does not use this approach.

19.1.2 7 For All Mankind Operating Segment

Approximately 44% of operating segment sales are through the wholesale channel. Customers in this channel are mainly specialty clothing stores and department stores offering branded products to their customers. Sales outside the United States and Europe (mainly in Canada, Brazil and China) are carried out by distributors.

19.1.3 Delta Israel Operating Segment

The Company’s products are sold to a variety of wholesale customers including retail chains (such as the New Mashbir Latzarchan, H&O), boutiques and small chain stores and the marketing of private brands (such as: SuperPharm's "Life" brand)

For marketing purposes, the Company employees a team consisting of sales agents, account executives, sales retail sales associates and operates with some of its customers using the consignment method, whereby the inventory remains Company property until its sale to the end customer.

The Company enters into general framework agreements with its retail chain customers. Quantities and/or supply times are set in the purchase orders and change from order to order.

19.2 Retail Marketing

19.2.1 Brands Operating Segment

In the retail sales channel, goods are sold through the Company's own retail shops, factory outlet stores and e-commerce stores.

At the end of 2021, Schiesser operates 102 stores, including 23 retail stores (of which 20 are in Germany) and 79 factory outlet stores (of which 64 stores are in Germany and 15 are in other Western European countries). The Eminence Group operates 8 stores (of which 6 are in France and 2 in Italy) and Splendid operates 18 stores in the United States.

Retail stores are located in accessible locations in city centers or in malls with sales areas of about 120m² each. Factory outlet stores are located at sites visited often by the public, such as outlet centers. The sales floor area in outlets is generally larger, reaching 350m² or more, and these stores sell a significant portion of the collection as well as surplus items.

19.2.2 The Company also sells to customers through each brand's e-commerce site, and has targeted an increase in sales in the medium-term. 7 For All Mankind Operating Segment

The operating segment sells products in this channel through 78 branded retail stores—as of the end of 2021—in North America, Europe and Brazil. See section 17.1.2 above. The retail stores are largely located inside malls and in city centers.

In addition to the above retail stores, the products of the operating segment are sold through the Company's e-commerce websites.

For details on same store sales, see section 2.3.5 of the Board of Directors' Report in Chapter B of this periodic report.

19.2.3 Delta Israel Operating Segment

The operating segment sells products in this channel through its e-commerce websites and 205 brand shops (as of this periodic report). The retail stores are located inside malls, in town centers and in "power centers" throughout the country.

For details on same store sales, see section 2.3.5 of the Board of Directors' Report in Chapter B of this periodic report.

19.3 Distribution

19.3.1 Brands Operating Segment

The operating segment's distribution centers are located in Radolfzell in Germany (Schiesser), in Aimargues in France (Eminence) and in Los Angeles and in Tifton, Georgia (Splendid, P.J. Salvage and other brands), where most of the finished products of the operating segment are stored.

19.3.2 7 For All Mankind Operating Segment

The United States distribution center of the operating segment is located in Fontana, near Los Angeles.

In Europe, the operating segment utilizes a distribution center in the Netherlands that is managed by a third party.

19.3.3 Delta Israel Operating Segment

The Company's products are stored in the Company's distribution center in Caesarea and with subcontractors, from which they are distributed to company stores, to wholesale customers and to e-commerce customers. Retail, e-commerce and department store orders are placed via a computerized system, while orders for other wholesale customers are made by agents that are sent to the logistics warehouse.

On November 28, 2021, Delta Israel signed a new lease agreement with Caesarea Properties Edmund de Rothschild (2001) Ltd., under which the Caesarea Properties Company will establish a new distribution center—including office space—for Delta Israel in the southern part of Caesarea Business and Industrial Park, of an area of about 17,000 square meters.

In the new distribution center, Delta Israel is investing in an automation system, smart systems for shelving and inventory management and an advanced robotic system. These systems are expected to cost approximately $30 million (NIS 100 million) in capital expenditures.

After its completion, Delta Israel will lease the new distribution center for a period of 24 years and 11 months from the signing date of the lease agreement. The distribution center is expected to commence operations during the first half of 2025.

20. Order Book in Operating Segments: 7 For All Mankind and Delta Israel

The order book does not constitute an indication of anticipated sales volume in this operating segment, in light of the fact that a significant portion of wholesale customers do not order products from the Company well in advance, and due to the fact that a significant amount of sales in this operating segment are direct to retail customers through retail stores and websites.

21. Competition in the Operating Segments: Brands, 7 For All Mankind and Delta Israel

21.1 Brands Operating Segment

The primary activity of this operating segment is in the undergarments market, which has multiple competitors in Europe. The primary competitors across men’s, women’s and kids’ labels are Hugo Boss, Mey, Triumph, Calida, Sanetta, Hunkemöller, Esprit, H&M, Contonella, France Freegun, Pompea, Hom, Dim and private labels at department stores. Splendid’s main competitors in the United States include Velvet, Rails, and others. Most of the competitors are active both in the retail and wholesale markets.

In this operating segment, Delta Galil competes in markets spanning various categories and geographies. Due to the above, and in the absence of relevant market research, the Company is unable to assess its market share.

In order to contend with the competition, the Company is investing in its online activities and in deepening relationships with customers through various marketing initiatives.

21.2 7 For All Mankind Operating Segment

This operating segment is in the denim category, which is competitive. The Company’s main competitors in this category include: Paige, Frame, AG, Citizens of Humanity, J BRAND and others.

21.3 Delta Israel Operating Segment

This operating segment competes in a highly competitive market, including many entities such as manufacturers, importers, international fashion chains, local fashion chains, international and local e-commerce websites and boutiques.

The Company’s main competitors are: Aphrodite, Intima, Hamashbir Latzarchan, H&O, Hoodies, Fox, AERIE, Golf, H&M, Shilav, Zara, Carter’s, Castro and others[1]. In addition, there are other chains that sell products similar to those sold by the Company, and there are hundreds of boutiques that market clothing products similar to those marketed by the Company.

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[1] It should be noted with regard to H&O and Hamashbir Latzarchan that, in addition to being competitors, they are also the Company's customers, and some of the products they market are the Company's products.

The market relevant to this operating segment consists of various market tiers and categories. Due to the above, and in the absence of relevant market research, the Company is unable to accurately assess its market share, but in light of the stores' deployment, sales volumes and the Company's familiarity with the market, it estimates that its brands are market leaders and that it is one of the most prominent competitors in Israel.

Operating in a competitive environment, the Company strives to market to customers products that are differentiated from others in terms of their quality and technology. The Company combines various exclusive technologies in its products, sells innovative and on-trend products, prices its products competitively and makes significant investments in marketing, advertising and promotions to preserve its market position. Other factors that affect the Company's competitive position include brand awareness, goodwill, design and innovation, logistics, store deployment and location, marketing systems, and a loyalty program as well as the critical success factors listed in section 17.4 above.

To the best of the Company's knowledge, it is a significant market leader in its operating segment. Brand awareness surveys commissioned by the Company show that the Delta brand is the most recognized brand in the country among women and men aged 15-50 in the categories of intimate apparel and loungewear.

The market relevant to this operating segment consists of different markets and spans across different categories. Due to the above, and in the absence of relevant market research, the Company is unable to assess its market share.

This competition compels the Company to set competitive prices and invest a great deal of money in marketing, advertising and sales promotions.

22. Manufacturing Capabilities in the Operating Segment: Brands, 7 For All Mankind and Delta Israel

22.1 Brands Operating Segment

Approximately 16% of sales in this operating segment are manufactured in factories owned by the Group--in the Czech Republic and in France--and the remaining products are purchased from various suppliers in Asia, Eastern Europe and North Africa. The Company estimates that it has no limit to increase production capacity in its factories. [what?]

22.2 7 For All Mankind Operating Segment

The products of this operating segment sold in the United States and Europe are manufactured by a number of subcontractors. The Company estimates that it is not dependent on any one of its suppliers, and it has no limitations on manufacturing that would make it difficult to supply products in the event of increased demand.

22.3 Delta Israel Operating Segment

Most of the products in the Delta Israel operating segment are manufactured by suppliers located in the Far East. The Company estimates that there are no manufacturing capacity restrictions in this operating segment.

23. Intangible Assets in the Operating Segment: Brands, 7 For All Mankind and Delta Israel

23.1 Brands Operating Segment

The intangible assets of the Brands operating segment include: Goodwill generated by the Company following the acquisition of a US subsidiary as well as Eminence for approximately $83.8 million, customer relationships and franchise agreements capitalized following the acquisition of Eminence and brand names acquired as part of the acquisition of Schiesser and Eminence.

Schiesser holds intellectual property rights to the *Schiesser*, *Schiesser Revival* and "Uncover" labels as well as the *Pleas* brand in the Czech market. However, the Group does not own the rights to the *Schiesser* brand in China, Hong Kong, Taiwan or Macau, as these rights were sold to a local company who markets *Schiesser* products in these regions.

Eminence owns the intellectual property rights to the *Eminence*, *Athena*, and *Liabel* brands.

The rest of the brand names owned by the Company are marked at $77.4 million as of December 31 2021.

Brands' life spans are not defined and are examined each year for impairment (see Note 2f in Chapter C of this periodic report). The brands' value is material to this operating segment and these brands constitute a significant success factor and a barrier to entry for segment operations. Furthermore, the Company estimates that the brands create and preserve the Company's competitive differentiation.

In addition, the Group holds a license for the *Marc O'Polo* brand, and licenses for children's products, such as *Lilifree*, *Capt'n Shark'y* and *EMOJY*.

The balance of customer relationships under the operating segment in the Company's books as of December 31, 2021 amounted to approximately $28.1 million and is amortized linearly over 20 years.

In 2020, the Company impaired the value of Eminence's goodwill by $2.1 million following an examination of the Company's financial statements for the first quarter of the year. In 2019 and 2021, the Company did not impair the goodwill in accordance with the annual examination performed.

23.2 Agreements for Obtaining Usage Rights for Brands

In Delta USA, the Company from time to time enters into agreements to obtain usage rights for international brands such as: Columbia, Converse, Wilson, Tommy Hilfiger, Calvin Klein and Spalding.

In 2021, the company signed agreements with adidas, Wolford and Polo Ralph Lauren.

The license agreements are typically for a period of 3 to 4 years, and include the payment of royalties and other payments to the licensor at a rate between 5% and 14% of revenue. They usually contain a stipulation of minimum royalties determined by the minimum sales level.

These agreements regulate the obligations of the Company as recipient of the license concession to manufacture branded products), including in the use of brand names, to design and development the products.

The agreements generally include commitments on behalf of the Company to provide the party granting a prototype license and production molds of the products and an obligation to maintain quality, reputation and the image of the products of the licensor. The licensor has the right to inspect and oversee the manufacture of the products.

Royalty expenses in the operating segments amounted to $16.9, $13.7 and $21.1 million in 2021, 2020 and 2019, respectively. The decrease in royalty expenses in 2020 compared to 2019 is due mainly to the decrease in sales due to the Coronavirus crisis.

The Company estimates that brand usage rights constitute one of the factors behind the success of the operating segment, and they are essential to the Company's strategy to grow the operating segment (see section 46.5 below).

23.3 7 For All Mankind

The carrying value of 7 For All Mankind's brand in the Company's books amounted to $44.6 million as of December 31 2021. The brand's life span is not defined and is examined each year for impairment. The *7 For All Mankind*, *Splendid* and *Ella Moss* brands are material to the success of this operating segment and constitute a significant success factor and barrier to entry. The Company estimates that the *7 For All Mankind* brand creates and preserves the Company's competitive differentiation. The carrying value of customer relationships within the operating segment is $3.1 million as of December 31 2021.

23.4 Delta Israel Operating Segment

The Group owns the following labels: *Delta*, *Yodfat*, *Matchtonim*, and others which are listed in the Israeli trademarks registry and are carried on the Company's books at no cost.

In addition, the Group signed license agreements for use of the *Disney*, *Wilson* and other brands for use in the intimate apparel, socks and children categories.

The license agreements are generally for a period of 2to 3 years and include the payment of royalties to the licensor of between 5% and 14% of sales. As a result of the relatively short agreement period, the balance of the amortized cost of the license agreements in question is not material.

In October 2021, Delta Israel extended its license agreement with Disney for an additional 3 year period, until the end of 2024.

The Company estimates that the brands and license agreements are very important to the operating segment and they constitute a material success factor and barrier to entry. In addition, the Company estimates that the labels and license agreements provide a competitive advantage that helps differentiate the Company.

In 2021, royalty expenses at Delta Israel amounted to $9.3 million, compared to $7.7 and $6.9 million in 2020 and 2019, respectively. The increase in royalty expenses in 2021 compared to 2020 was mainly due to an increase in sales under the license agreements.

24. Raw Materials and Suppliers in the Operating Segment: Brands, 7 For All Mankind and Delta Israel

As stipulated above, 16% of sales in the operating segment are self-manufactured. The raw materials and accessories used by production are purchased from subcontractors and suppliers (similar to the details presented in section 14 above).

In the Delta Israel and 7 For All Mankind operating segments, the Group purchases finished products, so there is no use of raw materials.

25. Working Capital in the Operating Segments: Brands, 7 For All Mankind and Delta Israel

25.1 Brands Operating Segment

Below are details regarding the average inventory used by the operating segment and inventory days in 2021 and 2020:

	2021	2020
Average inventory ($million)	142.0	124.8
Inventory days (average)	144	145

The increase in inventory balance in 2021 compared to 2020 is due to an increase in activity and an extension of delivery times.

25.2 7 For All Mankind Operating Segment

Below are details regarding the average inventory used by the operating segment and inventory days for 2021 compared with 2020:

	2021	2020
Average inventory ($million)	40.7	56.3
Inventory days (average)	185	311

The decrease in average inventory days in 2021 compared to 2020 was due to an increase in sales, careful inventory management and the sale of surplus items.

25.3 Delta Israel Operating Segment

Below are details regarding the average inventory used by the operating segment and inventory days in 2021 and 2020:

	2021	2020
Average inventory ($million)	46.7	36.7
Inventory days (average)	158	153

The increase in average inventory and inventory days in 2021 compared to 2020 was due to an increase in activity and the increase in lead time.

26. Restrictions and Supervision of the Corporation's Operations in Operating Segments: Brands, 7 For All Mankind and Delta Israel

26.1 Brands Operating Segment

As a large portion of the operating segment's business activity is carried out in Germany and France, through companies incorporated in those countries, the operating segment is mainly influenced by the legal and tax environment in those countries, including in the matter of corporations, antitrust law, product liability, product marking ,labeling, prohibition of unfair business activity, trademarks and consumer protection. European Union laws also apply to the operating segment's organizational and business activity.

Imports and exports inside the European economic area are largely exempt from customs. The operating segment is also likely to be affected by all anti-dumping measures the European Union could apply in accordance with its laws.

The laws applying to the product also include criminal regulations that prevent, among other things, the use of certain chemical materials, for instance, in the case of textile dyeing.

To the best of the Company's knowledge, it is compliant with all of the legal requirements in question and holds the appropriate licenses, as required.

26.2 7 For All Mankind Operating Segment

The operations in this operating segment largely take place in the United States, Brazil and in European countries, and are influenced by these countries' legal and tax environments, including in the matter of corporations, antitrust law, product liability, product marking, labeling, prohibition of unfair activity, trademarks and consumer protection. European Union laws apply to activity in Europe.

To the best of the Company's knowledge, it is compliant with all of the legal requirements in question and holds the appropriate licenses, as required.

26.3 Delta Israel Operating Segment

Operations in Israel are subject to Israeli law on matters of imports, quotas, consumer protection, product marking ,labeling, labor and licensing laws (inasmuch as this pertains to operating Company stores), the Packaging Treatment Regulation Law and the Equal Rights for People with Disabilities Regulations (Adaptations for Accessibility to Service).

Furthermore, all of the Company's products are subject to legal restrictions regarding price marking, indication of components and laundry instructions in accordance with the Commodities and Services Control Law of 1957 and the orders promulgated thereunder, and in accordance with the Consumer Protection Law of 1981 and the orders promulgated thereunder.

To the best of the Company's knowledge, it is compliant with all of the above legal requirements and holds the appropriate licenses, as required.

Online Retailer Operating Segment

27. General Information Regarding the Operating Segment

In this segment, the group mainly carries out operations in which it purchases ready-made branded products, mainly in the lingerie and swimwear categories, and sells them to end customers through the BareNecessities.com e-commerce website.

27.1 The Structure of the Operating Segment and the Changes Occurring Therein

The Online Retailer operating segment is mainly based on the activity of Bare Necessities, which was acquired by the Company in 2020. Bare Necessities is a digital e-commerce platform that sells products primarily in the lingerie and swimwear categories.

As part of this activity, the Company offers for sale a wide range of products from different brands, offering about 3,800 new designs each season.

In addition, the Company is launching a new private label, *Bare ™ by Bare Necessities*, exclusively on the platform. This brand's products are expected to generate higher profit margins for the Company than products from third party brands.

The platform also contributes to the broader Group in terms of tools and expertise in e-commerce and digital marketing that are leveraged for the Group's other digital e-commerce activities.

27.2 Changes in the Scope of the Operating Segment and in Profitability

The operating segment's sales are mainly made to end customers in the United States. The Company's growth strategy regarding the operating segment is the launch of private label products (as detailed above), the redesign and rebranding of the BareNecessities.com website, entry into additional categories and expansion into additional geographic markets.

27.3 Developments in Markets of the Operating Segment or Changes in the Customer Characteristics

In this operating segment, as in the entire apparel industry, we are witnessing changes in consumer fashion preferences and trends, leading to an increase in the number of product collections required.

27.4 Critical Success Factors in the Operating Segment and Changes Occurring Therein

In the Company's opinion, there are a number of main factors on which success in the operating segment depends, as detailed below:

27.4.1 Marketing and strengthening the brand through constant investment in advertising to highlight its differentiation and benefits.

27.4.2. Ease of use of the platform.

27.4.3. Strengthening the relationship with customers and personalizing the shopping experience to their needs.

27.4.4. Investing in the purchasing departments with a focus on local and global lingerie developments and customer preferences.

27.4.5. Existence of an operational system, supply chain and distribution system that provide full efficient support for sales needs and competitive delivery times.

27.5 Main Entry and Exit Barriers of the Operating Segment

The Company believes the main barriers to entry are:

27.5.1 Building a website with a significant awareness in the fashion market and maintaining it over time through significant financial investments in its development, marketing and advertising.

27.5.2. Capital investments in setting up a logistics warehouse and supporting an efficient supply chain.

27.5.3. The need for a critical mass of sales that will enable a competitive operating cost structure.

The Company estimates that the operating segment does not have significant exit barriers.

27.6 <u>Alternatives to the Products of the Operating Segment and the Changes Occurring Therein</u>

The Company's products in the operating segment have many alternative products that are marketed at many points of sale, including many e-commerce websites. The Company works to strengthen and preserve its advantages in differentiating the shopping experience, highlighting fashionable collections, offering competitive pricing, stocking a wide range of products, and selling an innovative and on-trend exclusive private label.

28. Customers in the Operating Segment

Customers in the operating segment are mainly women aged 30 and above. Segment sales in 2021 totaled about $112.7 million, compared to about $96.0 million in 2020 (including sales made on the platform prior to its acquisition by the Company). 2020 segment sales include the Bare Necessities sales as of October 1, 2020 and sales from our Brayola subsidiary.

The Company has no significant customers in the operating segment since all customers are retail customers who purchase products for personal use through the platform.

29. Marketing and Distribution in the Operating Segment

The Company markets products in this operating segment through the website and delivers them to the customer's home. The operating segment's self-operated warehouse and distribution center is located in New Jersey, USA

30. Order Book in the Operating Segment

The order book is not an accurate indication of the expected sales volume of the operating segment in light of the fact that operating segment sales are to retail customers through an e-commerce website.

31. Competition in the Operating Segment

Products sold in the operating segment are mainly from the lingerie and swimwear categories. These categories, like most of the apparel market, are characterized by elevated and fragmented competition. The end customer can purchase products from these categories at a wide variety of physical and online outlets. The main websites that compete with the company in the operating segment and have significant internet marketing systems in the segment's core categories are: Nordstrom, Amazon, HerRoom, Third Love, Adore Me, Yandy, and Bloomingdale's.

The high competition requires the Company to price competitively; make large investments in marketing, advertising and sales promotions; and invest in the breadth of products on the site, in the convenience of using the site and in an efficient logistics system.

32. Production Capacity in the Operating Segment

The operating segment products are purchased from different suppliers under the brand names of those suppliers. In the Company's opinion, it does not depend on any one of these suppliers and has no restrictions on increasing its supply of products in the event of an increase in demand. Although the Company currently intends to manufacture its private label in-house, there is no effective limit on production capacity.

33. Intangible Assets in the Operating Segment

Intangible assets in the operating segment include goodwill created at the acquisition of Bare Necessities in the amount of $1.2 million and a brand name in the amount of $1.5 million. The domain and the brand are essential to the success of the operating segment since most of the marketing and advertising activity is aimed at promoting the domain and brand name.

In light of Brayola's merger with Bare Necessities, the Company carries the *Brayola* brand name at $1.0 million..

34. Raw Materials and Raw Material Suppliers in the Operating Segment

As stated above, products sold in the operating segment are purchased as finished products from suppliers.

35. Circulating Capital in the Operating Segment

Below are details regarding the average inventory used in the operating segment and the inventory days in 2021 and 2020:

	2021	2020
Average Inventory ($million)	20.8	15.7
Inventory Days	144	108

The increase in the balance of inventory and in inventory days in 2021 compared to 2020 was due to preparations for an increase in activity, including the launch of the private label during the third quarter of 2022.

36. Restrictions and Overseeing of the Corporation's Operations in the Operating Segment

The operating segment operations are conducted mainly in the United States and are influenced by the law and tax environment in that country, including in corporate affairs, antitrust matters, product liability, product labeling, prohibition of discrimination activity, trademarks and consumer protection.

Since a significant portion of the products sold in the operating segment are purchased outside the United States, foreign trade and customs conditions have a significant impact on the operating segment.

To the best of the Company's knowledge, it complies with all provisions of the law.

Chapter D – Additional Information at the Corporate Level

Following is additional information at the corporate level, pertaining to all of the Company's operating segments:

37. General Information on the Operating Segments

37.1 Technological Changes that May have a Material Impact on the Entire Company

The Company keeps regular track of relevant technological developments in its operating segments and applies these technologies, when possible, to its production processes. Technological developments pertaining to the yarns from which fabric is woven have an indirect impact on the operating segments, as they allow the manufacture of finished products characterized by innovation, such as products allowing for more comfortable movement, high levels of ventilation, or other advantageous features. Such technological developments in yarns allow the manufacture of advanced textile products, which grant products a distinct competitive advantage and reduce the possibility of customer pressure to reduce prices.

37.2 Changes in the Supplier Array and Raw Materials

In recent years there have been no material changes in the array of suppliers from which the Company purchases the raw materials used to manufacture its products, and in any event the Company can purchase the raw materials and manufacture all of its products at a large number of alternative suppliers and subcontractors in the Far East with no significant increase in manufacturing costs.

The Company is constantly searching for new suppliers, evaluating existing suppliers and performing quality inspections.

38. Company's Products

38.1 Women's Intimate Apparel and Activewear

The Company manufactures basic and designer intimate apparel for women, including panties, brassieres, nightwear and seamless garments such as shapewear and activewear.

38.2 Men's Undergarments and Activewear

The Company manufactures basic and designer undergarments for men.

38.3 Socks

The Company manufactures a variety of socks for men, women and children in formal, athletic, and day-to-day styles, some of which feature prints of familiar cartoon characters as well as prints of other images the Company is licensed to use.

38.4 Children

The Company manufactures a variety of children's wear in athletic and day-to-day styles, some of which feature prints of familiar cartoon characters as well as prints of other images the Company is licensed to use.

38.5 Denim, Outerwear and Accessories

The Company manufactures denim clothing items under the *7 For All Mankind* and *Jen7* brands as well as women's outerwear such as shirts, dresses, jackets, pants, and associated products.

39. Seasonality

The Company's revenues are characterized by fluctuations that derive from seasonal consumer purchases. The Company's revenues in the second half of the year generally exceed its revenues in the first half due to increased consumer purchases in the "back to school" period and during the holiday period.

39.1 Below are the Group's sales by quarter over the past three years (in thousands of dollars):

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
2021 sales - $	**416,135**	**445,771**	**501,066**	**577,986**	**1,950,958**
2021 sales - %	**21.3%**	**23.4%**	**25.7%**	**29.6%**	**100%**
2020 sales* - $	332,683	270,947	382,878	459,679	1,446,187
2020 sales* - %	23.0%	18.7%	26.5%	31.8%	100%
2019 sales - $**	365,375	373,886	446,139	504,764	1,690,164
2019 sales - %**	21.6%	22.1%	26.4%	29.9%	100%

* The data include the Bare Necessities sales which were first consolidated in the fourth quarter of 2020 and amounted to $23.2 million.

** The data include the sales of Bogart, consolidated for the first time in the third quarter of 2019.

Sales in the second quarter of 2020 and their share of total annual sales were lower than usual due to the Coronavirus crisis. See section 1.5 above and section 1.3.2 of the Board of Directors' Report, in Part B of this periodic report.

39.2 Below is a breakdown of the Group's pro-forma sales on a quarterly basis in, 2021, 2020 and 2019, which include the companies that were purchased for the entire year (in thousands of dollars):

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
2021 sales - $	**416,135**	**455,771**	**501,066**	**577,986**	**1,950,958**
2021 sales - %	**21.3%**	**23.4%**	**25.7%**	**29.6%**	**100%**
2020 sales - $	351,655	297,482	409,712	459,679	1,518,528
2020 sales - %	23.1%	19.6%	27.0%	30.3%	100%
2019 sales - $	409,162	415,174	446,139	504,764	1,775,239
2019 sales - %	23.1%	23.4%	25.1%	28.4%	100%

40. Fixed Assets, Real Estate and Facilities

40.1 Real Estate and Facilities

The Group has manufacturing facilities in Egypt, Bulgaria, Thailand, Vietnam, the Czech Republic, Turkey, and France. Following the acquisition of the Bogart Group in July 2019, the Group also has additional production plants in China and Myanmar.

Company management believes that the above facilities are in good operational condition, are properly maintained, and are appropriately sized to the Company's current level of activity. In addition, the Company believes that its activity and facilities are in compliance with current government standards pertaining to safety, health and environmental issues. As a rule, the Company has complied with these rules without any material impact on the Company's expenses, profitability or ability to compete.

As of this periodic report, the Company owns real property in Israel used for manufacturing and as a fabrics development center. Furthermore, the Group rents additional properties in Israel serving as warehouses, offices and stores. The rental agreements for the properties, including option periods for their extension, end between 2022 and 2035. In general, the Company believes that under current market conditions, it will be able to renew most of these rental agreements under terms no worse than those in effect today.

The Group rents warehouses, shops and offices in the United States, Europe and China. The rental periods in these agreements expire between 2022 and 2034. In general, the Company believes that under current market conditions, it will be able to renew these rental agreements under terms no worse than those in effect today.

The above information pertaining to the Company's estimates regarding the extension of its rental agreements constitutes forward-looking information as defined in the Securities Law, 5728 – 1968. There is no certainty with respect to the Company's estimate due to it being based on information existing as of this periodic report. Its realization is dependent on factors external to the Company such as: market conditions, agreements with landlords and other factors.

The Company owns a distribution center in Hungary, which is marketed for sale, but due to the low probability of its realization was included under fixed assets and not in current assets under assets available for sale.

40.2 Real Estate Assets Available for Sale

As of the date of this report, with the exception of the property in Hungary described in the previous section, the Company has no real estate assets available for sale.

40.3 Below is a table detailing material real properties owned by the Group or leased by it as of this periodic report:

Country	Town	Area in sqm	Primary use	Leased/ owned	Amortized Cost in the Financial Statements as of December 31st 2021 In Millions of Dollars	Annual lease in 2021 In Millions of Dollars
Israel	Carmiel	14,014 structure 24,000 land	Fabric development and dyeing, offices and warehouses	Ownership	5.0	
	Caesarea	About 9,500	Distribution center	Leased	2.4	1.3
		About 5,000	Offices	Leased	9.7	0.9
	Chain with 168 stores**	About 27,000	Delta and Fix stores – national retail chain	Leased	8.0	13.2
Egypt	Cairo	29,125	Knitting, cutting and sewing factory, offices and warehouses	Leased	2.4	0.3
	El-Menia	10,000	Knitting, cutting and sewing factory, offices and warehouses	Ownership	7.1	
Turkey	Duzce	9,400	Sock manufacturing factory	Leased	1.0	0.3
Vietnam	Phuong Thao	43,700	Intimate apparel and socks manufacturing factory	Ownership	11.4	
USA	New Jersey	2,800	Offices	Leased	0.8	0.5
	New York	4,400	Offices	Leased	0.4	1.9
	Williamsport, Pennsylvania	22,480	Offices	Ownership	0.5	
	Tifton, Georgia	46,000	Warehouse, distribution center and offices	Ownership	3.3	
	Los Angeles	3,810	Offices	Leased	1.7	0.7
	Los Angeles Fontana	29,600	Distribution center	Leased	2.4	1.8
	Chain consisting of 75 stores (including 3 stores in Canada) (7 FAM/ Splendid)	15,000	Retail chain	Leased	3.1	14.1

Country	Town	Area in sqm	Primary use	Leased/ owned	Amortized Cost in the Financial Statements as of December 31st 2021 In Millions of Dollars	Annual lease in 2021 In Millions of Dollars
Bulgaria	Rousse	8,640	Socks manufacturing plantfactory	Ownership and Leasedrental	1.8	0.1
Czech Republic	Havirska	148,000	Knitting, cutting and sewing plantfactory, warehouses and offices	Ownership	7.1	
Germany	Radolfzell	60,000	Warehouse, logistics distribution center and offices	Ownership and Leasedrental	0.3	0.9
	Schiesser Chain	About 37,000	Retail chain	LeasedRental	1.9	8.6
France	Aimargues & Sauve	27,975	Sewing, cutting plantfactory, warehouses, offices and a logistics distribution center	Ownership	3.3	
Western Europe	7 For All Mankind7 For All Mankind and Schiesser chain	About 10,000	Stores	LeasedRental	0.9	1.4
	Ayutaya and Samut	41,700	PlantFactory, offices and warehouses	Ownership and Leasedrental	4.7	
China	Panyu/Shenzhen	192,000	Sewing cutting warehouses and offices	LeasedRental	1.0	2.0
Myanmar	Yangon	21,800	Sewing PlantFactory	LeasedRental	1.6	0.4
Hong Kong	Kowloon	1,800	Offices	LeasedRental	0.3	1.1
Brazil	Sao Paolo - State	689	5 stores and an office	LeasedRental	0.1	0.6

** Excluding stores operated and rented by third parties.

40.4 Equipment

The Company operates equipment and machinery in its possession in its various factories and it estimates that there are no restrictions preventing it from operating them at full capacity.

41. Research and Development

The Company has a number of creative teams including a design team, fashion, textile and graphic designers, knitting, finishing and dyeing technologists, and product designers. These teams keep up to date on global market trends and relevant technological innovations.

The Company's design and development teams are based mainly in Israel, Germany, The United States, Switzerland, France, Hong Kong and China.

Design and development work is carried out using Delta Galil's proprietary Systematic Innovation Process ("SIP"). This method is designed for innovative thinking in order to bring about groundbreaking products for customers, which emphasize and maintain the Company's added value and competitive edge.

The process includes integrated work by all disciplines – design, marketing, development and technology – from the search and research stage, through development and design to presentation to the end customer.

In addition, the Company incubates "Cross-Company" projects using the same method, placing emphasis on creative thinking, designed to bring about design and technological breakthroughs in the Company's product categories.

The development and design teams are integrated with the Company's sales and marketing systems.

In addition, the Company operates a fabric development center, which constitutes added value in the product development core; a sock development center, which specializes in professional sports socks (Performance); and a seamless development center, specializing in shapewear and activewear for men and women. The Company also operates a strategic development center for socks at a major client's United States headquarters.

Development and design costs amounted to $50 million and $45 million in 2021 and 2020, respectively.

Development and design costs for 2022 are expected to amount to about $55 million, or about 2.5% of expected sales.[2]

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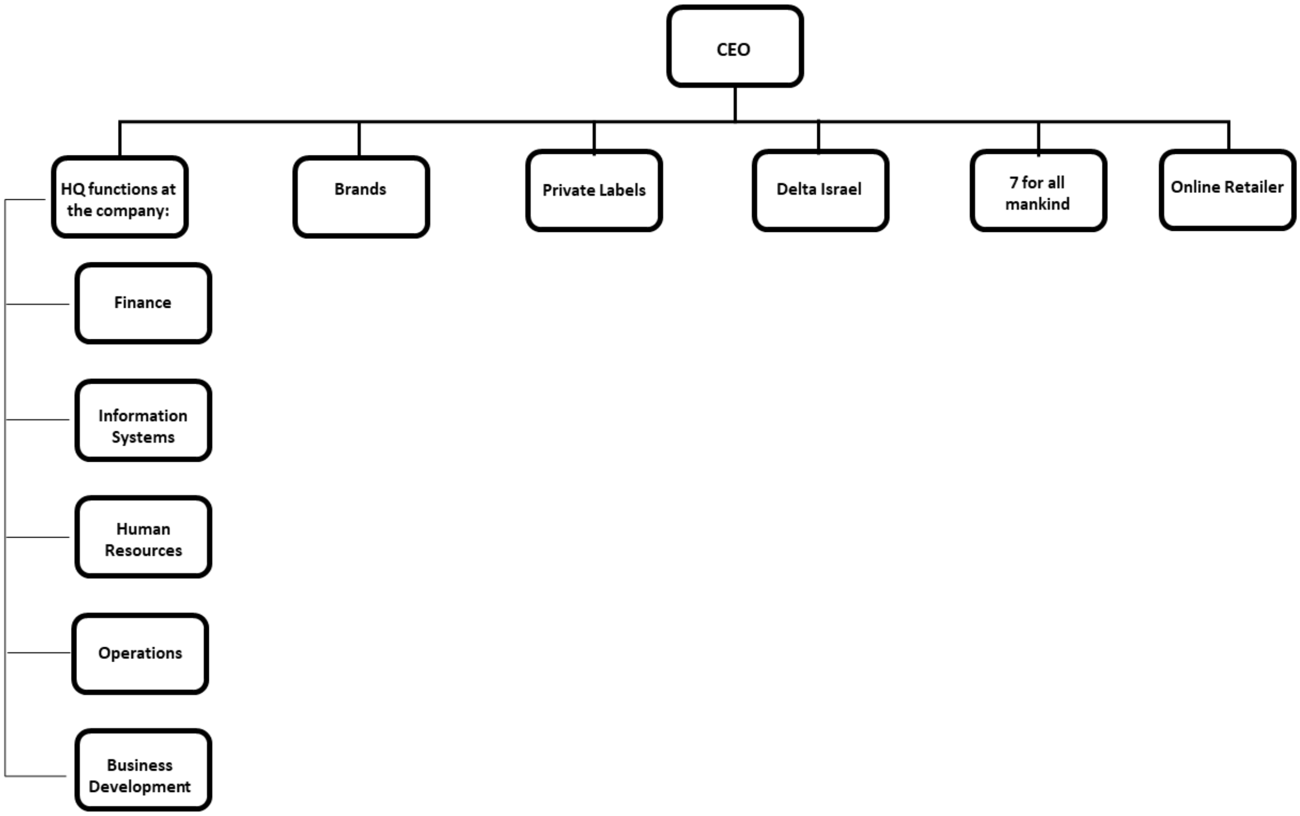
2 For the Company's sales forecast for 2022, see section 2.3.6 in the Board of Directors Report, Chapter B, for this periodic report.
The above is forward-looking information--and an estimate only--which may or may not materialize or may differ from Company estimates and forecasts due to circumstances outside of the Company's control. The estimate is based on information available held by the Company as of the report date.

42. **Human Capital**

42.1 Description of the Organizational Structure

Below is a description of the Group management's organizational structure and its operating segments:



42.2 Workforce:

As of December 31, 2021, the Company employs about 24,700 employees.

42.3 Below is a breakdown of the employees by country and operating segment in which they are employed:

	As of December 31 2021	As of December 31 2020
Thailand (Private Label)	3,870	4,675
China (Private Label)	3,275	3,250
Myanmar (Private Label)	3,355	3,190
Vietnam (Private Label)	3,330	2,080
Egypt (Private Label)	4,650	3,915
U.S.A. (Brands, Private Label, 7 For All Mankind, and Online Retailer)	1,355	1,250
Israel (Private Label, Delta Israel and HQ)	1,310	1,225
Germany (Brands)	815	845
Czech Republic (Brands)	550	585
France (Brands)	455	450
Bulgaria (Private Label)	560	580
Turkey (Private Label)	830	500
Others (Brands, 7 For All Mankind)	345	365
Total employees	24,700	23,100

Of the employees as of December 31 2021, some 17,500 are employed in manufacturing activity and about 7,200 employees are employed in development, logistics, marketing, sales and administrative activities.

42.4 Material Changes to the Workforce

The increase in the number of employees as of December 31, 2021 compared to December 31, 2020 is mainly due to the expansion of production operations of socks and seamless knitting in Vietnam and Egypt, in accordance with the Company's plan to expand production capacity in order to address an increase in customer demand.

42.5 Remuneration Plans (Options and Restricted Share Units) for Company Employees

For details regarding the remuneration plans for Company employees see Note 14b to the Financial Statements, in Chapter C of this periodic report.

42.6 Plans for Human Capital Development

The Company invests in developing its human capital by holding courses and training programs with the goal of developing competencies in professional and administrative areas. In addition, the Company offers lectures for all employees on various enrichment subjects such as: business considerations, personal growth and more.

42.7 Benefits and the Nature of Employment Agreements

The Company's engagement with most of its employees in Israel is according to general collective work agreements for the textile and garment industry and general expansion orders applicable to them.

The workers employed by Schiesser in Germany and by Eminence in France are employed under a collective agreement signed between the Company and the Commerce Branch Committee in that country. Employees of Schiesser subsidiaries in the Czech Republic and Slovakia are also employed under similar collective agreements.

The employment contracts the Company signs with its Israeli employees include, among other things, the following matters: monthly salaries, social rights such as annual vacations, advance notice, provisions to pension funds, executive insurance and education funds. Each party may end the commitment by providing written notice of 1 to 2.5 days for each month of work with a maximum of one month’s notice after one year of work.

42.8 Agreements with Senior Executives and Senior Management (Excluding Internal Auditor)

42.8.1 Agreements with Senior Executives (Excluding Internal Auditor)

The employment agreements of senior executives include, among other things, details of the senior executives' social rights and other benefits to which the senior executive is entitled. In addition to salaries, senior executives are generally entitled to an annual bonus of up to 50% of their annual pay, based on goals met and according to the formula set in their employment agreement, except in cases in which a higher ceiling was set, as approved by the Company. The Company places at the senior executive’s disposal a vehicle and mobile phone and bears all related costs. Senior Company executives undertake to uphold absolute confidentiality in all matters pertaining to the Company’s business, and to make no use of the confidential information even after the end of their employment with the Company. As a rule, the Company or senior executive may end the senior executive’s employment at the Company by providing 90 to 180 days’ written notice, with certain exceptions.

For further details on the terms of service and employment of some of the Company’s officers and interested parties, see Additional Information Regarding the Corporation, Chapter D of this periodic report.

42.8.2 Group Executive Remuneration Plan – Payment for Performance

The Company maintains a remuneration plan for most of the Group executives. This plan consists of three components of the remuneration: **(a)** remuneration on the basis of personal goals achieved; **(b)** remuneration on the basis of achieving goals derived from the budget of the division in which the executive works (sales and profitability); and **(c)** remuneration on the basis of achieving goals derived from the Company’s consolidated budget.

The remuneration component weights change based on the rank of the executive and may change from year to year. Furthermore, goals change from year to year at the start of the year, based on the decision of Company management.

The remuneration rate according to the plan is generally between 20% and 50% of the executive’s annual salary; except in cases in which a higher rate is approved by the Company’s board.

42.8.3 Senior Executive Remuneration Policy

The Company’s remuneration policy was ratified by the General Meeting of the Company’s shareholders on January 28, 2021. For details, see the immediate report on the convening of the meeting of December 23, 2020 and the report on the results of the meeting of January 28, 2021 (ref. no. 2020-01-131575 and 2021-01-011611, respectively), included in this report by way of reference.

42.8.4 Severance Pay Liability

The Company’s obligations resulting from the discontinuation of the employer – employee relationship for Group employees in Israel are mostly covered by provisions to executive insurance policies, comprehensive pension funds and

Company provident funds or other provident funds. In other countries in which the Company has significant activity--mainly Thailand, Bulgaria and Egypt--the workers have no pension rights or other rights to compensation or other payments in the event of termination.

Rights for Schiesser workers in Germany and Eminence workers in France, and for their subsidiaries are covered by ongoing provisions.

43. Operating Working Capital

Below is the composition of net operating working capital as of December 31, 2021 and 2020 on a consolidated basis, in millions of dollars:

	2021	2020
Current assets – as reported	**889.7**	**782.2**
Net of:		
Cash, restricted cash, derivative financial instrument	**(237.6)**	**(233.7)**
Current operating assets	**652.1**	**548.5**
Current liabilities – as reported	**547.6**	**521.6**
Net of:		
Short term credit from banks, current maturities of long term loans from banks, maturities of bonds, derivative financial instrument and current maturities of liabilities due to leases	**(91.4)**	**(130.9)**
Current operating liabilities	**456.2**	**390.8**
Operating working capital, net	**195.9**	**157.7**
% of net operating working capital from sales – as reported	**10.0%**	**10.9%**
% of net operating working capital from sales – on a pro forma basis, see section 39.1 above	**10.0%**	**10.4%**

Operating working capital is an index that is not in accordance with generally accepted accounting rules, which the Company uses to measure the level of working capital used in its current operations. To the best of the Company's knowledge this is an accepted metric used by the Company's competitors.

Operating working capital as a percentage of sales is calculated as follows: the difference between current assets, including customer balances, inventory, receivables and income tax receivable; and current liabilities, including trade payables, other payables, provisions for the reorganization plan and tax payable; divided by annual sales.

43.1 Raw Material Inventory Holding Policy

The main raw materials used by the Company are cotton yarn, cotton blends and synthetic yarn and other textile components. Most raw materials are purchased by the Company in accordance with manufacturing orders received from customers, and therefore the Company does not generally hold raw material inventories for extended periods of time.

43.2 Finished Product Inventory Holding Policy

The Company's sales are mostly conducted in two manners, either on the basis of specific production orders or on the basis of replenishment orders. For details see section 10 above.

The Company places a great deal of emphasis on inventory control, so that its ability to satisfy customer demands is not impacted.

44. Financing

44.1 Financial Covenants

For details regarding financial covenants connected to agreements with banks, see Note 19d to the financial statements, in Chapter C of this periodic report.

For details regarding financial covenants included in deeds of trust for debentures (Series A and F), see Note 11a(3) to the financial statements, in Chapter C of this periodic report.

44.2 The Corporation’s Credit Facilities and Terms and Unused Credit Balances as of the Report Date

For details regarding the Group’s credit facilities, see Note 19d to the financial statements, in Chapter C of this periodic report.

44.3 The Corporation’s Credit Rating

For details regarding the credit rating of Company debentures, see the designated disclosure for debenture holders detailed in section 9 of the Board of Directors’ Report, in Chapter B of this periodic report.

44.4 The Corporation’s Estimate Regarding the Need to Raise Sources of Finance

The Company finances its operations from its cash flow, bank credit frameworks, bank loans and from the proceeds from the issuance of debentures. From time to time, based on market conditions and changing needs, the Company explores alternative sources of capital, including the issuance of shares.

44.5 Bank Liabilities

From time to time the Company incurs bank liabilities, mainly to finance working capital, to make investments in fixed assets, to fund acquisitions and to refinance debt. These liabilities are guaranteed by liens on assets of the Company and some of its subsidiaries.

The Company's credit facilities permit short-term loans and the receipt of letters of credit, and issuing collateral. The Company’s short-term loans have redemption dates with a period of less than one year. The redemption date of some of the loans is shorter, in order for the Company to retain flexibility in financial management.

Furthermore, the Company has long-term loans from commercial banks. For more details see Note 19e to the financial statements, in Chapter C of this periodic report.

The Company has credit facilities renewable for a period of up to one year from a number of banks. The banks maintain liens on the Company's assets including its share capital and goodwill. Interest on the credit facilities is set from time to time in negotiations between the Company and each of the banks separately. The banks have entered into an intercreditor agreement asserting their pari passu status with respect to the loan collateral.

44.6 Liabilities to Debenture Holders

For further details regarding liabilities to debenture holders and the cash flow swap agreements for debentures, see Note 11 to the financial statements in Chapter C of this periodic report.

45. Taxation

For details regarding tax laws applicable to the Company, see Note 15 to the financial statements in Chapter C of this periodic report.

46. Goals and Business Strategy

This paragraph, pertaining to the Company’s goals, its strategy and its expectations of further growth and development in the coming year, constitutes forward-looking information. Forward-looking information is uncertain information regarding the future,

based on information existing at the Company on the periodic report date and includes Company estimates or intents as of the periodic report date taking into account past experience, various estimates regarding the state of the economies in which the Company operates, and depends on many external factors not under the Company's control. Therefore, no certainty exists that the below will, in fact, be realized, and results in practice may be materially different from the results estimated or implied from this information, among other things in the event of deterioration, new or additional, in the state of the economies in which the Company is active, if the risk factors relevant to the Company are realized and more.

46.1 General

The Company's main strategic goal is achieving growth in its business activities. The Company is interested in growing in its activities with existing and new customers, through a broad range of products, and entry into new categories.

In order to achieve these goals, the Company invests in innovation, research and development, in streamlining the production process and supply chain, and through branding. In addition, the Company considers making strategic acquisitions that will complement its product lines and improve its relationships with customers.

46.2 Strategic Acquisitions

As noted, in order to achieve growth, the Company, from time to time, considers making strategic acquisitions that will complement its product lines, improve its relationships with existing customers and allow penetration into new markets and with new customers. This is what was accomplished, for example, with the acquisition of Bogart in July 2019, which completed the Company's product lines (mainly in the field of brassieres), and with Bare Necessities, a leading United States e-commerce company, which the Company acquired in October 2020. These acquisitions provided the Company with access to new customers.

In examining these acquisitions, the Company focuses on increasing the scope of its branded activity.

Due to the size of the American market, the Company has marked this market as a strategic target that can have a significant contribution to the Company's growth and profitability. By way of a series of acquisitions made by the Group in the American market in the early 2000s, the acquisition of Bogart in 2019 and the acquisition of Bare Necessities in 2020, the Company's presence has increased significantly in the American market in such a manner that the scope of sales to North America increased dramatically from a total of $47 million in 1998--which constituted 16% of Company's sales that year--to about $998 million in 2021, constituting 51% of sales.

In addition, the Company has targeted the European market as having large expansion potential, as expressed through the purchase of Schiesser in July 2012, 7 For All Mankind in August 2016 and Eminence in July 2018, increasing European sales from $162 million--or 24% of total sales--in 2011 to about $537 million--or 28% of total sales--in 2021.

46.3 Examining the Possibility of an IPO to list the Company's shares in the United States.

The Company's management periodically examines—with the assistance of financial advisors--the possibility of an IPO to list the Company's shares for trading on a United States exchange, subject to market conditions.

For further details, see Paragraph 1.3.7 of the Board of Directors Report in Chapter B of this Report.

46.4 Customers

One of the Company's most important assets is its customers. The Company places an emphasis on the level of service and innovation provided to customers and acts on several levels to develop business with them, as follows:

46.4.1 Increasing Sales to Existing Customers

The Company endeavors to increase sales of existing products and of new products to existing Company customers. The Company believes that the broad selection of products it offers--while emphasizing customer service and reliability--provides the Company with a distinct competitive advantage over its competitors, as wholesale and private label customers generally prefer engaging with a small number of suppliers. The Company intends to capitalize on this trend by reinforcing and expanding its relationship with its customers.

46.4.2 Maintaining Relationships with Company Customers

The Company’s presence in the United States and in Europe allows its design team to be constantly aware of the latest marketing and sales trends in Europe and the United States. Despite the fact that a large portion of the Company’s products are sold under its customers’ private labels, the Company's development and design experts cooperate closely with customers in designing and developing products. The development and design teams prepare presentations for customers that include, among other things, an analysis of successes and failures from previous seasons, and develop--along with customers--the basic idea, the product, and the packaging, all in accordance with customers’ needs. The Company believes that the unique comprehensive package of services it offers customers is a significant factor in the strength and defensibility of its customer relationships.

46.4.3 Developing Relationships with New Customers

The Company develops relationships with new customers who demand high quality products to sell under their private labels, who demand the high levels of service offered by the Company, who are capable of making large-scale orders, and who show significant growth potential.

46.4.4 Innovation and Investment in Research and Development

The Company invests significant resources in the development and design of products in order to present its customers with breakthrough products, to allow penetration of new categories and to preserve its competitive advantage.

46.4.5 Streamlining Production Processes and the Supply Chain

The Company constantly works to streamline its production processes, by transferring labor-intensive manufacturing processes to countries offering low-cost labor, and by continued automation and high-grading of manufacturing processes.

The Company invests in developing its supply chain and recognizes its importance in guaranteeing high standards of service to its customers.

46.5 Branding

The importance of branding is constantly increasing and plays a major role in the consumer’s decision whether or not to purchase a product. Behind each brand name is a message that creates an emotional connection between the consumer and the product. The Company, which operated in the past primarily as a private label manufacturer, understands the importance of investing in developing its branded businesses.

In addition, the Company enters into license agreements to market men’s and women’s intimate apparel, socks and activewear under leading brands names. Accordingly, the Company intends to continue to act to acquire licenses for marketing under additional brand names, strengthening its position with the consumer.

46.6 Reinforcing and Expanding Branded Retail Activity

The Company aims to expand its branded retail activity, placing an emphasis on the online channel, whether by expanding existing operations in the operating segment of Brands, 7 For All Mankind and Delta Israel, or by making new strategic acquisitions to strengthen its competitive positioning.

46.7 Investing in Innovation in the Company’s Supply Chain and E-Commerce Competencies

The Company aims to be at the forefront of technology in its areas of activity, by implementing automation throughout its value chain and strengthening its ecommerce sites. To this end the Company worked with a retail innovation consulting firm in 2019, and with its assistance mapped and reached out to innovative start-ups with the potential to help the Company address major challenges in its areas of operation. In 2020, the Company launched an innovation program under which it would incubate a number of start-ups with relevant technologies for efficiency and automation, as well as companies with innovative e-commerce technologies, from the proof of concept stage to the scale-up stage. In addition, as part of an effort to strengthen e-commerce, the Company acquired Bare Necessities—a leading e-commerce retailer in the United States--in October 2020.

47. Financial Data on Geographic Regions

The Company does not report in its financial statements according to geographical regions and therefore reporting according to geographical regions on the basis of the data in the financial statements is impractical.

Details on sales and asset balances that are not current is included in Note 5c to the financial statements in Chapter C of this periodic report.

48. Discussion of Risk Factors

Below is a description of the possible impact of the risk factors relevant to the Company's activity, in accordance with Company management's estimates. Note that the following estimates regarding the impact of the risk factors reflect the impact of the risk factors assuming the risk factors will be realized, and this does not constitute an assessment or the giving of weight to the chances of such realization.

48.1 Macro-Economic Risk Factors

48.1.1 Increased Costs of Purchasing Finished Products from Far East Manufacturers

The Company purchases and manufactures a significant portion of the products it sells from subcontractors or at its own factories located in Far East countries. Increases in the costs of finished products and self-manufacturing costs that may derive from an increase in raw material prices as well as a result of increased salaries, conveyance costs and other inputs, among other things, as a result of the strengthening of local currencies vs. the USD, may erode the Company's gross profits.

48.1.2 Exchange Rate Fluctuations

As the Company is active in a variety of countries, it is exposed to risks deriving from changes in exchange rates of various currencies. Fluctuations in the exchange rates of various currencies may have an impact on the Company's operating results, mainly in light of the fact that the Company's sales are carried out around the world in a variety of currencies.

In order to limit the Company's exposure to fluctuations in exchange rates of the various currencies, from time to time the Company considers taking action to protect its currency exposure so that purchases and other costs will be denominated in the sales currency, including by purchasing future contracts to convert foreign currency to USD at a pre-determined price. The Company also acts to change the sales currency to the dollar.

At the same time, these hedging agreements will not protect the Company if the depreciation of these currencies against the USD continues after the end of the future contract period. For further details, see section 3.3 of the Board of Directors' Report, Chapter B of this periodic report.

48.1.3 Free Trade Agreements

The Company currently enjoys free trade agreements between Israel and the United States, Canada, the European Union and the European Free Trade Association. These trade agreements allow the Company to sell the products manufactured in Israel to the relevant countries, exempt of customs and import quotas. Changes to global free trade agreements may lead to changes in customs and quotas regimes in the countries constituting the Company's chief target and production countries.

Loss of free trade advantages will negate one of the Company’s most important competitive advantages and may lead to an erosion in profitability.

48.1.4 Economic Situation in Target Markets

The economic situation in the target markets and concerns of continued recession in these markets may impact consumer habits and the magnitude of their consumption in the operating segment and may lead to a reduction in the Company’s sales.

48.1.5 Security and Political Situation

The political, economic and security status of the State of Israel and of the countries in which the Company is active, has a direct impact on the Company, the management, the offices and some of the development and manufacturing facilities which are located in Israel. Hostilities and/or conflicts between Israel and its Arab neighbors may have a material impact on the Company’s activity, including delays to Israel’s international trade activity. In addition, Israel has a military reserve duty obligation, both on an annual basis and/or during emergencies, applicable to citizens of the State of Israel and permanent residents. The Company cannot predict the full impact of this military reserve duty on the Company's work force, in the event that some of the Company’s workers and executives are called up to reserve duty.

In light of the Company’s activities in Egypt and Turkey, the deterioration of the security situation between Israel and the region’s states in general--and with these countries in particular, as well as the deterioration of the internal political conditions in these countries, may impact the Company’s activities and production capabilities in these countries. Manufacturing in Egypt supplied about 3% of the Company’s sales in 2021. A worsening of the political, economic or social instability in that country may impact the Company’s activity. Products manufactured in Turkey constituted 3% of the Company’s sales in 2021.

48.1.6. Health-related emergencies

Health-related emergencies can affect consumers' habits and consumption in the operating segment as well as the Company's ability to purchase raw materials and products, the prices of raw materials and products, and the Company’s ability to produce and sell products in a regular way.

In the Board of Directors' report, the Company updated the effect of the Coronavirus on its operations as of the date of this report. For further details, see section 1.3.2 of the Board of Directors' report, in Chapter B of this periodic report.

48.2 Industry Risk Factors

48.2.1 Competition

The Company might be incapable of competing with different manufacturers with economic, geographic and other advantages over the Company. The Company is in direct competition with a number of garment manufacturers who enjoy reduced manufacturing costs due to economies of scale, cheaper work forces, geographic proximity to consumers and suppliers and who have larger economic and marketing resources at their disposal. Increasing competition on the part of competitors may lead to pressure to reduce prices or loss of market share, and thus have a negative impact on the Company's revenues and profitability. No certainty exists that the Company will successfully navigate competition with existing or new competitors.

48.2.2 Seasonality

As a result of seasonal fluctuations, the results of the Company's activity on a quarterly basis might not reflect the Company's future performance. In light of seasonal consumer purchases, the Company's revenues have undergone quarterly fluctuations in such a manner that the Company's revenues in the last two quarters exceeded the Company's revenues in the first two quarters thanks to holiday and back-to-school purchases. In light of this inconsistency, the results of the Company's activity on a quarterly basis might not reflect the Company's future performance. The above inconsistency may make it harder for investors to properly forecast the Company's future performance.

48.2.3 Changes in Fashion Preferences

The garment industry is subject to changes in consumer fashion preferences. The Company's sales rates may decrease if the Company or its customers err in evaluating current fashion trends. The Company's success is partially dependent on its ability to design and develop products its customers like and which withstand, or align with, changes in fashion trends. The Company may fail in its attempt to predict fashion trends. In the event that the Company or its customers err in evaluating fashion trends, product orders and purchases from Company customers may decrease, which may have a negative impact on the Company.

48.2.4 Online Trade

The garment and fashion industry is subject to rapid changes and market trends according to which an increase has occurred in the market share of products, particularly labelled products, sold via e-commerce websites. The Company believes that its customers sell products purchased wholesale from Delta Galil online as well. At the same time, the Company has no precise data regarding the percentage of such sales from the total sales of any of its customers.

The Company operates a number of e-commerce websites of its own through which some of its branded products can be purchased in Israel, Europe and the United States, in the Delta Israel, Brands and 7 For All Mankind Operating Segment, mainly under the Delta, Fix, Schiesser, 7 For All Mankind, Splendid, Eminence, Athena, Liabel and P.J. Salvage brands.

Furthermore, following the acquisition of Bare Necessities in October 2020, the Company sells over 160 leading brands and 6,400 styles in the intimate apparel, swimwear, bodysuits, sleepwear and socks categories.

The percentage of online sales out of the total sales of the operating segment in question in particular and out of total Delta Galil sales in general is relatively low, but increasing, and accelerated over the past 2 years due to the Coronavirus crisis. See section 1.5 above and section 1.3.2 of the Board of Directors' Report, in Part B of this periodic report. If any of the Company's customers fail to open their own online sales channels and as a result, their sales are negatively impacted, the magnitude of sales of Company products intended for that customer may be indirectly impacted.

48.2.5 Changes in Raw Material Costs and Shipping Prices

The Company has no control of changes in the prices of raw materials it uses or of changes in shipping prices. Increases in costs of raw materials or shipping may harm the Company's profitability. The majority of raw materials used by the Company for the manufacture of its products are cotton threads, Lycra, nylon threads and rubber. The Company's financial results are to a large degree dependent on the cost and availability of raw materials. Raw material prices, as well as shipping prices, are unstable in light of variable supply and demand conditions and in light of other market factors over which the Company has no control. Recently and in the wake of the Coronavirus crisis, there has been a significant rise in maritime transport costs in light of the shortage of cargo ships carrying goods from the Far East. The Company might not be able to pass on the increase of costs in question to its customers. This situation affected, and may continue to negatively impact, the Company and its profitability.

48.2.6 Regulatory Developments

As the Company is active in the international market, it is exposed to changes in foreign laws, export restrictions, protective tariffs, trade barriers, changes in tax laws, changes in environmental protection laws, difficulties in hiring appropriate personnel and management of international operations, social, political and economic changes as well as other risks inherent to international business activity, any of which may have a significant impact on the Company’s financial results. Any of the above factors may have a negative impact on the Company’s ability to provide or receive merchandise under competitive conditions and according to necessary timetables and may have a negative impact on its operating results.

48.3 Risk Factors Unique to the Company

48.3.1 Dependence on Major Customers

A substantial part of the Company’s revenue is derived from sales to large customers. A reduction in orders from these customers may have a material negative impact on the Company’s revenue. The Company’s agreements with its customers, including with the customers detailed in this report, are short-term agreements and do not include minimum purchase requirements. Company customers may decide not to purchase Company products in the future at the same amount or under the same conditions as in the past. Any decrease in purchases on behalf of these customers, or of any material customer, may have a negative impact on the Company's economic results.

48.3.2 Completion of Integration and Operation Proceedings with Subsidiaries

In recent years, the Group has purchased a number of companies and/or activities, the integration with which has not been completed, and which require administrative resources. Thus, for example, in July 2019 the Company purchased the Bogart Group. In addition, integration processes and administrative resources are also invested in the activity of the factory established in Vietnam and in new factories established in Egypt. The possibility exists that the Company will not successfully complete said integration and operation proceedings. The Company is continuing with the integration process of these purchases, with the aim of merging and combining the facilities, IT systems and personnel of the subsidiaries purchased in the Company and improve the operational level of the factory in Vietnam. The Company diverts a great deal of senior management’s time from their day-to-day activities in the United States and Europe for the purposes of this integration, and as a result, a significant work load is created for the Company’s management team. Completion of the integration process may be negatively influenced by economic conditions, by failure to integrate economic and operational systems, by reactions from competitors or customers or by regulatory developments, if any. The Company’s inability to successfully complete integration may have a negative impact on the Company.

48.3.3 Direct Engagement by Retailers with Far East Manufacturers

In recent years, a number of large retailers have been trying to enter into direct manufacturing engagements with factories, instead of entering into engagements with companies designing and developing undergarments. The Company believes that this practice largely occurs with basic products intended for the general market, where the design element is less significant. The Company’s sales may be impacted in the event that this practice continues to become more prevalent.

48.3.4 Reduction in the Market Share of Company Customers

The Company's sales may be impacted in the event that customers are unsuccessful in competing in the competitive markets in which they are active. If customers' sales decrease for some reason, whether or not it has any connection to the Company and its products, the Company's sales to such customers may also drop.

48.4 The following table shows the Company's evaluation of the degree of impact of the risk factors detailed above on the Company:

	Degree of Impact of Risk Factor on the Company		
	Major impact	**Medium impact**	**Minor impact**
Macro-economic risks			
Increased Costs of Purchasing Finished Products from East Asian Manufacturers	X		
Exchange Rate Fluctuations		X	
Free Trade Agreements	X		
Economic Situation in Target Markets	X		
Security and Political Situation	X		
Health-related emergencies		X	
Industry Risk Factors			
Competition	X		
Seasonal Factors			X
Changes in Fashion Preferences		X	
Online Trade		X	
Changes in Raw Material Costs and Shipping Prices	X		
Regulatory Developments		X	
Risk Factors Unique to the Company			
Dependence on Major Customers	X		
Completion of Integration and Operation Proceedings with Subsidiaries	X		
Direct Engagement by Retailers with Far East Manufacturers	X		
Reduction in the Market Share of Company Customers		X	

Delta Galil Industries Ltd.

Chapter B

Report of the Board of Directors on the State of the Corporation's Affairs

As of December 31, 2021

Report of the Board of Directors on the State of the Corporation's Affairs For the Period Ending on December 31, 2021

We hereby present to you the report of the Board of Directors of Delta Galil Industries Ltd. (hereinafter: **"the Company"** or **"Delta")** in reference to the Consolidated Financial Statements of the Company and its subsidiaries in Israel and overseas (hereinafter: **"the Group"**) for the period ending December 31, 2021 (hereinafter: **"the Reporting Period"**), in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730 - 1970. The Board of Directors' Report is an integral part of the Periodic Report, in all of its parts, and the Periodic Report must be read as a whole in its entirety.

1. Summary Description of the Corporation and its Business Environment

1.1 General

The Group is engaged in the development, design, production, marketing and sales of intimate apparel, socks, leisurewear and activewear for men, women and children. In addition, the Group engages in the development, design, marketing, distribution and sales of branded denim products, outerwear and accessories.

The Group's sales are divided as follows:

1.1.1 Branded Product Sales

Branded product sales are divided as follows:

a. Sale of brands owned by the Company such as: Delta, Fix, Schiesser, 7 For All Mankind, Splendid, Eminence, Athena, Liabel, P.J. Salvage, and Karen Neuburger. Products sold within this structure include undergarments, socks, leisurewear, activewear, denim and outerwear for men, women and children. These products are sold through retail stores owned by the Company and to leading third-party retail chains such as Nordstrom, Galeria Karstadt Kaufhof, Leclerc and Carrefour.

b. Sale of brands for which the Company holds a license, where the Company pays a licensor royalties in return for use of the brand name. These include: Converse, Spalding, Wilson, Tommy Hilfiger, Kenneth Cole, Columbia, Original Penguin, Marc O'Polo, Calvin Klein, Disney and more. Furthermore, the company signed license agreements with adidas, Wolford and Polo Ralph Lauren in 2021. Products sold within the framework of license agreements consist primarily of intimate apparel, socks, leisurewear and activewear for men, women and children.

1.1.2 Sale of Products for Customer Private Labels

Sales of products bearing the customer's private label are made to leading customers such as: Nike, Walmart, Target, Victoria's Secret, Athleta, Skims, Marks & Spencer, Primark, Amazon, Macy's, Kohl's, Hema, Calvin Klein, Maidenform, Tommy Hilfiger, Spanx, Lululemon, Sportmaster, Under Armour, Hanes, Jockey, Techstyle Fashion Group, MGF, Adore Me, Inditex Clothing Group and more. Private label products consist mainly of undergarments, socks and activewear.

1.2 Marketing, Development and Manufacturing Activity

The Company markets its products through owned retail stores and through its digital e-commerce sites in the United States, Europe and Israel. The Company designs and develops its products primarily in Israel, Germany, Switzerland, France, the United States, China and Hong Kong. The Company manufactures its products both via subcontracting with third parties and in its owned factories in the Middle East, Europe, Central America and the Far East.

1.3 **Material Events in the Corporation's Activities During and After the Reporting Period**[1]

1.3.1 Changes in the Reporting Operating Segments

For about a decade, the Company has operated through five reportable areas of activity as defined in International Financial Reporting Standard No. 8 (IFRS 8): Delta USA, Global, Upper Market, Delta European Brands, Delta Premium Brands and Delta Israel. These segments were reported as operating segments in the Company's financial statements through March 31, 2021.

In the second quarter of 2021, the Company implemented strategic changes to its organizational structure, remuneration plan and internal financial reporting method. As a result of these changes, the reporting segments were updated beginning in the second quarter of 2021. The Company's operations are now divided into the following reporting segments: Brands, Private Label, 7 For All Mankind, Delta Israel and Online Retailer.

In addition, from the second quarter of 2021, the Company's CEO has served in parallel as Chief Operating Decision Maker ("CODM"). Until the second quarter of 2021, the Company's CEO and the Board of Directors were identified as CODM. The Company's CEO, in his role as CODM, reviews sales and profit from operations before non-core items for each reportable segment.

In the current financial statements, the segment information is restated for equivalent periods in 2020 and 2019 to reflect the change in the reporting basis.

The change in the organizational structure of the Company, which was followed by the change in the reporting basis of the segments, was made primarily in order to align the managerial and organizational structure of the Company to its strategy and improve its operational efficiency. The new structure creates a distinction between the Company's branded (Brands) and private label (Private Label) activity, each of which has different characteristics such as sales channels, risks, competitors, etc.

The Company includes in brand operations sales of products under its own brands, in its own stores, via its owned e-commerce sites, and to wholesale customers. Also included are sales under brands for which it has been awarded a license.

Private label activity includes sales to retail chains and leading brands in the United States and Europe under the customer's private label brand. The Company develops, designs and manufactures products at the brand owner's request, and the brand owner sells the products to the end customer through its own distribution channels.

The Company believes that segmenting the areas of activity in the new manner better reflects the way in which it operates and examines its business, and allows for a better comparison of results to other companies operating in the industry.

Below is summary information about the alignment of Company activities with the various operating segments as they now appear in the Company's financial statements:

Brands - This operating segment includes the operations of Schiesser and Eminence (which were included, prior to the change, in the European Brands segment), the activity of P.J. Salvage (which was included, prior to the change, in the Delta USA segment), the activity of Splendid (included prior to the change in the Premium Brands segment) as well as operations for licensed brands such as: Tommy Hilfiger, Columbia and others, in the categories of lingerie, loungewear and sleepwear.

Private Label - This operating segment includes private label activity in all markets, including the operations of the Bogart Group, which was previously included in the Global Upper Market segment and operates in lingerie, loungewear and sleepwear. Customers in this operating segment include: Nike, Victoria's Secret, Walmart, Target

[1] Note that this section only lists events that occurred after the date of publication of the 2020 periodic report on March 9, 2021.

and others.

7 For All Mankind - This operating segment includes the activity of the 7 For All Mankind denim brand, which was previously included in the Delta Premium Brands segment.

The 7 For All Mankind brand activity is in the premium denim category for women, men and children and has significantly different characteristics from the Company’s other branded products in the lingerie and loungewear clothing categories.

This segment is also characterized by different production processes, different selling prices, different suppliers, different marketing and advertising efforts, different competitors, etc. versus the Company’s other products. In light of the above, the Company presents this brand’s activity separately from its other branded activity.

Delta Israel - This operating segment remains unchanged.

Online Retailer - This operating segment includes the operations of both Brayola and Bare Necessities that previously appeared in the segment report under “Others.”

The operations of this segment are fundamentally different from the operations carried out on the Company’s online sites in its other areas of activity. In this segment, the Company functions primarily as a merchant, purchasing ready-made branded products mainly in lingerie and swimwear and selling them to end customers through BareNecessities.com. On the other hand, the Company’s e-commerce websites within the other segments constitute an incremental sales channel to the traditional channels, through which the Company’s branded products are sold to end customers.

For an analysis of the business results of the operating segments, see section 2.3.5 below.

1.3.2 Effect of the Spread of the Coronavirus (COVID-19)

Around December 2019, an epidemic caused by the Novel Coronavirus broke out in the city of Wuhan, China. The Virus began to spread around the world, picking up in the first quarter of 2020, and in March 2020 the global proliferation of the virus caused the World Health Organization to declare it a “pandemic” (global epidemic).

This pandemic, affected the Company’s production activities in the Group's factories - both fully-owned and operated by third parties - as well as the activities of some of the Company's core suppliers and subcontractors.

Since its breakout, the pandemic has expanded to most countries around the world. In order to prevent the spread of the virus, various countries around the world took various measures, including the closure of shopping centers, retail stores, factories and offices that have significantly affected the markets in which the Company operates - in the United States, Europe and Israel.

From the beginning of the spread of the Coronavirus, the Company has worked to protect the health and safety of employees while maintaining business continuity to the extent possible. The Company operates in accordance with the instructions in order to maintain a protected work environment for employees in its various factories and sites.

Impact on Sales in the Various Channels: Company Stores, Wholesale Customers, Online.

During the course of 2021, Delta and Fix stores in the Delta Israel Operating Segment were shut down intermittently due to directives from the authorities. Schiesser and Eminence stores in Europe and 7 For All Mankind stores in Europe and Brazil were also intermittently shuttered.

For example, Delta and Fix stores in Israel were closed from the January 1, 2021 until February 21, 2021.

During the second and fourth quarters of 2021 the Company experienced intermittent store closures in Europe.

As of the date of the report, the Company is unable to assess the effect of additional closures that may occur, in various countries because the duration, manner of exit, and cost structure of the potential closures are unknown.

During the course of 2020, some customers unilaterally notified the Company of the extension of credit terms for a period of approximately 60 days beyond normal credit terms. As of the date of this report, most of the customers who unilaterally extended credit terms have reinstated credit terms to the levels preceding the crisis.

The Company's e-commerce sites have been fully and continuously operational throughout the pandemic in accordance with the instructions of authorities in various countries around the world. The significant increases recorded in e-commerce activity partially offset the reduction in Company sales in the other channels.

The impact of closures in various countries led to a decrease in sales at brick and mortar stores in all operating segments, while sales on the Company's e-commerce sites in the first quarter of 2021, compared to the corresponding quarter the previous year - and especially in the months when restrictions and/or closures were imposed on the physical store chains - improved.

As of the second quarter of 2021, following the gradual opening of stores and their return to near-normal operations, there was a significant increase in brick and mortar sales in all operating segments while e-commerce sales declined in most brands.

Measures to Reduce Expenses

Due to the effects of the virus, the Company took significant steps in 2020 to reduce its expenses in its various operating segments. In its branded retail operations, the Company mainly reduced wage expenses by placing employees on furlough and reducing rent expenses in coordination with landlords.

During the course of 2020, as part of its strategy to improve operational efficiency and flexibility in marketing and development, the Company initiated a comprehensive reorganization plan.

The plan included reducing and/or closing some production operations, reducing overhead at the Company's headquarters, and implementing changes to systems and processes to align with industry best practices. These include reinforcing the online sales apparatus and integrating modern automation technologies into the sales and development process.

The total cost of the plan was approximately $39.2 million, recognized as an expense in 2020. Approximately $35.6 million of this amount was to be paid in cash as severance pay and other employee termination costs, and approximately $3.6 million was to be recognized as noncash write-downs of fixed assets in the Company's factories.

During 2021 the Company continued to implement the plan, having spent approximately $31.7 million by year-end, including $28.3 million in cash.

Impact on Manufacturing Operations

In the Private Label Segment, the Company acted to completely or partially shut down its factories, depending on limitations due to the pandemic and the February 1, 2021 military coup in Myanmar. For example, the Company’s factories were shut down in Thailand and Myanmar for 9 days each during the months of June and March 2021, respectively. Partial shutdowns were also in effect at the Company's sock factories in Turkey and Bulgaria.

Additionally, the Company's Vietnam factory was partially shut down beginning in the second week of August 2021, completely closing in early September for a period of three weeks, before gradually resuming activity.

Disruptions in manufacturing activity at the Company's factories in Thailand and Myanmar continued during the third quarter of 2021 as the pandemic persisted. Disruptions may spread to other countries depending on the spread and severity of the virus. In most of these factories, the workers have received one vaccine dosage and the Company continues the vaccination process.

Liquidity and Capital Resources

As of December 31, 2021, the Company has cash and cash equivalents of $230.1 million, available capacity under its secured credit facilities of $180 million and available capacity under its unsecured credit facilities of$46 million.

Cash flow from current operations, excluding the effect of IFRS 16 and a non-core loss from the early redemption of debentures in 2021, amounted to approximately $121 million.

For further details see section 3.1 below.

All of these indicate the Company's high level of liquidity and financial strength.

1.3.3 Distribution of Dividends

		Distribution Amount		
Distribution Date	Record Date	(In $ Millions)	(In Cents per Share)	Declaration Date
6/1/2021	5/23/2021	3.5	13.7	5/11/2021
8/26/2021	8/18/2021	5.0	19.6	8/10/2021
11/23/2021	11/11/2021	7.0	27.4	11/3/2021

1.3.4 Declaration of a Distribution of a Dividend after the Balance Sheet Date

		Distribution Amount		
Distribution Date	Record Date	(In $ Millions)	(In Cents per Share)	Declaration Date
3/8/2022	2/23/2022	10.0	39.0	2/14/2022

The dividend will be distributed according to the exchange rate of the dollar as announced on the day before the payment date. For further details, see the Immediate Report on Dividend Distribution published in parallel with this report.

1.3.5 Midroog Ltd. Rating Report

a. On April 14, 2021 the Company announced that Midroog Ltd. had reapproved the A1 rating for the debentures (Series A, B, E and F) issued by the Company and raised the outlook from *negative* to *stable*. For further information, see the immediate report of April 14, 2021 (ref. no. 2021-01-063750).

b. On January 25, 2022, the Company announced that Midroog Ltd. had reaffirmed the A1 rating for the debentures (Series A and F) issued by the Company and raised the outlook from *stable* to *positive*. For further details, see Immediate Report dated January 25, 2022 (2022-01-010398).

1.3.6 Private Issue for Employees and Officers

a. On March 17, the Company's Board of Directors approved a private offer based on the outline for the offer of securities to officers and employees, of 42,824 options and 5,640 restricted share units for 14 employees in the Company group and for 2 officers. For further details see immediate report dated March 17, 2021 (reference 2021-01-037437).

b. On May 10, 2021, the Company's Board of Directors approved the allocation of 10,000 options for an employee in the Group. For further details, see Immediate Report dated May 12, 2021 (Reference 2021-01-083604).

c. On November 3, 2021, the Company's Board of Directors approved the allotment of 27,574 options and 2,267 restricted share units to 5 employees in the Group. For further details, see Immediate Report dated November 4, 2021 (Reference 2021-01-163011)

d. On November 16, 2021, the Company's Board of Directors approved the allocation of 3,590 options for an officer of the Company. For further details, see Immediate Report dated November 16, 2021 (Reference 2021-01-187443).

e. On December 29, 2021, the Company's Board of Directors approved the allotment of 14,279 options and 5,548 restricted share units to 2 employees in the Group. For further details, see Immediate Report dated December 30, 2021 (Reference 2021-01-187443).

1.3.7 Examining the Possibility of Carrying Out an IPO to the American Public and Registering the Shares of the Company in the United States

The Company is considering listing its shares in the United States for trading via an IPO to the American public, subject to market conditions.

On August 5, 2021, the Company announced that at its meeting on August 4, 2021, the Company's Board of Directors approved the submission of a Form F-1 Registration Statement ("The Registration Document"), in a Confidential Submission to the United States Securities and Exchange Commission ("The SEC"). On August 17, 2021, the Company announced that it submitted the stated registration document to the SEC on August 16.

For further details, see the Company's immediate reports dated August 5, 2021, August 17, 2021 and October 21, 2021 (references: 2021-01-127950, 2021-01-132978 and 2021-01-158460, respectively), included in this report by way of reference.

For the sake of caution, it would be prudent to clarify that, at this stage, is the submission of the registration statement is only a confidential submission, and that, as at the date of this report, a decision has not yet been made by the Company to conduct an IPO. As such, there is no certainty regarding the Company's intent to execute it. It would also be prudent to clarify that the above does not constitute an offer to sell securities or a solicitation of an offer to purchase the Company's securities.

1.3.8 Full Early Redemption of Series B Debentures

On August 5, 2021, the Company announced that in order to flatten its debt payment curve, extend maturities, and fix a significant component of its debt at an attractive interest rate, the Company decided to redeem Series B debentures that were expected to be repaid in October 2024.

On August 23, 2021, the Company repaid the debentures through bank loans and available cash balances.

The redemption amounts paid to the holders of the debentures, in respect of each NIS 1 par value of the debenture, are NIS 1.039528. The total payment to all holders amounted to NIS 373.8 million (approximately $115.7 million). Upon the execution of the full early redemption of the debentures, the debentures were removed from trading on the stock exchange and the stock exchange clearing house, and the bondholders are not entitled to any further payment from the Company.

As a result of the early redemption of the debentures, the Company incurred a non-core loss of an amount of approximately $5.0 million, which was included in the financing expenses. See sections 2.2.2 and 2.3.3.3, below.

1.3.9 General Meetings

a. On September 30, 2021, the Company issued a notice convening a special general meeting of its shareholders, the agenda of which included (1) The reappointment of Mr. Shlomo Sherf as an External Director; (2) The reappointment of Mr. Joshua (Shuki) Gold as an External Director; (3) Approval of transition from a reporting format in accordance with the provisions of Chapter F of the Securities Law, 5728 - 1968 to a reporting format in accordance with the provisions of Chapter 3 of the Securities Law; (4) Approval of the Company's contractual association in a Registration Rights Agreement with major shareholders (including the controlling shareholder in the Company), for the granting of a right of registration in connection with the Company's securities held by them, directly and / or indirectly. The meeting was adjourned at the request of an advisory body to some of the Company's shareholders, after which the Company issued an amended summons. On November 16, 2021, the meeting was held and all the decisions that were on the agenda were approved.

   For further details, see Immediate Reports dated October 7, 2020, September 30, 2021, November 14, 2021 and November 17, 2021 (references 2021-01-149913, 2021-01-166392, 2021-01-098752, included in this report by way of reference.

b. On December 27, 2021, the Company issued a notice convening a special general meeting of its shareholders, the agenda of which included (1) splitting the Company's share capital and authorizing the Company's Board of Directors to determine the split ratio; (2) Cancellation of the par value of the shares and amendment of the Articles of Association accordingly.

   On January 31, 2022, the meeting was held and all the decisions that were on the agenda were approved.

   For further details, see immediate reports dated December 27, 2021 and January 31, 2022 (references 2021-01-185664 and 2022-01-013405) which are presented in general by way of reference.

1.3.10 Update Regarding the Income Tax Assessment Received for the 2015 – 2019 Fiscal Years

In January 2020, the Company was issued a tax assessment by the Israeli tax authorities for the 2014 fiscal year. Pursuant to the items of the assessment, additional tax expenses totaling approximately $10 million were imposed.

In February 2021, the stated tax assessment was settled by means of a compromise, in which the total additional tax liability with respect to the 2014 fiscal year will be a total of $1.5 million, which will be paid partially in cash and partially by means of a reduction in tax credits. The cash amount was paid in February 2021.

In December, 2020, a tax assessment was issued by the Israeli tax authorities for the 2015 – 2017 fiscal years period. Pursuant to the items of the assessment, additional tax expenses totaling approximately $23 million were imposed.

The Company disagrees with the Assessing Officer's position and believes it has strong defense arguments against the Assessment Clauses.

In accordance with an extension granted, on March 25, 2021 the Company filed an objection to the above assessment.

In March 2020, the Company was issued a VAT assessment in Israel, for the 2015 – 2019 fiscal years period. In accordance with the clauses of the assessment, no deduction of input VAT in the total amount of approximately $4.4 million was permitted.

The Company disputes the position of the VAT Director and believes it has appropriate defense arguments for the assessment clauses. An objection was submitted to the Tax Authority in respect of the assessment according to the Company's best understanding, as stated above.

In June 2021, the Company's Auditors received a decision from the Tax Authority which, according to which the Company's claim regarding the stated VAT assessment was rejected in full. However, the Company was granted an extension to file an appeal in court regarding the VAT assessment, in order to continue the discussion with the VAT Director.

The Company believes that, based on the position of its professional advisers, although the objection has been rejected, it has good and well-founded claims against the position of the Tax Authority.

2. Analysis of Financial Position

2.1 Statement of Financial Position

Below are explanations regarding developments occurring in balance sheet items, in $ millions (rounded):

Item	December 31, 2021	December 31, 2020	Explanation of the Key Changes
Cash and Cash Equivalents and Restricted Cash	**236.0**	**231.7**	The increase in cash balance as of December 31, 2021 compared to December 31, 2020 derives mainly from the positive cash flow from operating activities, net of the effects of IFRS 16 in the amount of approximately $116 million in 2021, and the $77 million in proceeds of the Delta Israel Brands IPO, completed in the first quarter of 2021. This was partially offset by the repayment and the early redemption of debentures of approximately $132 million, investment in fixed assets and other assets of approximately $34 million and the payment of a dividend totaling $17 million.
Current Assets	**889.7**	**782.2**	The increase in the balance of current assets as of December 31, 2021 compared to December 31, 2020 mainly derives from an increase in the inventory balance, both to support the increase in sales and due to an extension of delivery times.
Non-Current Assets	**885.2**	**910.1**	The decrease in the balance of non-current assets as of December 31, 2021 compared to December 31, 2020, derives mainly from a decrease in the assets balance for rights of use and a derivative financial instrument, partially offset by an increase in the intangible asset balance due to minimum royalties in new license agreements.
Balance Sheet Total	**1,774.8**	**1,692.3**	The increase in the total balance sheet as of December 31, 2021 compared to December 31, 2020 mainly derives from the increase in the current assets, partially offset by a decrease in the non-current assets, as explained above.
Current Liabilities	**547.6**	**521.6**	The increase in the balance of current liabilities as of December 31, 2021 compared to December 31, 2020 derives from an increase in accounts payables and other creditors' balances due to inventory purchases as explained above, partially offset by a decrease in short term bank credit and debentures maturities.
Non-Current Liabilities	**578.1**	**694.3**	The decrease in the balance of non-current liabilities as of December 31, 2021 compared to December 31, 2020 derives mainly from the current repayment and early redemption of debentures, partially offset by an increase in the minimum royalties in new license agreements.
Equity	**649.2**	**476.4**	The increase in the equity balance as of December 31, 2021 compared to December 31, 2020, derives mainly from the comprehensive profit of approximately $110 million and net proceeds from the IPO of the subsidiary company Delta Israel Brands totaling about $77 million in 2021, less dividends of $ 17.0 million.
Total Equity and Liabilities	**1,774.8**	**1,692.3**	The increase in the equity and liabilities as of December 31, 2021 compared to December 31, 2020, derives from the increase in the equity and current liabilities items, which are partially offset by a decrease in non-current liabilities as detailed above.

2.2 **Operating Results**

Below is a summary of the Group's profit and loss statements for the fourth quarter and for full-year 2021 and 2020, where certain sections are arranged differently versus the financial statements in order to allow for analysis and comparison with corresponding reporting periods. Profit before non-core items is also presented in 2.2.2 below. The data is presented in $ thousands (excluding per-share data):

	Full Year		Quarterly Breakdown				
	2021	2020	Q4.2021	Q3.2021	Q2.2021	Q1.2021	Q4.2020
	Audited			Unaudited			
Sales	**1,950,958**	1,446,187	**577,986**	501,066	455,771	416,135	**459,679**
Cost of sales	**1,174,247**	**922,502**	**346,080**	302,562	268,500	257,105	**275,252**
Gross profit	**776,711**	**523,685**	**231,906**	198,504	187,271	159,030	**184,427**
% of sales	**39.8%**	**36.2%**	**40.1%**	39.6%	41.1%	38.2%	**40.1%**
Selling and marketing expenses	**491,604**	**385,507**	**139,633**	121,133	121,194	109,644	**113,796**
% of sales	**25.2%**	**26.7%**	**24.2%**	24.2%	26.6%	26.3%	**24.8%**
General and administrative expenses	**95,391**	**77,011**	**25,052**	25,314	23,428	21,597	**21,036**
% of sales	**4.9%**	**5.3%**	**4.3%**	5.1%	5.1%	5.2%	**4.6%**
Impairment loss on trade receivables	**1,334**	**9,671**	**1,288**	6	(174)	214	**927**
Other (income) expenses, net and equity profits in Subsidiary	**284**	**2,237**	**1,230**	**(948)**	**381**	**(379)**	**935**
Operating Profit Before Non-core Items	**188,098**	**49,259**	**64,703**	52,999	42,442	27,954	**47,734**
% of sales	9.6%	**3.4%**	**11.2%**	10.6%	9.3%	6.7%	**10.4%**
Non- core items, net	**-**	**56,400**	**-**	-	-	-	**4,340**
Operating profit (loss)	**188,098**	**(7,141)**	**64,703**	52,999	42,442	27,954	**43,394**
Financing expenses, net	**37,397**	**37,475**	**7,755**	12,344	8,319	8,979	**9,672**
Profit (loss) before tax on income	**150,701**	**(44,616)**	**56,948**	40,655	34,123	18,975	**33,632**
Income Tax / (Tax savings)	**30,395**	**(4,095)**	**11,480**	8,168	6,853	3,894	**9,892**
Profit (loss) for the period	**120,306**	**(40,521)**	**45,468**	32,487	27,270	15,081	**23,740**
Profit before inclusion of non- core items, net of tax for the period, see section 2.2.2	**124,199**	**3,811**	**45,468**	36,381	27,270	15,081	**27,270**
Attribution of profit (loss) for the period:							
For the Company shareholders	**112,781**	**(39,850)**	**42,507**	30,615	25,113	14,546	**24,068**
To holders of non-controlling interests	**7,525**	**(671)**	**2,961**	1,872	2,157	535	**(328)**
	120,306	**(40,521)**	**45,468**	32,487	27,270	15,081	**23,740**
Profit attributed to the shareholders before non- core items, net of tax for the period	**116,674**	**4,483**	**42,507**	34,508	25,113	14,546	**27,599**
Diluted profit (loss) per share attributable to Company shareholders– in USD	**4.29**	**(1.56)**	**1.60**	1.16	0.97	0.57	**0.94**
Diluted profit per share before non- core items net of tax, attributable to Company shareholders– in USD	**4.44**	**0.18**	**1.60**	1.31	0.97	0.57	**1.08**

2.2.1 Following is a table for key data in $ millions:

	Fourth Quarter		Full Year	
	2021	**2020**	**2021**	**2020**
Sales	**578.0**	459.7	**1,951.0**	**1,446.2**
Operating Profit before non- core items	**64.7**	**47.7**	**188.1**	**49.3**
Operating Profit (Loss)	**64.7**	**43.4**	**188.1**	**(7.1)**
EBITDA	**91.0**	**71.9**	**286.8**	**144.0**
Profit before non- core items, net of tax	**45.5**	**27.3**	**124.2**	**3.8**
Profit before non- core items, net of tax attributed to Company shareholders	**42.5**	**27.6**	**116.7**	**4.5**
Profit (loss) attributed to Company shareholders	**42.5**	**24.1**	**112.8**	**(39.8)**
Cash flow from operating activity	**72.0**	**83.7**	**166.5**	**208.6**
Cash flow from current operations, excluding the effects of IFRS 16 and non-core loss from the early redemption of bonds	**57.8**	**75.6**	**120.8**	**161.6**

Calculating EBITDA (1) in $ millions*:

	Fourth Quarter		Full Year	
	2021	**2020**	**2021**	**2020**
Profit (loss) for the period - as reported	**45.5**	23.7	**120.3**	(40.5)
Income Tax / (Tax savings)	**11.5**	9.9	**30.4**	(4.1)
Net financing expenses	**7.8**	9.8	**37.4**	37.5
Non- core items:				
Decrease in value of non-financial assets	-	4.0	-	16.8
Companies acquisition expenses	-	0.3	-	0.4
Restructuring expenses		-	-	39.2
Depreciation and amortization	**26.3**	24.3	**98.7**	94.8
EBITDA	**91.0**	71.9	**286.8**	144.0
EBIDTA net of the effects of IFRS16	**75.0**	55.6	**223.0**	81.1

* Some of the data in the table have been rounded.

(1) Earnings before interest, taxes, depreciation, and amortization ("EBITDA") is a non-GAAP financial measure which allows analysts and investors to understand the financial performance of the Company by computing earnings for core business operations, without including the effects of capital structure, tax rates and depreciation. Furthermore, this measure is a useful benchmark in comparing profitability between the Company and competitors.

EBITDA is calculated as follows: Net Profit plus taxes on income, net financing expenses, depreciation and amortization, and stripping out non-core items. EBITDA net of the effects of IFRS 16 further reduces EBITDA by the amount of the Company's lease payments.

2.2.2 Below is the adjustment between Net Profit reported for the period and Net Profit before non- core items, net of tax, in $ millions*:

	Fourth Quarter		Full Year	
	2021	2020	2021	2020
Net earnings for the period - as reported	**45.5**	23.7	**120.3**	(40.5)
Net of:				
Restructuring expenses, net	-	-	-	39.2
Decrease in values of non-financial assets	-	4.0	-	16.8
Company acquisition costs	-	0.3	-	0.4
Non-core loss from the early redemption of bonds	-	-	**5.0**	-
Less tax effect due to non- core items	-	(0.8)	**(1.2)**	(12.1)
Profit (loss) for the period before non-core items net of tax	**45.5**	27.3	**124.2**	3.8

* Some of the data in the table have been rounded.

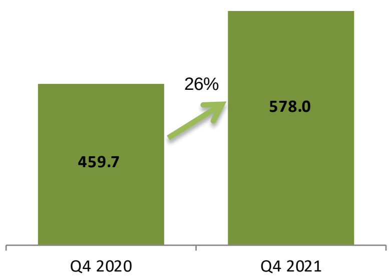
2.3 Analysis of Operating Results (as Shown in Table 2.2.1 Above)

2.3.1 Sales

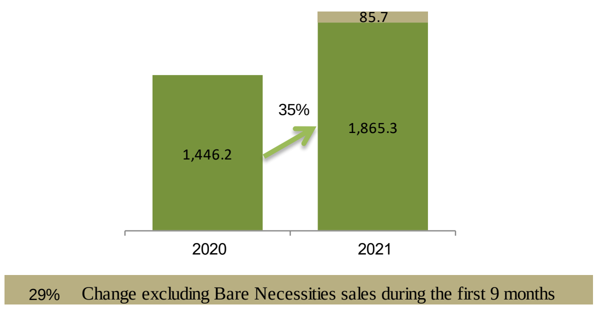
The Group's sales in the fourth quarter and full year 2021 increased by approximately 26% and 35% respectively, compared to the corresponding reporting periods in the previous year.

The graph below presents the change in the Company's organic sales during the reporting periods compared to the corresponding prior-year reporting periods. For annual data, consolidated Bare Necessities sales were removed from the first nine months of 2021 to show the organic increase in Company sales, in $ millions:

Fourth Quarter:



Full Year:



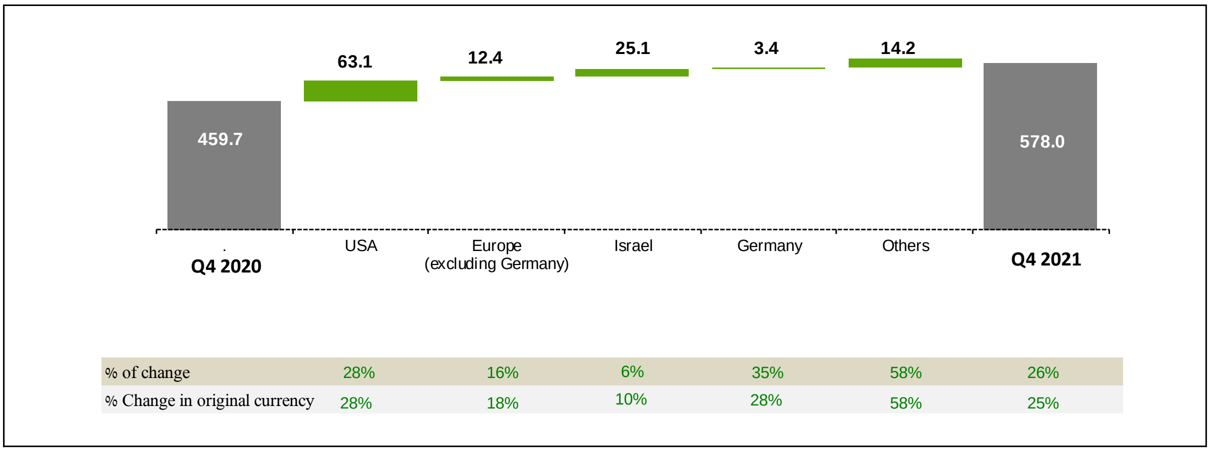
2.3.2 Below is the Breakdown of Company Sales by Geography, in $ millions*:

	Fourth Quarter						Full Year					
	% of change in original currency	% of change	2021	% of total	2020	% of total	% of change in original currency	% of change	2021	% of total	2020	% of total
United States	*28*	*28*	**292.0**	*51*	228.9	*50*	*49*	*49*	**998.4**	*51*	671.3	*46*
Europe (excluding Germany)	*18*	*16*	**88.9**	*15*	76.5	*17*	*15*	*17*	**330.0**	*17*	281.2	*19*
Israel	*10*	*6*	**96.1**	*17*	71.0	*15*	*22*	*30*	**282.3**	*14*	217.2	*15*
Germany	*28*	*35*	**62.1**	*11*	58.8	*13*	*8*	*11*	**207.1**	*11*	187.2	*13*
Others	*58*	*58*	**38.8**	*7*	24.5	*5*	*49*	*49*	***133.1***	*7*	*89.3*	*6*
Total	*25*	*26*	**578.0**	*100%*	459.7	*100%*	*33*	*35*	***1951.0***	*100%*	*1,446.2*	*100%*

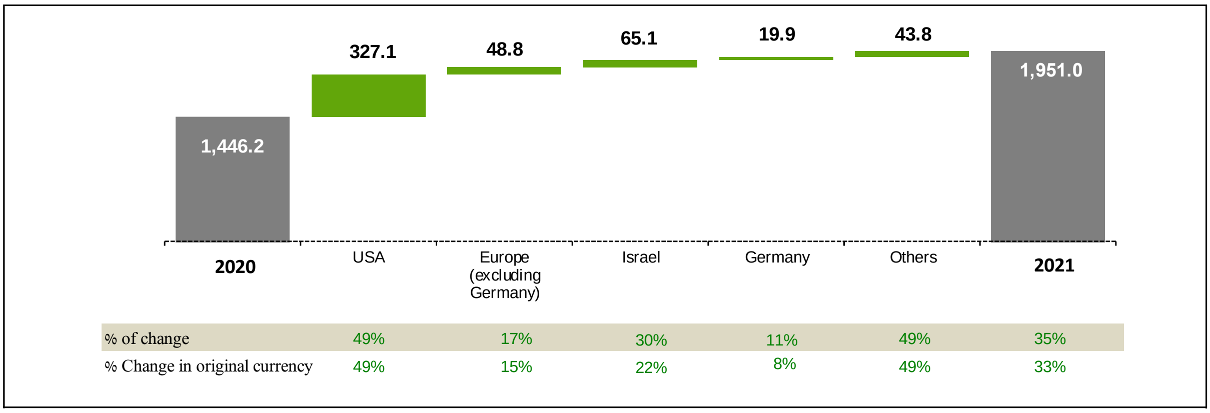
* Some of the data in the table have been rounded.

The figures below show the change in Company sales in the various geographies for the fourth quarter and full year 2021 compared to the corresponding prior year reporting periods, in $ millions.

Fourth Quarter



Full Year



The Company's sales in all geographies recorded significant year-over-year growth in the 2021 reporting periods due to a reduction in the impact of the pandemic relative to the previous year.

United States

The increase in sales in the United States in the 2021 reporting periods compared to the corresponding prior-year reporting periods resulted from the increase in sales in the Brands, Private Label and 7 For All Mankind operating segments.

In addition, sales increased in the United States in 2021 compared to 2020 due to the acquisition of Bare Necessities, which was incorporated in the fourth quarter of 2020.

Excluding Bare Necessities, sales in the United States increased by 36% in the first nine months of 2021 compared to 2020.

Europe (excluding Germany)

The increase in sales in Europe (excluding Germany) in 2021 compared to the corresponding prior-year reporting periods was due to an increase in sales in the Private Label, Brands and 7 For All Mankind operating segments.

Israel

The increase in sales in Israel during the 2021 reporting periods compared to the corresponding prior-year reporting periods was mainly due to an increase in same store sales. Also, sales increased in full year 2021 compared to 2020 due to e-commerce, although sales decreased in the fourth quarter of 2021 relative to the prior-year period when prolonged store closures boosted online sales.

Germany

The increase in sales in Germany in the reporting periods this year, compared to the prior-year corresponding reporting periods was mainly due to an increase in sales in all channels at Schiesser, which is included in the Brands operating segment.

Others

The increase in sales in other geographical areas in the fourth quarter and full year 2021 compared to corresponding prior-year reporting periods was due mainly to an increase in sales in the Private Label and 7 For All Mankind operating segments.

For further details regarding the increase in sales in the Company’s operating segments, see section 2.3.5 below.

2.3.3 Analysis of Operating Results (in $ thousands):

	% change	Fourth Quarter 2021	Fourth Quarter 2020	Explanation of Key Changes
		Unaudited		
Gross profit	*26%*	**231,906**	184,427	The increase in gross profit in the fourth quarter of 2021 compared to the corresponding prior-year quarter stemmed mainly from an increase in sales.
% of sales		*40.1%*	*40.1%*	The gross profit from sales in the fourth quarter of the year remained unchanged compared to the corresponding prior-year quarter despite an increase in shipping and raw material costs, which were offset in full by an improvement in operations at factories in the Private Label operating segment, an improvement in profitability due to a change in the product mix and sales channels, as well as an increase in prices mainly to Private Label customers.
Selling and marketing expenses	*22.7%*	**139,633**	**113,796**	The increase in selling and marketing expenses in the fourth quarter of the year is due mainly to the expansion of operations in owned retail stores, mainly wages and rent, compared to the corresponding prior-year quarter during which operations were significantly reduced due to closures in light of the coronavirus pandemic.
% of sales		24.2%	24.8%	The decrease in selling and marketing expenses as a percentage of sales in the fourth quarter of 2021 compared to the corresponding prior-year quarter was due mainly to an increase in sales and savings achieved due to the restructuring plan.
General and administrative expenses	*19%*	**25,052**	**21,036**	The increase in general and administrative expenses as a percentage of sales in the fourth quarter of 2021 was mainly due to the reduction in salary expenses, bonuses and other expenses in the corresponding prior-year period due to the coronavirus pandemic, and also due to expenses incurred by the Company in preparation for a potential United States IPO.
Impairment loss on trade receivables		**1,288**	**927**	
Other expenses (income), net and equity profits in Subsidiary		**1,230**	**935**	Other net expenses and equity profit in the fourth quarter of the year mainly included losses from hedging operations. Other expenses in the fourth quarter of the prior year mainly included losses from hedging operations, offset by capital gains from the sale of fixed assets and equity profits.
Profit from transactions before non-core items		**64,703**	**47,734**	The increase in operating profit before non- core items in the fourth quarter of 2021 was due mainly to an increase in sales, which was partially offset by an increase in sales, marketing, general, and administrative expenses.
% of sales		11.2%	10.4%	
Non-core items		**-**	**4,340**	
Operating profit		**64,703**	**43,394**	
Financing expenses, net	*(21%)*	**7,755**	**9,762**	See details in section 2.3.3.3
Profit before tax		**56,948**	**37,972**	
Income Tax Expenses		**11,480**	**9,892**	
Profit for the period		**45,468**	**23,740**	
Net profit before non- core items, net of tax		**45,468**	**27,270**	The increase in Net Profit before non- core items, net of tax, in the fourth quarter of 2021, compared to the corresponding prior-year quarter was due mainly to an increase in Operating Profit and a decrease in Financing Expense, which was partially offset by an increase in Tax Expenses.

		Full Year		Explanation of Key Changes
		2021	2020	
	% change	Audited		
Gross profit	*48%*	**776,711**	523,685	The increase in gross profit in 2021 compared to 2020 stemmed from an increase in sales and from an increase in factory efficiency
% of sales		*39.8%*	*36.2%*	The increase in 2021 gross profit was experienced in all operating segments and resulted from an improvement in product mix, sales channels and customers, and from an improvement in factory scale and efficiency in Private Label. Furthermore, the currency exchange rates of the NIS and Euro to the Dollar strengthened in the year by about 6% and 4% respectively, compared to the corresponding prior-year period. Additionally, the consolidation of the high gross-margin Bare Necessities business for full-year 2021 vs. only one quarter in 2020 contributed to the improvement in gross profit. Finally, the Private Label factories shutdown in 2020 due to Coronavirus had a negative effect on that year's gross profit.
Selling and marketing expenses	*(28%)*	**491,604**	385,507	The increase in selling and marketing expenses in 2021 stemmed from the expansion of operations in owned retail stores, mainly wages and rental, compared to the corresponding prior-year period during which operations were significantly reduced due to closures precipitated by the Coronavirus pandemic. Furthermore, the aforementioned strengthening of the NIS and the Euro exchange rates versus the US dollar increased selling and marketing expenses Finally, selling and marketing costs increased due to the consolidation of a full year of Bare Necessities expenses in 2021 compared to one quarter in 2020.
% of sales		*25.2%*	*26.7%*	The decrease in selling and marketing expenses in 2021 as a percentage of sales resulted from an increase in selling through owned e-commerce sites and from increased sales in the Private Label operating segment, which is characterized by a relatively low rate of selling and marketing expense. Additionally, costs as a percentage of sales were reduced as a result of streamlining achieved through implementation of the reorganization plan.
General and administrative expenses	*24%*	**95,391**	77,011	The increase and general and administrative expenses in 2021 stemmed from a reduction in salaries, bonuses and other remuneration in the corresponding prior-year period due to the Coronavirus pandemic, the consolidation of the Bare Necessities over the course of an entire year compared to one quarter in the previous year, due to the strengthening of the NIS and the Euro exchange rate to the Dollar, and due to the Company's preparation for a potential United States IPO.
Impairment loss on trade receivables		**1,334**	9,671	Credit losses from customers in 2020 resulted from the deterioration of the financial situation of customers in the United States and Europe due to the Coronavirus pandemic.
Other expenses (income), net and equity profits in Subsidiary		**284**	2,237	Other net expenses and equity profits in 2021 primarily included a $3 million reduction in the value of the Company's debt balance, partially offset by revenue recognized due to the early termination of license agreements totaling $2.5 million. Other expenses in 2020 included a deduction of accounts receivable related to a license agreement of $1.0 million, loss from hedging of $1.9 million, net of equity profits of $0.7 million.
Operating profit before non-core items		**188,098**	49,259	The increase in operating profit before non-core items in 2021 was due mainly to the increase in gross profit due to sales increases, and was partially offset by an increase in selling and marketing expenses, and general and administrative expenses, as stated above.
% of Sales		9.6%	3.4%	
Non-core items, net		**-**	56,400	See details in section 2.3.3.2
Operating profit (loss)		**188,098**	(7,141)	
Financing expenses, net		**32,341**	37,475	
Non-core loss from the early redemption of debentures		**5,056**	-	
Total financing expenses , net		**37,397**	37,475	See details in section 2.3.3.3
Profit (loss) before tax		**150,701**	(44,616)	
Income Tax Expenses (Income)		**30,395**	(4,095)	
Profit (loss) per period		**120,306**	(40,521)	
Net profit before non- core items, net of tax		**124,199**	3,811	The increase in profit before non-core items in 2021 compared to 2020 was due mainly to an increase in the operating profit, which was partially offset by an increase in tax expenses.

2.3.3.1 Analysis of Selling and Marketing Expenses by Operating Segment

Below is a table showing the breakdown of selling and marketing expenses in the various operating segments in $ millions (some of the data in the table were rounded):

	Fourth Quarter		Full Year	
	2021	2020	2021	2020
Brands	**39.7**	35.8	**142.9**	127.4
% of total Brands sales	**19.9%**	19.7%	**22.0%**	23.6%
Private Label	**30.9**	24.6	**102.9**	86.5
% of total Private Label sales	**15.2%**	17.8%	**14.2%**	16.5%
Delta Israel	**32.6**	23.5	**103.8**	85.2
% of total Delta Israel sales	**34.1%**	33.2%	**36.9%**	39.5%
7 For All Mankind	**22.6**	20.0	**83.4**	76.1
% of Total 7 For All Mankind Sales	**36.4%**	43.3%	**42.0%**	53.0%
Online Retailer	**13.8**	9.8	**58.6**	10.3
% of total Online Retailer	**62.2%**	39.4%	**52.0%**	36.8%
Total selling and marketing expenses	**139.6**	113.8	**491.6**	385.5
selling and marketing expenses as a percentage of total sales	**24.2%**	24.8%	**25.2%**	26.7%

The increase in selling and marketing expenses in all operating segments in the 2021 reporting periods resulted from the expansion of operations in all channels compared to the corresponding prior-year periods in which operations were significantly restricted due to store closures and dramatically reduced traffic as a result of the Coronavirus pandemic.

The increase in selling and marketing expenses as a percent of sales in the Brands operating segment during the fourth quarter of 2021 compared to the prior-year quarter was due mainly to startup costs associated with the commencement of operations under the adidas and Wolford license agreements. Excluding these expenses, fourth quarter 2021 selling and marketing expenses as a percent of sales amounted to 18.8%.

The decrease in selling and marketing expenses as a percent of sales in the Private Label operating segment in the reporting periods of 2021 compared with the corresponding prior-year periods was due to operating leverage, as most selling and marketing expenses in this operating segment are fixed, while sales increased versus the prior-year period.

In Delta Israel's operating segment, selling and marketing expenses in the segment increased in dollar terms in full year 2021 due to a strengthening in the NIS versus the US dollar of about 6% compared to the prior-year period.

In the 7 For All Mankind operating segment, selling and marketing expenses as a percent of sales returned to a normalized level compared with prior-year periods in which there was a significant reduction in sales due to decreasing demand in its product categories and market segments caused by the Coronavirus pandemic and an associated decrease in tourism.

Selling and marketing expenses as a percent of sales in the fourth quarter of 2021 in the Online Retailer operating segment were relatively high, mainly due to the inclusion of an intangible asset write-down of approximately $1.0 million. Excluding this reduction, full year 2021 expenses as a percent of sales were approximately 51%.

2.3.3.2 Non-core Items

Below are details of non-core items the fourth quarter and full year 2021, compared to the corresponding prior-year period*:

Nature of Expense	Operating Segment	Fourth Quarter 2021	Fourth Quarter 2020	Full Year 2021	Full Year 2020
		$ millions		$ millions	
Restructuring expenses	**Brands**				21.6
Restructuring expenses	**Private Label**				13.8
Restructuring expenses	**7 For All Mankind**				2.8
Restructuring expenses	**Corporate**				0.9
Total restructuring expenses					39.2
Impairment of non-financial assets	**Brands**		2.5		7.4
Impairment of non-financial assets	**7 For All Mankind**		1.5		9.4
Companies acquisition expenses	**Online Retailer**		0.3		0.4
Total non-core items included in Operating Profit			4.3		56.4
Non-core loss from early redemption of debentures included in expenses	**See Section 1.3.8 above**	-		**5.0**	

* Some of the data in the table were rounded.

2.3.3.3 Financing Expenses, Net

The following table shows the composition of financing expenses in $ millions:

	Fourth Quarter 2021	Fourth Quarter 2020	Full Year 2021	Full Year 2020
Interest and commission expenses, net	**5.2**	5.4	**19.9**	22.2
Exchange rate expenses (income)	**(1.0)**	0.4	**(1.8)**	1.1
Capitalization component of liabilities	**1.1**	1.7	**4.2**	4.4
Effect of IFRS 16	**2.5**	2.3	**10.0**	9.8
Non-core loss from early redemption of debentures – Section 1.3.8 above	**-**	-	**5.0**	-
Total financing expenses – as reported	**7.8**	9.8	**37.4**	37.5
Total financing expenses excluding non-core loss from early redemption of debentures	**7.8**	9.8	**32.3**	37.5

The decrease in financing expenses in the fourth quarter of 2021 was mainly due to income from exchange rate differences compared to the prior-year period, and a decrease in the financial debt of the Company.

The decrease in financing expenses in full year 2021 versus the prior-year period, excluding the loss from early redemption of Series B debentures, was mainly due to a decrease in interest expense from the Company's debt reduction activities due to the positive cash flow from operating activities and income from exchange rate changes compared to exchange rate expenses in the prior-year period.

2.3.4 Below is a summary of the Company's consolidated business results, split into the five operating segments for the fourth quarter and full year 2021 and 2020, in $ thousands:

Fourth Quarter ending December 31							
Unaudited							
	Sales				Operating profit (loss)		Non-Core Items
	2021	2020	% change	% change in terms of original currency	2021	2020	2020
Brands	**199,473**	181,256	*10%*	*12%*	**24,406**	22,356	**(2,465)**
% of sales					*12%*	*12%*	
Private Label	**203,434**	138,629	47%	47%	**18,991**	10,240	
% of sales					*9%*	*7%*	
Delta Israel	**95,671**	71,004	*35%*	*28%*	**21,254**	16,305	
% of sales					*22%*	*23%*	
7 For All Mankind	**62,151**	46,228	*34%*	*35%*	**7,538**	(221)	**(1,566)**
% of sales					*12%*	*(0%)*	
Online Retailer	**22,093**	24,862	*(11%)*	*(11%)*	**(2,619)**	(189)	**(309)**
% of sales					*12%*	*(1%)*	
Intersegment sales	**(4,836)**	(2,300)					
Other adjustments					**(4,867)**	(757)	
Total sales and operating profit before non-core items	**577,986**	459,679	26%	25%	**64,703**	47,734	**(4,340)**
Impairment of non-financial assets					-	(4,031)	
Bare Necessities acquisition expenses					-	(309)	
Total operating profit					**64,703**	43,703	

* Some of the data in the table above were rounded.

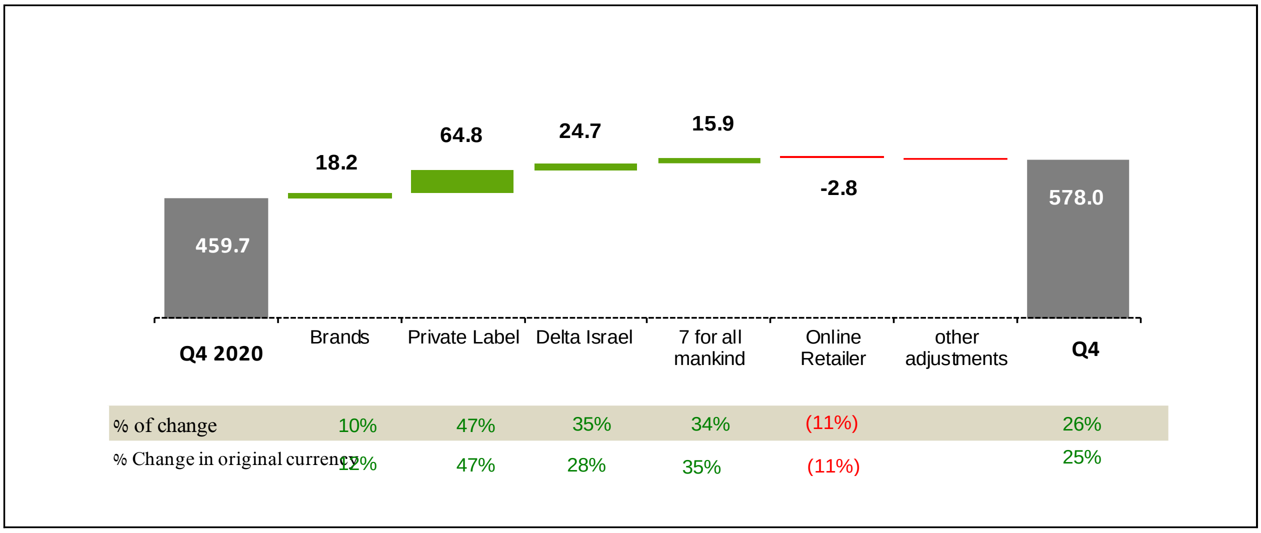
Year Ending December 31							
Audited							
	Sales				Operating profit (loss) before non-core items		Non-core Items
	2021	2020	% of change	% of change in original currency	2021	2020	2020
Brands	**650,332**	538,912	*21%*	*19%*	**75,979**	31,839	**(28,968)**
% of sales					*12%*	*6%*	
Private Label	**722,594**	524,427	*38%*	*38%*	**59,005**	10,968	**(13,834)**
% of sales					*8%*	*2%*	
Delta Israel	**281,156**	215,805	*30%*	*23%*	**58,635**	33,963	
% of sales					*21%*	*16%*	
7 For All Mankind	**198,330**	143,531	*38%*	*37%*	**10,424**	(24,949)	**(12,239)**
% of sales					*5%*	*(17%)*	
Online Retailer	**112,700**	27,942	**	**	**(4,614)**	(262)	(435)
% of sales					*(4%)*	*(1%)*	
Cancellation of Intersegment sales	**(14,154)**	(4,430)					
Other adjustments					**(11,331)**	(2,299)	**(924)**
Total sales and operating profit before non-core items	**1,650,958**	1,446,187	35%	33%	**188,098**	49,259	**(56,400)**
Non-core items:							
Restructuring expenses, net						**(39,154)**	
Impairment of non-financial assets						**(16,811)**	
Companies acquisition expenses						(435)	
Total operating profit (loss)					**188,098**	(7,141)	

** This Operating segment includes Bare Necessities, which was acquired on October 1, 2020, and Brayola, which was acquired in early 2020. In 2020, sales included only Brayola data, and therefore the year-over-year change is not meaningful.

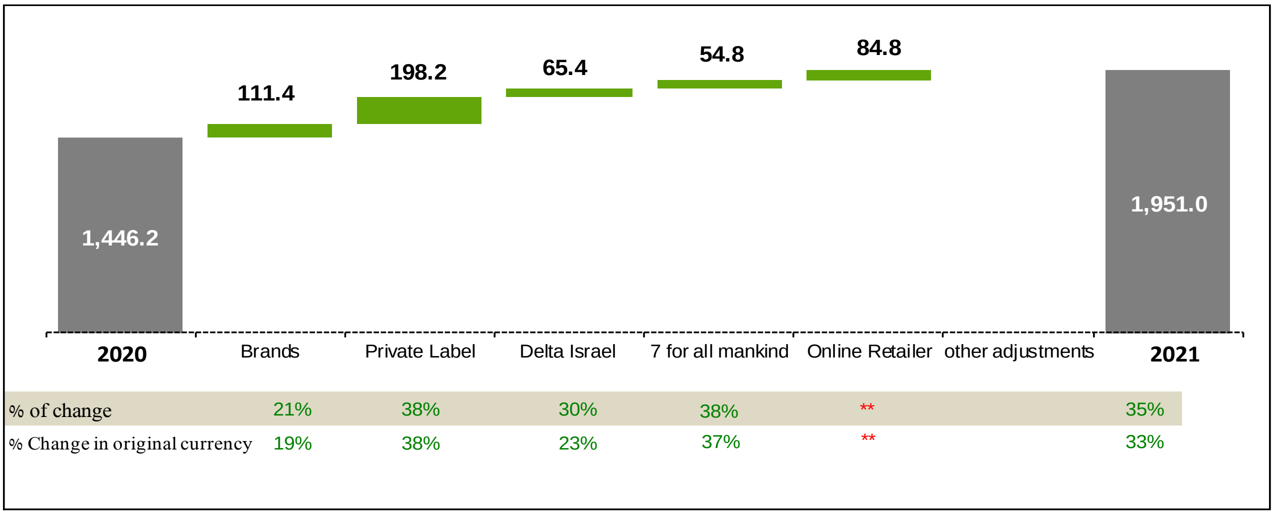
2.3.5 Analysis of Business Results by Operating Segment

2.3.5.1 Below is the change in sales in the fourth quarter and full year 2021 compared to the corresponding prior-year periods, by operating segment, in $ millions:

Fourth Quarter



Year



2.3.5.2 Below is an analysis of business results by areas of activity and before the effect of non-core items:

As detailed in section 1.3.2 above and in the Company's 2021 financial statements, the Company's 2020 results were materially affected in all operating segments by the Coronavirus pandemic. Although the effects of the pandemic still linger, they have moderated in the 2021 reporting periods, and the Company has shown a significant improvement in selling and profitability.

Brands Operating Segment

This operating segment includes the activities of Schiesser, Eminence (which, prior to the change, were included in the Delta European Brands segment), P.J. Salvage (which, prior to the change, was included in the Delta USA segment), Splendid (which prior to the change was included in the Delta Premium Brands segment) as well as operations of brands under license agreements such as: Tommy Hilfiger, Columbia and others, in the various categories.

In the fourth quarter and full year 2021, compared to the corresponding prior-year reporting periods, sales increased in all channels and regions, resulting from an increase in selling of both lingerie products under company-owned brands and branded products under license agreements, in the USA and Europe.

Also, 2021 sales increased due to increased sales of outerwear, loungewear and pajamas under the Splendid and P.J. Salvage brands in the United States.

The increase in operating profit in the 2021 reporting periods compared with corresponding prior-year reporting periods was mainly due to an increase in sales, an improvement in gross profit margins due to the sales channels and customers mix, and a decrease in selling and marketing expenses, due to streamlining measures taken by the Company.

Private Label Operating Segment

This segment includes Private Label operations as well as activity of the Bogart Group, which, prior to the change, was included in the Global Upper Market segment.

The increase in sales in the operating segment in the fourth quarter and full year 2021 compared with corresponding prior-year reporting periods was mainly due to an increase in sales of lingerie and socks to customers in the United States and Europe.

The increase in operating profit in the reporting periods of 2021 compared with corresponding prior-year periods was due to an increase in sales and an improvement in factory efficiency due to an increase in production volumes and the implementation of the reorganization plan.

Delta Israel Operating Segment [2]

Sales in NIS in the fourth quarter and full year 2021 increased by 28% and 23%, respectively, and amounted to NIS 301.4 million and NIS 906.1 million, respectively, compared with prior-year period sales of NIS 234.7 million and NIS 736.1 million, respectively.

The increase in Delta Israel sales in 2021 compared to 2020 was due to an increase in sales in all channels.

The increase in sales in the fourth quarter of 2021 was due to an increase in retail and wholesale sales. Sales through digital e-commerce sites declined compared to the prior-year quarter in which they increased at a result of pandemic-related store closures.

The increase in operating profit in 2021 compared to 2020 was due to the increase in sales, an improvement in gross profit margins mainly due product mix, and a 6% strengthening of the NIS against the US dollar, partly offset by rising shipping costs and a decrease in selling and marketing costs as a result of continued operational streamlining.

The increase in operating profit in the fourth quarter of 2021 compared to the corresponding prior-year quarter was mainly due to the increase in sales.

Below are same-store sales data in the operating segment

[2] There may be some changes between the data presented below and those included in the reports of Delta Israel Brands Ltd. These changes are not material and are mainly due to the fact that Puma activity that was not transferred to the subsidiary as part of the split agreement is still included in the results.

	Same-Store Sales Growth	Year Ending December 31 In NIS 000s 2021	 2019
Sales (2) (1)	23.1%	622,835	506,095
No. of Stores (3)		196	

The Company chose to present same-store sales data compared to 2019 (rather than 2020) due to intermittent store closures from March 2020 to March 2021 in a way that made the 2020 data a non-representative basis for comparison.

1) Same-store sales data in the Delta and Fix chains, for periods in which they were fully operational, with reference to the state guidelines that are updated from time to time regarding the options for opening trade.
2) The sales data used for the calculation include the total means of payment received at the stores, less VAT and all discounts and offers recorded in the cash registers.
3) The stores that were used for the calculation are stores that operated continuously and regularly during said years, and for which no change occurred in their area or in the nature of their activity.

Operating segment e-commerce sales increased by about 9.5% in 2021 compared to 2020 and amounted to about NIS 142 million.

7 For All Mankind Operating Segment

This operating segment includes the operations of the 7 For All Mankind denim brand, which was included, prior to the change, in the Delta Premium Brands segment with the Splendid brand operations was transferred to the Brands Operating segment The increase in sales in the fourth quarter of 2021 was due to an increase in same-store sales due to an increase in buyer traffic as well as an increase in sales to wholesale customers in the United States and Europe.

In 2021, sales in the operating segment in the United States and Europe increased in all sales channels compared to 2020.

The improvement in operating profit in the fourth quarter and in full year 2021 compared with corresponding prior-year reporting periods was mainly due to the increase in sales, an improvement in the gross profit margin, as well as cost savings arising from reorganization and streamlining measures.

Below are same-store sales data in the operating segment:

	Same-Store Sales Growth	Year Ending on December 31 $ 000s 2021	 2019
Sales(2) (1)	(26%)	62,307	83,696
No. of Stores(3)	70		

The Company chose to present same-store sales data compared to 2019 (rather than 2020) due to intermittent store closures from March 2020 to March this year in a way that made the 2020 data a non-representative basis for comparison.

The decrease in same-store sales in the operating segment in 2021 compared to 2019 was due to a decrease in buyer traffic, mainly in the United States, driven primarily by a decrease in tourism.

1) The sales data used for the calculation include the total means of payment received at the stores, less all discounts and

offers recorded in the cash registers.

2) The stores that were used to calculate same-store sales operated continuously and regularly during said years, and no change occurred in their area or in the nature of their activity.

E-commerce sales in all markets increased by 4% in 2021 compared to 2020, and amounted to approximately $30.0 million.

Online Retailer Operating Segment

This operating segment includes the Brayola and Bare Necessities activities that previously appeared in the sector report under Others. During the course of the year Brayola operations were merged with and into Bare Necessities.

The activity of this operating segment is fundamentally different from the activity carried out on the Company's online e-commerce sites in its other operating segments. In this segment, the Company functions primarily as a merchant, purchasing ready-made branded lingerie and swimwear from external third-party suppliers and selling them to end customers through Bare Necessities.com. The decrease in sales in the operating segment in the fourth quarter of 2021 compared to the prior-year period was mainly due to a decrease in sales in the pajamas and everyday bras categories, which were positively affected in fourth quarter 2020 due to consumer preferences during the Coronavirus pandemic.

The operating loss in the fourth quarter of 2021 amounted to approximately $2.6 million and is mainly due to selling and marketing expenses to support the growth in site sales, product development and design costs for the Bare private label to be launched during the third quarter of 2022, and a $1.0 million intangible asset impairment of the Brayola brand in light of the above-stated merger. The Company is working to improve results in this operating segment by launching the Bare private label on the Bare Necessities platform.

2.3.6 Company's Guidance with Respect to 2022 Business Results

The Company reaffirms its 2022 guidance, provided in December 2021, based on current market conditions before the effect of non-core items, and taking into account the implementation of IFRS 16, in $ millions.

The forecast is based on the assumption that the Coronavirus pandemic will not resurge in a severe manner, which could lead to shutdowns in the countries in which the Company’s products are manufactured and sold:

	2022 Guidance	2021 Actual	% Growth in 2022 compared to 2021
Sales	2,082 – 2,135	1,951.0	7% - 9%
Operating Profit	210 – 220	188.1	12% - 17%
EBITDA	312 – 322	286.8	9% - 12%
Net Profit	138 – 145	124.2	11% - 17%
Diluted Profit per Share (in $ per Share)	4.80 – 5.09	4.44	8% - 15%

Adjustments to the financial forecast, excluding the effect of IFRS 16

	2022 Guidance	2021	% Growth in 2022 compared to 2021
Operating Profit Excluding the Effects of IFRS 16	198 – 208	175.9	13% - 18%
EBITDA Excluding the Effects of IFRS 16	248 – 258	223.0	11% - 16%
Net Profit Excluding the effects of IFRS 16	136 – 143	122.0	11% - 17%

3 Liquidity and Capital Resources

3.1 Summary of cash flow statements, in $ millions*:

	Fourth Quarter Ending on December 31st		**Full Year Ending on December 31st**	
	2021	**2020**	**2021**	**2020**
Net cash generated from operating activities	**72.0**	83.7	**166.5**	208.6
Net cash used for investment activities without granting loans and acquisitions	**(12.0)**	(7.4)	**(31.2)**	(20.6)
Cash used for the acquisition of companies granting loans and temporary deposits for swap transactions	-	(12.7)	**(1.8)**	(14.2)
Net Cash used for financing activities	**(45.2)**	(53.9)	**(134.3)**	(58.0)
Increase (decrease) in cash and cash equivalents	**16.6**	9.6	**(0.7)**	115.8

	Fourth Quarter Ending on December 31st		**Full Year Ending on December 31st**	
	2021	**2020**	**2021**	**2020**
Net cash generated from operating activities – as reported	**72.0**	83.7	**166.5**	208.6
Excluding:				
Leases repayments, included in cash flow from financing activities.	**(14.3)**	(8.11)	**(50.8)**	(47.0)
Non-core loss from early redemption of bonds	**-**	-	**5.0**	-
Cash flow from operating activities – without the effects of IFRS 16 and non-core loss from early redemption of bonds	**57.8**	75.6	**120.8**	161.6

* Some of the data in the table above were rounded.

The Company finances its operations with cash and cash equivalent balances, cash flows from operating activities, bank credit facilities and issuance of debentures.

The decrease in cash flow from operating activities in the fourth quarter and in 2021 compared with the corresponding prior-year reporting periods was due to an increase in working capital, partially offset by an increase in profit.

The stated change was mainly due to an increase in inventories in 2021 due to stocking ahead of expectations for continued growth in sales and due to extended delivery lead times due to supply chain constraints. Additionally, 2020 inventories were historically light due to the Coronavirus pandemic, tight management, and excess sales.

The increase in cash used for investing activities excluding loans and acquisitions in the reporting periods of 2021 compared to corresponding prior-year reporting periods is mainly due to investments in the Company's factories in Egypt and Vietnam and in accordance with the Company's plan to increase production to support increased customer demand.

The increase in cash used for financing operations in 2021 was mainly due to early redemption of Series B debentures and repayment of bank credit compared to the issuance of loans and bank credit in the prior year in light of the Coronavirus pandemic. This change was partially offset by the IPO of Delta Israel Brands subsidiary, which generated net proceeds of approximately $ 77 million.

3.2 Below are some financial indicators for the fourth quarter and full year 2021 and 2020:

	2021	2020
Current Ratio *	**1.62**	1.50
Quick Ratio	**0.90**	0.94
Days Sales Outstanding (on quarterly basis) **	**31**	39
Payable Days (on a quarterly basis)	**64**	61
Inventory Days (on a quarterly basis) ***	**103**	95
Operating cash flow (in $ millions) – fourth quarter	**72.0**	83.7
Operating cash flow (in $ millions) – year	**166.5**	208.6
EBITDA (in $ millions) – fourth quarter	**91.0**	71.9
EBITDA (in $ millions) – year	**286.8**	144.0
Net financial debt (in $ millions)	**95.2**	236.3
Net financial debt coverage ratio to EBITDA (on the basis of the last 12 months) ****	**0.4**	2.9
Equity/balance sheet total	**36.6%**	28.2%
Equity (in $ millions)	**649.2**	476.4
Net financial debt to CAP *****	**9.3%**	23.8%

* The increase in the current ratio as at December 31, 2021 compared to the previous year is mainly due to the increase in inventory balances; see below.

** The decrease in days sales outstanding as at December 31, 2021 compared to the previous year is due to a return to normal credit terms for the majority of the Company's customers and due to improved debt collection efforts

*** The increase in inventory days as at December 31, 2021 compared to the previous year is mainly from preparations for an increase in sales and extended delivery lead times.

**** With respect to the above stated ratio, the positive effect on EBITDA resulting from the implementation of IFRS 16 has been excluded.

***** CAP as defined in the deeds of trust for the Debentures – financial debt, plus balance sheet equity (including non-controlling interest) plus long-term deferred taxes.

The financial debt ratio to EBITDA and the financial debt ratio to the CAP are calculated excluding the effect of IFRS16, since the changes in connection with the adoption of the standard do not affect the Company's cash flow or debt repayment capacity.

The definition of net financial debt as stated in the deeds of trust of the Company's debentures series includes, liabilities in respect of operating leases and/or financing leases.

In light of the implementation of IFRS 16, the Company included in its balance sheet, as of December 31, 2021, liabilities with respect to operating leases for a total amount of approximately $210.6 million, and assets for use rights of approximately $191.2 million.

It will be clarified that the Company does not consider the aforementioned liabilities in respect of operational leases a part of the Company's financial debt. For the sake of caution, the Company clarifies that even if it did consider operating lease liabilities financial debt, it meets the financial criteria.

Below are the financial indicators had we assumed operating lease liabilities were financial debt – the net financial debt amounts to $305.8 million (compared to $95.2 million in the table), the net financial debt to EBITDA ratio is 1.1 (compared to 0.4 in the table), and the net financial debt to CAP ratio is 25.0% (compared to 9.3% in the table).

It should be emphasized that the deed of trust of the Series F debentures allows the Company to discount changes in accounting standards compared to those in effect at the time of issue of the series, in order to calculate compliance with the criteria set in the deed.

3.3 Below is a table detailing the Company’s net financial debt structure, in $ millions:

	December 31st 2021	December 31st 2020
Bonds and financial debt, including accrued payable interest	**336.1**	494.5
Less cash and cash equivalents	**(230.1)**	(230.8)
Total financial debt before financial derivatives	**105.9**	263.7
Financial derivatives	**(18.4)**	(33.4)
Temporary deposits in banking corporation serving as security for a financial derivative	**4.7**	1.8
Loans for the purchase of vehicles	**3.0**	4.3
Total net financial debt	**95.2**	236.3

The total net financial debt as of December 31, 2021 was $95.2 million, compared to $236.3 million at December 31, 2020.

The decrease in the net financial debt at December 31st 2021, compared to December 31st 2020, was mainly due to a positive cash flow from operating activities excluding IFRS 16 of approximately $116 million and proceeds from the Delta Israel Brands IPO of about $ 77 million, partially offset by investments in fixed and other assets of $34 million and dividend payments of about $ 17 million.

3.4 Market Risk Exposure and Management

3.4.1 The person responsible for market risk management at the Company

The Company's risk management activities are based on a risk management policy set by the Company's Board of Directors and senior management.

Mr. Isaac Dabah, Company CEO, is the person responsible for market risk management at the Company. For details regarding Mr. Dabah, see details in accordance with Regulation 26 in the Report on Other Details by the Company, Chapter D of the periodic report.

Mr. Asaf Alperovitz, the Company CFO, is responsible for management of market risk associated with exchange and interest rates. For details regarding Mr. Alperovitz, see details in accordance with Regulation 26A in the Report on Other Details by the Company, Chapter D of the periodic report

Decisions in the matter of market risk management in the field of exchange and interest rates are made jointly by the Company CEO and CFO.

3.4.2 Description of Market Risks

The Group in its activity is exposed to multiple market risk factors, including the state of economies in target markets in which the Company operates as well as fluctuations in exchange rates in those markets compared to the Company's functional currency, the US dollar.

For details on the risk factors to which the Company is exposed, see section 39 of the Description of the Corporation's Business, Chapter A of the periodic report.

3.4.3 Company Policy with Regard to Market Risk Management

Fluctuation of Exchange Rates of the Euro versus the US dollar

The Company manages the market risk deriving from the volatility of the exchange rate of the Euro versus the US dollar in order to decrease existing economic exposure. Company policy is to protect its projected exposures on the basis of actual orders made as well as on the basis of the approved annual budget or the budget draft, and for a period of up to the end of the consecutive year, however, in any event for a period not exceeding 18 months from the transaction date.

In 2022, the Company's Euros receipts surplus is expected to total about $105 million.

As part of the Company's preparations for 2022, it has executed currency transactions to hedge against devaluation of the Euro against the US dollar, in the amount of $63 million, and at an average rate of $1.176 per 1 Euro.

Fluctuation of Exchange Rates of the NIS versus the US dollar

In 2022, the Company's NIS receipts surplus is expected to total $135 million.

As part of the Company's preparations for 2022, it has executed currency transactions to hedge against devaluation of the NIS against the US dollar, in the amount of about $28 million, and at an average rate of NIS 3.27 per $1.

Fluctuation in the Chinese Yuan exchange rate against the Dollar

In 2022, the Company expects to have Yuan payments surplus of about $75 million, mainly due to the operations of its subsidiary Bogart.

The Company carried out currency transactions to hedge against the devaluation of the Yuan for 2022, in an amount of about $43 million, and at an average rate of 6.60 yuan to $1.

Overseeing of Market Risk Management Policy and its Implementation

The Company's Board of Directors discusses the issue of various currency exposures when approving the annual budget.

Aspects of Corporate Governance

4 Charitable Donations

The Company believes in becoming involved in the communities in which it operates, and in assisting local populations with potential for advancement. For many years, Delta Galil has supported educational and cultural activities in Israel and has made donations to co-existence and community assistance programs. In addition, the Company transfers products to welfare organizations and non-profit organizations in Israel and around the world.

The Group's total donations to educational, cultural and welfare institutions and organizations amounted to about $1.1 million in 2021. Subject to the compliance of these organizations with their agreements, the Company has committed to make donations in 2022 of about $ 250,000.

5 Auditing Accountant's Fee

The Company's independent auditor is the Kesselman and Kesselman, a member firm of PricewaterhouseCoopers International Limited ("PWC") firm of auditors.

The accountants' fees for auditing services, audit-related tax services and other services at the Company and its subsidiaries amounted to $4 million in 2021 compared to about $1.2 million in 2020, as detailed below:

	2021	2020
	Thousand dollars	
Audit services	2,150	900
Audit services in connection with the preparation of a prospectus for a possible IPO in the United States and in connection with the IPO of Delta Israel Brands	1,450	-
Tax services and others	420	275
Total	4,020	1,175

The increase in fees for audit services in 2021 compared to 2020 was due to incorporation of an additional subsidiary (Bogart) as the recipient of audit services from PWC, and also due to the execution of an audit pursuant to PCAOB rules, which is required as part of the preparation for a potential IPO in the United States.

The scope of employment and salary of the Company's accountant for 2021 was examined by the Financial Statements Examination Committee, which received from Company management details regarding the scope of work and regarding its compatibility with the Company's needs. The Committee recommended that the Company Board of Directors approve the scope of work and found that the fee was reasonable and acceptable with respect to the Company's characteristics and the scope of its activity These were approved by the Company Board of Directors.

6 Disclosure Regarding the Company's Internal Auditor

Details of Internal Auditor:

Mr. Moshe Cohen of Chaikin, Cohen, Rubin & Co. serves as the Company's Internal Auditor.

To the best of the Company's knowledge, the internal auditor meets all the threshold conditions set in sections 3(a) and 8 of the Internal Audit Law, 1992 and section 146(b) of the Companies Law.

To the best of the Company's knowledge, in accordance with an inquiry it conducted with the Internal

Auditor, he does not hold securities of the Company or of any entity affiliated with the Company.

To the best of the Company’s knowledge, in accordance with an inquiry it conducted with the Internal Auditor, the Internal Auditor has no material business relationships or other material relationships with the Company or with its affiliated entities. The Internal Auditor is not an employee of the Corporation. The internal audit services are provided by the Auditor, as a personal appointment, via an accounting firm that employs staff with various skills, including internal auditing skills.

Method of Appointment:

The appointment of Mr. Moshe Cohen as Internal Auditor was approved by the Audit Committee and by the Board of Directors in January 2013. The Internal Auditor’s appointment was approved after the Audit Committee checked a number of potential candidates and interviewed some of them. The Audit Committee received an opinion regarding the final candidates, who had passed the initial screening stage. The Audit Committee was favorably impressed by Mr. Cohen’s education and years of experience, and after he joined an Audit Committee meeting and received a (direct) positive impression from Company management, Mr. Cohen was found fit to serve as the Company’s Internal Auditor, noting among other things, the size of the Company, the scope and complexity of its activity, as well as the scope of activity required from the Internal Auditor and his experience.

Identity of the Internal Auditor’s Supervisor:

The supervisor of the Internal Auditor is the Company’s CEO.

Work Plan:

The Internal Auditor's work plan is annual and is approved by the Audit Committee. The annual work plan followed by the Internal Auditor in 2021 was decided, *inter alia*, based on:

- Proposals by members of the Audit Committee and the Company Board of Directors based, *inter alia*, on proposals of the Internal Auditor and recommendations of Company management according to a risk survey conducted in 2020.
- The scope of the Company's activity, its organizational structure and the nature of its business activities.

The annual work plan contains no restrictions on deviating therefrom. The Internal Auditor may propose replacing and/or adding topics, subject to approval by the Audit Committee.

The 2021 work plan included mainly an audit on the subject of privacy protection regulations in Israel, a compliance review on the subject of the administration enforcement plan, and an audit on the subject of signatory rights.

Scope of Employment:

In 2021, the Internal Auditor spent about 725 hours in practice on internal auditing, divided as follows:

	Audit in the Company itself	Audit in subsidiaries
Activity in Israel	630	
Activity outside of Israel		95

In addition to the audit work performed by the Internal Auditor, the Company employs an Internal Audit Manager who performs internal auditing work on a regular and full-time basis. In 2021 the Internal Audit Manager performed about 2,100 hours of internal auditing and implementation of internal controls in the Company's units, of which about 1,500 hours were for activities in Israel and the balance of about 600 hours was for activity abroad.

Conducting the Audit:

According to the Internal Auditor's notification, the internal audit is conducted in accordance with the Internal Audit Law, 1992, and with the customary standards published by the Israel Chamber of Internal Auditors.

Based on a self-assessment performed by the Internal Auditor, the Board of Directors is satisfied that the Internal Auditor meets all of the requirements set in the standards.

Access to Information:

The Internal Auditor was granted free access to the Company's documents and information systems, including its financial data, all provided for the purpose of carrying out his duties, as set forth in section 9 of the Internal Audit Law, 5752 – 1992. In the course of the audits conducted by the Internal Auditor abroad, he was given free access to the subsidiary sites.

Internal Auditor's Report:

Reports of the Internal Auditor were submitted in writing to the Chairman and members of the Audit Committee and to Company management. The Audit Committee convened for 4 meetings during the course of 2021 which involved internal audit reports: on January 17, April 29, June 30 and October 27, 2021. The audit reports referring to the above meetings were submitted on: January 14, April 27, June 28 and October 25, 2021.

Board of Directors' Assessment of the Internal Auditor's Activities:

The Board of Directors believes that the Internal Auditor's actual scope of work in 2021 as set forth above, as well as the nature and continuity of his activity and his work plan, are reasonable under the circumstances and achieve the Company's internal auditing objectives.

Compensation:

In return for his work during the reported period and as agreed with him, the Internal Auditor's fee amounted to a total of about NIS 160,000 (about $50,000).

No securities were granted to the Internal Auditor as part of the terms of his employment.

The Company's Board of Directors believes that this compensation is reasonable and should not affect the Internal Auditor's professional judgment.

7 Directors with Accounting and Financial Capabilities

The Company Board of Directors has determined that the appropriate minimum number of directors with accounting and financial skills in the Company is three. This determination was made with reference to the obligations, authorities and duties borne by the Board of Directors in accordance with the law, and taking into account, among other things, the Company's size, as well as the scope, type and complexity of its activities.

As of this report, the Board members determined by the Board of Directors to have accounting and financial expertise (who are not Company employees) are Messrs. Shlomo Sherf, Rinat Gazit and Shuki Gold. For further information, see details in accordance with Regulation 26 in the Report on Other Details by the Company, Chapter D of this periodic report.

8 Disclosure Regarding the Percentage of Independent Directors

As of the report date, the Company did not adopt in its bylaws a directive regarding the percentage of independent directors (as this term is defined in the Companies Law).

Special Disclosure for Debenture Holders

9 Outstanding Obligatory Notes

Below is a description of outstanding Company debentures as of this report:

Series	A	F
Issue Date and Scope of Debentures Issued on the Issue Date (in NIS)	NIS 178,543,000 par value debentures listed for trade on August 12, 2013 pursuant to the shelf offering report published by the Company on August 8, 2013 by virtue of the Company's shelf prospectus dated May 2^{7,} 2013, as revised in the prospectus revision from August ^{5,} 2013 (the “**Shelf Prospectus**”). 21,457,000 NIS par value debentures listed for trade on October 27, 2013 pursuant to a private offering report. 161,734,000 NIS par value debentures listed for trade on May 15, 2014 pursuant to the shelf offering report published by the Company on May 13th 2014 by virtue of the Company's Shelf Prospectus. 38,266,000 NIS par value debentures listed for trade on June 2nd 2014 pursuant to the shelf offering report published by the Company on June ^{1,} 2014 by virtue of the Company's Shelf Prospectus. 245,000,000 NIS par value debentures listed for trade on December 24, 2019 pursuant to the shelf offering report published by the Company on December 22, 2019 by virtue of the Company's Shelf Prospectus.	208,877,000 NIS par value debentures listed for trade on March 30, 2017 pursuant to the shelf offering report published by the Company on March 27, 2017 by virtue of the Company's shelf prospectus dated January 18, 2017. 253,470,000 NIS par value debentures listed for trade on March 13, 2019 pursuant to the shelf offering report published by the Company on March 12, 2019.
Scope of debentures par value as of December 31st 2021 in NIS	390,555,840	274,481,504
Start Date of Principal Repayment and the Manner of its Repayment	Starting August 31, 2015, in annual installments on August 31st of each year through August 31, 2028 (inclusive)	Starting December 31, 2018, in annual installments on December 31st of each year through December 31, 2026 (inclusive)
Interest accrued as of December 31st 2021	About NIS 6.5 million	About NIS 0 million
Value as included in the December 31st 2021 Financial Statements	About NIS 413.9 million	About NIS 234.3 million
Market value on stock exchange on December 31st 2020	About NIS 450.0 million	About NIS 242.7 million
Interest type	Fixed – 5.0%	Fixed – 3.85%
Interest payment dates	Semi-annual installments on February 28th and on August 31st of each of the years from 2014 through 2028	Semi-annual installments on June 30th and on December 31st of each of the years from 2019 through 2026, starting December 31, 2017 and ending December 31, 2026
Linkage type		Linked to the US dollar

Series	A	F
Conversion rights	Non-convertible debentures	Non-convertible debentures
Right to early redemption or forced conversion	Should the stock exchange decide to de-list the debentures from trading due to a decline in the value of the debenture series below the threshold determined by the stock exchange, the Company shall perform early redemption of debentures due to said de-listing. The Company shall be entitled (but not required) at its sole discretion to carry out early redemption, in full or in part, of the debentures (Series A) at a price, according to the mechanism, according to the timetables and under the other terms set in Section 8.2 of the deed of trust and Section 7 to Addendum 1 to the deed of trust of the debentures (Series A).	Should the stock exchange decide to de-list the debentures from trading due to a decline in the value of the debenture series below the threshold determined by the stock exchange, the Company shall perform early redemption of debentures due to said de-listing. The Company shall be entitled (but not required) at its sole discretion to carry out early redemption, in full or in part, of the debentures (Series F) at a price, according to the mechanism, according to the timetables and under the other terms set in Section 8.2 of the deed of trust of the debentures (Series F).
Liability payment guarantee and other securities	Not guaranteed	Not guaranteed
Rating company	Midroog Ltd.	Midroog Ltd.
Rating upon issue of the series	A2 with a stable outlook	A2 with a stable outlook
Rating as of January 25, 2022 (reference: 2022-01-2010398)	A1 with a positive outlook	A1 with a positive outlook
Additional ratings	a. On April 14, 2021: A1 with a stable outlook b. On April 7, 2020: A1 with a negative outlook c. On March 11, 2019: A1 with a stable outlook d. On March 12, 2018: A1 with a stable outlook e. On March 12, 2017: A1 with a stable outlook f. On July 10, 2016: A1 with a stable outlook g. On March 31, 2016: A1 with a stable outlook h. On May 18, 2015: A1 with a stable outlook i. On September 2, 2014: A1 with a stable outlook j. On March 30, 2014: A1 with a stable outlook	a. On April 14, 2021: A1 with a stable outlook b. On April 7, 2020: A1 with a negative outlook c. On March 11, 2019: A1 with a stable outlook d. On March 12, 2018: A1 with a stable outlook e. On March 12, 2017: A1 with a stable outlook
Details and Contact Information of the Trustee	Hermetic Trusteeship (1975) Ltd. 113 Hayarkon St., Tel Aviv (phone no.: 03-5544553 fax: 03-5271736). The contact at the trustee is Mr. Dan Avnon, email: Avnon@hermetic.co.il	Hermetic Trusteeship (1975) Ltd. 113 Hayarkon St., Tel Aviv (phone no.: 03-5544553 fax: 03-5271736). The contact at the trustee is Mr. Dan Avnon, email: Avnon@hermetic.co.il
Materiality (over 5% of the Company's total liabilities)	Yes	Yes

As of the report date, the Company is in compliance with all terms and conditions and commitments to holders of outstanding debentures, including pursuant to the trust deed for said debentures, and there was no cause to demand immediate repayment of said debentures.

The Board of Directors and management express their deep appreciation of Delta Galil employees and managers.

Signed: February 14, 2022.

Noam Lautman	Isaac Dabah
Chairman of the Board of Directors	CEO and Director

Auditor's Report
to the Shareholders of
Delta Galil Industries Ltd.

We have audited the accompanying consolidated statements of financial position of Delta Galil Industries Ltd. ("the Company") as of December 31, 2021 and 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2021 and 2020, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2021 in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Tel-Aviv,
February 14, 2022

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

Auditor's report

To the Shareholders of

Delta Galil Industries Ltd.

On the Matter of the Audit of the Components of Internal Control over Financial Reporting

In Accordance with Section 9.b.(c) of the Securities Regulations

(Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Delta Galil Industries Ltd. and its subsidiaries (hereinafter jointly - "the Company”) as of December 31, 2021. These control components were determined as explained in the following paragraph. The Company’s Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and their assessment of the effectiveness of the components of the internal control over financial reporting is included in the accompanying periodic report for the aforementioned date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting, based on our audit.

The components of internal control over financial reporting that were audited by us were determined in accordance with Auditing Standard 911 (Israel) of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" (hereinafter "Auditing Standard 911 (Israel)"). These components consist of: (1) Entity level controls, including controls over the preparation and closing of the financial reporting and general controls over informational technology systems; (2) controls over the purchasing and inventory processes; (3) controls over the revenue process; (all of these components will hereinafter jointly be called "the audited control components").

We conducted our audit in accordance with Auditing Standard 911 (Israel). This Standard requires that we plan and perform the audit in order to identify the audited control components and obtain reasonable assurance whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal controls over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components, as well as examining and evaluating the design and operating effectiveness of those audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures that we considered necessary under the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes related to financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically components from within it, may not prevent or detect a misleading presentation. Furthermore, drawing conclusions regarding the future on the basis of any present effectiveness is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policy or procedures may deteriorate.
In our opinion, the Company has effectively maintained, in all material aspects, the audited control components as of December 31, 2021.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company’s consolidated financial statements as of December 31, 2021 and 2010 and for each of the three years in the period ended December 31, 2021, and our report, dated February 14, 2022, included an unqualified opinion on those financial statements.

Tel-Aviv,
February 14, 2022

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International

Delta Galil Industries Ltd.
Consolidated statement of financial position

	Note	December 31 2021	December 31 2020
		US$ in thousands	
Assets:			
Current assets:			
Cash and cash equivalents	2M, 19A	**230,129**	230,843
Restricted cash		**5,845**	898
Trade receivables	19B	**202,140**	200,201
Current tax assets		**11,272**	18,305
Other current assets	19B	**43,511**	38,255
Derivative financial instrument	12	**1,615**	2,020
Inventory	19C	**395,158**	291,703
Total current assets		**889,670**	782,225
Non-current assets:			
Investments accounted for using the equity method and other long-term receivables	10	**12,593**	14,668
Investment property		**2,997**	3,389
Property, plant and equipment, net	7	**212,999**	209,465
Goodwill	8	**147,447**	150,657
Intangible assets, net	8	**287,109**	266,967
Right-of-use assets	9	**191,213**	217,777
Deferred tax assets	15D	**18,705**	15,590
Derivative financial instrument	12	**12,098**	31,593
Total non-current assets		**885,161**	910,106
Total assets		**1,774,831**	1,692,331

Delta Galil Industries Ltd.
Consolidated statements of financial position

		December 31	
	Note	2021	2020
Liabilities and equity		US$ in thousands	
Current liabilities:			
Short-term bank borrowings	19D	-	11,013
Current maturities of long-term bank loans	19E	**7,501**	20,295
Current maturities of bonds	11	**32,102**	39,029
Derivative financial instrument	12	-	170
Current maturities of lease liabilities	9	**51,776**	60,363
Trade payables		**247,662**	186,903
Current tax liabilities		**27,070**	26,294
Provisions for restructuring plan	19G	**8,879**	26,825
Other payables	19F	**172,607**	150,737
Total current liabilities		**547,597**	521,629
Non-current liabilities:			
Long-term Banks loans	19E	**117,122**	104,096
Bonds	11	**176,316**	316,764
Post-employment benefit obligations, net		**7,075**	9,499
Lease liabilities	9	**158,851**	182,408
Other non-current liabilities	13	**78,891**	43,030
Deferred tax liabilities	15D	**39,797**	38,513
Total non-current liabilities		**578,052**	694,310
Total liabilities		**1,125,649**	1,215,939
Equity:	14		
Equity attributed to shareholders in the parent company:			
Ordinary shares, NIS 1 par value; Authorized as of December 31, 2021 and 2020, 45,000,000 shares; issued and outstanding as of December 31, 2021 and 2020 26,923,469 shares, .		**23,714**	23,714
Share premium		**129,500**	130,260
Other capital reserves		**53,335**	6,604
Retained earnings		**432,189**	332,268
Treasury shares		**(15,307)**	(16,067)
		623,431	476,779
Non-controlling interests		**25,751**	(387)
Total equity		**649,182**	476,392
Total liabilities and equity		**1,774,831**	1,692,331

The accompanying notes constitute an integral part of these Consolidated Financial Statements.

Delta Galil Industries Ltd.
Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	2021	2020	2019
		For the year ended December 31		
		US$ in thousands (except earnings per share)		
Sales	5C-D	**1,950,958**	1,446,187	1,690,164
Cost of sales	19I	**1,174,247**	922,502	1,086,005
Gross profit		**776,711**	523,685	604,159
Selling and marketing expenses	19J	**491,604**	385,507	429,705
Administrative and general expenses	19J	**95,391**	77,446	77,315
Credit losses (gain)		**1,334**	9,671	(865)
Other (income) expenses, net	19L	**569**	2,634	(3,739)
Share of profit of investees accounted for using the equity method	10	**(285)**	(397)	(950)
Restructuring (income) expenses	19G	**-**	39,154	(987)
Impairment of non-financial assets	1B	**-**	16,811	-
Operating profit (loss)		**188,098**	(7,141)	103,680
Financing expenses, net	19M	**37,397**	37,475	36,065
Profit (loss) before taxes		**150,701**	(44,616)	67,615
Income tax expense (credit)	15	**30,395**	(4,095)	9,915
Net profit (loss) for the year		**120,306**	(40,521)	57,700
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of post-employment benefit obligations		**(27)**	727	(1,624)
Income tax relating to this item		**5**	(157)	451
		(22)	570	(1,173)
Items that may be reclassified to profit or loss:				
Cash flow hedges	12	**(981)**	(4,551)	2,378
Exchange differences on translation of foreign operations		**(9,404)**	17,852	710
Income tax relating to these items		**186**	1,047	(547)
Other comprehensive income (loss) for the period, net of tax		**(10,199)**	14,348	2,541
Total comprehensive income (loss) for the year		**110,085**	(25,603)	59,068

Attribution of the net profit (loss) for the year:				
To shareholders in the Parent company		**112,781**	(39,850)	57,898
To non-controlling interests		**7,525**	(671)	(198)
Total net (loss) income for the year		**120,306**	(40,521)	57,700
Attribution of the total comprehensive (loss) income for the year:				
To shareholders in the Parent company		**104,040**	(24,932)	59,266
To non-controlling interests		**6,045**	(671)	(198)
Total net (loss) income for the year		**110,085**	(25,603)	59,068
Earnings (loss) per share attributed to the shareholders in the Parent	2V, 1			
Basic		**4.42**	(1.56)	2.27
Diluted		**4.29**	(1.56)	2.26

The accompanying notes constitute an integral part of these Consolidated Financial Statements.

Delta Galil Industries Ltd.
Consolidated Statement of Changes in Equity

	Number of Shares	Ordinary Shares	Share premium	Capital reserve from transactions with controlling shareholder	Foreign currency translation reserve	Capital reserve on cash flow hedging	Capital Reserve from transactions with Non-controlling interests	Retained earnings	Treasury shares	Total	Non-controlling interests	Total
							US$ in Thousands					
Balance as at January 1, 2019	26,920	23,714	130,667	—	(14,175)	3,672	—	339,922	(16,523)	467,277	574	467,851
Effect of the first-time application of IFRS 16	—	—	—	—	—	—	—	(10,000)	—	(10,000)	—	(10,000)
Balance as at January 1, 2019 (restated)	26,920	23,714	130,667	—	(14,175)	3,672	—	329,922	(16,523)	457,277	574	457,851
Changes during the year ended December 31, 2019:												
Net profit (loss)	—	—	—	—	—	—	—	57,898	—	57,898	(198)	57,700
Other comprehensive income (loss)	—	—	—	—	710	1,831	—	(1,173)	—	1,368	—	1,368
Exercise of options	3	—	(430)	—	—	—	—	—	430	—	—	—
Transaction with non-controlling interests	—	—	—	—	—	—	—	—	—	—	254	254
Dividend paid	—	—	—	—	—	—	—	(11,084)	—	(11,084)	—	(11,084)
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(346)	(346)
Share-based payments	—	—	—	—	—	—	—	1,200	—	1,200	—	1,200
Balance as at December 31, 2019	26,923	23,714	130,237	—	(13,465)	5,503	—	376,763	(16,093)	506,659	284	506,943

Balance as at January 1, 2020	26,923	23,714	130,237	—	(13,465)	5,503	—	376,763	(16,093)	506,659	284	506,943
Changes during the year ended December 31, 2020:												
Net loss	—	—	—	—	—	—	—	(39,850)	—	(39,850)	(671)	(40,521)
Other comprehensive income (loss)	—	—	—	—	17,852	(3,504)	—	570	—	14,918	—	14,918
Consideration from the exercise of options	—	—	23	—	—	—	—	—	26	49	—	49
Concession of controlling shareholder's salary	—	—	—	218	—	—	—	—	—	218	—	218
Dividend paid	—	—	—	—	—	—	—	(6,506)	—	(6,506)	—	(6,506)
Share-based payments	—	—	—	—	—	—	—	1,291	—	1,291	—	1.291
Balance as at December 31, 2020	26,923	23,714	130,260	218	4,387	1,999	—	332,268	(16,067)	476,779	(387)	476,392
Balance as at January 1, 2021	26,923	23,714	130,260	218	4,387	1,999	—	332,268	(16,067)	476,779	(387)	476,392
Changes during the year ended December 31, 2021:												
Net profit	—	—	—	—	—	—	—	112,781	—	112,781	7,525	120,306
Other Comprehensive loss	—	—	—	—	(8,116)	(624)	—	(1)	—	(8,741)	(1,480)	(10,221)
Transaction with non=controlling interests	—	—	—	—	(532)	—	56,003	—	—	55,471	21,685	77,156
Consideration from the exercise of options	—	—	(760)	—	—	—	—	—	760	—	—	—
Dividend paid	—	—	—	—	—	—	—	(15,489)	—	(15,489)	—	(15,489)
Dividend for non-controlling interests	—	—	—	—	—	—	—	—	—	—	(1,592)	(1,592)
Share-based payments	—	—	—	—	—	—	—	2,630	—	2,630	—	2,630
Balance as at December 31, 2021	26,923	23,714	129,500	218	(4,261)	1,375	56,003	432,189	(15,307)	623,431	25,751	649,182

The accompanying notes constitute an integral part of these Consolidated Financial Statements.

Delta Galil Industries Ltd.
Consolidated Statement of Cash Flows

	For the year ended December 31		
	2021	**2020**	**2019**
	US$ in thousands		
Cash flows from operating activities			
Net income (loss) for the year	**120,306**	(40,521)	57,700
Adjustments required to present cash flows from operating activities	**93,803**	282,916	127,228
Interest paid in cash	**(33,040)**	(33,021)	(30,635)
Interest received in cash	**1,091**	1,062	440
Taxes on income paid in cash, net	**(15,634)**	(1,867)	(8,159)
Net cash provided by operating activities	**166,526**	208,569	146,574
Cash flows from investment activities:			
Acquisition of property, plant and equipment	**(25,316)**	(17,970)	(25,106)
Acquisition of intangible assets	**(4,839)**	(3,478)	(4,963)
Payments for acquisitions of subsidiaries, net of cash acquired	**—**	(13,469)	(26,811)
Long-term loans given	**—**	—	(18,102)
Loan given to a business partner	**(1,750)**	(2,500)	—
Proceeds from sale of property, plant and equipment	**944**	568	479
Others	**(2,000)**	2,075	3,540
Net cash used in investing activities	**(32,961)**	(34,774)	(70,963)
Cash flows from financing activities:			
Dividend paid to a non-controlling interests in subsidiary	**(1,592)**	—	(346)
Payment of long-term payable in connection with acquisition of property, plant and equipment	**(4,373)**	(3,836)	(3,503)
Principal elements of lease payments	**(50,762)**	(47,022)	(49,438)
Early redemption of bonds	**(94,313)**	-	-
Repayment of bond principal	**(37,650)**	(37,568)	(29,748)
Dividend paid	**(15,489)**	(6,506)	(11,084)
Receipt of long-term bank loans	**74,950**	44,464	—
Repayment of long-term bank loans	**(68,201)**	(9,778)	(8,944)
Short-term bank borrowings, net	**(10,962)**	11,013	(82,907)
Proceeds from issuance of bonds, net of issuance costs	**—**	—	150,137
Repayment of long-term loans as part of acquisition of subsidiary	**(6,006)**	(8,855)	(3,350)
Net proceeds from issuance of shares in a subsidiary	**77,156**	-	-
Others	**2,940**	49	-
Net cash used in financing activities	**(134,302)**	(58,039)	(39,183)
Increase (decrease) in cash and cash equivalents	**(737)**	115,756	36,428
Effects of exchange rate changes on cash and cash equivalents	**23**	8,661	(536)
Balance of cash and cash equivalents at the beginning of the period	**230,843**	106,426	70,534
Balance of cash and cash equivalents at the end of the period	**230,129**	230,843	106,426

The accompanying notes constitute an integral part of these Consolidated Financial Statements.

Delta Galil Industries Ltd.
Consolidated Statement of Cash Flows

	For the year ended December 31		
	2021	2020	2019
	US$ in thousands		
Depreciation	33,329	36,353	30,631
Amortization	64,345	62,063	59,193
Impairment of non-financial assets	—	16,811	—
Other financial expenses, net	(2,940)	1,082	(219)
Interest expenses recognized in respect of bonds and loans	18,375	23,185	22,161
Interest received in cash	(1,091)	(1,062)	(440)
Taxes on income paid in cash, net	15,634	1,867	8,159
Deferred taxes on income, net	(1,007)	522	58
Interest expenses recognized in respect of lease agreements	9,609	9,836	8,474
Retirement benefit obligation, net	(1,833)	(579)	(250)
Restructuring expenses (income)	(17,946)	25,390	(987)
Decrease in lease liabilities following rent concessions	(3,502)	(6,026)	—
Loss from early redemption of bonds	5,056	—	—
Gain from disposal of property, plant and equipment	(272)	(314)	(86)
Share-based payments expenses	2,630	1,291	1,200
Credit losses loss on trade receivable	1,334	9,671	(865)
Share in profits of investee accounted for using the equity method	(285)	(397)	(950)
Others	405	2,702	397
	121,841	182,395	126,476
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	(10,450)	6,408	31,923
Increase in other receivables	(2,544)	(15,967)	(5,875)
Increase (decrease) in trade payables	55,304	39,024	(40,726)
Increase in other payables	38,704	7,405	2,972
Increase (decrease) in inventory	(109,052)	63,651	12,458
	(28,038)	100,521	752
	93,803	282,916	127,228
ditional information on investing and financing activities not involving cash flows:			
ıde and other payables for acquisition of property, plant and equipment and other non-monetary assets	16,172	11,929	1,342
Receivables for sale of property, plant and equipment	—	251	—
Liability for minimum royalty payment	40,054	8,300	12,657
Contingent consideration from acquisition of subsidiary	—	—	11,037
Acquisition of right-of-use assets through lease liabilities	30,130	58,662	28,746

The accompanying notes constitute an integral part of these Consolidated Financial Statements.

Note 1 – Overview

a. Delta Galil Industries Ltd. (hereinafter – the "Company") is an Israeli corporation, which together with its subsidiaries (hereinafter – the "Group"), is engaged in the design, development, production, marketing and sale of ladies intimate apparel, men's underwear, socks, children's wear, leisurewear and activewear, as well as in the development, design, marketing, distribution and sale of branded Denim and outwear and accessories for women, in five business segments: Brands, Private Label, Seven for All Mankind, Delta Israel and Online Retailer. Information regarding the operating segments is presented in Note 5.

The Company's securities are listed for trade on the Tel Aviv Stock Exchange ("TASE").

The Company's official address is 45 Ha'eshel Street, Caesarea Industrial Zone, Israel.

b. Effect of the COVID spread (COVID-19)

In December 2019, or thereabouts, a pandemic caused by the Novel Corona Virus (hereinafter "**the Virus**" or "**The Corona Virus**") broke out in the city of Wuhan in China. The Virus began to spread around the world, especially beginning in February 2020, when in March 2020 the World Health Organization declared it a "pandemic" (global epidemic) following the spread of the virus.

This pandemic, which began in China, affected the Company's production activities in the Group's factories - some fully owned and some in collaboration with others, as well as the activities of some of the Company's suppliers and subcontractors who returned to work after an extended holiday.

As of March 2020, the impact of the pandemic has expanded to most countries around the world. In order to prevent the spread of the Virus, various countries around the world have taken various measures, including the closure of shopping centers (including street stores, stores located in malls, department stores), manufacturing plants, workplaces, and global traffic restrictions that have significantly affected the selling markets in which the Company operates have been imposed - in the United States, Europe and Israel.

From the beginning of the spread of the Corona Virus, the Company has worked to protect the health and safety of employees on the one hand, while maintaining the continuity of the Company's activities to the extent possible. The Company operates in accordance with the guidelines in order to maintain a protected work environment for employees in its various factories and sites.

Impact on sales in the various channels: company stores, wholesale customers, online.

During the course of 2021, "Delta" and "Fix" stores in the Delta Israel operating segment were shut down intermittently, due to directives from the authorities. Schiesser and Eminence stores in the Delta European Brands operating segment and 7 for all mankind and Splendid stores in Europe and 7 for All Mankind in Europe and in Brazil.

Thus, for example, Delta and Fix stores in Israel were closed from the beginning of the year until February 21, 2021.

During the second quarter of 2021 (mainly April) as well as during the fourth quarter of 2021 some of the company's stores in Europe were closed, intermittently.

As of the date of the report, the Company is unable to assess the effect of the additional closures, that may occur, insofar as they might occur, in the various countries because their duration, manner of exit therefrom and the effects on the structure of expenses during the closure period are unknown.

During the course of 2020, some of the Company's customers unilaterally notified of the extension of credit terms for a period of approximately 60 days beyond the normal credit terms.
As of the date of this report, most of the customers who announced the extension of the credit terms as stated above, reinstated the credit terms to the level before the crisis.
The Company's e-commerce sites operate and have operated during the entire pandemic period in full and in accordance with the instructions of the authorities in the various countries around the world, regarding the manner of delivering orders to customers. The significant increase recorded in this activity partially compensated for the harm to the Company's sales in the other sales channels.

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Note 1 – Overview (continued)

b. Effect of the COVID spread (COVID-19) (continued)

The impact of the closures in the various countries led to a decrease in sales at brick and mortar stores in all fields of operations, while sales on the company's e-commerce sites in the first quarter of the year, compared to the corresponding quarter the previous year and especially in the months when restrictions and/or closures were imposed on the physical store chains.

As of the second quarter of the year, following the gradual opening of stores and their operation in an almost normal format, except for the above stated, there was a significant increase in brick and mortar store sales in all fields of operations while e-commerce website sales began to decline in most chains.

Measures to reduce expenses

Due to the effects of the Virus, the Company took action as of 2020 and took significant steps to reduce its expenses in the various operating segments. In its retail operating segments, both in Israel and abroad, the Company has worked mainly to reduce wage expenses by sending employees on unpaid leave as well as to reduce rent costs in coordination with the landlords.

During the course of 2020 and as part of the strategy that strives for continual improvement in flexibility and operational efficiency in marketing operations as well as in its development operations, the company decided to carry out a comprehensive reorganization plan.
The plan includes reducing and/or closing some of its production operations , as well as reducing overheads at the Company's headquarters, while implementing changes in lateral processes aimed at adapting work processes to industry trends; Including, reinforcing the on-line sales array and assimilation of technological changes in the sales and development processes.
The total cost of the plan is approximately $ 39.2 million and was recorded as an expense in 2020, of which approximately $ 35.6 million in cash in respect of severance pay and other costs due to termination of employment of employees and approximately $ 3.6 million that are not in cash and are attributed to a reduction in the value of fixed assets in the Company's factories.
During 2021 the Company continued to implement the plan, so that as at the end of the year, the Company spent approximately $ 31.7 million of the total plan, of which about $28.3 million in cash.

Impact on Manufacturing Operations

In the field of private label activity, the company acted to completely or partially shut down its production plants, depending on limitations due to the impact of the virus and due to the military coup in Myanmar on February 1, 2021. Thus, for example, the company’s factories were shut down in Thailand and Myanmar for 9 days each, during the months of June and March 2021, respectively. Partial shutdowns were also in effect at the sock factories in Turkey and Bulgaria.
In addition, from the second week of August 2021, the plant in Vietnam operated partially until its complete closure in early September and for a period of three weeks. As of the last week of September 2021, the plant has returned to activity in a gradual manner.
Disruptions in manufacturing activity at the company’s plants in Thailand and Myanmar continued during the third quarter of the year as the pandemic continued and disruptions may spread to other countries depending on the potential spread of the virus. In most of these factories, the workers were vaccinated with the first vaccine and the company continues the vaccination process.

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Note 1 – Overview(continued)

Liquidity and Sources of Financing

As of December 31, 2021, the Company has cash and cash equivalents of an amount of approximately $ 230.1 million, approved and secured credit facilities that have not yet been utilized, amounting to $ 180 million and unsecured credit facilities amounting to $ 46 million, which have not been utilized as at the balance sheet date.

For further details see section 3.1 below.

All of these indicate the high level of liquidity and the financial robustness of the company.

Also, during 2021 the Company repaid bank loans in Israel, Germany, France and Switzerland, see note 19E.

Restructuring plan

For details on the restructuring plan in 2020 see Note 19G.

c. Splitting the Delta Israel operating segment and the issue of a subsidiary

On September 30th, 2020, the Company announced that Delta Galil Israel Brands Ltd., a wholly owned subsidiary of the Company (hereinafter the "Subsidiary"), submitted an application to the Securities Authority in Israel for permission to publish a prospectus together with a draft prospectus for supplementation and a shelf prospectus. The Company further announced that on the same day, before submitting the permit application and the draft prospectus, it had entered into a conditional split agreement (the "Split-off Agreement") with the Subsidiary, according to which - shortly before the completion of the public offering according to the draft prospectus, the Company will transfer to the Subsidiary the Company's "Delta Israel" operating segment (excluding non-material activities), in exchange for shares issued to it by the Subsidiary.

On February 25th, 2021, the Company announced that the Subsidiary has published a prospectus for supplementation of a public offering that also constitutes a shelf prospectus.

On March 4th, 2021, the Subsidiary issued a prospectus for supplementation. On the same day, the Subsidiary reported the results of the offering. In accordance with the results of the offering, the Subsidiary issued 20% of its shares for a (gross) consideration of approximately 79$ million.

On March 5th, 2021, the Split-off Agreement and transfer of the aforesaid operating segment was completed, retroactively as of September 30th, 2020. The Company and the Subsidiary intend to take steps for the splitting of the activity to be done tax-free, in accordance with the relevant legal provisions.

On March 9th, 2021, the shares of the Subsidiary began trading on the Tel Aviv Stock Exchange.

d. Reclassification

The company reclassified non-material interest expenses of leases from finance activities to operating activities in the consolidated statements of cash flow for the years ended December 31, 2020 and 2019.

The effect of the said reclassification had no effect on equity or on profit in the comparable periods.

Note 2 – Significant Accounting Policies

a. Basis of preparation of the financial statements

The Group's financial statements as at December 31, 2021 and as at December 31, 2020, and for each of the three years in the period ended December 31, 2021, comply with the International Financial Reporting Standards, which are published by the International Accounting Standards Board (hereinafter – IFRS).

The following shall be noted regarding the presentation of these Financial Statements:

1) The principal accounting policies, which are described below, have been implemented consistently for all of the periods that are presented, unless it is otherwise stated.

2) The consolidated financial statements have been prepared under the historical cost convention, subject to the adjustment of derivatives, financial assets and assets comprising deposits for severance pay, which are presented at fair value.

The preparation of financial statements, in accordance with IFRS, requires the use of certain significant accounting estimates. Furthermore, it requires the Group's management to exercise judgment in the process of the implementation of the Group's accounting policy. Disclosure of the fields in which a considerable degree of judgment or complexity is involved, or fields in which the assumptions and the estimates have a significant impact on the consolidated financial statements, is provided in Note 3. The actual results may be significantly different from the estimates and the assumptions that have been used by the Group's management.

3) The operating cycle of the group is 12 months.

4) The Group classifies its expenses on the statement of profit or loss based on the operating characteristics of such expenses.

b. Consolidated financial statements

1) Subsidiary and business combinations

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the event that the activity that is acquired is operated by a third party, but control exists, the Company consolidates the financial results as from the time that control is achieved (which is the time of the acquisition), when the conditions that are set in IFRS 10 are met, as detailed below:

a) The Company has the power over the investee entity.

b) The Company has the ability to use its power to direct the relevant activities of the investee entity in order to affect the investor's return, including the right to make managerial decisions in relation to the activity.

c) The Company has an exposure to or rights to variable returns from its involvement in the investee entity.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Acquisition-related costs are expensed as incurred.

The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Note 2 – Significant Accounting Policies(continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill (see also section G below).

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Contingent consideration that has arisen for the Group within the framework of a business combination is measured at its fair value at the time of the business combination. Subsequent changes in the fair value of the contingent consideration, which is classified as an asset or a liability, are recognized as profit or loss.

The accounting policy that has been implemented in the subsidiaries has been altered, as necessary, in order to ensure consistency with the accounting policy that has been adopted by the Group.

2) Affiliated companies

An affiliated company is an entity in which the Company has significant influence, but not control, which is mostly expressed in a holding of 20% to 50% of the voting rights. An investment in an affiliated company is accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognized at cost, and the carrying amount changes such that the Company recognizes its share of the profit or the loss of the affiliated company or the joint venture from the time of the acquisition.

The Company's share of the post-acquisition profit or the loss of the affiliated company is reflected in profit or loss against the carrying amount of the investment.

At every reporting date, the Company determines whether signs of impairment in the value of the investment in the affiliated company or the joint venture exist. In the event that any such sign whatsoever exists, the Company calculates the amount of the impairment in value as the difference between the recoverable amount of the investment (the higher of the value in use and the fair value less costs of disposal) and its carrying amount, and it recognizes the amount of the impairment in profit or loss in the item "Share of profit of investees accounted for using the equity method".

Unrealized gains on transactions between the Group and its affiliated companies are eliminated to the extent of the Group's interest in these entities.

The affiliated companies' accounting policies have been altered, as necessary, in order to ensure consistency with the accounting policy that has been adopted by the Group.

Note 2 – Significant Accounting Policies (continued)

c. Segment reporting

Operating segments are reported in accordance with the same basis that is used for the purpose of internal reporting that is presented to the Chief Operational Decision Maker in the Company, who is responsible for the allocation of resources to the Company's operating segments and the evaluation of their performance.

d. Translation of functional currency to presentation currency and translation of balances and transactions in foreign currency

1) The functional currency and the presentation currency

Items that are recorded in the financial statements of each of the companies in the Group are measured in the currency of the main economic environment in which that entity operates (hereinafter – the functional currency). The consolidated financial statements are presented in the Company's functional currency and presentation currency, which is the U.S. dollar.

The following are the changes that have occurred in the reporting periods in the exchange rate of the US Dollar (hereinafter – "The Dollar") opposite the NIS and in the exchange rate of the Euro against the Dollar:

	Rate of change in the exchange rate of the Dollar against the NIS	Rate of change in the exchange rate of the Euro against the Dollar
	%	%
For the year ended December 31, 2021	(3.3)	(7.7)
For the year ended December 31, 2020	(7.0)	9.4
For the year ended December 31, 2019	(7.8)	(2.0)

The exchange rate of the Dollar against the NIS as at December 31, 2021 is 1 Dollar is NIS 3.11

The exchange rate of the Dollar against the NIS as at December 31, 2020 is 1 Dollar is NIS 3.215

The exchange rate of the Euro against the Dollar as at December 31, 2021 is 1 Euro is 1.132 Dollars

The exchange rate of the Euro against the Dollar as at December 31, 2020 is 1 Euro is 1.227 Dollars

2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges .

Note 2 – Significant Accounting Policies(continued)

Profit and loss from exchange rate differences pertaining to monetary assets or liabilities are presented in the statement of comprehensive income under "Financing Expenses, Net".

3) Translation of the financial statements of Group companies

The results and the financial positions of all of the companies in the Group (and where the functional currency of any of them is not the currency of a hyper-inflationary economy) whose functional currency is different from the presentation currency, are translated into the presentation currency as follows:

a) Assets and liabilities in each statement of financial position are translated in accordance with the closing rate at the time of that statement of financial position;

b) Income and expenses in each statement of profit and loss are translated in accordance with the average exchange rates for the period (unless that average does not provide a reasonable approximation of the cumulative impact of the exchange rates at the times of the transactions. In such a case, the revenues and expenses are translated in accordance with the exchange rates at the times of the transactions);

c) All exchange rate differences resulting are recognized under other comprehensive income.

Goodwill and fair value adjustments, arising from the acquisition of foreign operations, are treated as assets and liabilities of the foreign operations and are translated according to the closing rate. Exchange rate differences in respect of such translation are charged to other comprehensive income.

e. Property, plant and equipment

Property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. The depreciation of assets, except for owned land, which is not depreciated is calculated using the straight-line method over the estimated useful life of the fixed asset, in the following manner:

	%
Buildings	2 – 7 (mainly 4%)
Machinery & equipment	7 – 25 (mainly 7%)
Office furniture, equipment and motor vehicles	6 – 25 (mainly 7%)

General significant renovation costs are amortized over the asset's remaining useful life, or until the next general renovation, whichever comes first.

All other repairs and maintenance costs are charged to the Statement of Operations during the reported period in which they were incurred.

Leasehold improvements are amortized using the straight-line method over the shorter of the period of the rental contract or the estimated useful life of the improvements.

Gains or losses on disposal of property, plant and equipment are determined by comparing the net proceeds received with the carrying amount and are recognized under "other income (expenses)" in the statement of profit and loss.

f. Investment property

Investment property includes an office building that is owned by Schiesser in Germany, and which is not used by the Group in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business.

Investment property is initially measured at fair value, within the framework of the purchase price allocation which the Company has performed.

Following the initial recognition, the Group measures its investment property at historical cost, less accumulated depreciation.

Note 2 – Significant Accounting Policies(continued)

g. Intangible assets

1) Goodwill

Goodwill represents the surplus of the consideration that has been transferred for the acquisition of a subsidiary company, over the net amount of the identifiable assets and liabilities that have been acquired as at the time of the acquisition.
Goodwill is allocated to cash-generating units for the purpose of impairment testing.
The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose
Impairment testing of a cash generating unit to which goodwill was allocated is undertaken annually and whenever there is any indication of impairment of the cash generating unit, by comparing the carrying amount of the cash generating unit, including the goodwill, to its recoverable amount, which is the higher of its value in use and the fair value less costs to sell. Any impairment loss is first allocated to write-down the carrying amount of any goodwill allocated to the cash generating unit (or group of units), and afterwards to the remaining assets of the cash generating unit (or group of units), on a proportionate basis using the carrying amounts of each asset of the cash generating unit (or group of units).
Any impairment loss on goodwill is recognized immediately in profit or loss and is not subsequently reversed.

Regarding the examination of impairment of goodwill, see Note 8B.

2) Contractual customer relationship

Customer relationship, which are acquired within the framework of a business combination, are recorded in accordance with their fair value at the time of the acquisition and are amortized using the straight-line method over their estimated useful lives.

3) Rights for the use of trademarks

a. Rights for the use of trademarks have been recognized at the discounted amount of the liability in respect of minimal payments payable for royalties and they are amortized over the shorter of the period of the contract (generally 3-4 years) or the estimated period of use, see also Note 8C.

b. Certain license agreements related to trademarks that have been acquired within the framework of a business combination are recognized at their fair value at the time of the acquisition and are amortized over the shorter of the period of the contract or the estimated period of use.

4) Brands

Brands are recorded in accordance with their fair value at the time of the acquisition. Once a year the Company examines whether the brands have indefinite useful life and therefore, they are not amortized.

The value of the brands is examined at least once a year or on the occurrence of signs evidencing the need to perform such an examination.

Regarding the examination of brand impairment, see Note 8D.

5) Computer software

Licenses for the use of computer software are presented on the basis of the accumulated costs in respect of the purchase of the computer software and bringing it to a state in which it can be used. These costs are amortized over the estimated useful life of the software (4 years). Maintenance costs of software programmers are recognized as an expense as incurred. Costs that are directly attributable to the development of identified and unique software products, which are under the Group's control, and where it is highly likely that economic benefit will be produced that exceeds the direct costs that are attributed to employees derived from the development of the software and an appropriate portion of the relevant indirect expenses are capitalized to intangible assets.

Note 2 – Significant Accounting Policies (continued)

h. Impairment of non-monetary assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.
Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value of the asset less costs of disposal and its value in use. For the purpose of assessing impairment, the assets are grouped into the lowest levels at which separate identified cash inflows exist (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

i. Financial assets

a. **Classification**

The Company classified its financial assets into the following categories: "Financial assets at fair value through profit or loss" and "Financial assets at amortized cost". The classification depends on the business model in which the financial assets are held and on the contractual terms of the cash flows in respect thereof.

The Company reclassifies its financial assets that are debt instruments when, and only when, a change occurs in its business model for the managing of the financial assets.

Financial assets at amortized cost are financial assets held within the framework of a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual terms provide entitlement on defined dates to cash flows that are only principal and interest payments in respect of the principal amount that has not yet been repaid.

These assets are classified as current assets, except for maturities of more than 12 months after the date of the statement of financial position, which are classified as non-current assets.

The Group's financial assets at amortized cost are included under: Trade receivable, restricted cash, other current assets, cash and cash equivalents, as well as other long-term receivables in the statement of financial position.

b. **Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to the Group or delivered by the Group. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are presented at fair value in subsequent periods. Financial assets at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, excluding trade receivables, and in subsequent periods they are measured at amortized cost, using the effective interest method.

As for the method by which the fair value of the Group's financial assets is measured, see Note 4.

c. **Impairment of financial assets**

On each balance sheet date, the Company assesses whether there has been a significant increase in the credit risk of the financial asset since its initial recognition, on an individual basis or on a group basis. For this purpose, the Company compares the risk of a failure in the financial instrument at the reporting date with the risk of a failure in the financial instrument on the initial recognition date, taking into account all reasonable and substantial information, including forward-looking information.

For financial assets with a significant increase in credit risk from the date of initial recognition, the Company measures the provision for loss in an amount equal to the expected credit losses throughout the life of the instrument. Otherwise, the provision for loss will be measured in an amount equal to expected credit losses in a period of 12 months. The amount of the expected credit differentials (or the cancellation thereof) is recognized in profit or loss.

Note 2 – Significant Accounting Policies (continued)

For financial instruments with low credit risk, the Company assumes that the credit risk did not increase significantly from the date of initial recognition thereof.

Notwithstanding the foregoing, the Group always measures the provision for a loss in an amount equal to expected credit losses throughout the instrument's life for trade receivables

j. Derivative Financial Instruments and Hedging Activity

The Company has financial instruments that are eligible for hedging cash flows in connection with the payment of bonds and in connection with the purchase of inventory. The Company also has financial instruments that are not eligible for hedging.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

The method of the recognition in profit or loss, which derives from changes in the fair value, is dependent upon the question of whether the derivative instrument is designated as a hedging instrument, and in such a case, by the nature of the hedged item. Changes in the fair value of derivative financial instruments, which do not qualify for cash flows hedging, are recognized in profit or loss under "other income (expenses), net", whereas changes in the fair value of items eligible for cash flows hedging are charged to other comprehensive income or loss.

The Company designated certain derivative instruments for cash flow hedging:

At inception of the hedging relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The main assumptions that have been used in the calculation of the fair value of the derivative instruments that serve for hedging purposes are detailed in Note 12.

A change in the fair value is recognized in other comprehensive income and is presented in the statement of changes in equity. The full fair value of a hedging derivative instrument is classified as a non-current asset or liability, where the remaining time to redemption is more than 12 months after the date of the statement of financial position, or as a current asset or liability, where the remaining time to redemption is less than 12 months after the date of the statement of financial position.

The gain or loss relating to the non-effective portion in respect of the financial instrument is recognized immediately in the statement of profit and loss under "other income (expenses), net".

The gains and losses, deferred in the past under other comprehensive profit, are transferred from equity and included within the initial cost of the asset.

The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss, through cost of sales.

k. Inventory

Inventory of finished goods, which are purchased by the Company, is measured at the lower of cost or net realizable value. The cost is determined under the weighted average cost method. The cost of finished goods and goods in process includes the direct cost of production, labor cost and an appropriate proportion of overhead expenditure. The cost of the inventory of raw materials and ancillary materials is also determined using the weighted average cost method.

Note 2 – Significant Accounting Policies (continued)

Cost of inventory includes gains/ losses on cash flow hedges of finished product purchases transferred from equity.

Generally, write-downs in the value of inventory are recorded in the various operating segments, as explained below:

The brand segment activity includes inventory of raw materials, inventory in process and inventory of finished products. A reduction in the value of this inventory is made according to its age, with the reduction rate determined according to the age of the inventory as well, so that an older inventory will be reduced at a higher rate.

Private label segment includes inventory of finished products, which is inventory intended for specific customers and for which there is no reduction. This area of activity also includes inventory of raw materials, supplementary materials and in-process inventory produced in the company's plants, which is reduced according to its age.

Seven for all mankind and Delta Israel segments include inventory of finished branded products that are sold through chain stores, via the Internet and in wholesale sales to retail customers. Reduction in the value of the finished product is done according to a diagnosis whether it is inventory of basic products or inventory of fashion products.

The inventory of the online retailer operating segment includes finished branded products that are sold through the Company's website. A write-down of that inventory is made based on a distinction of whether this is an inventory of basic products or fashion products.

No write-down is performed in relation to the inventory of basic products, which can also be sold in future periods. In relation to inventory of fashion products, the need for a write-down in the inventory value is examined after the end of the season in which the inventory was to be sold. In the event that the market price less the selling costs that can be received from the sale of the surplus inventory is lower than the written down cost, a write-down is performed, taking into account the potential for the sale of the inventory in the Company's outlet stores.

l. Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. When collection of these amounts is expected to occur within one year or less, they are classified as current assets, otherwise they are classified as non-current assets.

Trade receivables are initially recognized according to their transaction price, as defined in International Financial Reporting Standard 15 (hereinafter – IFRS 15), if they do not include a significant financing element in accordance with IFRS15, and then are measured at amortized cost based on the effective interest method, less provision for credit loss (hereinafter - "provision for credit loss"). As to the manner of determination of the provision for credit loss and the subsequent handling thereof, see Note 19B1.

m. Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term bank deposits, whose deposit periods do not exceed three months.

In the consolidated statement of financial position, bank overdrafts are classified into "short-term bank borrowings" within current liabilities.

Note 2 – Significant Accounting Policies (continued)

n. Treasury shares

The cost of purchasing company's shares, which are held by it (treasury shares) is deducted from the equity attributed to the shareholders in the parent company until the shares are cancelled or re-issued, under the moving weighted average method.

o. Bonds

Bonds are initially recognized at fair value, net of transaction costs incurred. Bonds are subsequently measured at amortized cost. Any difference between the proceeds (net of issuance costs) and the redemption amount is recognized in profit or loss over the period of the bond using the effective interest method.

p. Current and deferred taxes

Tax expenses for the reported years include current and deferred taxes. Taxes on income are charged to profit or loss, with the exception of taxes arising from business combination and taxes pertaining to items charged to other comprehensive income (loss). In these cases (items recognized in other comprehensive income), the tax influence is also charged to other comprehensive income (loss), or directly to equity.

Current taxes are tax amounts expected to be payable or receivable for taxable income, calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income, including tax payments referring to previous years.

From time to time, Company management studies tax aspects applicable to its taxable income, in accordance with relevant tax laws, and creates provisions as needed.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are impaired if it is no longer probable that the related tax benefit will be realized.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

In calculating deferred taxes, taxes that would have been created in the event of realization of investments in subsidiaries and companies accounted for using the equity method are not taken into account, as it is Company policy to hold these investments and not realize them.

The Company may be liable for additional taxes in the event of intercompany dividend distribution. This added tax has not been accounted for in light of Company policy not to have dividends involving additional tax distributed in the foreseeable future.

q. Employee benefits

The Group operates a number of post-employment employee benefit plans, which include defined benefit plans and defined contribution plans.

1) Retirement/Pension Compensation Liability:

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Note 2 – Significant Accounting Policies (continued)

A defined benefit plan is a post-employment employee benefit plan that is not a defined contribution plan.

The Group members operate a number of pension plans. The plans are financed by payments made to insurance companies or pension funds held in trust.

According to their terms, the pension plans in question meet the definition of a defined benefit plan as above.

In accordance with labor laws and labor agreements in Israel, and in accordance with Company practices, the Company is required to pay severance pay to employees dismissed or departing work under certain circumstances. The Company's commitment to pay severance pay for some of the employees is treated as a defined benefit plan and in respect of the rest of the employees it is treated as a defined contribution plan.

In accordance with the Group companies' commitment to employees for whom there is a plan that constitutes a defined benefit plan, the amounts of the benefit that an employee who is entitled to severance pay will receive at the time of departure is based on the number of years of service and his last salary.

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Past service costs are recognized immediately in profit or loss. Plan assets are measured at their fair value. The fair value of the plan assets is deducted from the present value of the defined benefit obligation for the purpose of presentation in the consolidated statement of financial position. As noted above, the Group companies purchase insurance policies and make deposits in pension and compensation funds to finance their liability for defined contribution plans. Upon making the deposit, they are not obligated to make additional payment. The deposits are recognized as an expense due to employee benefits concurrent with receiving service from employees, for which they are entitled to the deposits. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2) Vacation and recuperation pay

According to labor laws in Israel and in some of the other countries in which the Group operates, each employee is entitled to vacation days and recuperation days, both calculated on a yearly basis. This right is established throughout the employee's employment at the Company. The Group recognizes the liability and expense for vacation and recuperation pay based on the benefit created for each employee on an undiscounted basis.

3) Executive Compensation

The Company recognizes its liability and expense for executive compensation based on various compensation components that vary according to the rank of the executive and may change from year to year based on the decisions of Company management. The Company recognizes the provisions when a contractual obligation exists or when practice in the past created an implied obligation.

Note 2 – Significant Accounting Policies (continued)

r. Share based payments

The Company's Board of Directors approved plans for the issue of options and/or restricted share units to the Group's employees from time to time, see Note 14 below. Some of the options and/or the restricted share units that are granted stipulated on achieving operational goals.

The fair value of options and RSUs granted is recognized as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and RSUs granted:

- including any market performance conditions (eg the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or hold shares for a specific period of time).

Vesting conditions that are not market conditions are included among the assumptions used to estimate the number of options and/or restricted share units for shares that are expected to vest. The total expense is recognized during the vesting period, which is the period during which all the defined conditions for the vesting of the share-based payment arrangement are to be met.

At each statement of financial position date, the Company updates its estimates regarding the number of options and/or restricted share units for shares expected to vest, based on non-market vesting conditions, and recognizes the effect of the change compared to the original estimates, if any, in profit or loss statement and correspondingly in the equity.

When the options to purchase the shares are exercised, the exercise price is recognized against ordinary shares (according to their notional value) and stock premium.

s. Provisions

Provisions for re-structuring costs are recognized in the financial statements where the Company has a present legal or constructive obligation, as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions for re-structuring expenses include employee compensation payments when the Company approves a formal and detailed restructuring plan, and when the restructuring begins in practice, or when it is announced (see Note 19G). The provisions do not include future operational costs.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period

t. Recognition of revenues

The Company has revenues from the sale of products to customers and from royalties.

1) Measurement of revenues

The Company's revenues are measured according to the amount of consideration that the Company expects to be entitled to in return for the transfer of goods that were promised to the customer, net of amounts collected for third parties, such as certain sales taxes. Revenues are presented net of VAT and after elimination of revenues between the Group companies.

If the consideration promised to the customer includes a variable amount (for example, as a result of discounts or a right of return), the Company estimates the amount of the consideration to which it will be entitled in return for the transfer of the goods promised to the customer in the transaction and includes in the transaction price the entire amount of the variable consideration, or part thereof, only when it is highly probable that a significant cancellation of the recognized cumulative revenues will not occur when the

Note 2 – Significant Accounting Policies (continued)

Uncertainty associated with the variable consideration becomes apparent thereafter. At the end of each reporting period, the Company updates the estimated transaction price in order to properly represent the circumstances at the end of the reporting period and the changes in circumstances during the reporting period.

This amount varies and is recognized as part of the trade receivables in the Company's statement of financial position.

The Company does not adjust the consideration guaranteed in respect of the effects of a significant financing component if the Company expects, at the date of the contract, that the period between the date on which the Company transfers the goods promised to the customer and the date on which the customer pays will be one year or a period shorter than one year.

2) Date of recognition of income

The Company recognizes revenue when the customer obtains control of the goods in accordance with the sale agreement. For each performance obligation, the Company determines, at the date of entering into a contract, whether it fulfills the performance obligation over time or at a point in time.

A performance obligation is maintained over time, if one of the following criteria is met: (a) the customer receives and consumes at the same time the benefits provided by the Company's performance; (b) the Company's performance creates or improves an asset controlled by the customer while creating or improving it; or (c) the Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to pay for performance completed up to that date.

To the extent that a performance obligation is not fulfilled over time, it is fulfilled at a point in time.

3) Types of Company Revenues:

a) Revenues from the sale of wholesale goods

The Company manufactures and sells a variety of products for the wholesale market. The sale of goods is recognized upon delivery by the Company of the goods to the wholesaler, while the wholesaler has full discretion regarding the selling channel and the selling price of the products, and there is no unfulfilled obligation that could affect the acceptance of the goods by the wholesaler. Delivery of the goods does not occur until the products have been sent to the specified location, the aging and loss risks have been transferred to the wholesaler, and the wholesale has received the products in accordance with the sales contract, the acceptance terms have expired or the Company has objective evidence that all acceptance criteria have been met.

The Company's products are sometimes sold at volume discounts. Customers reserve the right to return defective products in the wholesale market. Sales are recognized on the basis of the price specified in the sales contracts, less estimates of quantity discounts and returns as at the date of sale. Past accumulated experience is used to make estimates and provisions for assumptions and returns. The quantity discounts estimate is based on the expected acquisitions for the year. Sales do not include a financing component, since they are carried out with a credit period of less than one year.

b) Revenues from the sale of goods in retail

The Company operates retail chain stores. The sale of goods is recognized when the Company sells a product to the customer. Retail sales are usually made in cash or by credit cards.

The Company's policy is to sell its products to retail customers with the right to return in accordance with the law. Past experience accumulated is used to make estimates and provisions for returns on the date of sale. As for the accounting treatment of the right of return, see section A above.

The Company operates a customer loyalty program in which retail customers are entitled to accumulate points in respect of their purchases, which entitle them to a discount on future purchases. The incentive gives rise to separate performance obligation in the contract and recorded as revenue at the actual utilization or expiry of the points 12 months after the initial sale, the earlier of the two.

Note 2 – Significant Accounting Policies (continued)

c) Revenue from online activities

Revenue from sales provided via the Internet is recognized when the customer obtains control over the products. Payment in respect of the transactions is made by credit card.

u. Leases

On January 1, 2019, International Financial Reporting Standard 16 "Leases" (IFRS 16) came into force. In accordance with the transition provisions of the Standard, the Group has selected the retrospective application when the cumulative impact of the application is charged to the retained earnings as of January 1, 2019, without any restatement of comparative information.

The Group leases buildings, machinery and equipment and vehicles. Lease agreements are for a period of between 6 months and 25 years, but may include extension options.

The Group assesses, at the time of entering into the contract, whether the contract is a lease or whether it includes a lease. A contract is a lease or includes a lease if the contract transfers the right to control the use of an identified asset for a period of time for consideration. The Group reassesses whether a contract is a lease or whether it includes a lease only if the terms of the contract have changed.

Upon initial recognition, the Group recognizes a lease liability at the present value of future lease payments, which include, *inter alia*, the exercise price of extension options that are reasonably certain to be exercised.

At the same time, the Company recognizes the right to use at the amount of the lease liability, adjusted for any lease payments made on or before the commencement date less any lease incentives received and plus any initial direct costs incurred by the Group.

Variable lease payments linked to the consumer price index are measured for the first time by using the existing index at the beginning of the lease, and are included in the calculation of lease liability. When there is a change in the cash flows of the lease as a result of a change in the index, the Group re-measures the liability in respect of a lease based on the updated contractual flows, in coordination with the Right-of-use asset.

Variable lease payments that do not depend on the index or exchange rate are not included in the calculation of the lease liability, and are recognized in profit or loss in the period in which the event or condition that triggered these payments occurred.

Since the interest rate inherent in the lease cannot be easily determined, the Group's incremental borrowing rate is used. This interest rate is the rate that the Group would have been required to pay in order to borrow for a similar period and with a similar collateral the amounts needed to obtain an asset with a value similar to a Right-of-use asset in a similar economic environment.

The lease term is the period during which the lease cannot be cancelled, including periods covered by an option to extend the lease if the Group is reasonably certain to exercise this option, and periods covered by a termination option if the Group is reasonably certain not to exercise the termination option.

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Note 2 – Significant Accounting Policies (continued)

After the date of commencement date, the Group measures the right-of-use assetcost, less accumulated depreciation and accumulated impairment losses, adjusted for any re-measurement of the liability in respect of the lease. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

	%
Buildings	2-7
Equipment and machinery	7-25
Motor vehicles	6-25

Interest on the lease liability is recognized in profit or loss in any period during the lease term, in an amount that generates a fixed periodic interest rate on the remaining balance of the liability in respect of the lease.

Payments in respect of short-term leases of equipment and vehicles as well as payments in respect of leases in which the underlying asset is of low value are recognized using the straight-line method over the lease term, as an expense in profit or loss. Short-term leases are leases in which the lease term is 12 months or less.

v. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

w. Dividend Distribution

Dividend distributed to the Company's owners and non-controlling interest rights holders is recognized as liability in the Group's balance sheet in the period the dividends were approved for distribution by the Company's Board of Directors.

x. New International Financial Reporting Standards, Revisions to Standards and New Interpretations

1) **Standards and amendments to the existing Standards coming into effect and binding for reporting periods starting January 1, 202**1

a) International Accounting Standard 9 "Financial instruments" (hereinafter – IFRS 9) and International Accounting Standard 7 "Financial instruments: Disclosures" (hereinafter – IFRS 7)

Amendments to International Financial Reporting Standard 9 "Financial Instruments" (hereinafter - IFRS 9), to International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" (hereinafter - IAS 39), to International Financial Reporting Standard 7 "Financial Instruments: Disclosures" (hereinafter - IFRS) 7), International Financial Reporting Standard 4 "Insurance Contracts" (hereinafter - IFRS 4) and International Financial Reporting Standard 16 "Leases" (hereinafter - IFRS 16) (hereinafter - the amendments to the standards)
The amendments to the standards are part of Phase 2 of the IASB project, which provides relief in the context of the benchmark interest rate replacement reform (hereinafter - the IBOR reform), and aims to address issues that are expected to arise with the actual benchmark interest rate replacement.

The amendments to the standards provide a practical exemption for financial assets and liabilities measured at amortized cost, which allows for a change in the basis for calculating contractual cash flows by updating the effective interest rate so that entities will not be required to implement impairment accounting. A similar exemption is granted for liabilities in respect of leases recognized by a lessee in application of IFRS 16.

Note 2 – Significant Accounting Policies (continued)

For hedge accounting, the amendments to the standards clarify the date on which an entity should discontinue and implement the mitigation granted under Phase 1 of the project for a non-contractual risk component, and provide five different facilitations in implementing specific provisions of IAS 39 and IFRS 9 for hedging directly affected by the IBOR reform.

The amendments to the standards also provide new disclosure requirements in connection with the IBOR reform.

The Company applied the amendments to the standards retrospectively. The first-time application of the standards did not have material impact on the Company's consolidated financial statements.

b) Amendment to IFRS 16 "Leases" (hereinafter: "IFRS 16 Amendment"):

The Amendment to IFRS 16, as published in May 2020 (hereinafter: the "May 2020 Amendment") provides a practical expedient to lessees only when assessing changes in lease agreements. In accordance with the amendment's guidelines, when rent concessions meet the following conditions, a lessee is not required to assess separately for each contract whether the rent concessions are lease modifications and is entitled to account for the rent concession as part of the original lease agreement (as variable lease payments).

The practical expedient is applicable only to rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet the following three conditions:

1. The revised lease payments after the concession are substantially the same or less than the original consideration;
2. Any reduction in lease payments relates to payments originally due on or before June 30, 2021; and
3. No other substantive changes have been made to the terms of the lease.

In March 2021, an amendment was published to extend the date indicated in item 2 above, from June 30, 2021 to June 30, 2022. To the extent that a lessee elected to apply the May 2020 Amendment, it is required to continue to apply the practical expedient consistently, to all lease contracts with similar characteristics and in similar circumstances, using the March 2021 amendment. However, if a lessee did not apply the practical expedient in the May 2020 Amendment, it is prohibited from applying the practical expedient in the March 2021 amendment. If a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.

The May 2020 Amendment is effective for annual reporting periods beginning on or after 1 June 2020. The March 2021 amendment is effective for annual reporting periods beginning on or after 1 April 2021. Early adoption of the March 2021 Amendment is permitted immediately to unapproved financial statements as of March 31, 2021.

The Company early adopted the May 2020 Amendment on June 1, 2020. Accordingly, the Company has also applied the March 2021 Amendment in its consolidated financial statements for the year ended December 31, 2021.

For information about the impact of IFRS 16 Amendment on the consolidated financial statements of the Company, see note 9.

5) Standards, amendments and interpretations of existing standards which are not yet in effect and which the Company has not chosen for early implementation thereof

a. Amendment to IAS 1 “Presentation of Financial Statements” (hereinafter - the Amendment to IAS 1)

The Amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Note 2 – Significant Accounting Policies (continued)

The amendment clarifies that accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. The amendment clarifies that there is no need to disclose immaterial accounting policy information. However, if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Amendments to IAS 1 are applicable retrospectively for annual periods beginning on or after 1 January 2023. According to provisions of the amendments early application is permitted. Initial application of amendment to IAS 1 is not expected to have material impact on the Group's consolidated financial statements.

b. Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter: "Amendment to IAS 8")

The Amendments to IAS 8 clarify how entities should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events, and also to present events and present transactions.

The Amendments to IAS 8 will be applied retrospectively for annual periods beginning on or after January 1, 2023. According to provisions of the Amendments, early adoption is permitted. Initial application of Amendments to IAS 8 is not expected to have material impact on the Group's consolidated financial statements.

c. Amendment to IAS 12 "Income Taxes" (hereinafter: "Amendment to IAS 12")

The Amendment to IAS 12 clarifies that the exemption from recognizing the deferred taxes that arise on initial recognition of an asset or liability other than in a business combination does not affect either the accounting or the taxable profit or loss at the time of the transaction (first-time recognition exemption) does not apply to transactions that on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

They will typically apply to transactions such as leases that on initial recognition by the lessee, the lessee recognizes a right-of-use asset at an amount equal to the remaining lease liability; and upon recognition of decommissioning, removal and restoration obligations.

The Amendment to IAS 12 is mandatory to annual periods beginning on or after 1 January 2023. According to provisions of the Amendments, early adoption is permitted. The amendment will be mandatory to all transactions occurring beginning in the earliest comparative period presented. In addition, in the financial statements where the amendment was first applied, entities should recognize at the beginning of the earliest comparative period presented:

(a) recognize a deferred tax asset – to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised – and a deferred tax liability for all deductible and taxable temporary differences associated with:
- right-of-use assets and lease liabilities; and
- decommissioning, removal and restoration liabilities, and the corresponding amounts recognized as part of the cost of the related asset;

(b) recognize the cumulative effect of initial application in the opening balance of retained earnings (or other equity component, if relevant) at that date.

Initial application of the Amendments to IAS 12 is not expected to have material impact on the Group's consolidated financial statements.

Note 3 – Critical accounting estimates and judgments

Part of the financial reporting process, Company's management is required to make certain assumptions and estimates which may affect the value of its assets, liabilities, revenues, expenses and some of the disclosures provided in the Group's consolidated financial statements. By their nature, these estimates may be subjective and complex and may therefore differ from actual results.

The accounting estimates and assumptions used in preparing the financial statements are reviewed and are based on past experience and other factors, including future events which are reasonably likely to occur in view of current circumstances.

Below is a description of critical accounting estimates used in preparing the Financial Statements, the formulation of which required the Company to make assumptions with regard to circumstances and events involving significant uncertainty. In exercising its judgment for the purpose of making accounting estimates, the Company takes into account, respectively, the relevant facts, past experience, the impact of external factors and assumptions reasonable under the circumstances.

a. Significant accounting estimates and assumptions

1) Inventory

The Company prepares monthly estimates for the purpose of amortization of slow or dead inventory, based on past experience, remaining inventory balances from previous seasons and sales forecasts. See Note 2K.

2) Goodwill

The Company performs a quantitative impairment test and estimates the recoverable amount calculating the value in use of the cash generating unit. At least once a year, and on the occurrence of events, the Company checks the need for the recognition of impairment in the value of the goodwill, in accordance with the management's forecasts in respect of the discounted amount of the expected cash flows of the cash-generating unit to which the goodwill is attributed. See Note 8B.

3) Property, plant and equipment

Depreciation expenses due to property, plant and equipment are calculated using the straight-line method on the basis of the estimated period of time in which the asset will serve the Company. In addition, the Company tests the need for additional write-downs at any time at which signs exist indicating the possibility of impairment in value.

4) Brands

The balance of the brands includes the brand name Schiesser, purchased in 2012, P.J. Salvage, purchased in 2015, 7 for All Mankind, Splendid and "Ella Moss", purchased in 2016, "Eminence", "Athena" and "Liable", purchased in 2018, "Brayola" and "Bare Necessities" purchased in 2020. The carrying amount of the brands is presented at fair value upon their date of purchase and was calculated as part of the purchase price allocation made by management.

The brands balance includes the brand "Fix", which was purchased in 2014, and is presented at historical cost.

The brands balance includes the brand "Karen Neuberger" which was acquired in 2011 and presented until December 31, 2020 at its historic cost.

All brands have an indefinite useful life and are not amortized routinely.

At least once a year and on the occurrence of events, the Company reviews the need for an impairment provision. See Note 8D.

5) Taxes on income and deferred taxes

The Group is assessed for tax purposes in a large number of jurisdictions, and accordingly, Group's management is required to apply considerable judgment in order to determine the overall provision for taxes on income. The Group records a provision in its accounting records based on its estimates regarding the possible likelihood of additional tax payments for these transactions.

Note 3 – Critical accounting estimates and judgments (continued)

Where the final tax indebtedness, which is determined by the tax authorities is different from the tax indebtedness that was recorded in the financial statements in previous periods, the difference will be reflected in profit and loss in the period in which the final assessment is determined by the tax authorities.

Furthermore, the Group records deferred tax assets and deferred tax liabilities on the basis of the differences between carrying amounts of assets and liabilities and their amounts taken into account for tax purposes. The Group regularly reviews the recoverability of deferred tax included in its accounts, on the basis of historical taxable revenues, projected taxable revenues, the timing of the expected reversal of temporary differences and implementation of the tax planning Strategy. If the Company is unable to derive sufficient future taxable revenues or in the event of a significant change in effective tax rates in the period during which the temporary differences become taxable or deductible, the Group may be required to reverse part of its deferred tax asset or to increase its deferred tax liabilities, which may increase its effective tax rate and adversely affect its operating results.

b. Considerations that have a material impact on the implementation of the entity's accounting policies

Determining the lease term and the discount rate in respect thereof

As of January 1, 2019, the Group implements IFRS16 for the accounting treatment of leases. In this context, management considers facts and circumstances that create an economic incentive for the exercise of extension options or the non-exercise of termination options. Extension options, or periods after the exercise of termination options, are included in the lease period only to the extent that it is reasonably certain that the lease will be extended (or not terminated).

The Company examines, based on past experience for its business plans, whether the extension options existing in the lease agreements it has entered into are reasonably certain to be exercised or not.

The Company's management re-evaluates whether the extension option is reasonable certain to be exercised, or the termination option is reasonably certain not to be exercised, upon the occurrence of a significant event or change in

circumstances that is under the control of the Company, and also influences the decision whether the Company is reasonably certain to exercise an option that was not previously included in determining the lease term, or not exercise an option previously included in determining the lease term.

Note 4 – Financial instruments and financial risk management

a. Financial risk factors

The Group's activities are exposed to various financial risks: market risks (including exchange rate risk and interest rate risk on cash flows), credit risks and liquidity risks. The Group's risks management plan focuses on the uncertainty of financial markets and seeks ways to minimize potential adverse effect on the Group financial performance. From time to time, the Company uses derivative financial instruments in order to hedge specific exposures to risks.

The Group manages financial risks based on a policy approved by the Board of Directors and senior management. This policy deals with the management of exchange rate risk and credit risks, and cash management.

1) Market risk

a) Exchange rate risks

The Group operates globally and is exposed to fluctuations in various exchange rates, primarily of the Euro and NIS against the Dollar. Exchange rate risks derive from commercial transactions, assets or liabilities or net investments in foreign operations, which are denominated in a currency other than the entity's functional currency.

The Group sometimes invests in foreign currency derivatives – forward contracts – in order to protect itself from the risk in which cash flows deriving from surplus receipts in Euros and NIS will be impacted by changes in exchange rates. Furthermore, the Group sometimes invests in foreign currency derivatives (the Euro vs. Czech Koruna), forward contracts or options in order to protect itself against cash flow risk deriving from production costs in the Company's plant in the Czech Republic, which is impacted by changes in exchange rates. The duration of these contracts is usually shorter than one year. These transactions are primarily intended to protect against changes in the exchange rates in question.

Note 4 – Financial instruments and financial risk management (continued)

See Note 12A regarding the hedging of cash flows from the issuance of NIS bonds.

Regarding transactions to hedge the cash flows deriving from the purchase of inventory, see Note 12B.

Exchange rate risk exists when future commercial transactions or assets and liabilities are recognized in the financial statements are measured and denominated in a currency other than the entity's functional currency.

As of December 31, 2021, if the Group's functional currency had weaken/ strengthen by 5% or 10% opposite the NIS with all other variables to remain constant, the total profit for the year would be US$704 thousand or US$1,409 thousand lower/ higher, respectively (as of December 31 2020 – US$5,013 thousand and US$10,020 thousand, respectively), primarily as a result of losses/ profits from changes in the exchange rates in respect of the translation of the net monetary balances that are presented in the Company's statement of financial position, which are denominated in NIS.

As of December 31, 2021, if the Group's functional currency were to weaken/ strengthen by 5% or 10% opposite the Euros, and were all of the other variables to remain constant, the comprehensive income for the year would be US$4,764 thousand or US$9,528 thousand lower/ higher, respectively (as of December 31 2020 – US$3,600 thousand and US$7,199 thousand, respectively), primarily as a result of profits/ losses from changes in the exchange rates in respect of the translation of the net monetary balances that are presented in the Company's statement of financial position, which are denominated in Euros.

The exposures detailed above do not include the effect of forward cash flow hedging transactions.

b) Risk due to changes in the interest rate

Risks related to interest rates derive from changes to interest rates which may have a negative impact on the Company's net profit or cash flow. The changes in interest rates lead to changes in the Company's interest income and expenses due to interest-bearing assets and liabilities.

The Company has no material variable interest-bearing assets or liabilities with the exception of Series B bonds (see below), and therefore the Company revenues and operational cash flows are not directly affected by changes in market interest rates.

2) Credit risks

Credit risks are managed at the Group level. Credit risks derive primarily from cash and cash equivalents, bank deposits and credit exposure to customers. The Company assesses risks associated with the quality of the customer credit by weighing the customer's financial standing, past experience and other factors. Sales to Company's customers are generally carried out under credit terms of up to 90 days. Sales to retail customers are made in cash or credit cards, through the major credit card companies.

Most of the Group's cash and cash equivalent balances as of December 31, 2021 are deposited with the banking corporations: Bank Leumi, Commerz Bank, DBS ,UNCR HypoVereinsbank and UBS and a number of other banks, mainly in Europe.

In the Company's assessment the credit risk in relation to these balances in banks is low.

Note 4 – Financial instruments and financial risk management (continued)

3) Liquidity risks

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of its underlying businesses activity, the Company maintains finance flexibility regarding those assets (see note 19d).

The following table analyses the Group's financial liabilities according to redemption dates, based on the balance for the period as of the projected repayment date. The amounts presented in the table represent undiscounted cash flows.

	Less than one year	Between one year and two years	Between two years and five years	More than five years	Total
	US$ in thousands				
Balance as at December 31, 2021:					
Bonds	39.663	38,281	106,551	34,271	218,766
Long-term Banks loans	11,042	46,351	32,804	50,908	141,105
Trade payables	247,662	-	-	-	247,662
Lease liabilities	55,558	44,792	91,464	95,990	287,804
Other payables and other liabilities	206,562	21,755	69,523	18,171	316,011
	560,487	151,179	300,342	199,340	1,211,348
Balance as at December 31, 2020:					
Bonds	50,862	42,579	212,011	68,409	373,861
Long-term Banks loans	20,295	29,015	75,081	—	124,391
Short-term bank borrowings	11,013	—	—	—	11,013
Trade payables	186,903	—	—	—	186,903
Lease liabilities	61,612	47,890	87,588	72,755	269,845
Other payables and other liabilities	201,356	23,644	31,223	3,221	259,444
	532,041	143,128	405,903	144,385	1,225,457

Note 4 – Financial instruments and financial risk management (continued)

Group management periodically review the ratio between future cash flows derived from the maturities of its liabilities and future cash flows derived from maturities of its financial assets. Where necessary, the Group modifies its liability mix and their maturities. In the Group's management's assessment, the Group's liquidity risk is low.

b. Capital risk management

The Group's capital risk management targets are to preserve the Group's ability to continue functioning as a going concern in order to provide shareholders with returns on their investments, benefits to other interested parties, and to maintain an optimal capital structure to reduce the cost of equity.

From time to time, as needed, the Group considers the need to raise outside capital.

Leverage:

The following is a calculation of the net financial debt to overall equity (CAP) as of December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
	US$ in thousands	
Financial debt, net(1)	305,852	479,122
Total equity (CAP)(2)	1,224,960	1,224,869
Leverage ratio – net financial debt to CAP *	25.0%	39.1%

(1) Financial debt, net includes short-term and long-term credit from banks, bonds, interest payable, other loans, a derivative financial instrument and a deposit that has been deposited as collateral for the derivative and leases, less cash and cash equivalents.

(2) The total overall equity (CAP) relates to the gross financial debt with the addition of a financial derivative and less a deposit that has been deposited as collateral for the derivative, as aforesaid, equity and the reserve for deferred taxes.

* Leverage ratio excluding IFRS16 impact is 9.3% and 23.8% as of December 31, 2021 and 2020, respectively.

c. Fair value Assessments

The following is an analysis of the financial instruments that are measured at fair value, in accordance with the evaluation method. The various levels have been defined as follows:

1. Quoted prices (unadjusted) in active markets in which identical assets or liabilities are traded. (level 1)
2. Data other than quoted prices included in level 1, which may be directly (i.e., as prices) or indirectly (i.e., price derivatives) for the asset or the liability.
3. Data regarding the asset or liability not based on observable market information (unobservable input (level 3)

Forward contracts in which the Company invests to hedge its cash flow are included in Level 2 (see Note 12).

A derivative financial instrument, in respect of swap transactions for hedging payments of the bonds is included in Level 2 (see Note 12).

Note 4 – Financial instruments and financial risk management (continued)

d. Changes in financial liabilities, the cash flows from which are classified as cash flows from financing activity

	Short-term banks borrowing	Long term banks loans	Long-term loans and other financial liabilities	Bonds	Derivative financial instrument	Acquisition of right-of-use assets through lease liabilities	Total
Balance as at January 1, 2020:	1,868	78,925	5,273	377,178	(18,578)	226,304	670,970
Changes in the course of 2020:							
Acquisition of subsidiary	—	—	—	—	—	2,208	2,208
Cash flows received	—	44,464	—	—	—	—	44,464
Cash flows paid	9,145	(9,778)	(3,787)	(37,568)	—	(56,858)	(98,846)
Other liabilities added in respect of acquisition of property, plant and equipment and other non-monetary assets	—	—	14,045	—	—	—	14,045
Repayment of long-term loans	—	—	(8,855)	—	—	—	(8,855)
Additions not in cash	—	—	—	—	—	58,662	58,662
Amounts recognized in profit or loss	—	—	—	16,183	(17,226)	9,836	8,793
Amounts recognized in other comprehensive income	—	10,780	—	—	2,361	2,619	15,760
Balance as at December 31, 2020:	11,013	124,391	6,676	355,793	(33,443)	242,771	707,201
Changes in the course of 2021:							
Cash flows received	3,038	74,950	—	—	20,103	—	98,091
Cash flows paid	(14,000)	(68,201)	(3,991)	(152,431)	—	(60,273)	(298,896)
Other liabilities added in respect of acquisition of property, plant and equipment and other non-monetary assets	—	—	15,816	—	—	—	15,816
Repayment of long-term loans	—	—	(6,006)	—	—	—	(6,006)
Additions not in cash	—	—	—	—	—	30,130	30,130
Amounts recognized in profit or loss	—	—	—	5,056	(695)	9,609	13,970
Amounts recognized in other comprehensive income	(51)	(6,517)	—	—	322	(11,610)	(17,856)
Balance as at December 31, 2021:	—	124,623	12,495	208,418	(13,713)	210,627	542,450

Note 5 – Segment reporting

a. Operating segments

1) Overview

Delta's management has determined the operating segments on the basis of the reports reviewed by the Company's CEO on a regular basis. The CEO was identified as the Company's chief operating decision maker (CODM).

Up until March 2021 Delta had the following five main operating segments: Delta USA, Global Upper Market Division, Delta European Brands, Delta premium brands and Delta Israel. Under other segments the Company had included the results of our recent acquired marketplace activities – Bare Necessities and Brayola. During the second quarter of 2021 Delta's management reassessed its organizational structure and concluded that in order to improve operational and business efficiencies and to support its strategy, a change in the current segmentation is needed. As such, the company's management decided that the following segments will be reorganized as follows, commencing the second quarter of 2021: Brands, Private Label, Seven for All Mankind, Delta Israel and Online Retailer.

All the above changes have been reflected in retroactive revision of prior period segment information.

Delta's chief executive officer, who is the CODM, reviews financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues and operating profit (loss), before impairment, restructuring and acquisition expenses by the five identified reportable segments, named above to make decisions about resources to be allocated to the segments and assess their performance.
As part of these financial statements, the segmental information for the years 2020 and 2019 is represented, to reflect the change in the segmental reporting basis.

The change in the organizational structure of the Company, which was followed by the change in the reporting segments, was made primarily in order to adjust the managerial and organizational structure of the Company to its strategy and improve its business and operational efficiency. The new structure creates a distinction between the branded activity of the Company (Brands) and the activity of private label, each of which has different characteristics such as sales channels, risks, competitors and more.

The Company includes in the brands activity sales of products under its owned brands, both in its own stores or via the Internet, as well as to wholesale customers, and sales under brands for which it has received a license.
Private label activity includes sales to retail chains and leading brands in the US and Europe, under the customer's private label.
The Company develops, designs and manufactures the products at the customer's request and under its private label while the brand owners sell the products to the end customer, through their distribution channels.

The Company is of the opinion that the segmentation of the areas of activity in the new way better reflects the way in which it examines its business and allows a better comparison of the results to other companies operating in the industry.

As a result of the change in operating segments, the Company examined the impairment of cash-generating units and concluded that such impairment was not needed.

Note 5 – Segment reporting

The following is a short description of each of the reportable operating segments which includes the allocation of activities into the current operating segments, as they currently presented in the company's financial statements:

(a) Brands – This segment is engaged in the design, production, development and marketing of our portfolio of Brands, whether owned or licensed, which are sold to wholesale customers as well as through our retail and outlet stores and e-commerce websites, mainly in the US and in Europe. The Brands segment includes owned brands such as: Schiesser, Eminence, Splendid, PJ Salvage, as well as brands the Company licenses including: Columbia, Tommy Hilfiger, and Calvin Klein Kids.

(b) Private label − This segment is engaged in the design, production, development and marketing of ladies intimate apparel, men’s underwear, socks, activewear to wholesale customers, either third-party global brands such as Nike, Victoria’s Secret and Calvin Klein. The Company also works with mass retailers such as Walmart, Target and others in the US and in Europe.

(c) Seven for All mankind – This segment is engaged in the design, production, development and marketing of premium Denim products under the 7 for All Mankind, brand, through the Company’s chain of stores in the United States, Europe and Brazil via the internet and also through wholesale activity to retail marketing chains.

(d) Delta Israel – This segment is engaged in designing, development and marketing of branded undergarments for men and women, children’s clothing and activewear and sports footwear, mainly under the Delta and Fix brands for various customers in Israel, by means of the Company’s chain of stores in Israel, via the internet websites and also through wholesale activity to retail marketing chains. This operating segment, excluding the Puma activity, was split to the subsidiary Delta Israel Brands Ltd. on March 5, 2021, see Note 1C.

(e) Online Retailer – This segment is composed of the e-commerce activities of two companies acquired by Delta during 2020 – Bare Necessities and Brayola which merged on June 30, 2021.

This segment is different in essence from the Group's online activity in other operating segments, as the Online Retailer segment mostly conducts commerce activity in which it purchases branded finished goods and sells them to the end customer online, whereas its online sites in other segments serve as an additional sales channel to the traditional channels, in which the segments' products are sold to the end customer.

Note 5 – Segment reporting(continued)

2) Information on segment revenue, profit (loss) and assets of the reportable segments:

(a) The measurement of segment revenue, profit (loss) and segment assets:

The measurement of segment revenue, profit (loss) and segment assets is based on the same accounting principles that have been implemented in the consolidated financial statements.

The Segment profit (loss) reflect the profits (losses) from the segment's operations excluding impairment of non financial assets, restructuring and acquisition costs. They do not include financing expenses, net and taxes on income, since those items are not attributed to the segments and are not analyzed by the CODM in a segment break down.

Selling prices between segments are based on negotiations between the segments, and when possible, on market prices.

(b) Segment assets include primarily property, plant and equipment, intangible assets, investments in companies accounted for using the equity method, inventory, trade and other receivables. Assets not attributed to segments primarily include cash and cash equivalents, deferred taxes, financial derivatives.

In addition, the CODM does not examine liabilities as part of segment data.

b. Information on segment activity

	Brands	Private label	Delta Israel	Seven for All Mankind	Online retailer (*)	Inter-Company Cancellations and Adjustment (**)	Total
For the year ended December 31, 2021				**US$ in Thousands**			
Sales to external customers	647,975	710,797	281,156	198,330	112,700	-	1,950,958
Inter segment	2,357	11,797	-	-	-	(14,154)	-
Total revenue, net	650,332	722,594	281,156	198,330	112,700	(14,154)	1,950,958
Segment profit (loss),	75,979	59,005	58,635	10,424	(4,614)	(11,331)	188,098
Financing expenses, net							37,397
Profit before taxes on income							150,701
Assets at the end of the year(***)	641,262	526,570	313,483	191,178	34,596	67,742	1,774,831
Depreciation and amortization	22,464	24,366	22,220	22,327	2,929	3,368	97,674
Capital gain	51	135	-	-	-	86	272
Assets and intangible assets(****)	5,407	19,896	3,814	2,483	161	2,767	34,528

(*) The data on Online retailer includes Brayola and Bare Necessities activity which were merged on June 30, 2021.

(**) The data on adjustments include expenses that are not attributed to operating segments and elimination of unrealized inter-company profits.

(***) The data on adjustments include primarily fixed assets which are not specifically allocated to the segments, cash balances and deferred taxes.

(****) These data do not include minimum amounts in respect of concession agreements that the Company is a party to, the purchases of brands and the effect of the implementation of IFRS16.

Note 5 – Segment reporting(continued)

For the year ended December 31, 2020	Brands	Private label	Delta Israel	Seven for All Mankind	Online retailer (*)	Inter-Company Cancellations and Adjustment (**)	Total
	US$ in Thousands						
Sales to external customers	538,413	520,496	215,805	143,531	27,942	—	1,446,187
Inter segment	499	3,931	—	—	—	(4,430)	—
Total revenue, net	538,912	524,427	215,805	143,531	27,942	(4,430)	1,446,187
Segment profit (loss),	31,839	10,968	33,963	(24,950)	(261)	(2,300)	49,259
Impairment of non-financial assets	9,576	—	—	7,235	—	—	16,811
Restructuring expenses	21,138	14,887	—	2,208	—	921	39,154
Acquisition costs	—	—	—	—	435	—	435
Operating loss							(7,141)
Financing expenses, net							37,475
Loss before taxes on income							(44,616)
Assets at the end of the year(***)	638,368	497,371	156,671	210,381	29,344	160,196	1,692,331
Depreciation and amortization	23,669	23,789	18,222	29,674	591	2,472	98,416
Capital gain	—	172	28	—	—	114	314
Assets and intangible assets(****)	2,479	13,267	2,336	3,142	448	3,563	25,235

(*) Including Brayola's activity, as of the first quarter of 2020, and Bare Necessities' activity, as of the fourth quarter of 2020.

(**) The data on adjustments include expenses that are not attributed to operating segments and elimination of unrealized inter-company profits.

(***) The data on adjustments include primarily fixed assets which are not specifically allocated to the segments, cash balances and deferred taxes.

(****) These data do not include minimum amounts in respect of concession agreements that the Company is a party to, the purchases of brands and the effect of the implementation of IFRS16.

Delta Galil Industries Ltd.

Note 5 – Segment reporting(continued)

For the year ended December 31, 2019	Brands(**)	Private label(*)	Delta Israel	Seven for All Mankind	Inter-Company Cancellations and Adjustments (***)	Total
	US$ in Thousands					
Sales to external customers	632,891	620,236	214,836	222,201	—	1,690,164
Inter segment	495	5,514	—	—	(6,009)	—
Total revenue, net	633,386	625,750	214,836	222,201	(6,009)	1,690,164
Segment profit (loss),	40,258	40,861	15,922	13,693	(4,768)	105,966
Restructuring expenses elimination	—	(187)	—	—	(800)	(987)
Acquisition costs	—	3,273	—	—	—	3,273
Operating profit						103,680
Financing expenses, net						36,065
Profit before taxes on income						67,615
Assets at the end of the year (****)	645,191	462,432	141,819	229,595	108,777	1,587,814
Depreciation and amortization	23,916	20,258	15,736	26,940	2,976	89,825
Capital gain (loss)	48	47	(10)	—	1	86
apital investments in fixed assets and tangible assets(*****)	5,186	11,341	3,262	9,787	3,995	33,571

(*) As of the third quarter of 2019, this segment included the Bogart activity.

(**) As of the third quarter of 2018, this segment includes Schiesser and Eminence.

(***) The data on adjustments include expenses that are not attributed to operating segments.

(****) The data on adjustments include primarily fixed assets which are not specifically allocated to the segments, cash balances and deferred taxes.

(*****)These data do not include minimum amounts in respect of concession agreements that the Company is a party to, and the effect of the implementation of IFRS16.

Note 5 – Segment reporting(continued)

c. Additional information on a geographical basis

1) Sales by geography (based on the customers' locations):

	For the year ended December 31		
	2021	**2020**	**2019**
	US$ in Thousands		
United States	**998,362**	671,280	846,061
Europe (except for Germany)	**330,050**	281,198	312,093
Israel	**282,316**	217,231	215,708
Germany	**207,098**	187,186	198,194
Others	**133,132**	89,292	118,108
Total sales	**1,950,958**	1,446,187	1,690,164

2) Balances of non-current assets (*), by geography, are detailed below:

	For the year ended December 31		
	2021	**2020**	**2019**
	US$ in Thousands		
United States	**193,717**	176,646	182,966
Switzerland	**97,665**	100,272	112,649
Israel	**158,666**	172,056	136,522
Germany	**63,099**	87,980	88,739
France	**102,580**	116,231	111,795
Vietnam	**47,097**	38,140	39,234
Egypt	**29,737**	26,515	24,577
Czech Republic and Slovakia	**15,600**	15,849	15,587
Turkey	**8,373**	8,879	11,509
Italy	**15,487**	14,701	13,476
Bulgaria and Hungary	**8,607**	6,041	5,250
Far east (mainly China)	**122,930**	129,265	132,037
Others (primarily Europe)	**2,898**	1,941	5,113
Total non-current assets	**866,456**	894,516	879,454

(*) Except for deferred taxes.

Note 5 – Segment reporting (continued)

d.Sales Information by product category

	For the year ended December 31		
	2021	2020	2019
	US$ in Thousands		
Ladies intimate apparel, activewear, nightwear and clothing	**990,067**	688,981	729,736
Men's underwear and activewear	**327,823**	288,564	346,858
Socks	**238,920**	171,757	222,295
Children's wear	**195,818**	153,354	169,074
Denim and branded outwear	**198,330**	143,531	222,201
Total sales *	**1,950,958**	1,446,187	1,690,164

(*) Includes online sales of approximately $253.6 million, $152.6 million and $66.3 million in 2021, 2020 and 2019, respectively.

Note 6 – Business combinations

a. On October 1, 2020, the Company acquired Bare Necessities, a leading U.S. e-commerce company that markets branded intimate apparel and offers over 160 leading brands and 6,400 styles in the intimate apparel and swimwear categories for women, shapewear, sleepwear and socks. The acquisition cost totaled $12 million (paid in cash).

The management of the Company, performed a purchase price allocation (PPA). As part of the purchase price allocation, the assets and liabilities were measured and presented at fair value, including brand name that were included in the intangible assets.

The assets and liabilities recognized as a result of the acquisition are as follows:

	US$ in Thousands
Inventory	16,198
Trade receivables	313
Other receivables	791
Property, plant and equipment	1,799
Right-of-use asset	2,061
Brand name	1,643
Other intangible assets	131
Deferred taxes	(416)
Trade payables	(2,511)
Other payables	(7,031)
Lease liabilities	(2,208)
Total identifiable assets, net	**10,770**
Goodwill	1,230

Note 6 – Business combinations (continued)

The following is information about the Group's sales and net profit, under the assumption that the acquisition of Bare Necessities was made on January 1, 2020:

1. The Group's sales in 2020 totaled $1,516.7 million compared to $1,446.2 million as reported.
2. The loss in 2020 would have amounted to approximately $43.2 million compared to $40.5 million as reported.

It should be noted that the results of Bare Necessities are not included in the first nine months of 2020 and don't include one-time adjustments resulting from its acquisition

The Company included in 2020, expenses in respect of the acquisition of Bare Necessities of $0.3 million. These expenses are included in administrative and general expenses.

b. In February 2020, the Company acquired Brayola, a company that developed a technological platform for purchasing bras online. The total purchase amounted to about $1.5 million that was paid in cash.

c. On July 2, 2019, the Company completed the acquisition of the Bogart Group from the selling shareholder, following the satisfaction of the conditions precedent for closing the transaction.

Bogart Group is a vertical manufacturer engaged in development and marketing of intimate apparel, mainly brassieres and swimwear for private labels of leading customers in the upper market segment in the US and Europe. Bogart was established in 1993 and is one of the largest brassiere manufacturers in the world. Bogart Group holds a number of subsidiaries in East Asia (China, Thailand, Myanmar) and owns cutting and sewing factories for the manufacture of apparel products and of raw materials (lace and pads) for self-use and for external customers. The Company consolidated the results of the Bogart Group into its financial statements as of July 2019 and presents them as part of the Private label operating segment, see Note 5.

Over the course of 2019, the Company provided loans to entities of the Bogart Group totaling $18 million in addition to previous loans granted through December 31, 2018. In addition, the Company repaid Bogart's loans to banks as provided under the acquisition agreement in the amount of $28 million and transferred $15 million to repay Bogart's debts to its suppliers and employees, so that as of December 31, 2019, the Company transferred $75 million.

The Company, performing a purchase price allocation (PPA). As part of the purchase price allocation, assets and liabilities were measured and presented at fair value and customer relationships that were included within the intangible assets.

The table below shows the consideration for the acquisition of the Bogart Group, the amounts recognized for the acquired assets and liabilities assumed at the acquisition date, at their fair value:

The consideration:

	US$ in Thousands
Cash paid	27,881
Contingent consideration	11,037
Total consideration	**38,918**

Note 6 – Business combinations (continued)

The following are amounts, as of the date of acquisition, recognized for identifiable assets acquired and liabilities assumed:

	US $ in Thousands
Cash	1,511
Inventory	29,891
Trade receivables	13,526
Other receivables	5,428
Property, plant and equipment	27,454
Right-of-use asset	17,351
Customer relations	52,500
Other intangible assets	158
Deferred taxes	(8,363)
Trade payables	(29,601)
Other payables	(40,271)
Current maturities of long-term loans and short-term bank borrowings	(4,568)
Lease liabilities	(16,799)
Accounts payable and long-term liabilities	(47,161)
Total identifiable assets, net	**1,056**
Goodwill	37,862

The following is sales and net income information of the Group, assuming that the Company's acquisition transaction took place on January 1, 2019:

1. Group sales in 2019 would have totaled $1,775.2 million compared to $1,690.2 million as reported.
2. Net income in 2019 would have totaled $45.4 million, compared with $57.7 million as reported.

It should be noted that the results of the Company for January to June 2019 don't include Bogart's results and one-time adjustments resulting from its acquisition.

The Company included in its 2019 results $3.3 million in expenses on Bogart's acquisition; These expenses are included in general and administrative expenses.

Note 7 – Property, plant and equipment

c. **Composition of the cost, accumulated depreciation and amortization of property, plant and equipment, by the main groupings, in 2021:**

	Cost						
	Balance at the beginning of the year	Additions During the year	Impairment costs	Disposals During the year	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	US$ in Thousands						
nd and buildings	86,841	3,168	-	(3,762)	-	(4,341)	81,906
ıchinery and equipment	146,045	23,009	(19,068)	(3,141)	(2,218)	(430)	144,197
fice furniture and equipment, vehicles & leasehold improvements	191,771	15,311	(5,992)	(435)	(6,349)	(689)	193,617
	424,657	41,488	(25,060)	(7,338)	(8,567)	(5,460)	419,720

	Accumulated depreciation and Amortization						
	Balance at the beginning of the year	Additions During the year	Impairment costs	Disposals During the year	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	US$ in Thousands						
nd and buildings	21,538	3,263	-	(1,688)	-	(2,951)	20,162
ıchinery and equipment	79,240	11,019	(18,886)	(2,748)	(2,218)	(189)	66,218
fice furniture and equipment, vehicles & leasehold improvements	114,414	18,912	(5,147)	(383)	(6,349)	(1,106)	120,341
	215,192	33,194	(24,033)	(4,819)	(8,567)	(4,246)	206,721

	Depreciated Balance	
	As at December 31	
	2021	2020
	Thousands of Dollars	
Land and buildings	61,744	65,303
Machinery and equipment	77,979	66,805
Office furniture and equipment, vehicles & leasehold improvements	73,276	77,357
	212,999	209,465

Note 7 – Property, plant and equipment (continued)

a. Composition of the cost, accumulated depreciation and amortization of property, plant and equipment, by the main groupings, in 2020:

	Cost							
	Balance at the beginning of the year	Additions During the year	Impairment costs	Disposals during the year	Acquisition of subsidiary	Writing-off fully depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	US$ in Thousands							
Land and buildings	83,581	1,226	—	(1)	—	—	2,035	86,841
Plant and Machinery	136,163	10,886	—	(1,190)	52	(1,270)	1,404	146,045
Office furniture, equipment, vehicles & motor vehicles leasehold improvements	172,543	17,790	—	(4,247)	1,349	(3,601)	7,937	191,771
	392,287	29,902	—	(5,438)	1,401	(4,871)	11,376	424,657

	Accumulated depreciation and Amortization							
	Balance at the beginning of the year	Additions During the year*	Impairment costs	Disposals during the year	Acquisition of subsidiary	Writing-off fully depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	US$ in Thousands							
Land and buildings	17,110	3,407	-	(1)	-	-	1,022	21,538
Machinery and equipment	68,153	12,151	—	(749)	—	(1,270)	955	79,240
Office furniture and equipment, vehicles & leasehold improvements	93,814	23,886	-	(4,150)	(209)	(3,601)	4,674	114,414
	179,077	39,444	-	(4,900)	(209)	(4,871)	6,651	215,192

	Depreciated Balance	
	As at December 31	
	2020	2019
	US$ in Thousands	
Land and buildings	65,303	66,471
Machinery and equipment	66,805	68,010
Office furniture and equipment, vehicles & leasehold improvements	77,357	78,729
	209,465	213,210

Note 7 – Property, plant and equipment (continued)

b. Composition of the cost, accumulated depreciation and amortization of property, plant and equipment, by the main groupings, in 2019:

Cost

	Balance at the beginning of the year	Additions During the year	Disposals During the year	Acquisition of subsidiary	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	US$ in Thousands						
Land and buildings	78,576	1,065	(6)	4,389	—	(443)	83,581
Machinery and equipment	112,870	8,133	(925)	17,717	—	(1,632)	136,163
Office furniture and equipment, vehicles & leasehold improvements	155,442	17,249	(1,761)	5,348	(2,656)	(1,079)	172,543
	346,888	26,447	(2,692)	27,454	(2,656)	(3,154)	392,287

Accumulated depreciation and Amortization

	Balance at the beginning of the year	Additions During the year	Disposals During the year	Acquisition of subsidiary	Writing-off fully Depreciated assets	Capital reserve from translation differences	Balance at the end of the year
	US$ in Thousands						
Land and buildings	14,572	2,744	—	—	—	(206)	17,110
Machinery and equipment	59,301	9,730	(666)	—	—	(212)	68,153
Office furniture and equipment, vehicles & leasehold improvements	81,277	17,713	(1,636)	—	(2,656)	(884)	93,814
	155,150	30,187	(2,302)	—	(2,656)	(1,302)	179,077

	Depreciated Balance	
	As at December 31	
	2019	2018
	US$ in Thousands	
Land and buildings	66,471	64,004
Machinery and equipment	68,010	53,569
Office furniture and equipment, vehicles & leasehold improvements	78,729	74,165
	213,210	191,738

b. Land and buildings

The Group owns land and buildings used for its operations, which are located in Israel, the United States, Vietnam, Bulgaria, Egypt, Thailand, Germany, France, the Czech Republic and Slovakia.

c. Charges placed on assets

The Company’s liabilities to banks are fully secured by an unlimited floating charge on all of the Company’s assets and rights and on assets of some of its subsidiaries.

d. For classification of depreciation expenses in statement of profit or loss, See Note 19I, J and K.

Delta Galil Industries Ltd.

Note 8 – Intangible assets

a. Composition of intangible assets and the accumulated amortization thereon, by the main groupings:

	Goodwill (B)	Customer Relations (*)	Rights for the use of trademarks (C) (*)	Patent	Brand name (D)	Computer software (**)	Total
	US$ in Thousands						
Balance as of January 1, 2019	110,955	40,048	37,371	429	122,573	13,248	332,624
In 2019							
Foreign currency translation reserve	(816)	(976)	(25)	—	(1,128)	166	(2,779)
Additions	—	—	12,657	—	—	4,963	17,620
Consolidation	37,862	52,500	18	—	—	140	90,520
Reclassification	—	—	(369)	—	—	369	—
Amortization	—	(4,411)	(7,732)	(36)	—	(4,487)	(16,666)
Balance as of December 31, 2019	148,001	95,161	41,920	393	121,445	14,399	421,319
In 2020							
Foreign currency translation reserve	3,505	2,624	253	—	5,156	777	12,315
Additions	—	—	8,300	—	154	3,478	11,932
Consolidation	1,230	—	—	—	2,695	799	4,724
Amortization	—	(7,250)	(15,132)	—	—	(5,109)	(27,491)
Impairment of non-financial assets	(2,079)	—	—	(393)	(2,703)	—	(5,175)
Balance as of December 31, 2020	150,657	90,535	35,341	—	126,747	14,344	417,624
In 2021							
Foreign currency translation reserve	(3,210)	(2,060)	2,691	-	(4,420)	(389)	(7,388)
Additions	-	-	40,054	-	-	5,097	45,151
Amortization	-	(5,854)	(8,235)	-	(1,318)	(5,424)	(20,831)
Balance as of December 31, 2021	147,447	82,621	69,851	-	121,009	13,628	434,556
Cost	160,282	117,927	193,401	650	131,207	46,254	649,721
Accumulated amortization and impairment	(12,835)	(35,306)	(123,550)	(650)	(10,198)	(32,626)	(215,165)
Balance as of December 31 2021	147,447	82,621	69,851	-	121,009	13,628	434,556

(*) The amortization of customer relationship and trademarks are presented under selling and marketing expenses.

(**) The amortization of computer software is presented under cost of sales, selling and marketing expenses and administrative and general expenses according to the type of software.

Note 8 – Intangible assets (continued)

b. Goodwill

The balance of goodwill is attributed to the Private label and Brands operating segments. Furthermore, the balance of Bare Necessities goodwill was attributed to Online Retailer.

The Company tested goodwill for impairment as of December 31, 2021 and December 31, 2020.

The Group tests goodwill balance for impairment once a year and when an indicator of impairment exists.

The recoverable amount of a cash-generating unit is determined based the higher of fair value less disposal costs and value-in-use. The cash flow forecast is based on the management approved budget for the coming year and additional assumptions regarding the growth rate of sales and expenses in the following four years. In cash flows for periods exceeding five years, extrapolation is carried out using the expected growth rates listed below.

The Company uses the above assumptions to test for impairment the goodwill of cash generating units in the different segments:

1) Representative long-term gross profit. The gross profit rate is based on past experience and Group forecasts of market developments.
2) The growth rate is calculated in accordance with the nominal long-term growth forecast of total GDP and the rate of population growth in each of the various operating segments, in accordance with IMF data.
3) The discount rate applied to the cash flow forecast. The discount rate is set according to segment risks.

Goodwill impairment Test - Delta USA – Under Brands Segment

The Company reviewed the need for goodwill impairment as of December 31, 2021 and December 31, 2020.

The main assumptions used in calculating of the value-in-use are as follows:

	December 31, 2021
Gross profit rate	29%
Nominal growth rate	3%
Post-tax discount rate	15.5%

Following these tests, no need for such impairment was identified.

Goodwill impairment Test - Delta USA –Private label Segment

The Company reviewed the need for goodwill impairment as of December 31, 2021 and December 31, 2020.

The main assumptions used in calculating of the value-in-use are as follows:

	December 31, 2021
Gross profit rate	21%
Nominal growth rate	3%
Post-tax discount rate	15.5%

Following these tests, no need for such impairment was identified.

Goodwill impairment Test – Eminence – Brands Operating Segment

The Company tested goodwill for impairment as of December 31, 2021 and December 31, 2020.

As a result of the test of goodwill for impairment as of March 31, 2020, which occurred following COVID spread (see note 1b), the Company reduced $2.1 million from goodwill and included it in the “impairment of non-financial assets” item. As a results of the impairment tests of the goodwill as of December 31, 2020 and December 31, 2021 no further impairment was necessary.

Note 8 – Intangible assets (continued)

The main assumptions used in calculating of the value-in-use are as follows:

	December 31, 2021	December 31, 2020	March 31, 2020
Gross profit rate	47%-50%	47%	51.4%
Nominal growth rate	3%	3%	3%
Post-tax discount rate	11%	10%	9.5%

Bogart goodwill impairment test – Private Label Segment

In July 2019, the Company completed the acquisition of the Bogart Group, operating in East Asia and mainly known to customers in the US and Europe, see Note 6C. The results of the Bogart Group are included under– Private label Segment.

The management of the Company, performed a purchase price allocation (PPA). As part of the purchase price allocation, assets and liabilities were measured and presented at fair value.

The Company tested goodwill for impairment as of December 31, 2021 and December 31, 2020. The recoverable amount was based on value-in-use.

As a result of these tests, no need for such impairment was identified.

The main assumptions used in calculating value-in-use are as follows:

	December 31, 2021	December 31, 2020	March 31, 2020
Gross profit rate	22%	26.3%	26.2%
Nominal growth rate	3%	3%	3%
Post-tax discount rate	17.5%	17.5%	16.5%

Also, the Company tested goodwill for impairment of Bare Necessities as of December 31, 2021 and December 31, 2020. The recoverable amount was based on value-in-use.
As a result of these tests, no need for impairment was identified.

In addition, for all goodwill balances of Delta USA, Eminence, Bogart and Bare Necessities, impairment sensitivity tests were performed for December 31, 2021, by increasing the post-tax discount rate by 0.5% with all other parameters kept unchanged.

According to the results of the sensitivity tests above, There is no any need for impairment.

Impairment sensitivity tests were performed as of December 31, 2021 with a change in the growth rate of 0.5% and all other parameters kept unchanged. The results of these sensitivity tests do not indicate any need for impairment.

c. The right to use trademarks

The Company entered into agreements which afford it the right to market products under brand names owned by other parties, usually for periods of 3 to 4 years. Royalties for these agreements are calculated as a percentage of sales. Royalty rates range from 5% and 14% of sales, pursuant to these agreements, the Company is liable for minimum royalty payments, as set forth in these agreements, and the discounted amounts of which are presented in the financial statements within “other non-current liabilities”.

d. Brands

The Group tests brands for impairment once a year and when an indicator of impairment exists. As described in Note 1, as a result of COVID-19 and its impact on the Company’s results, the Company performed an impairment test for some of the intangible

Note 8 – Intangible assets (continued)

assets attributed to the various cash-generating units as of March 31, 2020 in addition to the annual test performed on December 31, 2020.

1) The balance of the brands as of December 31, 2021 includes the brand names: Schiesser, P.J. Salvage, Karen Neuburger, Fix, 7 For All Mankind, Splendid, Ella Moss, Eminence, Athena, Liable, Brayola and Bare necessities.

2) Impairment test for the Schiesser brand

The Company considers the Schiesser brand to have indefinite useful life and therefore it is not amortized in the accounts. In making this determination, the Company relied on the following assumptions:

a. The brand has existed since 1875 and is famous and stable in Germany and in the Benelux countries (Western Europe).

b. The brand's primary activity has been profitable for many years.

c. Purchase of the brand by the Company assures continued expansion in Germany and in the Benelux countries.

The valuation performed in 2021 and 2020 is in accordance with the revenue approach and is based on the "relief from royalty method". The main assumptions used in calculating the recoverable amount are as follows:

	31.12.2021	31.12.2020
a. Royalty rate:	5%	3%
b. Growth rate:	3%	2%
c. Post-tax discount rate:	12%	13%

No impairment was recognized as a result of the assessment.

3) Impairment test for 7 for All Mankind

The Company considers the 7 for All Mankind brand to have an indefinite useful life and therefore it is not amortized in its accounts. In making this determination, the Company relied on the following assumptions:

a. The brand exists for over 15 years and is a leading brand in the high-end denim category.

b. The brand is global and recognized in the United States, Europe and Asia.

c. The Company estimates that its purchase of the brand and the investment in it will lead to its global growth.

The valuation performed in 2021 and 2020 is in accordance with the revenue approach and is based on the "relief from royalty method". The main assumptions used in calculating the value are as follows:

The main assumptions used in calculating the recoverable amount of the name value in 2020 and December 31, 2021 are as follows:

	31.12.2021	31.12.2020
a. Royalty rate:	8%	Mainly 7.7%
b. Growth rate:	3%	2%
c. Post-tax discount rate:	15.5%	16%

No impairment was recognized as a result of the assessment.

Note 8 – Intangible assets (continued)

4) Impairment test for Splendid

The valuation performed in 2019 2021 and 2020 2020 is in accordance with the revenue approach and is based on the "relief from royalty method". The main assumptions used in calculating the recoverable amount are as follows:

	31.12.2021	31.12.2020
a. Royalty rate:	7.5%	Mainly 3.2%
b. Growth rate:	3%	2%
c. Post-tax discount rate:	17%	19%

The results of the impairment test do not indicate that impairment of the Splendid brand is needed.

5) Impairment test of the P.J. Salvage brand:

The Company conducted an impairment test for the P.J. Salvage brand in accordance with the revenue approach and based on the "Relief from royalty method".

The main assumptions used in calculating the recoverable assumptions of the brand in 2021 and 2020 are:

	31.12.2021	31.12.2020
a. Royalty rate:	7%	8%
b. Growth rate:	3%	2%
c. Post-tax discount rate:	15.5%	14.5%

The results of the impairment test do not indicate that impairment of the P.J. Salvage brand is needed.

6) Impairment test for Eminence, Liabel, Athena:

The Company considers the Eminence, Athena, and Liabel brands as brand to have indefinite useful life and therefore it is not amortized in the accounts. For the purposes of this determination, the Company used the following assumptions:

a.

	Eminence	Athena	Liabel
Year of establishment	1944	1962	1851
Primary country	France	France	Italy

b. The brands' primary activity is profitable over many years and they are market leaders in their primary countries of activity.

Note 8 – Intangible assets (continued)

c. The acquisition of the brands by the Company ensures their continued expansion in the relevant countries.

The impairment test is in accordance with the revenue approach and is based on the "relief from royalty method". The main assumptions used in calculating the recoverable amount of the brands in 2020 and 2021 are as follows.

December 31, 2020:	Eminence	Athena	Liabel
Royalty rate	7%	5%	7%
Discount rate*	11.5%	11.5%	11.5%
Growth rate**	1%	1%	1%

December 31, 2021:	Eminence	Athena	Liabel
Royalty rate	7%	5%	6.5%
Discount rate*	11%	11%	11%
Growth rate**	3%	3%	3%

* The discount rate is determined in accordance with the Company's risks.

** The growth rate was based on past experience and the Company's forecasts for market development.

No impairment was recognized as a result of the assessment.

Also, for all brand balances, impairment sensitivity tests were performed as of December 31, 2021 with a change in the discount rate (before tax) of 0.5% with all remaining parameters kept unchanged.

According to the results of the sensitivity tests above, there is no need for impairment.

Impairment sensitivity tests as of December 31, 2021 were performed with a 0.5% change in the growth rate and with all other parameters kept unchanged.

The results of these sensitivity tests do not indicate any need for impairment.

Following the impairment test taken on March 2020, due to the Covid crisis, a 2.3$ million impairment was made which is included under impairment of non financial assets in the statements of profit or loss in 2020.

Note 9 – Lease assets and liabilities:

As stated in Note 2U(1), as of January 1, 2019, the Company applies IFRS 16 "Leases". This note refers to the leases in which the Company is the lessee.

a. Right-of-use assets

	Buildings	Other	Total
	US$ in Thousands		
Cost:			
Balance as of January 1, 2020	416,246	10,324	426,570
Changes during 2020:			
Additions	57,630	1,032	58,662
Entered into consolidation	3,125	—	3,125
Terminations	(18,288)	(1,187)	(19,475)
Other changes	5,100	1,527	6,627
Balance as of December 31, 2020	463,813	11,696	475,509
Changes during 2021:			
Additions	28,523	1,607	30,130
Terminations	(39,900)	(2,476)	(42,376)
Other changes	(7,536)	(506)	(8,042)
Balance as of December 31, 2021	444,900	10,321	455,221
Accumulated amortization:			
Balance as of January 1, 2020	215,053	3,866	218,919
Amortization	51,145	915	52,060
Entered into consolidation	1,064	—	1,064
Terminations	(18,010)	(478)	(18,488)
Other changes*	3,951	226	4,177
Balance as of December 31, 2020	253,203	4,529	257,732
Changes during 2021:			
Amortization	50,527	968	51,495
Terminations	(39,900)	(2,476)	(42,376)
Other changes	(2,754)	(89)	(2,843)
Balance as of December 31, 2021	261,076	2,932	264,008
Amortized cost as of January 1, 2021	210,610	7,167	217,777
Amortized cost as of December 31, 2021	183,824	7,389	191,213

Note 9 – Lease assets and liabilities: (continued)

b. Lease liabilities

	Buildings	Other	Total
	US$ in Thousands		
Balance as of January 1, 2020	219,224	7,080	226,304
Changes during 2020:			
Additions	57,242	1,420	58,662
Acquisition of subsidiary	2,208	-	2,208
Interest expense	9,598	238	9,836
Lease payments	(55,342)	(1,516)	(56,858)
Rent concessions	(6,026)	-	(6,026)
Other changes *	7,561	1,085	8,646
Balance as of December 31, 2020	234,465	8,306	242,771
Current maturities of lease liabilities	58,314	2,049	60,363
Long-term lease liabilities	176,151	6,257	182,408
Balance as of December 31, 2020	234,465	8,306	242,771
Changes during 2021:			
Additions	28,523	1,607	30,130
Interest expense	9,301	308	9,609
Lease payments	(58,787)	(1,584)	(60,371)
Rent concessions	(3,502)	-	(3,502)
Other changes *	(7,978)	(32)	(8,010)
Balance as of December 31, 2021	202,022	8,605	210,627
Current maturities of lease liabilities	50,503	1,273	51,776
Long-term lease liabilities			
Balance as of December 31, 2021	151,519	7,332	158,851

* Derive mainly from foreign exchange gains and losses on translation of financial statements of subsidiaries prepared in foreign currency.

Note 10 – Investments accounted for using the equity method and other long-term assets

	As at December 31	
	2021	2020
	US$ in Thousands	
Investments in companies accounted for using the equity method	6,246	5,961
Advance payment on account of investment in D&A.	3,524	3,844
Other long-term assets	2,823	4,863
	12,593	14,668

Note 10 – Investments accounted for using the equity method and other long-term assets(continued)

The following are the changes in the balances of the investments in companies accounted for using the equity method:

	2021	2020
	US$ in Thousands	
Balance as at January 1	**5,961**	5,564
Share of profits in an investee accounted for using the equity method	**285**	397
Balance as at December 31	**6,246**	5,961

The fair value of the long-term assets is not materially different from their carrying amount.

Note 11 – Bonds

1. Details regarding the existing series of bonds as for December 31, 2021:

Series Name	Date of issue	Par value		Issuance Cost	Proceeds from Issuance	Duration (1)	Fixed NIS interest	Fixed Dollar interest (2)	NIS interest linked to the Dollar rate	Principal Payments	Interest Payments
		In millions									
		NIS	USD (2)	USD	USD						
A(4)	13.8.2013	178.5	49.7	0.6	49.7	3.32	5%	4.075%	-	14 equal annual payments 2015 - 2028	Semi-annual in February and August
A Expansion(3)	27.10.2013	21.5	6.0	-	6.0	3.32	5%	4.41%	-	14 equal annual payments 2015 - 2028	Semi-annual in February and August
A 2nd Expansion(3)	14.5.2014	161.7	47.2	0.4	50.5	3.32	5%	5.45%	-	14 equal annual payments 2015 - 2028	Semi-annual in February and August
A 3rd Expansion(3)	1.6.2014	38.3	11.7	-	11.8	3.32	5%	5.45%	-	14 equal annual payments 2015 - 2028	Semi-annual in February and August
A 4th Expansion(4)	24.12.2019	245.0	70.6	0.5	81.4	3.32	5%	6.78%	-	9 equal annual payments 2020 - 2028	Semi-annual in February and August
F	27.3.2017	208.9	57.7	0.6	57.7	2.82		-	3.85%	9 equal payments 2018 - 2026	Semi-annual in June and December
F Expansion	13.3.2019	253.5	70.4	0.9	69.1	2.82		-	3.85%	8 equal payments 2019 - 2026	Semi-annual in June and December

a. Early redemption of Series B bonds and taking long-term bank loans

On August 5, 2021, the Company announced that in order to flatten its debt maturity curve and increase debt duration, the Company initiated an early repayment of bonds (Series B) ("the Bonds"), which were expected to mature in October 2024.

On August 23, 2021, the Company redeemed the Bonds through taking bank loans and using its available cash balances.

The redemption amount paid to bondholders for each NIS 1 par value of Bonds was NIS 1.039528. The total amount paid to all holders was NIS 373.8 million (approx. $115.7 million). Upon performing the full early redemption of the Bonds, they were delisted from TASE and its clearing house, and the bondholders are no longer entitled to any payment from the Company.

Note 11 – Bonds (continued)

As a result of the early repayment of the Bonds, the Company incurred a $5 million loss, which was recognized in finance expenses.

To execute the aforementioned redemption, the Company took two long-term loans from Israeli banks, as follows:

1. A $56.2 million loan from an Israeli bank at a fixed interest of 3.01%. The term of the loan is 12 years, with the first annual repayment of the principal taking place on August 2023 and the payments ending in August 2032.

2. An $18.75 million loan from an Israeli bank at a variable interest at the three-month LIBOR + 2.18%. The term of the loan is 12 years, with the first annual repayment of the principal taking place on August 2023 and the payments ending in August 2032.

b. Full repayment of Series E Bonds

On December 31, 2021, the last principal payment, of NIS 24.1 million (approximately USD 7.7 million) and interest payment of NIS 0.9 million (approximately USD 0.3 million), was made, and thus Series E was fully repaid.

Note 11 – Bonds (continued)

2. Details regarding the existing series of bonds as at December 31, 2021:

Series Name	Carrying amount	Interest payable	Market value(5)	Fair value of the financial Derivative
	Thousands of Dollars			
A(4)	28,544	480	33,062	7,146
A Expansion(3)	3,399	58	3,973	702
A 2nd Expansion(3)	26,834	435	29,949	3,550
A 3rd Expansion(3)	6,334	102	7,086	841
A 4th Expansion(4)	67,972	1,024	70,573	6,184
F	31,869	-	32,998	-
F Expansion	43,466	-	45,045	-
A consideration received as collateral in respect of a financial derivative		-	-	(4,710)
Total	208,418	2,099	222,686	13,713

(1) Gross average lifetime to maturity at the end of 2021.

(2) The Company has decided to enter cash flow swap agreements for maturity dates of the above bonds to hedge cash flows for the payments of bonds against exchange rate risks and interest risks. For Series A, this hedging creates fixed cash flows for the Company in Dollar terms, in which the Company committed to transfer a dollar payment according to fixed USD interest rate as noted in the table, and receive NIS payment from the banking corporation according to the denoted interest rate.

(3) The maximum exposure level for the banking corporation for the swap transaction, as set by it for this transaction, is $5 million. The Company will be asked to provide collateral in the event that the exposure exceeds the amount in question, as the banking corporation may demand. As of December 31, 2021, no deposits were required as collateral.

(4) The maximum exposure of the banking corporation for the swap transaction as set by it for this transaction is $3 million. The Company will be asked to provide collateral in the event that the exposure exceeds the amount in question, as the banking corporation may demand. As of December 31, 2021, no deposits were required as collateral.

(5) According to the quoted price on the Tel-Aviv Stock Exchange as at December 31, 2021.

The following are details of undiscounted contractual cash flows in respect of bonds, by years:

	As at December 31	
	2021	2020
	Thousands of Dollars	
2021	-	50,862
2022	**39,663**	42,579
2023	**38,281**	41,196
2024	**36,898**	135,300
2025	**35,515**	35,515
2026	**34,138**	34,138
2027	**17,534**	17,534
2028	**16,737**	16,737
	218,766	373,861

Note 11 – Bonds(continued)

3. The following are details of the financial covenants that are included in the trust deeds for Series E, A, B and F, the breach of which will constitute grounds for immediate repayment, subject to grace periods, which have been set.

Series A:

- If the Company's equity as published in the financial statements, amounts to under one hundred and fifty (150) million dollars, and inasmuch as the equity was not increased beyond the amount in question within 30 days after the publication date of the relevant financial statements.
- If the Company's net financial debt to CAP ratio, as published in the financial statements, exceeds 60%, and inasmuch as the leverage rate of net financial debt to CAP does not drop by 60% as of the publication date of the second consecutive financial statements after the publication date of the financial statements that first reported the increase in question in the above leverage rate.

In this regard, "equity" means the equity in the balance sheet, including non-controlling interests; "net financial debt" means short-term bank loans (including current maturities), plus long-term bank debts, bonds and balance sheet lease liabilities, less cash and cash equivalents and short-term investments. "CAP" (capital basis) means financial debt, plus total equity in the balance sheet (including non-controlling interests) and long-term deferred taxes in the balance sheet.

Series F:

- If the Company's equity, as published in the financial statements amounts to under one hundred and eighty (180) million dollars, and inasmuch as the leverage rate is not increased beyond the amount in question within 30 days after the publication date of the relevant financial statements.
- If the Company's net financial debt to CAP ratio, as published in the financial statements, exceeds 60%, and inasmuch as the leverage rate of net financial debt to CAP does not drop by 60% (and including) as of the publication date of the second consecutive financial statements after the publication of the financial statements that first reported increase in question in the above leverage rate.

In this regard, "equity" means the equity in the balance sheet, including non-controlling interests; "net financial debt" means short-term bank loans (including current maturities), plus long-term bank debt, bonds, balance sheet lease liabilities, less cash and cash equivalents and short-term investments. "CAP" (capital basis) means financial debt, plus the total equity in the balance sheet (including non-controlling interests), plus long-term deferred taxes in the balance sheet.

As at December 31, 2021 and 2020, the Company was in compliance with the above financial covenants in respect of all series.

Note 11 – Bonds(continued)

4. The following are details of the restrictions on the distribution of dividends included in the deeds of trust of bonds (Series A and F):

Restriction Type	Bonds (Series A)	Bonds (Series F)
Maximum distribution amount	50% of the amount of distributable profits, using only retained earnings accumulated starting June 30, 2013.	50% of the amount of the distributable profits, as decided at the time of the decision to make the distribution.
Impact on equity	No dividend shall be distributed if it causes equity to drop below one hundred and seventy-five (175) million dollars.	No dividend shall be distributed if it causes equity to drop below one hundred and two hundred and twenty (220) million Dollars.
Impact of financial net debt to EBITDA ratio	No dividend distribution if causing net financial debt to EBITDA ratio to be over 3.5.	No dividend distribution if causing net financial debt to EBITDA ratio increases to over 3.5.
Distribution from revaluation	No distribution shall be made from profits deriving from the revaluation of the fair value of the Company's financial assets or financial instruments.	No distribution shall be made from profits deriving from the revaluation of the fair value of the Company's financial assets or financial instruments.
Additional restrictions		Dividend shall not be distributed: - When "red flags" exist. - If the Company is not in compliance with all of the significant commitments under the trust deed or is in significant breach of the provisions of the trust deed and the terms of the bonds.

As at December 31, 2021 and 2020, the Company was in compliance with all of the restrictions on the distribution of a dividend.

Note 12 – Derivative financial instruments

The Company engages in derivative financial instruments that qualify for hedging for the purpose of hedging cash flows, both through swaps in connection with the bond series and through forward transactions, in order to hedge cash flows for the purchase of inventory, as follows:

a. Financial derivative in respect of swaps

The Company examines the value of the financial derivative in respect of swaps on each balance sheet date and is assisted by an external expert for the purpose of examining its value.

The fair value of the financial derivative was determined on the basis of the difference between the cash flow the Company would receive in the future (in NIS) and the cash flow it is expected to pay (in USD). The future value of those amounts is based on fixed interest rates, the basis of days for calculating interest and the risk that one of the parties will not be able to meet their obligations. The following assumptions were used to calculate the value of the financials derivative as of December 31, 2021:

Market interest rates:

	Market interest rate	
Series	**NIS**	**Dollars**
A	(0.32%) - (0.41%)	1.47%-0.07%

b. Financial derivative in respect of forward transactions

The Company examines the value of the financial derivative in respect of the forward transactions on each balance sheet date and is assisted by an external expert for the purpose of examining this value. A determination of the value of the financial derivative was made on the basis of the difference between the fair value of the asset acquired and the fair value in accordance with the strike price.

Note 12 – Derivative financial instruments

Following is the changes in cash flow hedge reserve for 2021 and 2020 (in thousands of dollars):

	Swap contracts	Forward transaction	Total hedge reserve
Balance as of January 1, 2020	**5,702**	**(199)**	**5,503**
Changes in the fair value of hedging instruments recognized in other comprehensive income	(3,366)	(1,184)	(4,551)
Less deferred taxes	774	272	1,047
Balance as of December 31, 2020	**3,110**	**(1,111)**	**1,999**
Changes in the fair value of hedging instruments recognized in other comprehensive income	(425)	(392)	(817)
Less deferred taxes	98	95	193
Balance as of December 31, 2021	**2,783**	**(1,408)**	**1,375**

In 2019, 2020 and 2021 $111 thousand, $378 thousand and $1,948 thousand, respectively were transferred from cash flow hedge reserve to inventory in respect of those contracts.

Note 13 – Other non-current liabilities

	As at December 31	
	2021	2020
	Thousands of Dollars	
Liabilities for minimum royalty payments (see Note 8C)	67,306	32,221
Contingent consideration for acquisition of subsidiary	13,622	13,682
Loan from suppliers	-	6,813
Account payables for acquisition of property, plant and equipment	11,384	8,561
Other liabilities	8,933	8,341
Total liabilities (see section 1 below)	101,245	69,618
Less – current maturities	22,354	26,588
Total long-term liabilities	78,891	43,030

The fair value of non-current liabilities is not materially different then their book value

Note 13 – Other non-current liabilities (continued)

The fair value of the other non-current liabilities is not materially different from their carrying amount.

The following are contractual maturities liabilities, by year payable:

	As at December 31	
	2021	2020
	Thousands of Dollars	
2021	-	27,449
2022	23,235	23,644
2023	21,755	7,821
2024	22,536	21,383
2025 and onward	65,158	5,240
Less – interest component	(31,439)	(15,919)
	101,245	69,618

Note 14 – Equity

a. Equity, reserves and retained earnings:

1) Composed of ordinary shares have NIS 1 par value, as follows:

	Number of shares as at December 31	
	2021	**2020**
Authorized capital	**45,000,000**	45,000,000
Issued and fully paid (excluding treasury shares)	**25,579,176**	25,521,308
Treasury shares	**1,344,293**	1,402,161

As at December 31, 2021, the Company's shares are traded on the Tel-Aviv Stock Exchange at a price of US$68.81 (NIS 214).

With respect to the company's share split See note 21 – subsequent events

2) The following are dividend amounts distributed in the past three years:

Year	Amount distributed (Thousands of Dollars)	Dividend per share (Dollars)
2019	11,084	0.43
2020	6,506	0.26
2021	15,489	0.61

3) Retained earnings:

In determining the amounts available for distribution as dividends, according to the Israeli Companies Law, the total value of Company shares bought back (presented under a separate item in equity) should be deducted from retained earnings as presented in equity.

The shares held by the Company ("treasury shares") do not grant voting rights and do not give holders a right to dividends.

b. Share-based payment:

1. The 2009 plans:

On August 20, 2009, the Company's Board of Directors resolved to adopt an options plan for remunerating employees, officers, directors, consultants and other providers of services to the Company or to the Company's subsidiaries and related companies (hereinafter – "The Recipients"). The options shall be granted for no consideration. Pursuant to the plan, the Company shall be entitled to allocate up to 800,000

non-tradable options, exercisable into a maximum of 800,000 ordinary shares of NIS 1 par value each. The exercise price of each option will be determined by the Company's Board of Directors at its sole discretion in accordance with the law.

In addition, the Board of Directors resolved to adopt an options plan for the remuneration of US employees of the Company and of its subsidiaries. Pursuant to the plan, the Company shall be entitled to allocate up to 300,000 options, exercisable into a maximum of 300,000 ordinary shares of NIS 1 par value each.

On October 27, 2011, the Company's Board of Directors resolved to increase the number of the Company's ordinary shares reserved for the remuneration plan for employees, officers, directors, consultants and other selected senior providers of services to the Company or to the Company's subsidiaries and related companies, approved by the Company's Board of Directors on August 20, 2009, by 300,000 shares, so the total number of shares saved for the purpose of the plan will amount to 1,100,000.

On the same date, the Company's Board of Directors resolved to increase the number of the Company's ordinary shares that are reserved for the purpose of the remuneration plan for US employees of the Company and of its subsidiaries, including

Note 14 – Equity (continued)

directors and other officers, approved by the Company's Board of Directors on August 20, 2009, by 300,000 shares, so the total number of shares reserved for the plan amounted to 600,000.

On December 15, 2013, the Company's Board of Directors resolved to increase the number of the Company's ordinary shares reserved to the remuneration plan for employees, officers, directors, consultants and other selected senior providers of services to the Company or to the Company's subsidiaries and related companies, by 500,000, so the total number of shares reserved for the 2009 plan for Israeli recipients amounted to 1,600,000.

Furthermore, regarding the expansion of the plan by 500,000 options, the Company's Board of Directors decided, to revise the 2009 plan for Israeli recipients, according to which the formula for calculating the issue of options via for exercising options as shares on the basis of the benefit component would be amended recipients so the recipients will not be required to pay the notional value of the exercise shares.

The Company undertook so long as the 2009 plan for Israeli recipients was still in effect, to save in the balance of profits worthy of distribution, an amount sufficient to turn it into stock capital in accordance with section 304 of the Companies Law, 1999.

The remaining provisions of the 2009 plan for Israeli recipients will remain unchanged.

On February 14, 2018, the Company received approval from the Tel Aviv Stock Exchange (TASE) for the registration of an outline plan for employees that was submitted on June 21, 2017 and was amended on September 4, 2017.

As part of the outline plan, the Company listed 730,000 options exercisable into a maximum of 730,000 shares and 200,000 restricted share units exercisable into a maximum of 200,000 shares.

On December 30, 2020, the Company received approval from TASE for the registration of an outline plan for employees that was submitted on November 11, 2020.

As part of the outline plan, the Company listed 1,200,000 options exercisable into a maximum of 1,200,000 shares and 300,000 restricted share units exercisable into a maximum of 300,000 shares.

As of December 31, 2021, the remaining options that can be allocated from this plan amounts to 553,038 and the remaining of the restricted shares that can be allocated from this plan amounts to 385,240.

In accordance with tax provision elected by the Company, it is not entitled to claim equity grants to employees as expense for tax purposes, including amounts recognized as expenses in the Company's accounts due to options the employees received as part of the plan, with the exception of a work-income component, if any, set upon allocation.

The 2014 plan:

On July 28, 2014, the Company's Board of Directors resolved to adopt a plan to allocate 300,000 restricted share units. The units shall be granted to recipients for no consideration at the Board of Directors' discretion and with recommendation of the Company's CEO.

On February 14, 2019, the Company received approval from the Tel Aviv Stock Exchange for the registration of an outline plan for employees.

As part of the outline plan, the Company listed 417,391 restricted share units exercisable into a maximum of 417,391 shares of the 2014 plan.

The remaining of the share units that can be allocated from the plan stands at 401,436 as at December 31, 2021.

Note 14 – Equity (continued)

2. The fair value of the options granted (with the exception of options with performance conditions) in 2021, 2020 and 2019 was US$330, $2,132 and $385 thousand, respectively, at the time of their grant.

The fair value of each option granted (with the exception of options with performance conditions) is estimated on date of grant using the Black & Scholes option pricing model with the following assumptions:

	2021	2020	2019
Dividend yield	0%	0%	0%
Expected standard deviation(*)	38.75%-47.77%	41.84% - 43.49%	24.04% - 22.3%
Risk-free interest rate	0.14%-0.47%	0.13% - 0.19%	1.08% - 0.46%
Expected lifetime – in years	2.8-3.5	4.5	2.5-3.7

(*) Based on historical volatility of Company's shares over periods similar to the expected life of the option through its exercise date.

The fair value of the options with performance conditions granted in 2021 was $2,498 thousands and was estimated at the time of their grant using the Black & Scholes model for pricing options with the following assumptions:

	2021	2020	2019
Dividend yield	0%	0%	0%
Expected standard deviation(*)	40.2%-47.73%	24.94% - 43.49%	24.04% - 23.8%
Risk-free interest rate	0.14%-0.24%	0.13% - 0.39%	0.46% - 0.19%
Expected lifetime – in years	2.5-3	4.0-4.5	3.7-4.1

(*) Based on historical volatility of Company's shares over periods similar to the expected lifetime of the option through their exercise.

3. The amounts of option-related expenses in the financial statements in 2021, 2020 and 2019 are $2,168, $1,121 and $820 thousands, respectively.

The amounts of expenses relating to the grant of restricted share units in the financial statements in 2021, 2020 and 2019 are $462, $170 and $379 thousands, respectively.

4. The unrecognized benefits for all the option plans, as of December 31, 2021, assuming the achievement of all performance targets, is $6,103 thousands. Its recognition is expected to take place over the coming 3 years.

The unrecognized benefit with respect to the restricted shares as of December 31, 2021 is $781 thousands and its recognition is expected to take place over the coming 3 years.

Note 14 – Equity (continued)

5. The movements in the number of unexercised options and the relevant weighted average of the exercise prices (original price before adjustments for dividends paid) are as follows:

a. Options without performance conditions:

	2021		2020		2019	
	Quantity	Weighted average exercise price $	Quantity	Weighted average exercise price $	Quantity	Weighted average exercise price $
Outstanding at the beginning of the year	365,285	21.74	153,613	19.98	144,370	29.18
Granted	29,500	30.81	258,200	18.58	63,434	27.69
Forfeited	(54,179)	20.94	(46,528)	26.24	(53,566)	25.71
Exercised	(39,310)	30.10	—	—	(625)	15.20
Outstanding at the end of the year	301,296	21.69	365,285	21.74	153,613	19.98
Of which exercisable at the end of the year	37,114	29.55	58,421	29.84	67,973	28.55

b. Options with performance conditions:

	2021		2020		2019	
	Quantity	Weighted average exercise price $	Quantity	Weighted average exercise price $	Quantity	Weighted average exercise price $
Outstanding at the beginning of the year	1,251,840	22.14	471,817	29.48	521,596	30.77
Granted	233,267	30.09	880,240	19.25	195,767	27.42
Forfeited	(169,887)	24.97	(100,217)	31.15	(209,796)	30.44
Exercised	(97,825)	29.96	—	—	(35,750)	31.60
Outstanding at the end of the year	1,217,395	22.65	1,251,840	22.14	471,817	29.48
Of which exercisable at the end of the year	83,273	29.96	168,257	30.24	194,446	31.24

Note 14 – Equity (continued)

6. Details of the balance of the options * as of December 31, 2021 and 2020 and the movements in 2021**:

Grant Date	Exercise price ($)(***)	31.12.2020 Balance of the options granted and not yet exercised	Movements in 2021 Granted	Exercised	Forfeited	31.12.2021 Balance of the options granted and not yet exercised	Weighted average of the balance of the forecast lifetime (in years)
August 2015	32.3	5,500	—	(3,125)	(1,250)	1,125	1.00
August 2015 – with performance conditions	32.3	67,640	—	(47,072)	(1,250)	24,318	0.58
January 2016	26.58	4,000	—	(1,625)	(1,625)	750	0.58
January 2016 – with performance conditions	26.58	1,500	—	(750)	(750)	-	-
September 2016	28.25	17,353	—	(8,863)	(1,500)	7,000	1.25
September 2016 – with performance conditions	28.25	49,843	—	(26,672)	-	23,171	1.25
February 2017 – with performance conditions	30.33	31,500	—	(10,500)	(21,000)	-	-
February 2017 – with performance conditions	30.52	3,693	—	—	(1,233)	2,460	0.67
February 2017 – with performance conditions	30.47	2,628	—	(1,752)	(876)	-	-
March 2017 – with performance conditions	28.42	1,398	—	(700)	—	698	3.00
November 2017	32.38	10,000	—	(7,500)	(2,500)	-	-
November 2017	32.39	16,788	—	(4,197)	-	12,591	1.52
May 2018	29.97	10,000	—	(10,000)	—	-	-
May 2018 – with performance conditions	29.97	45,000	—	—	(20,000)	25,000	1.51
February 2019	27.74	36,304	—	(1,000)	(5,304)	30,000	2.85
February 2019 – with performance conditions	27.74	139,346	—	(6,666)	(38,868)	93,813	2.91
August 2019	27.54	7,130	—	(3,000)	—	4,130	3.96
August 2019 – with performance conditions	27.54	5,823	—	(970)	(2,911)	1,942	3.17
November 2019 – with performance conditions	25.14	23,229	—	(7,743)	—	15,486	3.42
February 2020 – with performance conditions	26.42	60,000	-	—	—	60,000	3.83
October 2020	18.83	57,500	-	—	(10,000)	47,500	4.17
October 2020 – with performance conditions	18.83	547,240	-	—	—	547,240	4.17
November 2020	18.51	200,700	-	—	(32,000)	168,700	4.17
November 2020 – with performance conditions	18.51	273,000	-	—	(51,500)	221,500	4.17
January 2021	24.43	-	16,000	-	-	16,000	6.63

January 2021 – with performance conditions	24.43	-	148,500	-	(31,500)	117,000	6.00
March 2021	25.44	-	7,000	-	-	7,000	5.20
March 2021 – with performance conditions	25.44	-	35,824	-	-	35,824	4.58
May 2021 – with performance conditions	27.13	-	10,000	-	-	10,000	5.35
November 2021	52.30	-	6,500	-	-	6,500	4.32
November 2021 – with performance conditions	52.30	-	21,074	-	-	21,074	5.83
November 2021 – with performance conditions	53.78	-	3,590	-	-	3,590	5.83
December 2021 – with performance conditions	63.99	-	14,279	-	-	14,279	6.00
Total		1,617,126	262,767	(137,135)	(224,067)	1,518,691	3.50

* The balance of the options does not include options that were issued to the trustee and have not yet been allocated to the managers.

** See also section 5 above.

*** The exercise price in the above table is the original price before adjustment for distribution of dividends.

7. The movements and balances in the number of restricted share units are as follows:

a. Restricted share units without performance conditions:

	For the year ended December 31		
	2021	**2020**	**2019**
Balance at the beginning of year	33,279	6,682	9,929
Granted	4,745	30,095	2,000
Exercised	-	(2,907)	(4,333)
Forfeited	(8,361)	(591)	(914)
Balance at the end of year	29,663	33,279	6,682

b. Restricted share units with performance conditions:

	For the year ended December 31		
	2021	**2020**	**2019**
Balance at the beginning of year	31,291	40,364	108,966
Granted	16,386	—	25,573
Exercised	(4,706)	(3,872)	(39,640)
Forfeited	(4,788)	(5,201)	(54,535)
Balance at the end of year	38,183	31,291	40,364

Note 14 – Equity (continued)

c. Details of the balance of restricted share units without performance conditions as at December 31, 2021 and December 31, 2020 and the movements in 2021, by plan:

		31.12.2020	Movements in 2021			31.12.2021
Date of the plan	Date of grant	Balance of the restricted share units that have been granted and not yet exercised	Granted	Exercised	Forfeited	Balance of the restricted share units that have been granted and not yet exercised
October 2009	November 2017	1,184	—	—	(1,146)	38
October 2009	February 2019	2,000	—	—	—	2,000
October 2009	November 2020	30,095	—	—	(5,977)	24,098
October 2009	January 2021	—	3,527	—	—	3,527
October 2009	March 2021	—	1,218	—	(1,218)	—
	Total	33,279	4,745	—	(8,361)	29,663

d. Details of the balance of restricted share units with performance conditions as at December 31, 2021 and December 31, 2020 and the movements in 2021, by plan:

		31.12.2020	Movements in 2020			31.12.2021
Date of the plan	Date of grant	Balance of the restricted share units that have been granted and not yet exercised	Granted	Exercised	Forfeited	Balance of the restricted share units that have been granted and not yet exercised
July 2014	August 2015	500	—	—	—	500
October 2009	September 2016	2,500	—	—	—	2,500
October 2009	February 2017	414	—	—	—	414
October 2009	March 2017	128	—	—	—	128
October 2009	March 2017	3,372	—	—	—	3,372
July 2014	May 2018	666	—	—	(666)	-
July 2014	February 2019	5,539	—	—	(4,122)	1,417
October 2009	August 2019	13,651	—	(4,706)	—	8,945
July 2014	August 2019	468	—	—	—	468
July 2014	November 2019	4,053	—	—	—	4,053
October 2009	January 2021	—	4,149	—	—	4,149
October 2009	March 2021	—	983	—	—	983
July 2014	March 2021	—	3,439	—	—	3,439
October 2009	November 2021	—	2,267	—	—	2,267
October 2009	December 2021	—	5,548	—	—	5,548
		31,291	16,386	(4,706)	(4,788)	38,183

Note 15 – Taxes on income

a. Taxation of the Company in Israel

1) The measurement of the results for tax purposes

Since the 2008 tax year, the Company's results are measured in nominal values for tax purposes.

2) Beginning in 2017, the Company submits its tax returns in accordance with the Dollar Regulations.

3) Tax rates

The taxable income of the Company is taxed at the standard Israeli corporate tax rate, which was 23% for all years included in these financial statements.

Capital gains held by the Company in Israel are taxable according to the regular corporate tax rate applicable in the tax year.

b. Taxation of subsidiaries outside of Israel

The subsidiaries incorporated outside of Israel are assessed according to the tax law in their countries of residence, except for companies that are defined as a "foreign controlled company", in accordance with the provisions of the Israel Income Tax Ordinance, whose income may be taxed in Israel in addition to the taxation under the tax laws in the countries in which they are resident.

The main tax rates in 2021 that apply to the main subsidiaries incorporated outside of Israel are:

Companies incorporated in the United States – a tax rate of 25% (including federal tax and state tax) – see Section J and K below.

Companies incorporated in Germany – a tax rate of 30%.

Companies incorporated in the United Kingdom - a tax rate of 19%.

Companies incorporated in France – a tax rate of 28%.

Companies incorporated in Hong Kong – a tax rate of 16.5%.

Consolidated companies that were incorporated outside of Israel in free trade zones, are registered for tax purposes according to the laws in their respective countries of residence.

In general, intercompany transactions between the Company and its foreign subsidiaries are subject to the provisions of Income Tax Regulations (Determination of Market Terms) – 2006.

c. Carryforward tax losses

Deferred tax assets for carryforward tax losses are recognized if it is probable that future taxable profits against which the tax losses can be utilized will be available.

Carryforward tax losses from the parent company, as of December 31, 2021 and 2020, are $10 million and $0.6 million, respectively.

Carryforward tax losses from Group subsidiaries, as of December 31, 2021 and 2020, are $76.5 million and $61.9 million, respectively.

The tax asset recognized in Israel as of December 31, 2021 and 2020 is $2.4 million and $0.1 million, respectively.

Carryforward tax losses in Israel may be utilized over an unlimited period of time.

The tax asset recognized for income tax losses in subsidiaries, as of December 31, 2021 and 2020, is $3.6 million and $3.2 million, respectively.

Note 15 – Taxes on income(continued)

d. Deferred tax assets

1) Composition of deferred taxes as of the balance sheet dates and transactions in said years are as follows:

	For Balance Sheet Items						
	Property, plant and equipment	Intangible assets and Right-of-use asset	Inventory	Provision to Employee benefits	Others	Carryforward tax loss	Total
	US$ in Thousands						
Balance as at January 1, 2019	(9,159)	(25,935)	4,043	3,202	5,985	5,351	(16,513)
Changes in 2019:							
Recognized in profit or loss	(308)	(46)	141	219	712	(776)	(58)
Deferred taxes created in acquisition of subsidiary	—	(8,363)	—	—	—	—	(8,363)
Deferred taxes created in the application of IFRS 16	—	4,294	—	—	—	—	4,294
Remeasurement of post-employment benefit obligations	—	—	—	451	—	—	451
Exchange differences on translation of foreign operations	11	504	(2)	(23)	29	(20)	499
Balance as at December 31, 2019	(9,456)	(29,546)	4,182	3,849	6,726	4,555	(19,690)
Changes in 2020:							
Recognized in profit or loss	(4,023)	1,496	(412)	(136)	3,326	(1,223)	(522)
Remeasurement of post-employment benefit obligations	—	—	—	(157)	—	—	(157)
Deferred taxes created in acquisition of subsidiary	—	(416)	—	—	—	—	(416)
Exchange differences on translation of foreign operations	178	(2,623)	—	—	307	—	(2,138)
Balance as at December 31, 2020	(13,301)	(30,639)	3,770	3,556	10,359	3,332	(22,923)
Changes in 2021:							
Recognized in profit or loss	2,739	(256)	(376)	(2,146)	850	(927)	(116)
Recognized in other comprehensive income	-	-	-	5	-	-	5
Exchange differences on translation of foreign operations	(125)	2,336	-	-	(269)	-	1,942
Balance as at December 31, 2021	(10,687)	(28,559)	3,394	1,415	10,940	2,405	(21,092)

Note 15 – Taxes on income (continued)

2) Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. The amounts are as follows:

	As of December, 31	
	2021	2020
	US$ in Thousands	
Deferred tax assets:		
Expected to be settled within 12 months after the balance sheet date	11,132	12,849
Expected to be settled after more than 12 months after the balance sheet date	16,876	14,319
	28,008	27,168
Deferred tax liabilities:		
Expected to be settled within 12 months after the balance sheet date	(8,513)	(7,581)
Expected to be settled after more than 12 months after the balance sheet date	(40,587)	(42,510)
	(49,100)	(50,091)
Deferred tax liabilities, net	(21,092)	(22,923)

	As of December, 31	
	2021	2020
	US$ in Thousands	
Presentation in the statement of financial position		
Under deferred tax assets	18,705	15,590
Under deferred tax liabilities	(39,797)	(38,513)
	(21,092)	(22,923)

Most deferred taxes are calculated according to tax rates of between 11% and 33%.

e. Profit (loss) before income taxes is comprised as follows:

	For the year ended December 31		
	2021	2020	2019
	US$ in Thousands		
Israeli companies	35,612	24,164	11,036
Non-Israeli subsidiaries	115,089	(68,780)	56,579
	150,701	(44,616)	67,615

Note 15 – Taxes on income(continued)

f. Composition of taxes on income in the statement of profit or loss:

	For the year ended December 31		
	2021	2020	2019
	US$ in Thousands		
Current:			
Companies in Israel	14,913	2,902	2,467
Non-Israeli subsidiaries	15,771	(9,779)	7,788
	30,684	(6,877)	10,255
Deferred:			
Companies in Israel	(5,003)	1,417	2,342
Non-Israeli subsidiaries	5,119	(895)	(2,284)
	116	522	58
Taxes for previous years:			
Companies in Israel	221	3,051	500
Non-Israeli subsidiaries	(626)	(791)	(898)
	(405)	2,260	(398)
	30,395	(4,095)	9,915

Note 15 – Taxes on income (continued)

g. The following is a reconciliation of the "theoretical" tax amount which would have applied if all income had been taxed at the statutory rate applicable to companies in Israel (see Section A3) to the tax charged in the statement of comprehensive income (loss) for the reported years:

	For the year ended December 31		
	2021	2020	2019
	US$ in Thousands		
Profit (loss) before income taxes as presented in statement of comprehensive income	150,701	(44,616)	67,615
Theoretical tax expenses (income)	34,661	(10,261)	15,538
Decrease in tax due to different tax rates applicable to non-Israeli subsidiaries	(2,385)	(2,467)	(6,114)
	32,276	(12,728)	9,424
Increase (decrease) in tax due to permanent differences:			
Non-deductible expenses less exempt income, net	2,263	2,018	1,024
Tax expenses (benefits) for previous years, net	(405)	2,260	(398)
Increase in taxes from carryforward tax losses for which deferred taxes were not recognized	(2,194)	11,930	1,459
Utilization of current loss on profits of previous years	-	(6,591)	(1,273)
Exchange gains and losses and differences in measurement bases	(1,352)	(610)	52
Change in deferred taxes following change in tax rate	-	—	(255)
Other- net	(193)	(374)	(118)
Taxes on income – in the statement of comprehensive income (loss)	30,395	(4,095)	9,915

h. Tax assessments

In January 2020, the Company was issued a best-in-judgment tax assessment for 2014. According to the claim made in the assessment an additional 10 million USD income tax was due to the ITA.

In February 2021 the above best-in-judgment tax assessment has been resolved in a way of a settlement between the Company and the ITA in which the Company will pay an additional 1.5 million USD which will be paid partially in cash and the rest will be deducted from the Company's tax credit. The above sums were paid in February 2021.

In December 2020 the Company was issued a best-in-judgment tax assessment for 2015-2017. According to the claim made in the assessment an additional 23 million USD income tax was due to the ITA.

The Company objects to the position of the assessing officer and believes it has appropriate defense arguments against the assessment. After receiving a filing extension, the Company submitted its objection to the said assessment on March 25, 2021.

In March 2020, the Company was issued a best-of-judgment VAT assessment for 2015-2019. According to the claims made in the assessment, the Company was not permitted to deduct a total of $4.4 million in input tax.

The Company disputes the position of the VAT Director, and believes it has good defense claims against the assessment, and therefore, an objection was filed to the Israel Tax Authority against the above best-of-judgment assessment.

In June 2021, a decision by the ITA was served to the accountants of the Company, fully rejecting the objection of the Company against the VAT assessment. Note that the Company was granted an extension for filing a court appeal against the VAT assessment, to enable continued discussion with the VAT Director.

Note 15 – Taxes on income (continued)

i. The impact of the adoption of IFRS in Israel on tax liability

The Company has prepared its financial statements for the first time in accordance with IFRS as of January 1, 2008.

IFRS is different from generally accepted accounting principles in Israel (Israeli GAAP) and accordingly, preparation of financial statements under IFRS may reflect a financial position, operating results and cash flows materially different from those presented according to Israeli GAAP.

In accordance with the law for the amendment of the Income Tax Ordinance which was published in the official gazette in the years 2010, 2012 and 2014 (hereinafter together – the temporary provision), the provisions of Israel Accounting Standard No. 29 of the Israel Accounting Standards Board do not apply in determining taxable income for tax years 2007 to 2013, even if applicable in financial statements for those tax years. The meaning of the temporary provision is that IFRS do not apply in practice when calculating the reported income for tax purposes in the specified tax years.

In 2014, a law memorandum was published for an amendment to the Income Tax Ordinance (hereinafter – the Law Memorandum) deriving from the implementation of IFRS in preparing financial statements. Generally, the law memorandum adopts IFRS. However, the Law Memorandum proposes a number of amendments to the Income Tax Ordinance, that will serve to clarify and determine the manner of computing taxable income for tax purposes. in cases where a lack of clarity exists, and IFRS are incompatible with Israeli tax principles. Legislation proceeding for the Law Memorandum has yet to be completed and it is doubtful whether they will be completed in the foreseeable future.

The legislation regarding the memorandum of law has not been completed and is not expected to be completed. The company is creating adjustments insofar as income tax provisions differ from IFRS.

j. The impact of the tax reform in the US

On December 22, 2017, the former President of the United States, Donald Trump, signed legislation that introduced broad changes in the US tax system (“The Reform”). Under the Reform, comprehensive changes were made to US tax laws, including a number of provisions with impact on the Company’s tax liability in the United States.

The following are the main provisions of the reform, which are relevant to the Company:

a) The reducing of the federal tax rate on companies in the United States from 35% to 21%, with effect from January 1, 2018.

b) A transition to a territorial based tax system, such that the profits that are produced outside of the United States by foreign companies, in which a US company has a holding of more than 10%, is exempt from tax on dividends that may be distributed.

c) The cancellation of the Alternative Minimum Tax (AMT) on US companies and the restriction of the deduction of accumulated losses (Net Operating Losses) to 80% of the chargeable income.

d) **Foreign Derived Intangible Income (FDII)** – provides an option to receive a deduction for tax purposes in respect of certain components of the Company’s income from exporting, under certain conditions.

e) **Interest expenses** – In accordance with the new legislation, during 2019 to 2021 (inclusive), companies will not be allowed to deduct interest expenses exceeding 30% of those companies’ total adjusted income (EBITDA). After 2021, companies will not be allowed to deduct interest expenses exceeding 30% of those companies’ total income (EBIT). Any non-deductible amount in a certain year, may be carried forward on the basis of that same mechanism, without time limit.

f) **Accelerated depreciation (Bonus Depreciation)** – The Reform allows companies to record an immediate expense at a certain portion of the cost of certain property, plant and equipment entered use between September 27, 2017 and January 1, 2028.

g) **The Coronavirus Aid, Relief, and Economic Security Act (CARES Act)**

In March 2020, the CARES Act was enacted in the United States, which, among other things, provides tax relief for businesses, including the possibility of deducting current losses for tax purposes retroactively from taxable income five years back, in exchange for tax refunds (NOL carry back). As a result, the Company recognized in its consolidated financial statements a tax asset of $18 million within current assets.

Note 16 – Earnings per share

a. Basic

The basic earnings per share is calculated by dividing the income attributed to the shareholders of the parent company by the weighted average number of ordinary shares issued, except for the ordinary shares bought back by the Company and held as treasury shares.

	Year		
	2021	2020	2019
Net income (loss) attributed to Company shareholders (in thousands of dollars)	112,781	(39,850)	57,898
Weighted average number of ordinary shares issued (in thousands)	26,923	26,923	26,923
Less weighted average number of treasury shares (in thousands)	1,381	1,407	1,424
Total number of shares for the purpose of the calculation of the basic earnings per share (in thousands)	25,542	25,516	25,499
Basic earnings (loss) per share (in dollars per share)	4.42	(1.56)	2.27

b. Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of outstanding ordinary shares less the number of treasury shares while including potential ordinary shares with dilutive effect.

	Year		
	2021	2020	2019
Net income (loss) used for calculating diluted earnings per share (in thousands of dollars)	112,781	(39,850)	57,898
Weighted average number of regular shares issued and used for the calculation of basic earnings per share (in thousands)	26,923	26,923	26,923
Less treasury shares (in thousands)	1,381	1,407	1,424
Adjustment for weighted average number of additional shares from exercise of options and restricted share units (in thousands)	726	35	81
Weighted average number of shares for calculation of diluted earnings per share (in thousands)	26,268	25,551	25,580
Diluted earnings (loss) per share (in dollars per share)	4.29	(1.56)	2.26
Adjustments were not taken into account in the calculation of the diluted earnings per share in respect of options and restricted share units that are non-dilutive (in thousands)	53	622	471

Note 17 – Commitments

Shareholders agreement in regard to the establishment and operation of stores and e-commerce site for the brand Bath & Body Work® in Israel

On December 24, 2020, a subsidiary, Delta Israel Brands Ltd, engaged in a shareholders' agreement in connection with setting up and operating stores and an e-commerce website of the brand Body Works & Bath® in Israel ("the Agreement"). The Agreement was signed between the Company, Delta Brands and Amarla Retail S.A ("the Partner"), and a joint company was incorporated under its terms, called D&A International Brands Ltd, which is held by the Company (60%) and the Partner (40%) ("the Joint Company"). Recently, the parties encountered disagreements in relation to the Agreement, which as of the date of this report, do not allow the agreement to be maintained; but the relevant parties are in contact in order to resolve the disagreements that will allow it to be implemented even if in a different way from what is stated in the original agreement.

New logistic center

On November 28, 2021, Delta Israel Brands Ltd. (hereafter "The Subsidiary") signed a new lease agreement with the Caesarea Edmond Benjamin de Rothschild assets corp. (2001) Ltd. (hereafter "Caesarea assets") according to which Caesarea assets will construct a new logistic center, which will be mostly automated, for the subsidiary.
The logistic center will also include areas dedicated to office spaces and will be constructed in the southern part of Caesarea's business park.
The new logistic center will spread across about 17,000 square meters and is part of the company's plan for its future expected growth and expansion.
According to the lease agreement, Caesarea assets will construct the new logistic center as part of a return deal and will bear the construction costs, with the exception of costs which deviate from the maximum cost estimation that was agreed upon in the initial agreement. Caesarea assets will be permitted to demand that the subsidiary will pay those costs as prepayments.
Both parties estimated that the total amount which Caesarea assets will be bear will amount to about 100 million ILS (approximately 30 million US Dollars).
The subsidiary will invest in a new automation system, Smart system for managing and stockpiling and advance robotic system.
The subsidiary estimate that her total investment in the new logistic center will amount to about 100 million ILS (approximately 30 million US Dollars). which will be realized during the establishment period of the new logistic center.
Upon completion, the subsidiary will lease the new logistic center for the period which will start at the acquisition of form No. 4 and will end 24 years and 11 months from the date of the signing of the lease agreement.
The lease payment will be at a yearly rate agreed upon between the sides as part of the agreement and is driven from the land cost and the construction costs that Caesarea assets will encounter plus linkage differences.
The subsidiary estimates that it will occupy the new logistic center by the second half of 2025.

b) See Notes 13 and 8C regarding liability for minimum royalty payments.

c) The Company and some of its subsidiaries provided bank guarantees as of December 31, 2021, mainly for securing rental agreements, royalty agreements and purchases of subcontractors and others, at the amount of $49.2 million.

Note 18 – Transactions and balances with related parties

The Group is controlled by Mr. Isaac Dabah, who holds 48.6% of the shares in the Company both through GMM Capital LLC and directly. In addition, Isaac Dabah Children's Trust and Isaac and Ivette Dabah Charitable Foundation hold 0.16% of the Company's shares.

"Interested Parties" – according to the definition of "Interested Parties" in the Securities Regulations (Yearly Financial Statements) – 2010.

"Related Parties" – as defined by IAS 24 "Related Party Disclosures".
Key management personnel who are covered by the definition of "related parties" in IAS 24 include the members of the Board of Directors and CEO.

a. Transactions with related parties

The benefits provided to related parties are as follows:

	For the year ended December 31		
	2021	2020	2019
Key management personnel compensation:			
Salary and benefit components in respect of options and restricted share units that have been granted to related parties who are employed by the Company or a subsidiary company in thousands of dollars– see (1) and (2) below *	3,714	1,674	2,440
Number of people	3	3	3
Fees and travelling expenses provided to directors in thousands of dollars	349	279	374
Number of people	7	7	7
Transactions with other related parties:			
Purchases from related parties – companies accounted for using the equity method	19,951	15,487	19,367

* The expense in 2021 includes a long-term bonus component of $506 thousands which is a relative portion of the multi-annual bonus to the CEO, relating to the Company's performance in 2019-2022.

Approval of Terms of Employment of Related Parties

1. Approval of the terms of employment of the Company's controlling shareholder and director, Mr. Isaac Dabah, as CEO of the Company – following is a summary of his terms of employment:

   The terms of his employment as CEO in 2018 were approved by the Compensation Committee, the Company's Board of Directors, and by the general meeting on January 20, 2016, effective from January 1, 2016, for three years.
   Under the conditions approved, Mr. Dabah was entitled in 2016-2018 to an annual salary of $750 thousand, social benefits, reimbursement of expenses, insurance and indemnity, an annual bonus of $750 thousand, subject to achieving business targets and up to a maximum annual bonus of $937.5 thousand, subject to achieving even higher business targets, and a long-term bonus of $1,875 thousand for 2016-2018, subject to achieving three-year business objectives. These goals were not achieved, and therefore Mr. Dabah did not receive the long-term bonus.
   On December 5, 2018, after the approval of the Compensation Committee and the Board of Directors of the Company, the general meeting approved the employment terms of Mr. Dabah through January 1, 2019, for three years. Under the terms approved, Mr. Dabah is entitled to an annual salary of $810 thousand, social benefits, reimbursement of expenses, insurance and indemnity, an annual bonus of between $810 to $1,000 thousands, subject to the achievement of business targets, and a long-term bonus of $2,025 thousand for 2019 - 2021, subject to achieving three-year business objectives.
   On January 28, 2021, after the approval of the Compensation Committee and the Board of Directors of the Company, the general meeting approved the employment terms of Mr. Dabah through December 31, 2022.

Note 18 – Transactions and balances with related parties (continued)

Under the terms approved, Mr. Dabah is entitled to an annual salary of $810 thousand, social benefits, reimbursement of expenses, insurance and indemnity, an annual bonus of between $810 to $1,000 thousand, subject to the achievement of business targets and a long-term bonus of $2,025 thousand for 2019-2022, subject to achieving business targets. The Company estimates that it is highly likely that these targets will be achieved.

2. Ratification of the terms of employment of the daughter of the Company's controlling shareholder, serving as Vice President Kids Division DG Premium Brands:

On January 2, 2017, the general meeting of the Company's shareholders approved the new terms of employment of Ms. Gloria Dabah, daughter of Mr. Isaac Dabah, the Company' CEO and controlling shareholder, as Vice President Kids Division DG Premium Brands, which came into effect on January 1, 2017, all in accordance with the recommendations of the Company's Compensation Committee and Board of Directors, who examined, *inter alia*, Ms. Dabah's new position, which constituted a significant change and advancement from her previous role, taking into account her authorities, the responsibility placed upon her and the operating turnover of the department that she will lead and manage, following which they confirmed that the new terms of employment are generally acceptable, reasonable and fair in the circumstances in hand, and finally approved that the new terms of employment are acceptable, reasonable and fair under the circumstances.
On February 14, 2018, the Company's Board of Directors approved the updating of Gloria Dabah's job description, such that it will be General Manager of Splendid Kids, Ladies and Men's, including the addition of fields of responsibility without a change in her terms of employment, which have been approved by the authorized corporate organs of the Company.
On April 8, 2019, the general meeting of the Company's shareholders approved, after the approval of the Compensation Committee and the Board of Directors, a new employment agreement for Ms. Gloria Dabah, daughter of Mr. Isaac Dabah, the Company' CEO and controlling shareholder, in her capacity as President, Splendid Ladies and Men's & Kids, whereby her annual salary, as of April 1 2020, is $350 thousand, and she is entitled to an annual bonus of up to 50% of her annual income, subject to meeting certain targets.

b. Balances with related parties

	As of December, 31	
	2021	2020
	Thousands of Dollars	
Current payables for director remuneration:	105	74
rent payables for salaries and bonuses to related parties employed by the Company.	3,000	1,120
rent payables for purchases from related parties as of the balance sheet date – companies accounted for using the equity method.	3,238	4,607

c. Directors remuneration, exemptions and insurance

The Company has indemnification, exemption and insurance arrangements with directors and senior executives, including senior executives insurance in subsidiaries where the Company holds at least 25% of equity. The amount of indemnification is limited to 25% of the Company's equity according to its latest financial statements prior to the payment of the indemnification in practice. The limit on liability of the directors' insurance policy is $20 million per event and per period, and the yearly premium in respect thereof is $74 thousands.
In addition, the Company exempted, in advance and retrospectively, officers therein (including the controlling shareholder) from their liability, due to damage as a result of the breach of the duty of care towards it, subject to the reservations stated in the written exemption from liability as granted to the officers.

Note 18 – Transactions and balances with related parties (continued)

d. Negligible transactions with interested parties

The Company's Board of Directors decided to adopt guidelines and principles for the classification of a transaction as "a negligible transaction", as defined in Regulation 41(A3) of the Securities Regulations (Financial Statements) – 2010. These principles and guidelines will also be used for determine e the extent of disclosure regarding transactions by the Company with the controlling interest or in the approval of which the controlling interest has a personal interest, as determined in Regulation 222 of the Securities Regulations (Periodic and Immediate Reports) – 1970 and Regulation 54 of the Securities Authority (Details in a Prospectus and a Draft Prospectus – Structure and Form) – 1969 and also for examining the need for submitting an immediate report in respect of such a transaction by the Company, as determined on Regulation 37A(6) of the Securities Regulations (Periodic and Immediate Reports) – 1970.

The Company's Board of Directors determined that a transaction between the Company with a controlling shareholder or where the controlling shareholder has a personal interest in it shall be considered "a negligible transaction " if all of the following conditions are met:

1) It is not an exceptional transaction as defined in Section 1 of the Companies Law – 1999;

2) The transaction is not expected to have a significant or strategic impact on the Company, from the qualitative perspective of the transaction.

3) The impact of the relevant parameter (as stated below) is at a rate of 1%. For this purpose, the parameter that is relevant to the transaction will be tested as the most relevant parameter from among the following: (a) the sales ratio – i.e. the total sales that are the subject of the transaction divided by the Company's total annual sales; (b) the cost of sales ratio – i.e. the cost of the transaction divided by the Company's total annual sales; (c) the profits ratio – i.e. the profit or loss that is attributed to the transaction divided by the annual profit or loss; (d) the assets ratio – i.e. the total of the assets that are the subject of the transaction divided by the Company's total assets; (e) the liabilities ratio – i.e. the liabilities that are the subject of the transaction divided by the Company's total liabilities; (f) the operating expenses ratio – i.e. the total expenses that are the subject of the transaction divided by the Company's total operating expenses.

   The impact of the transaction will be tested on an annual basis, based on the Company's audited (consolidated) annual financial statements.

   In cases in which, in the Company's judgment, any of the quantitative criteria that are mentioned above are not relevant to the testing for the immateriality of the transaction, the transaction will be considered to be immaterial in accordance with another quantitative criteria, which may be determined by the Company, and solely that the relevant criteria that is calculated for the transaction will be at a rate not exceeding 1% of the relevant parameter.

4) In the examination of the immateriality of a transaction, which is expected to take place in the future, inter alia, the probability of the execution of the transaction and the realization of its impact are to be examined.

5) Separate transactions, which are inter-dependent, such that in practice they form part of the same commitment, are to be examined as a single transaction.

The immateriality of a transaction will be tested by the Company's Chief Financial Officer, who is to report to the Chairman of the Audit Committee on the transaction and the results of the examination that he has conducted as soon as possible.

Despite the aforesaid, the Company is entitled to report on transactions with controlling interests even in cases in which it is not required to do so in accordance with the foregoing.

Note 19 – Additional financial statements information

a. Cash and cash equivalents

	As of December, 31	
	2021	2020
	Thousands of Dollars	
Cash at bank	**117,848**	169,599
Short-term deposits in banks	**112,281**	61,244
Total	**230,129**	230,843

b. Trade and other receivables

1. Trade receivables

	As of December, 31	
	2021	2020
	Thousands of Dollars	
Open accounts	**200,559**	195,248
Checks receivables	**1,581**	4,953
Total	**202,140**	200,201
The item is presented net of a provision for credit losses	**9,010**	8,838

As of December 31, 2021, a trade receivables balance of $4.3 million ($3.1 million as of December 31, 2020), is contractually overdue but for which no provision for expected credit losses of accounts receivable has been recognized by the date of approving these financial statement. The balance is composed of a large number of customers who are independent of each other, and who do not have a history of insolvency.

The Company periodically reviews the aging of its trade receivables and makes a provision for impairment of that balance.

a. Expected credit losses for 2019, 2020 and 2021 as made by the Company is as follows:

	Thousands of Dollars
Balance as of January 1, 2019 - calculated according to IAS 39	6,683
Lifetime expected credit losses	165
Amounts previously provided for and not utilized	(2,600)
Balance as of December 31, 2019	4,248
Lifetime expected credit losses	9,671
Amounts previously provided for and not utilized	(5,526)
Exchange rate gains and losses	445
Balance as of December 31, 2020	8,838
Lifetime expected credit losses	1,334
Amounts previously provided for and not utilized	(788)
Exchange rate gains and losses	(374)
Balance as of December 31, 2021	9,010

Note 19 – Additional financial statements information(continued)

2. Other current assets and prepaid expenses

	As of December, 31	
	2021	2020
	Thousands of Dollars	
Prepaid expenses	**10,965**	7,533
Government institutions	**10,274**	8,609
Contract receivables	**4,860**	4,451
Advances to suppliers and subcontractors	**8,600**	4,385
Loan to a business partner	**1,220**	2,500
Others	**7,592**	10,777
	43,511	38,255

The fair value of the monetary items included in other receivables approximates their carrying amount. The balances included in other receivables in respect of non-monetary items do not include overdue amounts. The maximum exposure to credit risks as of the date of the statement of financial position in respect of other receivables is the fair value of each group of receivables less non-monetary balances (deriving from prepaid expenses) in respect of these receivables.

c. Inventory

Composition of Inventory:

	As of December, 31	
	2021	2020
	Thousands of Dollars	
Finished products	**307,616**	217,084
Goods in process	**44,996**	37,697
Raw materials	**36,442**	32,001
Packaging and other materials	**6,104**	4,921
	395,158	291,703

As of December 31, 2021, the inventory balance is presented net of provision for impairment of $47.0 million (as of December 31, 2020 – $50.4 million). Inventory is presented at the lower of cost and net realizable value. The change in the provision for impairment is recognized in the statements of profit or loss and other comprehensive income under “cost of sales”.

d. Short-term bank borrowings

1. Total credit lines, including off-balance sheet borrowings provided to the Company by the banks, amounted to $280 million as of December 31, 2021 ($287 million as of December 31, 2020), of which $226 million ($240 million as of December 31, 2020) have not been utilized. The credit lines utilized include short-term credit and utilization of documentary credit and guarantees. In addition to these credit lines, as of December 31, 2021, the Company has cash balances of $230 million, such that the Company has unutilized sources of credit at $459 million as at December 31, 2021 ($471 million as of December 31, 2020). The above mentioned sources of credit include $51 million of non-binding credit lines. In 2021, the Company extended the agreements covering the binding credit facilities with banks in Israel in an amount of $100 million. As of this reporting date, the interest rate on these short-term credit facilities is LIBOR + 1.70%-1.60% per year.

2. On September 1st, 2021, the subsidiary Delta USA signed a credit agreement with Bank Leumi and Discount Bank USA for a two-year period. The total short-term revolving loan is $80 million. This credit agreement is secured by an unlimited floating charge on Delta USA’s assets and rights and on some of the assets of its subsidiaries.

Note 19 – Additional financial statements information (continued)

As at December 31, 2021, $6 million of this facility was utilized in the US as short-term documentary credit. As of the date of this report, the interest rate on the short-term loans is LIBOR + 2.25% per year. Under certain conditions, it is possible for the interest rate from LIBOR-based to Prime-based. The credit agreement depends upon the following financial covenants:

a. Delta USA’s net yearly profit of not less than $1.

b. Tangible equity – defined as equity less intangible assets (primarily goodwill) – of not less than $28 million.

c. Tangible equity to total assets less intangible assets ratio of not less than 20%.

Notwithstanding the above, if the net balance of trade receivables plus cash and less loans of Delta USA is less than $40 million, the above covenants will be disregarded and the Company will be deemed as being compliant with the terms of the agreement.

Under the credit agreement, the subsidiary, Delta USA was given the option to repay the loans granted by Bank Leumi, provided that it meets the above mentioned financial covenants.

As of 31 December 2021 and 2020, the Company has complied with the financial covenants in question.

The fair value of the short-term loans equals their carrying amount in the accounting records, since the impact of discounting is immaterial.

e. Long-term bank loans

1) On July 1, 2018, the Company signed a long-term loan agreement of €70 million (approximately $81 million as of the date of receiving the loan) with an Israeli bank. The term of the loan is five years. Half of the loan would be repaid in equal quarterly installments, and the other half would be repaid at the end of the period in one installment. The annual interest rate is a fixed 1.99%. The loan agreement is secured by an unlimited floating charge on the Company’s rights, assets and property.

Under the terms of the loan, the Company is required to comply with the following financial covenants:

a. Equity of not less than $180 million.

b. Net financial debt to CAP ratio does not exceed 60%.

Additionally, the Company undertook to comply with the following conditions in order to approve the distribution of a dividend:

a. The total dividend distribution may not exceed 50% of the distributable profits, as defined in the provisions of Section 302 of the Companies Law.

b. The balance of shareholders’ equity may not fall below $220 million after the distribution of the dividend.

c. The ratio of net financial debt to EBITDA may not exceed 3.5 after distribution.

2) On August 19, 2021, the Company signed a $19 million long-term loan with an Israeli bank. The loan is for 11 years and will be repaid over that period in annual installments, with a one-year grace period. The interest rate is the three-month LIBOR plus a margin of 2.18%. The loan agreement is secured by an unlimited and unlimited floating charge on its rights, assets and property of the Company.

Under the terms of the loan, the Company is required to comply with the following financial covenants:

a. The Company's shareholders' equity may not go below $180 million

b. The ratio between net financial debt and CAP may not be above 60%.

Additionally, the Company committed to comply with the following conditions for approving a dividend distribution:

a. The total dividend payout may not exceed 50% of the distributable income, as this term is defined by the provisions of Section 302 to the Israeli Companies Law.

b. Shareholders' equity may not go below $220 million after the dividend is paid

c. The ratio between net financial debt and EBITDA may not exceed 3.5 after the distribution

Note 19 – Additional financial statements information (continued)

3) On August 18, 2021, the Company signed a $56 million long-term loan with an Israeli bank. The loan is for 11 years and will be repaid over that period in annual installments, with a one-year grace period. The loan has a fixed interest rate at 3.1%. The loan agreement is secured by an unlimited and unlimited floating charge on its rights, assets and property of the Company.

Under the terms of the loan, the Company is required to comply with the following financial covenants:

a. The Company's shareholders' equity may not go below $180 million;

b. The ratio between net financial debt and CAP may not be above 60%.

Additionally, the Company committed to comply with the following conditions for approving a dividend distribution:

a. The total dividend payout may not exceed 50% of the distributable income, as this term is defined by the provisions of Section 302 to the Israeli Companies Law.

b. Shareholders' equity may not go below $220 million after the dividend is paid.

c. The ratio between net financial debt and EBITDA may not exceed 3.5 after the distribution.

As of 31 December 2021, the Company is in compliance with the financial covenants above.

Long-term loans received during 2020 and repaid during 2021

1. On June 1, 2020, the Company signed a long-term loan agreement with a Israeli bank with a state-guarantee in the amount of NIS 100 million (approximately $ 28.5 million on the day of receipt of the loan). The loan is for a period of 5 years and without principal payment during the first year. The annual interest rate is P + 1.5 (effective interest rate of about 3.0%), which is repaid as of June 2020. As part of the loan agreement, the company deposited a total of NIS 5 million in a deposit to ensure the repayment of the original loan.
   As part of the split agreement of Delta Israel Brands Ltd. and in accordance with the approval of the state and the lending bank, a total of approximately NIS 56 million was converted and under the same conditions, from the said loan, to the subsidiary.
   In addition, Delta Galil transferred to the subsidiary part of the deposit in the amount of NIS 2.8 million, which is part of the collateral provided by the company in favor of the bank in connection with the loan.
   This loan was repaid in May 2021, including the deposits as stated above.

2. On June 29, 2020, the subsidiary in Germany (Sheisser) received a balloon loan in the amount of 9.5 million euros (approximately $ 10.6 million on the day of receipt of the loan) for a period of two years, at an annual interest rate of 2%.
   This loan was repaid in July 2021.

3. On March 31, 2020, Sheisser's subsidiary in Switzerland received a balloon loan in the amount of 0.5 million Swiss francs (approximately $ 0.5 million on the day of receipt of the loan) for a period of 5 years, without interest.
   This loan was repaid in July 2021.

4. During July and August 2020, the subsidiary in France (Eminence) received a balloon loan of 5.0 million euros per year, at an annual interest rate of 0.5%.
   This loan was repaid in September 2021.

Note 19 – Additional financial statements information (continued)

f. Other payables

	As of December, 31	
	2021	2020
	Thousands of Dollars	
Accrued expenses	**64,993**	57,392
Employees and payroll-related institutions	**50,102**	32,901
Liability for minimum royalty payments	**15,844**	14,760
Institutions	**13,524**	11,051
Provision for vacation and recreation pay	**8,499**	7,297
Current maturities of loans from suppliers	**791**	6,016
Interest payable on bonds, see Note 11	**2,099**	3,011
Others	**16,755**	18,309
	172,607	150,737

The carrying amount of other payables is reasonably close to their fair value since the impact of discounting is immaterial.

g. Restructuring expenses

The 2020 program

The Company's strategy strives to drive continuous improvement in flexibility and operational efficiency, in its marketing activities as well as in its development activities, while improving the cost structure, in order to position the Company ahead of its customers. Accordingly, and in order to enable higher profitability, the Company decided in the second quarter of 2020 to implement a comprehensive restructuring plan.

The plan includes reducing and/or closing some of its production activities in China, Turkey, Egypt and Eastern Europe, as well as reducing overheads at the Company's headquarters in the United States, Europe and Israel, while implementing changes in organization-wide processes aimed at adapting work processes to industry trends, including, reinforcing the online sales and assimilation of technological changes in the sales and development processes.

The cost of the plan is $39.2 million and it was included as an expense in the second quarter of the year 2020. The total said cost includes approximately $35.6 million in cash outflows for severance pay and other costs due to termination of employees and approximately $3.6 million that are not in cash and are attributed to a reduction in the value of property, plant and equipment within factories of the Company.

During 2021, the Company continued to implement the plan, so as of December 31, 2021, the company executed approximately $31.7 million (out of which $28.3 million in cash) out of the total cost of the plan, and is expected to complete implementation in 2022.

Note 19 – Additional financial statements information (continued)

1. **Changes in the provision for employee costs, which are included in restructuring expenses in 2021, 2020 and 2019:**

	For the year ended December 31		
	2021	2020	2019
	Thousands of Dollars		
Opening balance	**26,825**	1,435	5,239
Additional provisions during the year	**-**	35,596	—
Utilized during the year	**(17,946)**	(10,206)	(2,817)
Reversal of provisions for restructuring expenses	**-**	-	(987)
Closing balance	**8,879**	26,825	1,435

2. **The expense elements of the restructuring plan are as follows:**

	For the year ended December 31		
	2021	2020	2019
	Thousands of Dollars		
Costs connected to reduction of manpower, see above	-	35,596	(987)
Impairment of property, plant and equipment and intangible assets	-	3,558	-
	-	39,154	(987)

h. Sales

The following are details of costs of sales, Selling and marketing expenses and Administrative and general expenses. These expenses in 2020 included expenses of Bare Necessities (from the date of its acquisition in October 2020), which were not included in 2019. In addition, 2019 included expenses of the Bogart Group, since its acquisition (second half of 2019), which were not included in the first half of 2019.

Note 19 – Additional financial statements information (continued)

i. Cost of sales

	For the year ended December 31		
	2021	2020	2019
	Thousands of Dollars		
Purchases from subcontractors	645,970	443,342	623,423
Materials consumed	268,994	163,721	163,802
Payroll and related expenses	160,214	139,240	135,882
Shipment and customs	114,890	59,429	66,724
Royalties	23,771	21,407	28,064
Other production expenses	43,629	28,327	36,331
Depreciation and amortization	20,090	20,462	17,345
Decrease (increase) in inventory of finished products and products in process	(103,311)	46,574	14,434
	1,174,247	922,502	1,086,005

j. Selling, marketing, administrative and general expenses

	For the year ended December 31		
	2021	2020	2019
	US$ in thousands		
Selling and marketing:			
Payroll and related expenses	204,858	163,044	202,941
Rent and maintenance	25,679	29,758	33,363
Rent concessions	(3,502)	(6,026)	—
Advertising	65,205	44,005	39,138
Shipment, packaging, storage and customs	53,656	29,432	25,198
Commissions to franchisees and agents	23,308	17,604	18,694
Depreciation and amortization	61,172	62,850	60,153
Amortization of intangible assets, except for software	7,415	6,079	4,689
Other expenses	53,813	38,761	45,529
Total selling and marketing expenses	491,604	385,507	429,705
Administrative and general:			
Payroll and related expenses	58,363	45,748	42,882
Professional fees	14,396	11,433	12,872
Office rent and maintenance	908	984	316
Travel and refreshments	1,435	1,042	2,624
Office expenses	1,671	1,868	1,636
Depreciation and amortization	8,997	9,025	7,637
Other expenses	9,621	7,346	9,348
Total administrative and general expenses	95,391	77,446	77,315
Total selling marketing, administrative and general expenses	586,995	462,953	507,020

Delta Galil Industries Ltd.

Note 19 – Additional financial statements information (continued)

k. Expenses by type

	For the year ended December 31		
	2021	2020	2019
	Thousands of Dollars		
Purchases from subcontractors	645,970	443,342	623,423
Payroll	423,435	348,032	381,705
Materials consumed	268,994	163,721	163,802
Rent and maintenance	24,756	26,584	35,315
Shipment, packaging, storage and customs	168,546	88,861	91,922
Depreciation and amortization	97,674	98,416	89,824
Royalties expenses	23,771	21,407	28,064
Advertising expenses	65,205	44,005	39,138
Other expenses	146,202	104,513	125,398
Change in inventory of finished products and products in process	(103,311)	46,574	14,434
Total cost of sales, selling, marketing, administrative and general expenses	1,761,242	1,385,455	1,593,025

l. Other income (expenses), net

	For the year ended December 31		
	2021	2020	2019
	Thousands of Dollars		
Gain on disposal of property, plant and equipment	277	314	86
Gain (loss) from financial instruments	(285)	(1,948)	653
Compensation for termination of license agreement	2,456	(1,000)	3,000
Reduction of other debit balances	(3,017)	-	-
Total other income (expenses), net	(569)	(2,634)	3,739

Note 19 – Additional financial statements information (continued)

m. Financing expenses, net

	For the year ended December 31		
	2021	2020	2019
	Thousands of Dollars		
Interest expenses and commissions on bank borrowings and loans	6,649	6,277	8,784
Interest expenses on bonds, see Note 11	12,298	15,505	14,751
Loss as a result of early redemption of Series B bonds	5,056	-	-
Other interest expenses	309	390	353
Discounting element of long-term liabilities	4,228	4,385	3,670
Interest expenses and commissions on discounting arrangements with customers	881	613	1,489
Interest expenses of lease liabilities	9,973	9,836	8,474
Total financing expenses	39,394	37,006	37,521
Interest income from banks and others	(243)	(661)	(1,385)
Exchange rate expenses (income), net	(1,754)	1,130	(71)
Total financing expenses, net	37,397	37,475	36,065

Note 20 – Details of investee companies that are held directly and through subsidiaries as of December 31, 2021:

Holding company	Name of the Company	Holding and control rate	
Delta Galil Industries Ltd.	Delta Galil USA. Inc.	100%	Consolidated company
	Delta Galil Holland B.V.	100%	Consolidated company
	Delta Textiles (London) Ltd	100%	Consolidated company
	Delta Galil Vietnam Co. Ltd	100%	Consolidated company
	Delta Galil Properties (1988) ltd.	100%	Consolidated company
	Kwong Fat Industrial Limited	100%	Consolidated company
	Brunet Industrial Holdings Limited	100%	Consolidated company
	Delta Alfa Corap Ve Tekstil Sanayi Tilc A.CLtd. Sirketi	100%	Consolidated company
	Delta Israel Brands Ltd.	80%	Consolidated company
	Delta Brayola Ltd.	100%	Consolidated company
Delta Israel Brands ltd.	D&A Brands Ltd.	60%	Affiliated company
Delta Galil Properties (1988) ltd.	Zhejiang Guangtai Delta Socks Co. Ltd.	50%	Affiliated company
	Delta Galil China Holdings Limited	100%	Consolidated company
Delta Galil USA. Inc.	Wundies Bangladesh Limited	100%	Consolidated company
	Delta Galil Premium Brand LLC	100%	Consolidated company
	Seven for All Mankind LLC	100%	Consolidated company
	Bare Necessities	100%	Consolidated company
	Mo Industries LLC	100%	Consolidated company
Delta Galil Holland B.V.	Delta Textile Egypt - Free Zone S.A.E.	100%	Consolidated company
	Century Wear Company Ltd	50%	Consolidated company
	Delta Textile Upper Egypt S.A.E	100%	Consolidated company
	Thai Progress Garment Co. Ltd	100%	Consolidated company
	Delta Textile Bulgaria Ltd.	100%	Consolidated company
	Delta Galil Hong Kong Ltd.	100%	Consolidated company
	Dominion Hosiery mills Inc	100%	Consolidated company
	Delta Galil Hungary Kft	100%	Consolidated company

Delta Textile Upper Egypt S.A.E	Delta Fabric Egypt	100%	Consolidated company
	Delta Textile Shamal El Saaed	100%	Consolidated company
Delta Galil Hong Kong Ltd.	Delta Galil Limited Apparel (Guangzhou) Co. Ltd.	100%	Consolidated company
Delta Textiles (London) Ltd	Delta Galil Textile Germany GmbH & Co. KG	100%	Consolidated company
	Sport Socks Company Ltd	100%	Consolidated company
	Delta Galil Germany GMBH	100%	Consolidated company
	Seven for All Mankind International SAGL	100%	Consolidated company
	Delta Textiles France SAS	100%	Consolidated company
	Delta Galil Mexico SA de CV	100%	Consolidated company
	Delta Galil Brands International GmbH	100%	Consolidated company
	Seven For All Mankind Brazil IMPORTAÇÃO, COMÉRCIO E DISTRIBUIÇÃO S.A	50%	Consolidated company
	European Castle for Tableware Industries S.A.E	100%	Consolidated company
Delta Galil Textile Germany GmbH & Co. KG	Schiesser GMBH	100%	Consolidated company

Note 20 – Details of investee companies that are held directly and through subsidiaries as of December 31, 2021:(continued)

Holding company	Name of the Company	Holding and control rate	
Schiesser GMBH	Schiesser Marken GmbH	100%	Consolidated company
	Schiesser International B.V Nederland	100%	Consolidated company
	Schiesser International ApS Denmark	100%	Consolidated company
	Schiesser Schweiz GMBH Switzerland	100%	Consolidated company
	Schiesser Ges M.B.H. Austria	100%	Consolidated company
	Schiesser International NV	100%	Consolidated company
	Pleas s.r.o.	100%	Consolidated company
	Schiesser International Ltd.	100%	Consolidated company
Seven for All Mankind International SAGL	Seven for All Mankind Austria Gmbh	100%	Consolidated company
	Seven for All Mankind France SARL	100%	Consolidated company
	Seven for All Mankind Srl	100%	Consolidated company
	Seven for All Mankind Germany Gmbh	100%	Consolidated company
	Seven for All Mankind Netherlands B.V	100%	Consolidated company
	Seven for All Mankind Spain SL	100%	Consolidated company
	Seven for All Mankind Belgium BVBA	100%	Consolidated company
Delta Textile France SAS	Boxer Holding SAS	100%	Consolidated company
Boxer Holding SAS	Eminence SAS	100%	Consolidated company
Eminence SAS	Liabel S.P.A	100%	Consolidated company
	Distrebem EURL	100%	Consolidated company

	Eminence Beneluxe SA	100%	Consolidated company
	Eminter SA	100%	Consolidated company
Delta Galil China Holdings Limited	Delta Fashion Costume (Shanghai) Co, LTD	100%	Consolidated company
Kwond Fat Industrial Limited	Bogart (East Asia) Limited	100%	Consolidated company
Bogart (East Asia) Limited	Bogart Lingerie Limited	100%	Consolidated company
	Hangamania Limited	100%	Consolidated company
	Sun Hing Shing Fashion Factory Limited	100%	Consolidated company
	Bogart Garment (HK) Limited	100%	Consolidated company
	Bogart Lingerie (Thailand) Ltd.	100%	Consolidated company
	B&B Apparel Accessories Company Limited	100%	Consolidated company
	BL (Thailand) Limited	100%	Consolidated company
Bogart Lingerie Limited	Bogart Lingerie (Shenzhen) Limited	100%	Consolidated company
	Bogart Lingerie (Guangzhou) Limited	100%	Consolidated company
	Bogart Lingerie (Yangon) Limited	100%	Consolidated company
	B&D Lingerire Vietnam Co., Ltd	100%	Consolidated company
Sun Hing Shing Fashion Factory Limited	Sun Hing Shing (Shenzhen) Fashion Factory Limited	100%	Consolidated company
	Brunet International (Xiamen) Ltd	100%	Consolidated company
B&B Apparel Accessories Company Limited	B&B Apparel Accessories (Shenzhen) Company Limited	100%	Consolidated company
	B&B Apparel Accessories (Kaiping) Company Limited	100%	Consolidated company

Note 20 – Details of investee companies that are held directly and through subsidiaries as of December 31, 2021:(continued)

Holding company	Name of the Company	Holding and control rate	
Brunet International Holdings Limited	BL France Limited	100%	Consolidated company
	Brunet International (Hong Kong) Limited	100%	Consolidated company
	Intercontinental Lace Industry Limited	100%	Consolidated company
BL France Limited	BL Manufacturing Company Limited	100%	Consolidated company
	BL Industrial Company Limited	100%	Consolidated company
	BL Investment Company Limited	100%	Consolidated company
Brunet International (Hong Kong) Limited	Brunet International (Shenzhen) Limited	100%	Consolidated company

Note 21 – Subsequent events

1. On February 14, 2022, the Company's board of directors declared a $10.0 million dividend, or 39 cents per share. The effective date for the distribution is February 23, 2022 and the date of payment is March 8, 2022.

   The dividend will be paid based on the Bank of Israel Representative Exchange Rate of the dollar, as published on the day immediately before payment.

2. On December 27, 2021 the company issued a notice convening a special general meeting of the shareholders, on which agenda was splitting the company's shares capital and the agreement of the board of directors for the split rate, the cancellation of the par-value of the shares and the due amendments to the Articles of Association of the company.
   On January 31, 2022 the said meeting took place and all resolutions were approved.

3. On February 7, 2022, the Company received a long term loan from the Bank of Israel for the sum of about $54 million.

   The loan term is for eleven years and will be repaid in annual equal payments, with the addition of a grace period of one year. The loan bears a fix 3.55% annual interest. The loan agreement is secured by an unlimited floating charge on the Company's rights, assets and property

   Under the terms of the loan, the Company is required to comply with the following financial covenants:

   a. Equity of not less than $180 million.

   b. Net financial debt to CAP ratio does not exceed 60%.

   Additionally, the Company undertook to comply with the following conditions in order to approve the distribution of a dividend:

   a. The total dividend distribution may not exceed 50% of the distributable profits, as defined in the provisions of Section 302 of the Companies Law.

   b. The balance of shareholders' equity may not fall below $220 million after the distribution of the dividend.

   c. The ratio of net financial debt to EBITDA may not exceed 3.5 after distribution.

Delta Galil Industries Ltd.
Chapter D

Additional Information Regarding the Corporation
As of December 31, 2021

Chapter D – Additional Information Regarding the Corporation

Regulation 10a – Concise Quarterly Statements of Comprehensive Earnings

See Paragraph 2.2 of the Report of the Board of Directors.

Regulation 10c – Use of the proceeds of securities

The Company did not raise funds during the report year.

Regulation 11 – List of investments in material subsidiaries, directly and indirectly, as of the report date

Fully-controlled and fully-held subsidiaries (100%)	Number of shares held by the company, of any type	Par value of the shares	Cost of investment in thousands of Dollars	Holding Rate of Issued Capital	Balance sheet value in thousands of Dollars	Loans and capital notes in thousands of Dollars
Delta Galil USA Inc.	100	10$	39,126	100%	78,010	84,000
Delta (Textile) London Ltd.	10,002	GBP 10,000	12,941	100%	238,267	120,899
Delta Galil Holland B.V.	250	$ 21,000	21	100%	111,668	-
Delta Israel Brands Ltd.	20,000,000	NIS 2,000,000	110,948	80%	133,760	-

Regulation 12 – Changes regarding investments in material subsidiaries

Delta Israel Brands Ltd. became a material subsidiary during the reported year. For further details, see section 1.4 in Part A of this periodic report.

Regulation 13 – Revenues of material subsidiaries and the corporation's revenues therefrom as of the report date

	2021			
	In Thousands of Dollars			
Name of subsidiary (3)	Profit (loss) before tax	Net profit (loss) (after tax)	Total comprehensive income	Interest income revenues received from subsidiary (1)
Delta Galil USA Inc.	16,785	15,476	15,335	4,320
Delta (Textile) London Ltd.	76,387	60,451	44,471	2,082
Delta Galil Holland B.V.	7,749	7,157	7,157	-
Delta Israel Brands Ltd.	41,843	29,092	29,092	-

(1) Data refers to interest income received, or that the Company is entitled to receive, from subsidiaries for 2021.

Regulation 20 – Stock market trade – securities listed for trade – dates and reasons for trade discontinuation

In the report year, no securities of the Company were listed for trading.

During the report year, trade of the Company's securities listed for trade on the stock exchange did not stop.

Regulation 21 – Remuneration of Stakeholders and Senior Officers

a. Below are details of the costs to the Company for remuneration (given in the report year, including the Company's remuneration obligations for the reporting year) of the five most highly compensated of the Group's senior officers, including the three senior officers with the highest remuneration in the Company who were remunerated in connection to their service with the parent Company itself, in USD and in NIS:

Recipient of the remuneration					Remuneration for Services 1						
Name	Position	Scope of employment	Gender	Holdings in the Corporation's equity [3]	Salary, social benefits and associated costs	Current bonus	Long-Term Bonus [4]	Total bonus	Share based payments [2]	Total	Total in NIS (according to average exchange rate)
					In US Dollars						
Isaac Dabah	CEO and Director	100%	M	48.77%	865,674	1,000,000	506,250	1,506,250	-	2,371,924	7,663,688
Gil Shimon	Private Manager	100%	M		555,636	313,205	-	313,205	113,962	982,803	3,175,436
Francesca Toninato	7 for All Mankind operating segment Manager	100%	F		687,500	221,066	-	221,066	48,955	957,521	3,093,749
Asaf Alperovitz	CFO	100%	M		508,369	233,983	-	233,983	175,224	917,576	2,964,690
Iric Browndorf	VP of Production and Sourcing at Delta USA	100%	M		605,365	266,200	-	266,200		871,565	2,816,027

(1) In terms of annual cost to the Company.

(2) Share-based payments include the benefit component for options and restricted share units granted to executives as part of the Company's 2009 plan and 2014 plan, when the benefit component is calculated according to the Black-Scholes Model, and is included as an expense in the Company's statements in the reporting year. This component was not paid in cash. For further information regarding the exercise price and the value of the options, see Note 14 to the Financial Statements, in Chapter C of this periodic report. For details regarding the officers' holdings in

Company shares and convertible securities, see the Company's immediate report from January 6, 2022 (ref. no. 2022-01-003892), included herein by way of reference.

(3) Mr. Dabah's holdings noted in the above table include holdings of Isaac Dabah Children's Trust and the Isaac & Ivette Dabah Charitable Foundation, at 0.04% and 0.12% of the Corporation's equity, respectively.

(4) The long-term grant has not actually been paid and is contingent on to the Company's performance in 2022, in accordance with Mr. Dabah's amended terms of employment which were approved at the January 28, 2021 shareholders' meeting.Management estimates that there is a high probability that the conditions for payment of the grant will be met, and the rant is expected to be fully paid.

b. Below are details of the remuneration paid to interested parties and to directors (excluding Mr. Isaac Dabah, who was included in the table detailed in Section A above), in USD and in NIS:

				Remuneration for Services (1)				
Name	Position	Scope of employment	Holdings in the Corporation's equity	Salary, social benefits and associated costs	Bonus	Share based payments	Total	Total in NIS
						In US Dollars		
Directors (2)	7 in number		10.0%(3)	348,815			348,815	1,137,984
Gloria Dabah (4)	GM of Splendid Kids, Ladies and Men's	100%	-	422,255	187,250	-	609,505	1,969,312
Itzhak Weinstock	Director and Chief Operating Officer, Delta U.S.A.	100%	0.43%	502,486	230,000	-	732,486	2,366,662

(1) In terms of annual cost to the Company.

(2) Refers to those who served as directors in the Company during the reporting year and received remuneration from the Company in connection with their tenure as directors: As of December 31, 2021, the Company has seven directors.

(3) Refers to the holding of 9.94% by Mr. Noam Lautman, 0.04% by Mr. Israel Baum and 0.01% by Mr. Richard Hunter.

(4) For further information regarding Ms. Gloria Dabah's terms of employment, see Note 18 to the Financial Statements, in Chapter C of this periodic report as well as Regulation 22 below.

Compensation for directors Tziporah Carmon, Rinat Gazit, Shlomo Sherf and Richard Hunter are each paid to companies under their full control: "Tzippah Carmon Exports Ltd.", "Gaia Nona Ltd.", "S. Sharf Ltd." and "Hunter Consulting and Management Ltd.", respectively.

Mr. Isaac Dabah, Company CEO and Director

Mr. Isaac Dabah began working at the Company in 2008.

With regard to the terms of his office and his employment as CEO of the Company in 2020 and thereafter, as approved by the Compensation Committee, the Board of Directors and the General Meeting of the Company, see Section 2 of the report on the convening of the meeting of the Company of October 29, 2018 (ref. 2018-01-102015) and the immediate report on the outcome of the meeting dated December 5, 2018 (ref. 2018-01-112150), as well as section 1.4 of the report on the convening of the meeting of the Company published on December 23, 2020 (reference: 2020-01-131575) and the immediate report on the outcome of the meeting dated January 28, 2021 (reference: 2021-01-011611) included herein by way of reference. The remuneration of Mr. Dabah is paid as follows: 84% of the salary and the bonus to which he is entitled is paid by the subsidiary Delta Galil USA and the balance is paid by the Company.

Mr. Gil Shimon, Manager of the Private Label Operating Segment

Mr. Shimon began working at the Company in February 2017; below are the key terms of his employment:

Mr. Shimon's gross monthly salary is NIS 110,000 and he is entitled to social benefits and reimbursement of various expenses as is customary at the Company.

According to his employment agreement, Mr. Shimon is entitled to an annual bonus based on Company policy and on goals to be set by the Company's Compensation Committee and Board of Directors. The annual bonus Mr. Shimon is entitled to will not exceed 6 months' salary. The Company's Compensation Committee and Board of Directors set with respect to Mr. Shimon the following goals for receipt of his annual bonus: Meeting the Company's operating profit target (EBIT) (20% of the bonus), meeting the operating profit target (EBIT) of the operating segment (60%) and meeting measurable personal targets (20%).

According to the targets set for him, Mr. Shimon is entitled to a bonus of $313,205 for 2021; this amount includes a special bonus given to Mr. Shimon in the amount of $58,275.

As of the date of the report, Mr. Shimon was allotted 45,486 options and 4,053 restricted share units contingent upon the achievement of operational objectives.

Mr. Shimon's employment contract was drawn up for an indefinite period, and each of the parties may terminate it by giving 6 months prior written notice to the other party.

Ms. Francesca Toninato, Manager of 7 For All Mankind Operating Segment

Ms. Francesca Toninato began working at the Company in January 2018; below are the key terms of her employment:

Ms. Toninato's gross annual salary is $550,000

According to her employment contract, Ms. Toninato is entitled to an annual bonus that will not exceed 6 months' salary, and that is based on Company policy and on goals to be set for her by the Company's Compensation Committee and Board of Directors. In 2021, the Company's Compensation Committee and Board of Directors set, with respect to Ms. Toninato, the following goals for receipt of her annual bonus: Meeting the Company's operating profit target (EBIT) (10% of the bonus), meeting the operating profit target (EBIT) of the operating segment (70%) and meeting measurable personal targets (20%). In light of the above and according to the goals set for her, Ms. Toninato is entitled to a bonus of $221,066 for 2021.

As of the date of this report, 25,000 options, conditional on achieving operational objectives, have been allotted to Ms. Toninato.

Mr. Asaf Alperovitz, CFO

Mr. Alperovitz began working at the Company in October 2019; below are the key terms of his employment:

Mr. Alperovitz's gross monthly salary is NIS 100,000.

Mr. Alperovitz is entitled to social benefits as is customary in the Company.

According to his employment contract, Mr. Alperovitz is entitled to an annual bonus based on Company policy and on goals to be set by the Company's Compensation Committee and Board of Directors. The annual bonus Mr. Alperovitz is entitled to will not exceed 6 months' salary. The Company's Compensation Committee and Board of Directors set with respect to Mr. Alperovitz the following goals for receipt of his annual bonus: Meeting the Company's operating profit target (EBIT) (80% of the bonus) and meeting measurable personal targets (20%). According to the goals set for him, Mr. Alperovitz is entitled to a bonus totaling $233,983 for 2021.

As of the date of this report, 105,614 options and 1,965 restricted share units have been allotted to Mr. Alperovitz, conditional on achieving operational objectives.

Mr. Alperovitz's employment contract is for an indefinite period, and each party may terminate it by giving 4 months' prior written notice to the other party.

Mr. Iric Browndorf, SVP of Production and Sourcing at Delta USA

Mr. Browndorf began working at the Company in July 2016; below are the key terms of his employment:

Mr. Browndorf's gross annual salary is $550,000.

Mr. Browndorf is entitled to social benefits and reimbursement of various expenses, as is customary in Delta USA.

According to his employment contract, Mr. Browndorf is entitled to an annual bonus based on the Company's policy and on goals to be determined for him by the Company's Compensation Committee and Board of Directors. Mr. Browndorf's annual bonus will not exceed 6 months' salary. The Company's Compensation Committee and Board of Directors set the following goals for Mr. Browndorf for the purpose of receipt of his annual bonus: Meeting the Company's operating profit target (EBIT) (20% of the bonus), meeting the operating profit target of his unit (60%) and meeting measurable personal targets (20%). According to the goals set for him, Mr. Browndorf is entitled to a bonus of $266,200 for 2021.

As of the date of this report, 13,198 options, and 2,629 restricted share units have been allocated to Mr. Browndorf, conditional on achieving operational objectives.

Company Board of Directors – as of this report, the Company's Directors[1] are entitled to an annual compensation and remuneration for participation to the maximum amounts as per the Companies Regulations (Rules Regarding Remunerations and Expenses for External Directors), 5760 - 2000 ("**the Remuneration Regulations**") according to the Company's grade. The directors are entitled to annual compensation of NIS 112,000 and to remuneration for participation of NIS 4,316 per meeting. The sums in question are linked to the consumer price index.

Gloria Dabah, daughter of the Company's controlling shareholder, GM of Splendid Kids', Ladies' and Men's at a subsidiary company

On January 2, 2017 the general meeting of the Company shareholders approved the new terms of the employment of Mrs. Gloria Dabah, daughter of Mr. Isaac Dabah, the Company's CEO and controlling shareholder, as Vice President Kids' Division DG Premium Brands. Mrs. Dabah's new terms of employment came into effect beginning January 1, 2017, in accordance with the recommendations of the Company Compensation Committee and Board of Directors. For further information on the terms of her employment see Section 3.1 of the complementary report published by the Company on December 28, 2016 (reference no.: 2016-01-092952) and the immediate report on the results of the meeting of January 2, 2017 (reference no.: 2017-01-000970), included herein by way of reference.

On February 14, 2018, the Company's Board of Directors approved an update to Gloria Dabah's job description, changing it to GM of Splendid Kids', Ladies' and Men's, including additional responsibilities, without changing the terms of employment approved by the Company's Audit Committee and Board of Directors. For further information, see the immediate report of February 15, 2018 (reference no.: 2018-010-015496), included herein

1 Excluding Mr. Isaac Dabah, so long as he serves as Company CEO and Mr. Itzhak Weinstock, so long as he serves as a COO of a subsidiary – regarding each of whom different terms of service were set, as detailed in this section above.

by way of reference.

On February 18, 2019 the Compensation Committee and Board of Directors approved a new employment agreement with Mrs. Gloria Dabah, daughter of Mr. Isaac Dabah, the controlling shareholder, as President of Splendid Kids', Ladies' and Men's, whereby her annual salary will stand at, as of April 1, 2020, $350,000, and she will be entitled to an annual bonus of up to 50% of her annual salary, subject to her meeting the goals. Said employment agreement was approved by the General Assembly of the Company shareholders. In 2021, Gloria Dabah's salary was revised by 7% according to the terms of the agreement with her, so that her annual salary amounted to $374,500.

Mrs. Dabah is entitled to an annual bonus based on Company policy and goals to be determined for her by the Company's Compensation Committee and Board of Directors. Mrs. Dabah's annual bonus will not exceed 6 months' salary. The Company's Compensation Committee and Board of Directors set the following goals for Mrs. Dabah for the purpose of receipt of her annual bonus: Meeting the Company's operating profit goal (EBIT) (10% of the bonus) meeting the operating profit target (EBIT) of the operating segment (70%) and meeting measurable personal goals (20%). In light of Mrs. Dabah's compliance with the goals set for her, she is entitled to a bonus of $187,250 for 2021.

Regulation 21a – Control of the Corporation

The Company' controlling shareholder is Mr. Isaac Dabah, holding the Company shares directly and through holdings under his control.

Regulation 22 – Transactions with the Controlling Shareholder

Transactions Listed in Section 270(4) of the Companies Law, 5759 – 1999

Identity of the parties	Description of the transaction	Identity of the authorizing body approving the transaction and approval date
Delta USA and Mrs. Gloria Dabah, daughter of the Company's controlling shareholder	On February 18, 2019 the Compensation Committee and Board of Directors approved a new employment agreement with Mrs. Gloria Dabah, daughter of Mr. Isaac Dabah, the Company's controlling shareholder, as President of Splendid Kids', Ladies' and Men's, whereby her annual salary will stand at, as of April 1, 2019, $350,000, and she will be entitled to an annual bonus of up to 50% of her annual salary, subject to her meeting the goals. The new employment agreement is subject to the approval of the general meeting of the Company shareholders that will be convened pursuant to the provisions of the law.	The Company Board of Directors Compensation Committee and – February 18, 2019
	Approval of Ms. Dabah's terms of employment in a subsidiary for a period of three years from January 1, 2017. On February 14, 2018, the Company's Board of Directors approved an update of Gloria Dabah's position to that of GM of Splendid Kids', Ladies' and Men's (for further details see Regulation 21 above)	The Company Board of Directors – February 14, 2018 regarding the change of her position; The General Assembly – January 2, 2017; The Company Board of Directors – November 15. 2016; The Compensation Committee – November 15. 2016
The Company and Mr. Isaac Dabah, Controlling shareholder in the Company, Director and CEO	Approval of the terms of employment of Mr. Dabah as Company CEO for three years from January 1, 2019 (for further information see Regulation 21 above), which includes the granting of letters of indemnification and amendment of the remuneration policy with respect thereto.	The General Assembly – December 5, 2018; The Company Board of Directors – October 17, 2018; The Compensation Committee – October 11, 2018.
	Approval of the terms of employment of Mr. Dabah as Company CEO for a period up to December 31, 2022 (for further information see Regulation 21 above), which includes the granting of letters of indemnification and amendment of the remuneration policy with respect thereto.	The General Assembly – January 28, 2021; The Company Board of Directors – December 21, 2020; The Compensation Committee – November 22, 2020.
	Approval of the granting of a letter of exemption to Mr. Isaac Dabah (for further information see Regulation 29a below).	The General Assembly – January 28, 2021; The Company Board of Directors – December 21, 2020; The Compensation Committee – November 22, 2020.

Regulation 24 – Holdings of Stakeholders and Senior Executives

For details regarding shares and securities held by interested parties and by senior officers at the Company, see the immediate report dated January 7, 2021 (ref. no. 2021-01-003189), included herein by way of referral.

For details regarding the treasury shares held by the Company, see the immediate report dated January 9, 2022 (ref. no. 2022-01-004612).

Regulation 24a – Registered Capital, Issued Capital and Convertible Securities

For details regarding registered capital, issued capital and convertible securities, including options and restricted shares granted to Company employees; see Note 14 to the Financial Statements in Chapter C of this periodic report.

Regulation 24b – Register of the Corporation's Shareholders will be Updated

For details regarding the register of the corporation's shareholders, see the immediate report dated January 9, 2022 (ref. no. 2022-01-004603), included herein by way of referral.

Regulation 25a – The Corporation's Registered Address and Details

Address: 45 Ha'eshel St., Caesarea Industrial Park, 3088900 Israel

Telephone no: +972-76-817-7009; Fax: +972-76-817-7280

Email: asaf.alperovitz@deltagalil.com

Website: www.deltagalil.com

Regulation 26 – Corporate Directors as of the Report Date

a. Members of the Board of Directors

Director's Name		ID number	Address			Date of Appointment		
Last Name	First Name		City	Street	House no.	Year	Month	Day
Lautman	Noam	24407280	Tel Aviv	Dubnov	33	01	11	30
Dabah	Isaac	054907852	New York, USA	Park Avenue	2	05	11	15
Baum	Israel	005172796	Rishon Letzion	Ein Hakoreh	22	05	12	26
Weinstock	Itzhak	6139265	New Jersey, USA	Harmon Plaza	1	07	10	21
Carmon	Tzipora	051528933	Savyon	Hatichon	9	09	10	20
Hunter	Richard	011179538	Ra'anana	Deganya	18	18	10	21
Sherf	Shlomo	030223549	Tel Aviv	Rothschild	1	18	10	21
Gazit	Rinat	024441628	Tel Aviv	Bnei Moshe	16	18	10	21
Gold	Yehoshua	051744415	Tel Aviv	Emil Zola	28	18	12	05

b. Additional information regarding Board Members

Director's Name – Chairman of the Board of Directors	Noam Lautman
ID number	24407280
Citizenship	Israeli
Date of birth	April 16, 1969
Address for service of court documents	33 Dubnov St., Tel-Aviv, Israel
Date of commencement of office	November 30, 2001
Membership of Board committee/ committees	No
External or independent director	No
Established as having accounting and financial competency or professional qualifications	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation over the past five years	**Education:** 2000 – M.B.A. – New York University 1995 – B.Sc. – Mathematics and Computer Sciences – Tel-Aviv University **Employment:** 2006 – to date – 2gether Capital Ltd – CEO
Other corporations in which he serves as a director	Babcom Centers Ltd, Adinoam Properties Ltd, N.D.R.L Investments 1998 Ltd, Shefa Media, Delta Israel brand LTD
Family member of another interested party in the corporation	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director's Name - CEO and Director Responsible for the market risks management in the Company	Isaac Dabah
ID number	054907852
Citizenship	Israeli; American
Date of birth	August 11, 1957
Address for service of court documents	2 Park Avenue, New York, NY, USA
Date of commencement of office	November 15, 2005
Membership of Board committee/ committees	No

Director's Name - CEO and Director Responsible for the market risks management in the Company	Isaac Dabah
External or independent director	No
Established as having accounting and financial competency or professional qualifications	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	Yes – Company CEO; and the person responsible for market risk management at the Company
Education and occupation over the past five years	**<u>Education</u>**: Attended Baruch College of the City University of NY **<u>Employment</u>**: 2008 – to date – Company CEO
Other corporations in which he serves as a director	Subsidiaries: Delta Galil USA Inc. Delta Textile (London) Ltd. , Schiesser AG (Supervisory Board) , Delta Textile Egypt SAE , Garment Co. Ltd. Thai Progress, Delta Israel Brands Ltd.
Family member of another interested party in the corporation	Yes
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director's Name – COO of Delta USA and Company Director	Itzhak Weinstock
ID number	6139265
Citizenship	Israeli; American
Date of birth	November 25, 1946
Address for service of court documents	1, Harmon Plaza, NJ, USA
Date of commencement of office	October 21, 2007
Membership of Board committee/ committees	No
External or independent director	No
Established as having accounting and financial competency or professional qualifications	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	Chief Operating Officer at subsidiary (Delta Galil USA) starting January 1, 2011
Education	CPA – Certified Public Accountant M.B.A. – Columbia University
Other corporations in which he serves as a director	No
Family member of another interested party in the corporation	No

Director's Name – COO of Delta USA and Company Director	Itzhak Weinstock
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director's Name	Tzipora Carmon
ID number	051528933
Citizenship	Israeli
Date of birth	December 7, 1952
Address for service of court documents	9 Hatichon St., Savyon, Israel
Date of commencement of office	October 20, 2009
Membership of Board committee/ committees	Compensation Committee
External or independent director	No
Established as having accounting and financial competency or professional qualifications	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation over the past five years	**Education**: M.B.A. – International Marketing and Trade – UCLA, California B.A. – Sociology and Education – Hebrew University of Jerusalem **Employment**: 1993 – to date – Manager and owner of T.C. Export
Other corporations in which she serves as a director	Azrieli Group Ltd.
Family member of another interested party in the corporation	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director's Name	Israel Baum
ID number	005172796
Citizenship	Israeli
Date of birth	January 24, 1938
Address for service of court documents	22 Ein Hakoreh St., Rishon Letzion, Israel
Date of commencement of office	December 26, 2005
Membership of Board committee/ committees	No
External or independent director	No

Director's Name	Israel Baum
Established as having accounting and financial competency or professional qualifications	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation over the past five years	**<u>Education</u>**: B.Sc. – Production Engineer - Temple University, Philadelphia **<u>Employment</u>**: Provided consulting services to the Company until 2012
Other corporations in which he serves as a director	No
Family member of another interested party in the corporation	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	No

Director's Name	Rinat Gazit
ID number	024441628
Citizenship	Israeli
Date of birth	July 27, 1969
Address for service of court documents	16 Bnei Moshe St., Tel Aviv
Date of commencement of office	October 21, 2018
Membership of Board committee/ committees	Committee for Approval of Financial Statements, Audit Committee
External or independent director	Independent Director
Established as having accounting and financial competency or professional qualifications	Yes, has accounting and financial expertise
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation over the past five years	**<u>Education</u>**: M.Sc. in Business Administration, Recanati School of Business Administration, Tel Aviv University; B.A. in Political Science and Sociology and Anthropology from the University of Haifa. **<u>Employment</u>**: Advising in the field of mergers and acquisitions for international companies such as: Ormat Technologies, Magal Security Systems, GP Minerals and TSC Capital.
Other corporations in which she serves as a director	Melisron Ltd The Edmond Benjamin de Rothschild Property Corporation (2001) Ltd.; The Edmond

Director's Name	Rinat Gazit
	Benjamin de Rothschild Caesarea Development Corporation Ltd.; Vitania Real Estate Ltd.; Alium Medical Ltd.; Ratio Petroleum Energy – Limited Partnership; Panaxia Israel, Manara Ventures
Family member of another interested party in the corporation	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	Yes

Director's Name - External Director	Shlomo Sherf
ID number	030223549
Citizenship	Israeli
Date of birth	September 10, 1949
Address for service of court documents	1 Rothschild Blvd., Tel Aviv
Date of commencement of office	October 21, 2018
Membership of Board committee/ committees	Audit Committee, Compensation Committee, Committee for Approval of Financial Statements
External or independent director	Yes
Established as having accounting and financial competency or professional qualifications	Yes
Expert external director	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation over the past five years	**Education**: B.Sc. in Mechanical Engineering - Ben Gurion University **Employment**: 2011-2013 CEO of the Azrieli Group Ltd. 2006-2010 CEO of Electra Real Estate Ltd.
Other corporations in which he serves as a director	External Director at Midroog Ltd.; External Director at Melisron; S. Sherf Ltd.
Family member of another interested party in the corporation	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	Yes

Director's Name - External Director	Shuki Gold
ID number	51744415
Citizenship	Israeli
Date of birth	December 24, 1952

Director's Name - External Director	Shuki Gold
Address for service of court documents	28 Emil Zola St., Tel Aviv
Date of commencement of office	December 5, 2018
Membership of Board committee/ committees	Audit Committee, Committee for Examination of Financial Statements**,** Compensation Committee,
External or independent director	External Director
Established as having accounting and financial competency or professional qualifications	Yes
Expert external director	No
Position as employee of the corporation, a subsidiary, an associate or an interested party	No
Education and occupation over the past five years	**Education**: B.A. in Economics majoring in Business Administration, Ben Gurion University of the Negev. M.A., M.Sc. in Economic Management, Ben Gurion University of the Negev. **Employment**: Chairman of OPC Rotem Ltd. (until 2016); Executive Vice Chairman of IC Power Ltd. (until 2016); Owner of NPV Economic Consulting Ltd. (until July 2018).
Other corporations in which he serves as a director	None
Family member of another interested party in the corporation	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	Yes

Director's Name - External Director	Richard Hunter
ID number	011179538
Citizenship	Israeli
Date of birth	August 24, 1969
Address for service of court documents	18 Deganya St., Ra'anana
Date of commencement of office	October 21, 2018
Membership of Board committee/ committees	Audit Committee, Committee for Examination of Financial Statements**,** Compensation Committee,
External or independent director	External Director
Established as having accounting and financial competency or professional qualifications	Yes, has accounting and financial competency
Expert external director	No
Position as employee of the corporation, a	No

Director's Name - External Director	Richard Hunter
subsidiary, an associate or an interested party	
Education and occupation over the past five years	**Education**: LL. B. Graduate of Law at the College of Management, Rishon LeZion; MBA from Insead. **Employment**: CEO of McCann Tel Aviv (2012-2015) Chairman of the Board of Holmes Place (a public company). Partner in the Green Lantern Group and has invested through it in various companies.
Other corporations in which he serves as a director	Icon Fitness Israel Ltd., Dizengoff Club Ltd.; Green Lantern HP Israel 1 Limited Partnership; Green Lantern Consultants 2 Ltd; Green Lantern Management Ltd; Green Lantern Management 2 Ltd., Green Lantern Management Ltd.; Gal Heatid Ltd.; Middle East Automobile Agency Ltd., Holmes Place Ltd.; Gad Dairies Ltd.; Partner Communications Ltd.; Palco Ltd.; Yarkon Club Ltd.; Trigo Vision Ltd.
Family member of another interested party in the corporation	No
Director with accounting and financial expertise for the purpose of upholding the minimum number set by the Board of Directors?	Yes

Regulation 26a – Senior Officers in the Company[2]

Name of Senior Officer	Victoria Vandagriff
ID number	506672486
Date of birth	August 29, 1967
Date of commencement of office	September 2011
Position in the company, in a subsidiary or in an interested party therein	Manager of the Brands Division at Delta USA
Education and occupation in past five years	**Education**: B.S Fashion Institute of Technology **Employment**: Manager of the Branded business units at Delta Galil USA Inc.
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Steve Moore

[2] Excluding officers whose tenure has ended prior to the report date.

Name of Senior Officer	Steve Moore
ID number	524323447
Date of birth	November 8, 1970
Date of commencement of office	July 15, 2019
Position in the company, in a subsidiary or in an interested party therein	President of the Mass Market Unit at Delta USA
Education and occupation in past five years	**Education**: B.S from Michigan State University MBA Wake Forest University **Employment**: Gildan VP of Sales August 2016 – July 2019 Hanes VP of Sales prior to August 2016
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Francesca Toninato
ID number	YB4195453
Date of birth	July 12, 1977
Date of commencement of office	January 29, 2018
Position in the company, in a subsidiary or in an interested party therein	Manager of 7 For All Mankind Operating Segment
Education and occupation over the past five years	**Education**: B.A. in Business Administration from Bocconi University in Milano Bilingual MBA from IESE University in Barcelona **Employment**: Diesel – Global Director of Licensing Business October 2014 – January 2018
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Yossi Hajaj
ID number	023543572
Date of birth	June 15, 1968
Date of commencement of office	October 28, 2015
Position in the company, in a subsidiary or in an	Deputy CEO and COO

Name of Senior Officer	Yossi Hajaj
interested party therein	Director of a number of subsidiaries
Education and occupation over the past five years	**Education**: Certified Public Accountant B.A. in Accounting and Economics – Tel-Aviv University **Employment**: 2004 to 2015 – Company CFO
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Asaf Alperovitz
ID number	024933285
Date of birth	March 3, 1970
Date of commencement of office	October 22, 2019
Position in the company, in a subsidiary or in an interested party therein	Chief Financial Officer Responsible for management of market risk associated with exchange rates and interest Director in a number of subsidiaries
Education and occupation over the past five years	**Education**: Business Administration certification – Tel Aviv University B.A. in Accounting and Economics – Tel Aviv University **Employment**: 2012 to 2019 - CEO of Allium Medical Solutions Ltd.
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Inbar Schwartz
ID number	025086612
Date of birth	November 25, 1972
Date of commencement of office	August 24, 2014
Position in the company, in a subsidiary or in an interested party therein	SVP of Business Development
Education and occupation over the past five years	**Education**: Law degree – Harvard Law School B.A. in History – Columbia College

Name of Senior Officer	Inbar Schwartz
	Employment: 2009 to 2014 – Director – Fishman Thermal Technologies
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Miki Laxer
ID number	024557480
Date of birth	October 24, 1969
Date of commencement of office	October 20, 2015
Position in the company, in a subsidiary or in an interested party therein	VP of Finance, Director at a number of subsidiaries
Education and occupation over the past five years	**Education**: Certified Public Accountant M.B.A. – Tel-Aviv College of Management B.A. – Accounting and Business Education – Tel-Aviv College of Management **Employment**: 2004 to 2015 – Company Accountant and Secretary
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Yaniv Benedek
ID number	43056407
Date of birth	April 18, 1981
Date of commencement of office	October 20, 2015
Position in the company, in a subsidiary or in an interested party therein	VP Global Tax and CFO at Delta Israel Brands Ltd.
Education and occupation over the past five years	**Education**: Certified Public Accountant Certification in Business Administration – Tel-Aviv University B.A. in Accounting and Economics – Hebrew University of Jerusalem **Employment**: Starting October 2015 – Company Controller 2011 to 2015 – Deputy Company Controller

Name of Senior Officer	Yaniv Benedek
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Einat Menachem Amitay
ID number	028666857
Date of birth	July 27, 1971
Date of commencement of office	April 7, 2014
Position in the company, in a subsidiary or in an interested party therein	SVP Human Resources
Education and occupation over the past five years	**Education**: M.B.A – Ben Gurion University B.A. – Education and Literature – Tel-Aviv University **Employment**: 2012 to 2014 – Senior VP of Human Resources – Ness Technologies
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Adi Nov
ID number	057973562
Date of birth	October 4, 1963
Date of commencement of office	July 25, 2021
Position in the company, in a subsidiary or in an interested party therein	SVP of Information Systems
Education	Graduate of The Technion – Faculty of Mechanical Engineering
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of senior officer	Gil Shimon
ID number	022459655
Date of birth	July 3, 1966
Date of commencement of office	February 7, 2017
Position in the company, in a subsidiary or in an interested party therein	Manager of the Private Label Operating Segment
Education	B.A. in Economics and Business Administration – Haifa University

Name of senior officer	Gil Shimon
Employment	July 2013 to January 2017 – CEO of Tefron March 2013 to June 2013 – CEO of the Garden Warehouses Division at Keter Plastic
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Name of Senior Officer	Moshe Cohen
ID number	51209971
Date of birth	April 3, 1952
Date of commencement of office	January 27, 2013
Position in the company, in a subsidiary or in an interested party therein	Internal Auditor
Education and occupation over the past five years	**Education**: Certified Public Accountant B.A. in Economics and Accounting – Tel Aviv University. **Employment**: 2003 – to date – senior partner at Chaikin Cohen Rubin & Co.
Interested party in the Company or family member of interested party or other senior officer in the Company	No

Regulation 26b – Independent Authorized Signatory

The Company has no independent authorized signatories except in the case of the execution of non-disclosure agreements.

Regulation 27 – The Company's Auditors

Auditor's Name: PWC Israel (Kesselman and Kesselman)

Office Address: 146 Menachem Begin Way, Tel Aviv, Israel

Regulation 28 – Changes to Memorandum of Association or Articles of Association

In the report year, no change was made in the memorandum or in the articles of association.

Regulation 29 – Recommendations and Decisions by the Board of Directors; Resolutions of the Special General Assembly

Following are the resolutions of the special General Assembly during or after the report period:

On January 28, 2021, an annual general meeting was held of the Company's shareholders, and on the agenda: (a) the reappointment of directors serving in the Company (who are not external directors), Messrs. Noam Lautman, Isaac Dabah, Itzhak Weinstock, Tzipora Carmon, Israel Baum, Rinat Gazit and Richard Hunter, for an additional period up to the end of the first annual general meeting following the appointment; (b) the reappointment of the of PWC Israel Auditing firm (Kesselman and Kesselman) as the Company's auditing accountant up to the date of the next annual general meeting of the Company; (c) a discussion of the Company's Financial Statements and Board of Directors' Report for the year ending December 31, 2020; (d) approval of the terms of office and employment of the Company's CEO, director and controlling shareholder of the Company, and amendment of section 5 of the Remuneration Policy; (e) amendment of the Remuneration Policy; (f) granting a letter of exemption to all officers in the Company except for its controlling shareholder; (g) granting a letter of exemption to Mr. Isaac Dabah, the Company's CEO, director and controlling shareholder. All resolutions put to the vote were approved. For further information, see the immediate report on the convening of the meeting of December 23, 2020 (reference: 2020-01-131575) and the immediate report on the outcome of the meeting dated January 23, 2021 (reference: 2021-01-011611) included herein by way of reference.

For details regarding the Company's Board of Directors' approval regarding the distribution of dividends during and after the report period see the Board of Directors' Report.

On August 23, 2021, the Company made a full early redemption of the Company's debentures (Series B). For further details, see the Company's report dated August 9, 2021 (reference: 2021-01-129021).

Regulation 29a – Corporate Decisions

Following are the Company's resolutions regarding exemptions, insurance or undertaking for the indemnification of officers, in effect on the reporting date:

Directors' and Officers' Liability Insurance Policy

In accordance with the revised remuneration policy for Company officers, without derogating from the provisions of the law, the Compensation Committee shall be entitled to approve, from time to time and as long as the remuneration policy is in effect, the Company's engagement in an insurance policy to cover the liability of all Company officers, including directors (and including officers and directors who are controlling shareholders in the Company), provided the annual coverage included in the policy for a specific year will be up to $50 million, the deductible does not exceed $300,000 and the premium does not exceed $250,000 per annum.

In accordance with the above, the Company has a policy covering the liability of directors and officers serving in it and in its subsidiaries. The policy has a liability limit of $20 million, for any insurance event and in aggregate for the insurance period. The insurance period ends July 31, 2022. The total annual premium for said policy is approximately $75,000.

Indemnity for Directors and Officers

On January 2, 2017 the Company's General Assembly approved, after receiving the approval of the Compensation Committee and the Board of Directors, the re-issuance of the letters of undertaking to indemnify Company Directors and Officers serving in the Company from time to time, including Company directors and officers who are controlling shareholders in the Company or are related to them, according to the wording of the letters of indemnification which were attached as an appendix to the report on the convening of the meeting of December 28, 2016 (ref. no. 2016-01-092952).

On December 5, 2018, the terms of employment of Mr. Isaac Dabah as CEO of the Company were approved for a period of three years from January 1, 2019, which included the granting of letters of indemnification. On January 28, 2021, the terms of employment of Mr. Isaac Dabah as CEO of the Company were approved until December 31, 2022, which included the granting of letters of commitment for indemnification (for further details, see Regulation 21 above).

Exemption for Directors and Officers

On January 28, 2021, the Company's general meeting approved, after approval by the Compensation Committee and the Board of Directors, the grant of letters of exemption to the Company's directors and officers, including the controlling shareholder in the Company, in the form of the letters of exemption attached as appendixes to the letter convening the assembly of December 23, 2020 (reference: 2020-01-131575).